



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

2022

Interim Report

*Innovate for a
Green Life*



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IMPORTANT NOTICE

- (I) The Board, the supervisory committee and the directors, supervisors and senior management of the Company warrant that the contents contained herein are true, accurate and complete. There are no false representations or misleading statements contained in or material omissions from this report, and they will jointly and severally accept responsibility.**
- (II) Due to other official affairs, XIAO Shengfang (a director) authorised SONG Tiebo (a director) to attend the Board meeting on his behalf.**
- (III) The interim financial report of the Company is unaudited. The Audit Committee of the Company has reviewed the unaudited interim results of the Company for the six months ended 30 June 2022 and agreed to submit it to the Board for approval.**
- (IV) Zeng Qinghong, the person in charge of the Company and Feng Xingya, the General Manager of the Company, Wang Dan, the person in charge of accounting function and Zheng Chao, the manager of the accounting department (Chief Accountant), warrant the truthfulness, accuracy and completeness of the financial statements contained in this report.**
- (V) The Board proposed payment of interim dividend of RMB0.6 (tax inclusive) in cash for every 10 shares to all shareholders.**
- (VI) The forward-looking statements contained in this report regarding the Company's future plans and development strategies do not constitute any substantive commitment to investors and investors are reminded of investment risks.**
- (VII) There is no non-operational appropriation of the Company's funds by its controlling shareholder and its related parties.**
- (VIII) The Company has not provided any third-party guarantees in violation of stipulated decision-making procedures.**

Chairman's Statement



Chapter 1

CHAIRMAN'S STATEMENT



ZENG Qinghong *Chairman*

Dear shareholders,

During the first half of the year, various risks and challenges dramatically multiplied in the intricate domestic and foreign environment where the COVID-19 pandemic frequently resurged, the shortfall of supply was aggravated and the downward pressure of market intensified. Confronted with the daunting challenges alongside the ordeals, the Group seized every minute without being distracted and strained every nerve to maintain and stabilise our supply by way of replenishment production and capacity expansion. By virtue of the joint and unremitting efforts of all the staff, the Group's vehicle production and sales volume achieved substantial growth despite unfavourable circumstances, with the product portfolio, brand value, marketing system as well as the ability of operating management, R&D and manufacture remarkably optimised and upgraded. 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 maintain and stabilise our supply, while production and operation sustained growth against the unfavourable trend.

Suffering from the pandemic, the supply of certain components once fell into stagnation in April. The Group simultaneously reinforced both its internal comprehensive control and external communication and coordination, making all-out efforts to promote the work and production resumption of the enterprises along the industry chain and the supply chain. Benefiting from the product portfolio optimisation, the adjustment on the frequency of introducing new arrivals, the acceleration of digital transformation as well as the active market exploration, our production and sales volume have been significantly restored since May. Whilst domestic automobile industry experienced a downturn with production and sales volume shrinking 3.7% and 6.6% year-on-year, the production and sales volume of the Group achieved a compelling increase by 15% and 12% against the

CHAIRMAN'S STATEMENT

unfavourable trend, both of which outperformed the industry by an excess of nearly 19 percentage points, and therefore our production and sale scale soared to the fourth place in the industry. The product power, marketing power and brand power of the Group have been further enhanced, among which the sales volume of GAC Trumpchi gradually stabilised and upturned with a year-on-year increase of 14.3%; the sales volume of GAC AION exceeded 100 thousand units with a year-on-year increase of 133.9%, establishing itself firmly in the first quadrant of the domestic new energy vehicles. The Group realised sales revenue of approximately RMB242.782 billion on an aggregate basis, representing an increase of approximately 18.85% as compared with that of the corresponding period of the previous year. The sales revenue of the Group amounted to approximately RMB48.689 billion, representing an increase of approximately 40.83% as compared with that of the corresponding period of the previous year; the net profit attributable to owners of the listed company amounted to approximately RMB6.074 billion, representing an increase of approximately 40.05% as compared with that of the corresponding period of the previous year; the basic earnings per share amounted to approximately RMB0.59, representing an increase of approximately 40.48% as compared with that of the corresponding period of the previous year. GAC was included in the Fortune Global 500 List for the tenth consecutive year, ranking the 186th in 2022. For the purpose of giving practical returns to shareholders, the Board proposed to distribute to all shareholders an interim dividend of RMB0.6 (tax inclusive) for every 10 shares. The total amount of dividends to be distributed is approximately RMB628 million.



Automobile
sales volume

1.1499
million units
↑12.02%



Sales revenue
on an aggregate
basis (RMB)

242.782
billion
↑18.85%



Sales revenue
(RMB)

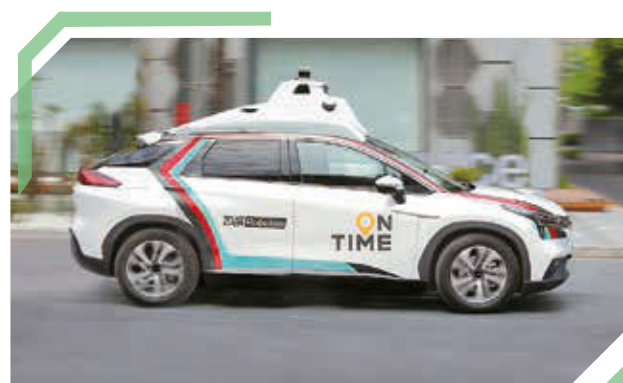
48.689
billion
↑40.83%



Net profit attributable
to owners of the listed
company (RMB)

6.074
billion
↑40.05%

Focused on the “New Four Modernisations” transformation and accelerated technological substantialisation. The Group constantly kept abreast of the technological transformation to seek further breakthrough toward the technological orientation characterised by disruptive and ingenious elements, and to forge its exclusive technological capabilities with the characteristics of GAC. During the first half of the year, the Group recorded 564 new patent



**Unmanned Robotaxi in
demonstrative operation**

CHAIRMAN'S STATEMENT

applications including 262 invention patents, amounting to a total of over 11,000 patent applications including over 4,200 invention patents. In the field of energy conservation and new energy, the Group released the revolutionary compound battery technology described as “new-generation supercharging lithium-iron battery technology empowered by microcrystal technologies”, which have accommodated all-round improvement in battery performance in terms of cell's mass energy density, volume energy density, capacity at low temperature, fast charge, service life, etc; released the Mega Waves Hybrid Modular Architecture adopting platform-based modular designs, which were available for assembly of the powertrain system self-adaptive to all XEV models (i.e. hybrid models such as HEV and PHEV). In the field of ICV, Psi OS, a vehicle-oriented, cross-domain and standardised operating system underpinned by the X-Soul, was further self-developed, which enabled the organic integration of central computer, intelligent driving computer and infotainment computer at the software level and supported more efficient operation of the electronic and electrical architecture; ADiGO PILOT intelligent driving system constantly explored more functions and scenarios to realise the full-scenario smart mobility services. L2++ advanced driver assistance system was expected to be equipped onto AION LX for mass production within the year. The self-developed L4 Unmanned Robotaxi has commenced normalised demonstration operation subsequent to which the Group has proactively promoted its commercialisation and launch.

Exerted the guiding role as “supply chain leader” and consummated the industrial ecological layout. As an enterprise dominating the supply chain of ICV and NEV in Guangzhou and supported by the GAC Zhilian New Energy Automotive Industrial Park, the Group has established the world-class NEV & ICV industry cluster stationed in the Greater Bay Area, with Guangzhou as the bellwether. Focusing on the “New Four Modernisations” transformation, the Group has established a special team for the construction of the medium- and long-term industrial chain system of parts and components, accelerated the industrialisation of self-developed key core components, promoted the localisation of production of chips, and dedicated to the capacity improvement of the industrial chain-to-supply chain system. Adhering to the “Dual Carbon” strategic goals, the Group has founded GAC Energy Technology Co., Ltd., constructed the “photovoltaic, storage, charging and swapping” integrated energy replenishment ecosystem and battery recycling ecosystem, conducted researches on the technologies regarding energy storage system, the technologies for smart charging and swapping services as well as relevant product development and application which reflected the collaborative interaction among “vehicles-battery swap station-networking”; the construction of the pilot line for self-developed batteries progressed steadily, the production line for power battery utilisation by echelon was officially put into operation, and the “2⁶ Energy Actions” were implemented successively; the construction of IGBT encapsulation testing project commenced, the independent electric-driven project was officially

CHAIRMAN'S STATEMENT

initiated, and the industrial ecosystem for new energy was refined continuously. The Group gave full play to the function of GAC Capital as an equity investment and financing platform which bridged the cooperation between enterprises, ameliorated the technological constraints occurring in its supply chain. The injection of additional investment into the Yuexin Semiconductor, together with the initiation and establishment of new energy industrial investment fund with RMB1.5 billion raised, have accelerated and guided the development of industry chain layout of ICV and new energy vehicle in Guangzhou.



**GAC Zhilian New Energy
Automotive Industrial Park**

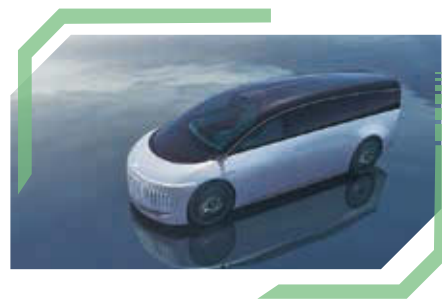
Concentrated on eliminating obstacles during transformation and released the gushing vitality into development. Currently, the Group has fulfilled the three-year action for the reform of state-owned enterprises, as well as the in-depth implementation of “Double-Hundred Reform” tasks ahead of schedule, and accumulated fruitful achievements in motivating the significant but intractable reform tasks including the tenure system and contractual management, the reforms of professional managers, and the reform of three systems. Meanwhile, the Group attended the “Mobilisation Meeting for the Three-year Action of State-owned Enterprise Reform by the State-owned Assets Supervision and Administration Commission of the State Council” to propagate its examples of case as an outstanding enterprise representative. The Group advocated the principle “symbiosis between breakthrough and revitalisation” while selecting and appointing the executives, according to which 8 professional managers have been engaged through a combination of renewal and open recruitment. In compliance with the principles of rigid reward and market-oriented distribution, the Group revised the administrative measures governing the remuneration appraisal on professional managers, so as to further enhance the level of remuneration marketisation and differentiation. The Group has made new breakthroughs in the mixed ownership reform in investment enterprises, distributed the equity incentives to employees of GAC AION, entitled the GAEI technical personnel to hold the equity of GAC AION in the way that “employees of parent company hold the equity of subsidiaries”, and synchronously attracted strategic investors, which in turn established the risk-bearing and benefit-sharing mechanism among employees and the enterprise. The Group will actively give impetus to the share reform and Series A fund raising for GAC AION, seek policy-induced strategic investors which could impose market influence and industrial synergy to boost its development, and apply for spin-off at the appropriate place in due course when the right opportunities arise.

CHAIRMAN'S STATEMENT

Affected by the COVID-19 pandemic and the Russia-Ukraine conflict, the international environment witnessed growing complexity and severity in the first half of the year where the deglobalisation trend constantly manifested. Notwithstanding Chinese economy suffered from the adverse impacts, the country promulgated a series of responsive regulatory policies in a timely manner to effectively stabilise consumer sentiment and relieve the enterprises encompassed by pressure, and thereby the economy gained its momentum for continuous recovery. Intertwined with the combined effects of the turbulent situation and the pandemic unprecedented in a century, together with the Russia-Ukraine conflict, the function division of global industrial chain has experienced profound adjustments, and the operation of the global industrial chain has undergone intensive changes. The development of China automobile industry has witnessed the significant strategic adjustments and opportunities unseen in a century. New energy vehicles have entered a new stage of high-speed development from policy-driven to market-oriented, the restructuring of the industry chain and supply chain has expedited, and corporate competition has shifted to cluster competition and ecosystem competition. Whether or not an enterprise possesses own innovative core technologies will serve as the decisive factor for the growth and even its survival. In spite of the sound development momentum of the Group currently, clear minds and strategic willpower are still required to overcome shortcomings, improve weaknesses, lay a solid foundation and foster strengths, so as to consolidate the strengths and empower our transformation.

2022 is the crucial year for the development of the "14th Five-Year Plan". In the first half of the year, we have recorded hard-earned results; in the second half of the year, we will continue to place emphasis on the development and planning of the "14th Five-Year Plan" and the goals of the annual operational plan, seize the opportunities along the upward trend and strive for the goal of a 15% year-on-year growth in automobile production and sales volume for the whole year.

To reinforce our product power, marketing power and brand power by adhering to the market-oriented and customer-centric principles. Focusing on the two strategic goals of "XEV+ICV" and "EV+ICV", the Group will implement product strategy of "smart appearance+cost-effective leadership", continue to complete lifecycle maintenance and dynamic supervision of product competitiveness for models of full series, and optimise its product layout by centralising cutting-edge resources to brand its major models and cultivate more star models. In terms of innovation of marketing and service system, the Group will accelerate transformation from customer service to customer operation, expedite digital transformation, dedicate to the continuing operation customised for users from private sector, deepen the reform of high-value marketing, and reshape the brand and product value in reliance on technological innovation.



| **Concept vehicle SPACE** |

CHAIRMAN'S STATEMENT

To continually enhance internal innovation in order to secure independent and controllable core technologies. From the perspective of the Group's survival and development, the Group will enhance long-term, medium-term and short-term R&D and corresponding planning for core components, particularly prioritising the overall arrangement of technological innovation based on the industry chain "ICV+EV+HEV" as the orientation. By intensifying the R&D and industrialisation of NEV "Three Electric" core technologies, the Group will possess a series of key core technologies of ICV and NEV. By further ramping up R&D planning on and capital injection to the core technologies, the Group will invent more original technologies and source technologies to serve national strategies and enterprise development.

To perform the sustainable "chain master" function for the purpose of establishing a world-class automotive industry cluster. The Group will unremittingly pursue the "New Four Modernisations" transformation and upgrade, aiming for driving the construction of the ICV & NEV industry cluster stationed in the Greater Bay Area. The Group will formulate a list of additional nominated enterprises available for the medium- and long-term industry chain and supply chain of the Group, pursuant to which independent R&D, JV cooperation and M&A investment shall be vigorously pushed forward subject to the differentiated conditions of components. Leveraging on GAC Capital's role as the platform to guarantee the security and stability of corporate supply chain and improve the pre-investment financing and post-investment empowerment in the key projects which could strengthen the product competitiveness of the Group, the Group will unceasingly consummate the layout of its ICV & NEV industry chain along the upstream and downstream. Taking the GAC Zhilian New Energy Automotive Industrial Park as the cornerstone, the Group will deepen the strategic cooperation with partners including Huawei, Tencent and iFLYTEK to co-construct the ecosphere of automotive industry and an unprecedented industry chain-to-supply chain ecosystem, which shall characterise Guangzhou as a tera-scale "City for Intelligent Vehicle" with international competitive strengths.

To make persistent efforts to facilitate reform and trigger enterprise vitality. Comprehensive summary of experience from the three-year action for reform of state-owned enterprises will be conducted, especially for the "three system" reforms. The demonstration effect of typical cases will drive the in-depth reform, which will in turn promote more mature and stereotyped institutional system in all aspects. By adhering to the principle of "being capable of promoting and demoting officers, engaging and dismissing employees, and raising and reducing income", the Group will implement tenure system and contractual management among the cadres of subordinate enterprises comprehensively, and orderly execute the performance-based appointment mechanism for administrative staff. The Group will strengthen the incentive mechanism for vital talents, proactively and properly deepen the mixed ownership reform by hierarchies and categories, attach emphasis to the transformation mechanism of mixed-reform enterprises, and stimulate the vitality of various elements during the mixed-ownership reform where core talents thrive. The Group will make adequate and appropriate utilisation of the share incentive schemes of listed company to explore diversified motivators in the mid- and long-term, which is conducive to the retention and attraction of key core talents.

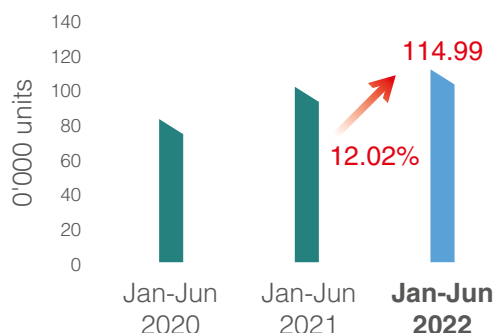
CHAIRMAN'S STATEMENT

This year marks the 25th anniversary of GAC Group. Over the past 25 years, through the dedication of all the staff and the support from shareholders, customers and partners, GAC Group has overcome various obstacles and forged ahead, constantly improving its comprehensive strength and realising a leapfrog development. "Perseverance for a promising future." At a new starting point with the country's top priorities in mind, GAC Group will shoulder the mission of promoting the national automotive industry in respect of market position and consumer perception. In order to assume GAC's responsibilities and demonstrate GAC's earnest on this new journey, the Group will forge ahead with vigour and determination, and embark on a new era of high-quality development.

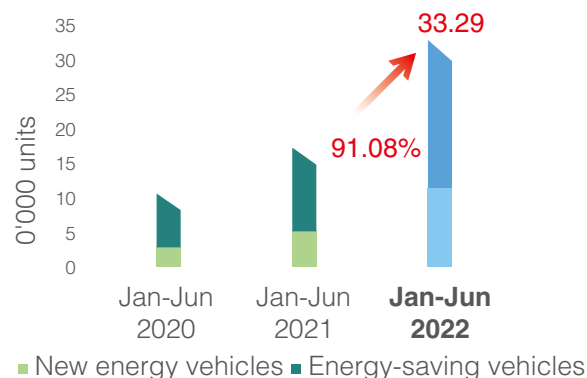


MAIN OPERATING INDICATORS

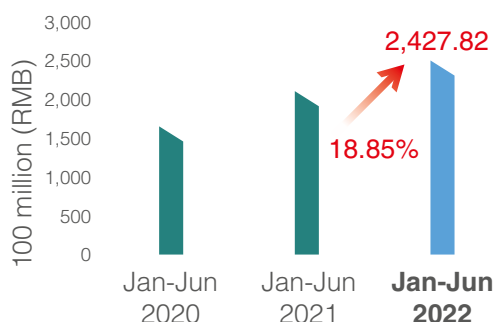
Vehicle sales volume of the Group



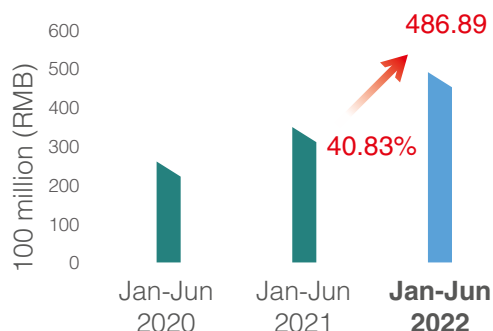
Energy-saving and new energy vehicle sales volume of the Group



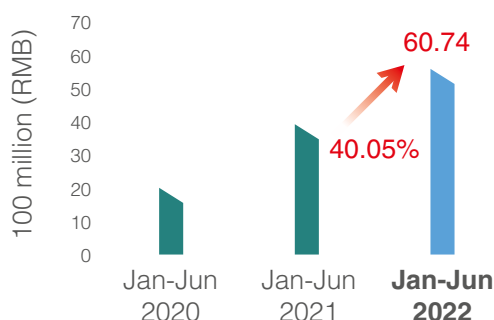
Sales revenue on an aggregate basis



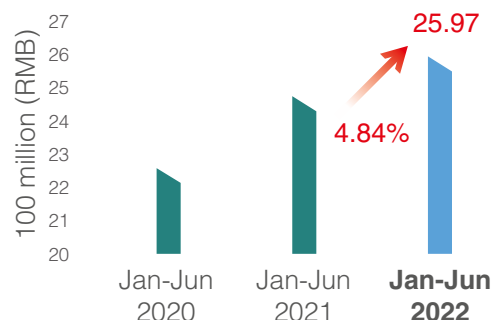
Sales revenue



Net profit attributable to owners of the listed 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
Postal code of the Company's registered office address	510030
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
Head office and 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

Newspapers selected by the Company for information disclosure	China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily
Website designated by the CSRC for publishing the interim report	www.sse.com.cn
Website designated by the Stock Exchange for publishing the interim report	www.hkexnews.hk
Place of inspection of the interim report of the Company	22/F, GAC Centre, 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. SUMMARY OF BUSINESS

The existing principal businesses of the Group consist of research and development, manufacture of 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, which is 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 and GAC Mitsubishi.**

➤ **Products:** The Group's passenger vehicles include 15 series of sedans, 33 series of SUV and 4 series of MPV. During the reporting period,

the Group launched new or facelift models such as GAC AION LX Plus, GAC Toyota Frontlander, Venza (including HEV), GAC Honda e:NP1, GAC Mitsubishi Airtrek, etc.



Fuel-engined vehicle products of the Group mainly include:

- GAC Trumpchi Empow, GS4, GS8, M8, etc.;
- GAC Honda Accord, Integra, Vezel, Fit, Breeze, etc.;
- GAC Toyota Camry, Levin, Wildlander, Yaris L, Frontlander, etc.;
- GAC Mitsubishi Outlander, etc.;

CORPORATE PROFILE AND SUMMARY OF BUSINESS

Energy conservation and new energy products of the Group include:

- GAC Trumpchi GS4 · PHEV, GS8 HEV, etc.;
- GAC AION AION S, AION Y, etc.;
- GAC Honda Accord Sport Hybrid, Odyssey Sport Hybrid, etc.;
- GAC Toyota Camry HEV, Highlander HEV, Levin HEV, Sienna, etc.;
- GAC Mitsubishi Airtrek;

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:** As at the end of the reporting period, the total vehicle production capacity amounted to 3,069,000 units/year.
- **Sales channel:** In order to flexibly respond to market changes, 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”. Centering on the customers’ demand for online consumption, the Group focused on the operational management of new media and construction on digitalisation, constantly launched and optimised its order tools for online direct sales, dedicated to improve the operating efficiency of APPs deployed in various OEMs to provide superior purchasing experience for customers. 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 2,665 passenger vehicle 4S sales outlets covering 31 provinces, counties, autonomous regions and municipalities in the PRC.

(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, GAC International Automobile Sales & Services Co., Ltd., 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 (exports inclusive), 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 accessories for manufacture of vehicles 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

VII. 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 with increasingly mature governance, took the lead in carrying out the 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 industrial 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 mobility service 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. During the reporting period, the construction of GAC AION intelligent ecological factory capacity expansion project (Phase II) and GAC Toyota's new energy vehicle capacity expansion project (Phase II) were completed and put into operation, and the GAC Energy Technology Co., Ltd. was founded, thereby improving the layout of energy ecosystem industry.

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.

CORPORATE PROFILE AND SUMMARY OF BUSINESS

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. During the reporting period, the Group launched new or facelift models such as GAC AION LX Plus, GAC Toyota Frontlander, Venza (including HEV), GAC Honda e:NPI, GAC Mitsubishi Airtrek, etc.

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 demonstration base for talent introduction, 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. Leading independent R&D abilities of NEV and ICV

For the new energy field, the Group has the leading exclusive PEV 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 exclusive PEV platform, and introduced a variety of new energy products to the joint ventures successfully. In the ICV 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 “X-soul” equipped with vehicle-cloud integration were self-developed by the Group. During the reporting period, the Group released the new-generation supercharging lithium-iron battery technology empowered by microcrystal technologies, the updated version of ADiGO Smart Driving and Connected Ecosystem (i.e. ADiGO SPACE and ADiGO PILOT), as well as the Psi OS which was developed based on the X-Soul.

CORPORATE PROFILE AND SUMMARY OF BUSINESS

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.

Discussion and Analysis on Operation



Chapter 3

DISCUSSION AND ANALYSIS ON OPERATION

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

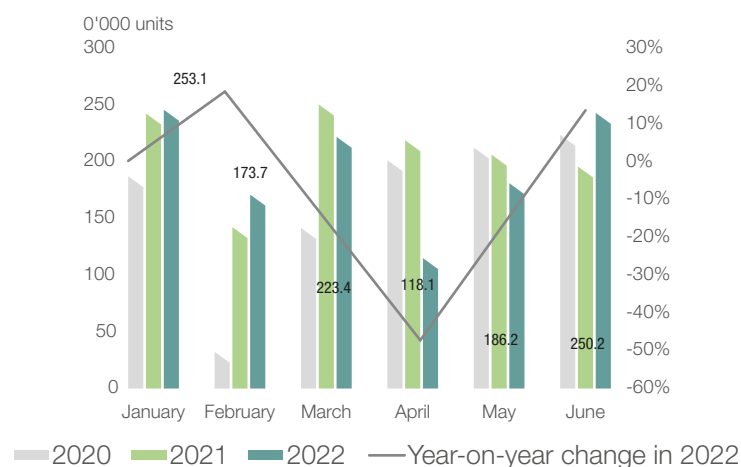


DISCUSSION AND ANALYSIS ON OPERATION

(I) ANALYSIS ON INDUSTRY ENVIRONMENT

Since 2022, under the circumstances of complex and challenging international landscape, worldwide economic growth saw a significant slowdown. Due to unexpected factors in April, the recurring and sporadic pandemic nationwide has brought severe shocks to stable economic operation, with key indicators dropping significantly. As the overall situation of epidemic prevention and control has improved, the resumption of production and work of enterprises progressed in an orderly manner, and a series of measures stabilising growth have shown effects, the supply chain of the domestic automotive industry has fully recovered, and enterprises have been accelerating the pace of production to strive for making up for the loss. The production and sales volume of vehicles from January to June this year simultaneously exceeded 12 million units, and amounted to 12.117 million units and 12.057 million units respectively, representing a decrease of 3.7% and 6.6% as compared with the same period of 2021, respectively, whereas the decrease amplitude has been narrowed down for 5.9 percentage points and 5.6 percentage points as compared with that recorded in the period from January to May of this year, respectively.

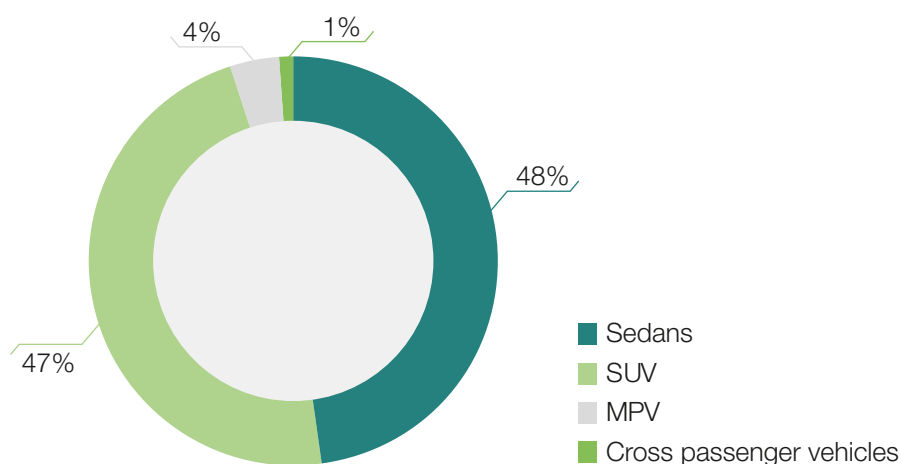
Monthly Automobile Sales Volume in China from 2020 to 2022



Under the effect of unfavourable factors such as pandemic, chip shortage, supply chain disruptions and price increase of raw materials, the domestic production and sales volume of passenger vehicles in the first half of this year still exceeded 10 million units, and amounted to 10.434 million units and 10.355 million units, respectively, representing an increase of 6.0% and 3.4%, as compared to the same period of 2021, respectively.

DISCUSSION AND ANALYSIS ON OPERATION

Market Share of Passenger Vehicles by Models in China

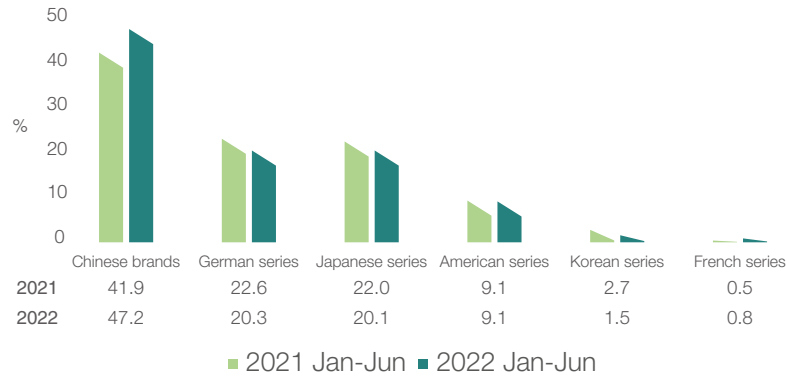


Among the chief varieties of passenger vehicles, the sales volume of sedans exceeded SUV again, and amounted to 4.929 million units, representing a year-on-year increase of 6.1%; the sales volume of SUV recorded 4.889 million units, representing a year-on-year increase of 3.3%; the sales volume of MPV recorded 385 thousand units, representing a year-on-year decrease of 15.6%; and the sales volume of cross passenger vehicles recorded 153 thousand units, representing a year-on-year decrease of 13.6%.

Among the passenger vehicles, 4.891 million units of Chinese brands were sold, representing a year-on-year increase of 16.5%, accounting for 47.2% of the total sales volume of passenger vehicles with increased market share of 5.3 percentage points as compared with the same period last year. Among the major foreign brands, except the shares of French series which increased slightly, the shares of German series, Japanese series, and Korean series all declined, while the market shares of American series maintained at a similar level.

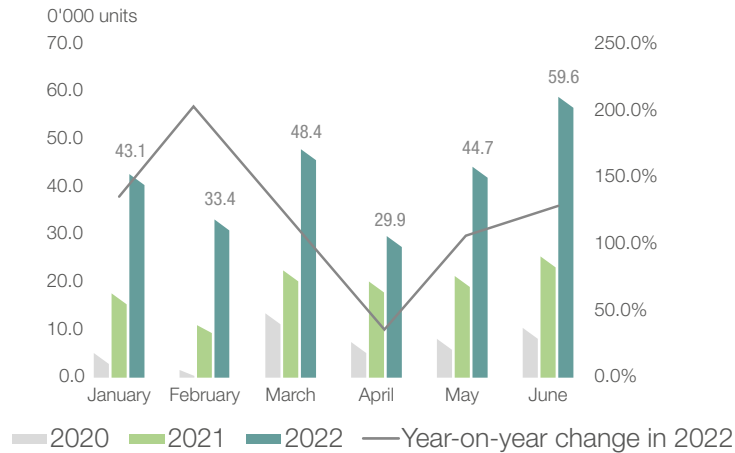
DISCUSSION AND ANALYSIS ON OPERATION

Market Share of Passenger Vehicles by Series in China from January to June 2022



The production and sales volume of new energy vehicles achieved an excellent performance. Between January and June 2022, the production and sales volume of new energy vehicles amounted to 2.661 million units and 2.60 million units, respectively, both representing a year-on-year increase of 1.2 times reaching a market share of 21.6%, the half-year sales volume of which already accounted for 74% of the annual sales volume in 2021.

Monthly Sales Volume of New Energy Vehicles in China



DISCUSSION AND ANALYSIS ON OPERATION

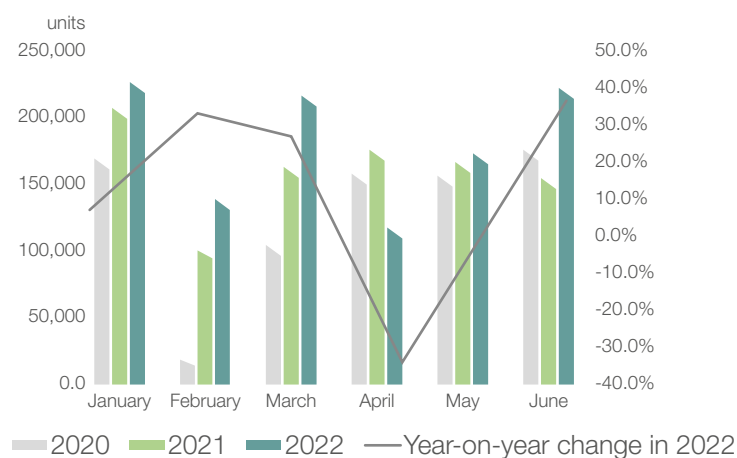
(II) ANALYSIS ON OPERATION OF THE COMPANY

1. Production and operations maintained growth against the adversity

Confronted with the difficulties such as pandemic resurgence and chip shortage, the Group took various measures simultaneously to coordinate the resources, kept abreast of the market trend before implementing comprehensive measures, endeavoured to guarantee and stabilise the supply which in turn achieved substantial growth in operating results despite the adversity. The Group's production and sales volume of vehicles in the first half of 2022 amounted to 1,151.7 thousand units and 1,149.9 thousand units respectively, representing an increase of 15% and 12% year-on-year, respectively prevailing over the industrial average by 19 percentage points. The scale of production and sales soared to the fourth place in the industry, while the domestic market share further increased to 9.54%.

In the first half of 2022, the production and sales volume of the Group's passenger vehicles was 1,151.4 thousand units and 1,149.7 thousand units, respectively, representing a year-on-year increase of 15.16% and 12.21%, respectively, while the domestic market share further increased to 11.10%. In terms of vehicle types, the sales volume of sedans, SUV and MPV increased by 15.33%, 5.78% and 34.60% year-on-year, respectively. The production and sales volume of new energy passenger vehicles continued to maintain rapid growth, and the production and sales volume in the first half of this year was 113.0 thousand units and 113.3 thousand units, respectively, representing a year-on-year increase of 122.30% and 119.86% respectively, while the proportion of energy-saving vehicles further increased, with the production and sales volume in the first half of this year being 226.8 thousand units and 219.6 thousand units respectively, representing a year-on-year increase of 91.37% and 78.99% respectively. During the reporting period, the proportion of sales volume of the Group's energy-saving vehicles and new energy vehicles increased to 28.96%.

Monthly Automobile Sales Volume of GAC Group



DISCUSSION AND ANALYSIS ON OPERATION

2. Self-developed brands accelerated the transformation

Technical routes of products gained further focus. To further implement the integration of research, production and sales among self-developed brands and following the strategy of “smart appearance + leading in cost performance ratio”, GAC Trumpchi adhered to the technical route of “XEV+ICV” and launched innovative Hybrid SUV EMKOO, while EMPOW, second-generation GS8 and other newly launched models last year have enjoyed remarkable market recognition, and M8 has been the top-seller for the luxury brand of Chinese MPV for 33 consecutive months. The production and sales volume of GAC Trumpchi in the first half of this year amounted to 169.4 thousand units and 172.6 thousand units respectively, representing a year-on-year increase of 20.57% and 14.31% respectively. By consolidating the resource advantages of “EV+ICV”, GAC AION launched a high-end flagship model AION LX Plus, equipped with technologies of sponge silicone anode battery and two-gear dual-motor “four-in-one” integrated electric-driven technologies of high performance, it being the first PEV model with cruising range of more than 1,000 kilometers. The production and sales volume of GAC AION in the first half of this year amounted to 99.7 thousand units and 100.3 thousand units respectively, representing a year-on-year increase of 134.51% and 133.88% respectively. AION S and AION Y occupied the first place of the PEV market segment.



| EMKOO |



| AION LX Plus |

Digital transformation facilitated the marketing. The Group focused on promoting the transformation and upgrade of OEMs’ services, gradually transferring from customer services to customer operations and further strengthening after-sales operations. The Group made efforts to enhance APP operations and improve customer loyalty. GAC AION achieved 100% order rate for sales, repair and maintenance of APP. Meanwhile, the Group focused on marketing reform, promoted the upgrade of showrooms in first- and second-tier cities and separation of B/C-ends services in Guangzhou and Shenzhen, and performed new media operation management and digital construction to enhance high-value marketing capabilities.

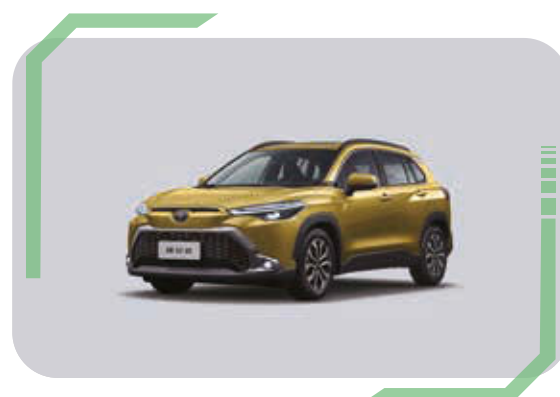
DISCUSSION AND ANALYSIS ON OPERATION

International businesses were constantly promoted. GAC International Automobile Sales & Service Co., Ltd. has been established to further optimise the Group's international development system. With sponsorship to popular sports events, we have increased our brand publicity and launched an overseas mobile travel project in Nigeria to enhance our overseas popularity. In the first half of the year, the self-developed brands accumulated an export of 15,500 units, representing a year-on-year increase of 89%.

3. Joint venture brands continued to make growth



| Venza |



| Frontlander |

In the first half of the year, the vehicle sales volume under the joint venture brands of the Group amounted to a total of 877.1 thousand units, representing a year-on-year increase of 5.34%. In particular, the sales volume under GAC Toyota was over 500 thousand units in the first half of the year, representing a year-on-year increase of nearly 20%, and its share of the domestic passenger car market rose to a record high of nearly 5%. During the reporting period, the joint venture brands have launched new models including GAC Toyota Frontlander, Venza (including HEV), GAC Honda e:NP1, GAC Mitsubishi Airtrek, GAC Toyota Camry, Highlander, Wildlander, Sienna, GAC Honda Accord, Fit, Vezel, Breeze, Odyssey, etc., which continued to occupy the forefront of the market segment. The joint venture brands continued to accelerate the promotion of hybrid models, resulting in a further proportional increase of energy-efficient cars. GAC Toyota sold 151.6 thousand energy-efficient cars in the first half of the year, representing a year-on-year increase of 121.78%. GAC Honda sold 56.5 thousand energy-efficient cars in the first half of the year, representing a year-on-year increase of 3.87%.

DISCUSSION AND ANALYSIS ON OPERATION



| e : NP1 |



| Airtrek |

4. Steady progress of project construction

Passenger vehicle and new energy vehicle capacity expansion project of self-developed brands (intelligent ecological factory of GAC AION) (Phase II) commenced operation in February 2022. The present production capability of GAC AION is 200 thousand units/year. The second factory of GAC AION is steadily progressing in its production capacity construction project, which is scheduled to be completed and put into operation by the end of 2022. The project for manufacturing (pilot line) of self-developed battery cells by GAC AION has commenced construction in March. GAC Toyota new energy vehicle



| **New GAEI R&D Building has been officially put into service** |

capacity expansion project (Phase II) (200 thousand units/year) has been completed and put into operation in June 2022, with production capability of 1 million units/year by GAC Toyota. Hangzhou factory of GAMC has completed its optimising reformation, realising the flexible co-line production of fuel models of GAMC and new energy models of HYCAN Automobile. GAEI Hualong base (Phase III) was officially put into operation. GAC Honda new energy vehicle capacity expansion project with annual production capability of 120 thousand units has commenced construction in May. The projects are progressing as planned, such as production lines transformation project of Factory I Engine (Phase III) of Qisheng Powertrain, construction project of Times GAC Energy Battery (Phase II), new energy integrated electric-driven system project, construction project of GAC Component (Guangzhou) Industrial Park (Phase II) and IGBT encapsulation testing project.

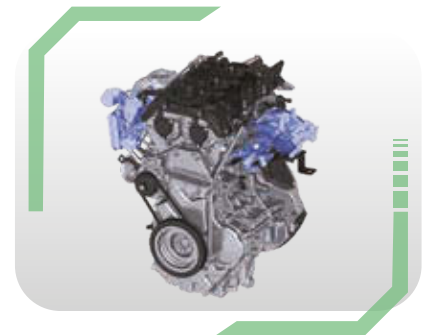
DISCUSSION AND ANALYSIS ON OPERATION

5. Fruitful independent innovation

In the fields of energy preservation and new energy, the Group published the Mega Waves Hybrid Modular Architecture, which provides strong supports for the comprehensive hybrid transformation of Trumpchi. The development and early mass production of 2.0ATK Engine have been finished, being the industry leader with thermal efficiency certification of 42.1%; “2.0ATK+GMC2.0 (electromechanical coupling system)” power combination plan is scheduled for mass production, carried by hybrid vehicles within this year. GAC’s first hydrogen fuel cell vehicle based on proprietary fuel cell system is currently in demonstration operation; research on flexible fuel engine technology was advanced, and the hydrogen fuel engine realised the first domestic loading test for entire passenger vehicle. In terms of the difficult issue of “performance balance” in lithium battery technology, we released the latest generation of SmLFP based on microcrystal technology, which would guide the new orientation for power battery solutions.



| **GAC GMC2.0
electromechanical
coupling system** |



| **GAC hydrogen
fuel engine** |

In the field of ICV, the updated version of ADiGO Smart Driving and Connected Ecosystem (i.e. ADiGO SPACE and ADiGO PILOT) and Psi OS developed on the basis of X-soul were launched on GAC Tech Day 2022. Among them, ADiGO PILOT Advanced Driver Assistance System supports functions including automatically moving up and off the ramp, automatic lane change, automatic overtaking and automatic obstacle avoidance, according to the navigation routes, which currently covers all highways in China and expressways in core cities; the ADiGO PILOT Super Parking supports over 50 complex parking scenarios, focusing on achieving the “last mile” of smart driving; the ADiGO PILOT Self-driving is a solution available for Robotaxi scenarios, which is intended to initiate its commercial operation on ON TIME.

In the field of digitalisation, we innovated and established three ecosystems including “ICV”, “user operation” and “network security” to promote the upgrading of “marketing personalisation”, “big supply chain intelligence” and “product development collaboration”. GAC Group’s data centre was officially launched, laying a solid foundation for digital transformation. The Group promoted the big data platform construction of a unified internet of vehicles, based on vehicle-side data, to develop innovations in three areas of application, namely digitalisation of R&D, digitalisation of OEMs and digitalisation of the industrial chain.

DISCUSSION AND ANALYSIS ON OPERATION

6. Outstanding effectiveness of various business segments

In the field of parts and components, GAC Component speeded up the in-depth localisation of production of key components, accelerated the neighborhood supporting of key components, promoted the replacement of chips by localisation of production; steadily advanced the project construction and further optimised and improved the investment layout of key components under the “New Four Modernisations”. GAC Component (Guangzhou) Industrial Park (Phase I) construction project was completed and accepted on schedule, and the construction of the IGBT encapsulation testing project was fully launched. Centering on the fields of new energy, ICV and automotive chips, GAC Capital completed investments in Yuexin Semiconductor, Sunwoda EVB and EVAS (奕行智能), strengthening the connection between the investee and the industry chain of the Group, and realising the integration of production and financing.

In the field of business trade services, GAC Business actively promoted its automobile sales, logistics and production supporting businesses, and vigorously developed after-market services and circular economy.

In the field of logistics services, the Group launched the logistics supply chain contingency plan in a timely manner during the epidemic, and urgently coordinated with warehouses and vehicle resources to actively and hastily transport components, so as to ensure the resumption of OEMs’ work and production. In terms of new vehicle sales, the Group established a regular marketing mechanism against the epidemic, promoted the online sales business, and utilised the public domain traffic on new media platforms to discover potential online customers, so as to minimise, to the greatest extent, the impact of the epidemic on customer flow and turnover.

In the field of financial services, GAC-SOFINCO formulated “one-strategy for one-manufacturer” according to the product characteristics and market needs of different OEMs to assist the sales of OEMs more precisely, with a year-on-year increase of 1.4 and 1.6 percentage points of the inventory penetration rate and retail penetration rate respectively in the first half of the year. GAC Finance launched a special preferential financing plan for chain stabilisation and guarantee, as well as a dealer deposits optimisation policy, etc., to increase the launch of its characteristic credit product “Production and Sales Loan” and to strengthen its financing support for the Group’s chain stabilisation and guarantee. Urtrust Insurance provided liability insurance covering NEV product replacement and insurance products such as extended warranty, and driving accident insurance for sales outlets to continuously enhance the customer stickiness of the GAC brand.

DISCUSSION AND ANALYSIS ON OPERATION

In the field of mobility transportation services, ON TIME completed a Series A financing, raising proceeds of approximately RMB1 billion. In the first half of the year, ON TIME launched operation services in Changsha and Zhongshan, and its user penetration rate exceeded 30% in the core cities of the Greater Bay Area. It continued to refine its operations with order compliance rate ranking first in China in May and June continuously. In spite of the resurgence of the epidemic and increasing competition, traffic on the platform remained a rapid growth in the first half of the year, with the number of registered users increasing by 181% year-on-year.

(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 RMB242.782 billion on an aggregate basis, representing an increase of approximately 18.85% as compared with that of the corresponding period of the previous year.

During the reporting period, the sales revenue of the Group amounted to approximately RMB48.689 billion, representing an increase of approximately 40.83% as compared with that of the corresponding period of the previous year; the net profit attributable to owners of the listed company amounted to approximately RMB6.074 billion, representing an increase of approximately 40.05% as compared with that of the corresponding period of the previous year; the basic earnings per share amounted to approximately RMB0.59, representing an increase of approximately RMB0.17 as compared with that of the corresponding period of the previous year.

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

1. During the first half of the year, China's economy continued to recover steadily. As a whole, the domestic automobile market remained stable generally, in spite of a series of influential factors comprising the recurrence of pandemic in certain areas of the country, the supply shortage of automotive chips, the stubbornly high price of raw materials, the reduction of NEV subsidies, etc. Under such circumstances, with the "14th Five-Year Plan" as development and planning orientation, the Group endeavored to proactively retrieve its operating losses under favourable policies and market opportunities, so as to push forward high-quality development. In the first half of the year, aggregate sales volume of automobile amounted to 1,149.9 thousand units, representing a year-on-year increase of 12.02%. The Group consistently persisted in positive research and development, independent innovation, accelerated the introduction of new products, and continuously enhanced the product power. GAMC unceasingly enriched its star product portfolio, among which, EMPOW and second-generation GS8 (including HEV) recorded impressive sales; GAC AION NEV remained a hot seller with sales volume of the first half of the year exceeding 100 thousand units, representing a year-on-year increase of 133.88%.

DISCUSSION AND ANALYSIS ON OPERATION

- Joint ventures launched new products and technologies which continuously enhanced overall competitiveness. Among those joint ventures, GAC Toyota continued its upward progress, while the main vehicle models were undersupplied. Frontlander and Venza (including HEV) were newly launched during the reporting period where 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 while e:NPI, the first PEV model under its innovative EV brand, was launched. Continuous optimisation of product portfolio steadily improved our competitiveness.
- 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, facilitating the development of principal businesses. Among such businesses, 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. During the reporting period, the operation of ON TIME expanded in Changsha and Zhongshan successively with its market share steadily increased. It has also raised proceeds of approximately RMB1 billion from Series A financing, accelerating the deployment and demonstration operation of Robotaxi.

(IV) ANALYSIS OF PRINCIPAL BUSINESS

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

Unit: 100 million Currency: RMB

Item	Current period	Corresponding period last year	Change (%)
Revenue	486.89	345.72	40.83
Costs of sales	465.53	329.57	41.25
Selling and distribution costs	23.71	19.42	22.09
Administrative expenses	23.73	20.32	16.78
Finance costs	1.59	1.89	-15.87
Interest income	1.57	1.25	25.60
Share of profit of joint ventures and associates	84.17	63.25	33.08
Net cash flow used in operating activities	-61.85	-79.72	22.42
Net cash flow generated from investing activities	63.42	59.22	7.09
Net cash flow generated from financing activities	22.83	1.42	1,507.75

DISCUSSION AND ANALYSIS ON OPERATION

2. Revenue

During the reporting period, revenue of the Group amounted to approximately RMB48.689 billion, representing an increase of approximately 40.83% as compared with the corresponding period last year. This was mainly due to the combined effect of stable and improving domestic economy, the generally stable automotive market, the implementation of a series of policies to stabilise the economy and promote the consumption, and the increasingly enriched vehicle models under self-developed brands of the Group with substantial sales volume increase.

3. Cost of sales and gross profit

During the reporting period, the Group recorded costs of sales of approximately RMB46.553 billion, representing an increase of approximately 41.25% as compared with the corresponding period last year. Total gross profit amounted to approximately RMB2.136 billion, representing an increase of approximately RMB521 million as compared with the corresponding period last year. Gross profit margin decreased by 0.28 percentage point as compared with the corresponding period last year, which was mainly due to the combined effect of the increase in production and sales volume of vehicle models of the Group's self-developed brands leading to corresponding increase in production costs, plus the supply shortage of automotive chips, the stubbornly high prices of raw material as well as the fall-off of fiscal subsidies for NEV.

4. Expense

- (1) The increase of approximately RMB429 million in selling and distribution costs as compared with the corresponding period last year was mainly attributable to the combined effect of the increase in advertising and promotion fees, coupled with the corresponding increase in after-sales service fees resulting from increase in sales volume during the reporting period;
- (2) The increase of approximately RMB341 million in administrative expenses as compared with the corresponding period last year was mainly attributable to the combined effect of the corresponding increase in salary and benefit, operation budget as well as depreciation and amortisation charges resulting from the Company's development and increase in personnel during the reporting period;
- (3) The decrease of approximately RMB30 million in finance costs as compared with the corresponding period last year was mainly attributable to the combined effect of the decrease of average interest rate which led to a year-on-year decrease in interest expenses during the reporting period;

DISCUSSION AND ANALYSIS ON OPERATION

- (4) The increase of approximately RMB32 million in interest income as compared with the corresponding period last year was mainly attributable to the combined effect of the increase in bank deposits which led to an increase in interest income during the reporting period as compared with the corresponding period last year.

5. Cash flows

- (1) During the reporting period, net cash outflow generated from operating activities amounted to approximately RMB6.185 billion, representing a decrease in net outflow of approximately RMB1.787 billion as compared with the net cash outflow of approximately RMB7.972 billion in the corresponding period last year, which was mainly attributable to the combined effect of the increase in cash received from the sales of goods due to increased sales, the year-on-year increase in net deposit of non-consolidated companies in GAC Finance and the year-on-year increase of net loan amount issued by GAC Finance during the reporting period;
- (2) During the reporting period, net cash inflow generated from investing activities amounted to approximately RMB6.342 billion, representing an increase of net inflow of approximately RMB420 million as compared with net cash inflow of approximately RMB5.922 billion in the corresponding period last year, which was mainly due to the combined effect of the year-on-year increase in profits distribution from investment enterprises and the year-on-year decrease in recovery of investment in time deposits during the reporting period;
- (3) During the reporting period, net cash inflow generated from financing activities amounted to approximately RMB2.283 billion, representing an increase of net inflow of approximately RMB2.141 billion as compared with the net cash inflow of approximately RMB142 million in the corresponding period last year, which was mainly attributable to the combined effect of the redemption of matured convertible bonds, the enterprise's absorption of external investment, and the issuance of asset-backed securities by financial enterprises during the reporting period;
- (4) As at 30 June 2022, cash and cash equivalent of the Group amounted to approximately RMB19.701 billion, representing an increase of approximately RMB5.838 billion as compared with approximately RMB13.863 billion as at 30 June 2021.

DISCUSSION AND ANALYSIS ON OPERATION

6. Share of profit of joint ventures and associated enterprises

During the reporting period, the Group's share of profit of joint ventures and associated enterprises amounted to approximately RMB8.417 billion, representing an increase of approximately RMB2.092 billion as compared with the corresponding period last year, which was mainly attributable to the combined effect of the increase in profit of Japanese series joint ventures during the reporting period.

7. Others

During the reporting period, income tax credit amounted to approximately RMB70 million, representing a decrease of approximately RMB61 million as compared with the corresponding period last year, 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 listed company for the reporting period amounted to approximately RMB6.074 billion, representing an increase of approximately 40.05% as compared with the corresponding period last year; basic earnings per share amounted to approximately RMB0.59, representing an increase of approximately RMB0.17 as compared with the corresponding period last year.

(V) ANALYSIS BY INDUSTRY, PRODUCT OR REGIONAL OPERATION

1. Principal business by industry

Unit: 100 million Currency: RMB

By industry	Revenue	Cost of sales	Gross profit margin (%)	Changes in revenue compared with last year (%)	Changes in cost of sales compared with last year (%)	Changes in gross profit margin compared with last year (%)
Automobile manufacturing industry	331.52	322.39	2.75	56.69	58.16	-24.86
Parts and components manufacturing industry	20.96	20.29	3.20	38.99	38.40	14.70
Commercial services	116.89	112.19	4.02	10.82	9.96	22.94
Financial services and others	17.52	10.66	39.16	29.01	17.92	17.14
Total	486.89	465.53	4.39	40.83	41.25	-6.00

DISCUSSION AND ANALYSIS ON OPERATION

2. Principal business by product

Unit: 100 million Currency: RMB

By product	Revenue	Cost of sales	Gross profit margin (%)	Changes in revenue compared with last year (%)	Changes in cost of sales compared with last year (%)	Changes in gross profit margin compared with last year (%)
Passenger vehicles	331.52	322.39	2.75	56.69	58.16	-24.86
Vehicles-related trades	137.85	132.48	3.90	14.34	13.53	21.50
Financial services and others	17.52	10.66	39.16	29.01	17.92	17.14
Total	486.89	465.53	4.39	40.83	41.25	-6.00

3. Principal business by region

Unit: 100 million Currency: RMB

By region	Revenue	Changes in revenue compared with last year (%)
Mainland China	472.94	39.55
Overseas	13.95	104.55
Total	486.89	40.83

4. Principal business by sales model

Unit: 100 million Currency: RMB

By sales model	Revenue	Cost of sales	Gross profit margin (%)	Changes in revenue compared with last year (%)	Changes in cost of sales compared with last year (%)	Changes in gross profit margin compared with last year (%)
Distributor sales model	331.52	322.39	2.75	56.69	58.16	-24.86
Others	155.37	143.14	7.87	15.83	13.85	25.52
Total	486.89	465.53	4.39	40.83	41.25	-6.00

DISCUSSION AND ANALYSIS ON OPERATION

(VI) ANALYSIS ON 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 (%)
Prepayments and other long-term receivables	89.46	5.66	80.09	5.19	11.70
Inventories	94.91	6.01	81.11	5.26	17.01
Borrowings – current	111.53	7.06	98.89	6.41	12.78
Trade and other payables – current	323.13	20.45	358.63	23.25	-9.90
Borrowings – non-current	45.59	2.89	75.27	4.88	-39.43

DISCUSSION AND ANALYSIS ON OPERATION

2. Analysis on change of items

- (1) Prepayments and other long-term receivables increased by 11.70% as compared with the balance at the end of the previous period, mainly due to the combined effect of the increase of the finance leasing business during the reporting period;
- (2) Inventories increased by 17.01% as compared with the balance at the end of the previous period, mainly due to the combined effect of the supply shortage of automotive chips and the stubbornly high raw material prices during the reporting period;
- (3) Borrowings – current increased by 12.78% as compared with the balance at the end of the previous period, mainly due to the combined effect of the increased capital demand for business development of certain enterprises, the maturity of corporate bonds with nominal value of RMB3 billion within one year and the redemption for the matured convertible bonds during the reporting period;
- (4) Trade and other payables – current decreased by 9.90% as compared with the balance at the end of the previous period, mainly due to the combined effect of the acceleration of payments for goods to suppliers with the increase in production and sales volume during the reporting period;
- (5) Borrowings – non-current decreased by 39.43% as compared with the balance at the end of the previous period, mainly due to the combined effect of the maturity of corporate bonds with nominal value of RMB3 billion within one year during the reporting period.

DISCUSSION AND ANALYSIS ON OPERATION

(VII) ANALYSIS OF FINANCIAL POSITION

1. Financial indicators

As at 30 June 2022, the Group's current ratio was approximately 1.37 times, representing an increase compared with approximately 1.25 times as at 31 December 2021, and quick ratio was approximately 1.16 times, representing an increase compared with approximately 1.08 times as at 31 December 2021, both of which were within normal level.

2. Financial resources and capital structure

As at 30 June 2022, the Group's current assets amounted to approximately RMB63.251 billion, current liabilities amounted to approximately RMB46.228 billion and current ratio was approximately 1.37 times.

As at 30 June 2022, total borrowings amounted to approximately RMB15.712 billion, mainly consisting of corporate bonds issued by the Group with nominal value of RMB3 billion, receivables targeted asset-backed notes with closing balance of approximately RMB1.528 billion, asset-backed securities with closing balance of approximately RMB613 million and borrowings from bank and financial institutions with closing balance of approximately RMB10.530 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.

As at 30 June 2022, the Group's gearing ratio was approximately 13.31% (Calculation of gearing ratio: $(\text{borrowings in non-current liabilities} + \text{borrowings in current liabilities}) / (\text{total equity} + \text{borrowings in non-current liabilities} + \text{borrowings in current liabilities})$).

3. Foreign exchange risk

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

4. Contingent liabilities

As at 30 June 2022, third-party guarantee committed by the Group amounted to RMB0, whereas that as at 31 December 2021 was RMB0; as at 30 June 2022, financial guarantee given by the Company to its subsidiaries amounted to RMB0, and that as at 31 December 2021 was RMB0.

DISCUSSION AND ANALYSIS ON OPERATION

(VIII) ANALYSIS OF MAJOR CONTROLLING AND INVESTEE COMPANIES

GAC Honda, GAC Toyota, GAMC and GAC AION are the key joint ventures and subsidiaries of the Group. In the face of the complex epidemic and economic environment during the reporting period, the Group made every effort to accelerate the resumption of industry chain and supply chain, strengthen comprehensive control, coordinate resources through multiple measures and take comprehensive measures based on the market tendency, and achieved steady growth in production and sales volume; meanwhile, through measures such as product structure adjustment, steady improvement in operating efficiency was achieved. Among which:

The production and sales volume of GAC Honda were 365,990 units and 357,447 units respectively, representing year-on-year decreases of 0.73% and 3.80% respectively; sales revenue was RMB54,515.95 million, representing a year-on-year decrease of approximately 4.16%;

The production and sales volume of GAC Toyota were 495,820 units and 500,200 units respectively, representing year-on-year increases of 21.05% and 19.89% respectively; sales revenue was RMB84,458.63 million, representing a year-on-year increase of approximately 38.70%;

The production and sales volume of GAMC were 169,445 units and 172,581 units respectively, representing year-on-year increases of 20.57% and 14.31% respectively; sales revenue was RMB23,073.49 million, representing a year-on-year decrease of approximately 0.91%;

The production and sales volume of GAC AION were 99,666 units and 100,251 units respectively, representing year-on-year increases of 134.51% and 133.88% respectively; sales revenue was RMB14,787.31 million, representing a year-on-year increase of approximately 194.67%.

Chapter 4

SIGNIFICANT EVENTS

(I) PROPOSED PROFIT DISTRIBUTION PLAN OR CONVERSION OF CAPITAL RESERVES

Formulated half-year profit distribution plan and conversion of capital reserve

Whether making profit distribution or converting capital reserve into share capital	Yes
Number of bonus share for every 10 shares	0
Amount of cash dividend for every 10 shares (RMB) (tax inclusive)	0.6
Number of shares converted for every 10 shares	0

Relevant Explanation on Profit Distribution Plan or Plan to Convert Capital Reserve into Shares

At the 22nd meeting of the 6th session of the Board of the Company held on 30 August 2022, it was considered and resolved that a cash interim dividend of RMB0.6 (tax inclusive) per 10 shares shall be distributed to all shareholders of the Company on the record date.

(II) MATTERS RELATING TO INSOLVENCY OR RESTRUCTURING

The Company had no matters relating to insolvency or restructuring during the reporting period.

(III) MATERIAL LITIGATIONS AND ARBITRATIONS

The Company had no material litigation and arbitration during the reporting period.

SIGNIFICANT EVENTS

(IV) SHARE OPTION SCHEME, EMPLOYEE STOCK OWNERSHIP SCHEME OR OTHER STAFF INCENTIVES OF THE COMPANY AND THE IMPACTS THEREOF

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.

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.

2020 A Share Option and Restricted Share Incentive Scheme (the “2020 Incentive Scheme”)

In order to further establish and improve the long-term incentive mechanism of the Company, attract and retain talented individuals, fully mobilise the enthusiasm of the directors, senior management, 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, 2020 Incentive Scheme was formulated 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.

The participants under the 2020 Incentive Scheme include the directors, senior management and other management personnel and key core technical (business) personnel of the Company having direct impact on the operation results of the Company.

SIGNIFICANT EVENTS

The Company granted a total of 102,101,330 A share options and 102,101,330 restricted shares 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.

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 share options under 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.

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.

SIGNIFICANT EVENTS

The total number of securities issuable under the 2020 Incentive Scheme was 102,101,330 shares, representing approximately 0.98% of the total issued shares of the Company as at the end of the reporting period.

The exercise periods and exercise schedule 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 of each period 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 such unlocking period(s), 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. Such unlocking period(s) 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

For details of A share options granted to directors and senior management, please refer to the paragraph titled “2. A share options during the reporting period” under Chapter 6 – “Profiles of Directors, Supervisors, Senior Management” 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
2020 Incentive Scheme /	Middle level and other key core businesses, technical and management personnel (2,863 people in total)	99,861,330	0	0	0	lapsed: 0 cancelled: 0	9.78	N/A ^{note 4}	99,906,330

Notes:

- All participants must be employed by the Company pursuant to employment contracts during the appraisal period of the 2020 Incentive Scheme and no participants are retired staff re-employed by the Company. The above participants do not include substantial shareholders or actual controllers of the Company who individually or jointly hold 5% or more of the shares, or their spouse, parents or children.
- 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 issued A share capital of the Company.
- 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 page 43 for details in relation to the exercise price adjustments of incentive scheme).
- During the reporting period, the 2020 Incentive Scheme has not yet commenced to be exercised or unlocked.
- The number of A share options held at the end of the reporting period increased by 45,000 as compared with the beginning of the reporting period, which was mainly due to the changes of some senior management during the reporting period.

SIGNIFICANT EVENTS

(V) MATERIAL CONTRACTS AND THEIR PERFORMANCE**1. Trusts**

Applicable N/A

2. 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	80,000,000
Total balance of guarantee provided to subsidiaries of the Company as at the end of the reporting period (B)	255,000,000
Total guarantee of the Company (including those provided to subsidiaries)	
Total guarantee (A+B)	255,000,000
Proportion of total guarantee in the net assets of the Company (%)	0.26
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 (a wholly-owned subsidiary) to GAMC.

SIGNIFICANT EVENTS

(VI) INFORMATION ON A SHARE CONVERTIBLE BONDS

Issuance of Convertible Bonds

On 22 January 2016, the Company completed the issue of A share convertible bonds amounting to RMB4,105.58 million. According to the relevant terms of the plan of issuance of convertible bonds, the conversion period started on 22 July 2016. As of 21 January 2022 (Due date), a total of RMB3,033,860,000 A share convertible bonds converted into shares of the Company. The aggregate number of shares converted is 178,207,257 shares; the principal amount of the redemption for the matured bonds is RMB1,071,717,000 and the total amount of the redemption for the matured bonds is RMB1,136,020,020 (tax inclusive), the payment of which has been completed on 24 January 2022.

(VII) 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.

SIGNIFICANT EVENTS

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 lower the gearing ratio, which reduced the Company's financial risk and cost of debt financing.

Details of utilisation of the proceeds raised as at 30 June 2022 are set out below.

As at 30 June 2022

As at 30 June 2022, the amount of proceeds carried forward was RMB1,846,166,362.87 whereas the total cumulative amount of utilised proceeds was approximately RMB12,870,429,200 (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 half year	Cumulative amount invested	Estimated time of completion
1	New energy vehicles and R&D of prospective technology project	480,000.00	0.00	479,422.30	Completed
2	GAEI phase 1 base expansion project	60,000.00	1,399.91	46,497.30	2023
3	GAEI phase 2 base construction project	100,000.00	747.61	71,118.34	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	-1.36	212,163.84	Completed
7	GAC proprietary brands vehicle models projects	215,000.00	0.00	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	0.00	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	0.00	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	0.00	48,581.73	Completed
9	GAMC gearbox project	30,000.00	523.30	29,036.72	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	2,154.70	1,287,042.92	

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.

SIGNIFICANT EVENTS

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

(VIII) CORPORATE GOVERNANCE

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

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

(IX) 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. The principal joint ventures of the Company are GAC Honda, GAC Toyota, and GAC-SOFINCO, calculated based on the financial statements for the year ended 31 December 2021.

(X) OTHER DISCLOSURES

1. Possible risks

Risk of supply chain

Due to the severe situation of the COVID-19 pandemic worldwide, the chips supply is expected to remain tight during the second half of the year. Affected by the epidemic and the surging market demand, chip prices remain high and supply is seriously inadequate. As a high-investment and long-term industry, the chip industry has a rather great difficulty to reverse the existing shortfall in the short-run. Although the Group has implemented a series of measures to stabilise, strengthen and supplement the supply chain to enhance its resilience, the risk of supply chain caused by chips and other components may still have certain impact on the Group’s normal operations.

SIGNIFICANT EVENTS

Risk of COVID-19 pandemic

Despite the generally good control of COVID-19 pandemic in China, its continuous recurrence in various regions of the country will still affect multiple aspects in the community such as production and operation, logistics and transportation, and consumer confidence, which will in turn influence the Group's annual production and sales.

Risk of high raw material prices

In the face of the downturn of global economic environment, with the further stimulation by unfavourable conditions such as the epidemic and geopolitics, the prices of raw material commodities related to the automotive industry continue to rise and remain stubbornly high, resulting in rising production costs for automotive enterprises and a certain weakening of their profitability.

2. Production safety

The Group upheld the idea of "to address problems on both symptoms and root causes by giving priority to people and safety, and to achieve a scientific development". In accordance with the control indicator plan for annual production safety target approved by the Board, the Group closely focused on the work emphasizes on production safety and promoted the strict implementation of the main responsibility of production safety by all enterprises. During the reporting period, the Group had experienced no major (or above) production safety accidents, and its production remained generally stable and was in an orderly manner.

In the second half of 2022, the Group will continue to pay close and serious attention to safety in accordance with procedures of "supervision, guidance and service", supervise and urge investee enterprises to implement the responsibility system of production safety for all employees and safety risk classification management and control and the work mechanism for investigation and treatment of hidden hazards, improve the abilities of meteorological warning and disaster defence, strengthen safety production propaganda education training, strictly implement objective management for production safety and push each investment enterprises to earnestly perform the main responsibility for enterprise production safety, thereby ensuring production safety of the Group to remain on a stable and positive track.

SIGNIFICANT EVENTS

3. Remuneration and legal rights of employees

As of 30 June 2022, there are 96,856 registered employees in the Group (including its investee enterprises).

In terms of remuneration policy, the Group, on one hand, analysed remuneration information in the market, CPI growth and industry benchmark, maintained the market competitiveness of remuneration levels, and promotes the collective wage negotiation mechanism to ensure that remuneration plays an incentive role in talent retention. On the other hand, the Group strengthened the relationship between remuneration and performance, and constantly optimised the administrative measures such as remuneration system, enterprise performance appraisal mechanism, individual performance appraisal method, and employee promotion system, and promoted the offer of remuneration incentives to high-performance employees.

Timely and sufficient contributions to various social insurances were made by the Group for the employees in accordance with the requirements of national and provincial laws and regulations on labour security in order to ensure that employees receive legal labour protection and enterprises were encouraged to purchase supplementary medical insurance and enterprise annuity for its staff in order to further protect and safeguard the interests and physical and mental health of their employees.

The Group will further improve the remuneration system to ensure it is effective in terms of incentive provision and retention of talents in the future. Contributions to pension insurance, medical insurance, injury insurance, unemployment insurance, maternity insurance, housing fund and other statutory benefits schemes, etc. will be made in accordance with the national laws and regulations. Investee enterprises of the Group are encouraged to further enhance their staff welfare systems.

4. Significant investment held, material acquisition and disposal

Save as disclosed in the most recent published annual report of the Group for the year ended 31 December 2021, the Group has not had any significant investments and has not conducted any material acquisitions or disposals of subsidiaries, associates and joint ventures during the reporting period.

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

Save as disclosed in the most recent published annual report of the Group for the year ended 31 December 2021, the Group does not have any specific future plans for material investments or acquisition of capital assets.

Chapter 5

CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS

(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	0.98						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	10,268,491,495	99.02				93,364,832	93,364,832	10,361,856,327	99.02
1. RMB-denominated ordinary shares	7,169,871,190	69.14				93,364,832	93,364,832	7,263,236,022	69.41
2. Domestically-listed foreign shares									
3. Overseas listed foreign shares	3,098,620,305	29.88						3,098,620,305	29.61
4. Others									
III. Total shares	10,370,592,825	100				93,364,832	93,364,832	10,463,957,657	100

Changes in Share Capital

On 21 January 2022, the A share convertible bonds issued by the Company expired. During the reporting period, 93,364,832 shares have been converted. Total share capital of the Company increased from 10,370,592,825 shares to 10,463,957,657 shares.

CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS

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

During the reporting period, the Company has not redeemed any of its listed securities. During the reporting period, neither the Company nor any of its subsidiaries has purchased or sold any of the listed securities of the Company.

(III) SHARE INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

As at 30 June 2022, the interests and short positions of the persons (other than directors and supervisors) interested in 5% or more of the respective classes of issued capital, as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO are set out below:

Name	Class of shares	Capacity	Number of shares ^(note 1)	Percentage in the class of issued share capital (%)	Percentage of total share capital (%)
GAIG ^(note 2)	A shares	Beneficial owner	5,206,932,069(L)	70.70	49.76
	H shares	Interest of a controlled corporation	301,228,000(L)	9.72	2.88
FMR LLC	H shares	Interest of a controlled corporation	247,893,556(L)	8.00	2.37
JPMorgan Chase & Co.	H shares	Investment manager	219,250,156(L)	7.08	2.10
			36,161,371(S)	1.17	0.35
			40,864,473(P)	1.32	0.39
BlackRock, Inc.	H shares	Interest of a controlled corporation	159,151,780(L)	5.14	1.52
			1,886,000(S)	0.06	0.02



CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS

Note:

1. (L) – Long Position, (S) – Short Position, (P) – Lending Pool
2. As at 30 June 2022, the total number of A shares of the Company held by GAIG was 5,206,932,069 shares, representing approximately 70.70% of the A share capital of the Company. At the same time, it held 301,228,000 H shares of the Company through Southbound Trading of Shanghai-Hong Kong Stock Connect and its wholly owned subsidiary in Hong Kong, Guangzhou Auto Group (Hong Kong) Limited, representing approximately 9.72% of the H share capital of the Company. The total number of A and H shares of the Company held by GAIG was 5,508,160,069 shares, representing approximately 52.64% of the total share capital of the Company.

Chapter 6

PROFILES OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT

(I) CHANGES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE COMPANY

During the reporting period, the 17th meeting of the 6th session of the Board was held on 20 June 2022 by the Company, at which Ms. Wang Dan was appointed as the chief accountant and person in charge of accounting function, and resigned as the deputy general manager; Ms. Jiang Xiuyun was appointed as the deputy general manager and resigned as the chief accountant; Mr. Yu Jun, Mr. Zheng Heng and Mr. Xia Xianqing were appointed as the deputy general managers; Mr. Wu Song, Mr. Li Shao and Mr. Chen Hanjun resigned as the deputy general managers due to their age.

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

As at 30 June 2022, the interests or short positions of the incumbent and resigned directors, supervisors and senior management of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (as defined in Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests 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 under the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

PROFILES OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT

1. Interest in shares of the Company

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

Name	Capacity	Number of shares held at the beginning of the reporting period	Number of shares held at the end of the reporting period	Increase/decrease during the reporting period	Reasons for increase/decrease
Zeng Qinghong	Chairman and Party Secretary	531,000 (A shares)	398,300 (A shares)	-132,700 (A shares)	Share Option Scheme
Feng Xingya	Director and General Manager	766,533 (A shares)	574,933 (A shares)	-191,600 (A shares)	Share Option Scheme
Chen Xiaomu	Director and Deputy	97,367 (A shares)	97,367 (A shares)	0	-
	Party Secretary	98,000 (H shares)	98,000 (H shares)	0	-
Chen Maoshan	Staff Director and chairman	586,868 (A shares)	586,868 (A shares)	0	-
	of the labour union	111,274 (H shares)	111,274 (H shares)	0	-
Shi Lei	Staff supervisor	120,395 (A shares)	120,395 (A shares)	0	-
Wu Song	Standing Deputy General Manager (expiring on 20 June 2022)	595,800 (A shares)	447,200 (A shares)	-148,600 (A shares)	Share Option Scheme
Li Shao	Deputy General Manager (expiring on 20 June 2022)	595,767 (A shares)	595,767 (A shares)	0	-
Yan Zhuangli	Deputy General Manager	260,000 (A shares)	260,000 (A shares)	0	-
Wang Dan	Deputy General Manager (expiring on 20 June 2022), chief accountant (effective on 20 June 2022) and person in charge of accounting function	715,868 (A shares)	635,868 (A shares)	-80,000 (A shares)	Share Option Scheme
Gao Rui	Deputy General Manager	160,000 (A shares)	160,000 (A shares)	0	-
Chen Hanjun	Deputy General Manager (expiring on 20 June 2022)	274,220 (A shares)	274,220 (A shares)	0	-
Sui Li	Secretary of the Board and company secretary	295,353 (A shares)	270,353 (A shares)	-25,000 (A shares)	Share Option Scheme

Save for the aforesaid incumbent and resigned directors and supervisors, none of the directors, supervisors or senior management of the Company have relevant interests in the shares of the Company during the reporting period.

PROFILES OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT

2. Interest in A share options during the reporting period

During the reporting period, the allocation of A share options granted to directors, supervisors and senior management is set out below:

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	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	Exercise price of A share options (Yuan)	Weighted average closing price immediately before the	Number of A share options held at the end of the reporting period
								dates on which the A share options were exercised (Yuan)	
Feng Xingya	Director and General Manager	290,000	0	0	0	0	9.78 ^{note 1}	N/A ^{note 2}	290,000
Chen Maoshan	Director	245,000	0	0	0	0	9.78 ^{note 1}	N/A ^{note 2}	245,000
Yan Zhuangli	Deputy General Manager	260,000	0	0	0	0	9.78 ^{note 1}	N/A ^{note 2}	260,000
Wang Dan	Deputy General Manager (expiring on 20 June 2022), chief accountant (effective on 20 June 2022) and person in charge of accounting function	260,000	0	0	0	0	9.78 ^{note 1}	N/A ^{note 2}	260,000
Gao Rui	Deputy General Manager	160,000	0	0	0	0	9.78 ^{note 1}	N/A ^{note 2}	160,000
Yu Jun	Deputy General Manager (effective on 20 June 2022)	245,000	0	0	0	0	9.78 ^{note 1}	N/A ^{note 2}	245,000
Zheng Heng	Deputy General Manager (effective on 20 June 2022)	245,000	0	0	0	0	9.78 ^{note 1}	N/A ^{note 2}	245,000
Xia Xianqing	Deputy General Manager (effective on 20 June 2022)	245,000	0	0	0	0	9.78 ^{note 1}	N/A ^{note 2}	245,000
Sui Li	Secretary of the Board	245,000	0	0	0	0	9.78 ^{note 1}	N/A ^{note 2}	245,000
Total	/	2,195,000	0	0	0	0	/		2,195,000



PROFILES OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT

Note:

1. 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 page 43 for details in relation to the exercise price adjustments of incentive scheme).
2. During the reporting period, the 2020 Incentive Scheme has not yet commenced to be exercised or unlocked.

Save as disclosed above, so far as the directors of the Company are aware, as at 30 June 2022, none of the directors, supervisors or senior management of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register required to be kept as referred to in section 352 of the SFO or were otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Note	Unaudited 30 June 2022 RMB'000	Audited 31 December 2021 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	19,499,510	19,475,570
Right-of-use assets	6	6,838,877	6,817,666
Investment properties	5	1,747,054	1,871,624
Intangible assets	5	13,973,991	13,581,219
Investments in joint ventures and associates	7	37,124,520	36,926,987
Deferred income tax assets	8	3,117,869	2,833,925
Financial assets at fair value through other comprehensive income	9	1,608,576	1,597,702
Financial assets at fair value through profit or loss	9	1,871,347	1,945,627
Prepayments and other long-term receivables		8,945,799	8,008,623
		94,727,543	93,058,943
Current assets			
Inventories		9,490,954	8,110,960
Trade and other receivables	10	25,678,248	25,110,073
Financial assets at fair value through other comprehensive income	9	70,555	709,064
Financial assets at fair value through profit or loss	9	3,456,617	3,225,636
Time deposits		3,324,076	5,176,560
Restricted cash		1,529,250	1,624,390
Cash and cash equivalents		19,700,862	17,234,963
		63,250,562	61,191,646
Total assets		157,978,105	154,250,589
EQUITY			
Share capital	11	10,463,958	10,370,593
Reserves		33,454,018	29,345,460
Retained earnings		54,840,800	50,597,258
Capital and reserves attributable to owners of the Company		98,758,776	90,313,311
Non-controlling interests		3,542,878	2,335,474
Total equity		102,301,654	92,648,785

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Note	Unaudited 30 June 2022 RMB'000	Audited 31 December 2021 RMB'000
LIABILITIES			
Non-current liabilities			
Trade and other payables	12	538,194	773,048
Borrowings	13	4,559,447	7,526,724
Lease liabilities	6	1,312,646	1,270,196
Deferred income tax liabilities	8	140,593	144,418
Provisions		747,650	559,341
Government grants		2,150,153	2,195,521
		9,448,683	12,469,248
Current liabilities			
Trade and other payables	12	32,312,735	35,863,483
Contract liabilities		2,059,907	2,626,902
Current income tax liabilities		177,359	202,040
Borrowings	13	11,152,589	9,888,738
Lease liabilities	6	204,401	193,531
Provisions		320,777	357,862
		46,227,768	49,132,556
Total liabilities		55,676,451	61,601,804
Net assets		102,301,654	92,648,785
Total equity and liabilities		157,978,105	154,250,589

The above condensed consolidated balance sheet should be read in conjunction with the accompanying notes.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Unaudited Six months ended 30 June	
		2022 RMB'000	2021 RMB'000
Revenue	4	48,688,649	34,571,754
Cost of sales		(46,553,112)	(32,957,110)
Gross profit		2,135,537	1,614,644
Selling and distribution costs		(2,370,828)	(1,942,438)
Administrative expenses		(2,372,835)	(2,032,365)
Net impairment losses on financial assets		(78,770)	(534)
Interest income		21,199	47,693
Other gains – net		339,286	322,108
Operating loss	14	(2,326,411)	(1,990,892)
Interest income		135,391	77,464
Finance costs	15	(158,623)	(189,093)
Share of profit of joint ventures and associates	7	8,417,441	6,324,526
Profit before income tax		6,067,798	4,222,005
Income tax credit	16	70,316	130,802
Profit for the period		6,138,114	4,352,807
Profit attributable to:			
Owners of the Company		6,073,685	4,336,516
Non-controlling interests		64,429	16,291
		6,138,114	4,352,807

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Unaudited Six months ended 30 June	
		2022 RMB'000	2021 RMB'000
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss			
– exchange differences on translation of foreign operations		1,554	(5,263)
– changes in the fair value of debt instruments at fair value through other comprehensive income		492	–
– impairment loss on debt instruments at fair value through other comprehensive income		101	–
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		(87,945)	287,429
Other comprehensive (loss)/income for the period, net of tax		(85,798)	282,166
Total comprehensive income for the period		6,052,316	4,634,973
Total comprehensive income attributable to:			
Owners of the Company		5,987,887	4,618,682
Non-controlling interests		64,429	16,291
		6,052,316	4,634,973
Earnings per share for profit attributable to the ordinary equity holders of the Company (expressed in RMB per share)			
– basic	17	0.59	0.42
– diluted	17	0.58	0.42

The above condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited					
	Attributable to owners of the Company					
	Share capital RMB'000	Reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance as at 1 January 2022	10,370,593	29,345,460	50,597,258	90,313,311	2,335,474	92,648,785
Comprehensive income						
Profit for the period	-	-	6,073,685	6,073,685	64,429	6,138,114
Other comprehensive (loss)/income, net of tax	-	(86,018)	-	(86,018)	220	(85,798)
Total comprehensive income	-	(86,018)	6,073,685	5,987,667	64,649	6,052,316
Transactions with owners in their capacity as owners						
Dividend declared by the Company and subsidiaries	-	-	(1,778,872)	(1,778,872)	(23,338)	(1,802,210)
Employee share scheme						
- Value of employee services	-	242,935	-	242,935	-	242,935
Changes in ownership interests in subsidiaries without change of control	-	2,591,279	-	2,591,279	1,166,163	3,757,442
Convertible bonds (Note 13)						
- Conversion of convertible bonds	93,365	1,284,253	-	1,377,618	-	1,377,618
Others	-	76,109	(51,271)	24,838	(70)	24,768
Total transactions with owners in their capacity as owners	93,365	4,194,576	(1,830,143)	2,457,798	1,142,755	3,600,553
Balance as at 30 June 2022	10,463,958	33,454,018	54,840,800	98,758,776	3,542,878	102,301,654

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited					
	Attributable to owners of the Company					
	Share capital RMB'000	Reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non- controlling interests RMB'000	Total equity 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 period	–	–	4,336,516	4,336,516	16,291	4,352,807
Other comprehensive income, net of tax	–	282,166	–	282,166	–	282,166
Total comprehensive income	–	282,166	4,336,516	4,618,682	16,291	4,634,973
Transactions with owners in their capacity as owners						
Dividend declared by the Company and subsidiaries	–	–	(1,552,796)	(1,552,796)	(21,242)	(1,574,038)
Contributions from non-controlling shareholders of subsidiaries	–	–	–	–	750	750
Employee share scheme						
– Value of employee services	–	254,232	–	254,232	–	254,232
– Proceeds from shares issued	3,525	31,891	–	35,416	–	35,416
Convertible bonds (Note 13)						
– Conversion of convertible bonds	6	75	–	81	–	81
Others	–	3,716	–	3,716	(440)	3,276
Total transactions with owners in their capacity as owners	3,531	289,914	(1,552,796)	(1,259,351)	(20,932)	(1,280,283)
Balance as at 30 June 2021	10,353,228	29,500,343	47,880,791	87,734,362	2,333,956	90,068,318

The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited	
	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Cash flows from operating activities		
Cash used in operations	(5,525,712)	(7,503,735)
Interest received	173,701	93,026
Interest paid	(591,198)	(399,294)
Income tax paid	(242,134)	(161,925)
Net cash used in operating activities	(6,185,343)	(7,971,928)
Cash flows from investing activities		
Purchases of property, plant and equipment, right-of-use assets and intangible assets	(3,196,982)	(3,026,295)
Proceeds from sales of property, plant and equipment and intangible assets	38,042	57,002
Acquisition of a subsidiary, net of cash paid	(36,500)	–
Additional capital injection in joint ventures	(45,846)	(839,313)
Additional capital injection in associates	(76,600)	(688,126)
Set-up of joint ventures	(490,796)	(17,618)
Reduction of capital in joint ventures and associates	53,644	36,928
Acquisition of investment on financial assets at fair value through profit or loss, other comprehensive income and amortised cost	(2,560,457)	(2,736,627)
Disposal of investment on financial assets at fair value through profit or loss, other comprehensive income and amortised cost	1,959,586	2,452,967
Proceeds from investment income from financial Instruments	85,617	42,109
Granting of entrusted loans	(5,022)	(164,900)
Proceeds from repayment of entrusted loans	4,591	180,181
Receipt of government grants related to assets	166,863	–
Dividends received	8,584,336	6,755,578
Decrease in time deposits	1,861,171	3,870,005
Net cash generated from investing activities	6,341,647	5,921,891

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited	
	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Cash flows from financing activities		
Proceeds from issuance of ordinary shares under employee share-based awards scheme	–	35,103
Contribution from non-controlling shareholders of subsidiaries	2,566,069	750
Dividend paid to shareholders of the Company	(1,778,872)	(1,552,796)
Dividend paid to non-controlling interests in subsidiaries	(29,082)	(21,276)
Proceeds from bank borrowings (excluding securitization debts)	5,562,228	5,064,602
Proceeds from securitization debts	3,018,000	–
Proceeds from finance leases	–	676,450
Proceeds from deposits for financing activities	4,894	12,516
Repayments of bank borrowings (excluding securitization debts)	(5,614,601)	(3,538,581)
Repayments of securitization debts	(1,273,886)	–
Repayments of bonds	(1,071,717)	(400,000)
Proceed from repurchasing financial assets	77,637	1,112
Principal elements of lease payments	(44,109)	(82,309)
Payment of deposit for financing activities	–	(3,466)
Proceeds from disposal of ownership interests in a subsidiary without change of control	867,166	–
Other payments of financing expenses	(308)	(50,220)
Net cash generated from financing activities	2,283,419	141,885
Net increase/(decrease) in cash and cash equivalents	2,439,723	(1,908,152)
Cash and cash equivalents at beginning of the period	17,234,963	15,791,397
Exchange gains/(losses) on cash and cash equivalents	26,176	(20,464)
Cash and cash equivalents at end of the period	19,700,862	13,862,781

The above condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 General information

Guangzhou Automobile Group Co., Ltd. (the “Company”) and its subsidiaries (together, the “Group”) are principally engaged in the manufacturing and 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 The Stock Exchange of Hong Kong Limited and Shanghai Stock Exchange since 30 August 2010 and 29 March 2012, respectively.

This condensed consolidated interim financial information is presented in thousands of Renminbi (“RMB”) Yuan, unless otherwise stated. This condensed consolidated interim financial information was approved for issue on 30 August 2022.

This condensed consolidated interim financial information has not been audited.

2 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2022 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, ‘Interim financial reporting’. The condensed consolidated interim financial information does not include all the notes of the type normally included in an annual financial statements. Accordingly, this information is to be read in conjunction with the annual report for the year ended 31 December 2021, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), and any public announcement made by the Company during the interim reporting period.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

3 Accounting policies

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2021, as described in those annual financial statements, except for the estimation of income tax using the tax rate that would be applicable to expected total annual earnings and the adoption of new and amended HKFRSs effective for the financial period beginning on 1 January 2022.

(a) New and amended standards adopted by the Group

The following amendments to standards have been adopted by the Group for the financial period beginning on 1 January 2022:

Amendments	Subject of Amendments
HKAS 16 (Amendments)	Property, Plant and Equipment: Proceeds before Intended Use
HKAS 37 (Amendments)	Onerous Contracts – Cost of Fulfilling a Contract
HKFRS 3 (Amendments)	Reference to the Conceptual Framework
Revised Accounting Guideline 5	Merger Accounting for Common Control Combinations
Annual Improvements to HKFRS standards 2018-2020	Amendments to HKFRS 1, HKFRS 9, HKFRS 16 and HKAS 41

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

3 Accounting policies (Continued)**(b) New standards, amendments to existing standards and interpretations not yet adopted by the Group**

Certain new accounting standards, amendments to existing standards and interpretations have been published but are not effective for the financial year beginning 1 January 2022 and have not been early adopted by the Group. According to the assessment made by the director, none of these is expected to have a significant impact on the condensed consolidated interim financial information of the Group.

Standards/Amendments/ Interpretations	Subject of standards/amendments/ interpretations	Effective for accounting periods beginning on or after
HKAS 12 (Amendments)	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1 January 2023
HKFRS 17	Insurance Contracts	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 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2024
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
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)”

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

4 Segment information

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

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

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

Others – mainly production and sale of motorcycles, automobile finance and insurance, other 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 interim condensed consolidated statement of comprehensive income.

During the six months ended 30 June 2022, no revenue from transactions with a single external customer counted to 10% or more of the Group's total revenue.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

4 Segment information (Continued)

The segment results for the six months ended 30 June 2022 and other segment items included in the interim condensed consolidated statement of comprehensive income are as follows:

	Vehicles and related operations RMB'000	Others RMB'000	Eliminations RMB'000	Unallocated RMB'000	Consolidated RMB'000
Six months ended 30 June 2022					
Total gross segment revenue	47,071,914	1,915,625	(298,890)	-	48,688,649
Inter-segment revenue	(135,525)	(163,365)	298,890	-	-
Revenue (from external customers)	46,936,389	1,752,260	-	-	48,688,649
Timing of revenue recognition under HKFRS 15					
- At a point in time	44,580,417	-	-	-	44,580,417
- Over time	1,487,761	400,919	-	-	1,888,680
Revenue from other sources	868,211	1,351,341	-	-	2,219,552
Segment results	(1,865,546)	37,218	(43,562)	-	(1,871,890)
Unallocated income – Interest income of headquarters				7,597	7,597
Unallocated costs – Expenditure of headquarters				(462,118)	(462,118)
Operating loss					(2,326,411)
Interest income	67,145	19,723	-	48,523	135,391
Finance costs	(120,155)	(3,507)	-	(34,961)	(158,623)
Share of profit of joint ventures and associates	8,084,408	333,033	-	-	8,417,441
Profit before income tax					6,067,798
Income tax credit/(expenses)	102,367	(27,371)	-	(4,680)	70,316
Profit for the period					6,138,114

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

4 Segment information (Continued)

The segment results for the six months ended 30 June 2021 and other segment items included in the interim condensed consolidated statement of comprehensive income are as follows:

	Vehicles and related operations RMB'000	Others RMB'000	Eliminations RMB'000	Unallocated RMB'000	Consolidated RMB'000
Six months ended 30 June 2021					
Total gross segment revenue	33,264,543	1,496,373	(189,162)	–	34,571,754
Inter-segment revenue	(51,206)	(137,956)	189,162	–	–
Revenue (from external customers)	33,213,337	1,358,417	–	–	34,571,754
Timing of revenue recognition under HKFRS 15					
– At a point in time	31,622,423	–	–	–	31,622,423
– Over time	1,213,045	399,854	–	–	1,612,899
Revenue from other sources	377,869	958,563	–	–	1,336,432
Segment results	(1,949,123)	249,810	(3,744)	–	(1,703,057)
Unallocated income – Interest income of headquarters				22,410	22,410
Unallocated costs – Expenditure of headquarters				(310,245)	(310,245)
Operating loss					(1,990,892)
Interest income	26,943	7,971	–	42,550	77,464
Finance costs	(125,569)	(288)	–	(63,236)	(189,093)
Share of profit of joint ventures and associates	5,991,421	333,105	–	–	6,324,526
Profit before income tax					4,222,005
Income tax credit/(expenses)	205,018	(74,118)	–	(98)	130,802
Profit for the period					4,352,807

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

4 Segment information (Continued)

The segment assets and liabilities as at 30 June 2022 and 31 December 2021 are as follows:

	Vehicles and related operations RMB'000	Others RMB'000	Eliminations RMB'000	Unallocated RMB'000	Consolidated RMB'000
Total assets					
At 30 June 2022	122,216,018	37,453,210	(44,337,292)	42,646,169	157,978,105
At 31 December 2021	119,244,879	37,943,997	(41,986,049)	39,047,762	154,250,589
Total liabilities					
At 30 June 2022	65,409,105	27,276,332	(42,840,153)	5,831,167	55,676,451
At 31 December 2021	63,958,745	27,820,500	(40,615,907)	10,438,466	61,601,804

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

5 Property, plant and equipment, investment properties and intangible assets

	Property, plant and equipment RMB'000	Investment properties RMB'000	Intangible assets RMB'000
Six months ended 30 June 2022			
Opening net book amount as at 1 January 2022	19,475,570	1,871,624	13,581,219
Additions	1,496,364	–	2,263,636
Transfers	(50,690)	(69,049)	–
Disposals	(100,731)	–	(7,607)
Impairment	–	–	(32,982)
Depreciation and amortisation	(1,321,003)	(55,521)	(1,830,275)
Closing net book amount as at 30 June 2022	19,499,510	1,747,054	13,973,991
Six months ended 30 June 2021			
Opening net book amount as at 1 January 2021	20,073,210	1,387,545	12,258,613
Additions	1,317,545	–	2,196,778
Transfers	(120,277)	116,684	–
Disposals	(102,021)	–	(19,579)
Depreciation and amortisation	(1,185,037)	(44,245)	(1,377,315)
Closing net book amount as at 30 June 2021	19,983,420	1,459,984	13,058,497

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

6 LEASES

	Unaudited	Audited
	30 June	31 December
	2022	2021
	RMB'000	RMB'000
Right-of-use assets		
Land-use rights (Note (i))	5,475,039	5,424,687
Properties	1,297,200	1,379,562
Vehicles	7,989	10,202
Others	58,649	3,215
	6,838,877	6,817,666
Lease liabilities		
Current	204,401	193,531
Non-current	1,312,646	1,270,196
	1,517,047	1,463,727

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

6 LEASES (Continued)

(i) Movements of the land-use rights for the period are as follows:

	Land-use rights RMB'000
Net book value at 1 January 2022	5,424,687
Additions	163
Transfers	119,739
Depreciation	(69,550)
Net book value at 30 June 2022	5,475,039
Net book value at 1 January 2021	5,478,957
Additions	43,584
Transfers	3,593
Depreciation	(86,266)
Net book value at 30 June 2021	5,439,868

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

7 Investments in joint ventures and associates

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

	Unaudited 30 June 2022 RMB'000	Audited 31 December 2021 RMB'000
Investments in joint ventures	27,227,607	26,904,507
Investments in associates	9,896,913	10,022,480
	37,124,520	36,926,987

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

	Unaudited Six months ended 30 June 2022 RMB'000	2021 RMB'000
Share of profit of joint ventures (Note (i))	7,715,726	5,697,380
Share of profit of associates (Note (i))	701,715	627,146
	8,417,441	6,324,526

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

7 Investments in joint ventures and associates (Continued)

7.1 Investments in joint ventures

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

	Unaudited	
	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Beginning of the period	26,904,507	24,654,320
Additions (Note (i))	537,750	856,931
Capital reduction	(28,302)	(20,716)
Disposal	(123,074)	(18,073)
Share of profit	7,733,729	6,008,091
Dividends declared	(7,797,003)	(5,956,861)
End of the period	27,227,607	25,523,692

- (i) In the six months ended 30 June 2022, the additions mainly represent the Group's capital contribution of RMB300,000,000 to Guangdong Guangqi Yuexiu Zhiyuan Industrial Investment Fund Partnership (Limited Partnership). In addition, the Group contributed capital of RMB237,750,000 to several newly set-up joint ventures.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

7 Investments in joint ventures and associates (Continued)**7.1 Investments in joint ventures (Continued)**

(b) Set out below are the joint ventures of the Group as at 30 June 2022, 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 Automobile Co., Ltd. ("GAC Honda")	Mainland China	50	Note 1	Equity
GAC Toyota Motor Co., Ltd. ("GAC Toyota")	Mainland China	50	Note 1	Equity
GAC Mitsubishi Motors Co., Ltd. ("GAC Mitsubishi")	Mainland China	50	Note 1	Equity
GAC Hino Motors Co., Ltd. ("GAC Hino")	Mainland China	50	Note 1	Equity
GAC-SOFINCO Automobile Finance Co., Ltd. ("GAC SOFINCO")	Mainland China	50	Note 1	Equity
Wuyang-Honda Motors (Guangzhou) Co., Ltd. ("Wuyang-Honda")	Mainland China	50	Note 1	Equity

Note 1: GAC Honda, GAC Toyota, GAC Mitsubishi and 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

7 Investments in joint ventures and associates (Continued)

7.1 Investments in joint ventures (Continued)

(c) Summarised financial information for joint ventures

Set out below is the summary of combined financial information for all the joint ventures of the Group (excluding goodwill). As restricted by the confidentiality agreements entered into with other shareholders of certain joint ventures, the Group has not disclosed certain financial data of material joint ventures separately. The aggregate of the financial information of the six material joint ventures identified by Directors cover over 90% of combined financial information of all the joint ventures of the Group listed below.

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

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

Summarised balance sheet

	Unaudited 30 June 2022 RMB'000	Audited 31 December 2021 RMB'000
Assets		
Non-current assets	94,061,648	86,276,133
Current assets		
– Cash and cash equivalents	65,689,745	62,573,891
– Other current assets	36,427,126	47,247,676
	102,116,871	109,821,567
Total assets	196,178,519	196,097,700

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

7 Investments in joint ventures and associates (Continued)

7.1 Investments in joint ventures (Continued)

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

Summarised balance sheet (Continued)

	Unaudited 30 June 2022 RMB'000	Audited 31 December 2021 RMB'000
Liabilities		
Non-current liabilities		
– Financial liabilities (excluding trade and other payables)	26,424,976	20,315,422
– Other non-current liabilities (including trade and other payables)	9,663,921	6,813,910
	36,088,897	27,129,332
Current liabilities		
– Financial liabilities (excluding trade and other payables)	26,821,228	24,800,831
– Other current liabilities (including trade and other payables)	82,908,578	94,837,688
	109,729,806	119,638,519
Total liabilities	145,818,703	146,767,851
Net assets	50,359,816	49,329,849
Less: Non-controlling interests	(23,280)	(22,875)
	50,336,536	49,306,974

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

7 Investments in joint ventures and associates (Continued)

7.1 Investments in joint ventures (Continued)

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

Summarised statement of comprehensive income

	Unaudited	
	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Revenue	150,718,053	132,594,844
Cost of sales	(122,992,484)	(108,933,788)
Other expenditures	(12,985,468)	(12,983,680)
Profit after tax	14,740,101	10,677,376
Less: profit attributable to non-controlling interests	(405)	(2,931)
	14,739,696	10,674,445
Other comprehensive income	-	-
Total comprehensive income	14,739,696	10,674,445

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

7 Investments in joint ventures and associates (Continued)**7.1 Investments in joint ventures (Continued)****(c) Summarised financial information for joint ventures (Continued)**

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

Name of material joint ventures	Assets		Liabilities		Revenue		Dividends received	
	As at 30	As at	As at	As at	Six months		Six months	
	June	31 December	30 June	31 December	ended 30 June		ended 30 June	
	2022	2021	2022	2021	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
GAC Honda	50,082,447	52,528,011	36,322,636	42,207,569	54,515,945	56,881,749	-	-
GAC Toyota	58,279,660	61,986,704	38,277,938	38,778,792	84,458,627	60,894,022	7,521,182	5,700,624
GAC Mitsubishi	8,032,204	9,461,560	6,574,807	7,458,539	1,821,516	3,703,881	-	-
GAC Hino	1,512,742	1,693,865	1,189,702	1,299,523	125,351	518,511	-	-
GAC SOFINCO	55,176,583	47,679,127	47,798,648	40,825,947	2,098,659	2,103,204	-	-
Wuyang-Honda	2,885,174	3,330,478	1,500,756	1,768,611	2,788,646	2,620,591	156,758	91,010
Total	175,968,810	176,679,745	131,664,487	132,338,981	145,808,744	126,721,958	7,677,940	5,791,634

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

7 Investments in joint ventures and associates (Continued)

7.1 Investments in joint ventures (Continued)

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

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

	Unaudited 30 June 2022 RMB'000	Audited 31 December 2021 RMB'000
Assets	175,968,810	176,679,745
Less: Liabilities	(131,664,487)	(132,338,981)
Non-controlling interests	(23,280)	(22,875)
Net assets excluding non-controlling interests	44,281,043	44,317,889
Percentage of ownership interest	50%	50%
Interests in material joint ventures	22,140,521	22,158,945
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	(4,490)	(5,102)
Carrying amount of investments in material joint ventures	25,052,583	25,070,395

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

7 Investments in joint ventures and associates (Continued)

7.2 Investments in associates

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

	Unaudited	
	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Beginning of the period	10,022,480	8,749,243
Additions	31,262	706,647
Capital reduction	(25,342)	(81,746)
Disposal	(1,108)	–
Share of profits	716,726	597,007
Dilution Gain	323,196	–
Share of other reserves	1,576	–
Dividend declared	(1,171,877)	(1,154,679)
End of the period	9,896,913	8,816,472

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

	Unaudited	
	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Associates		
Profit	701,715	627,146
Total comprehensive income	701,715	627,146

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

8 Deferred income tax

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

	Six months ended 30 June	
	Unaudited	
	2022	2021
	RMB'000	RMB'000
Beginning of the period	2,689,507	1,985,572
Tax recognised in profit or loss (Note 16)	287,769	301,902
End of the period	2,977,276	2,287,474

9 Financial risk management and financial instruments

This note provides an update on the judgements and estimates made by the Group in determining the fair values of the financial instruments since the last annual financial report.

9.1 Fair value hierarchy

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 CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

9 Financial risk management and financial instruments (Continued)**9.1 Fair value hierarchy (Continued)**

The following table presents the Group's financial assets that are measured at fair value at 30 June 2022.

	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
	Note (a)	Note (b)	Note (c)	
Assets				
Financial assets at fair value				
through other comprehensive				
income and financial assets at				
fair value through profit or loss				
– Bond investments	1,229,165	–	–	1,229,165
– Fund investments	–	1,593,140	–	1,593,140
– Financial products	–	–	1,549,674	1,549,674
– Stocks	742,407	–	–	742,407
– Other equity investment	–	–	1,224,218	1,224,218
– Others	–	546,979	121,512	668,491
	1,971,572	2,140,119	2,895,404	7,007,095

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

9 Financial risk management and financial instruments (Continued)

9.1 Fair value hierarchy (Continued)

The following table presents the Group's financial 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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

9 Financial risk management and financial instruments (Continued)

9.1 Fair value hierarchy (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 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 CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

9 Financial risk management and financial instruments (Continued)

9.1 Fair value hierarchy (Continued)

(c) Financial instruments in level 3

The following tables present the changes in level 3 instruments for the six months ended 30 June 2022 and 2021.

	Other equity investment RMB'000	Financial products RMB'000	Others RMB'000	Total RMB'000
Opening balance as at 1 January 2022	942,552	1,156,634	758,873	2,858,059
Transfer from level 1 (Note (i))	161,966	-	-	161,966
Purchase	148,446	504,665	1,778,892	2,432,003
Gains/(losses) for the period recognised in profit or loss	(9,300)	12,586	1,148	4,434
Disposal	(19,446)	(124,211)	(2,417,401)	(2,561,058)
Closing balance as at 30 June 2022	1,224,218	1,549,674	121,512	2,895,404
Opening balance as at 1 January 2021	591,639	1,081,005	1,253,380	2,926,024
Transfer to level 1	-	-	(848,526)	(848,526)
Purchase	23,500	1,452,937	2,278,610	3,755,047
Gains/(losses) for the period recognised in profit or loss	3,747	27,515	(13,370)	17,892
Disposal	(10,782)	(1,143,802)	(2,377,638)	(3,532,222)
Closing balance as at 30 June 2021	608,104	1,417,655	292,456	2,318,215
Includes unrealised gains or losses recognised in profit or loss attributable to balances held at the end of the reporting period				
2022	(10,261)	12,543	1,148	3,430
2021	-	27,024	1,528	28,552

- (i) During the six months ended 30 June 2022, an investment of the Group was delisted. As the Group cannot determine the fair value of this investment using quoted prices or observable market data, it has been reclassified from level 1 into level 3. Other than this transfer of investment from level 1 to level 3, there was no transfer between the levels of the fair value hierarchy in the six months ended 30 June 2022.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

9 Financial risk management and financial instruments (Continued)

9.1 Fair value hierarchy (Continued)

(c) Financial instruments in level 3 (Continued)

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

	Fair value at 30 June 2022 RMB'000	Valuation technique(s)	Unobservable input	Range (weighted average)
– Financial products	160,000	Discounted cash flow	Expected interest rate per annum	2.05%
	1,389,674	Summation Method	Value of each asset/liability	N/A
– Other equity investment (Note (i))	1,224,218	Summation Method	Value of each asset/liability	N/A
– Trust products	50,957	Discounted cash flow	Discount rate	4.60%
– Unlisted notes receivable	70,555	Discounted cash flow	Discount rate	1.70%-3.19%
	Fair value at 30 June 2021 RMB'000	Valuation technique(s)	Unobservable input	Range (weighted average)
– Financial products	1,417,655	Discounted cash flow	Expected interest rate per annum	1.3%-4.7%
– Other equity investment (Note (i))	608,104	Discounted cash flow	Discount rate	1%-3%
– Trust products	108,692	Discounted cash flow	Expected interest rate per annum	4.35%-4.65%
– Unlisted notes receivable	183,764	Discounted cash flow	Discount rate	2.35%-3.19%

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

10 Trade and other receivables

Sales of passenger vehicles were normally made with advances from customers. Sales of other products were made on credit terms ranging from 0 to 365 days.

As at 30 June 2022 and 31 December 2021, the ageing analysis of these trade receivables is presented on the basis of the date of the relevant invoices as follows:

	Unaudited 30 June 2022 RMB'000	Audited 31 December 2021 RMB'000
Trade receivables		
Within 1 year	6,808,901	6,415,447
Between 1 and 2 years	511,748	341,919
Between 2 and 3 years	697,047	457,165
Between 3 and 4 years	316,569	63,382
Between 4 and 5 years	20,551	75,561
Over 5 years	144,205	161,714
	8,499,021	7,515,188
Less: Provision for impairment	(274,356)	(292,940)
Trade receivables – net	8,224,665	7,222,248

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

11 Share capital

	RMB ordinary shares of RMB1 each		Foreign shares listed out of mainland China of RMB1 each		Total	
	Number of shares (thousands)	Share capital RMB'000	Number of shares (thousands)	Share capital RMB'000	Number of shares (thousands)	Share capital RMB'000
	As at 31 December 2021	7,271,973	7,271,973	3,098,620	3,098,620	10,370,593
Conversion of convertible bonds (Note 13)	93,365	93,365	–	–	93,365	93,365
As at 30 June 2022	7,365,338	7,365,338	3,098,620	3,098,620	10,463,958	10,463,958

(a) Equity-settled share-based payments – The Third A Share Options Scheme and Restricted Share Incentive Scheme

On 4 December 2020, according to the resolution of the extraordinary shareholders' meeting, 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").

On 4 December 2020, according to the resolution of the extraordinary shareholders' meeting, 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 CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

11 Share capital (Continued)

(a) Equity-settled share-based payments – 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.

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 III, respectively, 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.

(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 and recorded an amount of RMB509,486,000 received 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.

As at 30 June 2022, there are total 102,101,330 units of outstanding options in SO-III and 102,101,330 units of outstanding RS.

(b) Total expenses recognised in profit or loss for SO-III and RS for the period of six months ended 30 June in 2022 are RMB242,935,000 (six months ended 30 June 2021: RMB254,232,000).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

12 Trade and other payables

As at 30 June 2022 and 31 December 2021, ageing analysis of trade payables is presented on the basis of the date of the relevant invoices as follows:

	Unaudited	Audited
	30 June	31 December
	2022	2021
	RMB'000	RMB'000
Trade payables		
Within 1 year	12,047,912	14,670,857
Between 1 and 2 years	850,902	282,607
Between 2 and 3 years	299,216	52,624
Over 3 years	82,539	73,002
	13,280,569	15,079,090

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

13 Borrowings

	Unaudited	Audited
	30 June	31 December
	2022	2021
	RMB'000	RMB'000
Non-current		
Borrowings from bank and other financial institutions	2,814,912	2,702,122
Corporate bonds – guaranteed (Note (b))	–	2,995,121
Securitization debts (Note (c))	985,932	739,746
Borrowings related to automotive lease-back (Note (d))	697,027	853,447
Recourse financing (Note (e))	61,576	236,288
Total non-current borrowings	4,559,447	7,526,724
Current		
Borrowings from bank and other financial institutions	6,130,832	5,666,826
Corporate bonds – guaranteed (Note (b))	2,997,053	–
Convertible bonds (Note (a))	–	2,374,442
Securitization debts (Note (c))	1,154,457	898,675
Borrowings related to automotive lease-back (Note (d))	465,456	432,877
Recourse financing (Note (e))	257,944	159,559
Entrusted loans from related parties – unsecured	100,000	100,000
Interest payables	46,847	256,359
Total current borrowings	11,152,589	9,888,738
Total borrowings	15,712,036	17,415,462

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

13 Borrowings (Continued)

(a) 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.

For the six months ended 30 June 2022, certain convertible bond holders partially converted the convertible bonds in the principal amount of RMB1,299,670,000 into shares of the Company. The Company allotted and issued a total of 93,364,832 shares to such convertible bond holders at the conversion prices of RMB13.92 per share. Upon the conversion, the Company derecognised the liability component of RMB1,377,651,000 and transferred this amount with equity component (convertible bonds reserve) of RMB122,692,000 into share capital and share premium.

For the six months ended 30 June 2022, the convertible bonds in the principal amount of RMB1,071,717,000 were redeemed by the Company at a total consideration of RMB1,136,020,000. Upon the redemption, the Company derecognised the liability component of RMB1,136,020,000 and transferred equity component (convertible bonds reserve) of RMB101,174,000 into share premium. As at 30 June 2022, balances of the liability component of the convertible bonds recognised in borrowings and the equity component of the convertible bonds recognised in reserves were nil, respectively.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

13 Borrowings (Continued)

- (b) 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.
- (c) The Group has securitized certain finance lease receivables and issued RMB1,000,000,000 asset-backed securities (“ABS-2021”) in 2021. During the year ended 31 December 2021, the Group issued ABS-2021 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. The ABS-2021 bore interest from 26 November 2021 at 2.8%-6.5% per annum in 2021. The Group has already repaid ABS-2021 of RMB765,076,000 by the end of 30 June 2022.

The Group has securitized certain finance lease receivables and issued RMB1,253,621,000 asset-backed notes (“ABN-2021”) in 2021. During the year ended 31 December 2021, the Group issued ABN-2021 of RMB1,253,621,000, out of which RMB1,137,714,000 represented senior tranche and RMB115,907,000 represented subordinate tranche, which was fully acquired by the Group. The ABN-2021 bore interest from 16 July 2021 at 3.6%-4.98% per annum in 2021. The Group has already repaid ABN-2021 of RMB446,391,000 by the end of 30 June 2022.

The Group has securitized certain finance lease receivables and issued RMB1,501,000,000 asset-backed notes (“ABN-2022”) in 2022. During the year ended 30 June 2022, the Group issued ABN-2022 of RMB1,501,000,000, out of which RMB1,414,000,000 represented senior tranche and RMB87,000,000 represented subordinate tranche, which was fully acquired by the Group. The ABN-2022 bore interest from 16 January 2022 at 3.55%-6.30% per annum in 2022. The Group has already repaid ABN-2022 of RMB511,719,000 by the end of 30 June 2022.

As the Group retains substantially all the risks and rewards of ownership of the above financial lease receivables related to the ABS-2021, ABN-2021 and ABN-2022, 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

13 Borrowings (Continued)

(c) (Continued)

The Group has securitized certain finance lease receivables and issued RMB1,517,000,000 asset-backed securities (“ABS-2022”) in June 2022. During the year ended 30 June 2022, the Group issued ABS-2022 of RMB1,517,000,000, out of which RMB1,420,000,000 represented senior tranche and RMB97,000,000 represented subordinate tranche, 79.38% of which was acquired by the Group. The ABS-2022 bore interest from 23 June 2022 at 2.30%-5.80% per annum in 2022.

Since the Group has neither transferred nor retained substantially all the risks and rewards of ownership of the financial lease receivables and retained control of the underlying assets as at 30 June 2022, the Group only recognised the transferred assets to the extent of the continuing involvement of the ABS-2022 amounting to RMB77,000,000 as prepayment and long-term receivables, and the associated liabilities amounting to RMB77,000,000 as non-current trade and other payables, which approximate the maximum exposure to losses from its involvement in the ABS-2022.

(d) As at 30 June 2022, 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.

(e) As at 30 June 2022, a subsidiary of the Group has entered into several factoring agreements. Those factoring borrowings were resorted to the finance lease receivables.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

14 Operating loss

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

	Unaudited	
	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Depreciation and amortisation	3,420,621	2,840,150
Impairment charges of intangible assets	32,982	–
Impairment charges of inventories	16,012	15,435
Net impairment losses on financial assets	78,770	534
Staff costs	5,555,600	4,603,895
Gains on disposal of property, plant and equipment and intangible assets	(6,932)	(15,136)
Government grants	(262,099)	(306,024)
Donation	1,070	2,479
Dilution Gain	(323,196)	–

15 Finance costs

	Unaudited	
	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Interest expense	122,067	209,461
Others	36,556	(20,368)
	158,623	189,093

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

16 Income tax credit

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

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

	Unaudited	
	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Current income tax	217,453	171,100
Deferred income tax	(287,769)	(301,902)
	(70,316)	(130,802)

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

The tax rates applicable to the Company and its major subsidiaries for the six months ended 30 June 2022 are 15% or 25% (2021: 15% or 25%).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

17 Earnings per share

(a) Basic

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

	Unaudited Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Profit attributable to owners of the Company	6,073,685	4,336,516
Weighted average number of ordinary shares in issue less restricted shares (thousands)	10,354,076	10,350,942
Basic earnings per share (RMB per share)	0.59	0.42

(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 options and restricted shares. 1) The convertible bonds are assumed to have been converted into ordinary shares, and the net profit is adjusted to eliminate the interest expense. 2) For the share options and restricted shares, calculations are done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares for six months ended 30 June 2022) based on the monetary value of the subscription rights attached to outstanding share options, and at subscription price of restricted shares, respectively. The numbers of shares calculated as above are compared with the numbers of shares that would have been issued assuming the exercise of the share options, and the numbers of restricted shares that would have been unlocked assuming all related conditions fulfilled, respectively.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

17 Earnings per share (Continued)**(b) Diluted (Continued)**

	Unaudited	
	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Profit attributable to owners of the Company	6,073,685	4,336,516
Add: Interest expense on convertible bonds	5,131	47,913
Profit used to determine diluted earnings per share	6,078,816	4,384,429
Weighted average number of ordinary shares in issue less restricted shares (thousands)	10,354,076	10,350,942
Add: weighted average number of ordinary shares assuming conversion of all share options and restricted shares (thousands)	28,457	2,866
Add: weighted average number of ordinary shares assuming conversion of all convertible bonds (thousands)	17,511	182,467
Weighted average number of ordinary shares in issue for diluted earnings per share (thousands)	10,400,044	10,536,275
Diluted earnings per share (RMB per share)	0.58	0.42

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

18 Dividend

	Unaudited	
	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Interim dividend declared: RMB0.06 per ordinary share (2021: RMB0.05 per ordinary share)	627,837	517,661

Dividend paid in six months ended 30 June 2022 was approximately RMB1,778,872,000 (six months ended 30 June 2021: RMB1,552,796,000).

In addition, an interim dividend of RMB0.06 per ordinary share (2021: RMB0.05 per ordinary share) was declared by the board of directors on 30 August 2022. This interim dividend, amounting to approximately RMB627,837,000 (2021: RMB517,661,000), has not been recognised as a liability in this interim financial information.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

19 Capital commitments

Capital commitments at the balance sheet date but not yet incurred are as follows:

	Unaudited 30 June 2022 RMB'000	Audited 31 December 2021 RMB'000
Property, plant and equipment		
– Authorised but not contracted for	697,720	637,213
– Contracted but not provided for	1,633,245	1,969,734
	2,330,965	2,606,947
Intangible assets		
– Authorised but not contracted for	3,059,732	2,384,669
– Contracted but not provided for	519	32,355
	3,060,251	2,417,024
Investments		
– Authorised but not provided for (Notes (i))	401,000	446,338
	5,792,216	5,470,309

- (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 30 June 2022, none of the amount has been paid.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

20 Related-party transactions

Related parties are those parties that have the ability to control the other party or exercise significant influence in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. The Group is subject to the control of the PRC Government.

In accordance with HKAS 24 “Related Party Disclosures”, other state-owned enterprises and their subsidiaries, directly or indirectly controlled by the PRC Government (“State-owned Enterprises”) are regarded as related parties of the Group.

In addition to the related party information shown elsewhere in the interim condensed consolidated financial statements, the following is a summary of significant related party transactions entered into in the ordinary and usual course of business and balances between the Group and its related parties, during the period.

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

20 Related-party transactions (Continued)

(a) Significant related party transactions

	Unaudited	
	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Sales of goods		
Sales of automotive parts and steels		
– Joint ventures	887,722	1,231,140
– Associates	267,212	105,612
– Subsidiaries of GAIG	209	–
	1,155,143	1,336,752
Sales of passenger vehicles		
– Joint ventures	81,831	89,698
– Associates	828,947	34,154
	910,778	123,852
	2,065,921	1,460,604
Rendering of labour and insurance services		
– Joint ventures	639,184	514,914
– Associates	555,649	350,989
– Subsidiaries of GAIG	667	–
	1,195,500	865,903

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

20 Related-party transactions (Continued)

(a) Significant related party transactions (Continued)

	Unaudited	
	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Purchases of goods		
Purchases of automotive parts and materials		
– Joint ventures	769,268	460,509
– Associates	4,502,968	792,760
	5,272,236	1,253,269
Purchases of passenger vehicles		
– Joint ventures	4,848,739	3,199,141
– Associates	2,128	2,505
	4,850,867	3,201,646
	10,123,103	4,454,915
Purchases of labour services and settlement of insurance claims		
– Joint ventures	8,794	23,023
– Associates	21,144	19,498
– Subsidiaries of GAIG	19,593	12,990
	49,531	55,511

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

20 Related-party transactions (Continued)

(a) Significant related party transactions (Continued)

	Unaudited	
	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Rental from related parties		
– Joint ventures	15,143	115,579
– Associates	426	468
– Subsidiaries of GAIG	7,463	6,190
	23,032	122,237
Interest charges for lease liabilities to related parties		
– Joint ventures	397	86
– GAIG	141	318
– Subsidiaries of GAIG	55	338
	593	742
Rental of right-of-use assets to related parties		
– Joint ventures	27,977	12,622
– GAIG	32,995	33,175
– Subsidiaries of GAIG	2,779	25,312
	63,751	71,109
Provision of entrusted loans to related parties		
– Joint ventures	160,000	164,900
– Associates	9,800	–
	169,800	164,900

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

20 Related-party transactions (Continued)

(a) Significant related party transactions (Continued)

	Unaudited	
	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Repayment of entrusted loans from related parties		
– Joint ventures	160,000	160,000
– Associates	4,900	–
	164,900	160,000
Entrusted loans from a related party		
– A joint venture	100,000	100,000
Repayment of entrusted loans to a related party		
– A joint venture	100,000	70,000
Borrowings from a related party		
– A joint venture	1,245,140	843,245
Repayment of borrowings to a related party		
– A joint venture	1,187,745	980,764
Loans to related parties		
– Joint ventures	4,127,738	1,929,643
– Associates	5,244	–
	4,132,982	1,929,643
Repayment of loans from related parties		
– Joint ventures	2,312,944	1,836,065
– Associates	23,580	36,772
	2,336,524	1,872,837

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

20 Related-party transactions (Continued)**(b) Key management compensation**

	Unaudited	
	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Salaries and other short-term employee benefits	8,754	8,148

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

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

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

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

20 Related-party transactions (Continued)

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

(i) *Balances with state-owned financial institutions*

As at 30 June 2022 and 31 December 2021, majority part of the Group's bank balances and borrowings were deposited in or financed from various state-owned financial institutions. The Directors are of opinion that such transactions were conducted in the ordinary course of business and in accordance with normal commercial terms.

(ii) *Guarantees given by state-owned enterprises and the parent company*

As at 30 June 2022, information of borrowings secured by guarantees given by a state-owned financial institution and GAIG is presented in Note 13(b).

(d) Guarantees to an associate

As at 30 June 2022, the Group provided financial guarantees of approximately RMB16,600,000 (2021: RMB16,600,000) to an associate.

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

21 Events occurring after the balance sheet date

On 30 August 2022, the Company held the twenty-second meeting of sixth session of the Board, at which the proposal for interim profit distribution for 2022 was considered and passed. The Company proposed to pay the 2022 interim dividends of RMB0.06 per share (tax inclusive) in cash to all the shareholders. Calculation made hereinafter is temporarily based on the total share number of the Company of 10,463,958,000 shares as at 30 June 2022, by which the total amount of final dividend will be RMB627,837,000 (such distribution would be made to A shareholders in RMB, and be made to H shareholders in Hong Kong Dollar). Such proposal for profit distribution does not involve the conversion of capital reserve to share capital.

Chapter 8

DEFINITIONS

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

“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)
“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
“EV”	electric vehicle
“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 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
“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

DEFINITIONS

“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 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 and Honda Motor Co., Ltd.
“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-SOFINCO”	GAC-SOFINCO Automobile Finance Co., Ltd. (廣汽匯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

DEFINITIONS

“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
“Group” or “GAC Group”	the Company and its subsidiaries
“HEV”	hybrid electric vehicle
“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 established in April 2018 under PRC law, in which 25% of its equity interests are jointly held by the Company and its subsidiaries
“ICV”	intelligent connected vehicle
“IGBT”	insulated gate bipolar transistor
“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
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange as amended from time to time
“MPV”	multi-purpose passenger vehicle
“NEV”	new energy vehicle
“OEM”	original equipment manufacturer
“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 23.6% by the Group

DEFINITIONS

“PRC” or “China”	the People’s Republic of China
“PHEV”	plug-in hybrid electric vehicle
“RMB”	Renminbi, the lawful currency of the PRC
“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
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“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
“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.
“XEV”	hybrid electric vehicles including HEV, PHEV, etc.