



GUANGZHOU AUTOMOBILE GROUP CO., LTD.

廣州汽車集團股份有限公司

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

Stock Code : 2238



2010

INTERIM REPORT



Guangzhou Automobile Group Co., Ltd.
2010 Interim Report

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Chairman's Statement



Zhang Fangyou
Chairman

Dear Shareholders,

On behalf of the Board, I am pleased to present the interim results of the Company for 2010 for your review.

For the first half of 2010, the Chinese government continued to implement a series of plans to stimulate recovery and growth of the economy, which accelerated the transformation of economic development and structural adjustment. The overall national economic situation was stable and becoming better, and the economy has developed in the direction as planned by macro-economic control. With the macro-economy stably growing, the automobile industry in the PRC experienced a smooth and quick momentum in development for the first half of this year, the aggregate sales volume of vehicles amounted to 9,016,200 units, representing an increase of 47.7% over the corresponding period last year. Since the figures as bases for the first half of 2009 was relatively low, the growth in automobile industry in the PRC was much higher than the growth over the corresponding period last year; among this, the sales volume of passenger vehicles and commercial vehicles were 6,720,900 units and 2,295,300 units respectively, representing growth rates up to 48.2% and 46.1% respectively. Despite the growth in recent few months slowed down over the corresponding period last year, the growth pace remained at a high level; on one hand, it was the compensational growth for the slow-down in growth rate caused by the economic crisis for the first half of 2009, on the other hand, it also demonstrated that the economic condition was gradually becoming better.

During the period, the aggregate sales volume of vehicles of the Group together with our associated companies was 348,677 units, representing an increase of 35.5% over the corresponding period last year. The aggregate sales volume of passenger vehicles was 346,606 units, representing an increase of 35.4% over the corresponding period last year, while that of commercial vehicles was 2,071 units, representing an increase of 51.9% over the corresponding period last year. Due to the structural characteristics of our product lines, the growth rate of the sales volume of our Group was slightly lower than the average level in the industry. From January to June in 2010, the consolidated revenue of our Group was RMB28,897 million, representing an

Chairman's Statement

increase of 39.8%; among which the revenue for passenger vehicles was RMB28,220 million, demonstrating a growth of 39.0% over the corresponding period last year, while the revenue for commercial vehicles and auto parts were RMB374 million and RMB183 million respectively, representing an increase of 233.9% and 59.8% respectively. All of the operating targets achieved were over half of the annual business objectives.

In retrospect to the first half of 2010, the Group made significant achievements in its overall listing, proprietary innovation, expansion of capacity, structural improvement and response to emergencies, etc. Firstly, the innovative way of listing by issuing H shares and integration with Denway laid solid foundation for further streamlining of the level of equity, improvement of management efficiency, optimization of resources allocation and profitability enhancement of the Group; the listing and integration had been completed at the end of August. Secondly, in connection with proprietary innovation and R&D, the R&D and preparation for production of first proprietary brand vehicle "Trumpchi" had been finalized and its production would commence in September and be ready for service in the sixteenth Asian Games as well as commercial launch. GAC Components launched its proprietary research and development of components. Thirdly, through (i) launching capacity expansion of Guangqi Honda, confirming the production plan for the new model "Crosstour"; (ii) GAC Fiat started the construction of plants and introduction of new vehicle models; (iii) entering into Strategic Cooperative Framework Agreement with Zhejiang Gonow Investment Co., Ltd. (浙江吉奥投资有限公司), the capacity and structure of the Group obtained continuous expansion and optimization, intensifying the further ability to advance and improve. Fourthly, in order to cope with the impact from recalls and employment suspension of certain suppliers, our Group proactively organised and implemented a series of measures, which effectively maintained our brand image and normal operation of production and management, achieving the whole growth of each operating results.

Looking ahead into the macro-economy situation, automobile industry and the development tendency of our Group in the second half of 2010, we believe that although the world economy has not yet recovered on the whole, the upturn tendency would not reverse, while the growth rate of the economy in China would moderately slow down, but the overall growth rate would remain at a high level. In line with the above, the growth of the production and sales of domestic vehicles might slow down to some extent, but would keep a relatively high growth rate for the whole year. The main theme of the development of domestic automobile industry will be the rapid development of proprietary brands and further improvement of product localization rate of auto parts and components in joint ventures, energy saving & emission reduction and application of new energy would lead the direction of focus in upgrading the automobile technologies, the tendency of inter-region integration of automobile industry layout would become more and more popular, the concentration degree in industries gradually promoted, the efforts to expand the production capacity continuously increase in automobile industries, and competition would become more intense than ever within the industry. Under the leadership of the Board, and by paying more attention to the macro-economy and new characteristics of the automobile industry, the Group would meticulously examine the situation, readily respond, and maintain a stable and faster growth, commit to achieving the goal formulated by the Board.

Zhang Fangyou

Chairman

Guangzhou, PRC, 31 August 2010

Corporate Information

Chinese name of the Company	廣州汽車集團股份有限公司
English name of the Company	Guangzhou Automobile Group Co., Ltd.
Stock Code	2238
Registered address and Headquarters	23/F, Chengyue Building, 448-458 Dong Feng Zhong Road, Yuexiu District, Guangzhou
Principal place of business in PRC	23/F, Chengyue Building, 448-458 Dong Feng Zhong Road, Yuexiu District, Guangzhou
Principal place of business in Hong Kong	Room 808 Citicorp Centre, 18 Whitfield Road, Causeway Bay, Hong Kong
Website	www.gagc.com.cn
Hong Kong H share registrar	Tricor Investor Services Limited 26/F, Tesbury Centre 28 Queen's Road East, Hong Kong
Compliance adviser	China International Capital Corporation Hong Kong Securities Limited 29/F, One International Finance Centre 1 Harbour View Street, Central, Hong Kong
Auditor	PricewaterhouseCoopers

Corporate Information

Joint company secretaries	Lu Sa Leung Chong Shun
Authorised representatives	Lu Sa Li Tun
Audit committee	Law Albert Yu Kwan (<i>chairman</i>) Ma Guohua Xiang Bing
Remuneration committee	Li Zhengxi (<i>chairman</i>) Ma Guohua Li Pingyi
Nomination committee	Wu Gaogui (<i>chairman</i>) Li Zhengxi Wang Songlin
Strategy committee	Zhang Fangyou (<i>chairman</i>) Zeng Qinghong Yuan Zhongrong Fu Shoujie Wu Gaogui Xiang Bing

Directors, Supervisors and Senior Management

During the reporting period of the 2010 Interim Report, the directors, supervisors and senior management of the Company include:

Directors

Zhang Fangyou	<i>Executive Director and Chairman</i>
Zeng Qinghong	<i>Executive Director and Vice Chairman</i>
Yuan Zhongrong	<i>Executive Director</i>
Lu Sa	<i>Executive Director</i>
Fu Shoujie	<i>Non-Executive Director</i>
Liu Huilian	<i>Non-Executive Director</i>
Wei Xiaogin	<i>Non-Executive Director</i>
Li Tun	<i>Non-Executive Director</i>
Wang Songlin	<i>Non-Executive Director</i>
Li Pingyi	<i>Non-Executive Director</i>
Wu Gaogui	<i>Independent Non-Executive Director</i>
Ma Guohua	<i>Independent Non-Executive Director</i>
Xiang Bing	<i>Independent Non-Executive Director</i>
Law Albert Yu Kwan	<i>Independent Non-Executive Director</i>
Li Zhengxi	<i>Independent Non-Executive Director</i>

Senior Management

Zeng Qinghong	<i>General Manager</i>
Yuan Zhongrong	<i>Deputy General Manager</i>
Lu Sa	<i>Company Secretary and Secretary of the Board</i>
Li Shao	<i>Deputy General Manager</i>
Huang Xiangdong	<i>Deputy General Manager</i>
Wang Dan	<i>Chief Financial Officer</i>
Wu Song	<i>Deputy General Manager</i>
Jiang Ping	<i>Deputy General Manager</i>
Yao Yiming	<i>Deputy General Manager</i>
Feng Xinya	<i>Deputy General Manager</i>
Liu Wei	<i>Deputy General Manager</i>
Yan Zhuangli	<i>Deputy General Manager</i>

Supervisors

Gao Fusheng	<i>Chairman of the Supervisory Committee</i>
Huang Zhiyong	<i>Supervisor</i>
He Yuan	<i>Supervisor</i>
Ye Ruiqi	<i>Supervisor</i>
He Jinpei	<i>Supervisor</i>

Management's Discussion and Analysis on Interim Results

Financial Results Overview

Our interests in Jointly-controlled Entities are accounted for by proportionate consolidation. We consolidate our share in the jointly-controlled entities in respect of incomes and expenses, assets and liabilities and cash flow on a line-by-line basis into similar items in the Group's financial statements.

During the period, the revenue of the Group amounted to approximately RMB28,897 million, representing an increase of RMB8,229 million, or approximately 39.8%, when compared with approximately RMB20,668 million for the corresponding period last year. The profit attributable to equity holders of the Company amounted to approximately RMB2,308 million for the period, representing an increase of RMB1,668 million, or approximately 260.6%, when compared with approximately RMB640 million for the corresponding period last year. Earnings per share were approximately RMB58.66 cents, representing an increase of approximately RMB41.18 cents, or approximately 235.6%, when compared with approximately RMB17.48 cents for the corresponding period last year.

Cash and cash equivalents at the end of the period of our Group amounted to approximately RMB16,478 million, representing an increase of approximately RMB5,145 million, or approximately 45.4%, when compared with the amount at the beginning of the period.

Revenue

In the first half of 2010, the automobile market in the PRC carried a surge of momentum. Facing the rapid recovery in the automobile market, our Group acted proactively, and coped with the impact from recalls and employment suspension of certain suppliers. During the period, our Group remained focusing on the sales of mid-to-high-end sedans with higher profitability and stable customer base, while gradually expanding the scope of products and diversifying the product portfolio. Guangqi Honda Accord and GAC Toyota Camry (as the most popular traditional models of passenger vehicles of the Group) commanded the top two rankings in the PRC mid-to-high-end sedan market in terms of sales volume and kept stable growth during the period. Meanwhile, GAC Toyota Highlander and Guangqi Honda Odyssey's sales surged during the period compared with the corresponding period last year, further enriching the original production line which was based on sedans, and brought considerable revenues to our Group.

During the period, sales of vehicles of the Group amounted to 316,095 units, sales of vehicles of the associated companies amounted to 32,582 units, and the accumulated sales volume of our Group, together with associated companies, amounted to 348,677 units, representing an increase of approximately 35.5% over the corresponding period last year, of which sales of passenger vehicles amounted to 346,606 units (mid-to-high-end sedans: 163,988 units, MPV: 22,144 units, SUV: 59,733 units), representing an increase of approximately 35.4% over the corresponding period last year; sales of commercial vehicles amounted to 2,071 units, representing an increase of approximately 51.9% over the corresponding period last year. Our Group, together with associated companies had a market share of approximately 3.9% in terms of sales volume among the domestic automobile market, with approximately 23.7% for the market of mid-to-high-end sedans, approximately 10.6% for MPV, and approximately 10.2% for SUV.

Management's Discussion and Analysis on Interim Results

During the period, revenue of the Group amounted to approximately RMB28,897 million, an increase of RMB8,229 million, or approximately 39.8% compared with approximately RMB20,668 million in the corresponding period last year, of which the sales of passenger vehicles amounted to approximately RMB28,220 million, representing an increase of approximately 39.0% over the corresponding period last year, which comprise most of the revenue of our Group, or approximately 97.7%; the revenue of commercial vehicles amounted to approximately RMB374 million, representing an increase of approximately 233.9% over the corresponding period last year, comprising approximately 1.3% of the revenue of our Group.

	Six months ended 30 June 2010		Six months ended 30 June 2009	
	Revenue (RMB million)	Sales volume (Unit)	Revenue (RMB million)	Sales volume (Unit)
Passenger vehicles	28,220	314,024	20,304	242,335
Commercial vehicles	374	2,071	112	1,363
Auto parts	183	N/A	115	N/A
Automobile-related services	120	N/A	137	N/A
Total (the Group)	28,897	316,095	20,668	243,698
Sales volume of associated companies	N/A	32,582	N/A	13,575
Total (the Group together with its associated companies)	N/A	348,677	N/A	257,273

The revenue of our passenger vehicles increased by approximately RMB7,916 million, representing an increase of approximately 39.0%, to approximately RMB28,220 million during the period from approximately RMB20,304 million over the corresponding period last year. It is mainly due to the increase of sales volume of our passenger vehicles by 71,689 units, representing an increase of approximately 29.6%, to 314,024 units from 242,335 units over the corresponding period last year, among which:

- in terms of mid-to-high-end sedans, GAC Toyota Camry and Guangqi Honda Accord still commanded the first two ranks in mid-to-high-end sedan market, the cumulative sales of GAC Toyota Camry increased by 10,699 units, or 15.2% over the corresponding period last year, to 81,337 units during the period and the cumulative sales of Guangqi Honda Accord increased by 2,654 units, or 3.3% over the corresponding period last year, to 82,651 units during the period;
- in terms of mid-end sedans, the cumulative sales of Guangqi Honda (Fengfan) increased by 10,073 units, or 20.3% over the corresponding period last year, to 59,620 units during the period; in terms of economy sedans, the cumulative sales increased by 1,341 units, or 4.9% over the corresponding period last year, to 28,734 units during the period;

Management's Discussion and Analysis on Interim Results

- MPV and SUV recorded significant growth. The cumulative sales of Guangqi Honda Odyssey (MPV) increased by 9,778 units, or 79.2%, over the corresponding period last year to 22,123 units during the period; GAC Toyota Highlander (SUV) maintained significant growth since its launch in May 2009, the market share of the GAC Toyota Highlander (SUV) was ranked the top of the large and medium SUV market, the cumulative sales volume increased by 37,144 units, or 1,538.1% over the corresponding period last year, to 39,559 units during the period.

During the period, the revenue of our commercial vehicles increased by approximately RMB262 million, or approximately 233.9%, to approximately RMB374 million during the period from approximately RMB112 million in the corresponding period last year. The sales volume of our commercial vehicles increased by 708 units, or approximately 51.9%, to 2,071 units during the period from 1,363 units in the corresponding period last year, among which the cumulative sales of GAC Hino increased by 382 units, or 46.3% over the corresponding period last year, to 1,207 units during the period since GAC Hino has commenced the production and sales of heavy trucks from September 2009; the cumulative sales of GAC Bus increased by 326 units, or 60.6% over the corresponding period last year, to 864 units during the period, which mainly benefited from the new sales of Asian Games used models. Meanwhile, as the adjustment of product structure in commercial vehicles segment caused the growth in sales revenue, the proportion of commercial vehicles in revenue increased by 0.8% from 0.5% in the corresponding period last year to 1.3%.

Cost of Sales and Gross Profit

During the period, our total cost of sales increased by RMB6,373 million to approximately RMB23,613 million during the period from approximately RMB17,240 million over the corresponding period last year. Our total gross profit increased by approximately RMB1,857 million, or approximately 54.2%, to approximately RMB5,284 million during the period from approximately RMB3,427 million over the corresponding period last year.

Our gross profit margin increased by 1.7% from approximately 16.6% in the same period last year to approximately 18.3% during the period of which the gross profit margin of our passenger vehicle business increased by 1.8% from approximately 16.6% in the corresponding period last year to approximately 18.4% during the period; the gross profit margin of our commercial vehicle business increased significantly by 7.6% from approximately 1.6% in the corresponding period last year to approximately 9.2% during the period.

Management's Discussion and Analysis on Interim Results

The gross profit margin of our passenger vehicle business increased during the period, mainly due to the following reasons:

- (1) the positive development of our mid-to-high-end passenger vehicles, with the significant increase in sales of other high-end products (such as GAC Toyota Highlander), resulted in the growth of gross profit margin during the period;
- (2) our implementation of a series of cost control measures, including the adoption of sound business policy and strengthening internal management, resulted in the reduction of the unit cost;
- (3) the growth rate of our cost of passenger vehicles was less than that of our revenue as a result of scale effect of fixed expenses.

During the period, the gross profit margin of our commercial vehicles business increased to approximately 9.2% from approximately 1.6% in the corresponding period last year, mainly because our commercial vehicles business has completed its reorganization and commenced normal production and sales. The gross profit margin of our commercial vehicles is expected to further improve as a result of the increase in sales of our commercial vehicles.

Selling and Distribution Costs

Our selling and distribution costs increased by approximately RMB155 million to approximately RMB1,030 million during the period from approximately RMB875 million in the corresponding period last year, which is mainly due to the increase in the cost of logistics and after-sale services as a result of the increase in sales; meanwhile, as the growth rate of selling and distribution costs was less than that of sales revenue, the selling and distribution costs as a percentage of sales revenue decreased slightly by 0.6% to approximately 3.6% from 4.2% in the corresponding period last year.

Administrative Expenses

Our total administrative expenses increased slightly by approximately RMB10 million to approximately RMB1,039 million during the period from approximately RMB1,029 million of the corresponding period last year. Among which, technical development cost increased slightly as a result of development of proprietary brands and enhancement of R&D; besides, our depreciation charged in administrative expenses decreased slightly as a result of disposal of some fixed assets. The administrative expenses as a percentage of revenue decreased by approximately 1.4% to 3.6% from 5.0% in the corresponding period last year, which is primarily due to our measures of strictly controlling administrative expenses for responding to challenges from the external economic environment which made our growth of administrative expenses well below the growth in revenue.

Management's Discussion and Analysis on Interim Results

Other Losses — Net

During the period, compared with the amount of approximately RMB95 million for the same period last year, other net losses of our Group amounted to approximately RMB16 million, representing a decrease of approximately RMB79 million, which primarily due to the RMB100 million donation in the same period last year to the 16th Asian Games Organizing Committee (“GAGOC”).

Interest Income

During the period, interest income of the Group was approximately RMB190 million, a decrease of approximately RMB26 million when compared with approximately RMB216 million in the corresponding period last year, mainly due to the decrease in time deposits as a result of payments to suppliers during the period.

Finance Costs

During the period, the finance costs of the Group amounted to approximately RMB187 million, an increase of approximately RMB55 million when compared with approximately RMB132 million in the same period last year. The increase was mainly due to a slight increase in average borrowing balances during the period.

Staff Costs

During the period, the staff costs (including directors' and supervisors' emoluments) of the Group amounted to approximately RMB747 million, an increase of approximately RMB69 million when compared with approximately RMB678 million for the same period last year. This was mainly due to (1) an increase in the total number of employees as a result of the expansion of the Group's scale; (2) the increase of the level of average salaries in line with the increase of the Group's revenue and profit.

Depreciation and Amortisation

With the business expansion and increase in the revenue, continuous additions and refreshment of fixed assets including plant and equipment of the Group during the period, the increase in fixed assets amounted to approximately RMB778 million, disposal of fixed assets was approximately RMB123 million, an increase of approximately RMB1,225 million and RMB99 million respectively when compared with those in the same period last year. During the period, the depreciation and amortisation amounted to approximately RMB481 million, an increase of approximately RMB17 million when compared with approximately RMB464 million in the same period last year.

Management's Discussion and Analysis on Interim Results

Share of Profit of Associated Companies

During the period, the share of profit of associated companies of the Group amounted to approximately RMB601 million, a substantial increase of approximately RMB468 million when compared with approximately RMB133 million in the same period last year. This was mainly due to:

- (1) the share of profit of associated companies in the same period last year contained the investment loss of approximately RMB252 million in Guangzhou Zhujiang Steel Co., Ltd. The investment in this associated company has been disposed of at the end of 2009;
- (2) with the acquisition of equity interest in GAC Changfeng, the share of profit of associated companies in passenger vehicles segment was approximately RMB94 million, an increase of approximately RMB56 million when compared with approximately RMB38 million in the same period last year;
- (3) driven by the growth of sales in the vehicles and the growth of export of engines, the share of profit of associated companies in auto parts segment was approximately RMB504 million, an increase of approximately RMB162 million or 47.4% when compared with approximately RMB342 million in the same period last year.

Income Tax Expense

With the increase of the Group's revenue and profit, the income tax expenses of the Group during the period amounted to approximately RMB548 million, an increase of approximately RMB301 million when compared with approximately RMB247 million in the same period last year.

The effective tax rate for the period was approximately 14.4%, a decrease of approximately 0.6% as compared with approximately 15.0% in the same period of last year. This was mainly due to the increase in the profit contribution of GAC Toyota, which still enjoyed a tax holiday of "half levy" and the provisional stage of tax reform.

Profit For The Period

Based on the above reasons, the profit of the Group during the period amounted to approximately RMB3,254 million, an increase of 132.6% when compared with RMB1,399 million in the same period last year; the profit margin was approximately 11.3%, a significant increase of approximately 4.5% when compared with approximately 6.8% in the corresponding period last year.

Management's Discussion and Analysis on Interim Results

Based on the foregoing reasons and the influence of different percentage of equity interests in the investees, the profits attributable to our parent Company amounted to approximately RMB2,308 million for the period, an increase of approximately RMB1,668 million, or approximately 260.6% when compared with approximately RMB640 million in the corresponding period last year. Earnings per share were approximately RMB58.66 cents, up by approximately RMB41.18 cents, or approximately 235.6%, when compared with approximately RMB17.48 cents for the corresponding period last year.

Foreign Exchange Risk

The Group's business mainly operate in the PRC with all of the domestic sales and purchasing settled in RMB. During the period, changes in foreign exchange rates had no material impact on the operation results and cash flow of the Group.

Financial Resources and Capital Structure

As at 30 June 2010, the Group's current assets and current liabilities amounted to approximately RMB28,914 million and RMB11,864 million respectively, and the current ratio was approximately 2.44 times. The total borrowing amounted to approximately RMB9,016 million as at 30 June 2010, which mainly included debentures issued by the Group in 2009 with par value of RMB6,700 million, corporate bonds with par value of RMB600 million and, bank borrowing of approximately RMB1,797 million, the asset to liability ratio was approximately 26.9%. The above borrowing and bonds will be paid when fall due. The Group generally meets its capital requirements in business through its cash flow generated from its operations.

Cash Flow

	Six months ended 30 June 2010 RMB million	Six months ended 30 June 2009 RMB million
Net cash inflows generated from operating activities	529	3,561
Net cash inflows/(outflows) generated from investing activities	4,602	(3,058)
Net cash inflows generated from financing activities	18	6,556
Net increase in cash and cash equivalents	5,149	7,059

Management's Discussion and Analysis on Interim Results

Net cash inflows generated from operating activities during the period was approximately RMB529 million, representing a decrease of approximately RMB3,032 million when compared with approximately RMB3,561 million in the corresponding period last year, which was mainly due to:

- (1) during the period, cash from the sales of goods amounted to approximately RMB33,430 million, representing an increase of approximately RMB9,304 million as compared to the corresponding period last year, or approximately 38.6%;
- (2) during the period, cash payment for labor cost and purchase of goods etc. amounted to approximately RMB32,312 million, representing an increase of approximately RMB11,792 million, or approximately 57.5% as compared to the same period last year. The growth of cash payment for labor cost and purchase of goods etc. was more than the growth in cash generated from sales of goods. It is primarily due to a decrease of approximately RMB2,524 million in trade payables and other payables during the period;
- (3) during the period, the cash payments on the interest charges and income tax amounted to approximately RMB791 million, representing an increase of RMB533 million as compared to the same period last year.

During the period, net cash inflows generated from investing activities of the Group amounted to approximately RMB4,602 million, an increase of approximately RMB7,660 million when compared with net cash outflows of approximately RMB3,058 million in the corresponding period last year, this was mainly due to the decrease of time deposits with a maturity of three months or above by approximately RMB4,983 million during the period, and time deposits increased about RMB1,171 million at the corresponding period last year.

During the period, net cash inflows generated from financing activities of the Group amounted to approximately RMB18 million, representing a decrease of about RMB6,538 million as compared to RMB6,556 million in the same period of last year, this was mainly due to the issue of debentures amounting to approximately RMB6,700 million at the same period of last year. During the period, the addition in borrowing amounted to RMB1,264 million, and the repayment of loans amounted to approximately RMB976 million.

As at 30 June 2010, the cash and cash equivalents of the Group amounted to approximately RMB16,478 million, an increase of about RMB5,145 million when compared with approximately RMB11,333 million as at 31 December 2009.

Management's Discussion and Analysis on Interim Results

Financial Indicators

As at 30 June 2010, the Group's total borrowings amounted to approximately RMB9,016 million, an increase when compared with borrowings of approximately RMB8,720 million as at 31 December 2009. As at 30 June 2010, the Group's asset to liability ratio was approximately 26.9%, recording a slight drop from the ratio as at 31 December 2009 of 28.9%. The amount of external guarantee in the Group decreased to approximately RMB0.26 million as at 30 June 2010 from approximately RMB1.0 million as at 31 December 2009. No material contingent liabilities will be resulted from the external guarantee mentioned above.

As at 30 June 2010, the Group's current ratio was approximately 2.44 times, representing an increase from that of 2.03 times as at 31 December 2009. As at 30 June 2010, the Group's quick ratio was approximately 2.24 times, representing an increase from 1.85 times as at 31 December 2009.

During the period, the Group reinforced the control over inventories, the average turnover days of inventories was approximately 17 days, which remained stable and kept consistency with the turnover days average turnover of approximately 17 days, in 2009.

During the period, the Group's average turnover days of trade receivable (including bills receivable) significantly decreased to approximately 3.1 days from that of approximately 5.8 days in 2009, the Group leveraged on the acceptance bills issued by creditworthy banks for strengthening the marketing efforts. The Group adopted stringent policies for the management of bills receivable and only accepted applications by trustworthy customers with strong background, while the credit risks related to bank acceptance bills were assumed by the customers' banks.

Integrated Information

Business Overview

Our main business consists of the research and development, manufacture and sale of passenger vehicles, commercial vehicles, engines and auto parts. We also engage in a broad range of automobile-related services and other businesses, including car rental, after-sale services, import and export of automobile-related products, logistics services and auto insurance brokerage services.

We produce and sell a variety of passenger vehicles mainly through two Jointly-Controlled Entities (JCEs), namely Guangqi Honda and GAC Toyota, which produce and sell seven series of sedans, SUV and MPV including GAC Toyota Camry, GAC Toyota Highlander, Guangqi Honda Accord and Guangqi Honda Odyssey. We also participate in the production of Honda Jazz and GAC Changfeng SUVs through our associated companies, Honda (China) and GAC Changfeng, respectively. As at 30 June 2010, the Group, together with our associated companies, had an annual production capacity of 890,000 units of passenger vehicles.

Our commercial vehicle business, including manufacturing and sale of light and heavy trucks and buses, is mainly conducted through GAC Hino and GAC Bus. GAC Hino has commenced production in September 2009. As at 30 June 2010, our production capacity of commercial vehicles was 19,000 units and our production capacity of chassis was 2,500 units.

We produce and sell auto parts mainly through GAC Component and its subsidiaries and associated companies, produce and sell engines through GAC Toyota Engine and produce and sell transmissions through HAVECO. We also produce and sell other auto-part products, including, among others, seats, HVAC systems, auto lamps and shock absorbers. Most of our production and sales of auto parts are conducted through our associated companies. As at 30 June 2010, the production capacity of GAC Toyota Engine amounted to 500,000 of engines, and the production capacity of HAVECO amounted to 200,000 units of transmissions.

Our comprehensive capacity utilization of both vehicles and auto parts has reached a reasonable level.

Integrated Information

Listing of our Company and Privatisation of Denway Motors Limited

On 22 January 2010, our Company and Denway jointly issued an announcement in respect of the proposed privatisation of Denway by way of issuing H shares by the Company to public shareholders of Denway and the corresponding listing of our Company by way of introduction. Currently, the privatisation and the listing have been successfully completed, and the shares of our Company were officially traded on the main board of the Stock Exchange on 30 August.

Our Company believes that the privatisation and the listing will further improve the management structure within the Company, enhance management efficiency and build a broader platform in overseas capital market to facilitate the long-term healthy development of the Group.

Major Business Review of the First Half of 2010

The cumulative production and sales of vehicles of the Company, together with its associated companies in the first half of the year were 341,229 units and 348,677 units, respectively, representing an increase of 35.8% and 35.5% over the corresponding period last year, respectively, among which the production and sales of passenger vehicles were 338,859 units and 346,606 units, respectively, representing an increase of 35.6% and 35.4% over the corresponding period last year, respectively; the production and sales of commercial vehicles are 2,370 units and 2,071 units respectively, representing an increase of 62.4% and 51.9% over the corresponding period last year, respectively. Currently, our Group commanded a total market share of 3.9% in the automotive market in terms of sales volume, among which we commanded a market share of 23.7% and 10.2% in mid-to-high-end sedan market and SUV market respectively.

Integrated Information

As at 30 June 2010, the sales volume of passenger vehicles and commercial vehicles of the Group, together with its associated companies and their market shares were as follows:

Model	Sale in the 1st half of the year	Year-on-year growth rate	Market share
Passenger vehicles	346,606	35.44%	5.16%
Mid-to-high-end sedan	163,988	8.86%	23.71%
Camry	81,337	15.15%	11.76%
Accord	82,651	3.32%	11.95%
Mid-end sedan	59,620	20.33%	2.42%
Fengfan	59,620	20.33%	2.42%
Economy sedan	41,121	0.37%	5.44%
Fit	17,149	-20.14%	2.27%
Honda Jazz	12,387	-8.75%	1.64%
Yaris	11,585	95.76%	1.53%
Subtotal of sedans	264,729	9.78%	5.77%
MPV	22,144	79.38%	10.58%
Odyssey	22,123	79.21%	10.57%
Kylin	21	-48.78%	0.01%
SUV	59,733	2,373.42%	10.17%
Highlander	39,559	1,538.05%	6.74%
Liebao	15,647	46.49%	2.67%
Pajero	4,527	50.10%	0.77%
Commercial vehicles	2,071	51.94%	0.09%
Buses	905	68.22%	0.04%
Trucks	1,166	41.33%	0.05%
Total sales of vehicles	348,677	35.53%	3.87%

Integrated Information

New Vehicle Models and New Energy Products

During the period, the Group continued to launch new vehicle model products based on market demand and national policies of the industry. Following the launch of Camry 2010 by GAC Toyota in March 2010, all 12 vehicle models in the series received positive market response with the average monthly sales of over 10,000 units. In May, GAC Toyota officially launched its first new energy product, Camry hybrid vehicles, which substantially reduced gasoline consumption by 41.7% and exhausted emission by 75.0% and boosted the power by 13.8%, enriching GAC Toyota's product lines. Up to 30 June 2010, it recorded a sales of 1,203 units of Camry hybrid vehicles. GAC Changfeng has launched Liebao Feiteng (Fashion) which resulted in an increase in sales.

For commercial vehicles, GAC Hino continued to improve its existing heavy-duty truck models and sought to meet customer demand through adding and adjusting various specifications, and has further developed 2 additional vehicle models (Y190 dump truck and mixer truck) with 12 sets of specifications; and for the field of new energy, GAC Bus continued to promote the development and production of hybrid city buses and electric city buses. Currently, 5 new energy vehicles have been announced. Hybrid electric buses have commenced production in July and will be put into service for the 16th Guangzhou Asian Games.

Proprietary Brands and R&D

GAMC as the carrier of production and sales of proprietary brand sedans of the Group, has newly developed the products in GAEL, and is now conducting various preparation works for production and sales as planned. The plant construction has been substantially completed and the equipment are substantially adjusted and tested. In April, we announced the LOGO and name of the first product, "Trumpchi", which was awarded "Best (Proprietary) Newly Launched Auto (最佳(自主)首發新車)" at Beijing Auto Show; the sales network has been confirmed to include 69 distributors covering 49 cities. The first proprietary brand of sedan, "Trumpchi", will be launched in September and used as the official reception sedans for the 16th Asia Games. Meanwhile, the R&D of the second and third models will also be carried out by GAEL as planned. For JCEs proprietary brand passenger vehicles, Guangqi Honda has carried out the R&D, production and brand construction of EVERUS, its brand of vehicle models researched and developed on its own as planned.

Automobile Services Industry

The Group mainly engaged in vehicle sales, after-sale services, logistics services as well as import and export businesses through GAC Commercial, provided insurance services through Guangzhou Guang Ai Insurance Brokers Limited and intended to provide automotive credit services through the newly established GAC-SOFINCO.

Integrated Information

With the substantial growth in production and sales of the Group's vehicles during the period, GAC Commercial has achieved a significant increase in its revenue and profit of vehicles sales, logistics, steel sales and auxiliary segment. Besides, GAC Commercial has become a general platform for strengthening the internal review and sale assessment of its subsidiary 4S shops and enhancing the sales of high-quality vehicles. The profit margin of 4S shops recorded a large increase over the corresponding period last year. Meanwhile, the Company actively integrated the logistic resources for sharing so as to reduce logistics cost and improve efficiency. It also continued to cut down the comprehensive cost by improving the usage efficiency of capital chains.

Auto Parts

During the first half of 2010, GAC Components continued to enhance the cooperation with shareholders and enterprise management, promoting technology improvement projects in an orderly manner. The GAC Changfeng and GAC Fiat projects have provided GAC Components with opportunities of cross-regional development. In the first half of the year, GAC Components commenced project expansion regarding these two projects with highlights and strategies and in an all-around manner, and obtained considerable achievements. Benefited from the sales growth of automotive industry and driven by the increase of export, the sales of engines of GAC Toyota Engine increased 63% over the corresponding period last year. In addition, due to the abundant corporate planning proposals, on-going improvement of cost-based incentives and cost management system, the investment cost has been significantly reduced, resulting in a relatively large increase in efficiency for the first half of the year.

Sales Network

The sales and services network of the Group together with its associated companies is independently established and managed by each manufacturing enterprise of passenger vehicles or commercial vehicles. In particular, GAC Commercial, our wholly-owned subsidiary, owns and operates 9 sales and service centers for each of Guangqi Honda and GAC Toyota while the remaining sales and service centers are owned and operated by independent third party dealers selected by our JCEs. The sales and service network of the Group together with its associated companies has covered 31 provinces in China as at 30 June 2010, the details of which are set out below:

Passenger Vehicles				
Name of company	Guangqi Honda	GAC Toyota	GAC Changfeng	Total
First-level stores	456	221	141	818

Commercial Vehicles			
Name of company	GAC Hino	GAC Bus	Total
Sales outlets	87	46	133

Integrated Information

Production Safety

The Group adhered to the principles of people-oriented and safe development and strictly implemented accountability system for production safety. During the process of implementation, we continuously strengthened, improved and enhanced the safety and quality standardization and steadily promoted emergency response planning for production security incidents. The input for safety production was in line with the development of our operations. No serious injury accidents occurred in the first half of 2010.

Environmental Protection and Sustainable Development

The Group attached great importance to environmental protection and sustainable development. We mixed the concept of green, environmental protection and energy saving with our daily operations, advocating the construction of green plant and giving full support of clean production. In the first half of 2010, the Group continued its equipment improvement for saving energy and encouraged its employees to advise on energy-saving and emission reduction proposals. Through the joint efforts of the Group and all employees, our major JCEs recorded a decrease of over 10% in energy consumption, total water consumption and wastes disposal over the corresponding period last year, Guangqi Honda Zengcheng Plant has achieved zero discharge of sewage and GAC Toyota has achieved 100% recycling of sewage.

Charitable Activities

In addition to providing customers with quality products, auto parts and related services, the Group has also devoted to fulfilling our undertakings of being an outstanding corporate citizen. In the first half of 2010, the Group and its employees have donated money and materials worth about RMB7,372.4 thousand in total to earthquake disaster area in Yushu, Qinghai Province and also donated a total of RMB1 million for resisting a drought in Baise, Guangxi Province. Besides, the Group and its employees actively promoted harmonious development of the community through making a total donation of RMB3,296.5 thousand to various charitable and educational funds.

As the 16th Asian Games will be held in Guangzhou in the second half of 2010, the Group, being the senior partner of Guangzhou Asian Games, has closely cooperated with GAGOC in the first half of 2010, in order to promote the development of athletics and group sports and make contributions to the community. Apart from providing funds, products and services as well as arranging the vehicles for the Asian Games in accordance with the cooperation agreement, the Group has organized a series of promotional activities with the theme of Asian Games through our large customer base and extensive marketing experience. This will contribute to a substantial growth in our brand value, public influence and customer loyalty, enabling the Group to make a solid progress in developing into an excellent international enterprise.

Integrated Information

Remuneration Policy and Legal Rights of Employees

As at 30 June 2010, the registered employees of the Group and major associated companies are 27,380. The Group signed labor contracts with all employees and provided them with comprehensive remuneration and welfares. The Group always advocates implementing performance-linked remuneration policy and improving incentive and constraint mechanism. By shifting the focus to the key management and professional technical positions, it is able to attract, encourage and retain the talented personnel, promoting the sustainable growth of our performance. Meanwhile, the Group is also concerned about the establishment and improvement of employee benefits system, under which we make timely contributions to social insurance, housing provident funds and other statutory benefits schemes, certain subsidiaries and JCEs have established and improved their benefit systems, including supplementary medical insurance, supplementary pension insurance or enterprise annuity systems.

Outlook for the Second Half of the Year

According to the requirements of the Board, in the second half of the year, the Group will strive to achieve operational business targets while focusing on the following tasks: (1) ensuring the successful launch of our first proprietary sedan “Trumpchi” and preparing for vehicles services for Asian Games; (2) strengthening team establishment, talent cultivation and technical reserve, shaping our core capability of self-innovation; (3) continuously improving automobile industry chain while facilitating structure adjustments, optimizing industrial structure more reasonably; (4) enhancing enterprise management innovation and modern operations, and improving internal control and the comprehensive risk management system, so as to meet our demand for further development; (5) instructing suppliers to legally conduct collective wage consultations, setting up a comprehensive labor-management communication system, improving internal communication channels, labor union and cultural construction as well as precautions and resolving guidelines of labor disputes, so as to maintain a stable production and operation.

Substantial Acquisitions, Disposals and Investment

During the period, under the support of the policy “Automobile Industry Adjustment and Revival Plan”, the substantial acquisitions of the Group are conducted mainly for the purpose of further improvement of strategic layout and enhancement of industrial competitiveness:

On 22 January 2010, the Company and Denway jointly issued an announcement in relation to the proposed privatisation of Denway by way of issuing H shares by the Company to the public shareholders of Denway, and listing of the Company by way of introduction. On 16 July 2010, the proposed scheme was approved and passed at the court meeting and the extraordinary general meeting of Denway. On 30 August 2010, the Company was successfully listed on the Stock Exchange. Upon completion of the privatisation, Denway became the wholly-owned subsidiary of the Company and the total share capital of the Company is enlarged from 3,934,757,457 shares to 6,148,057,675 shares. Guangzhou Automobile Industry Group Co., Ltd. remains to be the largest shareholder, holding 58.8% interest of our Company.

Integrated Information

On 2 April 2010, the Company entered into an equity transfer agreement with Shanghai Electric Group Company, pursuant to which, the Group acquired 30% equity interest in Shanghai Hino at a consideration of RMB105,750,000. The acquisition was completed in July 2010.

On 26 April 2010, the Company entered into a strategic cooperation agreement with Zhejiang Gonow Investments Co., Ltd. (浙江吉奧投資有限公司, “Gonow Auto”) in Hangzhou and intended to form a joint venture company with 51% and 49% equity interests being held by the Company and Gonow Auto respectively, by consolidating the relevant assets of Gonow Auto. Gonow Auto is a domestic enterprise focusing on the economic automobile market within the PRC. Currently, the project is conducting asset auditing and assessment as scheduled.

For the six months ended 30 June 2010, the Group did not have any substantial disposals.

Interim Dividend

The Board recommends distributing a dividend of RMB0.09 per share for the first half of 2010, subject to consideration and approval by the shareholders at the extraordinary general meeting. The interim dividend will be paid to holders of H shares of the Company whose names appear on the register of member as at the date of the extraordinary general meeting.

Material Litigation

As at 30 June 2010, the Group was not involved in any material litigation or arbitration and as far as the Company was aware, no material litigation or claim was pending or threatened or made against the Group.

Share Capital

As at 30 June 2010, the aggregate share capital of the Company was 3,934,757,457 ordinary shares of RMB1 each.

As at the reporting date, the aggregate share capital of the Company was RMB6,148,057,675 divided into 6,148,057,675 ordinary shares of RMB1 each, of which 3,934,757,457 shares were domestic shares, representing approximately 64% of the total number of shares in issue, and 2,213,300,218 shares were H shares, representing approximately 36% of the total number of shares in issue.

Directors', Supervisors' and Chief Executives' Interests in the Shares

As the shares of the Company were not yet listed on the Main Board of the Stock Exchange as of 30 June 2010, the Company is not required to disclose details of interests in the equity securities or debt securities of the Company or its associated corporations held by the directors, supervisors and chief executives during the period in accordance with paragraph 41(2) of Appendix 16 of Listing Rules.

Integrated Information

Substantial Shareholders' and Other Persons' Interests in the Shares

As the shares of the Company were not yet listed on the Main Board of the Stock Exchange as of 30 June 2010, the Company is not required to disclose details of interests in the equity securities or debt securities of the Company or its associated corporations held by the relevant persons (except for directors, supervisors and chief executives) during the period in accordance with paragraph 41(2) of Appendix 16 of the Listing Rules.

Purchase, Sale or Redemption of Listed Securities of the Company

As the shares of the Company were not yet listed on the Main Board of the Stock Exchange as at 30 June 2010, the Company is not required to disclose the details of purchase, sale or redemption of the shares of the Company by the Company and its subsidiaries during the period in accordance with paragraph 41(1) of Appendix 16 of the Listing Rules.

Corporate Governance

1. The Code on Corporate Governance Practices

Pursuant to a resolution passed by the Board on 31 May 2010, the Company has adopted all the requirements of the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules as its code provisions. As the shares of the Company were not yet listed on the Main Board of the Stock Exchange as at 30 June 2010, the Company is not required to disclose the details of compliance with the applicable code provisions of the Code on Corporate Governance Practices by the Company and its subsidiaries during the period in accordance with the paragraph 44(1) of Appendix 16 of the Listing Rules.

2. Securities transaction by the directors and supervisors

Pursuant to a resolution passed by the Board on 31 May 2010, the Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as a code of conduct of the Company regarding directors' and supervisors' transaction of the listed securities of the Company. As the shares of the Company were not yet listed on the Main Board of the Stock Exchange as of 30 June 2010, the Company is not required to disclose details of the code of conduct regarding directors' and supervisors' securities transactions adopted by the Company and compliance with the required standards set out in the Model Code regarding directors' and supervisors' securities transactions in accordance with paragraph 44(2) of Appendix 16 of the Listing Rules.

Integrated Information

3. Audit Committee

The Company has established an audit committee in compliance with the requirement of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules, for the purposes of reviewing and supervising the financial reporting process of the Group. The audit committee consists of three members who are independent non-executive directors. The audit committee meeting held on 25 August 2010 has reviewed the 2010 interim report and recommended the Board to adopt it.

The audit committee members of the Company are Mr. Law Albert Yu Kwan (Chairman), Mr. Ma Guohua and Mr. Xiang Bing.

Unaudited Condensed Consolidated Interim Financial Information

Condensed consolidated balance sheet

	Note	Unaudited 30 June 2010 RMB'000	Audited 31 December 2009 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	8,558,693	8,337,630
Land use rights	5	967,408	978,579
Investment properties	5	56,348	57,608
Intangible assets	5	1,072,498	964,701
Investment in associates		4,843,369	4,644,787
Deferred income tax assets		345,547	266,719
Total non-current assets		15,843,863	15,250,024
Current assets			
Inventories		2,144,509	2,242,402
Trade and other receivables	6	2,127,388	1,665,908
Time deposits		7,825,452	12,808,717
Restricted cash		338,769	328,171
Cash and cash equivalents		16,477,833	11,332,940
Total current assets		28,913,951	28,378,138
Total assets		44,757,814	43,628,162
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	7	3,934,757	3,934,757
Other reserves		814,186	814,186
Retained earnings			
— Proposed dividend	15	553,325	—
— Others		10,065,685	8,310,798
		15,367,953	13,059,741
Non-controlling interests		9,077,819	8,401,607
Total equity		24,445,772	21,461,348

Unaudited Condensed Consolidated Interim Financial Information

Condensed consolidated balance sheet (continued)

	Note	Unaudited 30 June 2010 RMB'000	Audited 31 December 2009 RMB'000
LIABILITIES			
Non-current liabilities			
Trade and other payables	8	46,830	55,760
Borrowings	9	7,641,735	7,649,398
Deferred income tax liabilities		12,533	10,131
Provisions	10	235,206	201,542
Government grants		512,128	279,846
Total non-current liabilities		8,448,432	8,196,677
Current liabilities			
Trade and other payables	8	9,969,039	12,492,887
Current income tax liabilities		346,939	228,963
Borrowings	9	1,374,485	1,070,369
Provisions	10	173,147	177,918
Total current liabilities		11,863,610	13,970,137
Total liabilities		20,312,042	22,166,814
Total equity and liabilities		44,757,814	43,628,162
Net current assets		17,050,341	14,408,001
Total assets less current liabilities		32,894,204	29,658,025

The notes on pages 33 to 53 form an integral part of this condensed consolidated interim financial information.

Unaudited Condensed Consolidated Interim Financial Information

Condensed consolidated statement of comprehensive income

	Note	Unaudited	
		Six months ended 30 June	
		2010	2009
		RMB'000	RMB'000
Revenue	4	28,897,215	20,667,612
Cost of sales		(23,613,216)	(17,240,250)
Gross profit		5,283,999	3,427,362
Selling and distribution costs		(1,030,015)	(874,721)
Administrative expenses		(1,039,335)	(1,029,265)
Interest income		177,862	195,000
Other losses — net		(15,650)	(95,018)
Operating profit	11	3,376,861	1,623,358
Finance costs	12	(187,498)	(131,766)
Interest income		12,525	21,371
Share of profit of associates		600,675	133,387
Profit before income tax		3,802,563	1,646,350
Income tax expense	13	(548,223)	(247,319)
Profit for the period		3,254,340	1,399,031
Other comprehensive income for the period, net of tax		—	—
Total comprehensive income for the period		3,254,340	1,399,031

Unaudited Condensed Consolidated Interim Financial Information

Condensed consolidated statement of comprehensive income (continued)

	Note	Unaudited	
		Six months ended 30 June	
		2010	2009
		RMB'000	RMB'000
Profit attributable to:			
— equity holders of the Company		2,308,212	640,365
— non-controlling interests		946,128	758,666
		3,254,340	1,399,031
Total comprehensive income attributable to:			
— equity holders of the Company		2,308,212	640,365
— non-controlling interests		946,128	758,666
		3,254,340	1,399,031
Earnings per share attributable to the equity holders of the Company (expressed in RMB per share)			
— basic and diluted	14	0.5866	0.1748
Dividends	15	553,325	—

The notes on pages 33 to 53 form an integral part of this condensed consolidated interim financial information.

Unaudited Condensed Consolidated Interim Financial Information

Condensed consolidated statement of changes in equity

	Unaudited					
	Attributable to equity holders of the Company				Non-controlling interests	Total equity
	Share capital	Other reserves	Retained earnings	Total		
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Balance at 1 January 2009	3,499,666	662,521	7,246,463	11,408,650	7,421,358	18,830,008
Total comprehensive income for the period	—	—	640,365	640,365	758,666	1,399,031
Contribution from shareholders of the Company	326,318	—	—	326,318	—	326,318
Appropriation to reserve fund	—	47,253	(47,253)	—	—	—
Dividend declared by the Company and subsidiaries	—	—	(815,800)	(815,800)	(71,073)	(886,873)
Balance at 30 June 2009	3,825,984	709,774	7,023,775	11,559,533	8,108,951	19,668,484
Balance at 1 January 2010	3,934,757	814,186	8,310,798	13,059,741	8,401,607	21,461,348
Total comprehensive income for the period	—	—	2,308,212	2,308,212	946,128	3,254,340
Contribution from non-controlling interests	—	—	—	—	15,992	15,992
Dividend declared by subsidiaries	—	—	—	—	(285,908)	(285,908)
Balance at 30 June 2010	3,934,757	814,186	10,619,010	15,367,953	9,077,819	24,445,772

The notes on pages 33 to 53 form an integral part of this condensed consolidated interim financial information.

Unaudited Condensed Consolidated Interim Financial Information

Condensed consolidated cash flow statement

	Unaudited	
	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
Cash flows from operating activities		
Cash generated from operations	1,117,804	3,605,890
Interest received	202,313	213,673
Interest paid	(284,678)	(63,439)
Income tax paid	(506,675)	(194,675)
Net cash flows generated from operating activities	528,764	3,561,449
Cash flows from investing activities		
Purchases of property, plant and equipment, land use rights and intangible assets	(920,735)	(1,852,480)
Proceeds from sales of property, plant and equipment and land use rights	119,145	167,064
Capital injection in associates	(19,661)	(107,846)
Acquisition of associates	(155,118)	—
Proceeds from disposal of interests in associates	—	4,081
Issue of entrusted loans	(401,000)	(135,000)
Proceeds from repayment of entrusted loan	196,000	62,817
Receipt of government grant	233,393	—
Dividends received	577,222	357,125
Decrease/(increase) of time deposits	4,983,265	(1,170,617)
Increase of restricted cash	(10,598)	(383,319)
Net cash flows generated from/(used in) investing activities	4,601,913	(3,058,175)

Unaudited Condensed Consolidated Interim Financial Information

Condensed consolidated cash flow statement (continued)

	Unaudited	
	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
Cash flows from financing activities		
Contribution from shareholders	15,992	335,284
Distribution to shareholders	(285,908)	(71,339)
Proceeds from borrowings	1,263,928	8,522,287
Repayments of borrowings	(976,057)	(2,230,446)
Net cash flows generated from financing activities	17,955	6,555,786
Net increase in cash and cash equivalents	5,148,632	7,059,060
Cash and cash equivalents at beginning of the period	11,332,940	5,540,239
Exchange losses on cash and cash equivalents	(3,739)	(240)
Less: included in non-current assets held for sale	—	(14,727)
Cash and cash equivalents at end of the period	16,477,833	12,584,332

The notes on pages 33 to 53 form an integral part of this condensed consolidated interim financial information.

Unaudited Condensed Consolidated Interim Financial Information

1 General information

Guangzhou Automobile Group Co., Ltd. (the “Company”) and its subsidiaries (together, the “Group”) are principally engaged in the manufacturing and sales of passenger vehicles, commercial vehicles, engines and auto parts.

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.

These condensed consolidated interim financial information are presented in thousands of Renminbi (“RMB”) Yuan, unless otherwise stated. This condensed consolidated interim financial information was approved for issue on 30 August 2010.

This condensed consolidated interim financial information has not been audited.

2 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2010 has been prepared in accordance with HKAS 34, ‘Interim financial reporting’.

The condensed consolidated interim financial information should be read in conjunction with the financial information of the Group for the year ended 31 December 2009 as set out in the Accountant’s Report included in the listing document issued by the Company dated 18 June 2010.

3 Accounting policies

The accounting policies used in the preparation of this condensed consolidated interim financial information are consistent with those used in the Accountant’s Report for the year ended 31 December 2009, except as mentioned below.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

(a) New and amended standards adopted by the Group

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2010.

Unaudited Condensed Consolidated Interim Financial Information

3 Accounting policies (continued)

(a) *New and amended standards adopted by the Group (continued)*

HKAS 27 (Revised), 'Consolidated and separate financial statements'. The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value and a gain or loss is recognised in profit or loss. The Group has applied HKAS 27 (Revised) prospectively to transactions with non-controlling interests from 1 January 2010.

HKFRS 3 (Revised), 'Business combinations'. The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the consolidated statements of comprehensive income. There is a choice on an acquisition by acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group has applied HKFRS 3 (Revised) prospectively to all business combinations from 1 January 2010.

HKFRS 5 (Amendment), 'Non-current assets held for sale and discontinued operations' (and consequential amendment to HKFRS 1, 'First-time adoption'). The amendment clarifies that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control, and relevant disclosure should be made for this subsidiary if the definition of a discontinued operation is met. A consequential amendment to HKFRS 1 states that these amendments are applied prospectively from the date of transition to HKFRSs. The Group has applied HKFRS 5 (Amendment) prospectively to all partial disposals of subsidiaries from 1 January 2010.

Unaudited Condensed Consolidated Interim Financial Information

3 Accounting policies (continued)

(a) *New and amended standards adopted by the Group (continued)*

Certain improvements to HKFRS were issued in May 2009 by the HKICPA. All improvements are effective in the financial year of 2010. Amendment have been made to the following standards according to the improvement:

Standards	Subject of amendment
HKFRS 2 <i>Share-based Payment</i>	Scope of HKFRS 2 and revised HKFRS 3
HKFRS 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i>	Disclosures of non-current assets (or disposal groups) classified as held for sale or discontinued operations
HKFRS 8 <i>Operating Segments</i>	Disclosure of information about segment assets
HKAS 1 <i>Presentation of Financial Statements</i>	Current/non-current classification of convertible instruments
HKAS 7 <i>Statement of Cash Flows</i>	Classification of expenditures on unrecognised assets
HKAS 17 <i>Leases</i>	Classification of leases of land and buildings
HKAS 18 <i>Revenue</i>	Determining whether an entity is acting as a principal or as an agent
HKAS 36 <i>Impairment of Assets</i>	Unit of accounting for goodwill impairment test
HKAS 38 <i>Intangible Assets</i>	Additional consequential amendments arising from revised HKFRS 3 Measuring the fair value of an intangible asset acquired in a business combination
HKAS 39 <i>Financial Instruments: Recognition and Measurement</i>	Treating loan prepayment penalties as closely related embedded derivatives Scope exemption for business combination contracts Cash flow hedge accounting
HK (IFRIC) — Int 9 <i>Reassessment of Embedded Derivatives</i>	Scope of HK (IFRIC) — Int 9 and revised HKFRS 3
HK (IFRIC) — Int 16 <i>Hedges of a Net Investment in a Foreign Operation</i>	Amendment to the restriction on the entity that can hold hedging instruments

The Group has applied above amendments from 1 January 2010 and the adoption has not resulted in any material impact on the Group's results of operations and financial position.

Unaudited Condensed Consolidated Interim Financial Information

3 Accounting policies (continued)

- (b) *The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 January 2010 and have not been early adopted:*

HKAS 24 (Amendment), ‘Related party disclosures’ (effective from 1 January 2011). The amendment simplifies the disclosure requirements for government-related entities and clarifies the definition of a related party. Management is currently assessing the impact of HKAS 24 (Amendment).

HKFRS 9, ‘Financial instruments’ (effective from 1 January 2013). HKFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in HKAS 39. The approach in HKFRS 9 is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. Management is currently assessing the impact of HKFRS 9.

In May 2010, HKICPA has published certain other improvements to the HKFRS which will be effective for accounting period beginning on or after 1 July 2011. These improvements have not been early adopted by the Group. Amendments have been made to the following standards according to the improvement:

Standards	Subject of amendment
HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards</i>	Accounting policy changes in the year of adoption Revaluation basis as deemed cost Use of deemed cost for operations subject to rate regulation
HKFRS 3 <i>Business Combinations</i>	Transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised HKFRS Measurement of non-controlling interests Un-replaced and voluntarily replaced share-based payment awards
HKFRS 7 <i>Financial Instruments: Disclosures</i>	Clarification of disclosures
HKAS 1 <i>Presentation of Financial Statements</i>	Clarification of statement of changes in equity
HKAS 27 <i>Consolidated and Separate Financial Statements</i>	Transition requirements for amendments arising as a result of HKAS 27 <i>Consolidated and Separate Financial Statements</i>
HKAS 34 <i>Interim Financial Reporting</i>	Significant events and transactions
HK (IFRIC) — Int 13 <i>Customer Loyalty Programmes</i>	Fair value of award credits

Unaudited Condensed Consolidated Interim Financial Information

3 Accounting policies (continued)

(b) The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 January 2010 and have not been early adopted: (continued)

The Group is in the process of making an assessment on the impact of these new/revised standards, amendments and interpretations to existing standards and does not anticipate that the adoption will result in any material impact on the Group's results of operations and financial position.

4 Segment information

The chief operating decision-maker has been identified as the Board of Directors ("BOD"). The BOD reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The BOD considered the nature of the Group's business and determined that the Group has three reportable operating segments as follows:

- (i) Passenger vehicles — production and sale of a variety of passenger vehicles.
- (ii) Commercial vehicles — production and sale of commercial vehicles including truck and buses, and
- (iii) Auto parts — production and sale of engines and other auto parts and accessories.

Others mainly comprise manufacture and sale of audio equipment and property investment business.

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

Unaudited Condensed Consolidated Interim Financial Information

4 Segment information (continued)

	Passenger vehicles RMB'000	Commercial vehicles RMB'000	Auto parts RMB'000	Others RMB'000	Eliminations RMB'000	Unallocated RMB'000	Consolidated RMB'000
Six months ended							
30 June 2010							
Total segment revenue	28,226,831	382,293	184,817	121,727	(18,453)	—	28,897,215
Inter-segment revenue	(6,850)	(8,125)	(1,335)	(2,143)	18,453	—	—
Revenue (from external customers)	28,219,981	374,168	183,482	119,584	—	—	28,897,215
Segment results	3,357,825	(21,547)	(14,306)	(1,381)	1,221	—	3,321,812
Unallocated income							
— Headquarter interest income						87,619	87,619
Unallocated costs							
— Headquarter expenditure						(32,570)	(32,570)
Operating profit							3,376,861
Finance costs	(21,755)	(9,339)	(5,116)	(2,549)	—	(148,739)	(187,498)
Interest income	1,443	673	256	13	—	10,140	12,525
Share of profit of associates	94,180	—	503,938	2,557	—	—	600,675
Profit before income tax							3,802,563
Income tax expense	(539,321)	3,643	(4,903)	(84)	—	(7,558)	(548,223)
Profit for the period							3,254,340

Unaudited Condensed Consolidated Interim Financial Information

4 Segment information (continued)

	Passenger vehicles RMB'000	Commercial vehicles RMB'000	Auto parts RMB'000	Others RMB'000	Eliminations RMB'000	Unallocated RMB'000	Consolidated RMB'000
Six months ended							
30 June 2009							
Total segment revenue	20,315,080	120,576	115,884	142,626	(26,554)	—	20,667,612
Inter-segment revenue	(11,506)	(8,196)	(1,064)	(5,788)	26,554	—	—
Revenue (from external customers)	20,303,574	112,380	114,820	136,838	—	—	20,667,612
Segment results	1,774,948	(32,088)	(6,146)	(4,481)	(5,962)		1,726,271
Unallocated income							
— Headquarter interest income						58,327	58,327
Unallocated costs							
— Headquarter expenditure						(161,240)	(161,240)
Operating profit							1,623,358
Finance costs	(12,869)	(9,174)	(4,222)	(13,329)	—	(92,172)	(131,766)
Interest income	278	582	45	14,072	—	6,394	21,371
Share of profit/(loss) of associates	37,669	—	342,288	(246,570)	—	—	133,387
Profit before income tax							1,646,350
Income tax expense	(254,167)	13,576	2,705	(4,614)	—	(4,819)	(247,319)
Profit for the period							1,399,031

Unaudited Condensed Consolidated Interim Financial Information

4 Segment information (continued)

	Passenger vehicles RMB'000	Commercial vehicles RMB'000	Auto parts RMB'000	Others RMB'000	Eliminations RMB'000	Unallocated RMB'000	Consolidated RMB'000
Total assets							
At 30 June 2010	24,385,534	1,500,882	3,145,759	2,038,402	(2,374,740)	16,061,977	44,757,814
At 31 December 2009	25,641,808	1,407,679	2,745,099	1,904,890	(943,899)	12,872,585	43,628,162
Total liabilities							
At 30 June 2010	12,796,264	993,443	355,738	810,528	(2,467,035)	7,823,104	20,312,042
At 31 December 2009	16,453,062	894,362	382,540	1,324,524	(4,342,217)	7,454,543	22,166,814

Unaudited Condensed Consolidated Interim Financial Information

5 Property, plant and equipment, land use rights, investment properties and intangible assets

	Property, plant and equipment RMB'000	Land use rights RMB'000	Investment properties RMB'000	Intangible assets RMB'000
Six months ended 30 June 2009				
Opening net book amount as at				
1 January 2009	7,253,618	799,949	84,665	517,825
Additions	1,225,208	200,406	—	187,028
Disposals	(98,606)	(8,987)	—	—
Transfer	20,923	—	(20,923)	—
Transfer to disposal group classified as held for sale	(51,231)	—	(746)	—
Depreciation and amortisation	(417,172)	(8,028)	(1,138)	(37,299)
Impairment	(124,661)	—	—	—
Closing net book amount as at				
30 June 2009	7,808,079	983,340	61,858	667,554
Six months ended 30 June 2010				
Opening net book amount as at				
1 January 2010	8,337,630	978,579	57,608	964,701
Additions	778,316	—	—	142,418
Disposals	(123,056)	—	—	—
Depreciation and amortisation	(434,197)	(11,171)	(1,260)	(34,621)
Closing net book amount as at				
30 June 2010	8,558,693	967,408	56,348	1,072,498

Unaudited Condensed Consolidated Interim Financial Information

6 Trade and other receivables

Sales of passenger vehicles were normally made with advance payment. Sales of other products were made on credit terms ranging from 2 to 170 days.

At 30 June 2010 and 31 December 2009, the ageing analysis of trade receivables is as follows:

	As at	
	30 June 2010 RMB'000	31 December 2009 RMB'000
Trade receivables		
Within 3 months	440,146	400,686
Between 3 months and 1 year	38,277	57,700
Between 1 and 2 years	6,782	9,592
Between 2 and 3 years	3,734	3,124
Over 3 years	160,605	159,424
	649,544	630,526
Less: Provision for impairment	(161,652)	(161,950)
Trade receivables — net	487,892	468,576

7 Share capital

	Domestic shares of RMB1 each RMB'000
As at 1 January 2009	3,499,666
Capital injection	326,318
As at 30 June 2009	3,825,984
Capital injection	108,773
As at 1 January 2010 and 30 June 2010	3,934,757

During the year ended 31 December 2009, the Company issued additional 435,091,000 shares at par value of RMB1 each to all its shareholders.

Unaudited Condensed Consolidated Interim Financial Information

8 Trade and other payables

At 30 June 2010 and 31 December 2009, the ageing analysis of the trade payables is as follows:

	As at	
	30 June 2010	31 December 2009
	RMB'000	RMB'000
Trade payables		
Within 1 year	4,264,366	5,505,136
Between 1 and 2 years	4,701	8,530
Between 2 and 3 years	16,250	18,459
Over 3 years	39,266	38,569
	4,324,583	5,570,694

9 Borrowings

	As at	
	30 June 2010	31 December 2009
	RMB'000	RMB'000
Non-current		
Bank borrowings	422,938	439,186
Corporate bonds (a)	592,268	592,268
Debentures (b)	6,626,529	6,617,944
	7,641,735	7,649,398
Current		
Bank borrowings	1,374,485	1,070,369
Total borrowings	9,016,220	8,719,767

(a) In December 2007, the Company issued corporate bonds with par value of RMB600,000,000 at an interest rate of 6.02% 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 a state-owned financial institution.

(b) On 10 April 2009 and 27 April 2009, the Company issued debentures with principals of RMB3.3 billion and RMB3.4 billion which bear interest rate of 3.58% per annum and 3.83% per annum respectively. The related interest is payable on an annual basis. These debentures will be fully redeemed at par in April 2014.

Unaudited Condensed Consolidated Interim Financial Information

10 Provision

	Warranty provision RMB'000	Employee termination benefits RMB'000	Total RMB'000
Six months ended 30 June 2009			
Opening net book amount as at			
1 January 2009	196,208	38,017	234,225
Additional provisions	97,241	—	97,241
Utilised during the period	(35,722)	(19,987)	(55,709)
Transfer to disposal group classified as held for sale	—	(10,895)	(10,895)
Closing net book amount as at 30 June 2009	257,727	7,135	264,862
Six months ended 30 June 2010			
Opening net book amount as at			
1 January 2010	372,546	6,914	379,460
Additional provisions	134,244	2	134,246
Utilised during the period	(105,340)	(13)	(105,353)
Closing net book amount as at 30 June 2010	401,450	6,903	408,353

Unaudited Condensed Consolidated Interim Financial Information

10 Provision (continued)

Analysis of total provisions

	As at	
	30 June 2010	31 December 2009
	RMB'000	RMB'000
Non-current		
Warranty provision	235,206	201,542
Current		
Warranty provision	166,244	171,004
Employee termination benefits	6,903	6,914
	173,147	177,918
Total	408,353	379,460

11 Operating profit

The following items have been (credited)/charged to the operating profit during the period:

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
Depreciation and amortisation (Note 5)	481,249	463,637
Impairment charges for property, plant and equipment (Note 5)	—	124,661
Impairment of inventory	18,332	7,901
Staff costs	746,501	677,710
Loss/(gain) on disposal of property, plant and equipment and land use rights	3,911	(12,538)
Government grant credited to the consolidated statement of comprehensive income	(68,595)	—
Donation	—	100,000

Unaudited Condensed Consolidated Interim Financial Information

12 Financial costs

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
Interest for bank borrowings	177,024	118,286
Others	10,474	13,480
	187,498	131,766

13 Income tax expense

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

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

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
Current income tax		
— Hong Kong profits tax	83	—
— PRC enterprise income tax	624,566	374,989
Deferred income tax	(76,426)	(127,670)
	548,223	247,319

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

Unaudited Condensed Consolidated Interim Financial Information

13 Income tax expense (continued)

Details of the tax rates applicable to the Company and its major jointly-controlled entities for the period ended 30 June 2010 are listed as below:

	Six months ended 30 June	
	2010	2009
The Company	25%	25%
Guangqi Honda Automobile Co., Ltd.	22%	20%
GAC Toyota Motor Co., Ltd.	11%	10%

14 Earnings per share

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

During the periods, there were no potential dilutive ordinary shares, diluted earnings per share was equal to the basic earnings per share.

15 Dividend

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
Proposed interim dividend	553,325	—

At a meeting held on 31 August 2010, the directors proposed an interim dividend of RMB0.09 per share. Based on the Company's entire issued share capital of 6,148,057,675 shares (Note (20)) as at 31 August 2010, total proposed interim dividend amounted to approximately RMB553,325,000. The condensed consolidated interim financial information does not reflect this dividend payable.

During the six months ended 30 June 2009, a dividend of RMB815,800,000 was declared.

Unaudited Condensed Consolidated Interim Financial Information

16 Capital commitments

Capital expenditure at the balance sheet date but not yet incurred is as follows:

	As at	
	30 June 2010	31 December 2009
	RMB'000	RMB'000
Property, plant and equipment		
— Contracted but not provided for	619,307	542,187
— Authorised but not contracted for	573,345	393,691
	1,192,652	935,878
Land use rights		
— Contracted but not provided for	92,810	108,570
— Authorised but not contracted for	27,422	27,422
	120,232	135,992
Intangible assets		
— Contracted but not provided for	23,324	18,419
Investments		
— Contracted but not provided for (Note (i))	720,000	900,000
	2,056,208	1,990,289

- (i) According to the board resolutions dated 28 February 2009 and 19 May 2009, the Company has entered into an agreement with FIAT Automobiles S.p.A. ("FIAT Group") to set up a joint venture in the PRC for manufacturing of passenger vehicles. Total share capital of the joint venture is RMB1.8 billion of which the Company and FIAT Group will contribute on equal basis. The formation of the joint venture was approved by the relevant government authorities in March 2010. As at 30 June 2010, 20% of the share capital has been injected. The remaining capital should be injected within two years from the set-up of the joint venture.

17 Contingent liabilities

As at 30 June 2010, the Group had provided financial guarantees to external parties for an amount of RMB255,555 (31 December 2009: RMB1,022,000).

It is not anticipated that any material liabilities will arise from the financial guarantees given by the Group.

Unaudited Condensed Consolidated Interim Financial Information

18 Related-party transactions

During the period, the Group had the following significant transactions with related parties.

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

(a) Significant related party transactions

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
Sales of goods		
Sales of auto parts and materials		
— Jointly-controlled entities	1,819	676
— Associates	423,987	369,522
	425,806	370,198
Sales of passenger vehicles		
— Associates	135,467	128,923
	561,273	499,121
Rendering of labor services		
— Jointly-controlled entities	43,058	47,076
— Associates	36,658	31,556
	79,716	78,632

Unaudited Condensed Consolidated Interim Financial Information

18 Related-party transactions (continued)

(a) Significant related party transactions (continued)

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
Purchases of goods		
Purchases of engines, auto parts and materials		
— Jointly-controlled entities	31,660	21,224
— Associates	3,668,877	2,760,819
	3,700,537	2,782,043
Purchases of passenger vehicles		
— Jointly-controlled entities	1,028,051	605,664
	4,728,588	3,387,707
Payment of logistics services		
— Associates	125,099	112,451
Provision of entrusted loans		
— An associate	180,000	—

(b) Key management compensation

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
Salaries and other short-term employee benefits	5,811	6,205
Post-employment benefits	179	141
	5,990	6,346

Unaudited Condensed Consolidated Interim Financial Information

18 Related-party transactions (continued)

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

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.

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

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.

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

As at 30 June 2010 and 31 December 2009, 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*

As at 30 June 2010, information of borrowings secured by guarantees given by a state-owned financial institution is presented in note 9(a).

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19 Significant Contracts

During the six months ended 30 June 2010, the Group had the following significant transactions with the foreign shareholders of jointly-controlled entities and their subsidiaries.

These transactions were conducted in the ordinary and usual course of business in accordance with terms agreed between the Group and foreign shareholders of jointly-controlled entities and their subsidiaries.

(a) Purchase of goods

	Six months ended 30 June	
	2010 RMB'000	2009 RMB'000
Purchases of engines and auto parts		
— Entities controlled by foreign shareholders of jointly-controlled entities	4,071,373	3,089,950
Purchases of auto parts and materials		
— Foreign shareholders of jointly-controlled entities	2,371,989	1,324,561
Purchases of steel		
— Entities controlled by foreign shareholders of jointly-controlled entities	953,620	837,424
	7,396,982	5,251,935

(b) Royalty fee and other expenses

	Six months ended 30 June	
	2010 RMB'000	2009 RMB'000
— Foreign shareholders of jointly-controlled entities	486,513	405,182

Unaudited Condensed Consolidated Interim Financial Information

19 Significant Contracts (continued)

(c) Purchases of equipment and patent and proprietary technologies

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
— Foreign shareholders of jointly-controlled entities	6,251	170,062

(d) Sales of steel

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
— An entity controlled by foreign shareholders of jointly-controlled entities	468,557	434,637

20 Events occurring after the balance sheet date

In early 2010 the Company has announced its plan to privatise Denway Motor Limited and seek a listing of the Company's shares by way of introduction on the Main Board of the Hong Kong Stock Exchange. Upon the privatisation and the listing by way of introduction has become effective on 30 August 2010, the Company has issued 2,213,300,218 shares which have been then listed on the Hong Kong Stock Exchange and Denway has become a wholly-owned subsidiary of the Company. At the date of this report, the Company's issued share capital is 6,148,057,675 shares.

Definition

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

“associated companies”	all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights of such entities
“Denway”	Denway Motors Limited (駿威汽車有限公司), a company incorporated in Hong Kong on 23 June 1992 and a wholly-owned subsidiary of the Company
“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 company incorporated on 18 January 1993 under PRC law and a wholly-owned subsidiary of our Company
“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 we held 29% of its equity interest
“GAC Commercial”	Guangzhou Automobile Group Business Co., Ltd (廣州汽車集團商貿有限公司), a company incorporated on 21 March 2000 under PRC law which is a wholly-owned subsidiary of our Company
“GAC Components”	Guangzhou Automobile Group Component Co., Ltd. (廣州汽車集團零部件有限公司), which is incorporated on 29 August 2000 under PRC law and which is directly owned as to 51% by our Company and is a subsidiary of our Company
“GAC Fiat”	GAC FIAT Automobiles Co., Ltd. (廣汽菲亞特汽車有限公司), a JCE incorporated on 9 March 2010 under PRC law between Fiat and our Company, in which our Company holds a 50% equity interest
“GAC Hino”	GAC Hino Motors Co., Ltd. (廣汽日野汽車有限公司), a JCE incorporated on 28 November 2007 under PRC law established between Hino and our Company, in which our Company holds a 50% equity interest

Definition

“GAC-SOFINCO”	GAC-SOFINCO Automobile Finance Co., Ltd. (廣汽滙理汽車金融有限公司), a joint venture company incorporated on 25 May 2010 under PRC law established by our Company and Société de Financement Industriel et Commercial (SOFINCO), in which each of our Company and SOFINCO holds a 50% equity interest
“GAC Toyota”	GAC Toyota Motor Co. Ltd (廣汽豐田汽車有限公司) (formerly known as Guangzhou Toyota Motor Co. Ltd (廣州豐田汽車有限公司)), a company incorporated on 1 September 2004 under PRC law which is a joint venture company and a JCE held by our Company and Toyota. Our Company holds a 50% equity interest in GAC Toyota
“GAC Toyota Engine”	GAC Toyota Engine Co., Ltd. (廣汽豐田發動機有限公司), a Joint Venture Company incorporated on 24 February 2004 under PRC law which is a sino-foreign joint venture between Toyota and our Company in which our Company holds a 30% equity interest
“GAEI”	Guangzhou Automobile Group Company Automotive Engineering Institute, a subsidiary of our Company, established on 29 June 2006 for the purpose of conducting research and development of the products and technology in which our Company has proprietary right
“GAMC”	Guangzhou Automobile Group Motor Co. Ltd. (廣州汽車集團乘用車有限公司), a company incorporated on 21 July 2008 under PRC law and a wholly-owned subsidiary of our Company
“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 company incorporated on 13 May 1998 under PRC law which is a joint venture company and a JCE which is held by Guangzhou Auto and Honda Motor Co., Ltd
“HAVECO”	Hangzhou HAVECO Automotive Transmission Co., Ltd. (杭州依維柯汽車變速器有限公司), a joint venture company incorporated on 26 September 1996 under PRC Law, which is a sino-foreign joint venture equally held by Hangzhou Advance Gearbox Group Co., Ltd., GAC Components and IVECO Ltd

Definition

“Honda (China)”	Honda Automobile (China) Co., Ltd. (本田 (汽車) 中國有限公司), a company incorporated on 8 September 2003 under PRC law of which our Company holds 25% of its equity interest and is one of our Company’s associated companies
“Jointly-controlled Entity” or “JCE”	a jointly-controlled entity is a joint venture company which is subject to direct or indirect joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity. A joint venture party’s investments in its Jointly-controlled Entities can be accounted for by proportionate consolidation, which involves recognising a proportionate share of the joint venture’s assets, liabilities, income and expenses with similar items in the consolidated financial statements of the joint venture party on a line-by-line basis. When the profit sharing ratio is different to the joint venture party’s equity interests in the Jointly-controlled Entities, the joint venture party’s share of their assets, liabilities, income and expenses is determined based on the agreed profit sharing ratio. The results of Jointly-controlled Entities are included in the joint venture party’s income statement to the extent which reflects the dividends received and receivable by such joint venture party. The joint venture party’s investments in Jointly-controlled Entities are treated as long term assets and are stated at cost less impairment losses
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
“our Company”	Guangzhou Automobile Group Co., Ltd. (廣州汽車集團股份有限公司), a joint stock limited company registered in the PRC on 28 June 2005
“our Group”	Our Company and its subsidiary and their respective jointly-controlled entities
“PRC” or “China”	the People’s Republic of China. Unless the context otherwise requires, geographical references in this interim report to the PRC or China exclude Hong Kong, Macau and Taiwan
“Shanghai Hino”	Shanghai Hino Engine Co., Ltd. (上海日野發動機有限公司), a company incorporated on 8 October 2003 under PRC law. Shanghai Hino was held as to 50% by Hino Motors, Ltd., 30% by our Company and 20% by Shanghai Electric
“Stock Exchange”	The Stock Exchange of Hong Kong Limited