广汽集团
GAC GROUP

GUANGZHOU AUTOMOBILE GROUP CO., LTD.

廣州汽車集團股份有限公司

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

(Stock Code: 2238)

2019 INTERIM RESULTS ANNOUNCEMENT

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 announcement, and they will jointly and severally accept responsibility.

(II) All directors of the Company have attended the meeting of the Board.

(III) The interim financial report of the Company is unaudited. The Audit Committee of the Company has reviewed the unaudited interim results of the Company for the six months ended 30 June 2019 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 announcement.

(V) The Board proposed payment of interim dividend of RMB0.5 (tax inclusive) in cash for every 10 shares to all shareholders.

(VI) The forward-looking statements contained in this announcement 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 connected parties.

(VIII) The Company has not provided any third-party guarantees in violation of stipulated decision-making procedures.

CHAIRMAN'S STATEMENT

Dear shareholders,

In the first half of 2019, in the face of the increasingly severe market situation, we responded positively to the challenges head-on, and focused our minds on seeking development and made every effort to maintain steady growth with the strong support of our shareholders. With such determination and efforts, we achieved overall stability in our production and operation after efforts made by the Group. On behalf of the Board, I would like to hereby express my heartfelt gratitude to all shareholders, partners and stakeholders.

In the first half of the year, **we withstood the pressure and overcame difficulties to achieve progress in production and operation**. Amidst the continuing downward trend of the domestic automobile industry which recorded a year-on-year decrease of 13.70% and 12.40% in production and sales respectively, the Group's production and sales volume of automobiles for the first half of the year were 948,200 units and 999,600 units respectively, representing a year-on-year decrease of 9.49% and 1.69% respectively, which were higher than the industry level by approximately 4 percentage points and 10 percentage points, respectively. Our sales volume of automobiles ranked fifth in China and market share increased by 0.88 percentage point year-on-year. In particular, the growth rate of GAC Honda and GAC Toyota was at the top in the industry. The "enhance end-point-sales and reduce inventory" efforts of GAMC achieved preliminary results in the first half of the year with a year-on-year growth of 2.13% in end-point sales. The sales volume of GAC New Energy increased by 73.46% year-on-year, benefiting from the launch of Aion S since April, which was built by the pure electric exclusive platform and secured orders for over 50,000 units. Revenue of the Group together with its joint ventures and associated enterprises amounted to approximately RMB168.685 billion, representing a decrease of approximately 2.27% as compared with the corresponding period last year. The consolidated total operating revenue amounted to approximately RMB28.351 billion, representing a decrease of approximately 23.79% as compared with the corresponding period last year. Net profit attributable to owners of the company was approximately RMB4.919 billion, representing a decrease of approximately 28.84% as compared with the corresponding period last year. Earnings per share amounted to approximately RMB0.48. The Group was listed in Fortune Global 500 for the 7th consecutive year and entered the top 200 for the first time. The Group ranked 189, representing a rise of 13 places comparing with last year, reaching a record high.

We continued to deepen the reform of systems and mechanisms and foundation became more solid. Since the Group was shortlisted in the "Double Hundred Actions" enterprise list by the State-Owned Asset Supervision and Administration Commission of the State Council for the reform of state-owned enterprises since August last year, we continued to deepen the reform and innovation work and provided important system and mechanism protection for the promotion of high quality development of the enterprise. On the basis of the large-scale system reform of the headquarter of the Group last year, organisational reform was further deepened and new departments were established including whole vehicle manufacturing business headquarter, parts and components business headquarter, commercial business headquarter, international business headquarter, financial business headquarter, data and information headquarter, with the focus of strengthening the integration operation and communication and coordination efficiency of the research-production-marketing of self-developed brand, and strengthening of the synergic effect of resources and strategies of the whole vehicle manufacturing, parts and components, commercial and financial segments, so as to accelerate the promotion of internationalisation and digitalisation, centralise and coordinate the allocation of enterprise resources and integrate and give full play to our advantage in the overall brand and resources. The Group continued to implement the pilot reform program for professional managers, and the reform of the Group's cadre system was deepened continuously to provide further impetus for enterprise vitality. The Group has also developed a more scientific and reasonable enterprise classification system to improve the classification management of investment enterprises.

We continued to optimise our strategic business portfolio, paving the path for a brilliant future. "Ruqi Mobile Mobility" (「如祺出行」), a mobile mobility platform created jointly by the Group and its partners such as Tencent, was officially launched and commenced operation on 26 June. It is a key platform and leverages to help implement the Group's mid-and-long-term development strategy and accelerate its transformation into a mobile mobility service provider. The Yichang plant of GAMC has been completed and put into operation while the production capacity expansion projects of GAC Toyota and GAC Honda's Zengcheng plant are expected to be completed and put into operation this year, which is a building up of strength and energy for the Group's next phase of development. The Group officially adopted digitalisation as one of its mid-and-long-term development strategies and actively promoted digital transformation.

We adhered to innovation-driven development and made plentiful preparation. With the aim of addressing users' pain points and satisfying their needs for more convenient and comfortable rides, GAEI actively promoted 30 vehicle research and development projects, and completed the design and development of 9 models such as upgraded Aion S, GA6 etc., orderly promoted 11 powertrain projects while the development of GAC's first self-developed Miller cycle engine 1.5TM was completed and equipped with the re-designed model of GS3 for mass production. The self-developed ADiGO (Smart Driving and Connected) ecosystem was released. It is an ecosystem integrating smart factory ecosystem, automatic driving system and internet-of-things system, which will be gradually included and utilised in models of self-developed brand. Since 2013, GAC Trumpchi was the No. 1 brand in J. D. Power's China IQS for 7 consecutive years, achieving the best result in the history of Chinese brands.

We are committed to fulfilling our social responsibility and taking proactive actions. The Group has achieved remarkable results in targeted assistance phase and the active involvement in the poverty alleviation program cooperation of the eastern and western regions progressed smoothly. In particular, 245 poverty-stricken households in the three poverty-stricken villages, namely, Lianyi Village, Baishi Village and Silian Village in Jiubei Town, Lianzhou City, Qingyuan under the targeted assistance of the Group have fully overcome poverty. The Group vigorously promoted the work of the industrial alleviation projects in Meizhou with innovative cooperation between enterprises and schools. It has prepared the "GAC class" with Bijie City Vocational School and participated in the assistance pairing activities for five deeply poverty-stricken villages in Nayong County of Bijie City, shouldering social responsibility proactively. In the first half of the year, the Group contributed more than RMB23,613,300 in charity and targeted poverty alleviation, etc.. The Group was awarded golden cups of the "Guangdong Poverty Relief Red Cotton Cup" for six consecutive years and honoured by being enlisted in the "Five-Star Philanthropic Unit on the Charity List of Guangzhou" and "The Most Influential Charity Enterprise in Guangzhou Charity List", etc. for many years.

A long-term vision and holistic understanding of the economy are the keys to success in the industry today. The world is faced with profound changes that have never been seen in a hundred years, which present both risks and opportunities. The domestic economy is under downward pressure, but the development is resilient and stable with positive progress. After decades of rapid development, the automobile industry has entered into an adjustment period. In the long run, this will help speed up the survival of the fittest in the industry, and it will change from the simple pursuit of quantity to the pursuit of quality. In recent years, through innovation, strategic adjustment and deepened reform of systems and mechanisms, the Group has a clear strategic direction, prominent brand effect and showing momentum of high-quality development and resilience in sustainable development. In the second half of the year, we will remain confident in our strategy, grasp the course of development, adapt to the new norms, reinvent the new momentum, hold onto our values, focus on our mission, identify differences, implement our plans and strive for high quality development.

In the second half of the year, **we will perform our development mission to secure a strong momentum for growth**. In accordance with the guiding principles and work requirements formulated at the beginning of the year, we will overcome difficulties and strive to achieve the basic goals of the operational plan for 2019. Taking advantage of the historical opportunities arising from the construction of the "Guangdong-Hong Kong-Macau Greater Bay Area", the Group will focus on projects with strategic, leading, forward-looking and fundamental importance, and accelerate industrial transformation and upgrade projects and the implementation, construction and putting into operation of key capacity expansion projects. We will adhere to the principle of giving priority to efficiency and establish the concept of "opening up new sources of income, cutting costs and enhancing efficiency", so as to provide impetus, stabilise operation, lower cost and increase efficiency. We will strengthen our research and development and production synergies, consolidate quality foundation, strengthen product competitiveness, and integrate the design, technological innovation, interactive experience and product performance to truly create innovative and leading products that attract consumers. We will promote the refinement and differentiation of marketing services, follow the market closely to implement strategy with precision and promote the penetration of distribution channels. The Group will give full play to the leading role of its star models. It will steadily construct its own network taking GAC Business as the platform to play a demonstrative and leading effect brought about by the star models for the synergy advantage of the financial segment. The Group will increase its resources investment in the automobile consumer finance market and the aftermarket, and establish an industry ecosystem of synergetic development to integrate resources and build on the momentum of joint forces.

We will seize opportunities arising from the reform of state-owned enterprises and continuously unleash our enterprise vitality. The Group will actively implement the requirements of the "Double Hundred Actions" reform tasks, so as to ensure that the high-quality development capability of the enterprise can be continuously benefited from the "bonus" of reform. The Group will focus on deepening the structural reform of the organisation and enhancing its products, technology, international business, risk control, digitalisation business, as well as the synergy of its parts and components, commercial and financial segments. The Group's headquarter will play a greater role in the leading of strategies, boosting of synergy for value creation and regulation of risk control. The Group will further expand the scope of professional manager reform within the Group, promote the reform of professional manager of investment enterprises and accelerate the mixed ownership reform, so as to further motivate employees and enhance enterprise vitality.

We will strengthen our strategic leadership to enhance our capability for sustainable development. In order to seize the technological reform opportunities, we will promote electrification, intellectualisation, digitalisation and sharing, vigorously introduce leading technical talents, and strive for breakthroughs in key technologies urgently needed by national strategies and those which constrain the development of enterprises in the industry. We will strive to seize the dominant position in future technologies so as to achieve new breakthroughs to become a leader instead of a follower. We will promote the development of the GAC Zhilian New Energy Automotive Industrial Park Project and the establishment of an industry cluster of new energy automobile equipped with intelligent network, and build a leading demonstration area for the testing and operation of new energy vehicles equipped with intelligent network. We will strengthen the operational efficiency of our mobility segment, promote the brand awareness and market share of "Ruqi Mobile Mobility" (「如祺出行」). We will steadily promote the application of the qualification for operation of urban ride-sharing vehicles, and help "Ruqi Mobile Mobility (「如祺出行」)" to become the first choice of mobility platform in the Guangdong-Hong Kong-Macau Greater Bay Area. The Group will further adjust and refine its global strategy, making full use of the advantages of the Guangdong-Hong Kong-Macau Greater Bay Area. It will also accelerate the progress of Russian projects, consolidate its advantage in the Middle East market and create the "One Belt One Road" strategic radiation effect. Leveraging on the three key platform functions of the research and development centre in the United States, namely "gathering high-end talents, strengthening external exchange and cooperation, and integrating international forward-looking technologies", the Group will further enhance its self-development and integrated research and development capabilities.

We will actively promote digitalisation transformation to facilitate our business transformation and upgrade. The Group will establish data and information headquarter and big data department which will be responsible for the promotion of the Group's digitalisation business. We will actively promote research and development of digitalisation, establish an intelligent business chain for design, virtual analysis and physical authentication, and build an efficient and highly effective digital research and development system. The Group will raise the level of digitalisation in marketing and achieve improvements in both market responsiveness and product marketing based on the visualisation of the market. We will strive to improve the level of intelligent manufacturing and achieve real-time information exchange and seamless connection between objects-and-objects and human-and-objects, and achieve real-time control, precision management and scientific decision-making in the production process, so as to realise the digital transformation of the traditional manufacturing industry. In the future, we will build a unified big data and cloud platform management center, which will incorporate various upstream, midstream and downstream sectors of the industry chain in the organisation and re-engineering of the digital process, and form a complete digitalised value chain including R&D, procurement, manufacturing, sales, services and finance, etc.

All great businesses begin with dreams, innovations and materialisations. 2019 is the 70th anniversary of the establishment of new China. We will adhere to our original aspirations, remember our mission and focus on the Group's development vision of the new stage. Always taking quality and efficiency as the core and insisting on joint venture cooperations and self-innovation, we will unswervingly and continuously promote the transformation from manufacturing to innovation, from the pursuit of speed to quality and from products to brands. We will concretely pursue high-quality development of the enterprise and strive to become a world-class enterprise with customers' trust, satisfied employees and social expectations.

Last but not least, I would like to thank our investors, customers, partners and stakeholders for their attention and support to GAC Group.

SUMMARY OF BUSINESS OF THE COMPANY

(I) Summary of business

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

1. Research and development segment

The Group's R&D is based on GAEI, a directly funded and managed body of the Company, and also a subsidiary of the Company and a strategic 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. Whole vehicles segment

(1) Production of whole vehicles

Production of passenger vehicles is mainly conducted through its subsidiary, GAMC, and joint ventures including GAC Honda, GAC Toyota, GAC FCA and GAC Mitsubishi.

➢ **Products:** The Group's passenger vehicles include 15 series of sedans, 19 series of SUV and 3 series of MPV, details of which are set forth below:

- GAC Trumpchi GA3, GA4, GA5, GA6, GA8, AION S, GS3, GE3, GS4, GS5, GS7, GS8, GM6, GM8;
- GAC Honda Accord, Crider, Vezel, Odyssey, City, Fit, Avancier, Acura CDX, Acura TLX-L, Acura RDX, etc.;
- GAC Toyota Camry, Highlander, Yaris L (致炫), Levin, Yaris L (致享), C-HR, etc.;
- GAC FCA JEEP Cherokee, JEEP Renegade, JEEP Compass, JEEP Grand Commander, etc.;
- GAC Mitsubishi ASX, Outlander, Eclipse Cross, etc.;

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.

New energy products of the Group include:

- GAC Trumpchi GA3S • PHEV, GS4 • PHEV, GE3, AION S;
- GAC Honda Accord Sport Hybrid, Odyssey Hybrid, Acura CDX Hybrid, Shirui, VE-1;
- GAC Toyota Camry HEV, Levin HEV, ix4;
- GAC FCA Yuejie • PHEV;
- GAC Mitsubishi Qizhi • PHEV, Qizhi • EV;
- GAC BYD pure electric passenger vehicles.

➢ **Production capacity:** During the reporting period, GAC New Energy added production capacity of 100,000 units/year, which commenced operation in May 2019; GAMC Yichang plant added production capacity of 200,000 units/year which commenced operation in June 2019. As at the end of the reporting period, the total vehicle production capacity amounted to 2,503,000 units/year.

➢ **Sales channel:** The Group conducts automobile sales through sales outlets and online channels. As at the end of the reporting period, the Company, together with its joint ventures and associated companies, had 2,508 passenger vehicles 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.

3. *Commercial services segment*

Through its subsidiary, GAC Business, and its controlling and investee companies, Da Sheng Technology and associated company Tong Fang Logistics in the upstream and downstream of the automobile industrial chain, the Company carried on businesses in vehicle sales, logistics, international trading, second-hand vehicles, disassembling, resources recycling, supporting services, etc.

4. *Parts and components segment*

The Group's production of parts and components was mainly carried out through the controlling companies, jointly-controlled and 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, HVAC systems, auto lamps, automation accessories, redirectors, shock absorbers and accessories, etc. About 77% of the products were whole vehicle accessories of the Group.

5. *Financial segment*

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

(II) INDUSTRY ENVIRONMENT

During the reporting period, sustained trade tensions led to a significant slowdown of global economic growth, economic downside risks increased, and the domestic macroeconomy was still under relatively great pressure. Affected by key factors such as the shift to the National VI Standards in advance in some regions and the end of the transition period of new energy vehicle subsidies, the automotive industry continued its downward trend from the second half of last year. According to the data of China Association of Automobile Manufacturers, the overall situation of the industry in the first half of the year is as follows:

The accumulated production and sales volume of automobiles amounted to 12.132 million units and 12.323 million units, representing a year-on-year decrease of 13.7% and 12.4% respectively. The accumulated production and sales volume of passenger vehicles amounted to 9.978 million units and 10.127 million units, representing a year-on-year decrease of 15.8% and 14% respectively. The production and sales of the four types of passenger vehicles all showed different degrees of decline. Classified by brand of passenger vehicles, market share of the German series and Japanese series maintained growth at 23.2% and 21.5% respectively, increased by 2.2 percentage points and 3.7 percentage points year-on-year, while Chinese brands still maintained the highest market share of 39.5%, but decreased by 1.9 percentage points year-on-year.

The new energy vehicles maintained a rapid growth with production and sales volume amounted to 614,000 units and 617,000 units respectively, representing a year-on-year increase of 48.5% and 49.6% respectively. Among them, the production and sales volume of purely electric powered vehicles amounted to 493,000 units and 490,000 units, representing a year-on-year growth of 57.3% and 56.6% respectively; the production and sales volume of plug-in hybrid vehicles amounted to 119,000 units and 126,000 units respectively, representing a year-on-year increase of 19.7% and 26.4% respectively.

The top 10 enterprise groups in terms of automobile sales volume achieved an aggregate sales volume of 10.997 million units, representing a year-on-year decrease of 12.1%. The percentage of the total sales volume of automobiles amounted to 89.2%, representing a year-on-year increase of 0.3 percentage point.

(III) ANALYSIS ON CORE COMPETITIVENESS DURING THE REPORTING PERIOD

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

1. *Industry layouts with complete industry chain and optimised structure*

The Group has formed an industry strategic layout based in South China and radiating to Central China, East China, Northwest China and Bohai Rim Region and a complete closed-loop industrial chain centering upon manufacture of vehicles and covering R&D of vehicles and parts and components in the upstream and automobile business, financial service and mobile mobility in the downstream, which is one of the automobile groups in the PRC with the most integrated industrial chain and the most optimised industry layout. The synergy in the upstream and downstream of the industrial chain progressed gradually, new profit growth points were emerging and the comprehensive competitiveness of the Group has been constantly enhanced. During the reporting period, mobile mobility platform "Ruqi Mobile Mobility" (「如祺出行」) officially started operation, the GAC Zhilian New Energy Automotive Industrial Park Project proceeded as planned. GAC Aisin Gearbox Project and Powertrain II Factory Engine Phase I Project for GAMC were put into operation successfully. Yichang plant of GAMC was put into operation on 28 June, industrial layout was further improved.

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 excelsior.

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 introduce new models and product iterations to maintain market competitiveness of its products in order to meet changes in demand of consumers. It maintained customer loyalty and a widely recognised brand reputation. During the reporting period, the Group continuously facilitated the development and introduction of new products, new vehicles and re-designed models such as GAC Trumpchi GM6, GAC New Energy Aion S, GAC Honda Vezel re-modelled, Odyssey Sport Hybrid and GAC Toyota's upgraded Levin (including HEV), etc. were successively launched by various vehicle factories, which has enriched the product variety.

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

After years of introduction, digestion, absorption and innovation, the Group accumulated funds, technology, 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 cross-platform and modular-structured R&D system, the Group has been equipped with the advantage of integrated innovation. During the reporting period, product development capacity has been continuously consolidated. GAEI proactively procured 28 whole-vehicles research projects. Meanwhile, during the reporting period, 858 new patent applications (35.6% of which were invention patents) were made. The scale of intellectual property continued to expand.

5. *Built a new energy and intelligent network technology system*

The Group has the world's leading purely electric powered vehicle exclusive platform and the first application of the deep-integrated "three-in-one" electric automobile system. ADiGO (Smart Driving and Connected) ecosystem, which possesses smart factory ecology, automatic driving system, IoT system, cloud platform and big data, is self-developed by the Group, and has the production level of L3 class automatic driving technology, and created Aion series, a new energy vehicle product system based on the new pure electricity exclusive platform. During the reporting period, Aion S, the first strategic model based on pure electricity exclusive platform, was officially launched. It is the first realised product with comprehensive endurance over 510km in China. It is equipped with ADiGO (Smart Driving and Connected) ecosystem and L3 class automatic assisted driving system. The luxury smart super-run SUV-Aion LX with comprehensive endurance over 600km will be launched in the second half of the year. In the future, the ADiGO (Smart Driving and Connected) ecosystem will be launched gradually on a series of models of the self-developed brand.

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 leveraging on domestic and overseas capital markets in various forms to achieve effective resources allocation and realise the maximisation of capital appreciation and corporate value through the integration of internal and external growth. The Company explored structural reform in governance, continued to improve medium and long-term incentive mechanism, continued to expand its investment and financing sector, optimised financing structure, and the role of finance in supporting the main business has been significantly enhanced. During the reporting period, third exercise period for the first share option incentive scheme had commenced, the registration of the grant of reserved share option of phase two share option incentive scheme was completed.

DISCUSSION AND ANALYSIS ON OPERATION

(I) MAJOR WORKS

During the first half of 2019, with the continued decline of the automobile industry and downturn in the automobile market, the Group actively responded and maintained steady development of production and operation. Major works performed are as below:

1. *Actively responding to challenges and devoted all efforts to promote high quality development*

   In face of the deteriorating situation in the automobile market, through carrying out a series of measures such as active commencement of sales research and implementation of performance improvement projects, etc. the Group's operation and production remained stable, and the quality of development has risen steadily. For the whole vehicle segment, sales volume of GAC Honda and GAC Toyota amounted to 394,500 units and 311,200 units respectively, representing a year-on-year increase of 16.41% and 21.86%; GAMC steadily promoted the destocking of the National V models, sales to end-user maintained a steady development momentum; production and sales of GAC New Energy both reached over 10,000 units, with year-on-year sales volume increased by 73.46%; the operation of the integration of production and sales of GAC FCA achieved initial results; and GAC Nio successfully released the "HYCAN Hechuang" brand. During the reporting period, models such as GAC Trumpchi's GM6, GAC New Energy's Aion S, re-modelled GAC Honda's Vezel, and Odyssey Hybrid and GAC Toyota's upgraded Levin (including HEV), etc. were successively launched. With the strong support of the financial segment on the sales of various main engine manufacturers. GAC-SOFINCO's retail business increased by 41% year-on-year, and retail sales penetration increased by 32.3% year-on-year; Urtrust Insurance completed the acquisition of equity interest in Guang Ai, further improved the industry chain layout, and premium increased by 16.4% year-on-year; GAC Capital explored the high-quality projects of the automobile industry chain in depth, and its investee enterprise, ArcSoft Technology, was among the first batch of enterprises listed on the STAR market of SSE; the industry chain financial system of GAC Finance was officially launched, the pilot scheme on money-lending business was set up in cooperation with GAC-SOFINCO to meet the inventory financing needs of dealers.

2. *Launch of the "Double Hundred Actions" reform to enhance governance of the Company*

   On the basis of reform of the headquarter system of the Group's head office last year, the Group further enriched and optimised the functions of the headquarter, and focused on strengthening the synergy of research, sales and production for self-developed brand, product planning, the Group's international business, digital business, risk control, talent management, as well as control on parts and components, trading and financial aspects, and to better perform the strategic leadership, risk monitoring and service collaboration of the Group's headquarter. The reform of professional managers of investment enterprises has commenced to continuously stimulate the enterprise vitality. The Group deepened the reform of its cadre system and focused on building a high-quality team of leading cadres. The Group implemented enterprise classification reform and established a more scientific and reasonable enterprise classification evaluation system. The Group continued to improve the corporate governance system. During the reporting period, the Group added 9 new rules and regulations, and revised 21 items in the Articles of Association and other rules and regulations. The Group proceeded with the exercise of the third exercise period for the first share option incentive scheme, and the registration of grant of reserved share option of phase two share option incentive scheme was completed.

3. *Driven by major projects, actively promoting structural adjustment and strategic transformation*

The GAC Zhilian New Energy Automotive Industrial Park Project proceeded as planned. The GAC Aisin Gearbox Project and Powertrain II Factory Engine Phase I Project for GAMC had commenced. GAC Times and Times GAC actively carried out works such as, system construction and preparation for the new factory setup, etc. Yichang factory of GAMC was completed on 28 June, which will become a world-class benchmark intelligent manufacturing factory with high efficiency, high quality, energy saving and environmental protection. GAC Toyota's expansion of production capacity to add new varieties of construction projects and GAC Honda's Zengcheng Factory Capacity Expansion Project progressed smoothly, and is expected to be completed and put into operation during the year. Major projects such as GAEI's Hualong R&D Base Construction Project and the Southern (Shaoguan) Intelligent Network Link New Energy Vehicle Testing Center Project, etc. were progressing in an orderly manner. The mobile mobility platform "Ruqi Mobile Mobility" (「如祺出行」), which was built together with partners such as Tencent and Guangzhou Public Transport Group, had officially launched. The digital transformation work was accelerated, and the building of big data platform and digital marketing had achieved preliminary results.

4. *Adhering to innovation and leading a new situation in the development of self-developed brands*

The Group further rationalised the synergy mechanism of research, production and sales of self-developed brands, and united forces for development. The GAC Global R&D Network, covering 5 regions, namely Guangzhou, Shanghai, Silicon Valley, Los Angeles and Detroit, has officially been established and upgraded continuously to form a "Global R&D Office". During the first half of the year, GAC Trumpchi launched GM6 and the new generation GA6, and further enriched the product matrix. GAC New Energy's Aion S was undersupply after it was launched in the market due to robust demand, the pure electric SUV Aion LX made its first debut at the Shanghai Auto Show and will officially commence production in September this year. GAMC completed the facelift of all its 470 sales outlets, created a Trumpchi smart service platform and "Enjoy Yourselves" scooter + "Didi Style" rescue service to offer more convenient and enjoyable car-riding experience for customers. The international business has been steadily advanced. Guangzhou Automobile Group Motor Russia Company was officially listed in April with a network covering 16 countries and regions around the world. GAC Business obtained the first batch of used car export qualifications in Guangdong Province, which will greatly promote the expansion of its overseas sales business.

5. *Strengthening the two-way communication with investors to effectively protect their interests*

The Group continued to conduct information disclosure based on the principle of "being true, accurate, complete, timely, fair and effective", insisting on making consistent and simultaneous information disclosure on both the A and H share markets. During the first half of 2019, the Company made disclosures of 87 and 68 corporate documents on the SSE and the Stock Exchange respectively on various matters without any error, delay, modification or supplement. Besides, through various modes of communication with investors such as the e-interaction platform of the SSE, investor hotlines, roadshows, investors exchange forum, etc., communications with investors were enhanced. The Group actively carried out the "15th May National Investor Protection Promotion Day" activity. During the first half of the year, the Group received visits from investors on investigation and research for 15 times in total, held one annual results press conference, hosted 14 teleconferences, attended 4 investor summits, organised 3 domestic and overseas roadshows and 1 open day for institutional investors and met with over 500 investors and analysts. During the reporting period, the Company was granted a number of capital market awards including "Golden Round Table Awards — Enterprise Excellent in Corporate Governance" and "Pegasus Award – China's Main Board Listed Companies Investor Relations The Best Board of Directors", etc.

6. *Continued to strengthen brand building and steadily enhancing brand value*

The Group made its appearance at the North American Auto Show, Shanghai Auto Show and St. Petersburg International Auto Show successively. We hosted the Osaka Sino-Japanese Friendship Exchange Story Meeting and the first China Automotive Quality Technology Conference. Leveraging the international platforms such as China-Russia Expo, the Boao Forum, etc., the brand image promotion of the GAC Group was further enhanced. With concerted efforts of GAC, good presentation and extended exposure, the brand value of GAC was continually on the rise. Interbrand, the world's largest integrated brand consultancy, ranked GAC 46th among the top 50 best brands in China.

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

During the reporting period, operating revenue of the Group together with its joint ventures and associated companies amounted to approximately RMB168.685 billion, representing a decrease of approximately RMB3.922 billion, and a decrease of approximately 2.27% as compared with the corresponding period last year.

During the reporting period, revenue of the Group amounted to approximately RMB28.351 billion, representing a decrease of approximately 23.79% as compared with the corresponding period last year; net profit attributable to owners of the Company amounted to approximately RMB4.919 billion, representing a decrease of approximately 28.84% as compared with the corresponding period last year; basic earnings per share amounted to approximately RMB0.48, representing a decrease of approximately 29.41% as compared with the corresponding period last year.

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

1. In the first half of 2019, the increasing downward pressure on the economy resulted in the continuous negative growth of production and sales in the domestic automobile industry. Production and sales of the Group's self-developed brand were also affected to a certain degree, the production and sales volume of which decreased by 36.66% and 30.30% respectively as compared with the corresponding period last year. The Group was highly committed to research and development, self-innovation and speeding up the launch of new products to continuously enhance the competitiveness of its products. In early 2019, GAC Detroit Research Centre (廣汽底特律研發中心) officially commenced operation, and formed the three major research centres layout in North America in Silicon Valley, Los Angeles and Detroit, paving way for international R&D capability to reach a new stage. In the first half of the year, Aion S and the GA6 new generation, the Group's self-developed new energy sedans, were launched successively, which further enriched the star products mix of the self-developed brand. In which, the sales volume of the self-developed new energy vehicle brand sustained growth despite the declining trend, recorded sales volume of over 10,000 units.

2. Japanese series joint ventures launched new products and technologies which further increased integrated competitiveness. Sales volume of the brand new 8th generation Camry increased significantly as compared with the corresponding period last year. Sales volume of vehicle models such as the 10th generation Accord, etc. grew steadily, in which Odyssey Hybrid and the re-modelled Vezel newly launched by GAC Honda, and the re-modelled of Levin newly launched by GAC Toyota received satisfactory market response.

3. Ancillary businesses in the upstream and downstream of the industry chain such as financial services, parts and components and commercial services were affected to a certain degree with the change in production and sales volume of self-developed brand and joint ventures, but the synergy effects among business segments continued to emerge, which assisted the development of principal business. In particular, the Group officially launched the "Ruqi Mobile Mobility" (「如祺出行」) mobile mobility platform in June, and started pilot operational run in Guangzhou, which will improve the GAC Group's travel service segment, further promote the optimisation and upgrade of industry chain, and enhance the Group's high quality development to a new stage.

(III) ANALYSIS OF PRINCIPAL BUSINESS

1. *Analysis table of relevant items of consolidated statement of comprehensive income and statement of cash flows*

Unit: 100 million *Currency: RMB*

Item	Current period	Corresponding period last year	Percentage change *(%)*
Revenue	283.51	372.00	-23.79
Costs of sales	263.10	299.11	-12.04
Selling and distribution costs	17.35	28.99	-40.15
Administrative expenses	17.81	19.29	-7.67
Finance costs	2.92	2.40	21.67
Interest income	2.14	2.49	-14.06
Share of profit of joint ventures and associated companies	48.66	49.43	-1.56
Net cash flow generated from operating activities	-37.55	-46.30	18.90
Net cash flow generated from investing activities	-0.94	-22.22	95.77
Net cash flow generated from financing activities	-14.52	-34.26	57.62

2. *Revenue*

During the reporting period, total revenue of the Group amounted to approximately RMB28.351 billion, representing a decrease of approximately 23.79% as compared with the corresponding period last year, mainly due to the continuous negative growth in production and sales of domestic automobile industry, policy change in the PRC as well as the decrease in sales volume of the Group's self-developed brand "Trumpchi".

3. *Costs of sales and gross profit*

During the reporting period, the Group recorded costs of sales of approximately RMB26.310 billion, representing a decrease of approximately 12.04% as compared with the corresponding period last year. Total gross profit amounted to approximately RMB2.041 billion, representing a decrease of approximately RMB5.248 billion as compared with the corresponding period last year. Gross profit margin decreased by 63.26% as compared with the corresponding period last year, mainly due to the combined effect of corresponding decrease in costs of sales as a result of the decrease in production and sales volume of self-developed brand, and at the same time the increase in costs of sales as a result of the increase in commercial business in line with the increase in sales of vehicle models of joint venture brands.

4. *Expenses*

(1) The decrease of approximately RMB1.164 billion in selling and distribution costs as compared with the corresponding period last year was mainly attributable to the combined effect of the decrease in expenses in logistics, warehousing and aftersales services in line with the decrease in business sales volume and the decrease in advertisement and promotion expenditures, etc.;

(2) The decrease of approximately RMB148 million in administrative expenses as compared with the corresponding period last year was mainly attributable to the re-classification of armortisation of self-developed intangible assets to R&D expenses pursuant to the new requirement of financial statements issued by the Ministry of Finance during the reporting period;

(3) The increase of approximately RMB52 million in finance costs as compared with the corresponding period last year was mainly attributable to the increase in borrowings during the reporting period;

(4) The decrease of approximately RMB35 million in interest income as compared with the corresponding period last year was mainly attributable to the decrease in average deposit balance during the reporting period.

5. *Cash flow*

(1) During the reporting period, net cash outflow generated from operating activities amounted to approximately RMB3.755 billion, representing a decrease in outflow of approximately RMB875 million as compared with the net cash outflow of RMB4.630 billion in the corresponding period last year, which was mainly attributable to the combined effect of the decrease in payables and tax expense in line with the decrease in sales volume during the reporting period;

(2) During the reporting period, net cash outflow arising from investing activities amounted to approximately RMB94 million, representing a decrease in outflow of approximately RMB2.128 billion as compared with the net cash outflow of approximately RMB2.222 billion in the corresponding period last year, which was mainly attributable to the combined effect of the increase in fixed assets and intangible assets investment and the increase in financial products investment by financial enterprise during the reporting period as well as the decrease in time deposits, etc.;

(3) During the reporting period, net cash outflow arising from financing activities amounted to approximately RMB1.452 billion, representing a decrease in outflow of approximately RMB1.974 billion as compared with the net cash outflow of approximately RMB3.426 billion in the corresponding period last year, which was mainly attributable to the combined effect of the increase in borrowings during the reporting period as well as the increase in the absorption of investments by subsidiaries, etc.;

(4) As at 30 June 2019, cash and cash equivalent of the Group amounted to approximately RMB22.441 billion, representing a decrease of approximately RMB4.482 billion as compared with approximately RMB26.923 billion as at 30 June 2018.

6. *Share of profit of joint ventures and associated companies*

During the reporting period, the Group's share of profit of joint ventures and associated companies amounted to approximately RMB4.866 billion, representing a decrease of approximately RMB77 million 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, the decrease in profit of European and American series joint ventures, as well as the decrease in profit in the upstream parts and components business of associated companies as a result of the decrease in production and sales volume, etc.

7. *Others*

Income tax amounted to approximately RMB2 million, representing a decrease of approximately RMB667 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 Company for the reporting period amounted to approximately RMB4.919 billion, representing a decrease of approximately 28.84% as compared with the corresponding period last year; basic earnings per share amounted to approximately RMB0.48, representing a decrease of approximately 29.41% as compared with the corresponding period last year.

(IV) ANALYSIS BY INDUSTRY, PRODUCT OR REGIONAL OPERATION

1. *Principal business by industry*

Unit: 100 million *Currency: RMB*

By industry	Revenue	Cost of sales	Gross profit margin (%)	Changes in revenue compared with last year (%)	Changes in costs of sales compared with last year (%)	Changes in gross profit margin compared with last year (%)
Automobile manufacturing industry	168.48	163.58	2.91	-36.67	-24.09	Decreased by 16.09 percentage points
Parts and components manufacturing industry	10.10	8.69	13.96	13.61	25.40	Decreased by 8.09 percentage points
Commercial services	94.15	84.57	10.18	12.94	20.38	Decreased by 5.55 percentage points
Financial services and others	10.78	6.26	41.93	-21.31	-2.64	Decreased by 11.14 percentage points
Total	283.51	263.10	7.20	-23.79	-12.04	Decreased by 12.39 percentage points

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 costs of sales compared with last year (%)	Changes in gross profit margin compared with last year (%)
Passenger vehicles	168.39	163.52	2.89	-36.70	-24.12	Decreased by 16.09 percentage points
Vehicles-related trades	104.25	93.26	10.54	13.01	20.83	Decreased by 5.80 percentage points
Financial services and others	10.87	6.32	41.86	-20.95	-1.71	Decreased by 11.38 percentage points
Total	283.51	263.10	7.20	-23.79	-12.04	Decreased by 12.39 percentage points

3. Principal business by region

Unit: 100 million Currency: RMB

By region	Revenue	Changes in revenue compared with last year *(%)*
Mainland China	283.51	-23.78
Hong Kong	0.00	-100.00
Total	283.51	-23.79

(V) ANALYSIS ON ASSETS AND LIABILITIES

1. Analysis table of assets and liabilities

Unit: 100 million Currency: RMB

Item	Balance at the end of the current period	Balance at the end of the period over total assets *(%)*	Balance at the end of previous period	Balance at the end of previous period over total assets *(%)*	Change *(%)*
Prepayments and long-term receivables	16.89	1.31	28.27	2.14	-40.25
Financial assets (non-current) at fair value through profit or loss	32.36	2.51	15.89	1.20	103.65
Property, plant and equipment	196.13	15.19	163.18	12.35	20.19

2. *Analysis on change of items*

(1) Prepayments and long-term receivables decreased by 40.25% as compared with the balance at the end of the previous period, mainly due to the decrease in production and sales volume during the reporting period which led to the corresponding decrease in prepayments for parts and components, etc.;

(2) Financial assets (non-current) at fair value through profit or loss increased by 103.65% as compared with the balance at the end of the previous period, mainly due to the increase in financial products investment by financial enterprise during the reporting period;

(3) Property, plant and equipment increased by 20.19% as compared with the balance at the end of the previous period, mainly due to the combined effect of the capacity expansion construction of GAMC as well as the increase in fixed assets as a result of the construction of new energy vehicle plant.

(VI) ANALYSIS OF FINANCIAL POSITION

1. *Financial indicators*

As at 30 June 2019, the Group's current ratio was approximately 1.57 times, representing a decrease from approximately 1.64 times as at 31 December 2018, and quick ratio was approximately 1.36 times, representing a decrease as compared with that of approximately 1.48 times as at 31 December 2018. Current ratio and quick ratio remained normal.

2. *Financial resources and capital structure*

As at 30 June 2019, the Group's current assets amounted to approximately RMB55.692 billion, current liabilities amounted to approximately RMB35.437 billion and current ratio was approximately 1.57 times. As at 30 June 2019, the Group's total borrowings amounted to approximately RMB12.891 billion, mainly consisting of corporate bonds issued by the Group with nominal value of RMB3 billion and RMB2 billion respectively, two tranches of medium-term notes both with nominal value of RMB0.3 billion, convertible bonds with closing balance of approximately RMB2.542 billion and loans from bank and financial institutions, etc. with closing balance of approximately RMB4.766 billion, gearing ratio was approximately 13.71%. The above loans and bonds were payable upon maturity. The Group generally funds its business and operational capital needs with its own working capital. (Calculation of gearing ratio: (borrowings in non-current liabilities + borrowings in current liabilities)/(total equity + borrowings in non-current liabilities + borrowings in current liabilities)).

3. *Foreign exchange risk*

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

4. *Contingent liabilities*

As at 30 June 2019, independent third-party guarantee committed by the Group amounted to RMB0, whereas that as at 31 December 2018 was RMB0; as at 30 June 2019, financial guarantee given by the Company to its subsidiaries amounted to RMB0, and that as at 31 December 2018 was RMB0.

5. *Charges on the Group's assets*

Save as disclosed in the latest published annual report of the Group, there has been no material change in charges on the Group's assets.

OTHER DISCLOSURES

1. Possible risks

The major possible risks that may be faced are as follows: First, under the complicated international and domestic situation, the downward pressure on the macro-economy is still relatively significant, which may have certain impact on automobile sales; Second, the adjustment of Double Points Measure, the implementation of new emission standards, especially the adjustment of new energy vehicle subsidy policies had set higher requirements and challenges for automobile enterprises in China.

2. Production safety

The Group adhered to the spirit of "the party and government sharing the same responsibility, one post with two responsibilities, joint control and management and accountability for dereliction of duty", followed the idea of "people-oriented and safe development", based on the working guideline of supervising, monitoring and serving, and working principle of "Group's supervision and guidance, corporate entity management", and implemented the main responsibility of the enterprises, further improved the management system with target management as its core, continuously optimised the assessment mechanism, strengthened risk management and control, and strove to achieve regularity, standardisation and scientific management of safe production, stability and comprehensive management.

Based on the annual working plan, the Group focused on production safety work at the end and the beginning of a year, the Chinese New Year, during the period of the two national meetings, solidly promoted the investee enterprises to implement the main responsibility of safety production, thoroughly improved the enterprises responsibility system for all employees' safety production, strengthened the safety risk management and control, investigated hidden hazards and vigorously carried out the construction of enterprises safety culture. For the first half of the year, the Group and its investee enterprises had no serious production accident, and its production safety conditions remained stable in general.

For the second half of the year, the Group will continue to pay close and serious attention to safety, conduct in-depth investigations and rectification work for accidents, further strengthen safety risk grading management and safety emergency management, enhance publicity and educational training of safety production, strictly implement safety production target management, and implement the main responsibility of enterprises production safety, so as to ensure safety production to progress in a steady and orderly way.

3. **Remuneration and legal rights of employees**

As at 30 June 2019, there are 90,336 registered employees of the Group (including its investee enterprises).

In terms of remuneration policy, the Group, on one hand, analyses remuneration data in the market, CPI growth and industry benchmark, maintains the market competitiveness of remuneration levels, and popularises the collective wage negotiation mechanism to ensure that remuneration plays an incentive role in talent retention. On the other hand, the Group strengthens the relationship between remuneration and performance, and constantly optimises the management system such as remuneration system, enterprise performance appraisal mechanism, individual performance appraisal method, and employee promotion system, and promote the offer of remuneration incentives to high-performance employees.

Timely and full 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 labour protection in accordance with the law. The Group also purchased supplementary medical and enterprise annuity for its staff in order to further protect and safeguard their interests and health beyond the requirements of policies and legal regulations.

The Group will further improve and ensure the effectiveness of the remuneration system in terms of incentive 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 the flexibility and effectiveness of their staff welfare systems.

SIGNIFICANT EVENTS

1. PROFIT DISTRIBUTION PLAN OR CONVERSION OF CAPITAL RESERVE

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)	0.5
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 24th meeting of the 5th session of the Board of the Company held on 30 August 2019, it was considered and resolved that a cash interim dividend of RMB0.5 (tax inclusive) per 10 shares shall be distributed to all shareholders of the Company on the record date.	

2. Matters relating to insolvency or restructuring

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

3. Material litigations or arbitrations matters

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

4. Share option incentive scheme, employee stock ownership scheme and other incentive measures of the Company and the impacts thereof

On 25 June 2019, due to the implementation of final profit distribution plan for the year 2018, the exercise price of the first A share option incentive scheme in 2014 of the Company was adjusted to RMB4.20/A share, the exercise price of the second A share option incentive scheme in 2017 was adjusted to RMB19.60/A share, The exercise price of reserved share option of the second A share option incentive scheme in 2017 was adjusted to RMB10.33/A share. For details, please refer to the "Announcement on Adjustment on the First Share Option Incentive Scheme, Second Share Option Incentive Scheme and the Exercise Price of the Reserved Share Option of the Second Share Option Incentive Scheme" (Announcement No.: Lin 2019-041) published on the websites of SSE and the Stock Exchange on 17 June 2019.

MATERIAL CONTRACTS AND THEIR PERFORMANCE

1. Trusts

As considered and approved at the 59th meeting of the 4th session of the Board, the Company was entrusted by GAIG, its controlling shareholder, to manage the assets of its wholly-owned subsidiaries, namely Guangzhou Automobile Industry Group Co., Ltd. (廣州摩托集團有限公司) (which is now renamed as Guangzhou Zhicheng Property Co., Ltd. (廣州智誠實業有限公司)), Guangzhou Guangyue Assets Administration Co., Ltd. (廣州廣悦資產管理有限公司) and Guangzhou Zifeng Asset Management Co., Ltd. (廣州自縫資產管理有限公司) for a term of 3 years.

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	
Total guarantee provided to subsidiaries of the Company during the reporting period	118,000,000
Total balance of guarantee provided to subsidiaries of the Company as at the end of the reporting period (B)	0
Total guarantee of the Company (including those provided to subsidiaries)	
Total guarantee (A+B)	0
Proportion of total guarantee in the net assets of the Company (%)	0
In which:	
Amount of guarantees provided for shareholders, ultimate controllers and its connected parties (C)	0
Amount of debt guarantees provided directly or indirectly for companies with gearing ratio of over 70% (D)	0
Total amount of guarantees in excess of 50% of net assets (E)	0
Sum of the above three guaranteed items (C+D+E)	0
Description on outstanding guarantees which may bear several and joint liability	–
Description on guarantees	–

A SHARE CONVERTIBLE BONDS OF THE COMPANY

1. Issuance of convertible bonds

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

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

Number of convertible bonds holders at the end of the period		1,164
Guarantors of convertible bonds of the Company		Nil
Conditions of top ten convertible bonds holders are as follows:		
Name of convertible bonds holders	Amount of bonds held at the end of the period (RMB)	Percentage of holding (%)
Specific accounts for bonds repurchase and pledge under the Registration and Settlement System (Industrial and Commercial Bank of China)	430,527,000	16.87
Specific accounts for bonds repurchase and pledge under the Registration and Settlement System (China Construction Bank)	153,893,000	6.03
Specific accounts for bonds repurchase and pledge under the Registration and Settlement System (Bank of China)	127,485,000	4.99
Specific accounts for bonds repurchase and pledge under the Registration and Settlement System (China Merchants Bank Co., Ltd.)	115,929,000	4.54
Bank of China Company Limited-HFT Pure Debt Securities Investment Fund	100,325,000	3.93
China Life Insurance Company Limited – Dividends Distribution – Dividends Distribution to Individuals – 005L – FH002 Hu	96,631,000	3.79
Pacific Securities – Xingye – Pacific Securities 14-Day Cash Gain Collective Asset Management Plan	87,567,000	3.43
Specific accounts for bonds repurchase and pledge under the Registration and Settlement System (Bank of Communications)	83,477,000	3.27
Specific accounts for bonds repurchase and pledge under the Registration and Settlement System (Agricultural Bank of China)	75,815,000	2.97
Huaxia Life Insurance Co., Ltd. – Self-owned Fund	45,649,000	1.79

3. Changes in the convertible bonds during the reporting period

Unit: Yuan   Currency: RMB

Name of convertible bond	Prior to current change	Increase/decrease as a result of the current change			After current change
		Converted	Redeemed	Resold	
GAC Convertible Bonds	2,552,279,000	3,000	0	0	2,552,276,000

4. Aggregated conversion of convertible bonds during the reporting period

Amount of shares converted during the reporting period (RMB)	3,000
Number of shares converted during the reporting period (A shares)	202
Aggregated number of shares converted (A shares)	71,853,823
Aggregated number of shares converted per the total number of issued shares of the Company before conversion (%)	1.12
Outstanding convertible bonds (RMB)	2,552,276,000
Outstanding convertible bonds per the total number of convertible bonds issued (%)	62.17

5. Adjustments to the conversion prices

Date of conversion price adjustment	Conversion price after adjustment	Date of disclosure	Media of disclosure	Description of the conversion price adjustment
21 June 2016	RMB21.87	13 June 2016	Websites of SSE and the Stock Exchange, China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily	Based on the profit distribution plan for 2015 of RMB1.2 (tax inclusive) for every 10 shares, the conversion price was adjusted from RMB21.99 per A share to RMB21.87 per A share accordingly.
20 October 2016	RMB21.79	12 October 2016	Websites of SSE and the Stock Exchange, China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily	Based on the profit distribution plan of RMB0.8 (tax inclusive) for every 10 shares for the interim period of 2016, the conversion price was adjusted from RMB21.87 per A share to RMB21.79 per A share accordingly.
21 December 2016	RMB21.75	19 December 2016	Websites of SSE and the Stock Exchange, China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily	As the first exercise period of the first A share option incentive scheme of the Company began during the reporting period, the conversion price was adjusted accordingly based on the number of shares increased as a result of the exercise of share options.
13 June 2017	RMB21.53	6 June 2017	Websites of SSE and the Stock Exchange, China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily	Based on the profit distribution plan for 2016 of RMB2.2 (tax inclusive) for every 10 shares, the conversion price was adjusted from RMB21.75 per A share to RMB21.53 per A share accordingly.
14 September 2017	RMB21.43	6 September 2017	Websites of SSE and the Stock Exchange, China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily	Based on the profit distribution plan of RMB1 (tax inclusive) for every 10 shares for the interim period of 2017, the conversion price was adjusted from RMB21.53 per A share to RMB21.43 per A share accordingly.

Date of conversion price adjustment	Conversion price after adjustment	Date of disclosure	Media of disclosure	Description of the conversion price adjustment
21 November 2017	RMB21.27	20 November 2017	Websites of SSE and the Stock Exchange, China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily	Due to the non-public issue of 753,390,254 A shares, the conversion price was adjusted from RMB21.43 per A share to RMB21.27 per A share accordingly.
21 December 2017	RMB21.24	19 December 2017	Websites of SSE and the Stock Exchange, China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily	Due to exercise of share options under the A share option incentive scheme during the reporting period, the conversion price was adjusted accordingly based on the number of shares increased as a result of the exercise of share options.
12 June 2018	RMB14.86	5 June 2018	Websites of SSE and the Stock Exchange, China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily	Due to the profit distribution for the year of 2017, pursuant to which cash dividend of RMB4.3 per 10 shares (tax inclusive) was distributed and at the same time 4 shares were issued for every 10 shares to all shareholders by way of conversion of capital reserve, the conversion price was adjusted accordingly.
17 September 2018	RMB14.76	6 September 2018	Websites of SSE and the Stock Exchange, China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily	Based on the profit distribution plan for 2018 of RMB1 (tax inclusive) for every 10 shares, the conversion price was adjusted from RMB14.86 to RMB14.76 accordingly.
7 November 2018	RMB14.74	8 October 2018	Websites of SSE and the Stock Exchange, China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily	Due to exercise of share options under the A share option incentive scheme during the reporting period, the conversion price was adjusted accordingly based on the number of shares increased as a result of the exercise of share options.

Date of conversion price adjustment	Conversion price after adjustment	Date of disclosure	Media of disclosure	Description of the conversion price adjustment
25 June 2019	RMB14.46	17 June 2019	Websites of SSE and the Stock Exchange, China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily	Due to the profit distribution for the year of 2018, cash dividend of RMB2.8 per 10 shares (tax inclusive) was distributed, the conversion price was adjusted accordingly.
Latest conversion price as at the end of the reporting period			RMB14.46	

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

As at 30 June 2019, the total assets amounted to RMB129,029,012,296, and gearing ratio was 37.16%. During the reporting period, the credit rating of the Company was AAA and without changes. The main sources of cash for debt repayment next year are operating cash flow and external investment income of the Company.

CHANGES IN SHARE CAPITAL

During the reporting period, as a result of exercise of share option incentive scheme and conversion of convertible bonds, an aggregate of 3,985,508 A shares were increased.

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.

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.

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Unaudited	
		Six months ended 30 June	
	Note	**2019**	2018
		RMB'000	*RMB'000*
Revenue	*5*	**28,351,459**	37,200,307
Cost of sales		**(26,310,099)**	(29,911,151)
Gross profit		**2,041,360**	7,289,156
Selling and distribution costs		**(1,734,589)**	(2,898,820)
Administrative expenses		**(1,780,519)**	(1,928,706)
Net impairment losses on financial and contract assets		**(10,087)**	(2,187)
Interest income		**170,742**	221,123
Other gains – net		**1,671,268**	202,112
Operating profit	*6*	**358,175**	2,882,678
Interest income		**43,478**	27,990
Finance costs	*7*	**(291,981)**	(240,371)
Share of profit of joint ventures and associates	*8*	**4,866,225**	4,942,947
Profit before income tax		**4,975,897**	7,613,244
Income tax expense	*9*	**(2,118)**	(668,606)
Profit for the period		**4,973,779**	6,944,638
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
– exchange differences on translation of foreign operations		**382**	500
Items that will not be reclassified to profit or loss			
– changes in the fair value of equity investments at fair value through other comprehensive income		**(6,281)**	–
Other comprehensive (loss)/income for the period, net of tax		**(5,899)**	500
Total comprehensive income for the period		**4,967,880**	6,945,138

	Note	Unaudited Six months ended 30 June **2019** ***RMB'000***	 2018 *RMB'000*
Profit attributable to:			
Owners of the Company		**4,918,558**	6,912,986
Non-controlling interests		**55,221**	31,652
		4,973,779	6,944,638
Total comprehensive income attributable to:			
Owners of the Company		**4,912,659**	6,913,486
Non-controlling interests		**55,221**	31,652
		4,967,880	6,945,138
Earnings per share for profit attributable to the ordinary equity holders of the Company (expressed in RMB per share)			
– basic	*10*	**0.48**	0.68
– diluted	*10*	**0.48**	0.67

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Note	**Unaudited 30 June 2019** *RMB'000*	Audited 31 December 2018 *RMB'000*
ASSETS			
Non-current assets			
Land use rights		–	3,929,992
Property, plant and equipment		**19,613,266**	16,318,393
Right-of-use assets		**5,005,354**	–
Investment properties		**1,428,460**	1,485,994
Intangible assets		**9,781,421**	8,539,985
Investments in joint ventures and associates	*8*	**30,001,714**	28,995,309
Financial assets at fair value through other comprehensive income		**1,208,963**	1,215,244
Financial assets at fair value through profit or loss		**3,235,771**	1,588,786
Deferred income tax assets		**1,426,842**	1,062,075
Prepayments and long-term receivables		**1,688,793**	2,827,005
		73,390,584	65,962,783
Current assets			
Inventories		**7,480,440**	6,729,797
Contract assets		**6,568**	–
Trade and other receivables	*12*	**16,169,804**	16,605,239
Financial assets at fair value through profit or loss		**908,893**	967,734
Time deposits		**7,136,337**	10,336,681
Restricted cash		**1,549,098**	3,841,939
Cash and cash equivalents		**22,441,314**	27,729,586
		55,692,454	66,210,976
Total assets		**129,083,038**	132,173,759

	Note	Unaudited 30 June 2019 *RMB'000*	Audited 31 December 2018 *RMB'000*
EQUITY			
Equity attributable to owners of the Company			
Share capital		**10,236,482**	10,232,497
Other reserves		**26,892,449**	26,880,662
Retained earnings		**41,543,258**	39,490,695
		78,672,189	76,603,854
Non-controlling interests		**2,460,834**	1,370,853
Total equity		**81,133,023**	77,974,707
LIABILITIES			
Non-current liabilities			
Trade and other payables	*13*	**238,397**	198,485
Borrowings		**7,770,608**	9,611,461
Lease liabilities		**737,653**	–
Deferred income tax liabilities		**194,429**	160,977
Provisions		**504,501**	674,556
Government grants		**3,067,434**	3,262,220
		12,513,022	13,907,699
Current liabilities			
Trade and other payables	*13*	**28,795,084**	35,786,131
Contract liabilities		**1,043,394**	1,335,696
Current income tax liabilities		**324,095**	340,264
Borrowings		**5,120,561**	2,829,262
Lease liabilities		**153,859**	–
		35,436,993	40,291,353
Total liabilities		**47,950,015**	54,199,052
Total equity and liabilities		**129,083,038**	132,173,759

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 Hong Kong Stock Exchange (the “HKSE”) and Shanghai Stock Exchange (“SSE”) 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 2019.

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 2019 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, ‘Interim financial reporting’. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2018, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

3 Accounting policies

Except as described below, the accounting policies applied in the condensed consolidated financial information are consistent with those described in the annual financial statements for the year ended 31 December 2018.

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

(a) New and amended standards adopted by the Group

The following new standards, amendments to existing standards and interpretation are mandatory for adoption for the financial year beginning 1 January 2019 for the Group:

Standards/Amendments	Subject of Standards/Amendments
HKFRS 16 (Note 4)	Leases
HK (IFRIC) 23	Uncertainty over Income Tax Treatments
HKAS 28 (Amendment)	Long-term Interests in Associates and Joint Ventures
HKFRS 9 (Amendment)	Prepayment Features with Negative Compensation
HKAS 19 (Amendment)	Plan Amendment, Curtailment or Settlement
Annual Improvements to HKFRSs 2015-2017 cycle	Improvements to HKFRSs

Save for the impact of the adoption of these standards and the new accounting policies disclosed in Note 4 below, the other standards did not have any impact on the Group's accounting policies and did not require retrospective adjustments.

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

The following new standards and amendments to standards have been issued but are not effective for the financial year beginning 1 January 2020 and have not been early adopted. None of these is expected to have a significant effect on the consolidated financial statements of the Group.

Standards/Amendments	Subject of Standards/Amendments	Effective for accounting periods beginning on or after
HKFRS 3 (Amendment)	Definition of a Business	1 January 2020
HKAS 1 and HKAS 8 (Amendment)	Definition of Material	1 January 2020
HKFRS 17	Insurance Contract	1 January 2021
HKFRS 10 and HKAS 28 (Amendment)	Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture	To be determined

4 Changes in accounting policies

This note explains the impact of the adoption of HKFRS 16 Leases on the Group's financial statements and discloses the new accounting policies that have been applied from 1 January 2019 in Note 4(b) below.

The Group has adopted HKFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening consolidated balance sheet on 1 January 2019.

(a) Adjustments recognised on adoption of HKFRS 16

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.75%.

	2019
	RMB'000
Operating lease commitments disclosed as at 31 December 2018	443,350
Discounted using the lessee's incremental borrowing rate of at the date of initial application	361,120
Lease liability recognized as at 1 January 2019	361,120
Of which are:	
Current lease liabilities	93,095
Non-current lease liabilities	268,025
	361,120

Associated right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated balance sheet as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The land use rights are reclassified to right-of-use assets as at 1 January 2019.

The recognised right-of-use assets relate to the following types of assets:

	30 June 2019	1 January 2019
	RMB'000	*RMB'000*
Properties	**842,624**	360,709
Vehicles	**21,235**	409
Office and other equipment	**8,767**	2
Land use rights	**4,132,728**	3,929,992
Total right-of-use assets	**5,005,354**	4,291,112

The change in accounting policy affected the following items in the consolidated balance sheet on 1 January 2019:

- right-of-use assets – increase by RMB 4,291,112,000
- lease liabilities – increase by RMB 361,120,000
- land use right – decrease by RMB 3,929,992,000

No impact on retained earnings on 1 January 2019.

(i) Impact on segment disclosures

Segment assets and segment liabilities for June 2019 all increased as a result of the change in accounting policy. Lease liabilities are now included in segment liabilities. The following segments were affected by the change in policy:

	Segment assets	**Segment liabilities**
	RMB'000	*RMB'000*
Vehicles and related operations	842,203	860,561
Others	30,423	30,951
	872,626	891,512

There was no material impact on the Group's net profit after tax and earnings per share for the six months ended 30 June 2019 as a result of the adoption of HKFRS 16.

(ii) Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- reliance on previous assessments on whether leases are onerous
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HK (IFRIC) 4 Determining whether an Arrangement contains a Lease.

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

The Group leases various properties, vehicles, office and other equipment. Rental contracts are typically made for fixed periods of 1 to 20 years but may have extension options as described in (i) below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the year ended 31 December 2018, leases of property, plant and equipment were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

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

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

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

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

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

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

5 Segment information

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

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

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

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

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

During the six months ended 30 June 2019, no revenue from transactions with a single external customer counted to 10% or more of the Group's total revenue.

The segment results for the six months ended 30 June 2019 and 30 June 2018 and other segment items included in the interim consolidated statement of comprehensive income are as follows:

	Vehicles and related operations *RMB'000*	Others *RMB'000*	Eliminations *RMB'000*	Unallocated *RMB'000*	Consolidated *RMB'000*
Six months ended 30 June 2019					
Total gross segment revenue	**27,307,673**	**1,146,258**	**(102,472)**	**–**	**28,351,459**
Inter-segment revenue	**(34,439)**	**(68,033)**	**102,472**	**–**	**–**
Revenue (from external customers)	**27,273,234**	**1,078,225**	**–**	**–**	**28,351,459**
Timing of revenue recognition under HKFRS 15					
At a point in time	**25,443,294**	**–**	**–**	**–**	**25,443,294**
Over Time	**1,298,463**	**128,739**	**–**	**–**	**1,427,202**
Revenue from other sources	**531,477**	**949,486**	**–**	**–**	**1,480,963**
Segment results	**(351,592)**	**215,708**	**18,057**	**–**	**(117,827)**
Unallocated income – Headquarter interest income				**118,934**	**118,934**
Unallocated costs – Headquarter expenditure				**357,068**	**357,068**
Operating profits					**358,175**
Interest income	**8,784**	**4,408**	**–**	**30,286**	**43,478**
Finance costs	**(110,894)**	**(10,320)**	**–**	**(170,767)**	**(291,981)**
Share of profit of joint ventures and associates	**4,617,637**	**248,588**	**–**	**–**	**4,866,225**
Profit before income tax					**4,975,897**
Income tax expense	**35,780**	**(40,861)**	**–**	**2,963**	**(2,118)**
Profit for the period					**4,973,779**

	Vehicles and related operations *RMB'000*	Others *RMB'000*	Eliminations *RMB'000*	Unallocated *RMB'000*	Consolidated *RMB'000*
Six months ended 30 June 2018					
Total gross segment revenue	35,891,026	1,467,162	(157,881)	–	37,200,307
Inter-segment revenue	(60,849)	(97,032)	157,881	–	–
Revenue (from external customers)	35,830,177	1,370,130	–	–	37,200,307
Timing of revenue recognition under HKFRS 15					
At a point in time	35,830,177	1,370,130	–	–	37,200,307
Segment results	2,888,189	194,887	(28,773)	–	3,054,303
Unallocated income – Headquarter interest income				172,790	172,790
Unallocated costs – Headquarter expenditure				(344,415)	(344,415)
Operating profits					2,882,678
Interest income	23,727	800	(18,409)	21,872	27,990
Finance costs	(106,456)	(4,461)	47,181	(176,635)	(240,371)
Share of profit of joint ventures and associates	4,783,324	159,623	–	–	4,942,947
Profit before income tax					7,613,244
Income tax expense	(594,104)	(74,260)	–	(242)	(668,606)
Profit for the period					6,944,638

The segment assets and liabilities as at 30 June 2019 and 31 December 2018 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 2019	**94,390,104**	**32,415,136**	**(28,601,007)**	**30,878,805**	**129,083,038**
At 31 December 2018	92,288,668	38,874,836	(31,468,420)	32,478,675	132,173,759
Total liabilities					
At 30 June 2019	**41,594,564**	**23,432,667**	**(27,251,876)**	**10,174,660**	**47,950,015**
At 31 December 2018	45,104,433	30,102,274	(31,517,142)	10,509,487	54,199,052

6 Operating profit

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

	Unaudited Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Depreciation and amortisation	**1,679,204**	1,312,268
Impairment charges of intangible assets	**–**	66,612
Impairment charges of property, plant and equipment	**17**	–
(Reversal of impairment)/impairment charge of inventories	**(14,691)**	1,839
Net impairment losses on financial and contract assets	**10,087**	2,187
Staff costs	**4,172,588**	3,649,431
Gain on disposal of property, plant and equipment, investment properties and intangible assets (2018: Loss on disposal of property, plant and equipment, land use rights and intangible assets)	**(1,278)**	460
Government grants	**(1,760,694)**	(235,504)
Gains on disposal of an associate	**(22,328)**	(76,757)
Gains on debt restructuring	**–**	(41,113)
Donation	**10,221**	11,900

7 Finance costs

	Unaudited Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Interest expense	**212,691**	218,816
Others	**79,290**	21,555
	291,981	240,371

8 Investments in joint ventures and associates

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

	Unaudited	Audited
	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
Investments in joint ventures	**23,445,027**	22,113,574
Investments in associates	**6,556,687**	6,881,735
	30,001,714	28,995,309

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

	Unaudited Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Share of profit of joint ventures (Note (i))	**4,295,449**	4,165,166
Share of profit of associates (Note (i))	**570,776**	777,781
	4,866,225	4,942,947

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

8.1 Investments in joint ventures

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

	Unaudited Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Beginning of the period as originally presented	**22,113,574**	19,201,981
Changes in accounting policy	**–**	(62,191)
Beginning of the period (restated)	**22,113,574**	19,139,790
Additions (Note (i))	**290,900**	530,320
Disposals	**(22)**	(62,391)
Share of profit	**4,342,566**	4,217,495
Dividends declared	**(3,301,991)**	(2,585,175)
End of the period	**23,445,027**	21,240,039

(i) In 2019, the additions mainly represent the Company's contribution of capital of RMB245,000,000 to a new joint venture in proportion to its interest held.

(b) Summarised financial information for joint ventures

Set out below is the summary of combined financial information for all the joint ventures of the Group (excluding goodwill). As restricted by the confidentiality agreements entered into with other shareholders of certain joint ventures, the Group has not disclosed certain financial data of material joint ventures separately. The aggregate of the financial information of the seven material joint ventures identified by Directors 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	Audited
	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
Assets		
Non-current assets	**69,531,635**	61,074,993
Current assets		
– Cash and cash equivalents	**40,496,895**	42,761,569
– Other current assets	**44,808,214**	61,897,923
	85,305,109	104,659,492
Total assets	**154,836,744**	165,734,485
Liabilities		
Non-current liabilities		
– Financial liabilities (excluding trade and other payables)	**14,262,951**	13,291,657
– Other non-current liabilities (including trade and other payables)	**9,384,448**	4,999,229
	23,647,399	18,290,886
Current liabilities		
– Financial liabilities (excluding trade and other payables)	**24,442,418**	21,893,491
– Other current liabilities (including trade and other payables)	**65,023,596**	86,630,312
	89,466,014	108,523,803
Total liabilities	**113,113,413**	126,814,689
Net assets	**41,723,331**	38,919,796
Less: Non-controlling interests	**(17,180)**	(17,073)
	41,706,151	38,902,723

Summarised statement of comprehensive income

	Unaudited Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Revenue	**118,137,092**	110,892,346
Cost of sales	**(97,408,737)**	(88,649,662)
Other expenditures	**(12,022,625)**	(13,833,158)
Profit after tax	**8,705,730**	8,409,526
Less: profit attributable to non-controlling interests	**(107)**	(35)
	8,705,623	8,409,491
Other comprehensive income	**–**	–
Total comprehensive income	**8,705,623**	8,409,491

9 Income tax expense

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

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

	Unaudited Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Current income tax	**333,433**	781,112
Deferred income tax	**(331,315)**	(112,506)
	2,118	668,606

(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 2019 are 15% or 25% (2018: 15% or 25%).

10 Earnings per share

(a) Basic

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

	Unaudited Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Profit attributable to owners of the Company	**4,918,558**	6,912,986
Weighted average number of ordinary shares in issue (thousands)	**10,233,717**	10,212,551
Basic earnings per share (RMB per share)	**0.48**	0.68

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company had two categories of dilutive potential ordinary shares: convertible bonds and share options. The convertible bonds are assumed to have been converted into ordinary shares, and the net profit is adjusted to eliminate the interest expense. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares for six months ended 30 June 2019) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	Unaudited Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Profit attributable to owners of the Company	**4,918,558**	6,912,986
Add: Interest expense on convertible bonds	**58,874**	57,350
Profit used to determine diluted earnings per share	**4,977,432**	6,970,336
Weighted average number of ordinary shares in issue (thousands)	**10,233,717**	10,212,551
Add: weighted average number of ordinary shares assuming conversion of all share options (thousands)	**4,809**	19,896
Add: weighted average number of ordinary shares assuming conversion of all convertible bonds (thousands)	**176,506**	171,762
Weighted average number of ordinary shares in issue for diluted earnings per share (thousands)	**10,415,032**	10,404,209
Diluted earnings per share (RMB per share)	**0.48**	0.67

11 Dividend

	Unaudited Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Interim dividend declared: RMB0.05 (2018: RMB0.10)	**511,824**	1,021,373

Dividend paid in six months ended 30 June 2019 was approximately RMB2,865,995,000 (2018: RMB3,136,981,000).

In addition, an interim dividend of RMB0.05 per share (2018: RMB0.10) was declared by the board of directors on 30 August 2019. This interim dividend, amounting to approximately RMB511,824,000 (2018: RMB1,021,373,000), has not been recognised as a liability in this interim financial information.

12 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 2019 and 31 December 2018, the ageing analysis of these trade receivables is presented on the basis of the date of the relevant invoices as follows:

	Unaudited	Audited
	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
Trade receivables		
Within 1 year	**2,865,877**	2,153,009
Between 1 and 2 years	**84,519**	79,519
Between 2 and 3 years	**13,740**	7,619
Between 3 and 4 years	**7,513**	10,083
Between 4 and 5 years	**16,439**	6,439
Over 5 years	**150,771**	150,771
	3,138,859	2,407,440
Less: Provision for impairment	**(236,784)**	(248,905)
Trade receivables – net	**2,902,075**	2,158,535

13 Trade and other payables

As at 30 June 2019 and 31 December 2018, ageing analysis of trade payables is presented on the basis of the date of the relevant invoices as follows:

	Unaudited **30 June 2019** ***RMB'000***	Audited 31 December 2018 *RMB'000*
Trade payables		
Within 1 year	**7,496,620**	11,256,179
Between 1 and 2 years	**236,924**	106,697
Between 2 and 3 years	**49,903**	50,365
Over 3 years	**33,467**	25,129
	7,816,914	11,438,370

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms used shall have the following meanings set out below:

"associated companies", "associated enterprises"	all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights of such entities
"Board"	the board of directors of the Company
"China Lounge Investments"	China Lounge Investments Limited (中隆投資有限公司), a wholly-owned subsidiary of the Company incorporated in Hong Kong
"Company" or "GAC"	Guangzhou Automobile Group Co., Ltd. (廣州汽車集團股份有限公司)
"Da Sheng Technology"	Da Sheng Technology Co., Ltd. (大聖科技股份有限公司), which was jointly established by the Company, Urtrust Insurance and Le Holdings (Beijing) Co., Ltd. (樂視控股(北京)有限公司) on 8 June 2016, in which the Company, Urtrust Insurance and Le Holdings hold 45%, 15% and 40% of its equity interest respectively
"GAC Aisin "	GAC Aisin Automatic Gearbox Co., Ltd. (廣汽愛信自動變速器有限公司), which was incorporated in December 2018 and funded by the Company, AISIN AW Co., Ltd. and Aida (China) Investment Co., Ltd., and the Company holds 40% of its equity interest
"GAC Business"	Changed its name to GAC Business Co., Ltd. (廣汽商貿有限公司) on 16 April 2018, a wholly-owned subsidiary of the Group incorporated on 21 March 2000 under PRC law
"GAC BYD"	Guangzhou GAC BYD New Energy Autobus Co., Ltd. (廣州廣汽比亞迪新能源客車有限公司), a joint venture incorporated on 4 August 2014 under PRC law by the Group and BYD Company Limited, and the Company holds 49% of its equity interest
"GAC Capital"	GAC Capital Co., Ltd. (廣汽資本有限公司), a wholly-owned subsidiary of the Company incorporated in April 2013 under PRC Law
"GAC Component"	Changed its name to GAC Component Co., Ltd. (廣汽零部件有限公司) on 28 February 2018, a wholly-owned subsidiary of the Group incorporated on 29 August 2000 under PRC law and jointly funded by the Group and its subsidiaries

"GAC FCA"	GAC Fiat Chrysler Automobiles Co., Ltd. (廣汽菲亞特克萊斯勒汽車有限公司) (formerly known as GAC FIAT Automobiles Co., Ltd. (廣汽菲亞特汽車有限公司)), a joint venture incorporated on 9 March 2010 under PRC law by the Company and Fiat Group Automobiles S.P.A.
"GAC Finance"	Guangzhou Automobile Group Finance Co., Ltd. (廣州汽車集團財務有限公司), which was incorporated in January 2017 and owned by the Company, GAMC and GAC Business as to 90%, 5% and 5% of its equity interest respectively
"GAC Hino"	GAC Hino Motors Co., Ltd. (廣汽日野汽車有限公司), a joint venture incorporated on 28 November 2007 under PRC law by the Company and Hino Motors, Ltd.
"GAC Honda"	GAC Honda Automobile Co., Ltd. (廣汽本田汽車有限公司) (formerly known as Guangzhou Honda Automobile Co. Ltd (廣州本田汽車有限公司)), a joint venture incorporated on 13 May 1998 under PRC law by the Company and Honda Motor Co. Ltd.
"GAC Mitsubishi"	GAC Mitsubishi Motor Co., Ltd. (廣汽三菱汽車有限公司), a joint venture incorporated on 25 September 2012 under PRC law by the Company and Mitsubishi Motors Corporation
"GAC New Energy"	GAC New Energy Automobiles 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 Nio"	GAC Nio New Energy Automobile Technology Co., Ltd.(廣汽蔚來新能源汽車科技有限公司), which was jointly established by the Company and Nio, Inc. in April 2018, and jointly owned by the Company and GAC New Energy as to 45% of its equity interest
"GAC-SOFINCO"	GAC-SOFINCO Automobile Finance Co., Ltd. (廣汽滙理汽車金融有限公司), a joint venture incorporated on 25 May 2010 under PRC law by the Company and Société de Financement Industriel et Commercial (SOFINCO)
"GAC Times"	GAC Times Energy Battery System Co., Ltd.（廣汽時代動力電池系統有限公司）, which was incorporated in December 2018 and funded by the Company, GAC New Energy and Contemporary Amperex Technology Co., Ltd. and jointly owned by the Company and GAC New Energy as to 51% of its equity interest

"GAC Toyota"	GAC Toyota Motor Co. Ltd (廣汽豐田汽車有限公司) (formerly known as Guangzhou Toyota Motor Co. Ltd (廣州豐田汽車有限公司)), a joint venture incorporated on 1 September 2004 under PRC law by the Company and Toyota Motor Company
"GAC Toyota Engine"	GAC Toyota Engine Co., Ltd. (廣汽豐田發動機有限公司), an associated company incorporated on 24 February 2004 under PRC law by the Group and Toyota Motor Company, and the Company holds 30% of its equity interest
"GAEI"	Guangzhou Automobile Group Company Automotive Engineering Institute, a subsidiary of the Company established on 29 June 2006 for the purpose of conducting research and development of the products and technology in which the Company has proprietary rights
"GAIG"	Guangzhou Automobile Industry Group Co., Ltd. (廣州汽車工業集團有限公司), a state-owned enterprise incorporated on 18 October 2000 under PRC law and the controlling shareholder of the Company
"GAMC"	Guangzhou Automobile Group Motor Co., Ltd. (廣州汽車集團乘用車有限公司), a wholly-owned subsidiary incorporated on 21 July 2008 under PRC law by the Group
"Group" or "GAC Group"	the Company and its subsidiaries
"Guang Ai"	Changed its name to Guang Ai Insurance Brokers Limited (廣愛保險經紀有限公司) on 9 March 2018, a subsidiary incorporated on 7 June 2006 under PRC law, in which the Company (directly and indirectly) holds a total of 75.1% of its equity interest
"joint venture(s)"	joint venture companies under direct or indirect joint control, and no participating party has unilateral control power over the economic activities of such joint venture as a result of such direct or indirect joint control
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
"MPV"	multi-purpose passenger vehicle
"PRC" or "China"	the People's Republic of China
"RMB"	Renminbi, the lawful currency of the PRC

"Shanghai Hino"	Shanghai Hino Engine Co., Ltd. (上海日野發動機有限公司), an associated company incorporated on 8 October 2003 under PRC law. Shanghai Hino is held as to 50% by Hino Motors, Ltd., 30% by the Company and 20% by Shanghai Electric (Group) Corporation respectively
"SSE"	the Shanghai Stock Exchange
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"SUV"	sports utility vehicle
"Times GAC"	Times GAC Energy Battery System Co., Ltd.(時代廣汽動力電池有限公司), which was incorporated in December 2018 and funded by the Company, GAC New Energy and Couterporay Amprex Technology Co., Ltd. and jointly owned by the Company and GAC New Energy as to 49% of its equity interest
"Tong Fang Logistics"	Tong Fang Global (Tianjin) Logistics Co., Limited (同方環球(天津)物流有限公司), jointly established by China First Automobile Works Group and Toyota Motor Company in July 2007, and the Company holds 25% of its equity interest
"Urtrust Insurance"	Urtrust Insurance Co., Ltd (眾誠汽車保險股份有限公司), a subsidiary incorporated on 8 June 2011 under PRC law by the Company, and in which the Group directly and indirectly holds a total of 60% of its equity interest
"Wuyang-Honda"	Wuyang-Honda Motors (Guangzhou) Co., Ltd. (五羊-本田摩托(廣州)有限公司), a joint venture established in 1992 by the Company, Honda Motor Co. Ltd. and Honda Technology & Research Industry (China) Investment Co., Ltd., in which each holds 50% of its equity interest

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

Guangzhou, the PRC, 30 August 2019

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