广汽集团
GAC GROUP

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

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

Stock Code : 2238

# Annual Report 2016

## THE CORE OF BRANDS

Detailing Greatness

## ENTERPRISE MISSION

To develop into a preeminent international enterprise and a trustworthy public company

## ENTERPRISE CONCEPT

Humanity Credibility Creativity

## ENTERPRISE POLICY

Respect humanity, advocate communication;
Work diligently, operate practically;
Improve efficiency, utilise resources reasonably;
Cooperate with credibility, innovate with enthusiasm

# Important Notice

1. **The Board, supervisory committee and the directors, supervisors and senior management of the Company warrant the authenticity, accuracy and completeness of the information contained in the annual report and there are no misrepresentations, misleading statements contained in or material omissions from the annual report for which they shall assume joint and several responsibilities.**

2. **Attendance of the meeting of the Board**

| Position of absent director | Name of absent director | Reason(s) for absence | Name of proxy |
|---|---|---|---|
| Director | Lu Sa | Official leave | Wu Song |

3. **Zeng Qinghong, the Chairman of the Company, Feng Xingya, General Manager, Wang Dan, the person in charge of accounting function and Li Canhui, the manager of the accounting department (Accounting Chief), represent that they warrant the truthfulness and completeness of the financial statement contained in this annual report.**

4. **The plan for profit distribution or conversion of capital reserve fund into share capital for the reporting period considered by the Board**

   The Board proposed payment of cash dividend of RMB2.2 per 10 shares (tax inclusive), and together with the cash dividend paid of RMB0.8 per 10 shares (including tax) during the interim period, the ratio of total cash dividend payment for the year to net profit attributable to the shareholders' equity of listed company for the year was approximately 30.79%.

5. **Risks relating to forward-looking statements**

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

6. **No appropriation of funds of the Company by the controlling shareholder or its related parties for non-operational activities**

7. **There are no guarantees granted to external parties by the Company without complying with the prescribed decision-making procedures**

# Contents

# Contents

# CHAPTER 1
# Definitions

## I DEFINITIONS

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

| | |
|---|---|
| "associated companies, associated enterprises" | all entities over which the Company has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights of such entities |
| "Board" | the board of directors of the Company |
| "Company" | Guangzhou Automobile Group Co., Ltd. (廣州汽車集團股份有限公司) |
| "Company Law" | Company Law of the PRC |
| "CAAM" | China Association of Automobile Manufacturers |
| "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 |
| "CSRC" | China Securities Regulatory Commission |
| "Da Sheng Ke Ji" | 大聖科技股份有限公司, jointly established by the Company, Urtrust Insurance and Leshi Holdings (Beijing) Co., Ltd. (樂視控股(北京)有限公司) on 8 June 2016, in which the Company, Urtrust Insurance and Le Holdings hold 45%, 15% and 40% equity interest respectively |
| "Denway Motors" | Denway Motors Limited (駿威汽車有限公司), a wholly-owned subsidiary of the Company incorporated on 23 June 1992 in Hong Kong |
| "GAC Bus" | Guangzhou Automobile Group Autobus Co., Ltd (廣州汽車集團客車有限公司) (formerly known as Guangzhou Denway Bus Co., Ltd (廣州駿威客車有限公司)), a wholly-owned subsidiary of the Group incorporated on 18 January 1993 under PRC law |
| "GAC BYD" | Guangzhou GAC BYD New Energy Passenger Vehicle Co., Ltd. (廣州廣汽比亞迪新能源客車有限公司), an associated company incorporated on 4 August 2014 under PRC law by the Group and BYD Company Limited, and the 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 incorporated in April 2013 under PRC Law |
| "GAC Changfeng" | GAC Changfeng Motor Co., Ltd. (廣汽長豐汽車股份有限公司) (formerly known as Hunan Changfeng Motor Co. Ltd. (湖南長豐汽車製造股份有限公司)), a company incorporated in November 1996 under PRC law, in which the Company currently holds 100% equity interest |
| "GAC Commercial" | Guangzhou Automobile Group Business Co., Ltd (廣州汽車集團商貿有限公司), a wholly-owned subsidiary of the Group incorporated on 21 March 2000 under PRC law |

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|---|---|
| "GAC Component" | Guangzhou Automobile Group Component Co., Ltd. (廣州汽車集團零部件有限公司), a wholly-owned subsidiary incorporated on 29 August 2000 under PRC law and jointly funded by the Group and its subsidiaries |
| "GAC Fiat-Chrysler" | GAC FIAT Automobiles Co., Ltd. (廣汽菲亞特汽車有限公司), a jointly controlled entity incorporated on 9 March 2010 under PRC law by the Company and Fait Chrysler Automobiles S.P.A., on 19 January 2015, the name of this company has been changed to GAC Fiat Chrysler Automobiles Co., Ltd. (廣汽菲亞特克萊斯勒汽車有限公司) |
| "GAC Gonow" | GAC Gonow Automobile Co., Ltd (廣州吉奧汽車有限公司), a subsidiary incorporated on 8 December 2010 under PRC Law by the Company and Gonow Holdings and the Company holds 51% of its equity interest |
| "GAC Hino" | GAC Hino Motors Co., Ltd. (廣汽日野汽車有限公司), a jointly controlled entity incorporated on 28 November 2007 under PRC law by the Company and Hino Motors, Ltd. |
| "GAC (HK)" | Guangzhou Auto Group (Hong Kong) Limited, a company incorporated in Hong Kong, and a wholly-owned subsidiary of GAIG |
| "GAC Leasing" | Guangzhou Automobile Leasing Co., Ltd. (廣州廣汽租賃有限公司), a subsidiary of GAC Commercial incorporated in February 2004 under PRC law |
| "GAC Mitsubishi" | GAC Mitsubishi Motor Co., Ltd. (廣汽三菱汽車有限公司), a jointly controlled entity incorporated on 25 September 2012 under PRC law by the Company and Mitsubishi Motors Corporation |
| "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 |
| "GAC-SOFINCO" | GAC-SOFINCO Automobile Finance Co., Ltd. (廣汽滙理汽車金融有限公司), a jointly controlled entity incorporated on 25 May 2010 under PRC law by the Company and Société de Financement Industriel et Commercial (SOFINCO) |
| "GAMC" | Guangzhou Automobile Group Motor Co. Ltd. (廣州汽車集團乘用車有限公司), a wholly-owned subsidiary incorporated on 21 July 2008 under PRC law by the Group |
| "GAMC Hangzhou" | Its predecessor was GAC Gonow, in which the Company held its 51% equity interest. In March 2016, GAMC acquired the remaining 49% equity interest therein and renamed the entity as Guangzhou Automobile Group Motor (Hangzhou) Co., Ltd (廣州汽車集團乘用車(杭州)有限公司) in May 2016 |
| "GAC Toyota" | GAC Toyota Motor Co. Ltd (廣汽豐田汽車有限公司) (formerly known as Guangzhou Toyota Motor Co. Ltd (廣州豐田汽車有限公司)), a jointly controlled entity incorporated on 1 September 2004 under PRC law by the Company and Toyota Motor Company |

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| "GACZX" | GACZX (Yichang) Auto Co., Ltd (廣汽中興(宜昌)汽車有限公司), established in 2013 with capital jointly contributed by the Company and Hebei Zhongxing Automobile Manufacturing Co., Ltd. (河北中興汽車製造有限公司), and in which the Company holds 40% of its equity interest |
| "GAEI" | Guangzhou Automobile Group Company Automotive Engineering Institute, a subsidiary of the Company established on 29 June 2006 for the purpose of conducting research and development of the products and technology in which the Company has proprietary rights |
| "GAIG" | Guangzhou Automobile Industry Group Co., Ltd. (廣州汽車工業集團有限公司), which was a state-owned enterprise incorporated on 18 October 2000, and is the controlling shareholder of the Company |
| "Gonow Holdings" | Zhejiang Gonow Holdings Limited (浙江吉奥控股集團有限公司), a company incorporated under PRC law with limited liabilities |
| "Group" | The Company and its subsidiaries |
| "Guangqi Honda" | Guangqi Honda Automobile Co., Ltd. (廣汽本田汽車有限公司) (formerly known as Guangzhou Honda Automobile Co. Ltd (廣州本田汽車有限公司)), a jointly controlled entity incorporated on 13 May 1998 under PRC law by the Company and Honda Motor Co. Ltd. |
| "Guang Ai" | Guangzhou Guang Ai Insurance Brokers Limited (廣州廣愛保險經紀有限公司), a subsidiary incorporated on 7 June 2006 under PRC law, in which the Company (directly and indirectly) holds a total of 75.1% equity interest |
| "Honda (China)" | Honda Automobile (China) Co., Ltd. (本田汽車(中國)有限公司), an associated company incorporated by the Company, Honda Motor Co. Ltd. and Dongfeng Motor Company on 8 September 2003 under PRC law, and the Company holds 25% of its equity interest |
| "independent director(s)" | have the same meaning as independent non-executive director(s) |
| "joint venture, joint enterprise, jointly controlled entity" | joint venture companies under direct or indirect joint control, and no participating party has unilateral control power over the economic activities of such jointly controlled entity as a result of such direct or indirect joint control |
| "Listing Rules" | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Rules Governing the Listing of Shares on the SSE, 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 |
| "Securities Law" | Securities Law of The People's Republic of China |

| | |
|---|---|
| "SFO" | the Securities and Futures Ordinance (Cap.571 of the Laws of Hong Kong) |
| "SSE" | the Shanghai Stock Exchange |
| "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 |
| "Stock Exchange" | The Stock Exchange of Hong Kong Limited |
| "SUV" | sports utility vehicle |
| "Tong Fang Logistics" | Tong Fang Global (Tianjin) Logistics Co., Limited (同方環球(天津)物流有限公司), jointly established by China First Automobile Works Group and Toyota Motor Company in July 2007, and the Company holds 25% of its equity interest |
| "Urtrust Insurance" | Urtrust Insurance Co., Ltd (眾誠汽車保險股份有限公司), a subsidiary incorporated on 8 June 2011 under PRC law, and in which the Group directly and indirectly holds a total of 60% equity interest |
| "Wuyang-Honda" | Wuyang-Honda Motors (Guangzhou) Co., Ltd. a jointly controlled entity jointly established in 1992 by the Company, Honda Motor Co. Ltd. and Honda Technology & Research Industry (China) Investment Co., Ltd., in which each company holds 50% equity interest |

CHAPTER 2

# Chairman's Statement


Dear shareholders,

On behalf of the Board, I am pleased to present the 2016 annual report of the Company for your review.

## I. MACROECONOMIC AND INDUSTRY ENVIRONMENT

2016 is the first year of the national implementation of the "Thirteenth Five-Year" Plan. The national economy maintained a modestly-slow-down-to-stabilising trend and made progress while maintaining stability. Year-on-year GDP growth was 6.7% and CPI recorded a year-on-year increase of 2.0% as compared with the corresponding period last year.

Automobile industry actively promoted supply-side reform. The policy of levying half of the purchase tax regarding passenger vehicles with emission of 1.6 litres or less and the increasing demand for upgrade and replacement facilitated the growth of the annual vehicles sales volume. According to the data from CAAM, both production and sales volume of vehicles in the PRC in 2016 exceeded 28 million units, which represented a record high once again, and the vehicles sales volume in the PRC has ranked first worldwide for eight consecutive years. In particular, the production and sales of SUV maintained a rapid growth, which was the fastest growing segment in passenger vehicles. As for new energy vehicles, the growth of production and sales volume both exceeded 50% as compared with the corresponding period last year, keeping on a good development trend. Sales of self-developed brand passenger vehicle exceeded 10 million units for the first time, and its market share has shown an uprising trend for two consecutive years, representing the rise of self-developed brand passenger vehicle in all respects. Annual production and sales of motorcycles decreased by 10.70% and 10.80% respectively as compared with the corresponding period last year, which have been decreasing for five consecutive years.

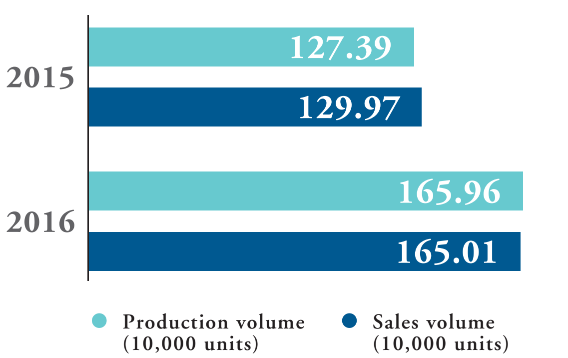
## II. ANNUAL RESULT


In 2016, the Group fully implemented the strategy of the "Thirteenth Five-Year Plan" by implementing comprehensively and consistently the five major development ideals, namely "Innovation, Coordination, Environmental Protection, Openness and Shared Development". With all-time highs of major financial indicators, the Company grasped new business opportunities alongside with the automobile industry development, speeded up the launching of new products and launched the first share option incentive scheme smoothly. All of these has helped us achieve a brilliant start for the "Thirteenth Five-Year Plan". GAIG, the Group's parent company, has been listed on the Fortune 500 enterprises for four consecutive years and ranked 303 in 2016, 59 ranks higher than in 2015. Guangqi Honda and GAC Toyota, our joint ventures, have formally started using brand new company logos, which highlight GAC's brand image, increasing the brand appeal significantly.

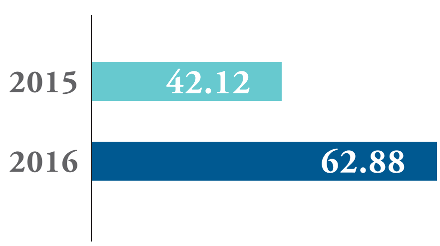
广汽丰田 | 广汽三菱

The production and sales of vehicles of the Group together with its joint ventures and associated companies were 1,659,600 units and 1,650,100 units respectively, representing an increase of 30.28% and 26.96% respectively as compared with the corresponding period last year, which had the highest growth rate among the six major automobile groups in the PRC. Market share was 5.89%, increased by approximately 0.6% as compared with last year, of which the production and sales of passenger vehicles of the self-developed brand increased by 90.66% as compared with the corresponding period last year. The proportions of production, sales and inventories for the year reached the best level in recent years. The production and sales of motorcycles were 1,040,900 units and 1,022,000 units respectively. The overall business scale further extended and operating income increased steadily. Annual operating income amounted to approximately RMB275,772 million, representing an increase of approximately 27.67% as compared with the corresponding period last year.

**The production and sales volume of the Group**




**Net profit attributable to owners of the parent company (GAIG) (RMB100 million)**



The Group's consolidated operating income was approximately RMB49,418 million, representing an increase of approximately 67.99% as compared with the corresponding period last year; the net profit attributable to owners of the parent company was approximately RMB6,288 million, representing an increase of approximately 49.29% as compared with the corresponding period last year; and earnings per share was approximately RMB0.98, representing an increase of approximately 50.77% as compared with the corresponding period last year.

### Amazing Result in Self-developed Brand Business

The expansion project of GAMC with production capacity of 150,000 units/year completed construction and commenced operation. Trumpchi GA8, the first C class sedan, and Trumpchi GS8, seven-seat high-end SUV, were launched successfully. The sales volume of GS4, the star vehicle model, exceeded 300,000 units, ranking second in SUV market and breaking the sales record of the "Trumpchi Legacy". The sales volume of GAC Trumpchi GS8 ranked second in segment market in the first month after its launch, being the first self-developed vehicle model to achieve stable sales within the price range of RMB200,000. The scale of self-developed intellectual property expanded continuously. Throughout the year, the Group validly applied for 490 new patents, of which 157 were invention patents. The Company has continuously improved product quality. In the new vehicle quality study report (IQS) released by J.D. Power and Associates in 2016, GAC Trumpchi ranked first for four consecutive years in self-developed brand.

### Joint venture business made progress while maintaining stability

Constantly building and releasing the production capacity of joint venture businesses: production capacity of GAC Toyota expanded, new products and brand projects successfully built and GAC Fiat-Chrysler Guangzhou factory project completed construction and commenced operation; product line further enhanced: various models, including Guangqi Honda SUV Avancier, GAC Acura CDX, GAC Fiat-Chrysler Jeep Renegade and GAC Mitsubishi SUV Outlander, have been successively launched, creating a more reasonable production-sales structure; improving economic benefits significantly, of which European and American series joint ventures turned loss to profit under the contribution of Jeep, consolidating the healthy tripod layout formed by self-developed brand series, Japanese series and European and American series.

### Improving industry chain layout

In 2016, the Group further improved its layout in R&D, commerce and financial segments, which enhanced the synergy between business segments. In R&D segment, the Company insisted on innovation-driven development strategy, continuously improved R&D capability, prepared for the establishment of the research center in North America, consolidated international advanced technology and recruited top talents around the world; in commerce segment, the Group focused on automobile accessories and finance leasing businesses and accelerated the expansion of sales network by setting up 32 new points of sales during the year with all-time highs of the major financial indicators; in financial segment, the Group constantly extended the scope in the investment and financing businesses. Our financial company has been approved by CBRC for fund raising; Urtrust Insurance was successfully listed on NEEQ; and GAC Capital set up 2 new industrial funds. Integration of production and financing continued to be enhanced. The Group took an important step in the breakthrough in internet connection and established Da Sheng Ke Ji (大聖科技).

Automobile industry is undergoing energy reform, interconnection reform and intelligent network reform, which are the main drivers of the full reconstruction of automobile industry and will bring six revolutionary changes to the industry: mobile utility becomes a transportation services provider; information islet turns into an intelligent terminal; energy-consuming machinery becomes a mobile energy source; focus of automobile manufacture shifts to smart system; human driven vehicles become automated vehicles; ownership and usage changes to sharing pattern. Under the backdrop of industrial reconstruction, challenge is inevitable. Nonetheless, it represents an unprecedented opportunity to develop and consolidate new industry model. In accordance with the planning and deployment of the "Thirteenth Five-year Plan", the Group will actively promote a breakthrough in critical technique in intelligent networked new energy vehicle, and create an ecosystem of an open industrial chain consisting of R&D, manufacture, sales, services and automobile branding, and cultural experience.

## III. PROSPECTS

Looking forward into 2017, there will be significant uncertainty in global economy and politics. The PRC's economic situation remains complex and grim. Making progress while maintaining stability is the general direction of the economic policy during the year. It is expected that the annual GDP growth rate will be about 6.5%. In 2017, the PRC's automobile industry will undergo two major reforms, the rise of self-developed brand and the shift to intelligent electronic vehicle, which create opportunities and challenges. Positive factors such as the continuous adjustment of the preferential purchase tax policy, increased demand for vehicle upgrading, and new development opportunity brought about by electronic vehicles and intelligent network will be favourable for the continuous growth of automobile market. However, the aggravating problems of environmental pollution and traffic jam would put pressure on the automobile industry. It is expected that the PRC's automobile production and sales growth rate will be around 6% in 2017.

"A great ambition leads to great success". We have been firmly holding the aspiration and insight to succeed, espousing corporate philosophy of "people-oriented value, truthful practice and innovative idea", and considering "world-leading, domestically first-rating" as a culture, ideology and attitude. 2017 is the 20th anniversary of the Group's establishment. We will center on "one core theme" – quality and efficiency; adhere to "two unwavering strategies" – joint venture cooperative business model and independent innovation never change; and achieve "three changes" – shifting from manufacture to innovation, shifting from speed to quality and shifting from product to brand. The annual sales volume of vehicles of the Group, together with its joint ventures and associated companies, is expected to increase by 10% as compared with the corresponding period last year, and that 16 brand new and facelift models are planned to be launched, which would allow us to continue to provide better products and services to customers and take up more social responsibility, which conveys more deep-going positive message to society and the public to a wider extent.

## IV. ACKNOWLEDGEMENT

On behalf of the Board of the Group, I would like to express sincere gratitude to the clients, investors, partners and the people of all circles for their support all along, as well as all colleagues for their long-term hard work in achieving our common strategic targets and ideals.

CHAPTER 3

# Corporate Information and Major Financial Indicators

## I. CORPORATE INFORMATION

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

## II. CONTACT PERSON AND CONTACT METHOD

**Secretary to the Board**

| | |
|---|---|
| Name | Lu Sa |
| Address | GAC Center, No. 23 Xingguo Road, Zhujiang New Town, Tianhe District, Guangzhou |
| Telephone | 020-83150886 |
| Facsimile | 020-83150319 |
| E-mail | ir@gagc.com.cn |

## III. BASIC INFORMATION

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

## IV. INFORMATION DISCLOSURE AND PLACE OF INSPECTION

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

## V. INFORMATION ON THE COMPANY'S SHARES

**Information on the Company's Shares**

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

## VI. OTHER RELEVANT INFORMATION

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

## VII. DIFFERENCE IN ACCOUNTING DATA UNDER DIFFERENT ACCOUNTING STANDARDS

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

*Unit: RMB'000*

| | Net profits | | Net assets | |
|---|---|---|---|---|
| | Current period | Last period | End of period | Beginning of period |
| In accordance with PRC Accounting Standards | 6,296,376 | 4,006,861 | 44,839,439 | 39,437,435 |
| Adjusted items and amounts under overseas financial reporting standards: | | | | |
| (1) Amortisation of equity investment difference | 138 | 416 | 45,014 | 44,877 |
| (2) Difference in accounting treatment of the reversal of impairment of non-current assets | 0 | 49 | 9,008 | 9,008 |
| (3) Staff and workers' bonus and welfare fund included in profit allocation as current cost and expenses items | -1,259 | -21,797 | 0 | 0 |
| In accordance with overseas financial reporting standards | 6,295,255 | 3,985,529 | 44,893,461 | 39,491,320 |

Financial statements of the Group for the year 2016 prepared in accordance with the Hong Kong Financial Reporting Standards have been audited by PricewaterhouseCoopers.

CHAPTER 4

# Summary of Business


## I. SUMMARY OF BUSINESS

The main businesses of the Group consist of five major segments, namely R&D, manufacture of vehicles and motorcycles, parts and components, commercial services and financial services, which form a complete closed-loop industry chain.

### 1. R&D segment

The Group's R&D is based on GAEI, a directly funded and managed body, which is also a subsidiary of the Company and a relatively independent strategic business department operating within the authorised scope. It is mainly responsible for the Group's general development plan of new products and new technology, as well as implementation of material R&D projects. GAEI is a State-Accredited Enterprise Technology Centre. In 2015, it ranked 10th (top 1%) among over 1,100 National-level Enterprise Technology Centres in the accreditation in different industries in China.

### 2. Manufacture segment

***(1) Automobile manufacture is mainly conducted through joint ventures, including Guangqi Honda, GAC Toyota, GAC Fiat-Chrysler, GAC Mitsubishi and GAMC, (a subsidiary), and GAMC Hangzhou***

**Products:** The Group's passenger vehicles include 16 series of sedans, 14 series of SUV and 2 series of MPV, details of which are set forth below:

- Guangqi Honda Accord, Crider, Vezel, Crosstour, Odyssey, City, Fit, Everus, Avancier, Acura CDX, etc.;
- GAC Toyota Camry, Highlander, Yaris L, E'Z, Levin, etc.;
- GAC Fiat-Chrysler Viaggio, Ottimo, JEEP Cherokee, JEEP Renegade, JEEP Compass, etc.;
- GAC Mitsubishi ASX, Pajero, Outlander, etc.;
- GAC Trumpchi (GA5, GA6, GA3, GA3S•Vision, GA8, GS5, GS5•SUPER, GS4, GS8);

Besides, the Group also participates in the production of Accord and City sedans through its associated company, Honda (China), primarily oriented to markets such as the Middle East and South America.

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

Energy conservation and new energy products of the Group include: hybrid Guangqi Honda Accord Sport Hybird, GAC Toyota Camry HEV and Levin HEV, GAC Trumpchi GA5PHEV, and GAC BYD purely electrically powered passenger vehicles.

**Production capacity:** During the reporting period, the Guangzhou plant of GAC Fiat-Chrysler and the second production line of GAMC had successively been built and commenced operation, which increased production capacity by 164,000 units/year and 150,000 units/year respectively. As at the end of the reporting period, the total vehicle production capacity amounted to 1,888,000 units/year.

**Sales channel:** The Group develops automobile sales through sales outlet and online channels. As at the end of the reporting period, the Company, together with its joint ventures and associated companies, have 2,443 sales outlets covering 31 provinces, counties, autonomous regions and municipalities. 258,487 units of vehicles were sold through online channels during the reporting period, representing 15.66% of the total sales of vehicles for the year.

*(2) Motorcycles*

The Group manufactures motorcycles mainly through its joint venture Wuyang-Honda. Main products include standard motorcycles, sport bikes and scooters, etc. As at the end of the reporting period, the production capacity of motorcycles of the Group was 1.25 million units/year.

*(3) Commercial services segment*

Through the engagement of GAC Commercial, a subsidiary, and its controlling, investee companies and associated companies and Tong Fang Logistics in the upstream and downstream of the automobile industrial chain, the Company commenced businesses in vehicle sales, logistics, international trading, second-hand vehicles, disassembling, resources recycling, supporting services, etc.

Through Da Sheng Ke Ji (大聖科技), a subsidiary, the Company established an one-stop platform in consolidating vehicle repair, usage, purchase, lease and exchange and forming an open and common automobile ecosystem on the Internet.

*(4) Parts and components segment*

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

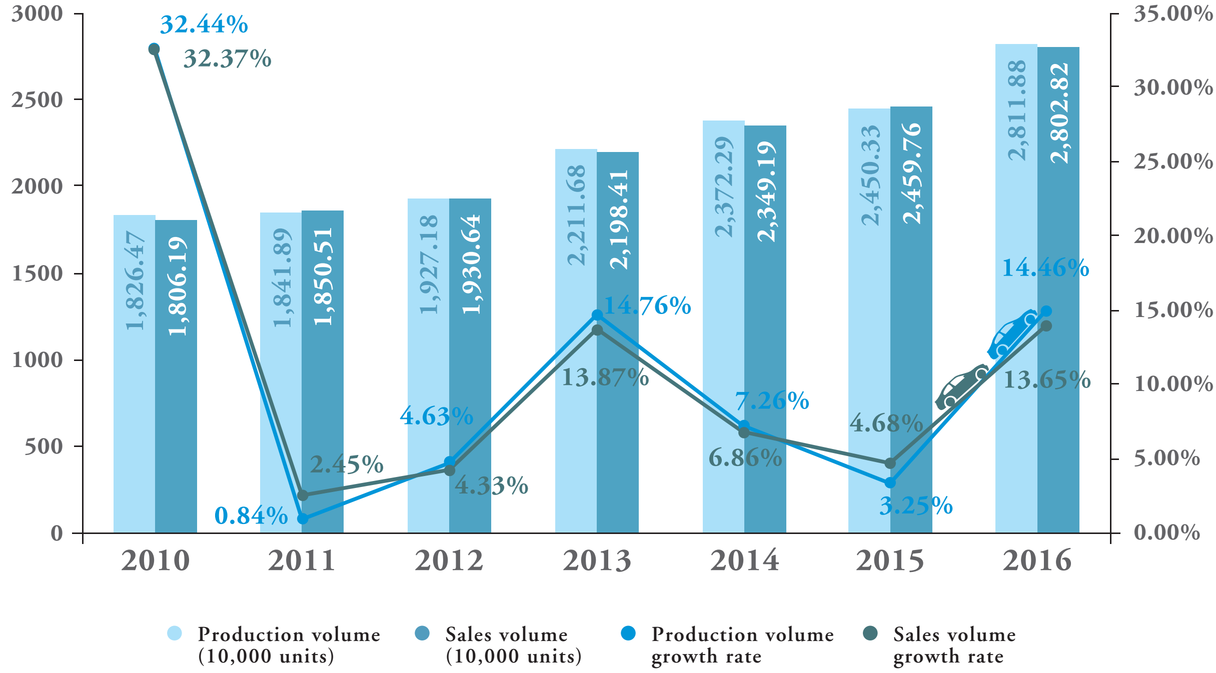
*(5) Financial segment*

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

## II. INDUSTRY ENVIRONMENT

In 2016, under the macro-environment of stably progressing national economy, performance indicators of the PRC's automobile industry showed an obvious growth with production and sales volumes remaining on the top of the world for eight consecutive years. The overall automobile industry showed the following features:

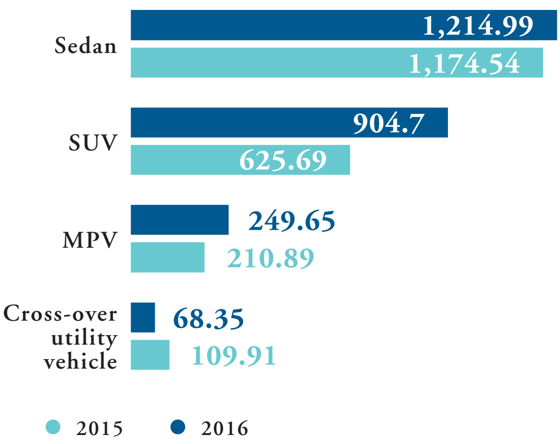
Firstly, the production and sales volume of automobile recorded a remarkable growth in 2016, which amounted to 28,118,800 units and 28,028,200 units respectively, representing an increase of 14.46% and 13.65% respectively as compared with the corresponding period last year.



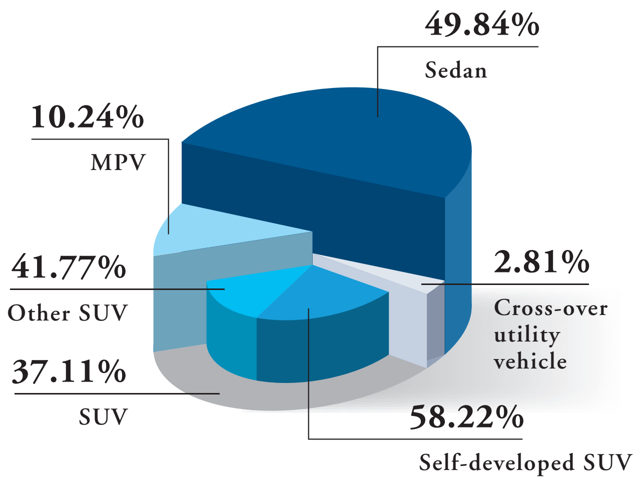

Secondly, sales of passenger vehicles recorded its all-time high. In 2016, production and sales of passenger vehicles amounted to 24,420,700 units and 24,376,900 units respectively, representing a growth of 15.50% and 14.93% respectively, which were higher than the overall production and sales growth rates of vehicle by 1.04% and 1.28%. In particular, the production and sales of SUV remained a rapid growth, representing a growth of 45.72% and 44.59% respectively, accounting for 37.11% of total sales of passenger vehicles which is 7.61% higher than that in the corresponding period last year. The growth of production and sales volume of MPV was 17.11% and 18.38% respectively.

Market share of self-developed brand passenger vehicles showed a trend of growth for two consecutive years, which amounted to 43.19% in terms of market sales volume in 2016, being 1.99% higher than 2015, of which self-developed brand SUV accounted for a market share of 58.22% in terms of sales volume, representing a significant increase of 4.8%.

**The sales volume of the 4 types of passenger vehicle (10,000 units)**



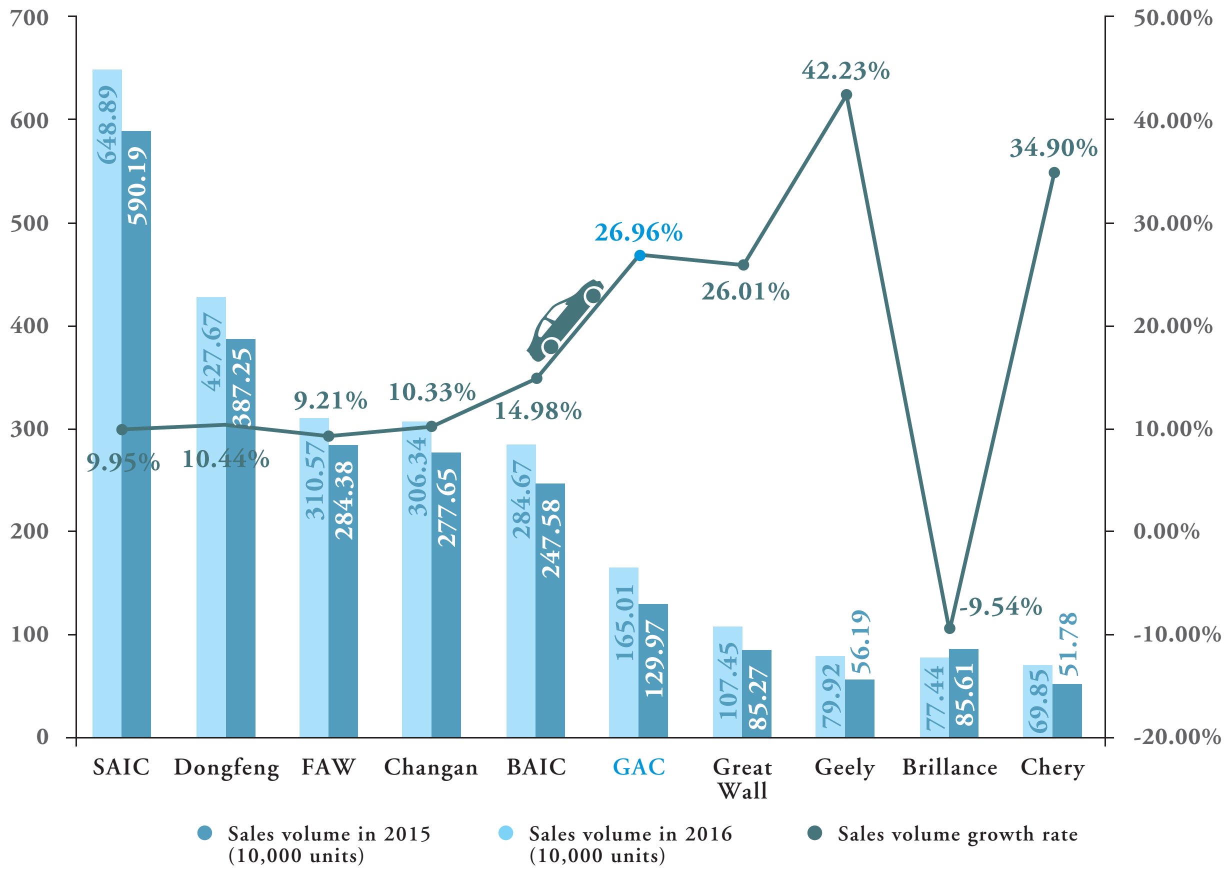

**The market share of the sales of passenger vehicle in the industry (vehicle model)**




Thirdly, small displacement vehicles with emission of 1.6 litres or less accounted for a larger market share. Preferential purchase tax policy had great guidance effects on energy-saving and emission reduction and facilitating the consumption on small displacement vehicles. In 2016, sales volume of passenger vehicles with emission of 1.6 litres or less amounted to 17,607,000 units, representing an increase of 21.36% as compared with the corresponding period last year and accounting for 72.23% of the sales of passenger vehicles, being 3.62% higher than that in the corresponding period last year.

Fourthly, new energy vehicles market maintained a rapid growth. In 2016, production volume amounted to 516,600 units and sales volume amounted to 506,600 units, representing a growth of 51.73% and 53.01% respectively, which were the top of the world for two consecutive years. In particular, the production and sales volume of electrically powered vehicle amounted to 417,300 units and 408,700 units respectively, representing an increase of 63.87% and 65.14% respectively as compared with the corresponding period last year, and accounting for 80.78% and 80.68% of the sales of new energy vehicle respectively. Production and sales volume of plug-in hybrid vehicle amounted to 99,300 units and 97,900 units respectively, representing an increase of 15.71% and 17.11% respectively as compared with the corresponding period last year.

Fifthly, industry concentration remained at a high level. Aggregate sales volume of vehicles of top ten corporate groups amounted to 24,778,100 units, accounting for 88.40% of the aggregate sales volume of vehicle and representing a decrease of approximately 0.92% as compared with the corresponding period last year.




## III. ANALYSIS ON CORE COMPETITIVENESS

In 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 commercial service and automobile financial service in the downstream, which is one of the automobile groups with the most integrated industry chain nationally, and the most optimised industry layout. The synergy in the upstream and downstream of the industrial chain progressed gradually, new profit growth points are emerging and the comprehensive competitiveness of the Group has been constantly enhanced. During the reporting period, the acquisition of GAC Gonow was completed, which further optimised the existing production capacity layout and helped increase the market share in East China market.

## 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 seek of greater perfection.

## 3. Enriched product line and optimised product structure

The Group has a full range of products including sedans, SUV, MPV, and it actively promotes the iteration of products based on the changes in the markets and the demand of consumers. It maintained customer loyalty and a widely recognised brand reputation. During the reporting period, the Group accelerated the development and introduction of new products. Each major vehicle-manufacturing plants progressively launched new vehicle models and the products were well-accepted by the market.

## 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 acquired the funding, technology, talents and experience and formulated a world class production system. For R&D, through the integration of excellent global resources and the establishment of a cross-platform and modular-structured R&D system, the Group acquired the advantage of integrated innovation. During the reporting period, numerous vehicle model and advanced-technology R&D were initialised; R&D in brand new vehicle model and core parts and components achieved satisfactory results, including the initiation of 22 regular car models, 8 new energy car models, 20 projects on engine and transmission. The scale of self-developed intelligent properties kept expanding.

## 5. Connection to capital operation platforms worldwide

The Group successfully built capital operation platforms in both A share and H share markets, which was favourable to the Group in leveraging on domestic and overseas capital markets in various forms to achieve effective resources allocation and realise the maximisation of capital appreciation and corporate value through the integration of internal and external growth. During the reporting period, the Company further regulated the corporate governance structure, continuously optimised middle-to-long term incentive mechanism, constantly expanded investment scope and optimised financing structure, through which the supporting effect from the financial business on the core businesses has been enhanced greatly.

CHAPTER 5

# Operation Discussion and Analysis

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# Operation Discussion and Analysis

## I. MANAGEMENT DISCUSSION AND ANALYSIS

In 2016, the Group strived to achieve greater goals proactively. During the reporting period, the major work of the Board were as follows:

### 1. Dedicating efforts to quality and efficiency and achieving a new start in production and operation

During the reporting period, benefited from the enhanced investment on new products and the contribution from hot-selling star vehicle models, the Group's financial indicators reached all-time highs and growth rates of production and sales volume were 15.82% and 13.31% higher than the industry growth rates. Sales of star vehicle models, including Trumpchi GS4, Vezel, Levin (including HEV), Accord (including hybrid), Cherokee, Highlander, etc., remained hot. New vehicle models, including Trumpchi GS8, Avancier, Outlander, etc., were well-accepted by the market, which drove the growth in scale and efficiency simultaneously.

2. **Advancing core projects and setting a new layout with intelligent manufacture**

During the reporting period, production capacity expansion project with 150,000 units/year of GAMC and Guangzhou plant with 164,000 units/year of GAC Fiat-Chrysler were completed and commenced operation successively. GAMC Hangzhou completed reorganisation and successfully advanced project modification. GAMC established a branch in Xinjiang with production capacity of 50,000 units/year and successfully advanced core projects such as the expansion of production capacity of GAC Toyota and the launch of increased product mix as scheduled and planned. GAC Acura, a high-end brand of a joint venture, successfully launched its first vehicle model. 7 new vehicle models under the Group's manufacture brand name were successively launched to the market. All these have strengthened the Group's comprehensive competitiveness.

3. **Strengthening capital operation and integration of production and financing, and creating new driving force**

The Group took full advantage of the capital market to strengthen its financing capacity and further optimised the financing structure. The proportion of direct financing increased to approximately 61.8%. The Group successfully issued 6-year A shares convertible bonds in principal amount of RMB4.1 billion carrying interest at the rates ranging from 0.2% to 1.6%; as well as short-term financing bonds in principal amount of RMB2.3 billion carrying interest at the rate of 2.85%, representing the lowest rate for the period, which saved financing costs of RMB30 million. Also, CSRC accepted the application for non-public issuance of A Shares of RMB15 billion, proceeds of which will be mainly invested in intelligent network, new energy and emerging technology, critical parts and components and self-developed brand development.

4. **Continuously regulating the corporate governance and optimising internal control system**

Taking the opportunity alongside with state-owned enterprise reform, the Group improved its middle-to-long term incentive mechanism and further motivated the enthusiasm in business start-up of core management staff. The Group's result has satisfied the condition of A share option incentive scheme. 541 grantees, including directors, middle-to-senior management staff and core technicians were qualified to participate in the first exercise period. Besides, the Group optimised corporate governance at each level, commenced specified inspection and reviews on the operation of investment corporations, selectively conducted corporate governance training and continuously optimised internal control and risk management system. 7 new systems were introduced during the reporting period. In 2016, no material defect and important defect in internal audit were identified.

### 5. Regulating information disclosure and investment relationship and creating a positive capital market image

The Group adhered to the principle of protecting the legal interests of investors, continuously made information disclosure based on the principle of "truth, accuracy, completeness, promptness, fairness and efficiency". 188 and 169 corporate documents were disclosed to the SSE and Stock Exchange respectively. The Group insisted on making consistent and simultaneous information disclosure on A and H Shares markets and ensuring the information disclosed was "without error, delay, amendment and supplement". Besides, various modes of investor relationship activities such as domestic and overseas roadshows, vehicle exhibition communication activities and investor summits were held throughout the year. The Company organised more than 35 visits for investors' investigation and research in total, organised 40 phone conferences and entertained more than 600 investors and analysts, through which our operation concept and investment value were delivered.

### 6. Performing social responsibilities and being a model corporate citizen

During the reporting period, the Group made a contribution of over RMB67.20 million in total on environmental protection, safety, education, medical and other public welfare and charity, practically performing our social responsibilities.

## II. MAJOR OPERATION OF THE COMPANY DURING THE REPORTING PERIOD

During the reporting period, sales revenue of the Group together with its joint ventures and associated companies amounted to approximately RMB275.772 billion, representing an increase of approximately RMB59.773 billion or approximately 27.67% as compared with the corresponding period last year.

During the reporting period, sales revenue of the Group amounted to approximately RMB49.418 billion, representing a growth of approximately 67.99% as compared with the corresponding period last year; net profit attributable to owners of the parent company amounted to approximately RMB6.288 billion, representing an increase of approximately 49.29% as compared with the corresponding period last year. Basic earnings per share amounted to approximately RMB0.98, representing a growth of approximately RMB0.33 as compared with the corresponding period last year.

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

1. The Group's self-developed brand experienced explosive growth as a result of its advanced research and development capability, speeding up the introduction of new products and increasing the quality of products and due to an outstanding performance of "star" models. In 2016, the production and sales volume of GAMC sustained a rapid growth, representing a significant increase of 101.84% and 90.66%, respectively, as compared with the corresponding period last year. In particular, Trumpchi GS4 continued to experience hot sales and GS8 became another star product of our self-developed brand;

2. Sales of domestic Jeep products achieved a significant increase and European and American series joint venture turned losses into gains during the year;

3. Japanese series joint venture further increased its integrated competiveness with a positive development trend. Sales volume of vehicle models such as Highlander, Levin, Accord, Vezel and Outlander achieved a steady growth;

4. Ancillary businesses in the upstream and downstream of industrial chain such as financial services, auto-parts and commercial services expanded alongside with the increase in production and sales volume of self-developed brand and joint ventures, which facilitated the growth of operating results and the enhancement of synergy among business sectors.

As at 31 December 2016, according to the proportion of shareholdings of the Group in the joint ventures, the total liabilities and total revenues of jointly controlled entities were RMB45,767,574,724 and RMB91,821,875,826 respectively, which will be used in the calculation of asset and revenue ratios in respect of waivers granted by the Stock Exchange to the Company.

## (I) ANALYSIS OF PRINCIPAL BUSINESS

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

*Unit: 100 million Currency: RMB*

| Item | Current period | Corresponding period last year | Change (%) |
|---|---|---|---|
| Revenue | 494.18 | 294.18 | 67.99 |
| Cost of sales | 419.61 | 259.75 | 61.54 |
| Selling and distribution cost | 33.96 | 18.67 | 81.90 |
| Administrative expenses | 27.39 | 20.37 | 34.46 |
| Finance costs | 9.63 | 8.49 | 13.43 |
| Interest income | 5.86 | 5.40 | 8.52 |
| Share of profit of joint ventures and associated companies | 57.74 | 47.20 | 22.33 |
| Net cash flow generated from operating activities | 49.10 | 38.91 | 26.19 |
| Net cash flow generated from investment activities | -61.14 | 7.42 | -923.99 |
| Net cash flow generated from financing activities | 21.94 | -33.72 | 165.07 |

### 1. Analysis on revenue and cost

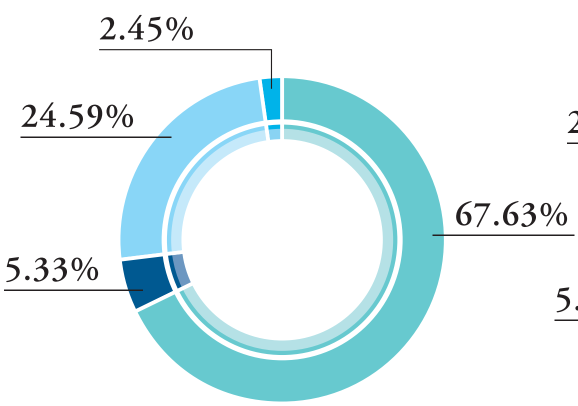
During the reporting period, revenue of the Group amounted to approximately RMB49.418 billion, representing an increase of approximately 67.99% as compared with the corresponding period last year. This was mainly due to the rapid growth in sales volume of the Group's self-developed brand "Trumpchi" and the rapid development of various businesses such as auto-parts and automobile after-sales service in the upstream and downstream of industrial chain.

During the reporting period, the Group recorded total cost of sales of approximately RMB41.961 billion, representing an increase of approximately 61.54% as compared with the corresponding period last year, which was lower than the growth rate of the profit margin. Total gross profit amounted to approximately RMB7.456 billion, representing an increase of approximately RMB4.012 billion or approximately 116.49% as compared with the corresponding period last year. The gross profit margin increased by 3.38% as compared with the corresponding period last year, mainly due to the combined effect of economies of scale from the significant increase in sales of passenger vehicles and the lower unit cost by strengthening cost control.

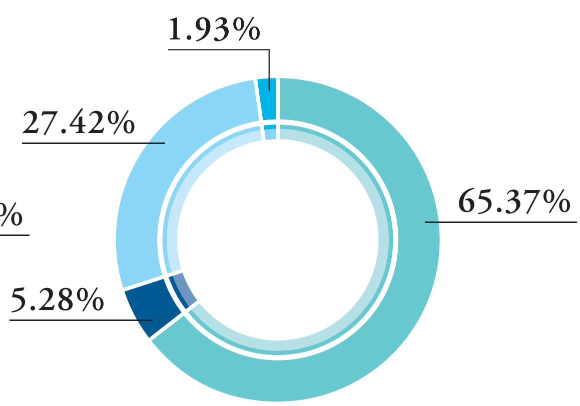
***Principal business by industry***

*Unit: 100 million Currency: RMB*

| By industry | Revenue | Cost of Sales | Gross profit margin (%) | Increase/ decrease in revenue over last year (%) | Increase/ decrease in cost of sales over last year (%) | Increase/ decrease in gross profit margin over last year (%) |
|---|---|---|---|---|---|---|
| Automobile manufacturing industry | 334.19 | 274.30 | 17.92 | 88.61 | 72.84 | 71.66 |
| Auto-parts manufacturing industry | 26.38 | 22.17 | 15.96 | 67.03 | 70.77 | -10.34 |
| Commercial services | 121.52 | 115.04 | 5.33 | 35.22 | 45.27 | -55.11 |
| Financial services and others | 12.09 | 8.10 | 33.00 | 6.71 | -8.78 | 412.46 |
| Total | 494.18 | 419.61 | 15.09 | 67.99 | 61.54 | 28.97 |




Revenue




Cost of Sales

Automobile manufacturing industry
Auto-parts manufacturing industry
Commercial services
Financial services and others

*Principal business by product*

*Unit: 100 million Currency: RMB*

| By product | Revenue | Cost of Sales | Gross profit margin (%) | Increase/ decrease in revenue over last year (%) | Increase/ decrease in cost of sales over last year (%) | Increase/ decrease in gross profit margin over last year (%) |
|---|---|---|---|---|---|---|
| Passenger vehicles | 334.00 | 274.10 | 17.93 | 90.50 | 76.57 | 56.49 |
| Vehicles related trades | 147.90 | 137.21 | 7.23 | 39.98 | 48.87 | -43.40 |
| Financial services and others | 12.28 | 8.30 | 32.41 | -6.90 | -32.74 | 403.27 |
| Total | 494.18 | 419.61 | 15.09 | 67.99 | 61.54 | 28.97 |

*Principal business by region*

*Unit: 100 million Currency: RMB*

| By region | Revenue | Cost of Sales and tax | Gross profit margin (%) | Increase/ decrease in operating revenue over last year (%) | Increase/ decrease in operating cost and tax over last year (%) | Increase/ decrease in gross profit margin over last year (%) |
|---|---|---|---|---|---|---|
| Mainland China | 494.15 | 419.61 | 15.08 | 68.07 | 61.54 | 29.33 |
| Hong Kong | 0.03 | – | | -81.25 | | |
| Total | 494.18 | 419.61 | 15.09 | 67.99 | 61.54 | 28.97 |

*Analysis of sales and production*

*Unit: Vehicle*

| Major products | Production volume | Sales volume | Inventory | Increase/ decrease in production volume over last year (%) | Increase/ decrease in sales volume over last year (%) | Increase/ decrease in inventory over last year (%) |
|---|---|---|---|---|---|---|
| Sedans | 27,956 | 27,230 | 352 | -12.47 | -19.92 | 87.23 |
| SUV | 353,225 | 344,804 | 1,454 | 125.11 | 113.99 | -22.37 |

Illustration on production and sales volume: Mainly from the production and sales volume data of the GAMC consolidated report, the sales of GAMC SUV models in 2016 amounted to 344,800 units, accounting for 92.68% of its total sales volume.


The growth of sales volume of SUV over the corresponding period last year:

*Sales to major customers*

*Unit: 100 million Currency: RMB*

| Customers | Revenue | Ratio to revenue (%) |
|---|---|---|
| Total sales to top 5 clients | 23.75 | 4.81 |

*Major suppliers*

*Unit: 100 million    Currency: RMB*

| Suppliers | Amount of procurement | Ratio to total procurement (%) |
|---|---|---|
| Total procurement from the top 5 suppliers | 91.02 | 25.75 |

Amount of procurement paid to the largest supplier of the Group accounted for 8.02% of the total amount of procurement of the Group for the year.

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

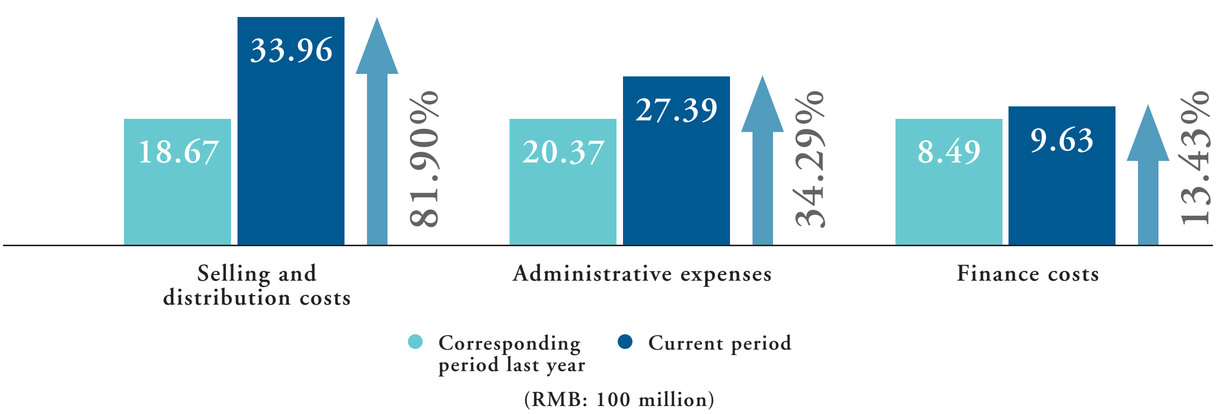
## 2. Expenditures

(1) The increase of approximately RMB1,529 million in selling and distribution costs as compared with the corresponding period last year was mainly due to the increase of warehousing expenses and after-sales services expenses resulting from higher sales volume, and the increase in advertisement expenditure.

(2) The increase of approximately RMB702 million in the administrative expenses as compared with the corresponding period last year was mainly attributable to the increase in labor cost, depreciation and amortisation and R&D expenses in line with the scale expansion of the Group.

(3) The increase of approximately RMB114 million in the finance costs as compared with the corresponding period last year was mainly attributable to the increase of average borrowings of the Group during the reporting period.

(4) The increase of approximately RMB46 million in interest income as compared with the corresponding period last year was mainly attributable to an increase in interest income generated from the strengthened capital allocation of the Group during the reporting period.

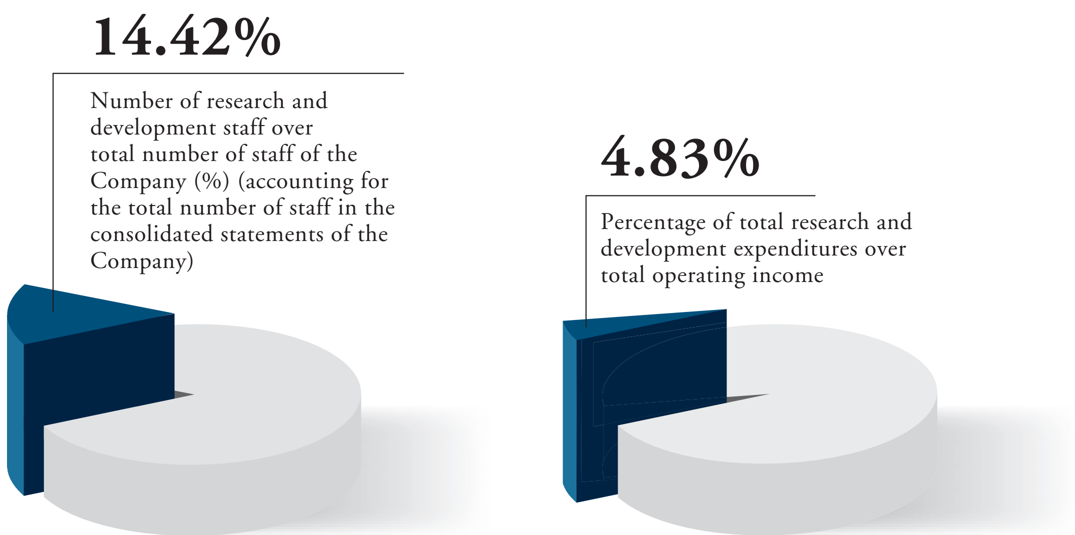


## 3. Research and development expenditures

### *(1) Table of research and development expenditures*

*Unit: 100 million Currency: RMB*

| | |
|---|---|
| Expensed research and development expenses for the period | 3.94 |
| Capitalised research and development expenses for the period | 19.93 |
| Total research and development expenditures | 23.87 |
| Number of research and development staff of the Company | 3,398 |
| Percentage of capitalised research and development expenditures (%) | 83.49 |




*(2)* During the reporting period, the investment in research and development was RMB2.387 billion, representing an increase of RMB468 million as compared with the corresponding period last year, mainly due to the continuous enhancement in independent research and development and innovation capacity and the development for traditional energy vehicle model, smart and new energy vehicle model as well as core parts.

## 4. Share of profit of joint ventures and associated companies

During the reporting period, the Group's share of profit of joint ventures and associated companies was approximately RMB5.774 billion, representing an increase of approximately RMB1.054 billion as compared with the corresponding period last year, mainly as a result of the combined effect of the following factors: a. sustaining hot sales of vehicle models such as Highlander, Levin, Accord, Vezel, Cherokee and Outlander which drove the increase in overall sales and facilitated the steady increase of economic efficiency; b. the synergies of industries continued to strengthen, the service businesses of auto-financing, auto-parts and auto-logistics in the upstream and downstream of the industrial chain developed rapidly.

## 5. Cash flows

(1) During the reporting period, net cash inflow generated from operating activities amounted to approximately RMB4.910 billion, representing an increased inflow by approximately RMB1.019 billion as compared with net cash inflow of approximately RMB3.891 billion of the corresponding period last year, mainly due to an increase in sales;

(2) During the reporting period, net cash outflow generated from investment activities amounted to approximately RMB6.114 billion, representing an increased outflow by approximately RMB6.856 billion as compared with net cash inflow of approximately RMB742 million of the corresponding period last year, mainly due to the combined effect of reasonable arrangement of deposit structure according to the capital requirements and increased investment in financial products;

(3) During the reporting period, net cash inflow generated from financing activities amounted to approximately RMB2.194 billion, representing an increased inflow by approximately RMB5.566 billion as compared with net cash outflow of approximately RMB3.372 billion of the corresponding period last year, mainly due to the combined effect of repayment of matured short-term financing bonds in the corresponding period last year.

As at 31 December 2016, cash and cash equivalent of the Group amounted to approximately RMB12.580 billion, representing an increase of approximately RMB1.032 billion as compared with approximately RMB11.548 billion as at 31 December 2015.

## 6. Other

Income tax amounted to approximately RMB754 million, representing an increase of approximately RMB354 million as compared with the corresponding period last year, mainly due to the increase in profit of the subsidiaries during the reporting period.

To sum up, the Group's net profit attributable to owners of the Company for the reporting period was approximately RMB6.288 billion, representing an increase of approximately 49.29% as compared with the corresponding period last year; basic earnings per share amounted to approximately RMB0.98, representing an increase of approximately RMB0.33 as compared with the corresponding period last year.

## (II) ANALYSIS OF ASSETS AND LIABILITIES

### 1. Analysis table on assets and liabilities

*Unit: 100 million Currency: RMB*

| Item | Balance at the end of current period | Balance at the end of current period over total assets (%) | Balance at the end of the previous period | Balance at the end of the previous period over total assets (%) | Change (%) |
|---|---|---|---|---|---|
| Time deposits | 71.90 | 8.75 | 40.87 | 6.08 | 75.92 |
| Available-for-sale financial assets | 41.23 | 5.02 | 22.81 | 3.39 | 80.75 |
| Trade and other payables | 191.59 | 23.32 | 141.51 | 21.05 | 35.39 |
| Income tax liabilities for current period | 6.67 | 0.81 | 3.00 | 0.45 | 122.33 |

### 2. Analysis on change of items

(1) Time deposits: mainly due to the reasonable arrangement of deposits structure in accordance with capital needs during the reporting period;

(2) Available-for-sale financial assets: due to the combined effect of the increase in bonds, funds, and financial products acquired during the reporting period;

(3) Trade and other payables: mainly due to the combined effect of the significant increase in production and sales volume resulting in higher payables for the purchase of raw materials, prepayments from the distributing outlets and payables to the distributing outlets, as well as the increase in construction costs for enlarging production capacity;

(4) Income tax liabilities for current period: the increase is mainly due to the increase in profits of subsidiaries during the reporting period.

## (III) ANALYSIS OF FINANCIAL POSITION

### 1. Financial indicators

As at 31 December 2016, the Group's current ratio was approximately 1.44 times, representing a decrease compared with that of approximately 1.50 times as at 31 December 2015, and quick ratio was approximately 1.34 times, which represents an increase compared with that of approximately 1.31 times as at 31 December 2015. Current ratio and quick ratio remained normal.

### 2. Financial resources and capital structure

As at 31 December 2016, the Group's current assets amounted to approximately RMB34.945 billion, current liabilities amounted to approximately RMB24.273 billion and current ratio was approximately 1.44 times.

As at 31 December 2016, the Group's total borrowings amounted to approximately RMB14.824 billion, mainly consisting of debenture issued by the Group with nominal value of RMB600 million, corporate bonds issued with nominal value of RMB6 billion, short term financing bonds with nominal value of RMB2.3 billion, convertible bonds with nominal value of RMB4.1 billion (the exercise of conversion rights amounted to RMB31.61 million during the reporting period) and loans from bank and financial institutions etc. amounting to approximately RMB1.856 billion. The above loans and bonds were payable upon maturity. The Group generally funds its business and operational capital needs with its own working capital.

As at 31 December 2016, the Group's gearing ratio was approximately 24.82%. (Calculation of gearing ratio: (borrowings in non-current liabilities + borrowings in current liabilities)/(total equity + borrowings in non-current liabilities + borrowings in current liabilities)).

### 3. Foreign exchange risk

As the Group mainly conducts its business in the PRC and the sales and 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 31 December 2016, third-party guarantee committed by the Group amounted to RMB5,463,150, whereas that as at 31 December 2015 was RMB8,577,078; as at 31 December 2016, financial guarantee given by the Company to its subsidiaries amounted to RMB0, and that as at 31 December 2015 was RMB0.

### 5. Charges on the Group's assets

As at 31 December 2016, certain bank borrowings of the Group were secured or pledged by (i) the land use rights with carrying value of approximately RMB29,566,590; (ii) property, plant and equipment with carrying value of RMB122,830,860; (iii) inventory with carrying value of RMB29,566,590, and restricted cash with carrying value of RMB2,000,000.

Additionally, as at 31 December 2016, notes payables of the Group were secured or pledged by inventory with carrying value of RMB188,783,978 and restricted cash with carrying value of RMB230,106,987.

## III. ANALYSIS OF AUTOMOBILE MANUFACTURING INDUSTRY OPERATION

### 1. Production capacity

*Existing production capacity*

| Names of major factories | Designed production capacity | Production capacity during the reporting period | Production capacity utilisation rate (%) |
|---|---|---|---|
| Guangqi Honda | 600,000 units | 635,400 units | 105.90 |
| GAC Toyota | 380,000 units | 423,300 units | 111.39 |
| GAMC | 365,000 units | 381,200 units | 104.43 |
| GAC Mitsubishi | 100,000 units | 56,700 units | 56.70 |
| GAC Fiat-Chrysler | 328,000 units | 150,000 units | 45.73 |
| Honda (China) | 60,000 units | 10,800 units | 18.00 |
| GAMC Hangzhou | 40,000 units | 400 units | 1.00 |
| GAC Hino | 10,000 units | 1,400 units | 14.00 |
| GAC BYD | 5,000 units | 400 units | 8.00 |

Notes:

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

2. Construction of the second production line of GAMC was completed and commenced operation in July 2016, which increased production capacity by 150,000 units/year.

3. Construction of the Guangzhou factory of GAC Fiat-Chrysler was completed and commenced operation in April 2016, which increased production capacity by 164,000 units/year.

4 GAMC Hangzhou is under transformation, production capacity of which reduced to 40,000 units/year.

*Production capacity in construction*

*Unit: '0,000   Currency: RMB*

| Names of the factories in construction | Planned investment amount | Investment amount during the reporting period | Total investment amount | Expected commencement date of production | Expected production capacity |
|---|---|---|---|---|---|
| GAMC Xinjiang factory | 108,700 | 8,700 | 8,700 | October 2017 | 50,000 units |
| GAMC Hangzhou factory | 330,038 | 100,700 | 100,700 | December 2017 | 150,000 units |
| GAC Toyota production capacity expansion project | 350,403 | 268,811 | 316,748 | January 2018 | 220,000 units |

*Production capacity calculation standards*

Calculated based on standard production capacity and two production shifts.

## 2. Sales volume of whole vehicles

*By vehicle models*

| | Sales volume (units) | | | Production volume (units) | | |
|---|---|---|---|---|---|---|
| Vehicle types | Total number for the year | Total number for last year | Changes in sales volume compared with the corresponding period last year (%) | Total number for the year | Total number for last year | Changes in production volume compared with the corresponding period last year (%) |
| **Passenger vehicle** | 1,647,383 | 1,293,173 | 27.39 | 1,657,755 | 1,267,181 | 30.82 |
| Sedans | 793,350 | 804,295 | -1.36 | 781,826 | 787,019 | -0.66 |
| MPV | 47,030 | 58,138 | -19.11 | 46,743 | 54,724 | -14.58 |
| SUV | 806,509 | 428,531 | 88.20 | 829,150 | 423,897 | 95.60 |
| Cross-over utility vehicle | 494 | 2,209 | -77.64 | 36 | 1,541 | -97.66 |
| **Commercial vehicle** | 2,712 | 6,487 | -58.19 | 1,851 | 6,724 | -72.47 |
| Passenger vehicle | 178 | 279 | -36.20 | 378 | 208 | 81.73 |
| Truck | 1,801 | 1,666 | 8.10 | 1,429 | 2,241 | -36.23 |
| Pickup | 733 | 4,542 | -83.86 | 44 | 4,275 | -98.97 |
| **Total vehicles** | 1,650,095 | 1,299,660 | 26.96 | 1,659,606 | 1,273,905 | 30.28 |

*By regions*

| Vehicle types | Domestic sales (units) Total number for the year | Total number for last year | Changes in sales volume compared with the corresponding period of last year (%) | Overseas sales (units) Total number for the year | Total number for last year | Changes in sales volume compared with the corresponding period of last year (%) |
|---|---|---|---|---|---|---|
| **Passenger vehicle** | 1,634,385 | 1,278,243 | 27.86 | 12,998 | 14,930 | -12.94 |
| Sedans | 781,399 | 791,761 | -1.31 | 11,951 | 12,534 | -4.65 |
| MPV | 47,020 | 58,085 | -19.05 | 10 | 53 | -81.13 |
| SUV | 805,595 | 427,593 | 88.40 | 914 | 938 | -2.56 |
| Cross-over utility vehicle | 371 | 804 | -53.86 | 123 | 1,405 | -91.25 |
| **Commercial vehicle** | 2,602 | 3,337 | -22.03 | 110 | 3,150 | -96.51 |
| Passenger vehicle | 168 | 271 | -38.01 | 10 | 8 | 25.00 |
| Truck | 1,801 | 1,666 | 8.10 | – | – | – |
| Pickup | 633 | 1,400 | -54.79 | 100 | 3,142 | -96.82 |
| **Total vehicles** | 1,636,987 | 1,281,580 | 27.73 | 13,108 | 18,080 | -27.50 |

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

## 3. New energy vehicle business

*Production capacity of new energy vehicles*

| Name of major factories | Designed production capacity (units) | Production capacity during the reporting period (units) | Production capacity utilisation rate (%) |
|---|---|---|---|
| GAMC | 5,000 | 3,354 | 67.08 |

*Sales of new energy vehicles*

| | Sales volume (units) | | | Production volume (units) | | |
|---|---|---|---|---|---|---|
| Vehicle types | Total number for the year | Total number for last year | Changes in sales volume compared with the corresponding period of last year (%) | Total number for the year | Total number for last year | Changes in production volume compared with the corresponding period of last year (%) |
| Passenger vehicle | 3,665 | 1,430 | 156.29 | 3,354 | 1,496 | 124.20 |

*Income and subsidies for new energy vehicles*

*Unit: '0,000 Currency: RMB*

| Vehicle types | Income | Subsidy for new energy vehicle | Ratio of subsidy (%) |
|---|---|---|---|
| Passenger vehicle | 37,108 | 2,874 | 7.74 |

## IV. DISCUSSION AND ANALYSIS ON FUTURE DEVELOPMENT

### (1) Development trend and industry layout

Under the encouragement and guidance of state policy, the revolutionary impact of new energy vehicle on automobile manufacture industry has been emerging; intelligent network vehicle has been showing a positive development trend; strategy of manufacture in PRC will comprehensively upgrade the standard of automobile manufacturing. Environmental friendly vehicle, social vehicle and safety vehicle has been the new development direction of automobile industry.

The following are the characteristics of the future industrial competition and development trend:

1. More intense competition: With increasing base number of car owners, continuously rolling-out of new vehicle model and further decrease in vehicle price under joint venture brand, competition in vehicle market will be more intense. It is expected that in 2017, among each segments, sales of SUV will keep its leading position and MPV will keep growing strongly while sales of sedans and commercial vehicles will slightly increase.

2. Coexistence of opportunities with challenges: In 2017, automobile industry will undergo a transformation from the rise of self-developed brand and new smart energy vehicle. It is expected that supportive policy and consumption demand will continue. However, official implementation of a series of new vehicle policies, including levy of 7.5% purchase tax, cutting-off of subsidiary and CHINA 5 Emission Standards, as well as cross-sector investment in automobile industry by Internet companies, will pose new challenges to the future development of automobile industry. Meanwhile, functionality of self-developed brand vehicle further improves and is showing a strong uprising trend with structural opportunity in overseas market. The PRC government strengthens control over vehicle exhaust by basically eliminating yellow-label vehicle, accelerating the phase-out of old vehicles and encouraging the use of new and clean energy car, which will continue to facilitate the development of new energy vehicle. Besides, with further integration of the Internet and automobile industry, development of intelligent network, online and offline sales and financial insurance platform as well as vehicle leasing and sharing of service, there are a lot of opportunities in the development of automobile industry.

## (2) Development strategy of the Company

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

## (3) Operational plan

In 2017, the working guidelines of the Group are to: maintain general working principle of steadily progress; consolidate and thoroughly implement the development ideals of innovation, coordination, environmental protection, open and shared development; stick to our main plan of "one core theme, two unwavering strategies, three changes"; fully improve our corporate core competitiveness, self-development ability and economies of scale of each business segment; advance the in-depth reform in system; and comprehensively increase employees' wellbeing.

In 2017, the annual sales volume of vehicles of the Group, together with its joint ventures and associated companies, is expected to increase by 10% as compared with the corresponding period last year. We plan to launch 16 brand new and facelift models to strengthen the overall competitiveness of the products, including 9 self-developed brand products, namely "Rock 5-seat SUV" Trumpchi GS7, "Youth City SUV" Trumpchi GS3, "Flagship Deluxe MPV" Trumpchi GM8, "Compact Mid-end Sedan" Trumpchi GA4, "Hybrid Intelligent New Energy SUV" Trumpchi GS4 PHEV, "Purely Electrical New Energy SUV" Trumpchi GE3, "Hybrid Intelligent New Energy Sedan" Trumpchi GA6 PHEV, upgraded model of Trumpchi GA8 (1.8T) and facelift model of Trumpchi GS4; and 7 products under joint venture brands, namely Guangqi Honda Avancier 1.5T model, facelift model of Fit and Acura TLX, GAC Toyata YARiS L, a small sedan, and first TNGA model in China, upgraded model of GAC Mitsubishi Outlander and one model of PHEV SUV.

Material investments of the Group in the future are set out in "Production capacity in construction" of Section III "Analysis of automobile manufacturing industry operation" of this Chapter, and the expected sources of funding in the coming year are borrowings and internal sources.

The specific work measures are:

1. Centering around quality and efficiency and promoting the Group's sustainable development;

2. Committing to the pragmatic implementation of our plan for the "Thirteenth Five-year Plan";

3. Further improving R&D capability, optimising the system of self-development business and increasing core competitiveness of self-developed brand;

4. Continuing joint venture cooperation model and developing joint venture with the ideas of openness and sharing;

5. Strengthening brand establishment, improving reputation and brand influence;

6. Advancing on cooperative development among segments and improving overall competitiveness of each segment of the Group;

7. Increasing resources inputs in new energy vehicle development and accelerating the development of new energy vehicle;

8. Strengthening reform and innovation to realise a better and more vivid development;

9. Enhancing capital operation, advancing the project of non-public issuance of A Shares and further developing the coordination of industrial and financial sectors;

10. Continuing the good grasp on doing business with integrity, safe production, comprehensive management and maintenance of stability and work on reproduction planning.

## (4) Potential risks

### *1. Risks of the industry*

#### *(1) Risk of fluctuation in macro economy*

The overall automobile industry significantly depends on the level of development of the national economy, where changes in the economic growth rate would directly stimulate or suppress consumption in automobile. Moreover, due to globalisation of economy, the automobile industry is also affected by the international macro environment and circumstances. In recent years, sustained growth in China's economic scale, steady growth in resident's disposable income, prompt economic policies promulgated by the PRC and relatively favourable international circumstances resulted in an overall trend of growth in demand for China's automobile industry. However, with slower macroeconomic growth, the demand growth for China's automobile industry is currently gradually declining. In the future, automobile consumption demand will continue to be influenced by China's macroeconomic policies, industrial structural adjustments and international economic and political circumstances.

#### *(2) Risks of rapid growth in China's vehicle production capacity*

China's automobile industry showed an overall trend of growth in the past 10 years. China has become the top in the world in terms of automobile sales of 13.64 million units since 2009, and the annual sales in 2016 exceeded 28,028,200 units, recording another global historic high and maintaining global no.1 position. With the opportunities in the market, a large number of automobile companies target at the domestic market by implementing or formulating output expansion plans. The competition between joint ventures and local companies, international brands and self-developed brands, vehicles with similar emission volume and new and old models is relatively intense.

*(3) Industry transformation risk*

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

*2. Operational risks*

*(1) Risk of fluctuation in financial conditions and operating results of joint ventures*

The Group has established close cooperation relationship with international partners such as Honda, Toyota, Fiat, Mitsubishi and Hino. These joint ventures set up and funded jointly with the Group have a relatively large impact on the operating results of the Company. The Company has continued to nurture independent R&D ability and to accumulate core techniques, and it has successfully developed the first self-developed brand passenger vehicle Trumpchi in September 2010. After years of development, GS4, a new SUV model, was launched in April 2015, and GS8, a new middle-to-large SUV model was launched in October 2016, which was well-recognised by consumers. The Group has initially formed a new layout of coordinated development of three series, namely the Japanese series, European and American series and self-developed brand series. However, in view of the present situation, joint ventures such as Guangqi Honda and GAC Toyota still exert a relatively large impact on the operating results of the Group. If there are fluctuations in the financial conditions and operating results of the joint ventures, the financial conditions and operating results of the Group may be affected adversely.

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

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

*(3) Risks of ability to continuously launch popular products*

The ability to continuously launch popular products directly affects product sales and operating results of the Group. The Company needs to continue to improve existing products and develop and introduce new products promptly based on market demand in order to consolidate its market position and gain market share in targeted sub-markets. In 2015, the Group launched hot vehicle models like Trumpchi GS4, JEEP Cherokee, upgraded Highlander, 1.5L Vezel, and in 2016, the Group continued to launch competitive new vehicle models like Guangqi Honda Avancier, JEEP Renegade, JEEP Compass, Trumpchi GS8, Outlander, leading to consistent growth in overall sales volume. If subsequently the Company fails to continue to develop and produce competitive products in the market, and fails to reach a certain market share within a reasonable time to form economies of scale, it will not be able to realise the business strategies of the Company, and will have an adverse impact on the business, financial conditions and operating results of the Company.

*3. Risks of policies*

*(1) Risks of product recall*

In recent years, China has been stricter with the automobile industry in product quality and quantity regulations and technical standards. The Ordinance for the Administration of the Recall of Defective Automotive Products (《缺陷汽車產品召回管理條例》) came into effect on 1 January 2013. The Ordinance amends and supplements the Regulations for the Administration of the Recall of Defective Automotive Products (《缺陷汽車產品召回管理規定》) pursuant to which automobile manufacturers are required to provide repair services and recall. The Provisions on the Liability for the Repair, Replacement and Return of Household Automotive Products (《家用汽車產品修理、更換、退貨責任規定》) came into effect on 1 October 2013, which specifies the liability of repair, exchange and return of household automotive products. According to the statistics released by the National Quality Supervisory and Inspection Bureau (國家質量監督檢驗檢疫總局), in recent years, the number of recalled vehicles significantly increased. Such number exceeded 5 million for three consecutive years in 2013, 2014 and 2015 and in 2016, such number exceeded 10 million units for the first time and reached 11,325,600 units, representing an increase of 103%. This was the highest historical number. If the products of the Group are recalled, the sales and results of the Company may be adversely affected.

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

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

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

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

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

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

The long length of the industry chain of the automobile industry exerts an apparent impact on boosting the economy. It is a pillar industry in the national economy, while it is also an industry operating with a higher degree of market mechanism with intense competition. The central government introduced more supportive policies in favor of new energy vehicles continuously, and deployed greater pace of promotion and application of new energy vehicles to relieve the pressure of energy shortage and pressure on the environment, and facilitate the transformation and upgrade of the automobile industry.

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

(5) *Risk of fuel price fluctuations*

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

# CHAPTER 6
# Significant Events

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

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

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

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

*Unit: '000 Currency: RMB*

| Dividend Year | Number of bonus shares issued for every 10 existing shares (share) | Dividends paid for every 10 shares (yuan) (tax inclusive) | Number of shares transferred to share capital for every 10 existing shares (share) | Amount of cash dividend (tax inclusive) | Net profit attributable to the shareholders of the Company in the consolidated financial statement during the year | Percentage of the net profit attributable to the shareholders of the Company in the consolidated financial statement (%) |
|---|---|---|---|---|---|---|
| 2016 | – | 3.0 | – | 1,935,803 | 6,287,542 | 30.79 |
| 2015 | – | 2.0 | – | 1,287,004 | 4,211,553 | 30.56 |
| 2014 | – | 1.6 | – | 1,029,603 | 3,194,160 | 32.23 |

*Note:* The Company proposes to distribute the final dividend for 2016 to registered shareholders on the share record date with RMB0.22 (tax inclusive) for every share in cash. As a result of the conversion of convertible bonds into shares and the exercise of A share options, the total dividends actually distributed shall be determined based on the total share capital on the share record date for dividends distribution. The amount of dividend was temporarily calculated based on the total share capital of 6,453,360,605 shares of the Company on 31 December 2016 and the total amount of the final dividend would be RMB1,419,739,333.10. A total of RMB516,063,843.60 interim dividend was distributed in 2016. As a result, a total dividend of RMB1,935,803,176.70 would be distributed in 2016.

### (III) Reserves available for distribution to shareholders

According to the Articles of Association of the Company, the distributable reserves of the Company are based on the profit after taxation determined pursuant to the Generally Accepted Accounting Principles of the PRC and Hong Kong Financial Reporting Standards (whichever is lower). As at 31 December 2016, the Company's reserves available for distribution to shareholders amounted to RMB10,989,418,000 (2015: RMB9,265,937,000 (restated)).

## II. PERFORMANCE OF UNDERTAKINGS

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

| Background of undertakings | Type of undertakings | Undertaker | Contents of undertakings | Time and period of undertaking | Is there a fulfillment time limit | Whether fulfilled strictly in time |
|---|---|---|---|---|---|---|
| Other commitments to the medium and small shareholders of the Company | Dividends | The Group | Provided that the profit and cash of the Company is sufficient for the continuous operation and long term development of the Company, the profit distributed in cash in each of the year between 2015 and 2017 shall be no less than 10% of the distributable profit realised in such year, whereas the cumulative profit distributed in cash for the three consecutive years shall be no less than 30% of the average distributable profits realised in such three years. articles of association: Profit distributed in cash in shall be no less than 10% of the distributable profit realised in such year. | 2015-2017 | Yes | Yes |
| Other commitments to the medium and small shareholders of the Company | Non-Competition | GAIG | (1) Directly or indirectly do or participate in (or assist in doing or participating in) any business or activities which compete or may compete with the principal business of the Company in any manner (including but not limited to investment, merger and acquisition, forming associates, joint venture, cooperation, partnership, trust, underwriting, operating lease, acquisition of equity or joint stock), whether solely or jointly with other parties, in the PRC or overseas; (2) support any person other than promoters of the Company or subsidiaries of the promoters to do or participate in any business which competes or may compete with the principal business of the Company in any manner in the PRC or overseas; (3) intervene in any business or activities which compete or may compete with the principal business of the Company by other means (whether directly or indirectly), provided that the above undertaking shall not be applicable where GAIG or its subsidiaries (other than the Company and its subsidiaries) acquire or hold for investment purpose not more than 5% interest in other company listed on an internationally recognised stock exchange whose principal business competes or may compete with the principal business of the Company; or where GAIG or its subsidiaries or investee company hold not more than 5% interest in a third party whose principal business competes or may compete with the principal business of the Company as a result of the debt restructuring of third parties; (4) if GAIG or its subsidiaries (other than the Company and its subsidiaries) come across any new business opportunity which competes or may compete with the principal business of the Company, it shall immediately inform the Company in writing, and shall use its best endeavours to procure such business opportunity be first offered to the Company or its subsidiaries on fair and reasonable terms and conditions. The Company shall, within 30 days from receiving the aforesaid notification, notify GAIG or its subsidiaries (other than the Company and its subsidiaries) in writing whether or not the Company or its subsidiaries intend to take up the aforesaid business opportunity. Upon receiving notification from the Company that it intends to take up such opportunity, GAIG or its subsidiaries shall refer such business opportunity to the Company or its subsidiaries; (5) if the Company or its subsidiaries decide not to take up such business opportunities for any reason, upon receiving notification from the Company of such intention or the Company fails to respond in writing to GAIG or its subsidiaries within the said 30-day period, GAIG or its subsidiaries (other than the Company and its subsidiaries) may operate such new business on its own; (6) in the future, when GAIG or its subsidiaries (other than the Company and its subsidiaries) operate such new business which competes or may compete with the principal business of the Company pursuant to paragraph (5) above, or due to adjustments in national policies or other force majeure or unexpected events, such that competition in the same business occurs or becomes inevitable, GAIG or its subsidiaries (other than the Company and its subsidiaries) shall offer an option to the Company or its subsidiaries, pursuant to which the Company or its subsidiaries shall have the right to acquire any equity, asset and other interest in the competing business from GAIG or its subsidiaries in accordance with statutory processes in one or multiple tranches, or the Company or its subsidiaries may elect to operate assets or businesses in the competing business by way of entrusted operation, operating lease or underwriting operation in accordance with statutory processes, provided that the relevant laws and regulations of the PRC and the listing rules of the relevant stock exchange then in force are complied with. | Long-term | No | Yes |

### (II) Explanation of whether the Company fulfilled its profits forecast in relation to assets or projects, if there is any profits forecast in relation to the Company's assets or projects, and the reporting period is within the profits forecast period

Nil

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

N/A

## IV. APPOINTMENT OR DISMISSAL OF ACCOUNTANTS

*Currency: RMB*

| | Currently appointed |
|---|---|
| Name of domestic accounting firm | BDO China Shu Lun Pan Certified Public Accountants LLP |
| Remuneration of domestic accounting firm | 830,000 |
| Audit years of domestic accounting firm | 8 |
| Name of overseas accounting firm | PricewaterhouseCoopers |
| Remuneration of overseas accounting firm | 3,050,000 |
| Audit years of overseas accounting firm | 6 |

| | Name | Remuneration |
|---|---|---|
| Internal control auditor | BDO China Shu Lun Pan Certified Public Accountants LLP | 370,000 |

### Explanation on appointment and dismissal of accounting firms

After being considered and approved at the 18th meeting of the 4th session of the Board and the 2015 annual general meeting of the Company, the Company reappointed BDO China Shu Lun Pan Certified Public Accountants LLP and PricewaterhouseCoopers as auditors of the Company for the year 2016 and reappointed BDO China Shu Lun Pan Certified Public Accountants LLP as the internal control auditor.

### Change of accounting firm during the auditing period

Nil

## V. DESCRIPTION OF RISKS FROM SUSPENSION OF LISTING

### Reasons for suspension of listing and measures taken by the Company to remove the suspension of listing

Nil

## VI. MATTERS RELATING TO INSOLVENCY OR RESTRUCTURING

N/A

## VII. MATERIAL LITIGATIONS AND ARBITRATIONS

Nil

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

N/A

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

Nil

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

### H Share Appreciation Rights

| Overview of Matters | Query Index |
|---|---|
| The Group approved the "Scheme of H Share Appreciation Rights and the first grant scheme". The targeted participants included the directors, senior management, key technical and management staff of the Group. As the grant condition was not met, the third session of H share appreciation rights expired. | The "Announcement on Implementation Progress of First Grant Plan of H Share Appreciation Rights" was disclosed on the websites of SSE and the Stock Exchange on 3 March 2016 stating that as the grant condition was not met, the remaining unvested share appreciation rights of 11,949,962 shares lapsed. As a result, all H share appreciation rights first granted by the Company lapsed. (Announcement No.: Lin 2016-018) |

### A Share Option

In order to further establish and improve the long-term incentive mechanism of the Company, attract and retain talented individuals, fully mobilise the enthusiasm of the directors, senior management and other core businesses, technical and management key personnel of the Company, and bond the interests of shareholders, the Company and individual operators together effectively, making all parties to attend to the long-term development of the Company, the A share option incentive scheme was formulated and passed at the first extraordinary general meeting of 2014 of the Company held on 19 September 2014.

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

As at 19 September 2014, the exercise price of the A share option was RMB7.6 per share. The closing price of the A shares of the Company immediately prior to the vesting date of the A share option incentive scheme is RMB8.37 per share. Moreover, as at 30 June 2016, the Company had implemented 4 times of dividend distributions since the date of grant and pursuant to 2016 interim profit distribution proposal. Therefore, since 20 October 2016, the exercise price of the A share option has been adjusted to RMB7.16 per share.

## Other explanation

On 19 September 2014, the Company granted A share options to all participants. On 19 September 2016, the first exercise period for the A share option incentive scheme of the Company started. For details, please refer to the "Announcement on Fulfillment of Conditions for the Exercise of Options for the First Exercise Period of the Share Option Incentive Scheme" disclosed on the websites of SSE and the Stock Exchange on 9 September 2016 (Announcement No.: Lin 2016-071). As at 31 December 2016, options amounting to a total of 16,724,653 A shares have been exercised and the registration of shares transfer have been completed, accounting for 89.56% of the total exercisable share options for the first exercise period. For details, please refer to the "Announcement on the Results on the Conversion of Convertible Bonds into Shares and the Exercise Results of the First Exercise Period of the Share Option Incentive Scheme and the Changes in Shares" disclosed on the websites of SSE and the Stock Exchange on 3 January 2017 (Announcement No.: Lin 2017-001).

The participants include directors, senior management and other core businesses, technical and management key personnel of the Company who are under employment at the time of the implementation of the A share option incentive scheme. For details of A share options granted to directors and senior management, please refer to the paragraph titled "Share options granted to directors and senior management during the reporting period" under Chapter 10, "Profiles of Directors, Supervisors, Senior Management and Employees" of this report. Details of A share options granted to other participants are set out in the following table:

*Currency: RMB*

| Name | Position | Number of A share options held at the beginning of the reporting period | Number of A share options to be granted | Exercisable A shares options during the reporting period | Shares of A share options stock exercised during the reporting period | Exercise price of A share options (Yuan) | Number of A share options held at the end of the reporting period |
|---|---|---|---|---|---|---|---|
| Middle level and other core businesses, technical and management key personnel (607 people in total) | / | 54,845,300 | 0 | 15,506,642 | 14,320,225 | 7.16 | 40,525,075 |

*Notes:*

1. The actual gains of exercise under the A share option incentive scheme shall not exceed 40% of the total remuneration level (including gains of share option incentives) of participants in principle. All participants undertake that, if the price of shares is so high during the validity period that it causes the actual gains of share option incentives exceeding the aforesaid proportion, the excess portion shall belong to the Company.

2. The participants of the A share option incentive scheme do not take part in two or more share option incentive schemes of listed companies. Major shareholders or controllers who hold 5% or more of the shares or their spouse, immediate or close relatives do not take part in the scheme.

3. The aggregate number of share options to be granted to any of the above participants under the A share option incentive scheme and held throughout the validity period does not exceed 1% of the total share capital of the Company.

The whole A share option incentive scheme shall be effective for 10 years, and in principle, certain number of share options will be granted to the participants every two years. The scheme shall be effective for 5 years from the date of grant of the share options. Total number of securities issuable under the A share option incentive scheme (i.e. 56,024,200 shares) represented approximately 0.87% of total issued shares of the Company as at 31 December 2016.

The vesting period represents the period from the grant of the share options to the exercise date of the share options. The vesting period under the A share option incentive scheme granted to participants is 24 months. If the conditions of exercise required by the scheme are fulfilled within the exercise date, participants shall exercise their share options in different periods within the 36 months after expiry of the 24-month period from the date of grant.

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

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

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

Relevant information regarding the A share option incentive scheme is set out in note 24 to the consolidated financial statements. The calculation of the value of share option is based on various assumptions of the parameters used in note 24 to the consolidated financial statements and there are limitations in the models adopted. Therefore, the calculated value of share option may be subjective and subject to uncertainties.

## XI. MATERIAL CONNECTED TRANSACTIONS

1. Certain categories of related party transactions as disclosed in note 42 to the consolidated financial statements, including (i) sales of goods (sales of automotive parts and steels, sales of passenger vehicles and sales of production facility), (ii) rendering of labour and insurance services, (iii) purchases of goods (purchases of automotive parts and materials and purchases of passenger vehicles), (iv) rental received from related parties and (v) rental paid to related parties, include transactions which also constituted connected transactions under the Listing Rules.

### 2. Transactions under the Listing Rules

*(A) Transactions in relation to principal jointly controlled entities*

At the time of listing of the Company, the Stock Exchange granted a conditional waiver from strict compliance with the requirements of Chapters 14 and 14A of the Listing Rules in respect of immaterial jointly controlled entities. The Company is required to review whether the immaterial jointly controlled entities met the conditions in the waiver on a yearly basis. For the 2016 financial year, the principal jointly controlled entities of the Company were GAC Toyota, Guangqi Honda and GAC-SOFINCO.

*(B) Connected transactions*

For the year ended 31 December 2016, GAC Group and its associates (as defined in the Listing Rules) had entered into the following connected transactions:

On 16 March 2016, the Board has approved the entering into of a share transfer agreement (the "Share Transfer Agreement") between GAMC and Gonow Holdings, pursuant to which Gonow Holdings has agreed to sell to GAMC, and GAMC has agreed to acquire from Gonow Holdings, 49% equity interest in GAC Gonow at the consideration of RMB262,047,400, which was determined after arm's length negotiations between the Group and Gonow Holdings and having taken into account the valuation of 49% equity interest in GAC Gonow of approximately RMB534,790,600 as at 31 August 2015 appraised by an independent valuer.

In addition, as GAC Gonow has contingent assets of RMB200,000,000, GAMC will pay RMB98,000,000 to Gonow Holdings in advance according to the proportion of 49% interest held by it. If the said RMB200,000,000 is, wholly or partially, recovered by the creditor within two years after completion of the transaction, Gonow Holdings shall return all or part of the advance payment within one month. The aggregate value of the consideration and the advance payment is RMB360,047,400.

Through the acquisition of 49% equity interest in GAC Gonow by the Group and under the direction of the principle of "Two centres, four platforms", the development of GAC Gonow after the reorganisation will be supported by the capabilities of the established system of GAMC, which will in turn, contribute to the realisation of substantial advance under the independent development strategy. In addition, after acquiring the equity interest of GAC Gonow, GAMC will also have a base in Eastern China which will help "Trumpchi" to increase its market share in the market of Eastern China.

As Gonow Holdings is a substantial shareholder of GAC Gonow and a connected person of the Company, the Acquisition constitutes a connected transaction of the Company under the Listing Rules. As at least one of the applicable percentage ratios in respect of the Share Transfer Agreement calculated in accordance with Chapter 14 of the Listing Rules is more than 0.1% but less than 5%, the Acquisition is subject to the reporting and announcement requirements but exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

*(C) Continuing connected transactions*

For the year ended 31 December 2016, GAC Group and its associates (as defined in the Listing Rules) had entered into the following continuing connected transactions:

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

(a) For the year ended 31 December 2016, the Company, its subsidiaries and the principal jointly controlled entities (including GAC Toyota and Guangqi Honda) (collectively, the "Group") separately provided transport and logistic services (the "Logistic Services") in respect of vehicle products and vehicle parts and components to the joint venture partners of the principal jointly controlled entities (including Toyota and Honda) and their associates (collectively, the "JV Partner Group") according to the following pricing terms on a regular basis. Such service will continue during the term of the joint ventures.

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

For the year ended 31 December 2016, the total amount of the Logistic Services provided by the Group to the JV Partner Group was RMB267,258,348.

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

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

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

The aforesaid waivers granted by the Stock Exchange at the time of listing in relation to the transactions made expired when the Supplemental Agreements and New Agreement were entered into. The Stock Exchange has approved the Company's application for renewal of the waivers, exempting the Company from compliance with the annual cap, announcement and annual reporting requirements under the Listing Rules to the extent that only disclosure of the total annual consideration relating to the Transactions needs to be made.

(b) For the year ended 31 December 2016, the JV Partner Group separately provided transport and logistic services (the "JV Partner Logistic Services") in respect of vehicle products and vehicle parts and components to the joint venture partners of the principal jointly controlled entities (including Toyota and Honda) and their associates according to the following pricing terms on a regular basis. The Company's principal jointly controlled entities purchase raw materials, parts and components from the relevant joint venture partners and also sell some of the products to the relevant joint venture partners. The relevant joint venture partners would provide transport and logistic services to complete the processes. Such service will continue during the term of the joint ventures.

On 22 January 2016:

(i) GAC Toyota Logistics Co., Ltd. (廣汽豐田物流有限公司) ("GAC Toyota Logistics") (as the service provider) of the JV Partner Group entered into an agreement in writing (the "Framework Agreement of JV Partner") with GAC Commercial and Hunan GAC Shun Jie Logistics Co., Ltd. (湖南廣汽順捷物流有限公司) of the Group, so as to continue with the Logistic Services of JV Partner, with validity period from 1 January 2016 to 31 December 2018. Upon the expiration of the validity period, renewal is subject to the mutual agreement of the parties of the agreement.

(ii) GAC Toyota Logistics (as the service provider) of the JV Partner Group entered into an agreement in writing (the "New Agreement of JV Partner") with GZ Changxin Automobile Sales Co., Ltd.* (廣州長昕汽車銷售有限公司), so as to proceed with the Logistic Services of JV Partner, with validity period from 1 January 2016 to 31 December 2018. Upon the expiration of the validity period, renewal is subject to the mutual agreement of the parties of the agreement.

(iii) Tong Fang Logistics (as the service provider) of the JV Partner Group entered into the Framework Agreement of JV Partner with GAC Toyota and GAC Toyota Automobile Sales Co., Ltd. (廣汽豐田汽車銷售有限公司) of the Group, so as to continue with the Logistic Services of JV Partner, with validity period from 1 January 2016 to 31 December 2018. Upon the expiration of the validity period, renewal is subject to the mutual agreement of the parties of the agreement.

(iv) Guangqi Honda Logistics Co., Ltd. (廣汽本田物流有限公司) (as the service provider) of the JV Partner Group entered into the Framework Agreement of JV Partner with Guangzhou GAC Commercial Renewable Resources Co., Ltd. (廣州廣汽商貿再生資源有限公司) and GAC Honda of the Group, so as to proceed with the Logistic Services of JV Partner, with validity period from 1 January 2016 to 31 December 2018. Upon the expiration of the validity period, renewal is subject to the mutual agreement of the parties of the agreement.

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

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

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

For the year ended 31 December 2016, the total amount of the consideration paid by the Group for the JV Partner Logistic Services was RMB1,217,216,034.

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

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

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

The aforesaid waivers granted by the Stock Exchange at the time of listing in relation to the transactions made expired when the Framework Agreement of JV Partner was entered into. The Stock Exchange has approved the Company's application for renewal of the waivers, exempting the Company from compliance with the annual cap, announcement and annual reporting requirements under the Listing Rules to the extent that only disclosure of the total annual consideration relating to the transactions needs to be made.

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

   (a) For the year ended 31 December 2016, members of the Group sold raw materials, parts and components and vehicles to the JV Partner Group according to the following pricing terms on a regular basis. Such service will continue during the term of the joint ventures.

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

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

(b) For the year ended 31 December 2016, members of the JV Partner Group provided the sale of raw materials, parts and components and production equipment to the principal jointly controlled entities according to the following pricing terms on a regular basis. Such service will continue during the term of the joint ventures.

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

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

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

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

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

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

   For the year ended 31 December 2016, the JV Partner Group provided technical support, research and development support and information enquiry (including production preparation support, local support, advisory services, and provisions of software) to the Group according to the following pricing terms on a regular basis. The Company's joint venture partners are the proprietors of the technology involved in the production of vehicle models manufactured by the principal jointly controlled entities and they are primarily responsible for the research and development of all new models. The provision of technical support by the joint venture partners is to ensure that the latest technology is applied in the manufacturing process of the principal jointly controlled entities and to ensure that the products remain competitive in the market. Such service will continue during the term of the joint ventures.

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

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

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

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

For the year ended 31 December 2016, the joint venture partners of the principal jointly controlled entities provided the use of intellectual property rights (in relation to production and sales of vehicles) to the principal jointly controlled entities according to the following pricing terms on a regular basis. The right to use intellectual property is key to the long term profitability and competitiveness of the principal jointly controlled entities and their products. The Company's Group entered into several technology licence agreements and trademark licence agreements with the Company's joint venture partners during the track record period in the past. Such agreements will continue during the term of the joint ventures.

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

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

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

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

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

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

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

*(D) Control Mechanism*

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

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

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

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

*(E) Confirmation by the Independent Non-executive Directors*

The independent non-executive directors of the Company confirm that for the year ended 31 December 2016, the above continuing connected transactions entered into by the Company as one of the parties are:

(1) in the ordinary and usual course of business of the Company;

(2) on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, or on terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties; and

(3) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders as a whole.

*(F) Auditor's Letter*

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the aforesaid continuing connected transactions in accordance with Rule 14A.56 of the Listing Rules. Auditor of the Company confirmed in such letter that for the year ended 31 December 2016, in respect of the above continuing connected transaction to which the Company is one of the parties:

(1) nothing has come to their attention that those transactions have not been approved by the Board;

(2) nothing has come to their attention that those transactions did not follow the pricing policy of the Company in all material respects if the transactions involved provision of goods or services by the Company; and

(3) nothing has come to their attention that those transactions were not carried out in accordance with the agreements of such transactions in all material aspects.

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

# XII. MATERIAL CONTRACTS AND THEIR PERFORMANCE

## (I) Trusts, contracts and lease arrangements

N/A

## (II) Guarantee

*Unit: Yuan Currency: RMB*

External Guarantee of the Company (excluding those provided to subsidiaries)

| Guarantor | Relationship between guarantor and listed company | Guarantee | Guaranteed amount | Date of guarantee (Date of signing agreement) | Commencement date of guarantee | Expiry date of guarantee | Type of guarantee | The guarantee is fully performed | Overdue | Overdue amount | Whether counter guarantee is available | Whether guarantee is provided to related parties | Connected relationship |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| GAC Bus | Wholly-owned subsidiary | Foshan City Nan Hai Fo Guang Public Motor Company (佛山市南海佛廣公共汽車有限公司) | 5,463,150 | 25 July 2014 | 19 September 2014 | 19 September 2019 | Suretyship of joint and several liability | No | No | 0 | No | No | |
| GAC Commercial | Wholly-owned subsidiary | Guangzhou United Exchange Park Business Investment Co., Ltd. (廣州聯合交易園區經營投資有限公司) | 4,220,000 | 26 March 2015 | 26 March 2015 | 25 March 2018 | Suretyship of joint and several liability | No | No | 0 | Yes | Yes | Associates |
| GAC Commercial | Wholly-owned subsidiary | Guangzhou United Exchange Park Business Investment Co., Ltd. (廣州聯合交易園區經營投資有限公司) | 81,490,000 | 26 March 2015 | 26 March 2015 | 25 March 2018 | Suretyship of joint and several liability | No | No | 0 | Yes | Yes | Associates |

| | |
|---|---|
| Total guarantee incurred during the reporting period (excluding those provided to subsidiaries) | 0 |
| Total balance of guarantee as at the end of the reporting period (A) (excluding those provided to subsidiaries) | 91,173,150 |

Guarantee provided to subsidiaries of the Company and its subsidiaries

| | |
|---|---|
| Total guarantee provided to subsidiaries of the Company during the reporting period | 0 |
| Total balance of guarantee provided to subsidiaries of the Company as at the end of the reporting period (B) | 0 |

Total guarantee of the Company (including those provided to subsidiaries)

| | |
|---|---|
| Total guarantee (A+B) | 91,173,150 |
| Proportion of total guarantee in the net assets of the Company (%) | 0.20 |

## (III) Entrusted cash assets management

### 1. *Entrusted wealth management*

N/A

### 2. *Entrusted loans*

*Unit: Yuan Currency: RMB*

| Name of the borrower | Amount of Entrusted Loan | Term of the loan | Interest rate | Use of loan | Overdue or not | Connected transaction or not | Renewed or not | Involved in a litigation or not | Connected relationship |
|---|---|---|---|---|---|---|---|---|---|
| Changsha Cosma Automotive System Co., Ltd. | 58,800,000 | 25 December 2015 to 23 December 2017 | 4.350% | Operation capital | No | Yes | Yes | No | Joint venture |
| Hangzhou HAVECO Automobile Transmission Technology Co., Ltd. | 70,000,000 | 15 June 2016 to 14 June 2017 | 4.350% | Operation capital | No | Yes | No | No | Joint venture |
| Shenya Seal Components (Guangzhou) Co., Ltd. (申雅密封件(廣州)有限公司) | 31,360,000 | 24 June 2016 to 24 June 2017 | 4.785% | Operation capital | No | Yes | No | No | Associates |
| Hangzhou HAVECO Automobile Transmission Technology Co., Ltd. | 80,000,000 | 22 November 2016 to 20 November 2017 | 4.350% | Operation capital | No | Yes | No | No | Joint venture |
| GAC Hino | 80,000,000 | 28 December 2016 to 27 December 2017 | 4.350% | Operation capital | No | Yes | No | No | Joint venture |
| Guangzhou Cosma Automotive System Co., Ltd. | 29,400,000 | 1 September 2016 to 30 August 2017 | 4.350% | Operation capital | No | Yes | No | No | Associates |
| GAC-SOFINCO | 500,000,000 | 22 June 2016 to 21 June 2017 | 4.180% | Operation capital | No | Yes | No | No | Joint venture |
| Huizhou Jinhui Automobile Wire Harness Co., Ltd. (惠州市津惠汽車線束有限公司) | 10,000,000 | 13 May 2016 to 12 May 2017 | 4.785% | Operation capital | No | Yes | No | No | Associates |
| Harbin Boshi Xinda Automobile Sales Service Co., Ltd. (哈爾濱博實信達汽車銷售服務有限公司) | 30,000,000 | 20 December 2016 to 20 December 2021 | 6.175% | Operation capital | No | No | No | No | |

Details of the entrusted loans:

As at the end of the reporting period, the entrusted loans provided to the associates and joint ventures by the Company amounted to approximately RMB859.56 million, mainly for providing liquidity to the invested entities on the basis of shareholding percentage.

### (IV) Other material contracts

N/A.

## XIII. FULFILLMENT OF SOCIAL RESPONSIBILITY

### (I) Poverty Alleviation of the Company

#### 1. *Planning on targeted poverty alleviation*

**Target requirement:** During 2016 to 2018, the Group conducts targeted poverty alleviation in Lianyi Village, Baishi Village and Silian Village in Jiubei Town, Lianzhou City, Qingyuan. The Group adheres to the assistance concept of "Genuine Poverty Alleviation, Conducting True Poverty Alleviation and Satisfying the Public" and continues to conduct targeted poverty alleviation and targeted overcoming of poverty with specific plans on households and responsible persons. It focuses on improving the income of poverty-stricken people and changes the backward conditions of poverty-stricken areas to ensure that the three villages will achieve the target of "two no worries, three guarantees and one equivalent" by 2018, i.e. poverty-stricken people in the villages will have no worries about food and clothes with guarantees as to compulsory education, basic medical treatment and housing safety and the major indicators in basic public services will reach a level equivalent to the average level of the whole province.

**Guarantee measures:**

Firstly, the CPC committee attaches great importance. It established leading group and working institute on three-year crucial work on targeted poverty alleviation during the new stage to strengthen organisation and leadership.

Secondly, it guarantees the implementation of responsibilities. It will continue to implement the "1+1+1+2" model in poverty alleviation, namely guaranteeing one responsible leader for the village, one responsible department at the headquarters, one responsible enterprise and two supporting enterprises for each poverty-stricken villages to conduct targeted poverty alleviation.

Thirdly, it increases the injection of funds for poverty alleviation. It guarantees that funds of no less than RMB3.5 million for each village will be injected every year to consolidate the foundation for targeted poverty alleviation.

Fourthly, it sets the joint approval model for the use of funds. The funds for poverty alleviation shall be jointly approved by the leaders at the village, the enterprise providing assistance and the Group to ensure the standard and safe operation of funds for poverty alleviation.

Fifthly, it introduces innovation to participation models. It uses poverty-stricken villages as bases for CPC members to accept the education on "Two Learnings, One Being" and practice core socialist values and mobilise CPC members and employees to participate in paired alleviation activities to build a pattern of "big poverty alleviation".

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

**Progress and results of targeted poverty alleviation during the year:** Firstly: adhering to targeted poverty identification. Following the principle of "precise identification, long-term publicity and dynamic management", three responsible enterprises conducted three rounds of precise identification of poverty-stricken households and established archives and filings to achieve targeted and dynamic alleviation. Secondly: making scientific alleviation plans. Based on the actual conditions and development needs of villages and households under assistance, three-year crucial plans and annual poverty alleviation plans and categorised assistance measures were formulated to achieve project-based and standardised alleviation. Thirdly: conducting targeted policies and management. Poverty-stricken households were classified into different categories for management and advanced management concept of GAC was introduced to achieve standardised and regulatory assistance. Fourthly: focusing on the development of collective economy of poverty-stricken villages. Joint industrial poverty alleviation in three villages was creatively organised to achieve long-term and steady results in poverty alleviation.

After one year's efforts, a total of 266 poverty-stricken people with archives established in Lianyi Village, Baishi Village and Silian Village in Jiubei Town, Lianzhou City, Qingyuan under the targeted assistance of the Group overcame poverty, accounting for 41.89% of the total poverty-stricken people with archives established. It conducted three poverty alleviation projects, including the processing of dried bean-curd sticks, the cultivation of black goats and assets income with a total investment of RMB5.76 million. It held or joined the local government in holding trainings on vocational skills. A total of 206 people attended the training and 95 poverty-stricken people achieved employment. It invested RMB83,400 in subsidising 45 poverty-stricken students to receive education and invested RMB290,600 in improving the education environment and facilities of local schools. It built 1.16 kilometers of village roads and achieved 100% roads with hard ground in natural villages with more than 200 people from the village committee. It also built 6,430 meters of water conservancy facilities for farmland. It built or improved 8 public toilets, 52 refuse collection facilities, 3 standard sanitary stations, 16 places for cultural and leisure activities and completed the improvement of 22 dilapidated houses, which greatly improved the living conditions of poverty-stricken villages. The targeted poverty alleviation conducted by the Group was under smooth progress and was recognised and commended by governments at all levels and local residents.

Meanwhile, the Group also vigorously supported the targeted poverty alleviation in Youling Village, Sanpai Town, Liannan Yao Autonomous County. It provides RMB1 million each year to assist the crucial battle in poverty alleviation in Youling Village.

3. *Statistical table on targeted poverty alleviation in 2016 by the Company*

*Unit: 0'000 Yuan Currency: RMB*

| Indicator | Amount and implementation |
|---|---|
| I. General conditions | |
| Among which, 1. Funds | 1,283.60 |
| 2. Amount of materials | 45.55 |
| 3. Number of people under assistance with archives established who overcame poverty | 266 |
| II. Input breakdown | |
| 1. Poverty alleviation through industrial development | |
| Among which, 1.1 Type of projects for poverty alleviation | Poverty alleviation through agriculture and forestry<br>Poverty alleviation through assets income |
| 1.2 Number of projects for poverty alleviation | 3 |
| 1.3 Amount of input in projects for poverty alleviation | 576.00 |
| 1.4 Number of people under assistance with archives established who overcame poverty | 39 |
| 2. Poverty alleviation through transferring employment | |
| Among which, 2.1 Amount of input in trainings on vocational skills | 1.55 |
| 2.2 Number of people attended trainings on vocational skills (person/time) | 206 |
| 2.3 Number of poverty-stricken people with archives established who achieved employment | 95 |
| 3. Poverty alleviation through education | |
| Among which, 3.1 Amount of input made in subsidising poverty-stricken students | 8.34 |
| 3.2 Number of poverty-stricken students subsidised (person) | 45 |
| 3.3 Amount of input made in improving education resources in poverty-stricken regions | 29.06 |
| III. Awards received (content and level) | |
| Excellent Company in Poverty Alleviation and Development with "Planning for Households with Responsible Persons" in Guangdong Province | |

*4. Subsequent targeted poverty alleviation plans*

It will actively advance and focus on the crucial targeted poverty alleviation in the new period. It will follow the unified arrangement and the guidance of the "three-year assistance plans" developed for targeted poverty-stricken villages, implement alleviation funds based on actual conditions with targeted efforts, determine programs for poverty alleviation, implement poverty alleviation measures and develop industries for poverty alleviation. It will establish the leadership of the "local CPC committee and villagers committee" and "give priority to guarantee poverty-stricken households overcome poverty" during the work. Meanwhile, it will strive to increase the collective income of villages and improve the appearance of villages. For poverty-stricken villages with "Planning for Households with Responsible Persons" in previous round of poverty alleviation, it will continue to conduct "follow-up" reviews to consolidate the results. Meanwhile, it will strengthen promotion to boost the targeted poverty alleviation. It will increase the promotion in poverty-stricken villages, unite positive energy and help the public establish the confidence in overcoming poverty and building a harmonious and beautiful new village, as well as establish assistance brands with the features of GAC in performing social responsibilities to demonstrate the good image of the Group in performing social responsibilities.

## (II) Fulfillment of Social Responsibility

With the goal of "developing into a public company trusted by the society", the Group always advocates green culture, builds a green supply chain, develops green offices, realises sustainable development and actively performs social responsibility. For details about the fulfillment of social responsibilities by the Company, please refer to the full text of the "2016 Social Responsibilities Report" published on the websites of SSE and the Stock Exchange on 30 March 2017.

## (III) Description of environmental protection regulations in relation to key companies and its subsidiaries of pollution emissions as required by the environmental protection department

Nil

## XIV. INFORMATION ON CONVERTIBLE CORPORATE BONDS

### (I) Issuance of convertible bonds

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

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

| | |
|---|---|
| Number of convertible bonds holders at the end of the period | 1,241 |
| Guarantors of convertible bonds of the Company | Nil |

Conditions of top ten convertible bonds holders are as follows:

| Name of convertible bonds holders | Amount of bonds held at the end of the period (RMB) | Holding proportion (%) |
|---|---|---|
| Specific accounts for bonds repurchase and pledge under the Registration and Settlement System (Industrial and Commercial Bank of China) | 598,419,000 | 14.70 |
| Specific accounts for bonds repurchase and pledge under the Registration and Settlement System (China Construction Bank) | 459,534,000 | 11.29 |
| Specific accounts for bonds repurchase and pledge under the Registration and Settlement System (CITIC Securities Company Limited) | 295,031,000 | 7.25 |
| National Social Insurance Fund 203 Package | 107,432,000 | 2.64 |
| Specific accounts for bonds repurchase and pledge under the Registration and Settlement System (China Minsheng Banking Corp., Ltd.) | 87,553,000 | 2.15 |
| Corporation pension plan of Ping An Insurance (Group) Company of China, Ltd. – China Merchants Bank Co., Ltd. | 78,955,000 | 1.94 |
| Specific accounts for bonds repurchase and pledge under the Registration and Settlement System (Bank of Communications) | 71,095,000 | 1.75 |
| Specific accounts for bonds repurchase and pledge under the Registration and Settlement System (Minsheng Securities Co., Ltd.) | 70,910,000 | 1.74 |
| Guoyuan Securities (Hong Kong) Co., Ltd. – Clients' funds (stock exchange) | 56,060,000 | 1.38 |
| Specific accounts for bonds repurchase and pledge under the Registration and Settlement System (Agricultural Bank of China) | 55,076,000 | 1.35 |

## (III) Conversion of convertible bonds during the reporting period

*Unit: Yuan Currency: RMB*

| Name of convertible corporate bonds | Before the change | Increase and decrease in the change | | | After the change |
|---|---|---|---|---|---|
| | | Conversion | Redemption | Repurchase | |
| GAC Convertible Bonds | 4,105,580,000 | 35,339,000 | – | – | 4,070,241,000 |

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

| | |
|---|---|
| Amount of conversion during the reporting period (RMB) | 35,339,000 |
| Number of converted shares during the reporting period (share) | 1,615,855 |
| Accumulated number of converted shares (share) | 1,615,855 |
| Proportion of accumulated number of converted shares to total shares of the Company in issue before the conversion (%) | 0.03 |
| Amount of unconverted bonds (RMB) | 4,070,241,000 |
| Proportion of unconverted bonds to total convertible bonds in issue (%) | 99.14 |

## (V) Previous adjustments to conversion price

*Unit: Yuan Currency: RMB*

| Date of adjustment of conversion price | Adjusted conversion price | Timing of disclosure | Disclosure media | Information about adjustment of conversion price |
|---|---|---|---|---|
| 21 June 2016 | 21.87 | 13 June 2016 | Websites of SSE and Stock Exchange, China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily | Based on the profit distribution plan for 2015 with RMB1.2 (tax inclusive) for every 10 shares, the conversion price was adjusted from RMB21.99 per share to RMB21.87 per share accordingly. |
| 20 October 2016 | 21.79 | 12 October 2016 | Websites of SSE and Stock Exchange, China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily | Based on the profit distribution plan of RMB0.8 (tax inclusive) for every 10 shares for the interim period of 2016, the conversion price was adjusted from RMB21.87 per share to RMB21.79 per share accordingly. |
| 21 December 2016 | 21.75 | 19 December 2016 | Websites of SSE and Stock Exchange, China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily | As the first exercise period of the 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. |
| Latest conversion price as at the end of the reporting period | | | | 21.75 |

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

As at 31 December 2016, the total asset was RMB82,146,241 and the asset-liability ratio was 45.35%. During the reporting period, the credit rating of the Company was AAA without changes. The main sources of cash for the future annual debt repayment are operating cash flow and external investment incomes of the Company.

## (VII) Other information of convertible bonds

Nil

## XV. AWARDS

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

| Subject | Awards won by the Group and its major investees | Organiser/theme |
|---|---|---|
| The Company | Best Employer for Chinese University Graduates for the Year 2016 | ChinaHR.com |
| | 1st Golden Bull Top 100 Chinese Listed Companies | China Securities Journal |
| | 2016 Listed Enterprise Award | Bloomberg Businessweek |
| | Golden Cup of Guangdong Poverty Relief Red Cotton Cup of 2015 | Leading Group for Poverty Relief in Guangdong Province |
| | Prize for Independent Influence for 2016 | China Youth Daily |
| | Enterprise of the Year 2016 | Phoenix Media Group |
| | Prize for Automobile Enterprise of the Year 2016 | Sina Award Ceremony for Automobile of the Year |
| | Hong Kong Business Awards 2016 – Outstanding Chinese Company Award | South China Morning Post |
| GAMC | Responsible Brand of the Year 2015 | 5th China Charity Festival |
| | AAA Credit Enterprise | China International Electronic Commerce Center |
| | Benchmarking Enterprise in Guangzhou for 2016 | Guangzhou 3 Federations (Guangzhou Federation of Industrial Economics, Guangzhou Federation of Enterprises and Guangzhou Federation of Entrepreneurs) |
| | Excellent Enterprise for Trustworthy Product and Service Quality in China for 2016 | China Association for Quality Inspection |
| | Guangdong Province May 1st Labor Prize | Guangdong Provincial Federation of Trade Unions |
| | High-growth Automobile Enterprise in China for 2015 | 2016 China Automotive Innovation Summit |
| | Typical Enterprise with Outstanding Quality and Integrity in China | China Association for Quality Inspection |
| | Best Independent Automobile Manufacturer at the 14th China (Guangzhou) International Automobile Exhibition | Organizing Committee of the 14th China (Guangzhou) International Automobile Exhibition, Automobile Magazine, Sohu Vehicle |
| | The titles of "Enterprise of Craftmanship" and "National Corporate Culture Demonstration Base" | China Enterprise Culture Improvement Association |
| | The Prize for Progress in Safety Technology awarded to GAMC at the 10th Anniversary of the C-NCAP | China Automotive Technology & Research Center, C-NCAP Administration Center |
| | Automobile Brand of the Year | China New Mainstream Media Automotive Alliance |

| Subject | Awards won by the Group and its major investees | Organiser/theme |
|---|---|---|
| Guangqi Honda | Automobile Enterprise of the Year | Beijing Evening News |
| | Prize for Innovative Marketing of the Year | Economic Observer |
| | Prize for Innovative Enterprise for the Year 2015 | Ifeng.com |
| | 2015 Yangcheng Car Ranking List – Innovative Enterprise of the Year | Yangcheng Evening News |
| | Salute to Social Responsibilities Prize for Enterprises of the Year 2015 by Nanfang Daily | Nanfang Daily |
| | Model Enterprise for Innovative Consumption Leading and Services for 2016 | China Consumer Journal Press, China Consumer Network |
| | Most Respected Enterprise | Economic Observer |
| | 2016 Golden Wrench Prize for Vehicle Services in China – Prize for Professional Quality | Automobile Driving & Service magazine |
| | 13th Best Corporate Citizen in China – Comprehensive Prize for the Year 2016 | 21st Century Business Herald |
| | Prize for the Tenth Most Valuable Automobile Enterprise Brand among Beijing People | Beijing Morning Post |
| | Yangcheng Car Ranking List – Environmental Enterprise of the Year 2016 | Yangcheng Evening News, ycwb.com |
| GAC Toyota | Green and Environmental Automobile Enterprise of 2015 | China Youth Daily |
| | Awarded the Prize for Outstanding Enterprise in Chinese Enterprises Social Responsibilities Ranking for six consecutive years | China Business News |
| | Awarded the Prize for Outstanding Social Responsibilities of Chinese Enterprises in 2016 for four consecutive years | China Philanthropy Times |
| | Prize for Case of Social Responsibility of the Year | People.cn |
| GAC Fiat Chrysler | Advanced Unit in Coordinated Innovation | Changsha Vehicles and Components Industry and Technology Innovation Strategic Alliance |
| | Advanced Technology Enterprise | China Hunan Provincial Science & Technology Department, Hunan Provincial Department of Finance, Hunan Provincial Office of SAT, Hunan Provincial Local Taxation Bureau |
| | Prominent Enterprise of the Year in Chinese Vehicle Industry in 2016 | Yiche.com |
| GAC Mitsubishi | Excellent Enterprise for Trustworthy Product and Service Quality in China, Benchmarking and Typical Enterprise for Trustworthy Quality in China | China Association for Quality Inspection |
| | Quality Benchmarking Enterprise in Hunan Province | Hunan Machinery Industry Quality Management Association |

| Subject | Awards won by the Group and its major investees | Organiser/theme |
|---|---|---|
| | Advanced Technology Enterprise | China Hunan Provincial Science & Technology Department, Hunan Provincial Department of Finance, Hunan Provincial Office of SAT, Hunan Provincial Local Taxation Bureau |

## (II) Car Models and Other Awards

| Car Model | Name of Award | Awarded by |
|---|---|---|
| GAMC Trumpchi GS4 | Prominent SUV of the Year | China Powerful Media Automobile Alliance |
| GAMC Trumpchi GS4 | First Golden Medal for SUV at the first C-ECAP, Prize for Best Compact SUV | China Automotive Technology Research Center |
| GAMC Trumpchi GS4 | Prize for Best Mass Production Vehicle in China for 2015 | CARSTYLING, a well-known Japanese magazine |
| GAMC Trumpchi GS4 | Users Satisfied Product of Advanced Units in the Implementation of the Users Satisfaction Project in China | China National Customer Committee of China Association for Quality |
| GAMC Trumpchi GS8 | Most Concerned Model at the 13th China (Guangzhou) International Automobile Exhibition | Organizing Committee of the China (Guangzhou) International Automobile Exhibition, Automobile Magazine, Sohu Vehicle, Yangcheng Traffic Broadcasting Radio Station, Automobile Convention and Exhibition Channel |
| GAMC Trumpchi GS8 | Medium-and-Large-sized SUV of the Year | China New Mainstream Media Automotive Alliance |
| GAMC Trumpchi GA8 | People.cn Top 10 Car Models of the Year | People.cn |
| GAMC Trumpchi GA8 | "Most Concerned Independent Model by Civil Servants" | Xinhuanet.com |
| Guangqi Honda Odyssey | Best MPV of the Year 2016 | Internet Information Agency (IIA) |
| Guangqi Honda Vezel | Automobile of the Year – Compact SUV of the Year 2015 | China Automobile Strong Media Union |
| Guangqi Honda City | 1st Middle-sized Basic Sedan in the Study on the Reliability of Chinese Vehicles | J.D.Power |
| Guangqi Honda City | Best Middle-end Vehicle of the Year | Beijing Evening News |
| Guangqi Honda City | 2015 Yangcheng Car Ranking List – Fashionable Car Model of the Year | Yangcheng Evening News |
| Guangqi Honda City | Fashionable Middle-sized Vehicle in 2015 Annual Ceremony | Global Automobile Media |
| Guangqi Honda City | Small-sized Vehicle of the Year in Annual Selection of 2015-2016 Sohu Vehicle | Sohu.com |
| Guangqi Honda City | Car Model with Best Cost Performance of the Year 2016 by Sina.com.cn | Sina.com.cn |
| Guangqi Honda Avancier | Hunting Vehicles • Most Popular SUV | National Business Daily |

| Car Model | Name of Award | Awarded by |
|---|---|---|
| Guangqi Honda Avancier | Popular SUV of the Year | NetEase |
| Guangqi Honda Avancier | SUV with Luxurious Technology of the Year | Global Automobile Media |
| Guangqi Honda Avancier | Top Ten SUV Car Model of the Year | Yiche.com |
| Guangqi Honda Avancier | SUV of the Year – Avancier | Nanfang Metropolis Daily |
| Guangqi Honda Avancier | Yangcheng Car Ranking List – Medium-and-Large-sized SUV of the Year 2016 | Yangcheng Evening News, ycwb.com |
| Guangqi Honda New Crider | Most Valuable Middle-end Vehicle among Beijing People in 2015-2016 | Beijing Morning Post |
| Guangqi Honda New Accord Hybrid | Intelligent Hybrid Sedan of the Year | New Beijing News |
| Guangqi Honda New Accord Hybrid | New Energy Prize of the Year, Best Online Car Model for Green Travelling of the Year | Automobile Magazine + Auto.qq.com |
| Guangqi Honda New Accord Hybrid | Golden Engine Prize for Chinese Vehicles – Best Hybrid Elite Vehicle for the Year 2016 | 21st Century Business Herald |
| Guangqi Honda New Accord Hybrid | Yangcheng Car Ranking List – New-Energy Vehicle of 2016 | Yangcheng Evening News, ycwb.com |
| GAC Toyota Camry | Middle- and High-end Vehicle of the Year | CBNweekly |
| GAC Toyota Camry | Classical Car Model for 20th Anniversary of People.cn | People.cn |
| GAC Toyota New Highlander | Prize for Best Safety | Insurance Institution of Highway Safety (IIHS) |
| GAC Toyota New Highlander | SUV Elite Vehicle with Best Market Performance in 2016 | 21st Century Business Herald |
| GAC Toyota New Highlander | Best 7-seats SUV of the Year | Dayoo.com, Nanfang Daily Auto Weekly |
| GAC Toyota New Highlander | Best Market Performance of the Year | Global Auto Media |
| GAC Toyota New Highlander | SUV of the Year 2016 | Nanfang Metropolis Daily, Sohu Vehicle, Nanfang Metropolis Daily, Shenzhen Special Zone Daily, Life Daily, Shenzhen Evening News, Daily Sunshine |
| GAC Toyota New Highlander | Middle-sized SUV of the Year in the Ranking of New Vehicles in 2016 | NetEase Automobile |
| GAC Toyota New Highlander | Top Ten Vehicles of the Year 2016 | Yiche.com |
| GAC Toyota New Highlander | Prize for Popular SUV of the Year | China Automotive TV Alliance |
| GAC Toyota Levin 1.2T | Prize for Vehicles with High Performance of the Year 2016 in Zhejiang | Qianjiang Evening News, Beijing Morning Post |
| GAC Toyota Levin 1.2T | Compact Vehicles with Best Performance of the Year | Global Automobile Media |
| GAC Toyota Levin twin engine | Prize for Environmentally-friendly and Energy-saving Vehicle of the Year | China Mainstream Media Automotive Alliance |
| GAC Toyota Levin twin engine | Prize for Hybrid Vehicle of the Year Concerned by Consumers | Automobile Business Review |
| GAC Toyota Yaris L | Fashionable Two-compartment Vehicle for Driving Fun of the Year | Beijing News |
| New Jeep Cherokee | Best Joint Venture Brand SUV of the Year | Beijing Evening News |
| New Jeep Cherokee | City SUV of the Year | Shenzhen Evening News, Economic Observer, Yangcheng Evening News |

| Car Model | Name of Award | Awarded by |
|---|---|---|
| New Jeep Cherokee | SUV of Best Performance of the Year | Global Auto Media |
| New Jeep Compass | Best Car Model of the Year 2016 | Time Weekly |
| New Jeep Compass | Most Anticipated SUV of the Year | New Express Daily, Guangzhou Daily, Nanfang Metropolis Daily, Information Times |
| New Jeep Compass | 2016 Yangcheng Car Ranking List – Most Anticipated New Vehicle of the Year | Yangcheng Evening News |
| New Jeep Renegade | Professional Small-sized SUV of the Year 2016 | National Business Daily |
| New Jeep Renegade | SUV of the Year | Southcn.com, Nanfang Daily |
| New Jeep Renegade | TT Excellent Vehicles for All – Prize for Joint Venture Small-sized SUV | Auto.qq.com |
| GAC Mitsubishi Outlander | SUV of the Year | Television General Comment List for China Automobile |
| GAC Mitsubishi Outlander | 2016 China Annual Vehicles Ranking – Fashionable SUV of the Year | New Mainstream Media Automotive Alliance |
| GAC Mitsubishi Outlander | Award Ceremony for Car Model for the Year of 2017 – Online SUV with Best Cost Performance of the Year | Auto Magazine, Auto.qq.com |
| GAC Mitsubishi Outlander | Award Ceremony for Annual SUV Model for the Year of 2016 – SUV Model of the Year | China SUV Weekly |
| GAC Mitsubishi Outlander | 12th “Nanfang Vehicles List – Golden Tiers Prize” – SUV with Best Cost Performance of the Year | Nanfang Daily, Southcn.com |
| GAC Mitsubishi Outlander | Info Agency Society • Gathering Strength Car Models of the Year for 2017 – Most Popular Compact SUV of Joint Venture Brand of the Year | Info Agency |

CHAPTER 7

# Report of the Directors

The Board is pleased to submit the report of the directors together with the audited consolidated financial statements for the year ended 31 December 2016.

## DIRECTORS AND SUPERVISORS

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

Such section forms part of this report of the directors.

## PRINCIPAL ACTIVITIES

Information of the principal activities of the Company for the year is set out in Chapter 4, "Summary of Business" of this report.

Such section forms part of this report of the directors.

## PERMITTED INDEMNITY PROVISIONS

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

## MANAGEMENT CONTRACTS

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

## BUSINESS REVIEW

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

The discussion on the business performance, principal risks and uncertainties and future development of the Group, as well as the analysis of financial key performance indicators of the Group are set out in Chapter 5, "Operation Discussion and Analysis" of this report.

### 2. Significant events subsequent to the reporting period

Significant events of the Group subsequent to the reporting period are set out in note 44 to the consolidated financial statements.

Such sections form part of this report of the directors.

### 3. Environmental policies and performance

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

Insisting on the development of new energy products, increasing investment in new energy vehicles, developing new energy business, GAC Group plans to launch various new energy car models in the coming 5 years and establish a dedicated platform for new energy products.

Establishing environmental management platform, incorporating the concept of "green factory, beautiful Trumpchi" into the entire corporation, taking energy saving, environmental protection, emission reduction, lower energy consumption and recycling as top priority, building green and energy saving factories, pursuing the realisation of harmonious development of people and automobiles.

Commencing communications about environmental protection, continuously organising various activities to raise environmental protection awareness, building green supply chain, promoting green culture in office, actively participating in environmental protection charity projects, maintaining sustainable development.

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

The Company strictly complies with domestic and overseas laws and regulations and industry standards such as the Listing Rules, the SFO, Company Law and the Securities Act.

### 5. Key relationships

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

## INTERESTS OF DIRECTORS AND SUPERVISORS

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

## DONATION

Details of charitable and other donations made by the Group during the year are set out in the paragraph titled "Performing social responsibilities and being a model corporate citizen" under Chapter 5, "Operation Discussion and Analysis" of this report.

## ISSUE OF SHARES

In order to: 1. improve the Company's R&D ability for self-developed brand and the Company's core competitiveness; 2. satisfy the investment demand for new energy car project and enter the new energy car market; and 3. further optimise the capital structure, the Board resolved on 31 October 2016 that it was proposed to make a non-public issuance of A shares whereby the Company will issue A shares to five specific subscribers to raise total funds of not more than RMB15 billion. The maximum number of A shares proposed to be issued under the non-public issuance is 741,473,055 shares (the final number is subject to the adjustment to the non-public issuance proposal).

## ISSUE OF DEBENTURES, BONDS AND OTHER DEBT SECURITIES

According to the "Reply relating to Approval of the Issuance of Convertible Bonds by Guangzhou Automobile Group Co., Ltd."(《關於核准廣州汽車集團股份有限公司公開發行可轉換公司債券的批覆》) (Zheng Jian Xu Ke [2015] No.3131) issued by CSRC, on 22 January 2016, the Company completed the issuance of A share convertible bonds with a total nominal value of RMB4,105,580,000 in the open market, which were issued at par of RMB100 each with a maturity period of 6 years and which have been listed for trading on the SSE since 4 February 2016. It is referred to as "GAC Convertible Bonds" in short (bond code: 113009).The reason of this issuance was to raise funds for project investment.

## EQUITY-LINKED AGREEMENTS

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

## DIVIDENDS

During the year, an interim dividend of RMB0.08 per share (2015: RMB0.08) (tax inclusive) was distributed, totalling approximately RMB516,063,843.60 (2015: RMB514,801,607.76).

The Board recommends to distribute final dividend of RMB0.22 per share (2015: RMB0.12) (tax inclusive) for the year ended 31 December 2016, totalling approximately RMB1,419,739,333.10 (2015: RMB772,202,411.64).

## REASONS FOR RESIGNATION

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

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

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

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

Guangzhou, the PRC, 30 March 2017

CHAPTER 8

# Report of the Supervisory Committee

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

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

## (I) THE COMPOSITION AND CHANGES OF THE SUPERVISORY COMMITTEE

The fourth session of the supervisory committee of the Company comprises five supervisors, namely Gao Fusheng, Wu Chunlin, Wang Junyang, Ye Shanhu (the shareholders representative supervisors), Wang Lu (the staff representative supervisor), in which Gao Fusheng acts as the chairman of the supervisory committee; term of office of this session of supervisory committee is from 25 June 2015 to 24 June 2018.

Su Zhanpeng resigned as a supervisor of the Company on 31 March 2016, and Wang Junyang was elected as a supervisor of the fourth session of supervisory committee of the Company at the 2015 annual general meeting of the Company held on 27 May 2016.

## (II) BASIC EVALUATION OF THE PERFORMANCE OF THE BOARD AND SENIOR MANAGEMENT IN 2016

Supervisory committee was of the view that the Board duly performed its operation in strict compliance with the requirements under the laws and regulations including the Company Law, the Articles of Association of the Company and the Listing Rules of the Stock Exchange and SSE etc. during the reporting period. By actively grasping the market opportunities, coping with transformation of the overall economic environment and overcoming the unfavorable situation that the industry growth is slowing, with joint efforts of all staffs, the Group recorded excellent performance in its growth rate representing approximately 13% points higher than the industrial average growth rate, and the steady growth in overall operation business was realised with excellent achievement in each financial indicator.

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

## (III) MEETINGS OF SUPERVISORY COMMITTEE CONVENED

During the reporting period, the supervisory committee of the Company convened 9 supervisory meetings with the details as follows:

1. The 4th meeting of the 4th session of the supervisory committee was held on 25 March 2016, the following resolutions were considered and approved:

   (1) Resolution in respect of annual report and summary of 2015;

   (2) Resolution in respect of supervisory committee report of 2015;

   (3) Resolution in respect of the financial report of 2015;

   (4) Resolution in respect of profit distribution plan of 2015;

   (5) Resolution in respect of internal control and self-assessment report of 2015;

   (6) Resolution in respect of internal control audited report of 2015;

   (7) Resolution in respect of appointment of auditing institution for the year 2016;

   (8) Resolution in respect of appointment of internal control auditing institution for the year 2016.

2. The 5th meeting of the 4th session of the supervisory committee was held on 29 March 2016, at which the resolution in respect of use of the fund raised from convertible bonds as replacement of self-raised funds for parts of pre-contributed proceed invested projects was considered and approved.

3. The 6th meeting of the 4th session of the supervisory committee was held on 7 April 2016, at which the resolution on the election of a supervisor was considered and approved.

4. The 7th meeting of the 4th session of the supervisory committee was held on 27 April 2016, at which the resolution in respect of the first quarterly report of 2016 was considered and approved.

5. The 8th meeting of the 4th session of supervisory committee was held on 11 August 2016, at which the resolution in respect of adjustment to the participants list, number of share options and exercise price of share option incentive scheme was considered and approved.

6. The 9th meeting of the 4th session of supervisory committee was held on 26 August 2016, at which the following resolutions were considered and approved:

   (1) Resolution in respect of interim report of 2016;

   (2) Resolution in respect of profit distribution plan for the interim period 2016;

   (3) Resolution in respect of the report of deposit and usage of proceeds from fund-raising activities for the first half of 2016.

7. The 10th meeting of the 4th session of supervisory committee was held on 30 August 2016, at which the resolution in respect of adjustment to the participants list and the number of share options of the share option incentive scheme of GAC Group and the exercise rights in the first exercise period was considered and approved.

8. The 11th meeting of the 4th session of supervisory committee was held on 12 October 2016, at which the resolution of adjustment to the exercise price of share option incentive scheme was considered and approved.

9. The 12th meeting of the 4th session of supervisory committee was held on 30 October 2016, at which the resolution in respect of the third quarterly report of 2016 was considered and approved.

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

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

### 1. Operation of the Company in accordance with law

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

### 2. Internal control and risk management

Pursuant to the requirements of the Basic Principles for Internal Control of Enterprise, the Company consistently carried out its self-assessment on comprehensive risk management and internal control. Based on the work in previous year, the Company expanded its assessment on comprehensive risk management and internal control to 2 new investee companies. At the same time, the Company carried out special audit in goods and services for 11 investees to further standardise the corporate procurement process management; examined the rectification of the special audit of advertising and promotional expenses of 7 main factories and supervised the implementation of the rectification plan; through carrying out the special audit, identified and raised the issues with rectification and implementation, which further improved the internal control management system.

Supervisory committee reviewed the "Evaluation Report on Internal Control of the Company for 2016" prepared by the Board and the establishment and implementation of internal control policies of the Company, and approved the "Evaluation Report on Internal Control for 2016" prepared by the Board.

### 3. Financial conditions of the Company

The supervisory committee examined the financial conditions of the Company seriously and carefully and reviewed the 2015 annual financial report and the first quarterly report, interim report and the third quarterly report of 2016 during the reporting period, and considered the profit distribution plan implemented by the Company during the reporting period.

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

### 4. Connected transactions

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

## (V) WORKING PLAN

In 2017, by adapting to the new normal of economic development and enterprise development, the supervisory committee will proactively perform its supervision responsibilities under the laws and the Articles of Association. On the basis of corporate governance and focusing on financial supervision and risk prevention, the supervisory committee will continue to pay attention to and promote construction of its internal control and comprehensive risk system, strengthen the implementation of supervision functions, carry out regulatory assessment, implement strictly the rules of procedures of the supervisory committee, organise and convene work meetings of the supervisory committee on a regular basis, attend the general meeting of shareholders and meetings of the Board of the Company according to law and be informed of and supervise the legality of the major issues and each procedure related to decision-making of the Company in order to safeguard the legitimate interests of shareholders, staff members and the Company and contribute to the achievement of the operation objectives of the Company.

# I. STATEMENT OF CHANGES IN ORDINARY SHARE CAPITAL

## (I) Statement of changes in ordinary shares

### *1. Statement of changes in ordinary shares*

*Unit: share*

| | Before the change | | Increase/decrease (+,–) | | | | | After the change | |
|---|---|---|---|---|---|---|---|---|---|
| | Number | Percentage (%) | Newly issued shares | Bonus shares | Shares converted from reserve | Others | Sub-total | Number | Percentage (%) |
| I. Non-restricted tradable shares | 6,435,020,097 | 100 | 16,724,653 | | | 1,615,855 | 18,340,508 | 6,453,360,605 | 100 |
| 1. RMB-denominated ordinary shares | 4,221,719,879 | 65.61 | 16,724,653 | – | – | 1,615,855 | 18,340,508 | 4,240,060,387 | 65.70 |
| 2. Domestically-listed foreign shares | | | | | | | | | |
| 3. Overseas listed foreign shares | 2,213,300,218 | 34.39 | – | – | – | – | – | 2,213,300,218 | 34.30 |
| 4. Others | | | | | | | | | |
| II. Total of ordinary shares | 6,435,020,097 | 100 | 16,724,653 | | | 1,615,855 | 18,340,508 | 6,453,360,605 | 100 |

### *2. Explanation on changes in ordinary shares*

In January 2016, the Company issued the A share convertible bonds amounting to RMB4,105,580,000, of which the conversion period commenced in July 2016. During this reporting period, an aggregate of 1,615,855 A shares have been converted; on 19 September 2016, the first exercise period of the A share option incentive scheme of the Company commenced. During the reporting period, a total of 16,724,653 A shares were issued as result of exercise of options.

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

During the reporting period, changes in ordinary shares had no material effect on financial indicators such as earnings per share and net assets per share for the most recent period.

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

Nil

### (II) Changes in shares subject to trading moratorium

Nil

## II. ISSUE AND LISTING OF SECURITIES

### (I) Issue of securities as at the end of the reporting period

*Unit: Share Currency: RMB*

| Class of shares and their derivative securities stock | Date of issue | Issue price (or interest rate) | Number of shares issued | Date of listing | Number of shares traded with listing approval | Expiration date of trading |
|---|---|---|---|---|---|---|
| Convertible bonds, separably-traded convertible bond, type of corporate bonds | | | | | | |
| A Share convertible bonds | 22 January 2016 | 100 | 41,055,800 | 4 February 2016 | 41,055,800 | 22 January 2022 |

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

During the reporting period, as results of convertion of A share convertible bonds and exercise of options granted under the A share option incentive scheme, an aggregate of 18,340,508 A shares were increased.

## III. INFORMATION ON SHAREHOLDERS AND ULTIMATE CONTROLLER

### (I) Total number of shareholders

| | |
|---|---|
| Total number of shareholders as at the end of the reporting period | 13,047 |
| Total number of shareholders as at the end of the month prior to the disclosure of the annual report | 14,407 |

Note: Total number of shareholders as at the end of the reporting period: A Share: 12,783, H Share: 264; total number of shareholders as at the end of the month prior to the disclosure of the annual report: A Share:14,147, H Share: 260.

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

*Unit: Share*

Shareholding of top ten shareholders

| Name of shareholder (full name) | Increase/ decrease during the reporting period | Number of shares held at end of the period | Percentage (%) | Number of shares held subject to trading moratorium | Pledged or frozen | | Nature of shareholder |
|---|---|---|---|---|---|---|---|
| | | | | | Status | Number | |
| Guangzhou Automobile Industry Group Co., Ltd. [Note 1] | 0 | 3,912,671,384 | 60.63 | 0 | Nil | | State-owned legal person |
| HKSCC Nominees Limited [Note 2] | 1,548,385 | 2,209,670,711 | 34.24 | 0 | Unknown | | State-owned legal person |
| Shanghai Pu-Xing Energy Limited (普星聚能股份公司) | 133,900,000 | 133,900,000 | 2.07 | 0 | Nil | | Domestic non-state-owned legal person |
| CFM – China Zheshang Bank Co., Ltd. – CFM star of Pujiang asset management plan | 2,033,267 | 78,142,259 | 1.21 | 0 | Nil | | Other |
| CFM – China Merchants Bank – CFM Jinxing no.1 asset management plan | 30,805,329 | 40,793,496 | 0.63 | 0 | Nil | | Other |
| Changan Funds – ICBC-Changan Yuxiang No. 9 hierarchic asset management plan | 36,530,294 | 36,530,294 | 0.57 | 0 | Nil | | Other |
| Galaxy Capital – China Zheshang Bank Co., Ltd.– Galaxy Capital pride dragon no.2 asset management plan | -1,342,484 | 32,666,387 | 0.51 | 0 | Nil | | Other |
| China National Machinery Industry Corporation Limited | 0 | 25,164,404 | 0.39 | 0 | Nil | | State-owned legal person |

Shareholding of top ten shareholders

| Name of shareholder (full name) | Increase/ decrease during the reporting period | Number of shares held at end of the period | Percentage (%) | Number of shares held subject to trading moratorium | Pledged or frozen Status | Pledged or frozen Number | Nature of shareholder |
|---|---|---|---|---|---|---|---|
| Galaxy Capital – China Zheshang Bank Co., Ltd.– Galaxy Capital Pride Dragon no. 68 Asset Management Plan | -1,512,819 | 25,143,927 | 0.39 | 0 | Nil | | Other |
| Galaxy Capital – China Zheshang Bank Co., Ltd.– Galaxy Capital Pride Dragon no. 3 Asset Management Plan | -12,235,589 | 21,076,388 | 0.33 | 0 | Nil | | Other |

Note 1: GAIG held 3,705,129,384 A shares of the Company in total on 31 December 2016, representing approximately 87.38% of the A share capital of the Company. At the same time, GAIG and its wholly-owned subsidiary, GAC (HK) and "Southbound Transaction" held 207,542,000 H shares of the Company in total, representing approximately 9.38% of the H share capital of the Company. The total number of A and H shares of the Company held by GAIG was 3,912,671,384 shares, representing approximately 60.63% of the total share capital of the Company.

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

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

| Name of shareholder (full name) | Number of tradable shares not subject to trading moratorium | Class and number of shares: Class | Class and number of shares: Number |
|---|---|---|---|
| Guangzhou Automobile Industry Group Co., Ltd. | 3,912,671,384 | A, H Shares | 3,912,671,384 |
| HKSCC Nominees Limited | 2,209,670,711 | Overseas listed foreign shares | 2,209,670,711 |
| Shanghai Pu-Xing Energy Limited (普星聚能股份公司) | 133,900,000 | RMB ordinary shares | 133,900,000 |
| CFM – China Zheshang Bank Co., Ltd. – CFM star of Pujiang asset management plan | 78,142,259 | RMB ordinary shares | 78,142,259 |
| CFM – China Merchants Bank – CFM Jinxing no.1 asset management plan | 40,793,496 | RMB ordinary shares | 40,793,496 |
| Changan Funds – ICBC-Changan Yuxiang No. 9 hierarchic asset management plan | 36,530,294 | RMB ordinary shares | 36,530,294 |
| Galaxy Capital – China Zheshang Bank Co., Ltd. – Galaxy Capital pride dragon no.2 asset management plan | 32,666,387 | RMB ordinary shares | 32,666,387 |
| China National Machinery Industry Corporation Limited | 25,164,404 | RMB ordinary shares | 25,164,404 |
| Galaxy Capital – China Zheshang Bank Co., Ltd. – Galaxy Capital pride dragon no.68 asset management plan | 25,143,927 | RMB ordinary shares | 25,143,927 |
| Galaxy Capital – China Zheshang Bank Co., Ltd. – Galaxy Capital pride dragon no.3 asset management plan | 21,076,388 | RMB ordinary shares | 21,076,388 |
| Connected relationship or concerted party relationship among the above shareholders | GAIG, the largest shareholder of the Company, is not connected with any of the above shareholders, nor is it a party acting in concert with any of them, and it is not known to the Company whether other shareholders are connected with each other or whether they are parties acting in concert. | | |

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

Nil

# IV. STATUS OF CONTROLLING SHAREHOLDER AND ULTIMATE CONTROLLER

## (I) Controlling Shareholder

### 1. *Legal person*

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

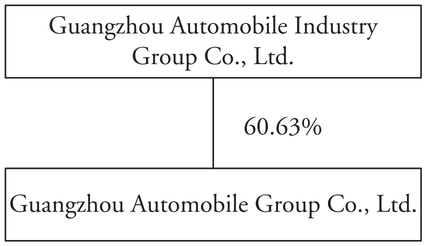
### 2. *Special explanation that the Company does not have any controlling shareholder*

Nil

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

Nil

4. *Chart showing the property rights and controlling relationship between the Company and the controlling controllers*




## (II) Ultimate Controller

1. *Legal person*

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

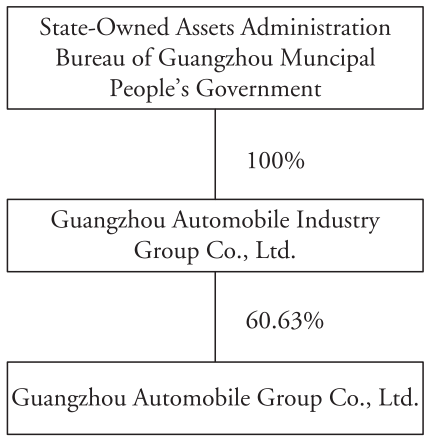
2. *Special explanation that the Company does not have any ultimate controller*

Nil

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

Nil

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




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

Nil

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

Nil

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

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

## VI. RESTRICTION ON REDUCTION IN SHAREHOLDING

N/A

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

As at 31 December 2016, the names of the persons (other than directors and supervisors) entitled to exercise 5% or more of the voting rights at any general meeting of the Company and the number of underlying shares, as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO are set out below:

| Name | Class of shares | Capacity | Number of shares (Note 1) | Percentage in the class of issued share capital (%) | Percentage of total share capital (%) |
|---|---|---|---|---|---|
| GAIG (Note 2) | A Shares | Beneficial owner | 3,679,503,529 (L) | 86.78 | 60.13 |
| | H Shares | Interest of a controlled corporation | 201,112,000 (L) | 9.09 | |
| Westwood Global Investments, LLC (Note 3) | H Shares | Investment manager | 224,818,693 (L) | 10.16 | 3.48 |
| Bryan Ward | H Shares | Interest of a controlled corporation | 224,818,693 (L) | 10.16 | 3.48 |
| Margaret (Meg) Reynolds | H Shares | Interest of a controlled corporation | 224,818,693 (L) | 10.16 | 3.48 |
| BlackRock, Inc. | H Shares | Interest of a controlled corporation | 133,504,495 (L) | 6.03 | 2.07 |

Notes:

1. (L) – Long Position, (S) – Short Position, (P) – Lending Pool

2. The total number of A shares of the Company held by GAIG as at 31 December 2016, i.e. 3,705,129,384 shares, representing approximately 87.38% of the A share capital of the Company. At the same time, it held 207,542,000 H shares of the Company through its wholly owned subsidiary in Hong Kong, GAC (HK), and "Southbound Transaction", representing approximately 9.38% of the H share capital of the Company. The total number of A and H shares of the Company held by GAIG was 3,912,671,384 shares, representing approximately 60.63% of the total share capital of the Company.

3. Westwood Global Investments, LLC is owned by Bryan Ward and Margaret (Meg) Reynolds respectively.

## VIII. PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

## IX. PRE-EMPTIVE RIGHTS AND PUBLIC FLOAT

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

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

# I. CHANGES IN SHAREHOLDING AND REMUNERATION

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

| Name | Position | Gender | Age | Commencement date of term | Expiry date of term | Number of shares held at the beginning of the year | Number of shares held at the end of the year | Increase/ decrease in number of shares during the year | Reason for the increase/ decrease | Total remuneration obtained payable by the Company during the reporting period (RMB '0,000) | Remuneration from related parties of the Company |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Zhang Fangyou | Chairman and Party Secretary | Male | 60 | 25 June 2015 | 30 October 2016 | 0 | 316,666 (A Shares) | 316,666 (A Shares) | Exercise of share option | - | No |
| Zeng Qinghong | Chairman and Party Secretary | Male | 56 | 30 October 2016 | 24 June 2018 | 0 | 300,000 (A Shares) | 300,000 (A Shares) | Exercise of share option | 110.90 | No |
| Zeng Qinghong | Vice Chairman and General Manager | Male | 56 | 25 June 2015 | 29 October 2016 | - | - | - | - | - | No |
| Feng Xingya | Vice Chairman and General Manager | Male | 49 | 22 November 2016 | 24 June 2018 | 0 | 253,333 (A Shares) | 253,333 (A Shares) | Exercise of share option | 93.60 | No |
| Feng Xingya | Director and Deputy General Manager | Male | 49 | 25 June 2015 | 21 November 2016 | - | - | - | - | - | No |
| Yuan Zhongrong | Vice Chairman | Male | 59 | 25 June 2015 | 24 June 2018 | 0 | 0 | 0 | - | 25.61 | No |
| Fu Yuwu | Independent Director | Male | 72 | 25 June 2015 | 24 June 2018 | 0 | 0 | 0 | - | 15.00 | No |
| Lan Hailin | Independent Director | Male | 58 | 25 June 2015 | 24 June 2018 | 0 | 0 | 0 | - | 15.00 | No |
| Li Fangjin | Independent Director | Male | 55 | 25 June 2015 | 24 June 2018 | 0 | 0 | 0 | - | 15.00 | No |
| Leung Lincheong | Independent Director | Male | 63 | 25 June 2015 | 24 June 2018 | 0 | 0 | 0 | - | 15.00 | No |
| Wang Susheng | Independent Director | Male | 48 | 25 June 2015 | 24 June 2018 | 0 | 0 | 0 | - | 15.00 | No |
| Yao Yiming | Director and Deputy Party Secretary | Male | 59 | 25 June 2015 | 24 June 2018 | 0 (A Shares); 536,597 (H Shares) | 246,666 (A Shares); 536,597 (H Shares) | 246,666 (A Shares); 0 (H Shares) | Exercise of share option | 97.58 | No |
| Wu Song | Director and Deputy General Manager | Male | 53 | 13 December 2016 | 24 June 2018 | 0 | 246,666 (A Shares) | 246,666 (A Shares) | Exercise of share option | 81.85 | No |

| Name | Position | Gender | Age | Commencement date of term | Expiry date of term | Number of shares held at the beginning of the year | Number of shares held at the end of the year | Increase/ decrease in number of shares during the year | Reason for the increase/ decrease | Total remuneration obtained payable by the Company during the reporting period (RMB '0,000) | Remuneration from related parties of the Company |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Wu Song | Director and Deputy General Manager | Male | 53 | 30 June 2016 | 12 December 2016 | – | – | – | – | – | No |
| Wu Song | Director | Male | 53 | 25 June 2015 | 29 June 2016 | – | – | – | – | – | No |
| Lu Sa | Director, Deputy General Manager, Company Secretary and Secretary of the Board | Female | 52 | 25 June 2015 | 30 March 2017 | 0 (A Shares); 20,000 (H Shares) | 253,333 (A Shares); 20,000 (H Shares) | 253,333 (A Shares); 0 (H Shares) | Exercise of share option | 93.07 | No |
| Chen Maoshan | Director, chairman of the labor union | Male | 52 | 25 June 2015 | 24 June 2018 | 0 (A Shares); 79,481 (H Shares) | 246,666 (A Shares); 79,481 (H Shares) | 246,666 (A Shares); 0 (H Shares) | Exercise of share option | 82.30 | No |
| Li Pingyi | Director | Male | 49 | 25 June 2015 | 24 June 2018 | 0 | 0 | 0 | – | – | No |
| Ding Hongxiang | Director | Male | 51 | 25 June 2015 | 24 June 2018 | 0 | 0 | 0 | – | – | No |
| Gao Fusheng | Chairman of the supervisory committee | Female | 59 | 25 June 2015 | 24 June 2018 | 87 (H Shares) | 87 (H Shares) | 0 | – | – | No |
| Wu Chunlin | Supervisor | Male | 43 | 25 June 2015 | 24 June 2018 | 0 | 0 | 0 | – | – | No |
| Wang Junyang | Supervisor | Male | 38 | 27 May 2016 | 24 June 2018 | 0 | 0 | 0 | – | – | No |
| Su Zhanpeng | Supervisor | Male | 32 | 25 June 2015 | 31 March 2016 | 0 | 0 | 0 | – | – | No |
| Ye Shanhu | Supervisor | Male | 39 | 25 June 2015 | 24 June 2018 | 0 | 0 | 0 | – | 80.89 | No |
| Wang Lu | Supervisor | Female | 49 | 25 June 2015 | 24 June 2018 | 0 | 0 | 0 | – | 69.38 | No |
| Zhang Qingsong | Deputy General Manager | Male | 58 | 25 June 2015 | 24 June 2018 | 0 | 0 | 0 | – | 93.41 | No |
| Li Shao | Deputy General Manager | Male | 55 | 25 June 2015 | 24 June 2018 | 0 | 246,666 (A Shares) | 246,666 (A Shares) | Exercise of share option | 89.21 | No |
| Wang Dan | Deputy General Manager | Female | 47 | 25 June 2015 | 24 June 2018 | 0 | 246,666 (A Shares) | 246,666 (A Shares) | Exercise of share option | 93.36 | No |
| Jiang Ping | Deputy General Manager | Male | 60 | 25 June 2015 | 18 March 2016 | 0 | 0 | 0 | – | 129.95 | No |

| Name | Position | Gender | Age | Commencement date of term | Expiry date of term | Number of shares held at the beginning of the year | Number of shares held at the end of the year | Increase/ decrease in number of shares during the year | Reason for the increase/ decrease | Total remuneration obtained payable by the Company during the reporting period (RMB '0,000) | Remuneration from related parties of the Company |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Qu Yongjian | Deputy General Manager | Male | 58 | 25 June 2015 | 24 June 2018 | 0 | 0 | 0 | – | 83.30 | No |
| Chen Hanjun | Deputy General Manager | Male | 55 | 18 March 2016 | 24 June 2018 | 0 | 47,766 (A Shares) | 47,766 (A Shares) | Exercise of share option | 59.26 | No |
| Total | / | / | / | / | / | | | | / | 1,358.67 | / |

Notes:

1. Pursuant to the "Operating Performance Appraisal and Remuneration Management Measures of Legal Representatives of Enterprises Governed by State-owned Assets and Administration Commission of Guangzhou Municipal Government"（廣州市國資委監管企業負責人經營業績考核和薪酬管理辦法）, the State-owned Assets and Administration Commission of Guangzhou Municipal Government assesses legal representatives according to the audited enterprise financial report and audited statistics.

   Since the 2016 annual audited report of GAIG has not been completed, the remuneration of 2016 payable to the Chairman of the Board, Zhang Fangyou, the Vice-Chairman of the Board, Yuan Zhongrong and Gao Fusheng, the chairman of the supervisory committee is subject to confirmation.

2. The interests or short positions are the interests or short positions of the directors, supervisors and senior management of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (as defined in Part XV of the SFO) as at 31 December 2016, which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he/she was deemed or taken to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "Model Code") of the Listing Rules, to be notified to the Company and the Stock Exchange.

| Name | Main work experiences |
| --- | --- |
| Zeng Qinghong | Chairman and party secretary of the Company. Currently, Mr. Zeng is the chairman and party secretary of GAIG and vice chairman of China Lounge Investments, Denway Motors, GAC (HK). He first joined the Company in 1997. He had served as the vice chairman of the Company from June 2005 to October 2016, general manager of the Company from June 2005 to November 2016, and supervisor of the Executive Committee of the Company from June 2013 to November 2016. Mr. Zeng was the vice chairman of GAIG from August 2008 to October 2016, general manager of GAIG from July 2013 to October 2016. He was the chairman of GAC Toyota, and vice chairman of GAC Toyota Engine from June 2013 to December 2016. He acted as a chairman of GAMC from August 2008 to June 2013, chairman of GAC Gonow from January 2011 to June 2013 and chairman of GAC Fiat-Chrysler from January 2010 to June 2013. Prior to this, he held positions as chairman of GAC Commercial, GAC Component and GAC Hino, director and executive deputy general manager of Guangqi Honda and deputy general manager of GAIG. Mr. Zeng is a delegate of the 10th and 11th National People's Congress, a member of the 11th Guangdong Provincial Committee of Political Consultative Conference, a member of 11th Guangzhou Party Committee, the chairman of the 5th and 6th Automobile Industry Association of Guangdong Province (廣東省汽車工業協會) and vice chairman of Guangzhou Association For Science & Technology. Mr. Zeng graduated from South China University of Technology in 2009 and is a Ph.D. candidate in management science and engineering. |
| Feng Xingya | Vice chairman, general manager, deputy party secretary and director of the Executive Committee of the Company. He is also chairman of GAMC, GAC Fiat-Chrysler, GAC Fiat-Chrysler Sales, Guang Ai, Urtrust Insurance and Da Sheng Ke Ji (大聖科技). Mr. Feng joined the Group in 2004, he has held positions as a deputy head of Sales Department, deputy general manager, executive deputy general manager and a director of GAC Toyota, a director of GAC Mitsubishi and vice chairman of Tong Fang Logistics. He has been the deputy general manager of the Company since 2008. Since 25 March 2015, he has been an executive director of the Company. Mr. Feng served as a deputy general manager in Zhengzhou Nissan Automobile Company Limited from June 1998 to December 2004. Mr. Feng graduated from Xi'an Jiaotong University with a bachelor's degree in engineering in July 1988 and a master's degree in business administration in July 2001. |

| Name | Main work experiences |
|---|---|
| Yuan Zhongrong | Vice chairman and vice chairman of Executive Committee of the Company. Mr. Yuan is a director and standing deputy general manager of GAIG. He is the president of Guangzhou Automobile Industry Association (廣州汽車工業行業協會). He joined the Company in 1997 and has served as a director of the Company since 2005. He served as the deputy general manager of the Company from 2005 to November 2014. He was chairman of GAMC and GAC Gonow from June 2013 to July 2016, chairman of Urtrust Insurance from December 2010 to June 2016, chairman of GAC Toyota and deputy chairman of GAC Toyota Engine from August 2008 to June 2013, chairman of GAC Hino and a director of GAMC, vice chairman of Tong Fang Logistics and Shanghai Hino from 2008 to June 2013. Prior to this, he worked at the engineering manufacture unit of Dongfeng Motor Corporation (東風汽車公司), held positions as deputy head and head of the engineering unit of Dongfeng Motor Corporation (東風汽車公司), head of engineering unit of Automobile Industry Office of Guangzhou Municipal Government, deputy general manager of Guangzhou Sedan Co., Ltd. (廣州轎車有限公司), deputy manager of Guangqi Honda and director and deputy executive general manager of GAC Toyota and chairman of Guang Ai. Mr. Yuan graduated from Huazhong University of Science and Technology (華中科技大學) (formerly known as Huazhong Science and Technology College (華中工學院)) in July 1982 with a bachelor's degree in mechanical manufacture and from Asia International Open University (Macau) with a master's degree in business administration in September 2001. He is also a professor level senior engineer. |
| Fu Yuwu | Independent director of the Company, member of the Strategy Committee of the Board, president of Society of Automotive Engineers of China (中國汽車工程學會), the chairman of China Automobile Talents Society (中國汽車人才研究會). From 1970 to 1999, Mr. Fu served the Harbin Transmission Factory of FAW Group as an executive vice director and chief engineer, and worked at the Harbin Automotive Industry Corporation as vice president and president. Since 1999, he has been working in the Society of Automotive Engineers of China. From March 2010 to March 2016, he acted as the vice chairman of CAAM. He currently is an independent director of Beijing Automotive Group Co., Ltd (stock code on the Stock Exchange: 01958). In 1969, he obtained a bachelor's degree from Beijing Institute of Machinery and became a senior engineer of professional level. |
| Lan Hailin | Independent director of the Company, member of the Strategy Committee of the Board, professor and PhD supervisor of the School of Business Administration of South China University of Technology and the director of Chinese Corporate Strategy Management Research Centre of South China University of Technology. From 1997 to 2007, he was the Associate Dean and Dean of the School of Business Administration of South China University of Technology. He currently serves as an independent director of Guangdong Sky Dragon Printing Ink Group Co., Ltd. (SZSE stock code: 300063), Guangdong Xinbao Electrical Appliances Holdings Co., Ltd (SZSE stock code: 002705), Jiangsu Shuangxing Color Plastic New Materials Co., Ltd. (SZSE stock code: 002585) and Letong Chemical Co., Ltd. (SZSE stock code: 002319). Previously, he was an independent director of Keda Industrial Co., Ltd. and Zhongshan Vatti Gas Appliance Stock Co., Ltd. (SZSE stock code: 002035). He obtained a master's degree in business administration from the School of Business Administration of GANNON University in the U.S. and a doctoral degree in Industrial Economics from Jinan University in 1990 and 2004, respectively. |

| Name | Main work experiences |
| --- | --- |
| Li Fangjin | Independent director of the Company, chairman of the Remuneration and Assessment Committee of the Board, a member of the Audit Committee of the Board and a member of the Nomination Committee of the Board. He has been the chairman and party secretary of Guangzhou Finance Holding Group Co., Ltd. since April 2016. He is also chairman of Wanlian Securities Co., Ltd., Guangzhou Finance Holdings Capital Management Co., Ltd., Guangzhou Jinkong Huadu Finance Investment Co., Ltd. (廣州金控花都金融投資有限公司), and Legend Financial Leasing Co., Ltd.. From 1997 to 2004, he held various positions including head of the international division of the China Securities Regulatory Commission Guangdong Bureau and director of the first institutional regulatory division of the Guangzhou City Securities Administration Office of the China Securities Regulatory Commission. He was vice chairman and general manager of Guangzhou Finance Holding Group Co., Ltd. from July 2013 to March 2016. He obtained a master degree in economics. |
| Leung Lincheong | Independent director of the Company, chairman of the Audit Committee of the Board, a member of the Remuneration and Assessment Committee of the Board and managing director of Union Registrars Limited and part-time tutor for a master's course of Hong Kong Open University. He was an independent director of Casablanca Group Limited (stock code on the Stock Exchange: 02223), the chief legal officer of Shanghai Industrial Investment (Holdings) Co., Ltd. and the chief legal officer and company secretary of Shanghai Industrial Holdings Limited (stock code on the Stock Exchange: 0363). He obtained a master's degree in business administration from Brunel University and a master's degree in Laws from University of London in 1995 and 2006, respectively. He is a fellow member of Hong Kong Institute of Certified Public Accountants, The Chartered Institute of Management Accountants, The Institute of Chartered Secretaries and The Hong Kong Institute of Chartered Secretaries, and The Hong Kong Independent Non-Executive Director Association. |
| Wang Susheng | Independent director of the Company, chairman of the Nomination Committee of the Board, a member of the Audit Committee of the Board, a professor of Harbin Institute of Technology Shenzhen Graduate School and vice chairman of Shenzhen Overseas Chinese Association (深圳僑聯). From 1993 to 2001, he served as a project manager in Junan Securities Co., Ltd., manager of special region securities department and general manager of Yingda Securitie (英大證券). From 2001 to 2002, he was the general manager of Zhongrui Fund Company (中瑞基金公司). Since 2004, he has worked in the Harbin Institute of Technology Shenzhen Graduate School, and served as an independent director in Wedge Industrial Co., Ltd (SZSE stock code: 000534) and Shenzhen Terca Technology Co., Ltd. (SZSE stock code: 002213). He obtained a master's degree in Economics from Renmin University of China and a doctoral degree in Law from Peking University in 1994 and 2000, respectively. He also obtained a master's degree in business administration from Chicago University in 2004. He is qualified as a solicitor, certified public accountant and chartered financial analyst. |

| Name | Main work experiences |
|---|---|
| Yao Yiming | Non-executive director and deputy party secretary of the Company. Mr. Yao is the chairman of GAC Component, a director of China Lounge Investments, a director of Zhong Fa Lian Investment Limited (中發聯投資有限公司), Zhong Fa Lian (Beijing) Technology Investment Limited (中發聯(北京)技術投資有限公司) and China Automobile Battery Research Institute Co., Ltd. (國聯汽車動力電池研究院有限責任公司). He joined in the Company in 1996. Mr. Yao has been a non-executive director of the Company since 25 March 2015. He acted as deputy general manager of the Company from July 2008 to February 2015 and deputy director of the Executive Committee of the Company from June 2013 to February 2015. He acted as a director and general manager of GAC Commercial, a director and executive deputy general manager of Guangqi Honda. Mr. Yao graduated from Xinghai Conservatory of Music in management in July 1988 and Wuhan University with a master's degree in information technology in December 1997. |
| Wu Song | Executive director, Standing Deputy General Manager and deputy director of the Executive Committee of the Company. Mr. Wu acted as deputy general manager of the Company from 2007 to June 2013. He has been a director of the Company since February 2015. He is currently also the chairman of GAC Toyota, vice chairman of GAC Toyota Engine and vice chairman of Tong Fang Logistics. Mr. Wu joined the Company in October 2003 and has held positions as a director and deputy managing director of Guangzhou Wuyang-Honda Co., Ltd., a director of GAC Toyota and director and deputy general manager of GAC Toyota Engine, chairman and general manager of GAMC and a director of GAC Fiat-Chrysler. and a director of GAMC Hangzhou. Mr. Wu previously acted as director and general manager of Yegang Group Co., Ltd. Mr. Wu obtained a bachelor's degree in engineering of Mechanical No. 1 Department from Engineering Institute of Central China (renamed as Huazhong University of Science and Technology) in July 1984. He graduated from graduate course of industrial engineering in Xi'an Jiaotong University in industrial engineering in 1989. He is a senior economist. |
| Chen Maoshan | Non-executive director, chairman of the labor union of the Company. Mr. Chen is a director (staff) and chairman of the labor union of GAIG. He acted as deputy general manager of the Company from March 2011 to June 2013, and deputy director of the Executive Committee of the Company from June 2013 to December 2014. Prior to this, Mr. Chen acted as the head of general affair department of Guangzhou Honda Automobile Co., Ltd., deputy general manager of Honda (China), deputy general manager of Guangzhou Motorcycle Group Co., Ltd. and managing director and standing deputy general manager of Wuyang-Honda. Mr. Chen graduated from mechanical engineering department of Dalian University of Technology in mechanical manufacture in 1986, with a bachelor's degree in engineering. In 2003, he graduated from Murdoch University in Australia with a master's degree in business administration. |

| Name | Main work experiences |
| --- | --- |
| Li Pingyi | Non-executive director of the Company. He is currently a director and general manager of Wanxiang Qianchao Co., Ltd.(萬向錢潮股份有限公司), chairman of Shangqi Wanxiang New Energy Bus Co., Ltd.(上汽萬向新能源客車有限公司), and an executive director of Wanxiang Electric Vehicle Co., Ltd.(萬向電動汽車有限公司). Prior to this, he served as general manager of Wangxiang Group Enterprise Development Corporation(萬向集團企業發展總公司), general manager of Wanxiang Lide Co., Ltd.(萬向納德股份有限公司), deputy manager of Development Division of Wanxiang Group Corporation Ltd.(萬向集團公司), and deputy general manager of Wanxiang Qianchao Co., Ltd.(萬向錢潮股份有限公司). Mr. Li graduated from Jilin Industry University with a bachelor's degree in agricultural machinery engineering in December 1988 and obtained a master degree in business management from Zhejiang University in July 2002. |
| Ding Hongxiang | Non-executive director of the Company and deputy general manager of China National Machinery Industry Corporation Limited(中國機械工業集團有限公司). Mr. Ding is vice president of CAAM, vice president of Society of Automotive Engineers of China and vice chairman of the State Enterprise Youth Federation. He was chairman of Sinomach Automobile Co., Ltd.(國機汽車股份有限公司)(SSE stock code: 600335). Mr. Ding graduated from Huazhong University of Science and Technology in 1982, and graduated from Western Economics (master postgraduate) of Huazhong Institute of Technology in 1989. |
| Gao Fusheng | Chairwoman of the supervisory committee of the Company, chief accountant of GAIG and general manager of GAC (HK). She is currently chairwoman of the supervisory committee of GAMC, a supervisor of GAC Capital and chairwoman of the supervisory committee of GAMC Hangzhou. She joined the Company in March 1998. Prior to this, she served as head of the financial and auditing department of the Company and deputy general manager and financial controller of Denway Motors and external director of Guangzhou Light Industry & Trade Group Co., Ltd. Ms. Gao graduated from Murdoch University, Australia with a master's degree in Business Administration in March 2001, and is a senior accountant. |
| Wu Chunlin | Supervisor of the Company, general manager of Guangzhou Jinbang Hydraulic Die Forging Technology Co., Ltd.(廣州金邦液態模鍛技術有限公司). He was previously the head of Planning and Development Department, the head of Asset Management Department, the deputy head and senior staff of Corporate Planning Department in Guangzhou Iron & Steel Enterprises Group Co., Ltd. Mr. Wu graduated from the Business School of Central South University with a master's degree in 2003. |
| Wang Junyang | Supervisor of the Company. He is the deputy chief financial officer of Guangzhou Chime-Long Group Co., Ltd. Since March 2011, he worked in Guangzhou Chime-Long Group Co., Ltd., and served as deputy financial manager, management accounting manager and deputy group chief financial officer. Mr. Wang was a senior audit manager and a signatory accountant for listed companies of BDO China Li Xin Da Hua CPA Co., Ltd. He graduated from Zhongnan University of Economics and Law and obtained a bachelor degree in Business Administration in January 2006. |

| Name | Main work experiences |
|---|---|
| Ye Shanhu | Staff representative supervisor, deputy secretary of the disciplinary committee and head of the department of discipline inspection and supervision of the Company. He is also deputy secretary of the disciplinary committee and head of the department of discipline inspection and supervision of GAIG, the chairman of the supervisory committee of GAC Commercial, supervisor of GAC Mitsubishi, and supervisor of GAC Changfeng and the chairman of the supervisory committee of GACZX. He joined the Group in 2002 and had been a staff at the legal affairs department and the corporate affairs department, and had been the deputy head and head of the legal affairs department. From February 2009 to November 2010, he was a director of Guangzhou Yue Long Bus Co., Ltd. (廣州粵隆客車有限公司) and from May 2009 to September 2014, he was the supervisor of GAC Commercial. Mr. Ye graduated from Sun Yat-sen University in July 2002 with a bachelor of law degree, and obtained a graduate diploma and a master's degree in law in June 2008 and a doctoral degree in economics in June 2015. |
| Wang Lu | Staff representative supervisor, deputy chairwoman of the labour union, head of the female workers committee and chairwoman of the headquarters of the labour union of the Company. With a bachelor degree, she joined the Group in 1992 and had been a member of the public relations division of the general manager's office of Guangzhou Peugot Automobile Company (廣州標緻汽車有限公司) and Guangzhou Sedan Co. Ltd. (廣州轎車有限公司) and an officer of the labour union, a member and the chairwoman of the branch of the labour union, a party branch member and secretary and the head of the female workers union of Guangqi Honda. From July 2005 to September 2012, she was the deputy head of the office of the labour union of the Company. |
| Zhang Qingsong | Deputy general manager and deputy director of the Executive Committee of the Company. From 1998 to 2012, he held positions as the deputy director, director and director of disciplinary office of the administrative office of the Commission for Economy and Trade of Guangzhou, Chairman of Committee of Guangzhou Municipal State-owned Assets Management Committee stationed in GAIG (廣州市國有資產管理委員會派駐廣汽工業集團), Guangzhou Iron & Steel Enterprises Group Co., Ltd. and Guangzhou Pearl River Piano Group Co., Ltd. (廣州珠江鋼琴集團股份有限公司). He has been deputy general manager of GAIG from May 2012 to June 2013. He has a master's degree in Business Administration. |
| Li Shao | Deputy general manager and deputy director of Executive Committee of the Company. He is also chairman of Guangqi Honda, Wuyang-Honda and GACZX, and a director of GAC Changfeng. He joined Guangzhou Automobile Group in June 1997 and became the deputy general manager of the Company in 2007. Prior to this, Mr. Li had served as head of investment department and foreign economics, office director, assistant of general manager and deputy general manager of Guangzhou Automobile Group Ltd (.廣州汽車集團有限公司), a director of GAC Bus, assistant of general manager and deputy general manager of GAIG, director of GAC Toyota, a director and an executive deputy general manager of GAC Hino and a director of Shanghai Hino, chairman of GAC Component, etc. Mr. Li graduated from South China University of Technology and obtained a bachelor's degree of Engineering in metal material and heat treatment in July 1985 and he also obtained a master's degree of business administration from the Open University of Hong Kong in December 2002. |

| Name | Main work experiences |
|---|---|
| Wang Dan | Deputy general manager, chief financial officer, and deputy director of the Executive Committee of the Company. She is also chairman of GAC-SOFINCO and Guangzhou Automobile Group Finance Co., Ltd. and the chairman of the supervisory committee of GAC Changfeng. Ms. Wang joined Guangzhou Automobile Group in March 1999, and has been the Company's chief financial officer and financial controller since 2005. Prior to this, Ms. Wang served in the financial audit department of Guangzhou Junda Automobile Enterprise Group (廣州駿達汽車企業集團) and was the deputy head of the financial audit division of the Guangzhou Automobile Group. Ms. Wang graduated from the Sun Yat-Sen University with a bachelor's degree in July 1992 and the School of Management of Zhongshan University with a senior executive master's degree in business administration in December 2005. She is a senior accountant and non-practiced registered accountant. |
| Qu Yongjian | Deputy general manager and deputy director of Executive Committee of the Company. He joined the Company in June 1998 and has been the deputy general manager of the Company since 2010. He is also a director of GAC Toyota and GAC Mitsubishi, the representative of the Fourteenth People's Congress of Guangzhou, a member of the Ninth Conghua City Committee of the Chinese People's Political Consultative Conference. Prior to this, Mr. Qu served as the deputy general manager of the sales division of Guangqi Honda, director and general manager of GAC Components, deputy general manager of GAIG, director and executive deputy general manager of GAC Hino, director of GAC Hino (Shenyang) Automobile Co., Ltd. and director of Shanghai Hino. He obtained a master's degree in Business Administration and a qualified economist. |
| Chen Hanjun | Deputy General Manager and deputy director of the Executive Committee of the Company. He is also the chairman of GAC Hino, Guangzhou GAC BYD, GAC Hino (Shenyang) Automobile Co., Ltd, Shanghai Hino and GAC Bus. Prior to this, Mr. Chen served as a director and executive deputy general manager of GAC Hino and a director of GAC Hino (Shenyang) Automobile Co., Ltd. and Shanghai Hino. He graduated from School of Business Administration of South China University of Technology in 1989, majoring in Industrial Management, with a graduate diploma and a master's degree in Business Administration. |

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

| Name | Position | Number of A share options held during reporting period | Number of new share options granted during reporting period | A share options exercisable during the reporting period | A shares issued upon exercise of share options | Exercise price of A share options (RMB) | Number of A share options held during reporting period | Market price as at the end of reporting period (RMB) |
|---|---|---|---|---|---|---|---|---|
| Zhang Fangyou | Chairman | 950,000 | 0 | 316,666 | 316,666 | See notes | 0 | 0.00 |
| Zeng Qinghong | Chairman, Party Secretary | 900,000 | 0 | 300,000 | 300,000 | See notes | 600,000 | 6,951,000.00 |
| Feng Xingya | Vice Chairman, General Manager | 760,000 | 0 | 253,333 | 253,333 | See notes | 506,667 | 5,869,725.61 |
| Yuan Zhongrong | Vice Chairman | 810,000 | 0 | 270,000 | 0 | See notes | 810,000 | 0.00 |
| Fu yuwu | Independent Director | 0 | 0 | 0 | 0 | – | 0 | 0.00 |
| Lan hailin | Independent Director | 0 | 0 | 0 | 0 | – | 0 | 0.00 |
| Li Fangjin | Independent Director | 0 | 0 | 0 | 0 | – | 0 | 0.00 |
| Leung Lincheong | Independent Director | 0 | 0 | 0 | 0 | – | 0 | 0.00 |
| Wang Susheng | Independent Director | 0 | 0 | 0 | 0 | – | 0 | 0.00 |
| Yao Yiming | Director, Deputy Party Secretary | 740,000 | 0 | 246,666 | 246,666 | See notes | 493,334 | 5,715,251.22 |
| Wu Song | Director, Deputy General Manager | 740,000 | 0 | 246,666 | 246,666 | See notes | 493,334 | 5,715,251.22 |
| Lu Sa | Director, Deputy General Manager, Company Secretary, Secretary of the Board | 760,000 | 0 | 253,333 | 253,333 | See notes | 506,667 | 5,869,725.61 |
| Chen Maoshan | Director, Chairman of Labour Union | 740,000 | 0 | 246,666 | 246,666 | See notes | 493,334 | 5,715,251.22 |
| Li Pingyi | Director | 0 | 0 | 0 | 0 | – | 0 | 0.00 |
| Ding Hongxiang | Director | 0 | 0 | 0 | 0 | – | 0 | 0.00 |
| Zhang Qingsong | Deputy General Manager | 740,000 | 0 | 246,666 | 0 | See notes | 740,000 | 0.00 |
| Li Shao | Deputy General Manager | 740,000 | 0 | 246,666 | 246,666 | See notes | 493,334 | 5,715,251.22 |
| Wang Dan | Deputy General Manager | 740,000 | 0 | 246,666 | 246,666 | See notes | 493,334 | 5,715,251.22 |
| Qu Yongjian | Deputy General Manager | 740,000 | 0 | 246,666 | 0 | See notes | 740,000 | 0.00 |
| Chen Hanjun | Deputy General Manager | 143,300 | 0 | 47,766 | 47,766 | See notes | 95,534 | 1,106,738.22 |
| **Total** | / | 9,503,300 | / | 3,167,760 | 2,404,428 | / | 6,465,538 | / |

Notes:

1. The first exercise period of A share option incentive scheme commenced on 19 September 2016, the validity period of which is one year. The participants may exercise their share options more than once on a voluntary basis during such period. As at 31 December 2016, as a result of profit distribution made by the Company, the exercise price was adjusted twice: the exercise price from 19 September 2016 to 19 October 2016 was RMB7.24 per share; the exercise price from 20 October 2016 to 31 December 2016 was RMB7.16 per share.

2. The Company had disclosed the number of share options exercised by the directors and senior management of the Company for each month in 2016 in announcements, being Lin 2016-076, Lin 2016-093, Lin 2016-098 and Lin 2017-001.

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

### (I) Term of office in shareholders' units

| Name of staff | Name of shareholders' unit | Position held in shareholders' unit | Commencement date of term | Expiry date of term |
|---|---|---|---|---|
| Zeng Qinghong | GAIG | Chairman, Party Secretary | October 2016 | |
| Zeng Qinghong | GAC (HK) | Vice Chairman | July 2008 | |
| Yuan Zhongrong | GAIG | Director, Standing Deputy General Manager | December 2014 | |
| Chen Maoshan | GAIG | Director | March 2015 | |
| Ding Hongxiang | China Industry National Corporation Machinery Limited | Deputy General Manager | August 2011 | |
| Li Pingyi | Wanxiang Qianchao Co., Ltd. (萬向錢潮股份有限公司) | Director, General Manager | August 2013 | |
| Li Pingyi | Shangqi Wanxiang New Energy Bus Co., Ltd. (上汽萬向新能源客車有限公司) | Chairman | June 2015 | |
| Li Pingyi | Wanxiang Electronic Automobiles Co., Ltd (萬向電動汽車有限公司) | Executive Director | March 2010 | |
| Gao Fusheng | GAIG | Chief Accountant | December 2014 | |
| Gao Fusheng | GAC (HK) | Director, General Manager | April 2012 | |
| Wu Chunlin | Guangzhou Jinbang Hydraulic Die Forging Technology Co., Ltd. (廣州金邦液態模鍛技術有限公司) | General Manager | October 2015 | |
| Wang Junyang | Guangzhou Chime-Long Group Co., Ltd. | Deputy Chief Financial Officer | March 2011 | |
| Ye Shanhu | GAIG | Deputy Secretary of the Disciplinary Committee, Head of the Department of Discipline Inspection | September 2014 | |

Note: If an expiry date of term is not stated, the appointment of the staff will continue and there is no fixed expiry date of term.

## (II) Term of office in other units

| Name of staff | Name of other unit | Position held in other unit | Commencement date of term | Expiry date of term |
|---|---|---|---|---|
| Zeng Qinghong | Guangdong Automobile Industry Association | President | March 2009 | |
| Zeng Qinghong | Energy-saving and New energy Automotive Technology Roadmap Steering Committee, Society of Automotive Engineers of China | Member | November 2016 | |
| Zeng Qinghong | Guangzhou Headquarters Economy Association | President | November 2016 | |
| Zeng Qinghong | Guangzhou Association For Science & Technology | Vice Chairman | May 2016 | |
| Zeng Qinghong | CAAM | Vice President | March 2015 | |
| Zeng Qinghong | Society of Automotive Engineers of Guangdong Province | Honorary President | February 2015 | |
| Zeng Qinghong | China Tendering and Bidding Association | Standing Director | February 2015 | |
| Yuan Zhongrong | Guangzhou Automobile Industry Association (廣州汽車工業行業協會) | President | September 2014 | |
| Fu Yuwu | BAIC Motor Corporation Limited | Independent Director | December 2014 | |
| Fu Yuwu | Society of Automotive Engineers of China | President | December 1999 | |
| Fu Yuwu | China Automobile Talents Society | Chairman | November 2010 | |
| Lan Hailin | Guangdong Sky Dragon Printing Ink Group Co., Ltd. | Independent Director | July 2016 | |
| Lan Hailin | Guangdong Xinbao Electrical Appliances Holdings Co., Ltd | Independent Director | January 2015 | |
| Lan Hailin | Jiangsu Shuangxing Color Plastic New Materials Co., Ltd. | Independent Director | May 2016 | |
| Lan Hailin | Letong Chemical Co., Ltd. | Independent Director | August 2016 | |
| Li Fangjin | Guangzhou Finance Holding Group Co., Ltd. | Chairman, Party Secretary | April 2016 | |
| Li Fangjin | Wanlian Securities Co., Ltd. | Chairman | September 2005 | |
| Li Fangjin | Legend Financial Leasing Co., Ltd. | Chairman | June 2013 | |
| Li Fangjin | Guangzhou Jinkong Huadu Finance Investment Co., Ltd. (廣州金控花都金融投資有限公司) | Chairman | December 2015 | |
| Li Fangjin | Guangzhou Finance Holdings Capital Management Co., Ltd. | Chairman | March 2015 | |

| Name of staff | Name of other unit | Position held in other unit | Commencement date of term | Expiry date of term |
|---|---|---|---|---|
| Leung Lincheong | Union Registrars Limited | Managing Director | May 2014 | |
| Wang Susheng | Shenzhen Pellet Technology Co., Ltd. | Independent Director | March 2008 | |
| Wang Susheng | Shenzhen Terca Technology Co., Ltd. | Independent Director | November 2010 | |
| Yao Yiming | Zhong Fa Lian Investment Limited (中發聯投資有限公司) | Director | October 2013 | |
| Yao Yiming | Zhong Fa Lian (Beijing) Technology Investment Limited (中發聯(北京)技術投資有限公司) | Director | October 2013 | |
| Yao Yiming | China Automobile Battery Research Institute Co., Ltd. (國聯汽車動力電池研究院有限責任公司) | Director | February 2014 | |
| Ding Hongxiang | China National Machinery Industry Corporation Limited | Deputy General Manager | August 2011 | |
| Ding Hongxiang | CAAM | Vice President | March 2016 | |
| Ding Hongxiang | State Enterprise Youth Federation | Vice Chairman | August 2011 | |
| Ding Hongxiang | Society of Automotive Engineers of China | Vice President | December 2012 | |

Note: If an expiry date of term is not stated, the appointment of the staff will continue and there is no fixed expiry date of term.

## III. REMUNERATION FOR DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

| | |
|---|---|
| Decision-making procedures for the remuneration of the directors, supervisors and senior management | The Remuneration and Assessment Committee of the Board conducted the evaluation of the remuneration of the senior management of the Company and formulated the incentive program, which shall be implemented after the approval of the Board. The allowance for independent directors is implemented after the approval of the Board and the general meeting. The remuneration of other directors and supervisors is determined in accordance with the related remuneration policy of the Company. |
| Basis for determination of the remuneration of the directors, supervisors and senior management | The remuneration of independent directors is issued in accordance with the approved plan in the general meeting; the remuneration of other directors and supervisors are determined by both the formulated remuneration policy of the Company and the yearly assessment results. The remuneration of senior management is determined in accordance with the relevant assessment program, combined with the annual results of the Company and their individual performance. |
| Actual payment of the remuneration of the directors, supervisors and senior management | The remuneration of independent directors is issued in accordance with the approved plan in the general meeting; no other directors or supervisors have received remuneration from the Company merely in their capacity as directors or supervisors; the remuneration of senior management is issued upon review and consideration of the Board and in accordance with relevant regulatory policies. |
| Total remuneration paid to all directors, supervisors and senior management as at the end of the reporting period | RMB13,586,700. |

## IV. INTERESTS OF DIRECTORS OR SUPERVISORS IN CONTRACTS

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

Apart from service contracts in relation to the Company's business, there are no transactions, arrangements or contracts of significance subsisting during or at the end of the financial year in which a director or a supervisor of the Company or an entity connected with a director or supervisor of the Company is or was materially interested, either directly or indirectly.

## V. CHANGES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE COMPANY

| Name | Position | Way of Change | Reason for change |
|---|---|---|---|
| Zhang Fangyou | Chairman | Resigned | Retired |
| Zeng Qinghong | Chairman | Election | Election |
| Feng Xingya | Vice Chairman, General Manager | Election | Election |
| Wu Song | Deputy General Manager | Appointment | Appointment |
| Lu Sa | Director, Deputy General Manager, Company Secretary, Secretary of the Board, Deputy Director of Executive Committee | Resigned | Resigned (Note: Personal family needs) |
| Jiang Ping | Deputy General Manager | Resigned | Retired |
| Chen Hanjun | Deputy General Manager | Appointment | Change of position |
| Su Zhanpeng | Supervisor | Resigned | Resigned |
| Wang Junyang | Supervisor | Election | Election |

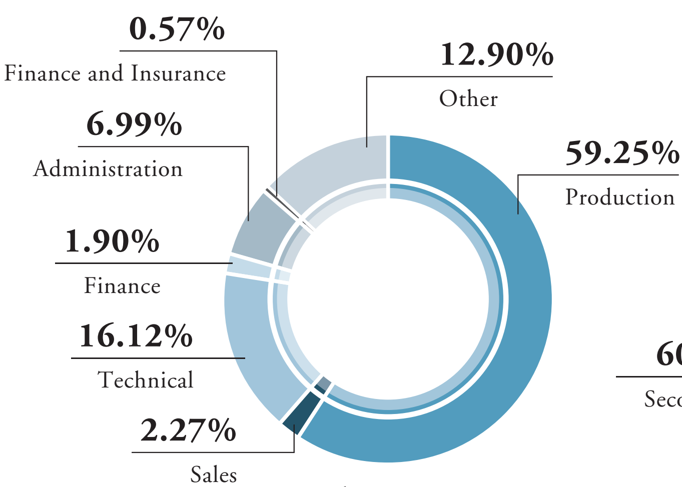
## VI. PUNISHMENTS IMPOSED BY SECURITIES REGULATORY AUTHORITIES IN THE LAST THREE YEARS

N/A

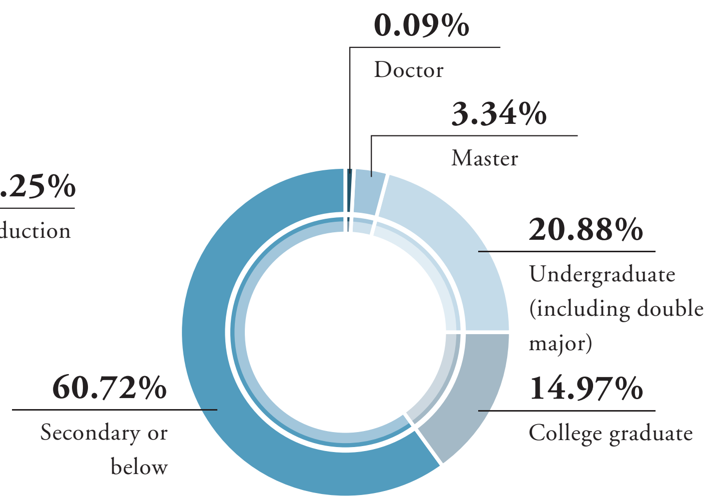
## VII. EMPLOYEE INFORMATION OF THE COMPANY AND MAJOR INVESTEE COMPANIES

### (1) Employees

| | |
|---|---|
| Number of existing employees of the Company | 241 |
| Number of existing employees of major investee companies (Note) | 75,431 |
| Total number of existing employees (Note) | 75,672 |
| Number of employees resigned or retired the pension of which the Company and major investee companies had to be responsible for | 752 |



Specialty composition



Education level

Note: Including the employees of major joint ventures and associated companies of the Group.

## (2) Remuneration Policy

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

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

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

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

## (3) Training Program

During the reporting period, training work was conducted in an orderly manner under the guideline of "reinforcing foundation internally, building image externally; connecting internal strategies and external demands" and by focusing on constructing and perfecting the training system, establishing and promoting work related norms, conducting different levels and kinds of training activities in depth, continuously improving the professional competence of internal trainers and integrating the flexible utilisation of systematic training resources. During the reporting period, the number of staff trained was 422,300, among which the number of management staff and professional technical staff trained was 150,500, representing 36% and production staff trained was 271,800, representing 64%.

In 2017, training will be closely centered around the work priorities of the Group. The Group will mainly focus on five key work, namely to continue to conduct different levels and kinds of special trainings against different professional areas, organise middle and senior management to study in domestic and overseas colleges and universities as well as benchmark industries, study the feasibility and development path for corporate universities, improve the competence of lecturers and hold the first "Good Lecturer Contest", explore and construct mobile learning platform, to integrate system resources, facilitate shared communication, promote the passing and sharing of knowledge, experience and skills, proactively provide employees with various courses on knowledge update and ability enhancement as well as opportunities for training and learning, with a view to providing knowledge reserve and skills for sustainable development in the future.

### (4) Labor Outsourcing

| | |
|---|---|
| Total working hours of labor outsourcing | 9,944,000 |
| Total remuneration paid for labor outsourcing | RMB374,197,996.5 |

Note: including joint ventures and associated enterprises

## VIII. OTHERS

### Production Safety

The Group adhered to the guidelines of "safety first with focus on prevention and comprehensive control" and the corporate development principles of "people-oriented and safe development", implemented accountability system for production safety, enhanced the target management responsibilities, improved the emergency rescue system for production safety accidents, carried out the propaganda and training of safety production and handling of potential accident hazards, actively and practically enhanced the cultural construction of safety.

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

# I. CORPORATE GOVERNANCE

The Group is in strict compliance with relevant corporate governance requirements of Company Law, Securities Law, the Code of Corporate Governance for Listed Companies, the Rules Governing the Listing of Shares on the SSE, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Code on Corporate Governance set out in its appendix. The Group has formulated a series of internal control management policies such as Inside Information Management System and has relatively comprehensive governance structure.

During the reporting period, in order to cope with the sustainable development needs of the Company, 7 systems including Internal Management System on the Delay and Exemption of Information Disclosure, Awarding Measures for Completion-evaluation and Post-evaluation of Annual Projects were formulated and at the same time, 13 systems including Measures for the Management of Purchase of Goods and Services, Salary Management System of Employees were amended in accordance with the regulatory requirements, which further enhanced the governance structure the Company. During the reporting period, there was no deviation between the Company's corporate governance and the requirements as specified in the Company Law, the relevant regulations of the CSRC and the Listing Rules of the SSE and the Stock Exchange.

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

## (1) General Meeting

The general meeting is the authoritative body of the Company and has legal power to decide on significant matters of the Company. The Company carries out policies of open and honest communication and fair disclosures. The Company has ability to ensure all shareholders, especially minority shareholders enjoy equal status and rights. Pursuant to Article 67 of the Articles of Association of the Company, if shareholders individually and jointly holding not less than 10% of the Company's issued shares with voting rights request in writing to hold an extraordinary general meeting, an extraordinary general meeting shall be held within two months after receipt of such written request.

Pursuant to Article 69 of the Articles of Association of the Company, shareholders individually and jointly holding over 3% of the shares of the Company are entitled to propose extraordinary motions to the Company and submit them in writing to the convener ten days before the convening of the general meeting. The convener of the general meeting shall issue supplementary notice of the general meeting to announce the content of the extraordinary motions within two days after receiving the proposed motions. The Company formulates efficient channels of communication with shareholders. All shareholders have the right to be informed and to participate in significant events of the Company; shareholders may raise enquiries and express their view to the Board in writing at any time (Contact address: The office of the Board of GAC Group at Room 2202, GAC Center, No. 23 Xingguo Road, Zhujiang New Town, Tianhe District, Guangzhou (Postal code: 510623), Telephone: 020-83150281, Fax: 020-83150319, ir@gagc.com.cn).

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

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

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

## (2) Directors and the Board

### *1. Directors and Composition of the Board*

Directors are elected or rotated at the general meeting. Currently, the Board consists of 13 directors (According to the Articles of Association of the Company, the Board shall consist of 15 directors. Zhang Fangyou has reached his retirement age on 30 October 2016 and resigned as the chairman and from his positions in the relevant special committees of the Board and Lu Sa resigned on 30 March 2017. Therefore, the Board currently consists of 13 directors), which include 4 executive directors, namely Zeng Qinghong (Chairman), Feng Xingya, Yuan Zhongrong and Wu Song; 4 non-executive directors, namely Yao Yiming, Chen Maoshan, Li Pingyi and Ding Hongxiang; and 5 independent non-executive directors, namely Fu Yuwu, Lan Hailan, Li Fangjin, Leung Lincheng and Wang Susheng. The members of the Board have different professional background and have extensive expertise and experience in different aspects. The composition of the Board is in compliance with the relevant laws and regulations and the requirements of the Articles of Association of the Company and the diversity requirements of Board members. The term of office of the directors (including non-executive directors) of the Company is three years from 25 June 2015. On 23 December 2016, Mr. Li Fangjin applied to resign from his position as an independent non-executive director. Pursuant to the requirements under the Articles of Association of the Company and the "Guidance Opinion regarding the establishment of the system on independent directors for listed companies", since the resignation of Mr. Li Fangjin will result in the number of independent non-executive directors to fall below one third of the members of the Board, Mr. Li Fangjin shall continue to perform his duties of an independent non-executive director until the date on which a new independent non-executive director is elected.

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

During the reporting period, the Company convened 24 Board meetings. The convening, holding and resolution procedures of the Board meetings have complied with the Company Law, the Articles of Association of the Company and Rules of Procedures of the Board.

2. *Powers of the Board*

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

(1) To convene general meetings and report its work at the general meeting;

(2) To implement the resolutions of the general meetings;

(3) To decide on the business plans and investment plans of the Company;

(4) To formulate the mid-term and long-term development plans of the Company;

(5) To formulate annual financial budgets and final accounts of the Company;

(6) To formulate the profit distribution plans and plans on making up losses of the Company;

(7) To formulate proposals for increase or reduction of the registered capital of the Company and issue and listing of bonds or other securities of the Company;

(8) To formulate plans for major acquisitions, purchase of shares of the Company or plans for merger, division, dissolution or alteration of corporate form of the Company;

(9) To determine external investments, purchases and sales of assets, pledge of assets, external guarantees, loans, entrusted asset management, disposal of assets and connected transactions of the Company, save the matters that are required to be resolved at the general meeting pursuant to the law, regulations, the Articles of Association of the Company and other regulatory documents;

(10) To determine the establishment of the Company's internal management structure and manpower deployment;

(11) To appoint or remove the general manager and the secretary to the Board based on the nomination by the chairman of the Board; to appoint or remove the deputy general manager, chief financial officer and other senior management of the Company based on the nomination by the general manager and to determine their remunerations and rewards and penalties;

(12) To formulate the basic management system of the Company;

(13) To formulate proposals for amendment to the Articles of Association;

(14) To formulate the information disclosure system of the Company and to manage information disclosure of the Company;

(15) To propose the appointment or removal of the Company's auditors at the general meeting;

(16) To receive the work report and inspect the work of the general manager of the Company;

(17) To formulate share incentive schemes;

(18) To review and resolve other matters required to be decided by the Board pursuant to the laws, administrative regulations, departmental rules, the requirements of the place where the Company's shares are listed and the Articles of Association.

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

### 3. *Responsibilities of directors*

The directors acknowledge their responsibility for the preparation of annual financial statements and true and fair presentation of the Company's business results and financial conditions.

The Board, which is responsible for overseeing the preparation of annual financial statements, receives the Company's monthly management accounts in respect of operation and updates on the Group's performance, financial position and prospects. In preparing the financial statements for the year ended 31 December 2016, the Board adopted appropriate accounting policies consistently, made prudent and reasonable judgements and estimates, and ensured that the financial statements were prepared on a going concern basis and show a true and fair view of the financial position of the Company and of the Group as at 31 December 2016 and of the financial performance and cash flows for the year.

### 4. *Corporate Governance Functions*

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

For the year 2016, the Board has performed the above corporate governance functions.

### 5. *Professional Training*

During the reporting period, the directors of the Company actively participated in the relevant trainings of corporate governance, directors' responsibilities and operations management. The secretary to the Board of the Company and company secretaries, Lu Sa and Leung Chong Shun, have complied with the relevant professional training requirement of Rule 3.29 of the Listing Rules during this year. All directors have also provided their relevant training records during the reporting period. Details regarding the training of directors during the reporting period are as follows:

| Directors | Zhang Fangyou | Zeng Qinghong | Feng Xingya | Yuan Zhongrong | Fu Yuwu | Lan Hailin | Li Fangjin | Leung Lincheong | Wang Susheng | Yao Yiming | Wu Song | Lu Sa | Chen Maoshan | Li Pingyi | Ding Hongxiang |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Training participated | ABC | ABC | BC | BC | BC | BC | AC | ABC | BC | ABC | ABC | ABC | ABC | BC | AC |

Notes:

A: Trainings on corporate governance of listed companies, directors' duties and the relevant trainings organised by stock exchange or securities regulatory authorities;

B: Special training, seminars and conferences on aspects of economics, finance and corporate management;

C: Reading materials related to corporate governance, directors' duties and regulations of internal risk management; and attending seminars, forums and conferences, etc.

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

After the Company's making specific enquiries with all directors, all directors have confirmed that they have fully complied with the rules as required by the Model Code throughout the year of 2016.

6. *Independence of Directors*

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

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

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

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

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

7. *Special Committees of the Board*

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

(1) Strategy Committee comprises 5 directors, namely Zeng Qinghong, Feng Xingya, Yuan Zhongrong, Fu Yuwu and Lan Hailin (The Committee originally comprised 6 directors. Zhang Fangyou has reached his retirement age and resigned as the chairman of the Strategy Committee on 30 October 2016, and on 22 November 2016, director Zeng Qinghong was elected as the chairman of the committee), among whom, Fu Yuwu and Lan Hailin are independent directors and Zeng Qinghong is the chairman of the committee. The committee is mainly responsible for conducting research and making recommendations on the long-term development strategy and major investment decision of the Company. 2 meetings of Strategy Committee were held during the year and all members attended the meetings. Each committee member gave their opinions in respect of audited matters.

(2) Audit Committee consists of 3 independent directors, namely Leung Lincheong, Li Fangjing and Wang Susheng, among whom, Leung Lincheong is the chairman of the committee. Their primary duties are to supervise and review the annual audit work and internal audit system of the Company, the financial information and disclosure of the Company. During the year, 6 meetings of the Audit Committee were held and all members attended the meetings. The Audit Committee mainly reviewed the regular report and results, profit distribution and appointment of auditing institution and also timely reviewed the internal control system.

(3) Remuneration and Assessment Committee consists of 3 directors, namely Li Fangjin, Leung Lincheong and Li Pingyi, among whom, Li Fangjin and Leung Lincheong are independent directors and Li Fangjin is the chairman of the committee. Their primary duties are to establish the assessment criteria and appraise the directors and senior management of the Company, formulate and review the remuneration policies and packages of directors and senior management of the Company. During the year, 5 meetings of the Remuneration and Assessment Committee were held in total and all members attended the meetings. The Remuneration and Assessment Committee reviewed the remuneration packages and appraisal planning of senior management for the year 2015 and the first exercise related appraisal plan of the A share option incentive scheme of the Company, and recommendations were provided to the Board.

(4) Nomination Committee consists of 3 directors, namely Wang Susheng, Li Fangjin and Ding Hongxiang, among whom, Wang Susheng and Li Fangjin are independent directors and Wang Susheng is the chairman of the committee. Their duties are to make recommendations regarding the candidates of senior management, the selection standards and procedures as well as being responsible for reviewing the principle of diversified selection in nomination of directors, assisting and maintaining the diversified visions and various educational backgrounds and professional knowledge. During the year, 5 meetings of the Nomination Committee were held in total and all members attended the meetings, at which the matters with respect to the appointment and dismissal of senior management were considered and reviewed and recommendations were provided.

### (3) Supervisors and supervisory committee

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

At present, the supervisory committee comprises 5 supervisors, namely Gao Fusheng, Wu Chunlin, Wang Junyang, Ye Shanhu and Wang Lu, among which Gao Fusheng is chairman of the supervisory committee, Ye Shanhu and Wang Lu are supervisors representing staff and workers.

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

During the reporting period, the supervisory committee convened 9 meetings, the convening, holding and procedures of which are in line with relevant requirements under the Articles of Association and the procedures of supervisory committee. All supervisors attended the meetings of the supervisory committee held this year and performed their duties conscientiously.

## (4) The Management

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

The management of the Company exercises the following powers under authorisation of the Board:

(1) to be responsible for the Company's production, operation and management, to organise resources to carry out the Board's resolutions, and to report to the Board;

(2) to organise the implementation of the Company's annual business plan and investment plan;

(3) to draft plans for the establishment of the Company's internal management structure;

(4) to formulate the Company's basic management system;

(5) to formulate the specific rules and regulations of the Company;

(6) to propose the appointment or dismissal of the Company's deputy general manager(s) and chief financial officer;

(7) to decide on the appointment or dismissal of management personnel and staff other than those required to be appointed or dismissed by the Board;

(8) to propose the convening of extraordinary board meeting; and

(9) to exercise other powers conferred by the Articles of Association of the Company and the Board.

## (5) Company Secretary

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

## (6) Appointment and Remuneration of External Auditor

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

### (7) Investor Relations

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

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

Nil

## II. GENERAL MEETINGS

| Session of the meeting | Convening date | Enquiry index of the designated website for the publication of the proposals | Date of disclosure of the publication of the proposals |
|---|---|---|---|
| 2015 annual general meeting | 27 May 2016 | Websites of SSE and Stock Exchange | 27 May 2016 |
| 1st extraordinary general meeting in 2016, 1st class meeting for holders of A and H shares respectively in 2016 | 16 December 2016 | Websites of SSE and Stock Exchange | 16 December 2016 |

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

## III. DIRECTORS' PERFORMANCE OF THEIR DUTIES

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

| | | Board meeting(s) | | | | | | General meeting(s) |
|---|---|---|---|---|---|---|---|---|
| Name of directors | Independent director or not | Mandatory attendance in Board meetings during the year | Attendance in person | Attendance by telecommunication | Attendance by proxy | Absence | Absent in person for two consecutive times or not | Attendance in general meetings |
| Zhang Fangyou | No | 17 | 17 | 15 | 0 | 0 | No | 1 |
| Zeng Qinghong | No | 24 | 24 | 21 | 0 | 0 | No | 1 |
| Feng Xingya | No | 24 | 24 | 21 | 0 | 0 | No | 2 |
| Yuan Zhongrong | No | 24 | 24 | 20 | 0 | 0 | No | 2 |
| Fu Yuwu | Yes | 24 | 24 | 22 | 0 | 0 | No | 1 |
| Lan Hailin | Yes | 24 | 24 | 22 | 0 | 0 | No | 1 |
| Li Fangjin | Yes | 24 | 24 | 24 | 0 | 0 | No | 1 |
| Leung Lincheong | Yes | 24 | 24 | 21 | 0 | 0 | No | 2 |
| Wang Susheng | Yes | 24 | 24 | 22 | 0 | 0 | No | 1 |
| Yao Yiming | No | 24 | 24 | 20 | 0 | 0 | No | 2 |
| Wu Song | No | 24 | 24 | 20 | 0 | 0 | No | 2 |
| Lu Sa | No | 24 | 24 | 21 | 0 | 0 | No | 2 |
| Chen Maoshan | No | 24 | 24 | 20 | 0 | 0 | No | 2 |
| Li Pingyi | No | 24 | 24 | 22 | 0 | 0 | No | 2 |
| Ding Hongxiang | No | 24 | 24 | 23 | 0 | 0 | No | 2 |

**Explanation on absent in person in Board meetings for two consecutive times**

Nil

| | |
|---|---|
| Number of Board meetings held during the year | 24 |
| Of which: Number of physical meetings | 4 |
| Number of meetings held via communication | 20 |
| Number of meetings held by way of combination of both | 4 |

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

Nil

## IV. MAJOR COMMENTS AND SUGGESTIONS PROPOSED BY THE COMMITTEES UNDER THE BOARD WHEN PERFORMING THEIR DUTIES DURING THE REPORTING PERIOD, DETAILS SHOULD BE DISCLOSED IF THERE WERE DISAGREEMENTS

Nil

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

Nil

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

Nil

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

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

## VIII. WHETHER TO DISCLOSE SELF-EVALUATION REPORT ON INTERNAL CONTROL

The Board has conducted a review of the effectiveness of the internal control system of the Company and its subsidiaries during the reporting period. The said review covers all material controls, including financial, operational and compliance controls. No material defects and important defects in internal control have been identified in 2016. The Board considers such systems effective and sufficient.

For full context of self-evaluation report on internal control, please refer to the relevant announcement published on the website of SSE (www.sse.com.cn) on 30 March 2017.

## IX. INTERNAL CONTROL AND AUDIT REPORT

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

In accordance with the provisions of the Basic Internal Control Norms for Enterprises (《企業內部控制基本規範》), its ancillary guidelines and other internal control regulatory requirements (the "Internal Control System for Enterprises"), together with the internal control system and evaluation methods of the Company, the Board has reviewed the effectiveness of the internal control of the Company as at 31 December 2016 on the basis of daily supervision and special supervision of internal control.

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

The Board distinguishes the internal control of financial report and non-financial report and studies to determine the criteria for identifying internal control defects applicable to the Company as in line with that in last year with reference to factors such as the scale of the Company, the characteristics of the industry, the risk preference and the degree of risk tolerance according to the requirements of the Internal Control System for Enterprises in respect of material defects, important defects and general defects.

The Company has a disciplinary inspection and supervision department and an audit department. The disciplinary inspection and supervision department supervises major operational and management activities as well as management personnel, and is responsible for establishing anti-corruption and integrity-promotion mechanisms, supervision and prevention of integrity risk, verifying petitions, disciplinary review and so on. The audit department conducts internal audit work independently according to the law. Through risk assessment, economic responsibility audit, special audit, construction project audit and etc., it comprehends the risks faced by the Company, formulates the responsive measures, strengthens system construction, optimises the business process and internal control procedures so as to propel the construction of internal control system within the enterprise and to enhance the Company's ability to identify, evaluate, prevent and respond to risks. During the reporting period, the Company and its investment enterprises further deepened the construction of risks control system, actively explored the innovation of audit reform, expanded the scope of internal audit work based on its own business characteristics, promoted the full coverage of economic responsibility audit, strengthened the audit quality control, which allowed audit to play an important role in improving the internal control system, strengthening risks control and create a good corporate governance environment.

The Company adheres to the principle of "Transparency, Openness and Truth" to strengthen communications with investors. Through the establishment of communication system in respect of internal and external information, collection, processing and delivery of information becomes clearer. The Company has formulated the "Management System of Information Disclosure", "Insider Information Management System", "Accountability System in respect of Information Disclosure in Annual Report", "Investor Relations Management System" and "Investor Complaint Handling System" to standardise the communication and delivery procedures of information, to determine the personnel responsible for information disclosure, to strengthen proactive information disclosure and enhance communications of information between the Company and the investors, which can enhance the investors' understanding and recognition of the Company and promote the establishment of a long-term, stable and benign interactive relationship between the Company and the investors. During the reporting period, the Company strictly abided by the supervisory regulations to disclose the data of sales volume of its major investment enterprises, and continuously monitored and collected the contents of the media reports to conduct timely investigation, verification and clarification. It also verified enquiries raised by the stock exchanges and provided timely reply and disclosure, reminding investors to pay attention to investment risk. The Company continuously strengthened the management of information disclosure and avoided disclosure of information which had not been approved or announced to the media. In addition, in order to standardise the suspension and exemption of information disclosure of the Company, the Company has formulated the "Internal Management System of Information Disclosure Delay and Exemption" in accordance with the relevant provisions of the regulatory institutions on information disclosure and urged the Company to comply with the obligations of information disclosure so as to protect the interests of investors.

The Company engaged BDO China Shu Lun Pan Certified Public Accountants LLP for independent audit of effectiveness of its internal control in 2016, which issued an opinion that "the internal control over financial report of the Company was in compliance with the Basic Principles for Internal Control of Enterprises and relevant requirements and was effective in all significant aspects as at 31 December 2016 (for full text of the audit report, please refer to the announcement disclosed on the website of the SSE (www.sse.com.cn) on the same day).

# CHAPTER 12
# Corporate Bonds

## I. BASIC INFORMATION OF CORPORATE BONDS

*Unit: Yuan Currency: RMB*

| Name of Bond | Abbreviation | Code | Date of Issue | Due Date | Balances | Interest Rate | Repayment of Principal and Interest | Trading Place |
|---|---|---|---|---|---|---|---|---|
| Corporate Bonds (Phase two) of Guangzhou Automobile Group Co., Ltd. in 2012 | 12GAC03 | 122352 | 2015-01-19 | 2020-01-19 | 2,000,000,000 | 4.70% | Simple interest per annum | SSE |
| Corporate Bonds (Phase one) of Guangzhou Automobile Group Co., Ltd. in 2012 (Ten years) | 12GAC02 | 122243 | 2013-03-20 | 2023-03-20 | 3,000,000,000 | 5.09% | Simple interest per annum | SSE |
| Corporate Bonds (Phase one) of Guangzhou Automobile Group Co., Ltd. in 2012 (Five years) | 12GAC01 | 122242 | 2013-03-20 | 2018-03-20 | 1,000,000,000 | 4.89% | Simple interest per annum | SSE |

### Interest Payment of Corporate Bonds

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

### Other information of Corporate Bonds

Nil

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

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

## III. USE OF FUNDS RAISED FROM THE CORPORATE BONDS

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

## IV. INFORMATION OF THE CREDIT RATING OF THE CORPORATE BONDS

On 25 May 2016, United Credit Ratings Co., Ltd. provided continuous credit rating for the 2012 corporate bonds issued by the Company in 2013 and 2015, which kept the AAA long-term credit rating of the Company (as issuer) with stable outlook rating, and maintained the AAA credit rating of "12GAC01", "12GAC02" and "12GAC03".

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

### 1. Credit Enhancement Mechanism

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

*Unit: Yuan Currency: RMB*

| Key indicators | At the end of the reporting period (Unaudited) | Year-on-year increase or decrease (%) |
|---|---|---|
| Net assets | 26,703,080,030 | 15.86% |
| Gearing ratio | 46.99% | 4.57% |
| Return on net assets | 15.12% | 4.76% |
| Current ratio | 133.33% | -0.18% |
| Quick ratio | 108.95% | -6.16% |
| Cumulative balance of external guarantees | 6,897,443,300 | -2.65% |
| Proportion of cumulative balance of external guarantees to net assets | 25.83% | -15.98% |

### 2. Debt Repayment Plans and Debt Repayment Protective Measures

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

## VI. MEETINGS OF HOLDERS OF CORPORATE BONDS

Nil

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

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

Report of Trustee Management Affairs (《受託管理事務報告》) during the reporting period was disclosed by the trustee manager on 23 April 2016. For details, please see the website of SSE (http://www.sse.com.cn).

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

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

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

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

## X. BANK CREDIT WITHIN THE REPORTING PERIOD

During the reporting period, the lines of credit of the Company totaled RMB29.815 billion.

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

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

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

During the reporting period, there was no major event causing impact to the solvency or bond price of the Company.

pwc 羅兵咸永道

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

## OPINION

### What we have audited

The consolidated financial statements of Guangzhou Automobile Group Co., Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 146 to 263, which comprise:

- the consolidated balance sheet as at 31 December 2016;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

### Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## BASIS FOR OPINION

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

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

### Independence

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

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*T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com*

## KEY AUDIT MATTERS

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

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

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

| Key Audit Matter | How our audit addressed the Key Audit Matter |
|---|---|
| ***Warranty provisions*** | |
| Refer to Note 4 (Critical accounting estimates and judgements) and Note 28 (Provisions) to the consolidated financial statements.<br><br>The Group mainly produced and sold passenger vehicles through its joint ventures Guangqi Honda Automobile Co., Ltd. ("Guangqi Honda"), GAC Toyota Motor Co., Ltd. ("GAC Toyota"), and GAC Fiat Chrysler Automobiles Co., Ltd. ("GAC Fiat Chrysler") (collectively "Three Significant Joint Ventures") and its subsidiary, Guangzhou Automobile Group Motor Co., Ltd. ("GAC Motor").<br><br>Provision for warranties granted by the Group's Three Significant Joint Ventures and GAC Motor for the passenger vehicles sold are recognised based on sales volume and past experience of the level of repair and returns, discounted to their present values as appropriate.<br><br>We focused on this area because the estimation of costs in respect of future warranty claims required significant management judgement. | We have met management of the Company and have discussed with them and evaluated the impact on the Group's financial statements of the key audit matters relating to Three Significant Joint Ventures and GAC Motor.<br><br>(a) Procedures performed on warranty provisions of Guangqi Honda, GAC Toyota and GAC Motor, included:<br><br>• We tested management's controls over recording provision for product warranties.<br><br>• We evaluated management's warranty provisions model and tested the calculations therein. This included evaluating the key assumptions through reviewing the legal and contractual terms, comparing the assumptions to the historical data, analysing the expected unit cost of repair and returns of each vehicle type at each year of the warranty period, testing sales volume of each vehicle type to the supporting documents and recalculating the warranty provisions. |

| Key Audit Matter | How our audit addressed the Key Audit Matter |
| --- | --- |
| As at 31 December 2016, the warranty provisions of the Group amounted to RMB372 million (Note 28). The Group's joint ventures were accounted for using equity method. The warranty provisions relating to the Three Significant Joint Ventures were considered significant to the Company's consolidated financial statements. | • In respect of the provision for warranties previously recorded and subsequently settled during the year, we compared the provision amount with the settlement amount and investigated, if significant variance existed, the reasonableness of the reassessment of the adequacy of the provision for warranties previously made by the management. We also discussed with management the existence of any indicators of significant product defect occurred during the year and subsequent to the year-end that would significantly affect the estimates of the year end warranty provision.<br><br>(b) GAC Fiat Chrysler is a significant joint venture of the Group and is audited by a non-PricewaterhouseCoopers auditor ("GFC Auditor"). Procedures performed on warranty provisions of GAC Fiat Chrysler included:<br><br>• We have discussed with GFC Auditor about their audit approach and work result for warranty provisions.<br><br>• We have obtained and reviewed GFC Auditor's reporting to us in accordance with our instructions.<br><br>We found that management judgement and estimates associated with GAC Motor's warranty provisions were supported by available evidence.<br><br>We found that, in the context of our audit of consolidated financial statements of the Company, Three Significant Joint Ventures' management judgement and estimates associated with their respective warranty provisions in respect of the Group's share of the profit and net assets of Three Significant Joint Ventures were supported by available evidence. |

| Key Audit Matter | How our audit addressed the Key Audit Matter |
|---|---|
| ***Impairment of capitalised development costs*** | |
| Refer to Note 4 (Critical accounting estimates and judgements) and Note 10 (Intangible assets) to the consolidated financial statements.<br><br>As at 31 December 2016, the carrying amount of the Group's capitalised development costs, which arose from development expenditure on the Group's various types of self-developed passenger vehicle projects and were classified as intangible assets on the consolidated balance sheet, amounted to RMB4,362 million. An impairment charge of RMB591 million has been recognised for capitalised development costs of certain types of passenger vehicles in the consolidated statement of comprehensive income for the year ended 31 December 2016.<br><br>Capitalised development costs not yet in use are tested for impairment annually. Capitalised development costs in use are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.<br><br>Management has assessed the recoverable amount of capitalised development costs for each type of passenger vehicles to be their value in use in order to determine the impairment charge, if any.<br><br>We focused on this area because management assessment of impairment involved complex and subjective judgements and assumptions, such as future cash flow projections using revenue, gross margin, long-term growth rate of revenue and discount rate. | We understood and evaluated management's process to identify the impairment indicators for capitalised development costs in use.<br><br>The recoverable amount of the capitalised development costs subject to impairment testing was determined based on value in use, which was the present value of the future cash flows expected to be derived, and we performed following procedures:<br><br>We obtained and understood management's calculations of value in use and assessed the methodology applied.<br><br>We tested the consistency and assessed the reasonableness of the data used and management's key assumptions adopted in the future cash flow projections, mainly in relation to:<br><br>• the budgeted sales and gross margin, by comparing them with actual performance and historical financial data, if any. For the budgeted sales, we also compared to the Group's strategic plan, future market growth as forecasted and sourced from independent parties;<br><br>• the long-term growth rate of revenue, by comparing it with the relevant economic and industry forecasts, including certain forecasts sourced from independent parties; and<br><br>• discount rate, by comparing it with the cost of capital of comparable companies.<br><br>We also performed sensitivity analysis on the key assumptions of the cash flow forecasts by considering the likelihood of such a movement in those key assumptions arising.<br><br>We found key assumptions made by the management in relation to the value in use calculations to be reasonable based on the available evidence. |

| Key Audit Matter | How our audit addressed the Key Audit Matter |
|---|---|
| ***Impairment assessment on the goodwill included in investment in a joint venture*** | |
| Refer to Note 11 (Investments in joint ventures and associates) to the consolidated financial statements.<br><br>The Group has goodwill of RMB2.9 billion in relation to its investment in a joint venture – GAC Mitsubishi Motors Co., Ltd. ("GAC Mitsubishi") in 2012.<br><br>Management has concluded that there was no impairment in respect of the goodwill included in the investment in GAC Mitsubishi. This conclusion was based on fair value less cost of disposal model, applying discounted cash flow method, which involved significant management judgement with respect to the discount rate and the underlying cash flows, in particular future revenue growth. | We obtained and understood management's impairment assessment to assess whether or not the recoverable amount of the investment in GAC Mitsubishi was below its carrying value.<br><br>We assessed the methodology applied and the appropriateness of the key assumptions used in the management's cash flow forecast, including comparing the revenue growth rates with historical results and published industrial forecasts issued by recognised third party industry analysts.<br><br>We also assessed the discount rate by evaluating the cost of capital for the investment in GAC Mitsubishi and selected comparable companies.<br><br>We also performed sensitivity analysis on the key assumptions of the cash flow forecasts by considering the likelihood of such a movement in those key assumptions arising.<br><br>We found the key assumptions made by the management in relation to the fair value less cost of disposal calculations to be reasonable based on the available evidence. |

## OTHER INFORMATION

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

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

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

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

## RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

**PricewaterhouseCoopers**
*Certified Public Accountants*

Hong Kong, 30 March 2017

# Consolidated Balance Sheet

| | Note | As at 31 December 2016 RMB'000 | 2015 RMB'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Land use rights | *7* | **2,308,959** | 1,819,702 |
| Property, plant and equipment | *8* | **11,856,013** | 10,581,208 |
| Investment properties | *9* | **1,311,433** | 343,958 |
| Intangible assets | *10* | **5,319,222** | 4,826,902 |
| Investments in joint ventures and associates | *11* | **22,658,119** | 18,478,158 |
| Deferred income tax assets | *13* | **789,875** | 440,538 |
| Available-for-sale financial assets | *14* | **2,024,359** | 2,035,344 |
| Held-to-maturity investments | | **–** | 79,854 |
| Prepayments and long-term receivables | *15* | **933,059** | 620,125 |
| | | **47,201,039** | 39,225,789 |
| **Current assets** | | | |
| Inventories | *16* | **2,493,564** | 1,926,988 |
| Trade and other receivables | *17* | **8,371,237** | 8,726,885 |
| Available-for-sale financial assets | *14* | **2,098,856** | 245,482 |
| Held-to-maturity investments | | **59,964** | 40,000 |
| Financial assets at fair value through profit or loss | *18* | **604,551** | 486,531 |
| Time deposits | *19* | **7,189,931** | 4,086,517 |
| Restricted cash | *20* | **1,547,528** | 837,094 |
| Cash and cash equivalents | *21* | **12,579,571** | 11,548,480 |
| | | **34,945,202** | 27,897,977 |
| Non-current assets held for sale | *22* | **–** | 95,922 |
| | | **34,945,202** | 27,993,899 |
| **Total assets** | | **82,146,241** | 67,219,688 |
| **EQUITY** | | | |
| **Equity attributable to owners of the Company** | | | |
| Share capital | *23* | **6,453,360** | 6,435,019 |
| Other reserves | *25* | **11,848,133** | 11,321,467 |
| Retained earnings | *25* | **25,554,660** | 20,890,023 |
| | | **43,856,153** | 38,646,509 |
| **Non-controlling interests** | | **1,037,308** | 844,811 |
| **Total equity** | | **44,893,461** | 39,491,320 |

# Consolidated Balance Sheet

| | Note | As at 31 December 2016 RMB'000 | 2015 RMB'000 |
|---|---|---|---|
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Trade and other payables | *26* | **30,801** | 74,331 |
| Borrowings | *27* | **10,346,462** | 7,648,901 |
| Deferred income tax liabilities | *13* | **71,952** | 41,607 |
| Provisions | *28* | **371,641** | 230,813 |
| Government grants | *29* | **2,158,642** | 1,076,795 |
| | | **12,979,498** | 9,072,447 |
| **Current liabilities** | | | |
| Trade and other payables | *26* | **19,128,114** | 14,076,709 |
| Current income tax liabilities | | **667,415** | 300,491 |
| Borrowings | *27* | **4,477,753** | 4,278,721 |
| | | **24,273,282** | 18,655,921 |
| **Total liabilities** | | **37,252,780** | 27,728,368 |
| **Total equity and liabilities** | | **82,146,241** | 67,219,688 |

The notes on pages 153 to 263 are an integral part of these financial statements.

The financial statements on pages 146 to 263 were approved by the Board of Directors on 30 March 2017 and were signed on its behalf:

**Zeng Qinghong**
*Director*

**Wu Song**
*Director*

# Consolidated Statement of Comprehensive Income

| | Note | Year ended 31 December 2016 RMB'000 | 2015 RMB'000 |
|---|---|---|---|
| Revenue | *6* | **49,417,676** | 29,418,223 |
| Cost of sales | *30* | **(41,961,379)** | (25,974,620) |
| **Gross profit** | | **7,456,297** | 3,443,603 |
| Selling and distribution costs | *30* | **(3,396,393)** | (1,866,537) |
| Administrative expenses | *30* | **(2,738,874)** | (2,037,088) |
| Interest income | *33* | **488,696** | 411,556 |
| Other gains – net | *32* | **331,196** | 435,386 |
| **Operating profit** | | **2,140,922** | 386,920 |
| Interest income | *33* | **97,240** | 127,955 |
| Finance costs | *34* | **(962,927)** | (849,396) |
| Share of profit of joint ventures and associates | *11* | **5,774,362** | 4,720,117 |
| **Profit before income tax** | | **7,049,597** | 4,385,596 |
| Income tax expense | *35* | **(754,342)** | (400,067) |
| **Profit for the year** | | **6,295,255** | 3,985,529 |
| **Other comprehensive income** | | | |
| Items that may be reclassified subsequently to profit or loss-change in value of available-for-sale financial assets, net of tax | *36* | **(18,950)** | 52,189 |
| **Total comprehensive income for the year** | | **6,276,305** | 4,037,718 |
| **Profit/(loss) attributable to:** | | | |
| Owners of the Company | | **6,287,542** | 4,211,553 |
| Non-controlling interests | | **7,713** | (226,024) |
| | | **6,295,255** | 3,985,529 |

# Consolidated Statement of Comprehensive Income

| | Note | Year ended 31 December 2016 RMB'000 | 2015 RMB'000 |
|---|---|---|---|
| **Total comprehensive income/(loss) attributable to:** | | | |
| Owners of the Company | | **6,268,022** | 4,266,093 |
| Non-controlling interests | | **8,283** | (228,375) |
| | | **6,276,305** | 4,037,718 |
| **Earnings per share attributable to owners of the Company** | | | |
| (expressed in RMB per share) | | | |
| – basic | *37* | **0.98** | 0.65 |
| – diluted | *37* | **0.97** | 0.65 |

The notes on pages 153 to 263 are an integral part of these financial statements.

# Consolidated Statement of Changes in Equity

| | Attributable to owners of the Company | | | | | |
|---|---|---|---|---|---|---|
| | Share capital RMB'000 | Other reserves RMB'000 | Retained earnings RMB'000 | Total RMB'000 | Non-controlling interests RMB'000 | Total equity RMB'000 |
| **Balance as at 1 January 2015** | 6,435,019 | 10,919,625 | 18,098,547 | 35,453,191 | 795,956 | 36,249,147 |
| **Comprehensive income** | | | | | | |
| Profit/(loss) for the year | – | – | 4,211,553 | 4,211,553 | (226,024) | 3,985,529 |
| Other comprehensive income – available-for-sale financial assets, net of tax | – | 54,540 | – | 54,540 | (2,351) | 52,189 |
| **Total comprehensive income/(loss)** | – | 54,540 | 4,211,553 | 4,266,093 | (228,375) | 4,037,718 |
| **Transactions with owners in their capacity as owners** | | | | | | |
| Appropriation to statutory surplus reserve fund | – | 390,473 | (390,473) | – | – | – |
| Dividend declared by the Company and subsidiaries | – | – | (1,029,604) | (1,029,604) | (38,724) | (1,068,328) |
| Contribution from non-controlling shareholders of subsidiaries | – | – | – | – | 254,300 | 254,300 |
| Employee share option scheme *(Note 24)* | – | 42,670 | – | 42,670 | – | 42,670 |
| Non-controlling interests arising on business combination | – | – | – | – | 41,881 | 41,881 |
| Changes in ownership interests in subsidiaries without change of control | – | (11,862) | – | (11,862) | 11,862 | – |
| Consideration paid for business combination between entities under common control | – | (82,712) | – | (82,712) | – | (82,712) |
| Others | – | 8,733 | – | 8,733 | 7,911 | 16,644 |
| **Total transactions with owners in their capacity as owners** | – | 347,302 | (1,420,077) | (1,072,775) | 277,230 | (795,545) |
| **Balance as at 31 December 2015** | 6,435,019 | 11,321,467 | 20,890,023 | 38,646,509 | 844,811 | 39,491,320 |
| **Balance as at 1 January 2016** | **6,435,019** | **11,321,467** | **20,890,023** | **38,646,509** | **844,811** | **39,491,320** |
| **Comprehensive income** | | | | | | |
| Profit for the year | – | – | 6,287,542 | 6,287,542 | 7,713 | 6,295,255 |
| Other comprehensive income – available-for-sale financial assets, net of tax | – | (19,520) | – | (19,520) | 570 | (18,950) |
| **Total comprehensive income/(loss)** | – | (19,520) | 6,287,542 | 6,268,022 | 8,283 | 6,276,305 |
| **Transactions with owners in their capacity as owners** | | | | | | |
| Appropriation to statutory surplus reserve fund | – | 334,639 | (334,639) | – | – | – |
| Dividend declared by the Company and subsidiaries | – | – | (1,288,266) | (1,288,266) | (48,420) | (1,336,686) |
| Contribution from non-controlling shareholders of subsidiaries | – | – | – | – | 154,450 | 154,450 |
| Employee share option scheme *(Note 24)* | | | | | | |
| – Value of employee services | – | 24,070 | – | 24,070 | – | 24,070 |
| – Proceeds from shares issued | 16,725 | 104,157 | – | 120,882 | – | 120,882 |
| Changes in ownership interests in subsidiaries without change of control *(Note 41)* | – | (342,706) | – | (342,706) | 80,658 | (262,048) |
| Convertible bonds *(Note 27(g))* | | | | | | |
| – Issuance of convertible bonds | – | 387,578 | – | 387,578 | – | 387,578 |
| – Conversion of convertible bonds | 1,616 | 29,994 | – | 31,610 | – | 31,610 |
| Disposal of a subsidiary | – | – | – | – | (3,379) | (3,379) |
| Others | – | 8,454 | – | 8,454 | 905 | 9,359 |
| **Total transactions with owners in their capacity as owners** | 18,341 | 546,186 | (1,622,905) | (1,058,378) | 184,214 | (874,164) |
| **Balance as at 31 December 2016** | 6,453,360 | 11,848,133 | 25,554,660 | 43,856,153 | 1,037,308 | 44,893,461 |

The notes on pages 153 to 263 are an integral part of these financial statements.

# Consolidated Statement of Cash Flows

| | Note | Year ended 31 December 2016 RMB'000 | 2015 RMB'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash generated from operations | *39* | **5,744,009** | 4,157,661 |
| Interest received | | **531,332** | 554,651 |
| Interest paid | | **(658,535)** | (730,332) |
| Income tax paid | | **(706,885)** | (91,266) |
| **Net cash generated from operating activities** | | **4,909,921** | 3,890,714 |
| **Cash flows from investing activities** | | | |
| Purchases of property, plant and equipment, land use rights, and intangible assets | | **(5,211,563)** | (4,321,948) |
| Proceeds from sales of property, plant and equipment, land use rights, investment properties and non-current assets held for sale | | **179,518** | 138,635 |
| Acquisition of subsidiaries, net of cash acquired | | **–** | 334 |
| Consideration paid for acquisition of non-controlling interests | | **(262,048)** | – |
| Additional capital injection in joint ventures | | **(723,500)** | (1,707,275) |
| Additional capital injection in associates | | **(47,545)** | (192,998) |
| Acquisition and set-up of joint ventures | | **(278,300)** | (83,470) |
| Acquisition and set-up of associates | | **(44,040)** | (125,254) |
| Proceeds from capital reduction from an associate or disposal of joint ventures | | **104,566** | 31,846 |
| Acquisition of available-for-sale financial assets, held-to-maturity investments and loans and receivables | | **(27,839,058)** | (16,810,771) |
| Disposal of available-for-sale financial assets, held-to-maturity investments and loans and receivables | | **26,166,739** | 15,911,581 |
| Proceeds from investment income from financial instruments | | **267,347** | 98,247 |
| Granting of entrusted loans | | **(865,760)** | (668,100) |
| Proceeds from repayment of entrusted loans | | **677,234** | 727,929 |
| Receipt of government grants related to assets | | **1,205,162** | 230,084 |
| Dividends received | | **4,725,620** | 4,153,693 |
| (Increase)/decrease in time deposits | | **(3,070,311)** | 3,359,070 |
| Increase in restricted cash | | **(1,000,000)** | – |
| Prepayment for investment deposits | | **(98,000)** | – |
| **Net cash (used in)/generated from investing activities** | | **(6,113,939)** | 741,603 |

# Consolidated Statement of Cash Flows

| | Year ended 31 December | |
|---|---|---|
| | 2016 | 2015 |
| | RMB'000 | RMB'000 |
| **Cash flows from financing activities** | | |
| Proceeds from issurance of ordinary shares | 120,882 | – |
| Contribution from non-controlling shareholders of subsidiaries | 154,450 | 254,300 |
| Payment of expenses relating to bond issuing | – | (6,403) |
| Distribution to shareholders of the Company and non-controlling shareholders of subsidiaries | (1,347,975) | (1,068,389) |
| Consideration paid for business combination between entities under common control | – | (82,712) |
| Proceeds from bank borrowings | 3,573,940 | 7,810,777 |
| Proceeds from corporate bonds | – | 1,979,666 |
| Proceeds from short-term debentures | 2,299,177 | – |
| Proceeds from convertible bonds | 4,059,996 | – |
| Payments to bond holders upon conversion of convertible bonds | (1) | – |
| Repayments of bank borrowings | (6,666,355) | (2,259,585) |
| Repayments of short-term debentures | – | (10,000,000) |
| **Net cash generated from/(used in) financing activities** | 2,194,114 | (3,372,346) |
| **Net increase in cash and cash equivalents** | 990,096 | 1,259,971 |
| Cash and cash equivalents at beginning of the year | 11,548,480 | 10,274,285 |
| Exchange gains on cash and cash equivalents | 40,995 | 14,224 |
| **Cash and cash equivalents at end of the year** | 12,579,571 | 11,548,480 |

The notes on pages 153 to 263 are an integral part of these financial statements

## 1. GENERAL INFORMATION

Guangzhou Automobile Group Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") are principally engaged in the manufacturing and sales of passenger vehicles, commercial vehicles, engines and automotive parts. The Company's holding company is Guangzhou Automobile Industry Group Co., Ltd. ("GAIG"), which is incorporated in Guangzhou, Guangdong, the People's Republic of China (the "PRC").

The registered address of the Company is 23/F, Chengyue Building, No. 448-No. 458, Dong Feng Zhong Road, Yuexiu District, Guangzhou, Guangdong, the PRC.

The Company was established in June 1997 as a limited liability company in the PRC. In June 2005, the Company underwent a reorganisation and transformed itself into a joint stock limited liability company under the PRC Company Law by converting its registered share capital and reserve as at 30 June 2004 into 3,499,665,555 shares at RMB1 each. In 2009, the Company issued additional 435,091,902 shares at par value of RMB1 each to its shareholders. After the capital injection and as at 31 December 2009, the Company's total issued domestic shares were 3,934,757,457.

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

The Company previously held 29% interests in GAC Changfeng Motor Co., Ltd. ("GAC Changfeng", which was listed on the Shanghai Stock Exchange ("SSE")). Subsequent to the approval by the Company's shareholders and China Securities Regulatory Commission ("CSRC"), the Company paid cash and issued 286,962,422 ordinary shares denominated in RMB of the Company to acquire the remaining interests of GAC Changfeng. On 20 March 2012, GAC Changfeng was delisted from SSE and became a wholly-owned subsidiary of the Company. On 29 March 2012, the Company was listed on the SSE.

On 22 January 2016, the Company issued 41,055,800 units of convertible bonds at a total par value of RMB4,105,580,000. Up to 31 December 2016, certain convertible bond holders have partially converted the convertible bonds and the Company allotted and issued a total of 1,615,855 shares to such convertible bond holders.

During the year ended 31 December 2016, accumulated total of 16,724,653 share options, which were granted in 2014, were exercised by relevant employees and the Company issued 16,724,653 shares accordingly.

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### 2.1 Basis of preparation

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

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

***2.1.1 Changes in accounting policy and disclosures***

*(a) Changes in accounting policy*

Amendments to HKAS 27 "Equity method in separate financial statements" (the "Amendments") are effective for the financial year beginning on 1 January 2016. The Company has adopted the Amendments retrospectively which resulted in the Company changing its accounting policy for its investments in joint ventures and associates from stating at cost to using the equity method. These changes in accounting policies have no material impact on the Group's financial statements except disclosure.

The table below summarizes the effect from the changes in accounting policy on the balance sheets of the Company as at 31 December 2015 and 1 January 2015.

| | As at 31 December 2015 (Previously presented) | Amount of adjustment | As at 31 December 2015 (Restated) | As at 1 January 2015 (Previously presented) | Amount of adjustment | As at 1 January 2015 (Restated) |
|---|---|---|---|---|---|---|
| Investments in joint ventures and associates | 14,074,447 | (672,813) | 13,401,634 | 12,485,337 | 1,789,209 | 14,274,546 |
| Retained earnings | 9,938,750 | (672,813) | 9,265,937 | 4,992,073 | 1,789,209 | 6,781,282 |

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.1 Basis of preparation (continued)

#### *2.1.1 Changes in accounting policy and disclosures (continued)*

*(b) New and amended standards adopted by the Group*

The following new standards and amendments, revisions and interpretation to existing standards are mandatory for the first time for the financial year beginning 1 January 2016:

| Standards/Interpretation | Subject of amendment |
|---|---|
| HKFRS 14 | Regulatory Deferral Accounts |
| Amendment to HKFRS 11 | Acquisitions of interests in joint operations |
| Amendments to HKAS 16 and HKAS 38 | Clarification of acceptable methods of depreciation and amortisation |
| Amendments to HKAS 16 and HKAS 41 | Agriculture: bearer plants |
| Amendment to HKAS 27 | Equity method in separate financial statements |
| Annual improvements 2014 | Annual improvements to HKFRSs 2012-2014 cycle |
| Amendments to HKFRS 10, HKFRS 12 and HKAS 28 | Investment entities: applying the consolidation exception |
| Amendments to HKAS 1 | Disclosure initiative |

The impact of the adoption of the amendments to HKAS 27 to the Company has been disclosed in Note 2.1.1(a); The adoption of the remaining new and amended standards has no material impact on the Group's financial statements.

*(c) New and amended standards not yet adopted*

A number of new and amended standards are effective for annual periods beginning after 1 January 2016 and have not been applied in preparing the Group's consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except those set out in Notes (i), (ii) and (iii) below.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.1 Basis of preparation (continued)

#### *2.1.1 Changes in accounting policy and disclosures (continued)*

*(c) New and amended standards not yet adopted (continued)*

| Standards | Subject of amendment | Effective for accounting periods beginning on or after |
|---|---|---|
| Amendments to HKAS 12 | Income taxes | 1 January 2017 |
| Amendments to HKAS 7 | Statement of cash flows | 1 January 2017 |
| HKFRS 15 *(Note (i))* | Revenue from contracts with customers | 1 January 2018 |
| HKFRS 9 *(Note (ii))* | Financial instruments | 1 January 2018 |
| Amendments to HKFRS 2 | Classification and measurement of share-based payment transactions | 1 January 2018 |
| HKFRS 16 *(Note (iii))* | Leases | 1 January 2019 |
| Amendments to HKFRS 10 and HKAS 28 | Sale or contribution of assets between an investor and its associate or joint venture | To be determined |

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

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Management is currently assessing the effects of applying the new standard on the Group's financial statements and has identified the following areas that are likely to be affected:

- revenue from service – the application of HKFRS 15 may result in the identification of separate performance obligations which could affect the timing of the recognition of revenue.

- accounting for certain costs incurred in fulfilling a contract – certain costs which are currently expensed may need to be recognised as an asset under HKFRS 15, and

- rights of return – HKFRS 15 requires separate presentation on the balance sheet of the right to recover the goods from the customer and the refund obligation.

At this stage, the Group is not able to estimate the impact of the new rules on the Group's financial statements. The Group will make more detailed assessments of the impact over the next twelve months.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.1 Basis of preparation (continued)

#### *2.1.1 Changes in accounting policy and disclosures (continued)*

*(c) New and amended standards not yet adopted (continued)*

(ii) HKFRS 9, 'Financial instruments'

The new standard addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

The Group has yet to undertake a detailed assessment of the classification and measurement of financial assets. At this stage, the Group is not able to estimate the impact of the new rules on the Group's financial statements. The Group will make more detailed assessments of the impact over the next twelve months.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 Financial Instruments: Recognition and Measurement and have not been changed. Accordingly, the Group does not expect a significant impact on the classification and measurement of financial assets.

The new hedging accounting rules have no impact to the Group since the Group does not have any hedging relationships.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through other comprehensive income, contract assets under HKFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. While the Group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.1 Basis of preparation (continued)

#### *2.1.1 Changes in accounting policy and disclosures (continued)*

*(c) New and amended standards not yet adopted (continued)*

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

HKFRS 9 must be applied for financial years commencing on or after 1 January 2018. After that date, the new rules must be adopted in their entirety. The Group does not intend to adopt HKFRS 9 before its mandatory date.

(iii) HKFRS 16, 'Leases'

HKFRS 16 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of RMB480,029,000 (Note 40). However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.2 Subsidiaries

#### *2.2.1 Consolidation*

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

*(a) Business combinations*

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

Acquisition-related costs are expensed as incurred.

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

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

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.2 Subsidiaries (continued)

#### *2.2.1 Consolidation (continued)*

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

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

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

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

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

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

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

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.2 Subsidiaries (continued)

#### *2.2.1 Consolidation (continued)*

*(d) Disposal of subsidiaries*

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

#### *2.2.2 Separate financial statements*

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

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

### 2.3 Associates

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

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.3 Associates (continued)

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

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

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

### 2.4 Joint ventures

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

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

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.5 Segment reporting

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

### 2.6 Foreign currency translation

*(a) Functional and presentation currency*

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

*(b) Transactions and balances*

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

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

*(c) Group companies*

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

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.6 Foreign currency translation (continued)

*(c) Group companies (continued)*

(ii) income and expenses for each consolidated statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting exchange differences are recognised in other comprehensive income.

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

*(d) Disposal of foreign operation and partial disposal*

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

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

### 2.7 Land use rights

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.8 Property, plant and equipment

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

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

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

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

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

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

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.9 Construction in progress

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

### 2.10 Investment properties

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

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

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

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

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

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.11 Intangible assets

*(a) Goodwill*

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

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

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

*(b) Patent and proprietary technology*

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

*(c) Computer software*

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

*(d) Research and development costs*

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

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.12 Impairment of non-financial assets

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

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

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

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

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.14 Financial assets

#### *2.14.1 Classification*

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

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

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

*(b) Loans and receivables*

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

*(c) Available-for-sale financial assets*

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

*(d) Held-to-maturity investments*

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.14 Financial assets (continued)

#### *2.14.2 Recognition and measurement*

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

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

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

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

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

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.15 Offsetting financial instruments

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

### 2.16 Impairment of financial assets

*(a) Assets carried at amortised cost*

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

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

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

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.16 Impairment of financial assets (continued)

*(b) Assets classified as available for sale*

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

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

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

### 2.17 Inventories

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

### 2.18 Trade and other receivables

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

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.19 Cash and cash equivalents

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

### 2.20 Share capital

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

### 2.21 Trade payables

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

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

### 2.22 Borrowings

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

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

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

### 2.23 Borrowing costs

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

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

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.24 Financial guarantee contracts

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

### 2.25 Current and deferred income tax

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

*(a) Current income tax*

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

*(b) Deferred income tax*

*Inside basis differences*

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

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.25 Current and deferred income tax (continued)

***(b) Deferred income tax (continued)***

*Outside basis differences*

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

***(c) Offsetting***

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

### 2.26 Provisions

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

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

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

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.27 Employee benefits

*(a) Defined contribution employee retirement schemes*

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

*(b) Termination benefits*

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

### 2.28 Share-based payment

*(a) Cash-settled share-based payment transactions*

Employee services received in exchange for cash-settled share-based payments are recognised at the fair value of the liability incurred and are expensed over the vesting period. The liability is remeasured at each balance sheet date to its fair value, with all changes recognised immediately in the profit or loss.

*(b) Equity-settled share-based payment transactions*

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.28 Share-based payment (continued)

*(b) Equity-settled share-based payment transactions (continued)*

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

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

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

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

### 2.29 Revenue recognition

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

*(a) Sales of products*

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

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.29 Revenue recognition (continued)

*(b) Rendering of service*

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

*(c) Interest income*

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

*(d) Rental income*

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

*(e) Dividend income*

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

### 2.30 Operating leases

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

*(a) As a lessee*

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

*(b) As a lessor*

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.31 Dividend distribution

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

### 2.32 Government grants

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

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

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

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

## 3. FINANCIAL RISK MANAGEMENT

### 3.1 Financial risk factors

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

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

## 3. FINANCIAL RISK MANAGEMENT (continued)

### 3.1 Financial risk factors (continued)

#### *(a) Market risk*

*(i) Foreign exchange risk*

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

As at 31 December 2016 and 2015, the Group is not exposed to significant foreign exchange risk.

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

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

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

As at 31 December 2016, the Group's borrowings at variable rates were denominated in RMB. If interest rates on bank borrowings had been 100 basis point higher/lower respectively with all other variables held constant, post-tax profit would have been RMB6,360,000 (2015: RMB13,851,000) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

As at 31 December 2016, approximately RMB13,976,182,000 (2015: RMB10,080,839,000) of the Group's borrowings bore interests at fixed rates. The fair value of the Group's borrowings are disclosed in Note 27.

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

## 3. FINANCIAL RISK MANAGEMENT (continued)

### 3.1 Financial risk factors (continued)

*(b) Credit risk*

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

As at 31 December 2016 and 2015, most of the time deposits, restricted cash, and cash and cash equivalent are deposited in state-owned banks and other financial institutions without significant credit risks. Management does not expect any losses from non-performance by these state-owned banks and financial institutions.

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

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

*(c) Liquidity risk*

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

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

## 3. FINANCIAL RISK MANAGEMENT (continued)

### 3.1 Financial risk factors (continued)

*(c) Liquidity risk (continued)*

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

| | Less than 1 year RMB'000 | Between 1 and 2 years RMB'000 | Between 2 and 5 years RMB'000 | Over 5 years RMB'000 |
|---|---|---|---|---|
| **As at 31 December 2016** | | | | |
| Borrowings | **4,958,691** | **1,789,992** | **3,003,995** | **7,619,855** |
| Trade and other payables (excluding advances from customers, employee benefits payable, other taxes and government grants) | **16,103,382** | **30,692** | **110** | **–** |

| | Less than 1 year RMB'000 | Between 1 and 2 years RMB'000 | Between 2 and 5 years RMB'000 | Over 5 years RMB'000 |
|---|---|---|---|---|
| **As at 31 December 2015** | | | | |
| Borrowings | 4,904,859 | 1,329,091 | 4,578,222 | 3,458,100 |
| Trade and other payables (excluding advances from customers, employee benefits payable, other taxes and government grants) | 11,655,255 | 58,705 | 18,431 | – |

## 3. FINANCIAL RISK MANAGEMENT (continued)

### 3.2 Capital management

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

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

The gearing ratios as at 31 December 2016 and 2015 were as follows:

| | As at 31 December | |
|---|---|---|
| | **2016** | 2015 |
| | **RMB'000** | RMB'000 |
| Total borrowings *(Note 27)* | **14,824,215** | 11,927,622 |
| Less: cash and cash equivalents *(Note 21)* | **(12,579,571)** | (11,548,480) |
| Net debt | **2,244,644** | 379,142 |
| Total equity | **44,893,461** | 39,491,320 |
| Total capital | **47,138,105** | 39,870,462 |
| Gearing ratio | **5%** | 1% |

### 3.3 Fair value estimation

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

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

## 3. FINANCIAL RISK MANAGEMENT (continued)

### 3.3 Fair value estimation (continued)

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

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

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

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

## 3. FINANCIAL RISK MANAGEMENT (continued)

### 3.3 Fair value estimation (continued)

The following table presents the Group's assets that are measured at fair value at 31 December 2015.

| | Level 1<br>RMB'000<br>*Note (a)* | Level 2<br>RMB'000<br>*Note (b)* | Level 3<br>RMB'000<br>*Note (c)* | Total<br>RMB'000 |
|---|---|---|---|---|
| **Assets** | | | | |
| Financial assets at fair value through profit or loss | | | | |
| – Bond investments | 80,476 | – | – | 80,476 |
| – Fund investments | – | 31,725 | – | 31,725 |
| – Stocks | 374,330 | – | – | 374,330 |
| | 454,806 | 31,725 | – | 486,531 |
| Available-for-sale financial assets | | | | |
| – Bond investments | 137,566 | – | – | 137,566 |
| – Fund investments | 21,623 | 447,986 | – | 469,609 |
| – Financial products | – | – | 207,080 | 207,080 |
| – Stocks | 184,658 | – | 554,400 | 739,058 |
| | 343,847 | 447,986 | 761,480 | 1,553,313 |
| **Total assets** | 798,653 | 479,711 | 761,480 | 2,039,844 |

## 3. FINANCIAL RISK MANAGEMENT (continued)

### 3.3 Fair value estimation (continued)

#### (a) *Financial instruments in level 1*

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

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

#### (b) *Financial instruments in level 2*

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

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

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.

- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

## 3. FINANCIAL RISK MANAGEMENT (continued)

### 3.3 Fair value estimation (continued)

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

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

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

## 3. FINANCIAL RISK MANAGEMENT (continued)

### 3.3 Fair value estimation (continued)

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

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

| | Fair value at 31 December 2016 RMB'000 | Valuation technique(s) | Unobservable input | Range (weighted average) |
|---|---|---|---|---|
| **Available-for-sale financial assets** | | | | |
| – Financial products | 1,796,380 | Discounted cash flow | Expected interest rate per annum | 2.10%-4.30% |
| – Trust products | 190,000 | Discounted cash flow | Expected interest rate per annum | 4.30%-5.30% |
| – Stocks (Note (i)) | 532,300 | Discounted cash flow | Discount rate | 3.90%-3.92% |
| | | | Expected dividend yield | 6% |
| –Stocks (Note (i)) | 518,100 | Comparable transaction approach | Recent market transaction | USD110-120 per share |

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

## 3. FINANCIAL RISK MANAGEMENT (continued)

### 3.3 Fair value estimation (continued)

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

The following table presents the changes in level 3 instruments for the year ended 31 December 2015.

| | Available-for-sale financial assets | | |
|---|---|---|---|
| | Stocks<br>RMB'000 | Financial products<br>RMB'000 | Total<br>RMB'000 |
| Opening balance | 500,000 | 198,000 | 698,000 |
| Purchase | – | 14,309,270 | 14,309,270 |
| Gains for the period recognised in other comprehensive income | 54,400 | 70,082 | 124,482 |
| Disposal | – | (14,370,272) | (14,370,272) |
| Closing balance | 554,400 | 207,080 | 761,480 |
| Total gains or losses for the year included in profit or loss, under "other gains-net" | 30,000 | 70,082 | 100,082 |

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

| | Fair value at 31 December 2015<br>RMB'000 | Valuation technique(s) | Unobservable input | Range (weighted average) |
|---|---|---|---|---|
| **Available-for-sale financial assets** | | | | |
| – Financial products | 207,080 | Discounted cash flow | Expected interest rate per annum | 2.55%-4.90% |
| – Stocks | 554,400 | Discounted cash flow | Discount rate | 3.17%-3.50% |
| | | | Expected dividend yield | 6% |

## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

### (a) Current and deferred income taxes

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

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

## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

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

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

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

### (c) Impairment of goodwill

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

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

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

## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

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

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

If the budgeted revenue used in the fair value less cost of disposal calculation for this joint venture had been 5% lower than management's estimates at 31 December 2016, the Group would not recognise any impairment of investment. If the estimated post-tax discount rate for the joint venture had been 0.6% higher than management's estimates, the Group would not recognise an impairment against investment. If the estimated gross profit margins for the joint venture had been 0.4% lower than management's estimates, the Group would not recognise an impairment against investment.

### (e) Warranty provisions

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

### (f) Impairment of trade and other receivables

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

### (g) Impairment of inventory

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

## 5. PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

As at 31 December 2016 particulars of principal subsidiaries, joint ventures and associates are as follows:

| Name | Place of incorporation and operations | Legal status | Principal activities | Particulars of registered capital/ issued share capital | Interest held | |
|---|---|---|---|---|---|---|
| | | | | | Direct | Indirect |
| **Subsidiaries** | | | | | | |
| Guangzhou Automobile Group Auto Bus Co., Ltd. ("GAC Bus") 廣州汽車集團客車有限公司 | Mainland China | Limited liability company | Manufacture and sale of automobiles | US$49,900,000 | 50% | 50% |
| Guangzhou Automobile Group Motor Co., Ltd. ("GAC Motor") 廣州汽車集團乘用車有限公司 | Mainland China | Limited liability company | Manufacture and sale of automobiles | RMB6,127,715,594 | 100% | – |
| Guangzhou Automobile Group Component Co., Ltd. ("GAC Component") 廣州汽車集團零部件有限公司 | Mainland China | Limited liability company | Manufacture and sale of automotive parts | RMB107,211,000 | 51% | 49% |
| Guangzhou Automobile Group Business Co., Ltd. ("GAC Business") 廣州汽車集團商貿有限公司 | Mainland China | Limited liability company | Trading of automobiles, automotive parts and steels | RMB3,241,512,000 | 100% | – |
| GAC Motor Hangzhou Co., Ltd. ("GAC Motor Hangzhou") 廣州汽車集團乘用車(杭州)有限公司 *(Note 41)* | Mainland China | Limited liability company | Manufacture and sale of automobile | RMB2,802,180,000 | 51% | 49% |
| GAC Capital Co., Ltd. ("GAC Capital") 廣汽資本有限公司 | Mainland China | Limited liability company | Investment and investment management | RMB1,500,000,000 | 100% | – |

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

| Name | Place of incorporation and operations | Principal activities | Particulars of registered capital/ issued share capital | Interest held Direct | Interest held Indirect |
|---|---|---|---|---|---|
| **Joint ventures** | | | | | |
| Guangqi Honda Automobile Co., Ltd. ("Guangqi Honda") 廣汽本田汽車有限公司 | Mainland China | Manufacture and sale of automobile and automotive parts | US$541,000,000 | 50% | – |
| GAC Toyota Motor Co., Ltd. ("GAC Toyota") 廣汽豐田汽車有限公司 | Mainland China | Manufacture and sale of automobile and automotive parts | US$518,200,000 | 50% | – |
| GAC Hino Motors Co., Ltd. ("GAC Hino") 廣汽日野汽車有限公司 | Mainland China | Manufacture and sale of automobile and automotive parts | RMB1,720,000,000 | 50% | – |
| GAC-SOFINCO Automobile Finance Co., Ltd ("GAC Sofinco") 廣汽匯理汽車金融有限公司 | Mainland China | Provision of automotive financing services | RMB1,600,000,000 | 50% | – |
| GAC Fiat Chrysler Automobiles Co., Ltd. ("GAC Fiat Chrysler") 廣汽菲亞特克萊斯勒汽車有限公司 | Mainland China | Manufacture and sale of automobile and automotive parts | RMB6,000,000,000 | 50% | – |
| Wuyang-Honda Motors (Guangzhou) Co., Ltd. ("Wuyang-Honda") 五羊－本田摩托（廣州）有限公司 | Mainland China | Manufacture and sale of motorcycle and motorcycle parts | US$49,000,000 | 50% | – |
| GAC Mitsubishi Motors Co., Ltd. ("GAC Mitsubishi") 廣汽三菱汽車有限公司 | Mainland China | Manufacture and sale of automobile and automotive parts | RMB1,947,000,000 | 50% | – |

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

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

## 6. SEGMENT INFORMATION

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

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

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

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

Certain operating segments have been aggregated into one reportable segment as they have similar expected growth rates.

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

During the year ended 31 December 2016, no revenue from transactions with a single external customer counted to 10% or more of the Group's total revenue.

## 6. SEGMENT INFORMATION (continued)

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

| | Vehicles and related operations RMB'000 | Others RMB'000 | Eliminations RMB'000 | Unallocated RMB'000 | Consolidated RMB'000 |
|---|---|---|---|---|---|
| Total gross segment revenue | 48,271,360 | 1,265,866 | (119,550) | | 49,417,676 |
| Inter-segment revenue | (62,639) | (56,911) | 119,550 | | – |
| **Revenue (from external customers)** | 48,208,721 | 1,208,955 | – | | 49,417,676 |
| Segment results | 2,033,836 | 125,062 | (39,265) | | 2,119,633 |
| Unallocated income – Headquarters interest income | | | | 147,714 | 147,714 |
| Unallocated costs – Headquarters expenditure | | | | (126,425) | (126,425) |
| **Operating profit** | | | | | 2,140,922 |
| Finance costs | (328,112) | (102,469) | – | (532,346) | (962,927) |
| Interest income | 41,612 | 1,934 | – | 53,694 | 97,240 |
| Share of profit of joint ventures and associates | 5,383,493 | 390,869 | – | – | 5,774,362 |
| **Profit before income tax** | | | | | 7,049,597 |
| Income tax expense | (714,829) | (31,852) | – | (7,661) | (754,342) |
| **Profit for the year** | | | | | 6,295,255 |
| **Other segment items** | | | | | |
| Depreciation and amortisation | 2,103,630 | 26,531 | – | 53,158 | 2,183,319 |
| Provision for impairment loss of trade and other receivables | 96,136 | 519 | – | – | 96,655 |
| Impairment charges of inventories | 206,205 | – | – | – | 206,205 |
| Impairment charges of available-for-sale financial assets | 405 | 1,769 | – | – | 2,174 |
| Impairment charges of property, plant and equipment | 87,096 | – | – | – | 87,096 |
| Impairment charges of intangible assets | 590,889 | – | – | – | 590,889 |

## 6. SEGMENT INFORMATION (continued)

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

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

## 6. SEGMENT INFORMATION (continued)

The segment results for the year ended 31 December 2015 and other segment items included in the consolidated statement of comprehensive income are as follows:

| | Vehicles and related operations RMB'000 | Others RMB'000 | Eliminations RMB'000 | Unallocated RMB'000 | Consolidated RMB'000 |
|---|---|---|---|---|---|
| Total gross segment revenue | 28,322,995 | 1,224,882 | (129,654) | | 29,418,223 |
| Inter-segment revenue | (37,751) | (91,903) | 129,654 | | – |
| **Revenue (from external customers)** | 28,285,244 | 1,132,979 | – | | 29,418,223 |
| Segment results | 205,441 | 49,008 | (33,893) | | 220,556 |
| Unallocated income – Headquarters interest income | | | | 245,440 | 245,440 |
| Unallocated costs – Headquarters expenditure | | | | (79,076) | (79,076) |
| **Operating profit** | | | | | 386,920 |
| Finance costs | (331,514) | (22,202) | – | (495,680) | (849,396) |
| Interest income | 51,737 | 2,642 | – | 73,576 | 127,955 |
| Share of profit of joint ventures and associates | 4,283,757 | 436,360 | – | – | 4,720,117 |
| **Profit before income tax** | | | | | 4,385,596 |
| Income tax expense | (371,150) | (23,999) | – | (4,918) | (400,067) |
| **Profit for the year** | | | | | 3,985,529 |
| **Other segment items** | | | | | |
| Depreciation and amortisation | 1,589,512 | 19,789 | – | 50,913 | 1,660,214 |
| Provision/(reversal) for impairment loss of trade and other receivables | 74,988 | (80) | – | 1 | 74,909 |
| Impairment charges of inventories | 91,107 | – | – | – | 91,107 |
| Impairment charges of available-for-sale financial assets | – | 12,732 | – | – | 12,732 |
| Impairment charges of property, plant and equipment | 30,168 | – | – | – | 30,168 |
| Impairment charges of intangible assets | 66,821 | – | – | – | 66,821 |

## 6. SEGMENT INFORMATION (continued)

The segment assets and liabilities as at 31 December 2015 and additions to non-current assets (other than deferred tax assets, available-for-sale financial assets and held-to-maturity investments) for the year then ended are as follows:

| | Vehicles and related operations RMB'000 | Others RMB'000 | Eliminations RMB'000 | Unallocated RMB'000 | Consolidated RMB'000 |
|---|---|---|---|---|---|
| **Total assets** | 48,087,334 | 8,614,956 | (7,405,435) | 17,922,833 | 67,219,688 |
| Total assets include: | | | | | |
| Investments in joint ventures and associates | 15,921,336 | 2,556,822 | – | – | 18,478,158 |
| **Total liabilities** | 19,149,256 | 6,243,336 | (7,404,831) | 9,740,607 | 27,728,368 |
| **Additions to non-current assets (other than deferred tax assets, available-for-sale financial assets and held-to-maturity investments)** | 2,372,111 | 277,421 | – | – | 2,649,532 |

Revenue from external customers by geographical location is as follows:

| | Year ended 31 December 2016 RMB'000 | 2015 RMB'000 |
|---|---|---|
| Mainland China | **49,414,863** | 29,402,583 |
| Hong Kong | **2,813** | 15,640 |
| | **49,417,676** | 29,418,223 |

## 6. SEGMENT INFORMATION (continued)

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

| | As at 31 December | |
|---|---|---|
| | **2016** | 2015 |
| | **RMB'000** | RMB'000 |
| Mainland China | **44,293,275** | 36,576,217 |
| Hong Kong | **93,530** | 93,836 |
| | **44,386,805** | 36,670,053 |

Analysis of revenue by category:

| | Year ended 31 December | |
|---|---|---|
| | **2016** | 2015 |
| | **RMB'000** | RMB'000 |
| Sales of products | **46,006,011** | 26,642,420 |
| Rendering of services and others | **3,411,665** | 2,775,803 |
| | **49,417,676** | 29,418,223 |

## 7. LAND USE RIGHTS

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

| | Year ended 31 December | |
|---|---|---|
| | **2016** | 2015 |
| | **RMB'000** | RMB'000 |
| **Beginning of the year** | | |
| Cost | **2,004,398** | 1,660,163 |
| Accumulated amortisation and impairment | **(184,696)** | (158,771) |
| Net book amount | **1,819,702** | 1,501,392 |
| **For the year ended** | | |
| Opening net book amount | **1,819,702** | 1,501,392 |
| Additions | **643,211** | 351,622 |
| Acquisition of subsidiaries | **–** | 58,936 |
| Transferred to investment properties *(Note 9)* | **(55,183)** | – |
| Disposal | **(42,714)** | (51,798) |
| Amortisation charge *(Note 30)* | **(56,057)** | (40,450) |
| Closing net book amount | **2,308,959** | 1,819,702 |
| **End of the year** | | |
| Cost | **2,540,759** | 2,004,398 |
| Accumulated amortisation and impairment | **(231,800)** | (184,696) |
| Net book amount | **2,308,959** | 1,819,702 |

(a) The amount of amortisation of the Group was primarily charged to cost of sales and administrative expenses in the consolidated statement of comprehensive income.

(b) As at 31 December 2016, certain bank borrowings (Note 27(a)) were secured by the Group's land use rights with the carrying value of approximately RMB29,567,000 (2015: RMB163,116,000).

(c) As at 31 December 2016, the Group is in the process of applying for the title certificates of certain of its land use rights with an aggregate carrying value of approximately RMB802,573,000 (2015: RMB247,854,000). The Directors consider that the Group is entitled to lawfully and validly occupy or use those land use rights.

## 8. PROPERTY, PLANT AND EQUIPMENT

| | Buildings RMB'000 | Machinery RMB'000 | Vehicles RMB'000 | Moulds RMB'000 | Office and Other equipment RMB'000 | Leasehold improvements RMB'000 | Construction in progress RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|---|---|
| **Year ended 31 December 2015** | | | | | | | | |
| Opening net book amount | 4,886,440 | 2,100,228 | 264,788 | 575,325 | 95,700 | 244,019 | 377,312 | 8,543,812 |
| Additions | 26,468 | 103,509 | 89,568 | 131,706 | 32,613 | 54,260 | 2,538,019 | 2,976,143 |
| Adjustments to the estimated initial cost based on the final settlement amount | (29,761) | – | – | – | – | – | – | (29,761) |
| Acquisition of subsidiaries | – | 83 | – | – | 170 | – | 35,861 | 36,114 |
| Disposals | (11,261) | (11,331) | (32,982) | (4,153) | (1,076) | – | – | (60,803) |
| Transfer from investment properties *(Note 9)* | 6,935 | – | – | – | – | – | – | 6,935 |
| Transfer to investment properties *(Note 9)* | (111) | – | – | – | – | – | – | (111) |
| Transfers | 155,430 | 364,700 | 997 | 40,212 | 1,531 | (3,908) | (558,962) | – |
| Depreciation charge *(Note 30)* | (222,285) | (314,995) | (86,176) | (151,999) | (28,717) | (56,781) | – | (860,953) |
| Impairment charge | (9,913) | (13,995) | (208) | (2,296) | (36) | – | (3,720) | (30,168) |
| Closing net book amount | 4,801,942 | 2,228,199 | 235,987 | 588,795 | 100,185 | 237,590 | 2,388,510 | 10,581,208 |
| **As at 31 December 2015** | | | | | | | | |
| Cost | 5,558,269 | 3,341,322 | 500,055 | 988,065 | 268,211 | 446,319 | 2,392,230 | 13,494,471 |
| Accumulated depreciation and impairment | (756,327) | (1,113,123) | (264,068) | (399,270) | (168,026) | (208,729) | (3,720) | (2,913,263) |
| Net book amount | 4,801,942 | 2,228,199 | 235,987 | 588,795 | 100,185 | 237,590 | 2,388,510 | 10,581,208 |
| **Year ended 31 December 2016** | | | | | | | | |
| Opening net book amount | 4,801,942 | 2,228,199 | 235,987 | 588,795 | 100,185 | 237,590 | 2,388,510 | 10,581,208 |
| Additions | 13,956 | 185,852 | 109,527 | 231,577 | 61,971 | 81,220 | 2,844,417 | 3,528,520 |
| Disposals | (41,634) | (43,783) | (30,387) | (3,368) | (1,247) | – | – | (120,419) |
| Transfer from investment properties *(Note 9)* | 17,220 | – | – | – | – | – | – | 17,220 |
| Transfer to investment properties *(Note 9)* | – | – | – | – | – | – | (973,939) | (973,939) |
| Transfers | 1,380,798 | 2,064,509 | 15,667 | 191,898 | 4,520 | – | (3,657,392) | – |
| Depreciation charge *(Note 30)* | (252,612) | (374,625) | (81,460) | (260,429) | (36,569) | (83,786) | – | (1,089,481) |
| Impairment charge | (23,581) | (36,308) | (2,723) | (23,264) | (197) | – | (1,023) | (87,096) |
| Closing net book amount | 5,896,089 | 4,023,844 | 246,611 | 725,209 | 128,663 | 235,024 | 600,573 | 11,856,013 |
| **As at 31 December 2016** | | | | | | | | |
| Cost | 6,928,609 | 5,515,129 | 532,046 | 1,402,079 | 325,802 | 527,539 | 601,596 | 15,832,800 |
| Accumulated depreciation and impairment | (1,032,520) | (1,491,285) | (285,435) | (676,870) | (197,139) | (292,515) | (1,023) | (3,976,787) |
| Net book amount | 5,896,089 | 4,023,844 | 246,611 | 725,209 | 128,663 | 235,024 | 600,573 | 11,856,013 |

## 8. PROPERTY, PLANT AND EQUIPMENT (continued)

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

| | Year ended 31 December | |
|---|---|---|
| | **2016** | 2015 |
| | **RMB'000** | RMB'000 |
| Cost of sales | **776,084** | 654,387 |
| Selling and distribution costs | **26,019** | 15,165 |
| Administrative expenses | **287,378** | 191,401 |
| | **1,089,481** | 860,953 |

(b) As at 31 December 2016, certain bank borrowings (Note 27(a)) were secured by the Group's property, plant and equipment with the carrying value of approximately RMB122,831,000 (2015: RMB218,086,000).

(c) As at 31 December 2016, the Group is in the process of applying for the title certificates of certain of its property with an aggregate carrying value of approximately RMB1,912,929,000 (2015: RMB771,981,000). The Directors consider that the Group is entitled to lawfully and validly occupy or use those properties.

(d) During the year, the Group capitalised borrowing costs amounting to RMB8,463,000 (2015: RMB26,112,000) on qualifying assets (construction in progress). Borrowing costs were capitalised at rate of its general borrowings of 4.35%-5.35% (2015: 2.59%-5.35%).

## 9. INVESTMENT PROPERTIES

| | Year ended 31 December | |
|---|---|---|
| | **2016** | 2015 |
| | **RMB'000** | RMB'000 |
| **Beginning of the year** | | |
| Cost | **414,497** | 428,424 |
| Accumulated depreciation | **(70,539)** | (59,003) |
| Net book amount | **343,958** | 369,421 |
| **For the year ended** | | |
| Opening net book amount | **343,958** | 369,421 |
| Transfer from land use rights *(Note 7)* | **55,183** | – |
| Transfer from property, plant and equipment *(Note 8)* | **973,939** | 111 |
| Transfer to property, plant and equipment *(Note 8)* | **(17,220)** | (6,935) |
| Adjustments to the estimated initial cost based on the final settlement amount | **–** | (5,440) |
| Disposal | **(1,125)** | – |
| Depreciation charge *(Note 30)* | **(43,302)** | (13,199) |
| Closing net book amount | **1,311,433** | 343,958 |
| **End of the year** | | |
| Cost | **1,412,150** | 414,497 |
| Accumulated depreciation | **(100,717)** | (70,539) |
| Net book amount | **1,311,433** | 343,958 |

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

| | As at 31 December | |
|---|---|---|
| | **2016** | 2015 |
| | **RMB'000** | RMB'000 |
| Mainland China | **1,295,964** | 327,513 |
| Hong Kong | **15,469** | 16,445 |
| | **1,311,433** | 343,958 |

(b) As at 31 December 2016, the Group is in the process of applying for the title certificates of certain of its investment properties with an aggregate carrying value of approximately RMB958,167,000 (2015: Nil). The Directors consider that the Group is entitled to lawfully and validly occupy or use those properties.

## 10. INTANGIBLE ASSETS

| | Patent, proprietary technology and franchise right RMB'000 | Computer software RMB'000 | Goodwill RMB'000 | Development costs RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|
| **Year ended 31 December 2015** | | | | | |
| Opening net book amount | 731,342 | 103,944 | 328,436 | 2,881,817 | 4,045,539 |
| Additions | 159 | 34,878 | – | 1,560,269 | 1,595,306 |
| Acquisition of subsidiaries | – | 828 | – | – | 828 |
| Disposal | – | (2,338) | – | – | (2,338) |
| Amortisation charge *(Note 30)* | (145,198) | (24,393) | – | (576,021) | (745,612) |
| Impairment charge | – | – | – | (66,821) | (66,821) |
| Closing net book amount | 586,303 | 112,919 | 328,436 | 3,799,244 | 4,826,902 |
| **As at 31 December 2015** | | | | | |
| Cost | 1,064,259 | 204,260 | 328,436 | 5,379,547 | 6,976,502 |
| Accumulated amortisation and impairment | (477,956) | (91,341) | – | (1,580,303) | (2,149,600) |
| Net book amount | 586,303 | 112,919 | 328,436 | 3,799,244 | 4,826,902 |
| **Year ended 31 December 2016** | | | | | |
| Opening net book amount | **586,303** | **112,919** | **328,436** | **3,799,244** | **4,826,902** |
| Additions | **10,527** | **74,108** | **–** | **1,993,053** | **2,077,688** |
| Amortisation charge *(Note 30)* | **(123,165)** | **(31,721)** | **–** | **(839,593)** | **(994,479)** |
| Impairment charge | **(344)** | **–** | **–** | **(590,545)** | **(590,889)** |
| Closing net book amount | **473,321** | **155,306** | **328,436** | **4,362,159** | **5,319,222** |
| **As at 31 December 2016** | | | | | |
| Cost | **1,074,786** | **277,925** | **328,436** | **7,372,600** | **9,053,747** |
| Accumulated amortisation and impairment | **(601,465)** | **(122,619)** | **–** | **(3,010,441)** | **(3,734,525)** |
| Net book amount | **473,321** | **155,306** | **328,436** | **4,362,159** | **5,319,222** |

## 10. INTANGIBLE ASSETS (continued)

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

(b) Goodwill arose from acquisition of businesses:

| | As at 31 December | |
|---|---|---|
| | **2016** | 2015 |
| | **RMB'000** | RMB'000 |
| Business acquired by GAC Motor Hangzhou *(Note (i))* | **201,337** | 201,337 |
| Denway | **90,299** | 90,299 |
| Others | **36,800** | 36,800 |
| | **328,436** | 328,436 |

Goodwill is allocated to the passenger vehicles and related operations and automotive parts segment, which is operated in Mainland China. Impairment testing is performed at each year end, and there was no material impairment for goodwill as at year end.

(i) As at 31 December 2016, the recoverable amount of GAC Motor Hangzhou has been assessed by reference to fair value less cost of disposal, in line with the accounting policy in Note 2.11(a).

(c) During the year, the Group capitalised borrowing costs amounting to RMB46,819,000 (2015: RMB53,748,000) on qualifying assets (development costs). Borrowing costs were capitalised at rate of its general borrowings of 5.09%-5.19% (2015: 2.59%-5.19%).

## 11. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

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

| | As at 31 December | |
|---|---|---|
| | **2016** | 2015 |
| | **RMB'000** | RMB'000 |
| Investments in joint ventures | **16,730,779** | 12,966,481 |
| Investments in associates | **5,927,340** | 5,511,677 |
| | **22,658,119** | 18,478,158 |

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

| | Year ended 31 December | |
|---|---|---|
| | **2016** | 2015 |
| | **RMB'000** | RMB'000 |
| Share of profit of joint ventures *(Note (i))* | **4,685,223** | 3,595,926 |
| Share of profit of associates *(Note (i))* | **1,049,556** | 1,043,312 |
| Government grants to compensate share of loss of a joint venture | **39,583** | 80,879 |
| | **5,774,362** | 4,720,117 |

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

### 11.1 Investments in Joint Ventures

| | As at 31 December | |
|---|---|---|
| | **2016** | 2015 |
| | **RMB'000** | RMB'000 |
| Investment in unlisted shares | **16,730,779** | 12,966,481 |

## 11. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

### 11.1 Investments in Joint Ventures (continued)

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

| | Year ended 31 December | |
|---|---|---|
| | **2016** | 2015 |
| | **RMB'000** | RMB'000 |
| Beginning of the year | **12,966,481** | 13,424,452 |
| Additions *(Note (i))* | **1,003,340** | 1,793,553 |
| Share of profits | **4,680,016** | 3,579,723 |
| Dividends declared | **(1,919,058)** | (5,777,200) |
| Disposals | **–** | (54,047) |
| End of the year | **16,730,779** | 12,966,481 |

(i) The additions in 2016 mainly represent following:

The Company contributed additional capital of RMB600,000,000 and RMB123,500,000 to GAC Fiat Chrysler and GAC Mitsubishi respectively in proportion to its interest held.

GAC Business, a subsidiary of the Group, contributed capital of RMB245,000,000 to acquire 35% shares of Angang Guangzhou Auto Steel Co.,Ltd ("Angang Guangzhou"). Although the Group owns less than half of the equity interests in Angang Guangzhou, the Group is able to jointly control it by virtue of an agreement with other investors. The Group classified Angang Guangzhou as a joint venture.

## 11. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

### 11.1 Investments in Joint Ventures (continued)

(b) Set out below are the joint ventures of the Group as at 31 December 2016, which in the opinion of the directors, are material to the Group. The joint ventures as listed below are held directly by the Group; the country of incorporation or registration is also their principal place of business.

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

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

(c) Summarised financial information for joint ventures

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

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

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

## 11. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

### 11.1 Investments in Joint Ventures (continued)

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

**Summarised balance sheet**

| | As at 31 December 2016 RMB'000 | 2015 RMB'000 |
|---|---|---|
| **Assets** | | |
| Non-current assets | **31,908,651** | 29,435,534 |
| Current assets | | |
| – Cash and cash equivalents | **36,672,418** | 23,542,801 |
| – Other current assets | **50,990,849** | 44,943,305 |
| | **87,663,267** | 68,486,106 |
| Total assets | **119,571,918** | 97,921,640 |
| **Liabilities** | | |
| Non-current liabilities | | |
| – Financial liabilities (excluding trade and other payables) | **6,355,026** | 7,184,736 |
| – Other non-current liabilities (including trade and other payables) | **4,905,790** | 3,497,192 |
| | **11,260,816** | 10,681,928 |
| Current liabilities | | |
| – Financial liabilities (excluding trade and other payables) | **18,886,229** | 16,749,389 |
| – Other current liabilities (including trade and other payables) | **61,645,004** | 50,518,592 |
| | **80,531,233** | 67,267,981 |
| Total liabilities | **91,792,049** | 77,949,909 |
| **Net assets** | **27,779,869** | 19,971,731 |
| Less: Non-controlling interests | **(18,520)** | (17,225) |
| | **27,761,349** | 19,954,506 |

## 11. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

### 11.1 Investments in Joint Ventures (continued)

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

**Summarised statement of comprehensive income**

| | Year ended 31 December | |
|---|---|---|
| | **2016** | 2015 |
| | **RMB'000** | RMB'000 |
| Revenue | **183,892,389** | 147,460,779 |
| Cost of sales | **(153,840,386)** | (124,446,423) |
| Other expenditures | **(20,776,089)** | (15,944,812) |
| Profit after tax | **9,275,914** | 7,069,544 |
| (Less)/Add: profit/loss attributable to non-controlling interests | **(1,295)** | 368 |
| | **9,274,619** | 7,069,912 |
| Other comprehensive income | **–** | – |
| Total comprehensive income | **9,274,619** | 7,069,912 |

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

| Name of joint ventures | Assets As at 31 December | | Liabilities As at 31 December | | Revenue Year ended 31 December | | Dividends received Year ended 31 December | |
|---|---|---|---|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 | **2016** | 2015 | **2016** | 2015 |
| | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 |
| Guangqi Honda | **32,519,192** | 26,622,080 | **24,807,557** | 19,423,752 | **75,833,723** | 69,396,829 | **1,491,398** | 1,224,251 |
| GAC Toyota | **24,097,735** | 21,350,962 | **15,838,287** | 17,605,177 | **57,760,200** | 54,663,310 | **2,216,145** | 1,972,229 |
| GAC Fiat Chrysler | **16,434,253** | 11,376,665 | **12,938,930** | 9,497,180 | **24,053,528** | 4,822,198 | **–** | – |
| GAC Mitsubishi | **7,852,154** | 6,856,023 | **6,452,192** | 5,398,660 | **9,780,021** | 6,143,534 | **–** | – |
| GAC Hino | **1,513,589** | 1,505,390 | **1,441,866** | 1,267,837 | **688,134** | 671,617 | **–** | – |
| GAC Sofinco | **25,364,443** | 21,402,439 | **22,508,802** | 18,967,727 | **2,076,256** | 1,886,835 | **50,000** | – |
| Wuyang-Honda | **3,757,140** | 3,265,921 | **2,462,953** | 1,967,051 | **5,629,348** | 5,647,503 | **74,655** | 92,430 |
| Total | **111,538,506** | 92,379,480 | **86,450,587** | 74,127,384 | **175,821,210** | 143,231,826 | **3,832,198** | 3,288,910 |

## 11. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

### 11.1 Investments in Joint Ventures (continued)

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

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

| | As at 31 December | |
|---|---|---|
| | **2016** | 2015 |
| | **RMB'000** | RMB'000 |
| Assets | **111,538,506** | 92,379,480 |
| Less: Liabilities | **(86,450,587)** | (74,127,384) |
| Non-controlling interests | **(18,520)** | (17,225) |
| Net assets excluding non-controlling interests | **25,069,399** | 18,234,871 |
| Percentage of ownership interest | **50%** | 50% |
| Interests in material joint ventures | **12,534,700** | 9,117,436 |
| Goodwill | **2,916,552** | 2,916,552 |
| – GAC Mitsubishi | **2,895,293** | 2,895,293 |
| – Wuyang-Honda | **21,259** | 21,259 |
| Carrying amount of investments in material joint ventures | **15,451,252** | 12,033,988 |

## 11. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

### 11.2 Investments in Associates

| | As at 31 December | |
|---|---|---|
| | **2016** | 2015 |
| | **RMB'000** | RMB'000 |
| Unlisted companies | **5,927,340** | 5,511,677 |

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

| | Year ended 31 December | |
|---|---|---|
| | **2016** | 2015 |
| | **RMB'000** | RMB'000 |
| Beginning of the year | **5,511,677** | 5,268,404 |
| Additions | **96,144** | 320,890 |
| Share of profits | **1,050,328** | 1,040,777 |
| Capital reduction | **(104,895)** | – |
| Dividends declared | **(625,914)** | (1,118,394) |
| End of the year | **5,927,340** | 5,511,677 |

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

| | Year ended 31 December | |
|---|---|---|
| | **2016** | 2015 |
| | **RMB'000** | RMB'000 |
| **Associates** | | |
| Profit from continuing operations | **1,049,556** | 1,043,312 |
| Other comprehensive income | **–** | – |
| Total comprehensive income | **1,049,556** | 1,043,312 |

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

## 12. FINANCIAL INSTRUMENTS BY CATEGORY

| | As at 31 December | |
|---|---|---|
| | **2016** | 2015 |
| | **RMB'000** | RMB'000 |
| Loans and receivables | | |
| – Trade and other receivables | | |
| (excluding prepayments and VAT recoverable) *(Note 17 and Note 15)* | **7,682,390** | 8,058,013 |
| – Time deposits *(Note 19)* | **7,189,931** | 4,086,517 |
| – Restricted cash *(Note 20)* | **1,547,528** | 837,094 |
| – Cash and cash equivalents *(Note 21)* | **12,579,571** | 11,548,480 |
| Financial assets at fair value through profit or loss *(Note 18)* | **604,551** | 486,531 |
| Held-to-maturity investments | **59,964** | 119,854 |
| Available-for-sale financial assets *(Note 14)* | **4,123,215** | 2,280,826 |
| | **33,787,150** | 27,417,315 |

| | As at 31 December | |
|---|---|---|
| | **2016** | 2015 |
| | **RMB'000** | RMB'000 |
| Financial liabilities at amortised cost | | |
| – Trade and other payables | | |
| (excluding advances from customers, employee benefits payable, other taxes and government grants) *(Note 26)* | **16,134,184** | 11,724,944 |
| – Borrowings *(Note 27)* | **14,824,215** | 11,927,622 |
| Total | **30,958,399** | 23,652,566 |

## 13. DEFERRED INCOME TAX

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

| | As at 31 December | |
|---|---|---|
| | **2016** | 2015 |
| | **RMB'000** | RMB'000 |
| Deferred tax assets: | | |
| – to be recovered after more than 12 months | **215,642** | 140,298 |
| – to be recovered within 12 months | **574,233** | 300,240 |
| | **789,875** | 440,538 |
| Deferred tax liabilities: | | |
| – to be settled after more than 12 months | **(71,756)** | (41,172) |
| – to be settled within 12 months | **(196)** | (435) |
| | **(71,952)** | (41,607) |
| Deferred tax assets – net | **717,923** | 398,931 |

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

| | Year ended 31 December | |
|---|---|---|
| | **2016** | 2015 |
| | **RMB'000** | RMB'000 |
| Beginning of the year | **398,931** | 446,620 |
| Tax recognised in profit or loss *(Note 35)* | **319,467** | (49,307) |
| Tax charge relating to components of other comprehensive income | **(475)** | 1,618 |
| End of the year | **717,923** | 398,931 |

## 13. DEFERRED INCOME TAX (continued)

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

| Deferred tax assets | Impairment provision RMB'000 | Amortisation of pre-operating expenses RMB'000 | Accrued expenses and provisions RMB'000 | Tax losses RMB'000 | Revaluation of available-for-sale financial assets RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|
| **Year ended 31 December 2015** | | | | | | |
| Opening book amount | 35,038 | 3,143 | 293,285 | 149,695 | 341 | 481,502 |
| Recognised in profit or loss | (356) | (2,692) | 29,112 | (66,687) | – | (40,623) |
| Tax charge relating to components of other comprehensive income | – | – | – | – | (341) | (341) |
| Closing book amount | 34,682 | 451 | 322,397 | 83,008 | – | 440,538 |
| **Year ended 31 December 2016** | | | | | | |
| Opening book amount | **34,682** | **451** | **322,397** | **83,008** | **–** | **440,538** |
| Recognised in profit or loss | **32,221** | **939** | **324,731** | **(8,554)** | **–** | **349,337** |
| Closing book amount | **66,903** | **1,390** | **647,128** | **74,454** | **–** | **789,875** |

## 13. DEFERRED INCOME TAX (continued)

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

| Deferred tax liabilities | Accrued bank interest income RMB'000 | Accelerated taxation depreciation RMB'000 | Revaluation of available-for-sale financial assets and financial assets at fair value through profit or loss RMB'000 | Fair value gains arisen from business combination RMB'000 | Share of profit of an associate RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|
| **Year ended 31 December 2015** | | | | | | |
| Opening book amount | (1,321) | (552) | (2,219) | (30,790) | – | (34,882) |
| Recognised in profit or loss | 886 | 195 | (140) | 14,042 | (23,667) | (8,684) |
| Tax charge relating to components of other comprehensive income | – | – | 1,959 | – | – | 1,959 |
| Closing book amount | (435) | (357) | (400) | (16,748) | (23,667) | (41,607) |
| **Year ended 31 December 2016** | | | | | | |
| Opening book amount | **(435)** | **(357)** | **(400)** | **(16,748)** | **(23,667)** | **(41,607)** |
| Recognised in profit or loss | **240** | **(18,025)** | **88** | **776** | **(12,949)** | **(29,870)** |
| Tax charge relating to components of other comprehensive income | **–** | **–** | **(475)** | **–** | **–** | **(475)** |
| Closing book amount | **(195)** | **(18,382)** | **(787)** | **(15,972)** | **(36,616)** | **(71,952)** |

## 13. DEFERRED INCOME TAX (continued)

(d) In accordance with the PRC tax law, tax losses may be carried forward against future taxable income for a period of five years. As at 31 December 2016, the Group did not recognise deferred tax assets in respect of losses amounting to RMB8,321,301,000 (2015: RMB6,455,395,000), as it is uncertain that future taxable profit of group companies will be available against which the tax losses can be utilised. These tax losses will expire between 2017 and 2021.

| **Expire year** | **Unused tax losses for which no deferred tax asset was recognised**<br>RMB'000 |
|---|---|
| 2017 | 936,727 |
| 2018 | 1,782,581 |
| 2019 | 1,760,635 |
| 2020 | 1,804,727 |
| 2021 | 2,036,631 |
| | 8,321,301 |

## 14. AVAILABLE-FOR-SALE FINANCIAL ASSETS

| | **As at 31 December** | |
|---|---|---|
| | **2016**<br>**RMB'000** | 2015<br>RMB'000 |
| Unlisted equity investment at cost, net of impairment *(Note (a))* | **128,202** | 727,513 |
| Other investment at fair value | | |
| – Listed *(Note (b))* | **886,838** | 969,988 |
| – Unlisted *(Note (b))* | **3,108,175** | 583,325 |
| | **4,123,215** | 2,280,826 |
| Less: non-current portion | **(2,024,359)** | (2,035,344) |
| Current portion | **2,098,856** | 245,482 |

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

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

| | As at 31 December | |
|---|---|---|
| | **2016** | 2015 |
| | **RMB'000** | RMB'000 |
| RMB | **3,605,115** | 1,627,920 |
| USD | **518,100** | 652,906 |
| | **4,123,215** | 2,280,826 |

(a) Available-for-sale financial assets measured at cost are equity investment, where the Group does not have control, joint control or significant influence over the investee. These investments do not have a quoted market price in an active market and their fair values cannot be reliably measured.

(b) Available-for-sale financial assets measured at fair value are bonds, funds, financial products, trust products and stocks (Note 3.3).

(c) The maximum exposure to credit risk at the reporting date is the carrying value of available-for-sale debt.

## 15. PREPAYMENTS AND LONG-TERM RECEIVABLES

| | As at 31 December | |
|---|---|---|
| | **2016** | 2015 |
| | **RMB'000** | RMB'000 |
| Prepayments | **472,270** | 528,122 |
| Loans and other receivables | **460,789** | 92,003 |
| | **933,059** | 620,125 |

## 16. INVENTORIES

| | As at 31 December | |
|---|---|---|
| | **2016** | 2015 |
| | **RMB'000** | RMB'000 |
| Raw materials and consumables | **1,008,931** | 763,045 |
| Work-in-progress | **74,061** | 71,409 |
| Finished goods and merchandise | **1,723,969** | 1,234,758 |
| | **2,806,961** | 2,069,212 |
| Less: provision for impairment | **(313,397)** | (142,224) |
| | **2,493,564** | 1,926,988 |

The cost of inventories recognised as expenses and included in cost of sales amounted to RMB34,539,182,000 (2015: RMB21,753,178,000).

As at 31 December 2016, certain bank borrowings (Note 27(a)) and notes payable were secured by the Group's inventories with the carrying value of approximately RMB168,311,000 (2015: RMB161,915,000) and RMB188,784,000 respectively (2015: RMB271,290,000 respectively).

## 17. TRADE AND OTHER RECEIVABLES

| | As at 31 December | |
|---|---|---|
| | **2016** | 2015 |
| | **RMB'000** | RMB'000 |
| Trade receivables *(Note (a))* | **1,341,432** | 892,778 |
| Less: provision for impairment | **(186,685)** | (160,310) |
| Trade receivables – net | **1,154,747** | 732,468 |
| Notes receivable | **2,066,254** | 1,097,627 |
| Interest receivable | **88,850** | 67,180 |
| Consideration receivable for transfer of equity investment | **185,446** | 185,446 |
| Entrusted loans to related parties *(Note (e) and Note 42(b))* | **859,560** | 668,100 |
| Value added tax recoverable | **370,415** | 325,087 |
| Prepayments | **779,221** | 435,788 |
| Dividends receivable *(Note 42(b))* | **1,820,194** | 4,000,842 |
| Other receivables | **1,046,550** | 1,214,347 |
| | **8,371,237** | 8,726,885 |

## 17. TRADE AND OTHER RECEIVABLES (continued)

(a) Sales of passenger vehicles were normally made with advances from customers. Sales of other products were made on credit terms ranging from 0 to 170 days. As at 31 December 2016 and 2015, the ageing analysis of these trade receivables is presented on the basis of the date of the relevant invoices as follows:

| | As at 31 December | |
|---|---|---|
| | **2016** | 2015 |
| | **RMB'000** | RMB'000 |
| Within 3 months | **1,006,728** | 633,490 |
| Between 3 months and 1 year | **140,384** | 76,841 |
| Between 1 and 2 years | **16,890** | 20,436 |
| Between 2 and 3 years | **16,037** | 24,998 |
| Over 3 years | **161,393** | 137,013 |
| | **1,341,432** | 892,778 |

As at 31 December 2016, most of the trade receivables overdue by more than 1 year were impaired and provided for. The individually impaired receivables were mainly related to customers of the Group with long outstanding balances which arose prior to the conversion of the Company into a joint stock limited liability company.

(b) As at 31 December 2016, trade receivables of RMB32,425,000 (2015: RMB3,284,000) were past due but not impaired because these trade receivables relate to a number of independent customers with no recent history of default. The ageing analysis of these trade receivables is as follows:

| | As at 31 December | |
|---|---|---|
| | **2016** | 2015 |
| | **RMB'000** | RMB'000 |
| Within 1 year | **32,425** | 3,284 |

## 17. TRADE AND OTHER RECEIVABLES (continued)

(c) As at 31 December 2016, trade receivables of RMB536,291,000 (2015: RMB378,993,000) were impaired and provided for. The amount of the provision was RMB186,685,000 (2015: RMB160,310,000). The individually impaired receivables were mainly related to customers with unexpected difficult economic situations. It was assessed that only a portion of these receivables is expected to be recovered. The ageing of these trade receivables is as follows:

| | As at 31 December | |
|---|---|---|
| | **2016** | 2015 |
| | **RMB'000** | RMB'000 |
| Within 1 year | **341,971** | 196,546 |
| Between 1 and 2 years | **16,890** | 20,436 |
| Between 2 and 3 years | **16,037** | 24,998 |
| Over 3 years | **161,393** | 137,013 |
| | **536,291** | 378,993 |

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

| | Year ended 31 December | |
|---|---|---|
| | **2016** | 2015 |
| | **RMB'000** | RMB'000 |
| Beginning of the year | **160,310** | 149,576 |
| Impairment loss for trade receivables | **26,375** | 10,734 |
| End of the year | **186,685** | 160,310 |

The addition and release of provision for impaired receivables have been included in "selling and distribution costs" in the consolidated statement of comprehensive income (Note 30). Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

## 17. TRADE AND OTHER RECEIVABLES (continued)

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

| | As at 31 December | |
|---|---|---|
| | **2016** | 2015 |
| | **RMB'000** | RMB'000 |
| RMB | **8,364,047** | 8,720,346 |
| USD | **622** | 646 |
| HKD | **6,568** | 5,893 |
| | **8,371,237** | 8,726,885 |

(e) The entrusted loans are mainly lent to related parties through financial institutions, which will be due in 2017. The effective interest rate as at 31 December 2016 is 4.27% (2015: 5.02%).

## 18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | As at 31 December | |
|---|---|---|
| | **2016** | 2015 |
| | **RMB'000** | RMB'000 |
| Listed bond investments | **99,216** | 80,476 |
| Fund investments | | |
| – Listed | **–** | 20,015 |
| – Unlisted | **55,946** | 11,710 |
| Listed stocks | **449,389** | 374,330 |
| | **604,551** | 486,531 |

## 19. TIME DEPOSITS

| | As at 31 December | |
|---|---|---|
| | **2016** | 2015 |
| | **RMB'000** | RMB'000 |
| Denominated in: | | |
| – RMB | **7,155,246** | 4,086,517 |
| – USD | **34,685** | – |
| | **7,189,931** | 4,086,517 |

The initial term of time deposits was over three months.

## 20. RESTRICTED CASH

| | As at 31 December | |
|---|---|---|
| | **2016** | 2015 |
| | **RMB'000** | RMB'000 |
| Deposits for letters of credit and bank notes | **230,107** | 344,698 |
| Security and other deposits | **1,017,421** | 192,396 |
| Capital guarantee deposits for a subsidiary operating insurance business | **300,000** | 300,000 |
| | **1,547,528** | 837,094 |

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

| | As at 31 December | |
|---|---|---|
| | **2016** | 2015 |
| | **RMB'000** | RMB'000 |
| RMB | **1,546,004** | 689,576 |
| HKD | **1,523** | 1,426 |
| USD | **1** | 146,092 |
| | **1,547,528** | 837,094 |

## 21. CASH AND CASH EQUIVALENTS

| | As at 31 December | |
|---|---|---|
| | **2016** | 2015 |
| | **RMB'000** | RMB'000 |
| Denominated in: | | |
| – RMB | **11,568,634** | 11,310,952 |
| – HKD | **18,542** | 43,072 |
| – USD | **985,512** | 192,956 |
| – JPY | **5,876** | 512 |
| – Others | **1,007** | 988 |
| | **12,579,571** | 11,548,480 |

As at 31 December 2016 and 2015, the Group's cash and cash equivalents includes cash in hand, deposits held at call with banks and bank deposits with original maturities of three months or less.

## 21. CASH AND CASH EQUIVALENTS (continued)

(a) As at 31 December 2016 and 2015, the Group's cash and cash equivalents, restricted cash (Note 20) and time deposits (Note 19) were deposited in financial institutions without significant credit risk. Detail ratings of these financial institutions, as published by Shanghai Purang Financial Service Co., Ltd. are set out as follows:

| | As at 31 December | |
|---|---|---|
| | **2016** | 2015 |
| | **RMB'000** | RMB'000 |
| AAA | **19,660,849** | 15,252,368 |
| AA+ | **–** | 4 |
| Others and cash on hand | **1,656,181** | 1,219,719 |
| Total | **21,317,030** | 16,472,091 |
| **Representing** | | |
| – Time deposits | **7,189,931** | 4,086,517 |
| – Restricted cash | **1,547,528** | 837,094 |
| – Cash and cash equivalents | **12,579,571** | 11,548,480 |
| | **21,317,030** | 16,472,091 |

## 22. NON-CURRENT ASSETS HELD FOR SALE

| | As at 31 December | |
|---|---|---|
| | **2016** | 2015 |
| | **RMB'000** | RMB'000 |
| Land use rights *(Note (a))* | **–** | 95,922 |

(a) In 2016, the transaction and the transfer of the title of land use rights were completed.

## 23. SHARE CAPITAL

| | RMB ordinary shares of RMB1 each | | Foreign ordinary shares listed outside mainland China of RMB1 each | | Total | |
|---|---|---|---|---|---|---|
| | Number of shares (thousands) | Share capital RMB'000 | Number of shares (thousands) | Share capital RMB'000 | Number of shares (thousands) | Share capital RMB'000 |
| As at 31 December 2015 | 4,221,719 | 4,221,719 | 2,213,300 | 2,213,300 | 6,435,019 | 6,435,019 |
| Employee share option scheme: | | | | | | |
| – Proceeds from share issued *(Note 24)* | 16,725 | 16,725 | – | – | 16,725 | 16,725 |
| Convertible bonds *(Note 27(g))*: | 1,616 | 1,616 | – | – | 1,616 | 1,616 |
| As at 31 December 2016 | 4,240,060 | 4,240,060 | 2,213,300 | 2,213,300 | 6,453,360 | 6,453,360 |

## 24. SHARE-BASED PAYMENTS

### (a) Cash-settled share-based payments – share appreciation rights

In the extraordinary shareholders' meeting held on 29 February 2012, the shareholders resolved to grant 35,850,000 Share Appreciation Rights ("SARs") to the Company's directors, senior management and key technical and managerial personnel ("Incentive Recipients"). Pursuant to the Scheme, each unit of SAR is notionally linked to one H Share and represents the rights conferred on the relevant Incentive Recipients to receive in cash stipulated earnings from the increase in market value of the relevant H share. However, no H Shares will actually be issued to any Incentive Recipients. The SARs will have an exercise period of five years from the date of grant. Upon the second, third and fourth anniversary of the grant date, each one third of the SARs will become exercisable.

As at 28 February 2014, the first batch SARs assessment date, 910,001 units of SARs have lapsed due to the retirement of certain Incentive Recipients. Meanwhile, as certain performance conditions were not achieved, 11,040,018 units of SARs were forfeited.

As at 28 February 2015, the second batch SARs assessment date, 2,826,670 units of SARs have lapsed due to the retirement of certain Incentive Recipients. Meanwhile, as certain performance conditions were not achieved, an accumulative total of 23,900,038 units of SARs were forfeited.

As at 28 February 2016, the third batch SARs assessment date, as certain performance conditions were not achieved, an accumulative total of 35,850,000 units of SARs were forfeited.

As at 31 December 2016, all of 35,850,000 units of SARs granted were forfeited.

## 24. SHARE-BASED PAYMENTS (continued)

### (b) Equity-settled share-based payment – A share options

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

The exercise price of SOs is determined at the higher of

(1) the Company's stock closing price one trading day before the announcement of the Share Option Scheme; and

(2) the Company's average stock closing price over 30 trading days before the announcement of the Share Option Scheme.

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

Each one third of the options granted to the recipients will become exercisable every year starting two years from the Grant Date, subject to achieving the performance conditions as set out in the Share Option Scheme.

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

The weighted average fair value of equity-settled share options granted during the year, as estimated at the date of grant, was RMB1.836 per option. This was calculated using the Black-Scholes share option pricing model.

The significant inputs into the model are listed as follow:

| | |
|---|---|
| Exercise price determined at the Grant Date | RMB7.60 |
| Expected option life (years) | 4 years |
| Share price at Grant Date | RMB8.39 |
| Estimated volatility of the share price | 17.46% |
| Estimated dividend yields | 1.25% |
| Annual risk-free interest rate during the option life | 3.48% |

## 24. SHARE-BASED PAYMENTS (continued)

### (b) Equity-settled share-based payment – A share options (continued)

At 19 September 2016, one third of the options granted to the Recipients became exercisable. Up to 31 December 2016, 515 Recipients have exercised 16,724,653 units of SOs. The Company issued 16,724,653 shares accordingly. The exercise prices were RMB7.24 per share and RMB7.16 per share respectively (the weighted average exercise prices were RMB7.23 per share). The Company received capital contribution of RMB120,882,000 in cash from the Recipients and increased share capital and share premium with the amount of RMB16,725,000 and RMB104,157,000 respectively. At the same time, the Company derecognised the accumulative employee share option scheme reserve relating to exercised share options of RMB30,719,000 and transferred this amount to share premium.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

| | 2016 | |
|---|---|---|
| | Average exercise price in RMB per share option | Number of share options (thousands) |
| At 1 January | 7.60 | 64,349 |
| Exercised | 7.23 | (16,725) |
| Forfeited | 7.23 | (9,093) |
| At 31 December | 7.16 | 38,531 |

As at 31 December 2016, an accumulative total of 9,092,802 units of SOs have lapsed due to the retirement of certain Recipients and the number of the Recipients was adjusted to 537.

Out of the 38,531,000 units of outstanding SOs (2015: 64,349,000), 1,950,000 units of SOs (2015: Nil) are exercisable.

In 2016, the total expenses recognised in the consolidated statement of comprehensive income of share options granted to the Recipients is RMB24,070,000 (2015: RMB42,670,000).

## 25. RESERVES

| | Share premium RMB'000 | Capital reserve RMB'000 | Special reserve RMB'000 | Available-for-sale investments RMB'000 | Employee share option scheme RMB'000 | Convertible bonds RMB'000 | Statutory surplus reserve fund RMB'000 *Note (a)* | Total other reserves RMB'000 | Retained earnings RMB'000 | Total reserves RMB'000 |
|---|---|---|---|---|---|---|---|---|---|---|
| **As at 1 January 2015** | 17,503,791 | (8,493,088) | 4,868 | 9,135 | 14,220 | – | 1,880,699 | 10,919,625 | 18,098,547 | 29,018,172 |
| Profit for the year | – | – | – | – | – | – | – | – | 4,211,553 | 4,211,553 |
| Appropriation to statutory surplus reserve fund | – | – | – | – | – | – | 390,473 | 390,473 | (390,473) | – |
| Dividend declared by the Company | – | – | – | – | – | – | – | – | (1,029,604) | (1,029,604) |
| Other comprehensive income – available-for-sale financial assets, net of tax | – | – | – | 54,540 | – | – | – | 54,540 | – | 54,540 |
| Employee share option scheme *(Note 24)* | – | – | – | – | 42,670 | – | – | 42,670 | – | 42,670 |
| Changes in ownership interests in subsidiaries without change of control | – | (11,862) | – | – | – | – | – | (11,862) | – | (11,862) |
| Consideration paid for business combination between entities under common control | – | (82,712) | – | – | – | – | – | (82,712) | – | (82,712) |
| Others | – | 5,451 | 3,282 | – | – | – | – | 8,733 | – | 8,733 |
| **As at 31 December 2015** | 17,503,791 | (8,582,211) | 8,150 | 63,675 | 56,890 | – | 2,271,172 | 11,321,467 | 20,890,023 | 32,211,490 |
| **As at 1 January 2016** | **17,503,791** | **(8,582,211)** | **8,150** | **63,675** | **56,890** | **–** | **2,271,172** | **11,321,467** | **20,890,023** | **32,211,490** |
| Profit for the year | – | – | – | – | – | – | – | – | **6,287,542** | **6,287,542** |
| Appropriation to statutory surplus reserve fund | – | – | – | – | – | – | **334,639** | **334,639** | **(334,639)** | – |
| Dividend declared by the Company | – | – | – | – | – | – | – | – | **(1,288,266)** | **(1,288,266)** |
| Other comprehensive income – available-for-sale financial assets, net of tax | – | – | – | **(19,520)** | – | – | – | **(19,520)** | – | **(19,520)** |
| Employee share option scheme *(Note 24)* | | | | | | | | | | |
| – Value of employee services | – | – | – | – | **24,070** | – | – | **24,070** | – | **24,070** |
| – Proceeds from shares issued | **134,876** | – | – | – | **(30,719)** | – | – | **104,157** | – | **104,157** |
| Changes in ownership interests in subsidiaries without change of control *(Note 41)* | – | **(342,706)** | – | – | – | – | – | **(342,706)** | – | **(342,706)** |
| Convertible bonds *(Note 27(g))* | | | | | | | | | | |
| – Issue of convertible bonds | – | – | – | – | – | **387,578** | – | **387,578** | – | **387,578** |
| – Conversion of convertible bonds | **33,330** | – | – | – | – | **(3,336)** | – | **29,994** | – | **29,994** |
| Others | – | **5,800** | **2,654** | – | – | – | – | **8,454** | – | **8,454** |
| **As at 31 December 2016** | **17,671,997** | **(8,919,117)** | **10,804** | **44,155** | **50,241** | **384,242** | **2,605,811** | **11,848,133** | **25,554,660** | **37,402,793** |

## 25. RESERVES (continued)

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

## 26. TRADE AND OTHER PAYABLES

| | As at 31 December | |
|---|---|---|
| | **2016** | 2015 |
| | **RMB'000** | RMB'000 |
| Trade payables *(Note (a))* | **8,999,168** | 6,673,973 |
| Notes payable | **385,065** | 682,448 |
| Advances from customers | **1,328,170** | 1,261,586 |
| Employee benefits payable | **1,220,771** | 853,284 |
| Other taxes *(Note (c))* | **465,115** | 266,575 |
| Interest payable | **328,585** | 295,512 |
| Dividend payable | **–** | 11,289 |
| Government grants | **10,675** | 44,651 |
| Construction cost payables | **678,810** | 268,416 |
| Sales rebate | **1,935,309** | 551,637 |
| Payable for mould expenses | **731,729** | 414,525 |
| Advertising expense payables | **336,460** | 181,653 |
| Development cost payables | **245,435** | 143,309 |
| Other payables | **2,493,623** | 2,502,182 |
| | **19,158,915** | 14,151,040 |
| Less: non-current portion of trade and other payables | **(30,801)** | (74,331) |
| Current portion | **19,128,114** | 14,076,709 |

## 26. TRADE AND OTHER PAYABLES (continued)

(a) As at 31 December 2016 and 2015, ageing analysis of trade payables is presented on the basis of the date of the relevant invoices as follows:

| | As at 31 December | |
|---|---|---|
| | **2016** | 2015 |
| | **RMB'000** | RMB'000 |
| Within 1 year | **8,606,071** | 6,592,829 |
| Between 1 and 2 years | **357,300** | 59,023 |
| Between 2 and 3 years | **20,754** | 13,038 |
| Over 3 years | **15,043** | 9,083 |
| | **8,999,168** | 6,673,973 |

(b) The carrying amounts of the Group's trade and other payables are denominated in the following currencies:

| | As at 31 December | |
|---|---|---|
| | **2016** | 2015 |
| | **RMB'000** | RMB'000 |
| RMB | **19,099,454** | 14,105,248 |
| HKD | **56,628** | 39,937 |
| USD | **2,811** | 5,403 |
| Others | **22** | 452 |
| | **19,158,915** | 14,151,040 |

(c) Balances of other taxes include value-added tax payables, consumption tax payables and other taxes payable.

## 27. BORROWINGS

| | As at 31 December | |
|---|---|---|
| | **2016** | 2015 |
| | **RMB'000** | RMB'000 |
| **Non-current** | | |
| Borrowings from banks and other financial institutions | | |
| – secured *(Note (a))* | **–** | 2,500 |
| – unsecured | **625,674** | 1,096,344 |
| | **625,674** | 1,098,844 |
| Corporate bonds – guaranteed *(Notes (i) and (j))* | **5,961,409** | 6,550,057 |
| Convertible bonds *(Note (g))* | **3,759,379** | – |
| **Total non-current borrowings** | **10,346,462** | 7,648,901 |
| **Current** | | |
| Borrowings from banks and other financial institutions | | |
| – secured *(Note (a))* | **192,199** | 649,918 |
| – unsecured | **1,287,463** | 3,528,803 |
| | **1,479,662** | 4,178,721 |
| Corporate bonds – guaranteed *(Notes (h))* | **598,914** | – |
| Entrusted loans from related parties – unsecured | **100,000** | 100,000 |
| Short-term debentures *(Note (k))* | **2,299,177** | – |
| **Total current borrowings** | **4,477,753** | 4,278,721 |
| **Total borrowings** | **14,824,215** | 11,927,622 |

## 27. BORROWINGS (continued)

(a) As at 31 December 2016, the Group's borrowings were secured by the Group's restricted cash, inventories, property, plant and equipment and land use rights.

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

| | As at 31 December | |
|---|---|---|
| | **2016** | 2015 |
| | **RMB'000** | RMB'000 |
| Within 1 year | **4,674,872** | 5,007,135 |
| Between 1 and 5 years | **3,412,101** | 3,945,579 |
| Over 5 years | **6,737,242** | 2,974,908 |
| | **14,824,215** | 11,927,622 |

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

| | As at 31 December | |
|---|---|---|
| | **2016** | 2015 |
| | **RMB'000** | RMB'000 |
| Within 1 year | **4,477,753** | 4,278,721 |
| Between 1 and 2 years | **1,440,140** | 946,553 |
| Between 2 and 5 years | **2,169,081** | 3,727,440 |
| Over 5 years | **6,737,241** | 2,974,908 |
| | **14,824,215** | 11,927,622 |

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

| | As at 31 December | |
|---|---|---|
| | **2016** | 2015 |
| | **RMB'000** | RMB'000 |
| RMB | **14,824,215** | 11,719,827 |
| USD | **–** | 207,795 |
| | **14,824,215** | 11,927,622 |

## 27. BORROWINGS (continued)

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

| | As at 31 December | |
|---|---|---|
| | **2016** | 2015 |
| Borrowings from banks and other financial institutions | | |
| – RMB | **4.64%** | 5.33% |
| – USD | **–** | 2.44% |
| Corporate bonds (RMB) | **5.22%** | 5.22% |
| Convertible bonds (RMB) | **3.53%** | – |
| Entrusted loans (RMB) | **2.10%** | 4.39% |
| Short-term debentures (RMB) | **2.85%** | – |

(f) As at 31 December 2016, the fair value of the non-current borrowings is RMB10,747,000 (2015: RMB8,411,079,000). The fair values of the Group's current borrowings approximate to their carrying amounts.

(g) Convertible bonds

On 22 January 2016, the Group issued 41,055,800 units of convertible bonds at a total par value of RMB4,105,580,000, with an interest rate of 0.20% in the first year, 0.50% in the second year, 1.00% in the third year, 1.50% in the fourth year, 1.50% in the fifth year and 1.60% in the sixth year. The bonds mature six years from the issue date at their par value of RMB4,105,580,000 or can be converted into shares at the holder's option at the rate of 1 share per RMB21.87 from 22 July 2016 to the bond maturity date. At the time of issuance, after netting of transaction cost of RMB45,584,000 (transaction cost was allocated proportionally to liability component and equity component of convertible bonds), the Company determined the value of the liability component (RMB3,672,418,000) and the equity component (RMB387,578,000). The fair value of the liability component of convertible bonds included in non-current borrowings was calculated using a market interest rate for equivalent non-convertible bonds. The liability component is subsequently stated at amortised cost until the bonds are converted to shares or the maturity of the bonds. The residual amount, representing the value of the equity component, is included in other reserves of shareholders' equity.

The conversion price of convertible bonds will be adjusted upon occurrence of issue of bonus shares, transfer of reserve to share capital, issue of new shares (excluding issue of new shares upon conversion of convertible bonds), share allotment and distribution of cash dividends.

## 27. BORROWINGS (continued)

(g) Convertible bonds (continued)

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

| | **2016** |
|---|---|
| | **RMB'000** |
| Par value of convertible bonds issued on 22 January 2016 | **4,105,580** |
| Transaction cost | **(45,584)** |
| Equity component *(Note 25)* | **(387,578)** |
| Liability component on initial recognition on 22 January 2016 | **3,672,418** |
| Conversion of convertible bonds | **(31,611)** |
| Interest expense | **126,245** |
| Interest included in trade and other payables | **(7,673)** |
| Liability component at 31 December 2016 | **3,759,379** |

From 22 July 2016 to 31 December 2016, certain convertible bond holders partially converted the convertible bonds in the principal amount of RMB35,339,000 into shares of the Company. The Company allotted and issued a total of 1,615,855 shares to such convertible bond holders at a conversion price of RMB21.87 and RMB21.79 per share, respectively. Upon the conversion, the Company derecognised the liability component of RMB31,611,000 and transferred this amount with equity component (convertible bonds reserve) of RMB3,336,000 into share capital and share premium with the amount of RMB1,616,000 and RMB33,330,000, respectively, and the difference of RMB1,000 was paid by the Company to the convertible bond holders in cash.

(h) In December 2007, the Company issued corporate bonds with par value of RMB600,000,000 at the weighted average effective interest rate of 6.21% per annum. The related interest is payable on an annual basis. These corporate bonds will be fully redeemed at par in November 2017, and are guaranteed by China Development Bank, a state-owned financial institution, and will be used to finance projects related to passenger vehicles. The guarantee provided by China Development Bank will not be released until the full redemption of corporate bonds.

(i) In March 2013, the Company issued five-year period corporate bonds with par value of RMB1,000,000,000 and ten-year period corporate bonds with par value of RMB3,000,000,000 at the weighted average effective interest rate of 5.14% and 5.23% per annum respectively. The related interest is payable on an annual basis. These corporate bonds will be fully redeemed at par in March 2018 and March 2023 respectively, and are with a full-amount, unconditional, irrevocable and jointly-liability guarantee by GAIG.

## 27. BORROWINGS (continued)

(j) In January 2015, the Company issued five-year period corporate bonds with par value of RMB2,000,000,000 at the weighted average effective interest rate of 4.95% per annum. The related interest is payable on an annual basis. These corporate bonds will be fully redeemed at par in January 2020, and is with a full-amount, unconditional, irrevocable and jointly-liability guarantee by GAIG.

(k) In January 2016, the Company issued one tranche of short-term debentures with a principal of RMB2,300,000,000 and interest rate of 2.85% with a maturity of 366 days. The short-term debentures will be fully repaid with principal and interest when they fall due.

## 28. PROVISIONS

| | As at 31 December | |
|---|---|---|
| | **2016** | 2015 |
| | **RMB'000** | RMB'000 |
| Warranty provisions | **371,641** | 230,813 |

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

## 29. GOVERNMENT GRANTS

| | Year ended 31 December | |
|---|---|---|
| | **2016** | 2015 |
| | **RMB'000** | RMB'000 |
| Beginning of the year | **1,076,795** | 989,817 |
| Additions | **1,205,162** | 230,084 |
| Amortisation | **(123,315)** | (143,106) |
| End of the year | **2,158,642** | 1,076,795 |

## 29. GOVERNMENT GRANTS (continued)

### (a) Nature and extent of government grants

| | Year ended 31 December | |
|---|---|---|
| | **2016** | 2015 |
| | **RMB'000** | RMB'000 |
| Funds for vehicle projects | **1,470,110** | 653,050 |
| Funds for research and development | **669,863** | 413,319 |
| Others | **18,669** | 10,426 |
| | **2,158,642** | 1,076,795 |

## 30. EXPENSES BY NATURE

| | Year ended 31 December | |
|---|---|---|
| | **2016** | 2015 |
| | **RMB'000** | RMB'000 |
| Auditors' remuneration | **6,835** | 6,983 |
| Depreciation and amortisation *(Notes 7, 8, 9 and 10)* | **2,183,319** | 1,660,214 |
| Impairment charges of property, plant and equipment *(Note 8)* | **87,096** | 30,168 |
| Impairment charges of intangible assets *(Note 10)* | **590,889** | 66,821 |
| Impairment charges of available-for-sale financial assets | **2,174** | 12,732 |
| Impairment charges of inventories | **206,205** | 91,107 |
| Provision for impairment loss of trade and other receivables | **96,655** | 74,909 |
| Employee benefit expenses *(Note 31)* | **4,523,304** | 3,219,840 |
| Changes in inventories of finished goods, merchandise and work-in-progress | **(513,180)** | 867,493 |
| Raw materials, goods and consumables used | **35,052,362** | 20,885,685 |
| Sales tax and levies | **1,553,469** | 1,026,974 |
| Transportation | **1,613,431** | 503,470 |
| Advertising and promotion | **1,435,771** | 663,242 |
| Warranty expenses | **427,506** | 136,636 |
| Research costs | **393,899** | 353,615 |
| Amortisation of government grants | **(83,732)** | (62,227) |
| Operating lease expenses | **146,334** | 92,275 |
| Other expenses | **374,309** | 248,308 |
| Total cost of sales, selling and distribution costs and administrative expenses | **48,096,646** | 29,878,245 |

## 31. EMPLOYEE BENEFIT EXPENSES

| | Year ended 31 December | |
|---|---|---|
| | **2016** | 2015 |
| | **RMB'000** | RMB'000 |
| Wages and salaries | **3,477,893** | 2,327,783 |
| Pension scheme and other social security costs *(Note (a))* | **433,062** | 331,870 |
| Employee share option scheme *(Notes 24 and 25)* | **24,070** | 42,670 |
| Housing benefits *(Note (b))* | **209,647** | 173,841 |
| Welfare, medical and other expenses | **378,632** | 343,676 |
| | **4,523,304** | 3,219,840 |

(a) The Group's employees in the PRC are covered by certain defined contribution pension schemes regulated by the relevant municipal and provincial governments in the PRC, pursuant to which the municipal and provincial governments undertake to assume the retirement benefit obligations payable to all existing and retired employees. The contributions to the scheme are expensed as incurred.

(b) The Group's contributions to the defined contribution housing fund scheme administered by a government agency are determined at a certain percentage of the salaries of the employees. The contributions to the scheme are expensed as incurred.

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2016 include 5 directors (2015: 5 directors and supervisors) whose emoluments are reflected in the analysis presented in Note 46.

## 32. OTHER GAINS – NET

| | Year ended 31 December 2016 RMB'000 | 2015 RMB'000 |
|---|---|---|
| Net foreign exchange gains | **85,275** | 28,962 |
| (Losses)/gains on disposal of property, plant and equipment, land use right, intangible assets, investment properties and non-current assets held for sale | **(16,368)** | 17,662 |
| Donations | **(28,708)** | (12,038) |
| Gains on disposal of joint ventures and associates | **1,659** | 5,824 |
| Government grants | **99,968** | 203,232 |
| Net investment income relating to available-for-sale financial assets, held-to-maturity investments and financial assets at fair value through profit or loss | **111,561** | 190,522 |
| Fair value gains on financial assets at fair value through profit or loss | **52,220** | 11,273 |
| Others | **25,589** | (10,051) |
| | **331,196** | 435,386 |

## 33. INTEREST INCOME

| | Year ended 31 December 2016 RMB'000 | 2015 RMB'000 |
|---|---|---|
| Interest income from time deposits | **488,696** | 411,556 |
| Interest income from restricted cash, cash and cash equivalents | **97,240** | 127,955 |
| | **585,936** | 539,511 |

## 34. FINANCE COSTS

| | Year ended 31 December 2016 RMB'000 | 2015 RMB'000 |
|---|---|---|
| Interest expense | **1,016,313** | 920,899 |
| Interest capitalised in qualifying assets | **(55,282)** | (79,860) |
| Net foreign exchange losses on financing activities | **1,896** | 8,357 |
| | **962,927** | 849,396 |

## 35. INCOME TAX EXPENSE

| | Year ended 31 December | |
|---|---|---|
| | **2016** | 2015 |
| | **RMB'000** | RMB'000 |
| Current income tax | **1,073,809** | 350,760 |
| Deferred tax *(Note 13)* | **(319,467)** | 49,307 |
| | **754,342** | 400,067 |

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the average tax rate applicable to profits of the consolidated entities as follows:

| | Year ended 31 December | |
|---|---|---|
| | **2016** | 2015 |
| | **RMB'000** | RMB'000 |
| Profit before income tax | **7,409,597** | 4,385,596 |
| Notional tax on profit before income tax, calculated at the rates applicable to profits in the tax jurisdictions concerned *(Note(i))* | **1,412,624** | 1,014,723 |
| Share of profit of joint ventures and associates | **(1,430,642)** | (1,180,029) |
| Fair value gains on financial assets at fair value through profit or loss | **(13,143)** | (2,678) |
| Expenses not deductible for corporate income tax | **65,769** | 41,169 |
| Utilisation of previously unrecognised tax losses | **(3,573)** | (15,826) |
| Unused tax losses and deductible temporary differences for which no deferred tax asset was recognised | **723,307** | 415,354 |
| The impact of change in tax rate applicable to a major subsidiary | **–** | 127,354 |
| Income tax expense | **754,342** | 400,067 |

(i) The tax rates applicable to the Company and its major subsidiaries for the year ended 31 December 2016 are 15% or 25% (2015: 15% or 25%).

Certain subsidiaries are subject to Hong Kong profits tax, which has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profits for the year ended 31 December 2016.

The Group's subsidiaries, China Lounge Investment Ltd. and Denway, are recognised as PRC resident taxpayer by Guangzhou Yuexiu District Local Taxation Bureau, and are subject to the PRC Enterprise Income Tax Law.

## 36. OTHER COMPREHENSIVE INCOME, NET OF TAX

| | Year ended 31 December | |
|---|---|---|
| | **2016** | 2015 |
| | **RMB'000** | RMB'000 |
| Change in fair value of available-for-sale financial assets | **(18,475)** | 50,571 |
| Tax charge relating to components of other comprehensive income | **(475)** | 1,618 |
| Change in fair value of available-for-sale financial assets, net of tax | **(18,950)** | 52,189 |

## 37. EARNINGS PER SHARE

### (a) Basic

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

| | Year ended 31 December | |
|---|---|---|
| | **2016** | 2015 |
| | **RMB'000** | RMB'000 |
| Profit attributable to owners of the Company | **6,287,542** | 4,211,553 |
| Weighted average number of ordinary shares in issue (thousands) | **6,439,235** | 6,435,019 |
| Basic earnings per share (RMB per share) | **0.98** | 0.65 |

### (b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company had two categories of dilutive potential ordinary shares: convertible bonds and share options. The convertible bonds are assumed to have been converted into ordinary shares, and the net profit is adjusted to eliminate the interest expense. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares for the year ended 31 December 2016) 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.

## 37. EARNINGS PER SHARE (continued)

### (b) Diluted (continued)

| | Year ended 31 December | |
|---|---|---|
| | **2016** | 2015 |
| | **RMB'000** | RMB'000 |
| Profit attributable to owners of the Company | **6,287,542** | 4,211,553 |
| Add: Interest expense on convertible bonds | **126,245** | – |
| Profit used to determine diluted earnings per share | **6,413,787** | 4,211,553 |
| Weighted average number of ordinary shares in issue (thousands) | **6,439,235** | 6,435,019 |
| Add: weighted average number of ordinary shares assuming conversion of all share options (thousands) | **25,125** | 28,654 |
| Add: weighted average number of ordinary shares assuming conversion of all convertible bonds (thousands) | **177,355** | – |
| Weighted average number of ordinary shares for diluted earnings per share (thousands) | **6,641,715** | 6,463,673 |
| Diluted earnings per share (RMB per share) | **0.97** | 0.65 |

## 38. DIVIDENDS

Dividends paid in 2016 and 2015 were RMB1,288,266,000 and RMB1,029,604,000 respectively. A final dividend in respect of the year ended 31 December 2016 of RMB0.22 per ordinary share, amounting to a total dividend of approximately RMB1,419,739,000 is to be proposed at the forthcoming annual general meeting. These financial statements do not reflect this dividend payable.

| | Year ended 31 December | |
|---|---|---|
| | **2016** | 2015 |
| | **RMB'000** | RMB'000 |
| Interim dividend paid of RMB0.08 (2015: RMB0.08) per ordinary share | **516,064** | 514,802 |
| Proposed final dividend of RMB0.22 (2015: RMB0.12) per ordinary share | **1,419,739** | 772,202 |
| | **1,935,803** | 1,287,004 |

## 39. NOTE TO CONSOLIDATED STATEMENT OF CASH FLOWS

| | Year ended 31 December | |
|---|---|---|
| | **2016** | 2015 |
| | **RMB'000** | RMB'000 |
| Profit for the year | **6,295,255** | 3,985,529 |
| Adjustments for: | | |
| – Income tax expense *(Note 35)* | **754,342** | 400,067 |
| – Depreciation *(Notes 8 and 9)* | **1,132,783** | 874,152 |
| – Amortisation *(Notes 7 and 10)* | **1,050,536** | 786,062 |
| – Amortisation of government grants | **(123,315)** | (143,106) |
| – Impairment provision | **983,019** | 275,737 |
| – Losses/(gains) on disposal of property, plant and equipment, land use rights, intangible assets, investment properties and non-current assets held for sale *(Note 32)* | **16,368** | (17,662) |
| – Interest income *(Note 33)* | **(585,936)** | (539,511) |
| – Finance costs *(Note 34)* | **962,927** | 849,396 |
| – Gains on disposal of joint ventures and associates *(Note 32)* | **(1,659)** | (5,824) |
| – Foreign exchange gains on cash and cash equivalents | **(40,995)** | (14,224) |
| – Share of profit of joint ventures and associates *(Note 11)* | **(5,774,362)** | (4,720,117) |
| – Net investment income relating to financial assets *(Note 32)* | **(111,561)** | (190,522) |
| – Fair value gains on financial assets at fair value through profit or loss *(Note 32)* | **(52,220)** | (11,273) |
| Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation): | | |
| – Inventories | **(768,347)** | 817,552 |
| – Trade and other receivables | **994,051** | (989,015) |
| – Restricted cash | **289,566** | (162,914) |
| – Trade and other payables | **700,749** | 3,405,308 |
| – Provisions | **140,828** | 44,557 |
| – Financial assets at fair value through profit or loss | **(118,020)** | (486,531) |
| Cash generated from operations | **5,744,009** | 4,157,661 |

### Non-cash transaction

The principal non-cash transaction amounting to RMB31,610,000 is the conversion of convertible bonds discussed in Note 27(g).

## 40. COMMITMENTS

### (a) Capital commitments

The capital commitments as at each of the balance sheet dates during the year are as follows:

| | As at 31 December | |
|---|---|---|
| | **2016** | 2015 |
| | **RMB'000** | RMB'000 |
| Property, plant and equipment | | |
| – Contracted but not provided for | **1,470,738** | 2,403,527 |
| – Authorised but not contracted for | **583,248** | 551,616 |
| | **2,053,986** | 2,955,143 |
| Intangible assets | | |
| – Authorised but not contracted for | **1,264,732** | 1,329,109 |
| Investments | | |
| – Contracted but not provided for *(Note (i))* | **983,941** | 837,050 |
| | **4,302,659** | 5,121,302 |

(i) In 2015, the Board of Directors of the Company approved an additional capital contribution of RMB63,050,000 to GAC Toyota, a joint venture of the Company, according to the proportion of shares. As at 31 December 2016, none of the amount has been paid.

In 2016, the Board of Directors of the Company approved an additional capital contribution of USD80,855,000 (equivalent to RMB560,891,000 as of 31 December 2016) to GAC Toyota, a joint venture of the Company, according to the proportion of shares. As at 31 December 2016, none of the amount has been paid.

In 2016, the Board of Directors of the Company approved an additional capital contribution of RMB360,000,000 to GAC Fiat Chrysler, a joint venture of the Company, according to the proportion of shares. As at 31 December 2016, none of the amount has been paid.

## 40. COMMITMENTS (continued)

### (b) Operating lease commitments

The Group's future aggregate minimum lease payments under non-cancellable operating leases are as follows:

| | As at 31 December | |
|---|---|---|
| | **2016** | 2015 |
| | **RMB'000** | RMB'000 |
| Within 1 year | **68,303** | 49,085 |
| Between 1 and 5 years | **232,508** | 168,495 |
| Over 5 years | **179,218** | 174,377 |
| | **480,029** | 391,957 |

## 41. CHANGES IN OWNERSHIP INTERESTS IN SUBSIDIARIES WITHOUT CHANGE OF CONTROL

The effect of acquisition of additional equity interests in subsidiaries on the equity attributable to owners of the Company during the year is summarised as follows:

| | Year ended 31 December | |
|---|---|---|
| | **2016** | 2015 |
| | **RMB'000** | RMB'000 |
| Acquisition of additional equity interests in GAC Motor Hangzhou *(Note (a))* | **(346,107)** | – |
| Acquisition of additional equity interests in other subsidiaries | **3,401** | (11,862) |
| | **(342,706)** | (11,862) |

## 41. CHANGES IN OWNERSHIP INTERESTS IN SUBSIDIARIES WITHOUT CHANGE OF CONTROL (continued)

(a) In April 2016, GAC Motor, a wholly-owned subsidiary of the Company, acquired remaining 49% of the equity interest of GAC Motor Hangzhou (previously know as "GAC Gonow Co., Ltd."), which was a subsidiary of the Group, at a consideration of RMB262,048,000. The deficit in non-controlling interests in GAC Motor Hangzhou on the date of acquisition was RMB84,059,000. The Group recognised an increase in non-controlling interests of RMB84,059,000 and a decrease in equity attributable to owners of the Company of RMB346,107,000. The effect of changes in the ownership interest of GAC Motor Hangzhou on the equity attributable to owners of the Company during the period is summarised as follows:

| | **2016** |
|---|---|
| | **RMB'000** |
| Deficit in non-controlling interests acquired | **(84,059)** |
| Less: consideration paid to non-controlling interests | **(262,048)** |
| Excess of consideration paid recognised within equity | **(346,107)** |

## 42. RELATED PARTY TRANSACTIONS

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

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

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

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

## 42. RELATED PARTY TRANSACTIONS (continued)

### (a) Significant related party transactions

| | Year ended 31 December 2016 RMB'000 | 2015 RMB'000 |
|---|---|---|
| **Sales of goods** | | |
| **Sales of automotive parts and steels** | | |
| – Joint ventures | **919,998** | 515,621 |
| – Associates | **282,293** | 278,237 |
| | **1,202,291** | 793,858 |
| **Sales of passenger vehicles** | | |
| – Joint ventures | **–** | 14,979 |
| – Associates | **1,989** | 581 |
| | **1,989** | 15,560 |
| **Sales of production facility** | | |
| – Joint ventures | **17,541** | 9,611 |
| | **1,221,821** | 819,029 |
| **Rendering of labour and insurance services** | | |
| – Joint ventures | **903,324** | 643,431 |
| – Associates | **395,149** | 374,432 |
| – Subsidiaries of GAIG | **338** | 480 |
| | **1,298,811** | 1,018,343 |

## 42. RELATED PARTY TRANSACTIONS (continued)

### (a) Significant related party transactions (continued)

| | Year ended 31 December | |
|---|---|---|
| | 2016 | 2015 |
| | RMB'000 | RMB'000 |
| **Purchases of goods** | | |
| **Purchases of automotive parts and materials** | | |
| – Joint ventures | 3,245,098 | 1,771,129 |
| – Associates | 335,517 | 239,809 |
| | 3,580,615 | 2,010,938 |
| **Purchases of passenger vehicles** | | |
| – Joint ventures | 5,664,957 | 4,817,064 |
| | 9,245,572 | 6,828,002 |
| **Purchases of labour services and settlement of insurance claims** | | |
| – Joint ventures | 35,404 | 12,813 |
| – Associates | 89,808 | 34,747 |
| – Subsidiaries of GAIG | 19,533 | 13,202 |
| | 144,745 | 60,762 |
| **Rental received from related parties** | | |
| – Joint ventures | 234,060 | 18,422 |
| – Associates | 6,852 | 7,388 |
| – GAIG | 1,361 | 1,432 |
| – Subsidiaries of GAIG | 1,695 | 1,662 |
| | 243,968 | 28,904 |

## 42. RELATED PARTY TRANSACTIONS (continued)

### (a) Significant related party transactions (continued)

| | Year ended 31 December | |
|---|---|---|
| | 2016 | 2015 |
| | RMB'000 | RMB'000 |
| **Rental paid to related parties** | | |
| – Joint ventures | 1,453 | – |
| – Subsidiaries of GAIG | 2,526 | 2,288 |
| – GAIG | 1,670 | 874 |
| | 5,649 | 3,162 |
| **Provision of entrusted loans to related parties** | | |
| – Joint ventures | 808,800 | 613,100 |
| – Associates | 85,760 | 55,000 |
| | 894,560 | 668,100 |
| **Repayment of entrusted loans from related parties** | | |
| – Joint ventures | 633,100 | 705,516 |
| – Associates | 70,000 | – |
| | 703,100 | 705,516 |
| **Interest on entrusted loans received from related parties** | | |
| – Joint ventures | 27,262 | 28,238 |
| – Associates | 2,366 | 469 |
| | 29,628 | 28,707 |
| **Entrusted loans from a related party** | | |
| – An associate | 100,000 | 50,000 |

## 42. RELATED PARTY TRANSACTIONS (continued)

### (a) Significant related party transactions (continued)

| | Year ended 31 December 2016 RMB'000 | 2015 RMB'000 |
|---|---|---|
| **Repayment of entrusted loans to related parties** | | |
| – Joint ventures | – | 132,500 |
| – An associate | **100,000** | 50,000 |
| | **100,000** | 182,500 |
| **Interest on entrusted loans paid to related parties** | | |
| – Joint ventures | – | 3,061 |
| – Associates | **577** | 1,003 |
| | **577** | 4,064 |
| **Borrowings from a related party** | | |
| – A joint venture | **3,140,468** | 1,852,723 |
| **Repayment of borrowings to a related party** | | |
| – A joint venture | **3,187,649** | 2,010,146 |
| **Interest on borrowings paid to a related party** | | |
| – A joint venture | **108,579** | 76,517 |
| **Guarantee fees paid to a related party** | | |
| – GAIG | **6,000** | 6,000 |
| **Assets transferred to related parties** | | |
| – Joint ventures | **3,565** | 54,242 |

## 42. RELATED PARTY TRANSACTIONS (continued)

### (b) Significant balances with related parties

| | As at 31 December 2016 RMB'000 | 2015 RMB'000 |
|---|---|---|
| **Trade receivables** | | |
| – Joint ventures *(Note (i))* | 513,464 | 261,857 |
| – Associates | 60,951 | 97,133 |
| | 574,415 | 358,990 |
| **Interest receivable** | | |
| – Joint ventures | 639 | 631 |
| **Other receivables and prepayments** | | |
| – Joint ventures | 348,960 | 215,161 |
| – Associates | 12,824 | 6,835 |
| – Subsidiaries of GAIG | 2,706 | 940 |
| | 364,490 | 222,936 |
| **Dividend receivable** | | |
| – Joint ventures | 1,773,929 | 3,707,543 |
| – Associates | 46,265 | 293,299 |
| | 1,820,194 | 4,000,842 |
| **Entrusted loans due from** | | |
| – Joint ventures | 788,800 | 613,100 |
| – Associates | 70,760 | 55,000 |
| | 859,560 | 668,100 |
| **Long-term receivables** | | |
| – Joint ventures | 6,289 | – |
| – Associates | 507 | – |
| | 6,796 | – |

## 42. RELATED PARTY TRANSACTIONS (continued)

### (b) Significant balances with related parties (continued)

| | As at 31 December | |
|---|---|---|
| | **2016** | 2015 |
| | **RMB'000** | RMB'000 |
| **Trade payables** | | |
| – Joint ventures | **751,565** | 531,062 |
| – Associates | **216,268** | 74,197 |
| | **967,833** | 605,259 |
| **Advances from customers and other payables** | | |
| – Joint ventures | **33,980** | 5,772 |
| – Associates | **18,524** | 8,747 |
| – Subsidiaries of GAIG | **1,459** | 112 |
| | **53,963** | 14,631 |
| **Notes payable** | | |
| – Joint ventures | **275,437** | 194,230 |
| **Short-term borrowings** | | |
| – A joint venture *(Note (ii))* | **147,625** | 194,806 |
| **Entrusted loans due to** | | |
| – Associates | **100,000** | 100,000 |
| **Interest payable** | | |
| – Joint ventures | **5,879** | 21,104 |
| – Associates | **–** | 192 |
| | **5,879** | 21,296 |

(i) As at 31 December 2016, the Group recorded provision of RMB6,437,000 (2015: Nil) for impairment of receivables from related parties.

(ii) Borrowings from a joint venture, which is a financial institution, are interest bearing. As at 31 December 2016, borrowings from a joint venture were secured by the Group's inventories with carrying value of approximately RMB144,119,000 (2015: RMB122,885,000).

## 42. RELATED PARTY TRANSACTIONS (continued)

### (c) Key management compensation

| | Year ended 31 December | |
|---|---|---|
| | **2016** | 2015 |
| | **RMB'000** | RMB'000 |
| Salaries and other short-term employee benefits | **13,587** | 17,643 |

In addition, expense recognised in the consolidated statement of comprehensive income for share options granted to the key management for the year ended 31 December 2016 is RMB4,541,000 (2015: RMB7,825,000).

### (d) Transactions and balances with other state-owned enterprises in the PRC

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

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

Nevertheless, the Directors consider that transactions with other state-owned enterprises are activities in the ordinary course of the Group's business, and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and other state-owned enterprises are ultimately controlled or owned by the PRC Government. The Group has also established pricing policies for products and services, and such pricing policies do not depend on whether or not the customers are state-owned enterprises. Having due regard to the substance of the relationships, the Directors are of the opinion that none of these transactions are material related party transactions that require separate disclosure except for the transactions with state-owned financial institutions as disclosed below.

## 42. RELATED PARTY TRANSACTIONS (continued)

### (d) Transactions and balances with other state-owned enterprises in the PRC (continued)

(i) Balances with state-owned financial institutions

As at 31 December 2016 and 2015, majority part of the Group's bank balances and borrowings were deposited in or financed from various state-owned financial institutions. The Directors are of opinion that such transactions were conducted in the ordinary course of business and in accordance with normal commercial terms.

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

As at 31 December 2016 and 2015, information of borrowings secured by guarantees given by a state-owned financial institution and the parent company is presented in Note 27(h), 27(i) and 27(j).

### (e) Guarantees to an associate

As at 31 December 2016, the Company provided financial guarantees of approximately RMB85,710,000 (2015: RMB85,710,000) to an associate (Note 43).

## 43. FINANCIAL GUARANTEES

As at 31 December 2016, the financial guarantees provided by the Company to the associate within the Group amounted to approximately RMB85,710,000 (2015: RMB85,710,000).

As at 31 December 2016, the financial guarantees provided to certain third parties by the Group amounted to approximately RMB5,463,000 (2015: RMB8,577,000).

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

## 44. EVENTS AFTER THE REPORTING PERIOD

On 30 March 2017, the Company held the forty-third meeting of forth session of the Board, at which the proposal for profit distribution for 2016 was considered and passed. The Company proposed to pay the 2016 final dividends of RMB0.22 per share (tax inclusive) in cash to the shareholders whose names are on the register of shareholders on the record date. Being affected by the conversion and exercise of the Company's convertible bonds and share options with respect to the share incentive scheme, the total share number of the Company cannot be estimated on the A shares record date. Calculation made hereinafter is temporarily based on the total share number of the Company of 6,453,360,605 shares as at 31 December 2016, by which the total amount of final dividend will be RMB1,419,739,000 (such distribution would be made to A shareholders in RMB, and be made to H shareholders in HKD). Such proposal for profit distribution is subject to the consideration and approval at the 2016 annual general meeting of the Company.

## 45. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

**Balance sheet of the Company**

| | As at 31 December 2016 RMB'000 | As at 31 December 2015 RMB'000 (Restated) *(Note 2.1.1(a))* | As at 1 January 2015 RMB'000 (Restated) *(Note 2.1.1(a))* |
|---|---|---|---|
| ASSETS | | | |
| **Non-current assets** | | | |
| Land use rights | **113,998** | 116,589 | 119,180 |
| Property, plant and equipment | **2,230,245** | 2,270,323 | 2,323,804 |
| Investment properties | **554,327** | 570,198 | 607,715 |
| Intangible assets | **2,449,001** | 2,810,582 | 2,424,207 |
| Investments in subsidiaries | **20,144,798** | 15,633,192 | 13,977,441 |
| Investments in joint ventures and associates | **16,887,359** | 13,401,634 | 14,274,546 |
| Prepayments and long-term receivables | **14,806** | 13,191 | 2,395 |
| Available-for-sale financial assets | **587,300** | 605,400 | 543,000 |
| | **42,981,834** | 35,421,109 | 34,272,288 |
| **Current assets** | | | |
| Inventories | **60,748** | 38,442 | 21,428 |
| Trade and other receivables | **7,757,700** | 6,132,035 | 2,800,165 |
| Time deposits | **5,294,000** | 3,874,000 | 4,890,000 |
| Cash and cash equivalents | **7,999,924** | 7,712,018 | 5,828,658 |
| | **21,112,372** | 17,756,495 | 13,540,251 |
| Non-current assets held for sale | **–** | 95,922 | 95,922 |
| | **21,112,372** | 17,852,417 | 13,636,173 |
| **Total assets** | **64,094,206** | 53,273,526 | 47,908,461 |

## 45. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (continued)

### Balance sheet of the Company (continued)

| | *Note* | **As at 31 December 2016 RMB'000** | As at 31 December 2015 RMB'000 (Restated) *(Note 2.1.1(a))* | As at 1 January 2015 RMB'000 (Restated) *(Note 2.1.1(a))* |
|---|---|---|---|---|
| **EQUITY** | | | | |
| **Equity attributable to the owners of the Company** | | | | |
| Share capital | | **6,453,360** | 6,435,019 | 6,435,019 |
| Other reserves | *(a)* | **20,762,853** | 19,902,504 | 19,414,961 |
| Retained earnings | *(a)* | **10,989,418** | 9,265,937 | 6,781,282 |
| **Total equity** | | **38,205,631** | 35,603,460 | 32,631,262 |
| **LIABILITIES** | | | | |
| **Non-current liabilities** | | | | |
| Borrowings | | **9,720,787** | 6,550,057 | 4,561,750 |
| Government grants | | **510,410** | 411,724 | 342,316 |
| | | **10,231,197** | 6,961,781 | 4,904,066 |
| **Current liabilities** | | | | |
| Trade and other payables | | **15,058,464** | 9,708,285 | 4,378,252 |
| Borrowings | | **598,914** | 1,000,000 | 5,994,881 |
| | | **15,657,378** | 10,708,285 | 10,373,133 |
| **Total liabilities** | | **25,888,575** | 17,670,066 | 15,277,199 |
| **Total equity and liabilities** | | **64,094,206** | 53,273,526 | 47,908,461 |

The balance sheet of the Company was approved by the Board of Directors on 30 March 2017 and was signed on its behalf:

**Zeng Qinghong**
*Director*

**Wu Song**
*Director*

## 45. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (continued)

### (a) Reserve movement of the Company

| | Share premium RMB'000 | Other capital reserve RMB'000 | Statutory surplus reserve fund RMB'000 | Available-for-sale investments RMB'000 | Employee share option scheme RMB'000 | Total other reserves RMB'000 | Retained earnings RMB'000 | Total reserves RMB'000 |
|---|---|---|---|---|---|---|---|---|
| **As at 1 January 2015 as previously presented** | 17,503,791 | 16,251 | 1,880,699 | – | 14,220 | 19,414,961 | 4,992,073 | 24,407,034 |
| Effect of changes in accounting policies *(Note 2.1.1(a))* | – | – | – | – | – | – | 1,789,209 | 1,789,209 |
| **As at 1 January 2015 as restated** | 17,503,791 | 16,251 | 1,880,699 | – | 14,220 | 19,414,961 | 6,781,282 | 26,196,243 |
| Profit for the year as restated | – | – | – | – | – | – | 3,904,731 | 3,904,731 |
| Other comprehensive income – available-for-sale financial assets | – | – | – | 54,400 | – | 54,400 | – | 54,400 |
| Appropriation to statutory surplus reserve fund | – | – | 390,473 | – | – | 390,473 | (390,473) | – |
| Dividend declared by the Company | – | – | – | – | – | – | (1,029,603) | (1,029,603) |
| Employee share option scheme | – | – | – | – | 42,670 | 42,670 | – | 42,670 |
| **As at 31 December 2015 as restated** | 17,503,791 | 16,251 | 2,271,172 | 54,400 | 56,890 | 19,902,504 | 9,265,937 | 29,168,441 |

## 45. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (continued)

### (a) Reserve movement of the Company (continued)

| | Share premium RMB'000 | Other capital reserve RMB'000 | Statutory surplus reserve fund RMB'000 | Available-for-sale investments RMB'000 | Employee share option scheme RMB'000 | Convertible bonds RMB'000 | Total other reserves RMB'000 | Retained earnings RMB'000 | Total reserves RMB'000 |
|---|---|---|---|---|---|---|---|---|---|
| **As at 31 December 2015 as previously presented** | 17,503,791 | 16,251 | 2,271,172 | 54,400 | 56,890 | – | 19,902,504 | 9,938,750 | 29,841,254 |
| Effect of changes in accounting policies *(Note 2.1.1(a))* | – | – | – | – | – | – | – | (672,813) | (672,813) |
| **As at 1 January 2016 as restated** | 17,503,791 | 16,251 | 2,271,172 | 54,400 | 56,890 | – | 19,902,504 | 9,265,937 | 29,168,441 |
| Profit for the year | – | – | – | – | – | – | – | 3,346,386 | 3,346,386 |
| Other comprehensive income – available-for-sale financial assets | – | – | – | (22,100) | – | – | (22,100) | – | (22,100) |
| Appropriation to statutory surplus reserve fund | – | – | 334,639 | – | – | – | 334,639 | (334,639) | – |
| Dividend declared by the Company | – | – | – | – | – | – | – | (1,288,266) | (1,288,266) |
| Employee share option scheme | | | | | | | | | |
| – Value of employee services | – | – | – | – | 24,070 | – | 24,070 | – | 24,070 |
| – Proceeds from shares issued | 134,876 | – | – | – | (30,719) | – | 104,157 | – | 104,157 |
| Convertible bonds | | | | | | | | | |
| – Issuance of convertible bonds | – | – | – | – | – | 387,578 | 387,578 | – | 387,578 |
| – Conversion of convertible bonds | 33,330 | – | – | – | – | (3,336) | 29,994 | – | 29,994 |
| Others | – | 2,011 | – | – | – | – | 2,011 | – | 2,011 |
| **As at 31 December 2016** | 17,671,997 | 18,262 | 2,605,811 | 32,300 | 50,241 | 384,242 | 20,762,853 | 10,989,418 | 31,752,271 |

## 46. BENEFITS AND INTERESTS OF DIRECTORS

### (a) Directors', supervisors' and general manager's emoluments

The remuneration of every director, supervisor and the general manager for the year ended 31 December 2016 is set out as below:

| Name | Fees | Basic salaries, housing fund and other allowances | Employer's contributions to a retirement benefit scheme | Discretionary bonuses | Remunerations paid or receivable in respect of accepting office as director | Total |
|---|---|---|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| **Name of director** | | | | | | |
| Zhang Fangyou *(Note (i))* | – | – | – | – | – | – |
| Zeng Qinghong *(Notes (i) and (ii))* | – | 551 | 154 | 404 | – | 1,109 |
| Feng Xingya *(Note (i))* | – | 516 | 140 | 280 | – | 936 |
| Yuan Zhongrong | – | – | – | 256 | – | 256 |
| Fu Yuwu | – | – | – | – | 150 | 150 |
| Lan Hailin | – | – | – | – | 150 | 150 |
| Li Fangjin | – | – | – | – | 150 | 150 |
| Liang Nianchang | – | – | – | – | 150 | 150 |
| Wang Susheng | – | – | – | – | 150 | 150 |
| Yao Yiming | – | 507 | 141 | 328 | – | 976 |
| Wu Song | – | 624 | 158 | 37 | – | 819 |
| Lu Sa | – | 514 | 143 | 273 | – | 930 |
| Chen Maoshan | – | 509 | 148 | 166 | – | 823 |
| Li Pingyi | – | – | – | – | – | – |
| Ding Hongxiang | – | – | – | – | – | – |
| **Name of supervisor** | | | | | | |
| Gao Fusheng | – | – | – | – | – | – |
| Wu Chunlin | – | – | – | – | – | – |
| Wang Junyang *(Note (iii))* | – | – | – | – | – | – |
| Su Zhanpeng *(Note (iii))* | – | – | – | – | – | – |
| Ye Shanhu | – | 650 | 109 | 50 | – | 809 |
| Wang Lu | – | 556 | 95 | 43 | – | 694 |

## 46. BENEFITS AND INTERESTS OF DIRECTORS (continued)

### (a) Directors', supervisors' and general manager's emoluments (continued)

The remuneration of every director, supervisor and the general manager for the year ended 31 December 2015 is set out as below:

| Name | Fees | Basic salaries, housing fund and other allowances | Employer's contributions to a retirement benefit scheme | Discretionary bonuses | Remunerations paid or receivable in respect of accepting office as director | Total |
|---|---|---|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| **Name of director** | | | | | | |
| Zhang Fangyou | – | – | – | – | – | – |
| Zeng Qinghong | – | 918 | 267 | – | – | 1,185 |
| Yuan Zhongrong | – | – | – | – | – | – |
| Fu Yuwu | – | – | – | – | 150 | 150 |
| Lan Hailin | – | – | – | – | 150 | 150 |
| Li Fangjin | – | – | – | – | 150 | 150 |
| Liang Nianchang | – | – | – | – | 150 | 150 |
| Wang Susheng | – | – | – | – | 150 | 150 |
| Yao Yiming | – | 810 | 219 | – | – | 1,029 |
| Feng Xingya | – | 800 | 219 | – | – | 1,019 |
| Lu Sa | – | 797 | 214 | – | – | 1,011 |
| Chen Maoshan | – | 632 | 187 | – | – | 819 |
| Wu Song | – | 615 | 176 | 551 | – | 1,342 |
| Li Pingyi | – | – | – | – | – | – |
| Ding Hongxiang | – | – | – | – | – | – |
| Liu Huilian | – | 1,609 | – | – | – | 1,609 |
| Wei Xiaoqin | – | 1,591 | – | – | – | 1,591 |
| **Name of supervisor** | | | | | | |
| Gao Fusheng | – | – | – | – | – | – |
| Wu Chunlin | – | – | – | – | – | – |
| Su Zhanpeng | – | – | – | – | – | – |
| Ye Shanhu | – | 601 | 92 | 360 | – | 1,053 |
| Wang Lu | – | 515 | 86 | 236 | – | 837 |
| Huang Zhiyong | – | – | – | – | – | – |
| He Yuan | – | – | – | – | – | – |
| Lai Boyi | – | 160 | 17 | – | – | 177 |
| He Jinpei | – | 149 | 17 | – | – | 166 |

The above emoluments do not include the fair value of share options granted under SOs in 2014.

## 46. BENEFITS AND INTERESTS OF DIRECTORS (continued)

### (a) Directors', supervisors' and general manager's emoluments (continued)

Expense recognised in the consolidated statement of comprehensive income for share options granted to the above directors, supervisors and the general manager for the year ended 31 December 2016 and 2015 is set out as below:

| | Year ended 31 December | | | |
|---|---|---|---|---|
| | **2016** | | 2015 | |
| **Name** | **Number of share options granted** | **Expense recognised for the share options granted RMB'000** | Number of share options granted | Expense recognised for the share options granted RMB'000 |
| **Name of director** | | | | |
| Zhang Fangyou *(Notes (v) and (vi))* | **950,000** | **194** | 950,000 | 630 |
| Zeng Qinghong | **900,000** | **505** | 900,000 | 597 |
| Feng Xingya | **760,000** | **426** | 760,000 | 504 |
| Yuan Zhongrong | **810,000** | **455** | 810,000 | 537 |
| Yao Yiming | **740,000** | **415** | 740,000 | 491 |
| Lu Sa | **760,000** | **426** | 760,000 | 504 |
| Chen Maoshan | **740,000** | **415** | 740,000 | 491 |
| Wu Song | **740,000** | **415** | 740,000 | 491 |
| Liu Huilian *(Note (vi))* | – | – | 760,000 | 504 |
| Wei Xiaoqin *(Note (vi))* | – | – | 760,000 | 504 |
| **Name of supervisor** | | | | |
| Ye Shanhu *(Notes (iv) and (vi))* | – | – | 90,600 | 60 |
| Wang Lu *(Notes (iv) and (vi))* | – | – | 90,600 | 60 |

(i) In October 2016, Mr. Zhang Fangyou, the former chairman of the Company, resigned due to retirement. Mr. Zeng Qinghong, the former general manager, was appointed as new chairman of the Company with effect from 30 October 2016. Mr. Feng Xingya was appointed as new general manager of the Company with effect from 22 November 2016.

(ii) The amount represented Mr. Zeng Qinghong's emolument throughout the year ended 31 December 2016.

(iii) In March 2016, Mr. Su Zhanpeng, the former supervisor, resigned due to personal reason. Mr. Wang Junyang as appointed as new supervisor with effect from 7 April 2016.

(iv) The twenty-eighth meeting of the forth session of the Board formally announced that the share options granted to Mr. Ye Shanhu and Ms. Wang Lu lapsed in 2016.

## 46. BENEFITS AND INTERESTS OF DIRECTORS (continued)

### (a) Directors', supervisors' and general manager's emoluments (continued)

(v) Upon retirement of Mr. Zhang Fangyou in 2016, the unexercised 634 thousand units of share options granted to him have lapsed. The expenses of RMB194,000 disclosed above represent share option expenses, which relate to 316 thousand units of exercised share options, charged to profit or loss in 2016.

(vi) Share option expenses totalling RMB4,053,000 recognised in prior years were reversed in 2016 due to the lapse of the share options granted.

(vii) In 2016 and 2015, there was no emoluments paid to or receivable by directors in respect of their other services in connection with the management of the affairs of the Company or its subsidiary undertaking.

### (b) Directors' retirement benefits

None of the directors received or will receive any retirement benefits for the year ended 31 December 2016 (2015: RMB3,200,000).

### (c) Directors' termination benefits

None of the directors received or will receive any termination benefits for the year ended 31 December 2016 (2015: Nil).

### (d) Consideration provided to third parties for making available directors' services

For the year ended 31 December 2016, the Group did not pay consideration to any third parties for making available directors' services (2015: Nil)

### (e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

As at 31 December 2016, there are no loans, quasi-loans and other dealing arrangements in favor of directors, controlled bodies corporate by and connected entities with such directors (2015: Nil).

### (f) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2015: Nil).

# Five-Year Financial Summary

A summary of the published financial results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements of the Group, is set out below:

| | Year ended 31 December | | | | |
|---|---|---|---|---|---|
| | **2016** | 2015 | 2014 | 2013 | 2012 |
| | **RMB'000** | RMB'000 (Restated) | RMB'000 | RMB'000 | RMB'000 |
| Revenue | **49,417,676** | 29,418,223 | 22,383,424 | 18,824,199 | 12,963,860 |
| Cost of sales | **(41,961,379)** | (25,974,620) | (19,831,167) | (16,829,736) | (12,273,586) |
| **Gross profit** | **7,456,297** | 3,443,603 | 2,552,257 | 1,994,463 | 690,274 |
| Selling and distribution costs | **(3,396,393)** | (1,866,537) | (1,841,370) | (1,070,813) | (814,760) |
| Administrative expenses | **(2,738,874)** | (2,037,088) | (1,882,183) | (1,712,901) | (1,332,539) |
| Interest income | **488,696** | 411,556 | 317,678 | 373,577 | 279,795 |
| Other gains/(losses) – net | **331,196** | 435,386 | 362,765 | (432,824) | 12,865 |
| **Operating profit/(loss)** | **2,140,922** | 386,920 | (490,853) | (848,498) | (1,164,365) |
| Finance costs | **(962,927)** | (849,396) | (745,415) | (645,305) | (528,644) |
| Interest income | **97,240** | 127,955 | 120,960 | 102,745 | 55,891 |
| Share of profit of joint ventures and associates | **5,774,362** | 4,720,117 | 4,181,213 | 4,020,350 | 2,637,092 |
| **Profit before income tax** | **7,049,597** | 4,385,596 | 3,065,905 | 2,629,292 | 999,974 |
| Income tax expense | **(754,342)** | (400,067) | (130,587) | (100,784) | 64,786 |
| **Profit for the year** | **6,295,255** | 3,985,529 | 2,935,318 | 2,528,508 | 1,064,760 |
| **Profit attributable to:** | | | | | |
| Owners of the Company | **6,287,542** | 4,211,553 | 3,194,160 | 2,652,837 | 1,133,982 |
| Non-controlling interests | **7,713** | (226,024) | (258,842) | (124,329) | (69,222) |
| | **6,295,255** | 3,985,529 | 2,935,318 | 2,528,508 | 1,064,760 |

| | As at 31 December | | | | |
|---|---|---|---|---|---|
| | **2016** | 2015 | 2014 | 2013 | 2012 |
| | **RMB'000** | RMB'000 (Restated) | RMB'000 | RMB'000 | RMB'000 |
| **Assets, liabilities and non-controlling interests** | | | | | |
| Total assets | **82,146,241** | 67,219,688 | 62,462,723 | 57,843,281 | 49,433,949 |
| Total liabilities | **37,252,780** | 27,728,368 | 26,213,576 | 23,727,085 | 17,370,118 |
| Non-controlling interests | **1,037,308** | 844,811 | 795,956 | 805,005 | 921,760 |