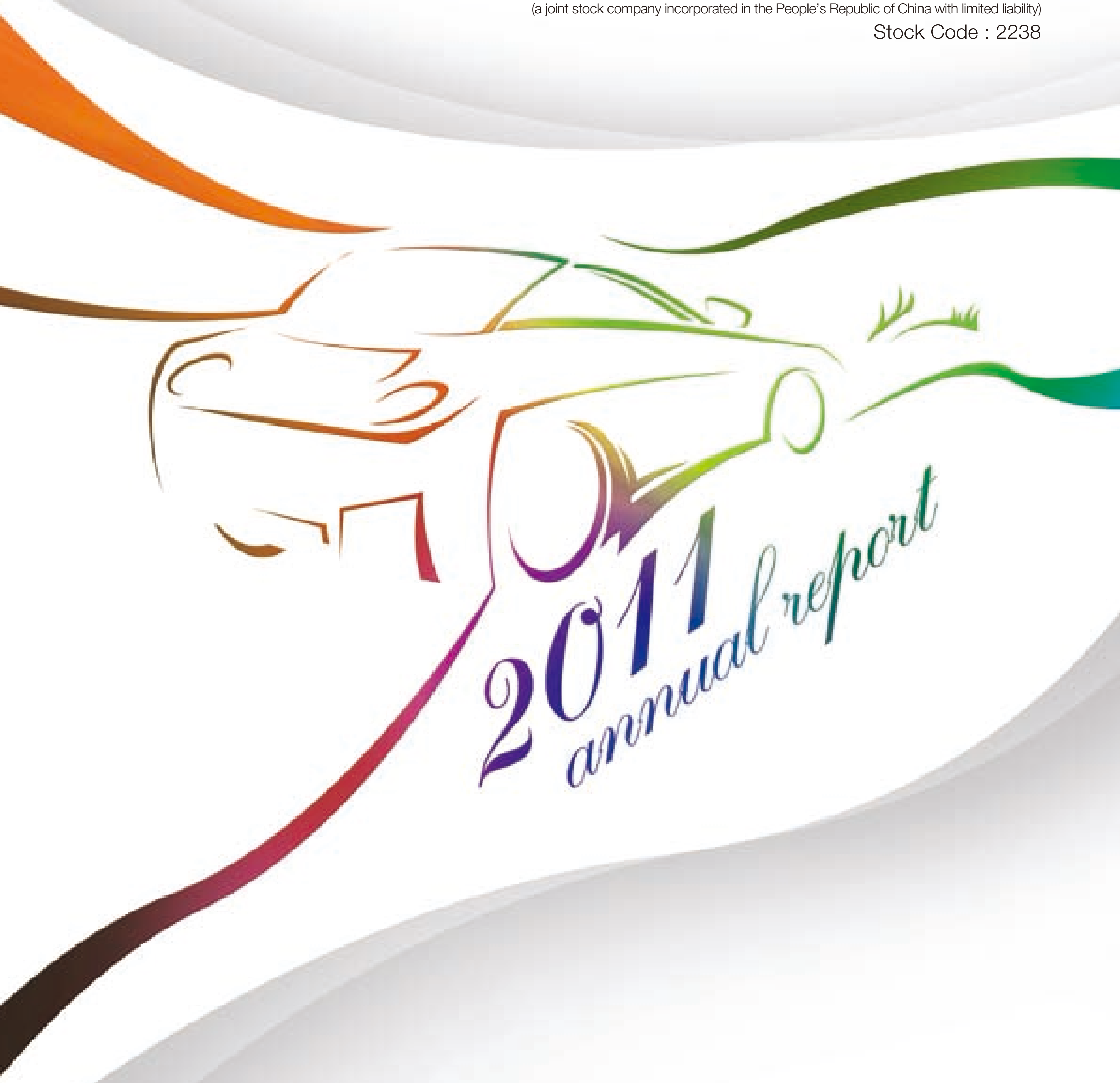
广汽集团
GAC GROUP

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

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

Stock Code : 2238



Annual Report **2011**

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Corporate Profile

Guangzhou Automobile Group Co., Ltd. is formerly known as Guangzhou Automobile Group Limited which was established in June 1997.

On 28 June 2005, Guangzhou Automobile Group Limited integrally converted and established into the Company.

The H Shares of the Company was listed and traded on the main board of the Stock Exchange of Hong Kong on 30 August 2010. The A Shares of the Company was listed and traded in the Shanghai Stock Exchange on 29 March 2012. At present, the aggregate share capital of the Company is 6,435,020,097 shares, of which 4,221,719,879 shares are A Shares, accounting for 65.61% and 2,213,300,218 shares are H Shares, accounting for 34.39%.

Our Group is principally engaged in businesses including the research and development and manufacturing of vehicles, motor vehicles and parts, automobiles and motor vehicles sales and logistics, and automobiles finance and insurance and related services and possesses an independent and integrated value chain of manufacturing, supply, sales and research and development system.

Currently, the Company has primarily owned renowned enterprises including Guangqi Honda, GAC Toyota, GAMC, GAC Fiat, GAC Gonow, GAC Changfeng, Honda (China), GAC Hino, GAC Bus, Wuyang-Honda, GAC Component, GAC Toyota Engine, Shanghai Hino, GAC Commercial, GAC-SOFINCO, Urtrust Insurance, Guang Ai, Tong Fang Global and GAEI etc.

Zhang Fangyou
Chairman

Dear Shareholders,

Delegated by the Board, I hereby present the 2011 annual report of Guangzhou Automobile Group Co., Ltd. to all of you for your review.

In 2011, being affected by the slowdown of the growth of macro-economy, the withdrawal of the concession policy for the automobile market and the implementation of purchase restriction in certain cities, the aggregate number of vehicles sold for the year amounted to approximately 18.5051 million units, representing a year-on-year increase of approximately 2.45%, of which sales volume of passenger vehicles was approximately 14.4724 million units, representing a year-on-year increase of approximately 5.19%; while the sales volume of commercial vehicles was approximately 4.0327 million units, representing a year-on-year decrease of approximately 6.31%. Such changes reflected that the growth in sales volume of China's automotive industry has observably slowed down.

In 2011, the Group faced a complicated and changing macro environment together with the influence of Japanese earthquake as well as flooding in Thailand. However, with our efforts in coordinating supply of parts, adjustments in overhaul schedule of production lines and holidays, the impact resulting from shortage in parts caused by external adverse factors was minimized and the overall stability in production and operation was maintained. Approximately 740,400 units of vehicles were sold for the year, representing a year-on-year increase of approximately 2.23%, of which sales volume of passenger vehicles was approximately 721,100 units, representing a year-on-year increase of approximately 0.22% and the sales volume of commercial vehicles was approximately 19,300 units, representing a year-on year increase of 310.27%.

In 2011, the Group changed its accounting policy for jointly-controlled entities from using proportionate consolidation method to using equity method, and the consolidated sales revenue for the year was RMB10.984 billion, representing a year-on-year increase of approximately 25.6%, and the profit attributable to the equity holders of the Group was RMB4.272 billion, basically the same as the previous year. For the year, the Group's share of sales revenue of jointly-controlled entities was approximately RMB54.214 billion, increasing approximately RMB7.28 million from approximately RMB53.486 billion of last year.

Meanwhile, the Group made significant progress in return to A share market, production of new products and new energy vehicles, technological research and expansion of production chain. Firstly, the listing of A shares of the Group and merger with GAC Changfeng by way of share exchange was approved, representing a breakthrough in capital operation after the listing of H shares of the Company. Secondly, the upgrading of product lines and research in new model successfully progressed. GS5, the first model of SUV product, debuted in the Guangzhou Automobile Show in December was another brand new product after the launch of 1.8L model of our own proprietary brand, "Trumpchi", during the year. Besides, new models such as Guangqi Honda Everus and GAC Toyota EZ were launched to market and product line of Camry was upgraded to a new generation. Thirdly, development of new energy vehicles substantially progressed. On 2011 Shanghai Automobile Show, the Group officially released the plan for energy-saving vehicles and new energy vehicles, which outlined the concrete objective and planning for energy-saving vehicles and new energy vehicles. Various new energy vehicles were demonstrated in the show. Fourthly, in terms of technological research, the Group was awarded an item in each of the National Science & Technology Pillar Program and State 863 Projects for the first time, which was also the first time for the Group was awarded a state technological project. Among 130 patent applications made by the Group and its major investee companies, 89 patents were granted. Fifthly, service business such as automobile finance and automobile insurance was further expanded. Automobile finance business grew in a fast pace during the year and retail loans and treasury loans businesses have been expanded to cover 26 provinces and 139 cities through 444 distributors across the country, which was above expectation. The Group achieved a breakthrough in automobile insurance business by establishing and opening the first automobile insurance company controlled by the Group, Urtrust Insurance. As a result, the Group has become an automobile group engaging in three major financial businesses namely insurance brokerage, automobile insurance and automobile finance business.

Looking forward to 2012, although there still exist a number of adverse factors affecting the global economy, negative impact of the European sovereign debt crisis on international economic environment are yet to be resolved and uncertainty looms over the recovery of US and European economies, China's economy remains stable generally and stays be on its rising trend. The overall theme of the national economic and social development will progress through stability. The main tasks of the Chinese government in 2012 will be, among others, enabling a stable and relatively fast economic development, maintaining fundamental stability in commodity prices, pursuing a proactive fiscal policy and a healthy monetary policy, and pushing forward adjustments in its economic structure. As for domestic automobile industry, the growth of the whole industry dropped by a large extent in 2011 and it is expected that the industry will grow within a reasonable range on an optimized base in 2012. China has become the largest automobile producer and distributor around the world. As compared to the automobile market development trend of other well-developed countries, China's automobile market is still in developing stage. The rigid demand for domestic automobile consumption will continue to be released as a result of stable growth in China's economy, continuously rising urbanization rate, persistent improvements in living standard and gradual ancillary infrastructure such as roads and traffic systems. Especially, the massive consumption demand in central and western China and certain third and fourth tier cities will drive the China automobile industry into a new age.

In 2012, the Group will ensure the smooth establishment and commencement of production by the major construction projects such as GAC Fiat, strengthen the research and development of new energy vehicles, launch more new models, improve the competitiveness of its brand and capture more market share, further take advantage from the synergy of industry chains of automobile finance and insurance, and strive for better results for the shareholders.

Zhang Fangyou
Chairman

Guangzhou, PRC
30 March 2012

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.**
H Share Stock Code	2238
A Share Stock Code	601238
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
Company 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
Overseas Auditors	**PricewaterhouseCoopers**
Domestic Auditors	**BDO China Shu Lun Pan Certified Public Accountants LLP**
Joint company secretaries	Lu Sa Leung Chong Shun
Authorised representatives	Lu Sa Li Tun
Audit committee	Law Albert Yu Kwan *(Chairman)* Ma Guohua Xiang Bing
Remuneration and evaluation committee	Li Zhengxi *(Chairman)* Ma Guohua Li Pingyi
Nomination committee	Wu Gaogui *(Chairman)* Li Zhengxi Wang Songlin
Strategy committee	Zhang Fangyou *(Chairman)* Zeng Qinghong Yuan Zhongrong Fu Shoujie Wu Gaogui Xiang Bing

Business Overview

I. SUMMARY OF MAIN BUSINESS OF OUR GROUP

Our main business consists of manufacturing and sales of passenger vehicles, commercial vehicles, motorcycles, engines and other auto parts. We are also engaged in a broad range of automobile-related services and other businesses, including car sale and leasing, after-sale services, import and export of automobile-related products, logistics services, automobile finance and automobile insurance services.

We produce a variety of passenger vehicles mainly through two JCEs, namely Guangqi Honda and GAC Toyota, and a wholly-owned subsidiary, GAMC and a subsidiary, GAC Gonow. For the year ended 31 December 2011, the Group produced and sold various series of sedans, cross type passenger vehicles, SUV and MPV, including Guangqi Honda Crosstour, Guangqi Honda Accord, Guangqi Honda Odyssey, Guangqi Honda (Everus), GAC Toyota Camry, GAC Toyota Highlander, GAC Trumpchi and GAC Gonow Miniran etc. The Group also participates in the production of various SUVs including Honda Jazz sedans and GAC Changfeng Liebao and Mitsubishi Pajero SUVs through our associated companies, Honda (China) and GAC Changfeng, respectively. As at 31 December 2011, the Group had a production capacity of 1.25 million units of passenger vehicles.

Our commercial vehicles are mainly manufactured by our JCE GAC Hino, our subsidiaries GAC Bus and GAC Gonow. GAC Hino and GAC Bus manufacture light heavy trucks and buses respectively, while GAC Gonow mainly manufactures pickups. As at 31 December 2011, our production capacity of commercial vehicles was 64,000 units.

The Group manufactures motorcycles mainly through our JCE Wuyang-Honda. Main products include standard motorcycles, sport bikes and scooters. For the year ended 31 December 2011, the production capacity of motorcycles of Wuyang-Honda was 1 million units.

Our auto parts businesses are mainly conducted through GAC Component and its subsidiaries and associated companies. We participate in the production of engines through GAC Toyota Engine and Shanghai Hino, the associated companies and also participate in the production of gearboxes through HAVECO. Our other auto-part products include, car seats, HVAC systems, auto lamps, automation accessories, redirectors and shock absorbers, etc. As at 31 December 2011, the production capacity of GAC Toyota Engine and Shanghai Hino amounted to 500,000 units and 30,000 units, and the production capacity of HAVECO amounted to 200,000 units.

II. LISTING OF A SHARES AND MERGER WITH GAC CHANGFENG BY WAY OF SHARE EXCHANGE

On 22 March 2011, the Group and GAC Changfeng made a joint announcement proposing the issue of A shares by the Company to shareholders of GAC Changfeng and the merger with GAC Changfeng by way of share exchange. On 27 June 2011, the resolutions in relation to the issuance of A shares and the merger with GAC Changfeng by way of share exchange were approved at the general meeting of the Company and the general meeting of GAC Changfeng. On 30 December 2011, Review Committee of Merger, Acquisition and Reorganisation of Listed Companies of the China Securities Regulatory Commission ("CSRC") reviewed and approved the proposal of issuance of A shares by the Company and merger with GAC Changfeng by way of share exchange. On 30 January 2012, CSRC formally approved the proposal of issuance of A shares by the Company and merger with GAC Changfeng by way of share exchange.

The Company believes that the listing of A shares will further consolidate the resources of subsidiaries which paves the way for establishing a joint venture with Mitsubishi Motors Corporation and the dual listing in A share and H share capital market will be beneficial to the further development of the Group.

III. MAJOR BUSINESS REVIEW

1. Production and sales and market share

In 2011, due to the impact caused by the Japanese earthquake, the supply chain of parts of the Group's major joint ventures was affected to a relatively large extent. With our efforts in attuning supply of parts, adjusting the maintenance schedule of production lines and holidays and leaves of employees, adverse impact caused by the Japanese earthquake was minimized. However, due to the macro-economic control which was introduced subsequently and the flood in Thailand in October, the production and sales of the Group's major joint ventures were affected.

In 2011, the cumulative production and sales of vehicles of the Group were 744,719 units and 740,394 units with a year-on-year increase of 3.07% and 2.23% respectively among which the production and sales of passenger vehicles were 726,877 units and 721,095 units representing a year-on-year increase of 1.35% and 0.22% respectively. The growth rate of overall sales volume and sales volume of passenger vehicles of the Group was slightly lower than the average growth rate of the industry. The production and sales of commercial vehicles were 17,842 units and 19,299 units representing a year-on-year increase of 232.90% and 310.27% respectively. Currently, sales volume of our Group contributed a total market share of 4.00% in automotive market in terms of sales volume, of which the market share of mid-to-high end sedan market and SUV market was 20.80% and 8.06% respectively.

The production and sales volume of the Group as of 31 December 2011 are set out below:

	Production volume (Units)			Sales volume (Units)		
	YTD	YTD	YTD	YTD	YTD	YTD
Entity	Dec. 2011	Dec. 2010	YoY	Dec. 2011	Dec. 2010	YoY%
1. Total number of vehicles	744,719	722,565	3.07%	740,394	724,222	2.23%
(1) Entities engaging in passenger vehicle business	739,099	717,206	3.05%	734,146	719,518	2.03%
Guangqi Honda	369,176	385,755	-4.30%	362,294	386,031	-6.15%
GAC Toyota	272,526	268,445	1.52%	274,417	269,430	1.85%
GAMC	16,723	–	–	17,006	–	–
GAC Gonow (includes the volume of cross type passenger vehicles and pickups)	23,602	–	–	24,984	–	–
GAC Changfeng	32,870	37,890	–13.25%	31,196	39,048	-20.11%
Honda (China)	24,202	25,116	–3.64%	24,249	25,009	-3.04%
(2) Entities engaging in commercial vehicle business	5,620	5,359	4.87%	6,248	4,704	32.82%
GAC Hino	4,122	3,380	21.95%	4,549	2,911	56.27%
GAC Bus	1,498	1,979	-24.31%	1,699	1,793	-5.24%
2. Engines	298,133	422,130	-29.37%	298,851	418,293	-28.55%
GAC Toyota Engine	276,621	399,401	-30.74%	277,264	395,988	-29.98%
Shanghai Hino	21,512	22,729	-5.35%	21,587	22,305	-3.22%
3. Motorcycle	934,768	–	–	900,099	–	–
Wuyang-Honda	934,768	–	–	900,099	–	–

* Figures of production and sales volumes for the year 2010 do not include those of GAC Gonow, GAMC and Wuyang-Honda.

The sales volume and market share of passenger vehicles and commercial vehicles of our Group as of 31 December 2011 are set out below:

	Sales volume (Units)		
	YTD	YTD	Market share
Entity	**Dec. 2011**	**YoY**	**(%)**
Passenger vehicles	721,095	0.22%	4.98%
High-end sedan	1,914	-15.46%	0.44%
Mid-to-high-end sedan	321,461	-3.51%	20.80%
Mid-end sedan	123,502	-6.89%	2.37%
Economy sedan	89,312	4.28%	4.59%
Cross type passenger vehicles	9,304	–	0.41%
MPV	47,150	2.86%	9.47%
SUV	128,452	7.06%	8.06%
Commercial vehicles	19,299	310.27%	0.48%
Total number of vehicles	740,394	2.23%	4.00%
Motorcycles	900,099	11.07%	3.34%

* The calculation is based on the statistics published by China Association of Automobile Manufactures ("CAAM"). The data of GAC Gonow is excluded from the figures of the previous year.

As of 31 December 2011, the production capacity of vehicles of our Group amounted to 1.314 million units, among which the production capacity of passenger vehicles amounted to 1.25 million units; the production capacity of commercial vehicles amounted to 64,000 units; the production capacity of engines amounted to 530,000 units.

The distribution of the Group's production capacity as of 31 December 2011 are set out below:

	Annual capacity of 2011 (units)
1. Passenger vehicles	1,250,000
Guangqi Honda	480,000
GAC Toyota	380,000
GAMC	100,000
GAC Gonow	130,000
GAC Changfeng	100,000
Honda (China)	60,000
2. Commercial vehicles (including pickups)	64,000
GAC Hino	22,000
GAC Bus	2,000
GAC Gonow	40,000
3. Engines	530,000
GAC Toyota Engine	500,000
Shanghai Hino	30,000
4. Motorcycles	1,000,000
Wuyang-Honda	1,000,000

2. **The revenue of each business segment of our Group as of 31 December 2011 is set out below:**

	Sales revenue (RMB thousand)	Percentage of the Group's sales revenue (%)
Passenger vehicles and related operations	9,862,635	89.79%
Commercial vehicles	461,630	4.20%
Auto parts	394,468	3.59%
Others	265,540	2.42%
Total	10,984,273	100.00%

3. Sales Network

The Group's investee companies established their independent distribution network and after-sale services outlets in line with the development plan. As of 31 December 2011, the major sales and service network of the Group are set out below:

Company name	Cumulative number of sales outlets in 2011	Number of sales networks expected to be achieved in 2012	Number of provinces covered
1. Entities engaging in passenger vehicle business			
Guangqi Honda	478	483	31
GAC Toyota	332	380	31
GAMC	90	200	30
GAC Gonow	208	268	31
GAC Fiat	43	100	30
GAC Changfeng	138	–	31
2. Entities engaging in commercial vehicle business			
GAC Hino	70	100	28
GAC Bus	41	50	25
3. Entities engaging in motorcycle business			
Wuyang-Honda	3,905	4,002	24

4. New Vehicle Models and New Energy Products

(1) In January, 2011 model of Guangqi Honda ACCORD was launched, the annual sales of which amounted to 160,735 units. It is the best-selling mid-to-high-end sedan for four successive years. In March, 2011 model of Fit was launched for sale across the country. Everus S1, the first mass-produced model of EVERUS, the proprietary brand of the first domestic joint venture of the Group, was officially launched for sale in April, which satisfied the demand of economy sedan with encouraging market response.

(2) In July, GAC Toyota EZ was launched for sale. In December, the seventh generation of GAC Toyota Camry was launched. The product is equipped with a 2.5L engine with 10% improvement in maximum output power and 24% reduction in oil consumption, which is the fastest and the most economic model among the comparable models within the same price range.

(3) In August, the Group launched a new sedan model of Trumpchi, a proprietary brand of the Group. The model is equipped with 1.8L engine, which complies with the policy of "General business vehicle with engine displacement under 1.8L (including) and priced under RMB180,000", and is listed on the government purchase category. In November, GS5, an SUV model of Trumpchi debuted in the Guangzhou Automobile Show and was awarded "The World Best Debuting Car" by the committee of Guangzhou Automobile Show.

(4) As for motorcycles, 13 new models were launched for mass production, 6 of which were launched for domestic sale and 7 of which were launched for export. The increasingly optimized product line lays a solid foundation for expanding the domestic and overseas market share and increasing the core competitiveness of the Group.

(5) As for new energy vehicles, in January 2011, AE, the new model consuming hybrid energy of Trumpchi was included in public announcement and listed in the demonstration of new energy vehicles. In the future, the Group will continue its research and development and trial production of hybrid vehicles (including plug-in models) and electric vehicle (including plug-in models) with longer travel distance.

The Group will keep on promoting the development and production of hybrid bus and electric bus. We have completed the research and development of new energy vehicle which complies with the "National 4" emission standard and our hybrid bus has been selected to operate in the pilot cities of the state as new energy vehicles during the year.

5. Research and development and intellectual property

In 2011, GAEI focused on the models of "Trumpchi" and comprehensively advanced the subsequent development of subsequent products of our proprietary brand. During the year, we finished the development of 1.8L model of "Trumpchi" and 2.0 traditional model of "Trumpchi GS5". Also, the development of new model for new energy vehicles including hybrid vehicles and electric vehicles achieved a substantial result. The quality of our development work continuously improved and Trumpchi achieved the highest score during the C-NCAP crash test, being the highest score among all proprietary brand automobiles of China having participated in the test.

During the year, the Group was awarded an item in each of the National Science & Technology Pillar Program and State 863 Projects respectively for the first time.

As for intellectual property, among 130 patent applications made by the Group and its investee companies in 2011, 89 patents were granted.

6. Auto parts

(1) Engines: the Group successfully finished the transformation and transition of engine production lines to complement the model upgrade of Camry.

(2) Other auto parts: the Group advanced the establishment of ancillary auto parts projects of GAC Fiat and the proposed JCE with Mitsubishi through GAC Component and progressively advanced the DDCT project of HAVECO.

(3) By virtue of GAEI, proprietary research on parts has been advanced, making duo-breakthroughs in both development ability and development result.

7. Automobile services

As for sale service, the Group perfected and unified the management platform by introducing regional management and focused on the development of the automobile utilities and accessories business. While actively establishing selling points and logistics network across the state, we strived for the construction of automobile sales park and logistics park.

As for financial business, we further extended our business network to provide automobile finance service to the automobile distributors and retail-end customers. As of the end of 2011, our automobile finance businesses expanded to cover 26 provinces and 140 cities and cooperated with 444 distributors for retail service and 205 distributors for inventory business, the result of which was beyond expectation.

As for automobile insurance business, Urtrust Insurance, of which the Group is the controlling shareholder, officially commenced business in early June, 2011. During the second half of 2011, we enhanced the cooperation in insurance business with vehicle assembly factories and distributors, which effectively facilitated our business development through various channels. As of the end of 2011, the preparation work for establishing branches in Guangdong and Shenzhen regions was basically completed and the supporting operation and system construction were carried out progressively, which laid a sound foundation for the subsequent business development.

IV. AWARDS

The major awards won by the Group and its products are set out below:

Awards	Awarding wining enterprises or products	Awarding Party
The top rating company of 2011 After Sale Service CSI in China	Guangqi Honda	J.D. Power Asia Pacific, Inc.
Named as "Model Enterprise of National Safety Culture"	Guangqi Honda	State Administration of Work Safety
Corporate performance rating (AAAA (the highest standard))	Guangqi Honda	Quality Supervisory Bureau of Guangzhou
GAC Toyota was named as second top rating brand and the top three rating brand in sub-market	GAC Toyota	J.D. Power Asia Pacific, Inc.
The highest scoring enterprise in the after sale satisfactory survey	GAC Toyota	China Automotive Maintenance and Repair Trade Association
2011 reliable brand of automobile	GAC Toyota	中國汽車質量網
The second highest scoring enterprise in the after sale satisfactory survey	GAC Toyota	China Association for Quality
The World Best Debuting Car	GAMC (Trumpchi GS5)	2011 Guangzhou Automobile Show

V. PERFORMANCE OF SOCIAL RESPONSIBILITY

1 Production Safety

The Group adhered to the guidelines of "safety first, focus on prevention, comprehensive control" and the principles of "people-oriented and safe development", strictly implemented accountability system for production safety and further conducted the standardization of safety production, optimized the emergency rescue system for accidents during production and actively provided education and training of safety production and risk control in order to foster the safety culture at enterprise. No serious injury and death accidents occurred throughout the year. The condition of safe production is generally stable.

2. Environmental Protection and Sustainable Development

Working towards the targets of "energy saving, consumption reduction, pollution reduction and efficiency enhancement", the Group carried out a wide range of energy saving and emission reduction activities to incorporate the advanced concept of environmental protection and safety into corporate management and institutionalized such concept. All of the assessment result of industrial "three wastes" (namely waste water, waste gas and solid waste) of the Group's investee companies has reached the national and local standards.

Meanwhile, the Group proactively promoted green marketing, which means that business partners (including those act as our sales channels) are included in our environmental protection planning to improve the Group's overall environmental management standard.

3. Interests of employees

The Group devoted to establishing stable relationship with our employees to create a harmonious atmosphere within the Company. We insisted on having fair negotiation, collecting opinion from employees and enhance cooperation with labor union. Collective Agreement of Guangzhou Automobile Group Co., Ltd. has been entered into through a collective negotiation.

Besides, the Group strictly complies with and implements the labor laws and regulations with participating rate of social insurance amounting to 100.00%. We do concern the metal health of employees and establish relationship with various psychotherapy institutions to provide psychological counseling and psychological health education to our staff to help them maintain mental health.

4. Charitable Activities

In addition to providing customers with quality products, auto parts and related services, the Group is also devoted to fulfilling our undertaking of being an outstanding corporate citizen by actively performing our social responsibilities and promoting charitable activities. In 2011, the Group provided assistance in poverty-relief and donated to poverty village. Charitable funds in the accumulative amount of RMB16.9314 million were raised during the year.

In addition, the Group sponsored the sports industry, including being the title sponsor of 2011 World Table Tennis Championships held in Netherland. Also, we have entered into an agreement with Asia Table Tennis Union in relation to being the title sponsor of Asian Cup Table Tennis Competition for five successive years from 2011 to 2015. By promoting sports competition and the development of public sport events, the Group makes efforts on public welfare and contributes to the society.

VI. OUTLOOK FOR THE YEAR OF 2012

Looking forward into 2012, although there still exist a number of domestic and overseas uncertainties and the growth of automobile industry progressively slows down, the Chinese economy is on its rising trend and China's automobile industry market remains in the developing phase. Domestic automobile industry will become more rational and mature and has relatively higher development potential in the middle and long term. It is expected that the annual growth rate of the industry will be approximately 8%.

In 2012, under the leadership of the Board, the Group will ensure the major projects of GAC Fiat and the proposed joint venture with Mitsubishi to be successfully carried out, strengthen the technological research and development of new products, further improve the brand image and product quality and achieve a larger market share. Besides, we will take advantage of the synergy from the Group's industry chain, strictly control costs, improve profitability and strengthen and optimize our internal control management and risk management in order to regulate the Company's operation.

Management Discussion And Analysis

1. FINANCIAL RESULTS OVERVIEW

In previous years, the Group chose to recognize its investments in JCEs by using proportionate consolidation method in the consolidated financial statements under HKFRSs; and recognize the same by using equity method in consolidated financial statements under CASBE. As the Group has become a listed company that issues both A shares and H shares, to be consistent with the accounting policy for PRC standard consolidated financial statements, equity method will be used for the recognition of the investments in JCEs instead of proportionate consolidation method. Therefore, the investment operation result of the Group's major operating entities such as Guangqi Honda and GAC Toyota will be recognized and reflected by the share of profit in those JCEs in consolidated statement of comprehensive income. As a result, the amount of most of the items, including the Group's total assets, total liabilities, operating income and costs and expenses will decrease compared to the amount calculated by proportionate consolidation method. Accordingly, operation income, gross profit and gross profit margin do not reflect the operation result of the JCEs of the Group. However there is no change to the equity attributable to equity holders of the Company and profit on consolidated financial statements.

In 2011, being affected by various factors such as a slowdown in growth of the macro-economy, withdrawal of the concession policy for the automobile market and the implementation of purchase restriction in certain cities, the aggregate number of vehicles sold for the year amounted to approximately 18.505 million units, representing a year-on-year increase of approximately 2.45%, which was in line with the apparent slowdown in the growth of sales volume in the industry. Facing a complicated year of 2011 and being vulnerable to macroeconomic changes and the unexpected disasters including the earthquake in Japan and the flooding in Thailand, through coordinating supply of auto parts and accessories, adjustments in the overhaul schedule of production lines and holidays, the Group managed to minimize the impact of supply shortage of parts and accessories caused by external adverse factors and maintained the overall stability in its production and operation.

In 2011, the Group and its JCEs and associated companies sold 740,394 complete buildup units of vehicles and 900,099 units of motorcycles. The year-on-year growth rate of the sale of vehicles was 2.23%. Total number of passenger vehicles sold amounted to 721,095 units, representing an increase of 0.22%; and total number of commercial vehicles sold amounted to 19,299 units, representing an increase of 310.27%. In 2011, the Group, together with its JCEs and associated companies, had 4.00% market share in automotive market. Our market share in mid-to-high-end sedan and SUV were 20.80% and 8.06% respectively.

During the year, the revenue of the Group amounted to approximately RMB10,984 million, representing an increase of approximately RMB2,242 million, or approximately 25.6%, when compared with approximately RMB8,742 million for last year. The profit attributable to equity holders of our Company amounted to approximately RMB4,272 million for the year, which was similar to last year. Earnings per share were approximately RMB69.48 cents, representing a decrease of approximately RMB22.44 cents, or approximately 24.4%, when compared with approximately RMB91.92 cents for last year.

During the year, cash and cash equivalents at the end of the year of our Group amounted to approximately RMB8,239 million, representing a decrease of approximately RMB1,143 million, or approximately 12.2%, when compared with the amount at the beginning of the year.

2. REVENUE

During the year, revenue of the Group amounted to approximately RMB10,984 million, an increase of approximately RMB2,242 million, or approximately 25.6% compared with approximately RMB8,742 million in last year.

In 2011, the quality of the Group's proprietary brand, Trumpchi, kept improving since its launch and achieved the highest score in safety feature during the C-NCAP Crash Test among PRC proprietary brands. Marketing network gradually extended with increasing monthly sales turnover. Our products also received preliminary recognition from market. Besides, the Group's new subsidiary, GAC Gonow sold 24,984 units of vehicles and our product line of the Group was enriched by cross type passenger vehicles and pickups, which also stimulated our sales.

3. COST OF SALES AND GROSS PROFIT

During the year, our total cost of sales increased by approximately RMB2,561 million to approximately RMB10,560 million during the year from approximately RMB7,999 million over last year. Our total gross profit decreased by approximately RMB319 million, or approximately 42.9%, to approximately RMB424 million from approximately RMB743 million over last year.

Our gross profit margin decreased by 4.6% from approximately 8.5% in last year to approximately 3.9% during this year, mainly because one of our subsidiaries was still in the preliminary stage of mass production.

4. SELLING AND DISTRIBUTION COSTS

Our selling and distribution costs increased by approximately RMB263 million to approximately RMB589 million during the year from approximately RMB326 million in last year, which is mainly due to the increase in advertising and marketing expenses for the newly launched products, the cost of logistics and after-sale services expenses. Meanwhile, a part of selling and distribution costs were compensated by government grants during last year while such item was absent this year.

5. ADMINISTRATIVE EXPENSES

Our total administrative expenses increased by approximately RMB700 million to approximately RMB1,216 million during the year from approximately RMB516 million over last year, which was mainly due to: 1. the administrative expenses during last year were compensated by the majority part of government grants received while there was less related government grants this year; 2. the increase in administrative fee as a result of consolidation of GAC Gonow; 3. an increase in the total number of employees as a result of expansion of our scale and the increase of the level of average salary in line with the increase of CPI which led to the increase in labour costs; 4. full-year amortization of acquired foreign technologies and capitalized research and development cost during the year.

6. OTHER GAINS – NET

During the year, other net gains of our Group amounted to approximately RMB840 million, representing an increase of approximately RMB782 million, compared with approximately RMB58 million for the same period last year, which is primarily due to the government grants received by the Group this year.

7. INTEREST INCOME

During the year, the interest income of the Group was approximately RMB374 million, representing an increase of approximately RMB139 million when compared with approximately RMB235 million for the corresponding period last year, which was mainly due to increased time deposits as a result of dividends received by the Group from JCEs and associates.

8. FINANCE COSTS

During the year, the finance costs of the Group amounted to approximately RMB415 million, representing an increase of approximately RMB53 million when compared with approximately RMB362 million for last year, which was mainly due to a slight increase in our average borrowing balances during the year.

9. STAFF COSTS

During the year, the staff costs (including Directors' and Supervisors' emoluments) of the Group amounted to approximately RMB1,076 million, representing an increase of approximately RMB267 million when compared with approximately RMB809 million for last year, which was mainly due to (1) an increase in the total number of employees as a result of expansion of our scale; (2) the increase of the level of average salary in line with the increase of CPI.

10. DEPRECIATION AND AMORTISATION

With our business expansion and increase in sales revenue, continuous additions and refreshment of fixed assets including plant and equipment of the Group during the year, the increase in fixed assets amounted to approximately RMB1,680 million, and disposal of fixed assets amounted to approximately RMB66 million. In 2010, the increase in fixed assets amounted to approximately RMB901 million, and disposal of fixed assets amounted to approximately RMB33 million. As the Group put more efforts on the research and development of new products, intangible assets increased by approximately RMB984 million and approximately RMB789 million during this year and last year respectively. During the year, the depreciation and amortization amounted to approximately RMB490 million, with an increase of approximately RMB291 million when compared with approximately RMB199 million in the last year.

11. SHARE OF PROFIT OF JCEs

During the year, the share of profit of JCEs of the Group amounted to approximately RMB3,872 million, representing a decrease of approximately RMB689 million when compared with approximately RMB4,561 million for last year. This was mainly due to:

(1) Automobile sales of the Group's JCEs still concentrated on mid-to-high-end sedan with strong profitability and stable customer group. However, given the adverse factors such as Japanese earthquake and flooding in Thailand, JCEs sold 641,260 complete buildup units of vehicle in total during the year, representing a decrease of 17,112 units as compared with 658,372 units for last year.

(2) Applicable income tax rate for one JCE increased from 11% to 24% resulting in higher income tax expenditure.

(3) Wuyang-Honda, the newly-added jointly controlled entity contributed to the profit of the Group.

12. SHARE OF PROFIT OF ASSOCIATES

During the year, the share of profit of associates of the Group amounted to approximately RMB766 million, representing a decrease of approximately RMB364 million when compared with approximately RMB1,130 million for last year. This was mainly due to:

(1) the adjustment and modification of the production line of a major associate company during the period, there was a material decrease in utilization rate of production capacity and decrease in our vehicle sales, thus the automobile parts segment's share of profit in associated companies during the year was approximately RMB661 million, representing a decrease of approximately RMB320 million compared to approximately RMB981 million for last year;

(2) the cumulative sales of the passenger vehicles of two associated companies engaging in vehicle assembling decreased by 8,612 units from 64,057 units to 55,445 units compared to last year. This passenger vehicles and related operations segment's share of profits in associated companies was approximately RMB102 million during the year, representing a decrease of approximately RMB43 million when compared to approximately RMB145 million for last year.

13. INCOME TAX CREDIT/(EXPENSE)

During the year, as the newly operated entities still recorded a loss and the deferred income tax assets relating to deductible losses increased, income tax credit of approximately RMB110 million was recorded, representing an increase of approximately RMB112 million when compared with the income tax expenses of approximately RMB2 million for last year.

14. PROFIT FOR THE YEAR

Based on the foregoing reasons, profit of the Group attributable to equity holders of the Company amounted to approximately RMB4,272 million during the year, which was similar to the amount of approximately RMB4,295 million recorded last year. Earnings per share were approximately RMB69.48 cents, representing a decrease of approximately RMB22.44 cents, or approximately 24.4%, when compared with approximately RMB91.92 cents for last year.

15. FOREIGN EXCHANGE RISK

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

16. LIQUIDITY AND CAPITAL SOURCES

As at 31 December 2011, the Group's current assets and current liabilities amounted to approximately RMB21,659 million and approximately RMB6,206 million respectively, and the current ratio was approximately 3.49 times. The total borrowing amounted to approximately RMB9,837 million as at 31 December 2011, which mainly included debentures issued by the Group with par value of RMB6,700 million in 2009, corporate bonds with par value of RMB600 million and, bank borrowing of approximately RMB2,584 million, the asset to liability ratio was approximately 24.6%. 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 operating activities.

17. CASH FLOW

	Year ended 31 December 2011 RMB million	Year ended 31 December 2010 RMB million
Net cash inflows/(outflows) generated from operating activities	**(634)**	(1,008)
Net cash inflows/(outflows) generated from investing activities	**(267)**	1,960
Net cash inflows/(outflows) generated from financing activities	**(201)**	(434)
Net increase/(decrease) in cash and cash equivalents	**(1,102)**	518
Cash and cash equivalents at the end of the year	**8,239**	9,382

(1) Net cash outflows used in operating activities during the year was approximately RMB634 million, representing a decrease of approximately RMB374 million when compared with net cash outflow of approximately RMB1,008 million for last year mainly due to certain government grants received by the Group during the year.

(2) During the year, net cash outflows used in investing activities of the Group amounted to approximately RMB267 million, representing a decrease of approximately RMB2,227 million when compared with net cash inflows of approximately RMB1,960 million last year as the Group expanded its production scale, acquired equity and increased capital. Besides, as the Group received dividends from investee companies, expenditure in financial investment (time deposit) increased significantly.

(3) Net cash outflows used in financing activities of the Group amounted to approximately RMB201 million, representing a decrease of approximately RMB233 million when compared to net cash outflows of approximately RMB434 million for last year as dividend distribution to the Company's shareholders and minority shareholders of its subsidiaries decreased by RMB154 million for the year 2011 and the newly established subsidiary received capital contribution from its minority shareholders.

As at 31 December 2011, the cash and cash equivalents of the Group amounted to approximately RMB8,239 million, representing a decrease of about RMB1,143 million when compared with approximately RMB9,382 million as at 31 December 2010.

18. FINANCIAL INDICATORS

As at 31 December 2011, the Group's total borrowings amounted to approximately RMB9,837 million, representing a slight increase when compared with approximately RMB9,003 million as at 31 December 2010. As at 31 December 2011, the Group's asset to liability ratio was approximately 24.6%, representing a slight drop from approximately 25.8% as at 31 December 2010. {Calculation method of gearing ratio: (non-current borrowings + current borrowings)/(total equity + non-current borrowings + current borrowings)}

As at 31 December 2011, the Group's current ratio was approximately 3.49 times, representing a decrease from that of approximately 4.57 times as at 31 December 2010. As at 31 December 2011, the Group's quick ratio was approximately 3.19 times, representing a decrease from approximately 4.17 times as at 31 December 2010.

19. CONTINGENT LIABILITY

Details of contingent liabilities of the Group are set out in note 42 to the audit financial statements.

(1) DIRECTORS

Zhang Fangyou (**張房有**), aged 55, is the chairman and party secretary of the Company. He is also the chairman of the Strategic Committee of the Company. He joined the Group in 1997, served as the chairman of GAIG since 2000 and has been the chairman of the Company since June 2005. Currently, Mr. Zhang is the chairman, managing director and party secretary of GAIG and the chairman of Denway, China Lounge, GAC (HK), Guangzhou Auto and GAC Changfeng. He is also an independent director of Guangzhou Department Store Enterprises Group Co., Ltd. (廣州百貨企業集團有限公司). He is also a member of the 6th, 8th, 9th and 10th Guangzhou Municipal Party Committee, the representative of 8th, 10th and 11th Party Congress of Guangdong Province and Deputy to the 11th People's Congress of Guangdong Province. Prior to this, he served such positions as director of Guangqi Honda from July 1998 to December 2004, secretary of Guangdong Zengcheng Town (City) Government from November 1991 to December 1995, deputy secretary-general of Guangzhou Municipal Government from August 1995 to August 1999 and an office director of Automotive Industry Office of Guangzhou Municipal Government from April 1996 to August 1999. Mr. Zhang graduated from South China Normal University with a college diploma in political theory in December 1987, Party School of the Central Committee of C.P.C. with a graduate degree in January 1997 and Zhongshan University with a master's degree in business administration in December 2006.

Zeng Qinghong (**曾慶洪**), aged 50, is the vice chairman and general manager of the Company. He is also a member of the Strategic Committee of the Company. He first joined the Group in 1997. He has served as a director of GAIG since 2004 and the deputy chairman and general manager of the Company since 2005. Currently, Mr. Zeng is the vice chairman of GAIG, Denway, China Lounge, GAC (HK), Guangzhou Auto, chairman of GAMC, chairman of GAC Fiat, chairman of GAC Gonow and a director of GAC Changfeng. Prior to this, he held positions as chairman of GAC Commercial from June 2005 to September 2008, GAC Component from June 2005 to September 2008 and GAC Hino from January 2006 to September 2008, director and deputy executive general manager of Guangqi Honda from December 1999 to January 2006 and deputy general manager of GAIG from April 2001 to June 2005. Mr. Zeng was elected by the provincial people's congress to be a delegate of the 10th and 11th National People's Congress. Mr. Zeng was elected as the chairman of the 5th Automobile Industry Association of Guangdong Province (廣東省汽車工業協會會長) in December 2010. Mr. Zeng graduated from the Guangdong Provincial Committee's Party Academy (majoring in Economic Management) with a graduate diploma in July 2000 and South China University of Technology with a Ph.D. in management science and engineering in December 2009.

Yuan Zhongrong (**袁仲榮**), aged 53, is a Director and deputy general manager of the Company. He is also a member of the Strategic Committee of the Company. He joined the Group in 1997 and was appointed as the deputy general manager of GAIG in 2001 and has served as a director and deputy general manager of the Company since 2005. Currently, Mr. Yuan is a director of GAIG, chairman of GAC Toyota, Urtrust Insurance and GAC Hino, deputy chairman of GAC Toyota Engine, Tong Fang Global, Shanghai Hino and the director of GAMC. Prior to this, he worked at the engineering manufacture unit of Dongfeng Motor Corporation (東風汽車公司) from 1982 to 1993, held positions as deputy head of the engineering unit of Dongfeng Motors Corporation (東風汽車公司) in 1991, head of the engineering unit of Dongfeng Motor Corporation (東風汽車公司) from January 1993 to April 1995, head of engineering unit of Automobile Industry Office of Guangzhou Municipal Government from 1995 to 1997, deputy general manager of Guangzhou Sedan Co., Ltd. (廣州轎車有限公司) from July 1997 to July 1998, deputy manager of Guangqi Honda from July 1998 to April 2001 and director and deputy executive general manager of GAC Toyota from September 2004 to August 2008. Mr. Yuan graduated from Huazhong University of Science and Technology (華中科技大學) (formerly known as Huazhong Science and Technology College (華中工學院) in July 1982 with a bachelor's degree in mechanical manufacture and from Asia International Open University (Macau) with a master's degree in business administration in September 2001.

Lu Sa (**盧颯**), aged 46, is an executive Director, a company secretary and secretary of the Board. She joined the Group in March 2000 as secretary to the chairman, has served as the secretary to the Board of the Company and office director of the Board since June 2005 and became an executive director and secretary to the Board of the Company in August 2008. Currently, Ms. Lu is also a director of GAC Toyota, China Lounge, Denway, GAC (HK), Guangzhou Auto. She held the positions as office secretary and translator of the board of Guangzhou Peugeot Automobile Company (廣州標緻汽車公司) from October 1995 to May 1998 and secretary to the executive deputy general manager of Guangqi Honda from May 1998 to February 2000. Ms. Lu graduated from the Central South University Xiangya School of Medicine with a bachelor's degree in medical English in July 1990 and the School of Business of Zhongshan University with an executive master's degree in business administration in December 2005.

Fu Shoujie (**付守傑**), aged 48, is a non-executive Director of the Company. He is also a member of the Strategic Committee of the Company. He first joined the Group in July 2004 and has served as a Director since 2005. Currently, Mr. Fu is a director of GAIG, chairman of Guangqi Honda, director and general manager of GAC Changfeng and director of Denway, China Lounge, GAC (HK), Guangzhou Auto Group Corporation, GAMC and GAC Fiat. Prior to this, he held positions as deputy general manager of our Company from 2005 to 2009, deputy head of the Sujiatun District of Shenyang City from November 2000 to November 2002 and from January 2003 to July 2004 and general manager of Songliao Automobile Co., Ltd. (松遼汽車股份有限公司), which is listed on the Shenzhen Stock Exchange, from January 2003 to July 2004. Mr. Fu graduated from Liaoling Radio & TV University with a college diploma in economics and finance in July 1986 and the University of Illinois at Chicago, the United States, with a master's degree in business administration in May 2000.

Liu Huilian (劉輝聯), aged 57, is a non-executive Director and chairman of the labor union of our Company. He joined the Group in April 2001 and has been a Director since 2005. Currently, Mr. Liu is a director of GAIG. Prior to this, he held positions as director of the general manager office of Guangzhou Peugeot Automobile Company (廣州標緻汽車公司) from March 1991 to February 1998, deputy general manager of Guangzhou Sedan Co., Ltd. (廣州轎車有限公司) from February 1998 to June 1998 and chairman of the labor union of Guangqi Honda from June 1998 to April 2001. Mr. Liu was also the member of the 11th and 12th national committee of Guangzhou. Mr. Liu graduated from the South China Normal University with a college diploma in politics and was qualified as senior political engineer in June 1986.

Wei Xiaoqin (魏筱琴), aged 57, is a non-executive Director and the deputy party secretary of the Company since November 2009. Mr. Wei joined GAIG in March 2000. He served as the division chief of the division of personnel, director of the department of personnel, director of the department of human resources, assistant to the general manager and director of the department of human resources, deputy general manager of the Company from March 2000 to August 2008. Prior to this, he served as deputy head of the Organization Department of Zengcheng City, party secretary of Sanjiang Town, chairman of the NPC Presidium of Sanjiang Town, director and head party secretary of the Bureau of Water Resources of Zengcheng City and deputy director and deputy party secretary of Agriculture Office from July 1990 to August 1998, director of the Bureau of Water Resources of Guangzhou from September to November 1998 and director and deputy general manager of Guangzhou Anxun Investment Co., Ltd. (廣州安迅投資有限公司) from December 1998 to February 2000. Mr. Wei was elected as a delegate of the 10th National People's Congress of Zengcheng City. Mr. Wei graduated from the South China Normal University with a college diploma in politics and was qualified as senior political engineer in June 1988.

Li Tun (黎暾), aged 51, is a non-executive Director of the Company. Mr. Li is also a director and general manager of GAC (HK), director and general manager of China Lounge, director and general manager of Denway and director of Guangzhou Auto, Guangqi Honda and director of GAC Component. He joined our Group since 1999 except for the period from 2001 to 2007 during which he was the deputy general manager of the Sales Division of Guangqi Honda. He joined our Group again in 2007 as the deputy general manager of our Company as well as of China Lounge. He graduated from Murdoch University of Australia (澳大利亞梅鐸大學) with a diploma in business administration in March 2002.

Wang Songlin (王松林), aged 60, has been a non-executive Director since he first joined our Company in June 2005. He is also a member of the Nomination Committee of the Company. Prior to this, he was the deputy managing director and party member of China National Machinery Industry Corporation Limited, and the deputy president of the Society of Automobile Engineers of China (中國汽車工程學會) and China Auto Talents Society (中國汽車人才研究會). Previously, he held positions as deputy general manager of China Machinery Import and Export Heilongjiang Company (中國機械設備進口黑龍江公司) from February 1982 to July 1988, party secretary and standing deputy general manager of China National Automotive Industry Import and Export Corporation (中國汽車工業進出口哈爾濱公司) from August 1998 to July 2000 and deputy general manager of China National Automotive Industry Corporation (中國汽車工業總公司) from July 2000 to June 2004. Mr. Wang graduated from Harbin Institute of Technology in casting in September 1978.

Li Pingyi (**李平一**), aged 43, has been a non-executive Director since he first joined our Company in August 2008. He is also a member of the Remuneration and Evaluation Committee of the Company. He is currently the deputy general manager of Wanxiang Qianchao Co., Ltd. (萬向錢潮股份有限公司) which is listed on the Shenzhen Stock Exchange, deputy general manager of the corporate development department of Wanxiang Group Corporation Ltd.(萬向集團公司) and chairman of Jiangsu Senwei Precision Forging Co., Ltd (江蘇森威精鍛有限公司). Prior to this, he served various positions including general manager of Wangxiang Group Enterprise Development Corporation (萬向集團企業發展總公司) from August 1994 to August 1998. Mr. Li graduated from Jilin Industry University with a bachelor's degree in agricultural machinery engineering in December 1988 and obtained a postgraduate degree in business management from Zhejiang University in July 2002.

Wu Gaogui (**吳誥珪**), aged 69, has been an independent non-executive Director since he first joined our Company in December 2007. He is also the chairman of the Nomination Committee and a member of the Strategic Committee of the Company. Mr. Wu is a veteran professor of the automobile industry. He is also an independent director of CIPE Braking System (Guangzhou) Co., Ltd. (中博制動系統(廣州)有限公司). Prior to this, he held positions as Vice Dean of the School of Transportation from 1995 to 1999, administrative manager of Highway Society and other academic bodies from March 1997 to March 2000 and was a member of the Academic Committee of the Key Laboratory of Guangdong Electronic Automobiles from January 2005 to December 2008. Mr. Wu was also an independent director of GAIG from April 2001 to April 2007. Mr. Wu graduated from Tsinghua University, Beijing with an undergraduate graduation qualification in Automobile and Motor Studies in July 1967.

Ma Guohua (**馬國華**), aged 51, has been an independent non-executive Director since he first joined our Company in December 2007. He is also a member of the Audit Committee and the Remuneration and Evaluation Committee of the Company. Mr. Ma has been the vice secretary general of Chinese National Attorney's Association since 1999. Currently, he also holds positions as the independent director of Shandong Sanwei Shihua Engineering Company Limited (山東三維石化工程股份有限公司), Wuxi Double Elephant Micro Fibre Material Ltd. (無錫雙象超纖材料股份有限公司) and Hasen Commerce And Trade (China) Co., Ltd. He is also an independent director of Zhejiang Sanlux Rubber Co., Ltd. (浙江三力士橡膠股份有限公司) which is listed on the Shenzhen Stock Exchange, Zhejiang Hengfeng Jiaotong Transportation Co., Ltd. (浙江恒風交通運輸股份有限公司) from 2006 to 2011. Mr. Ma has over 20 years working experience in China's judiciary system. He was the Attorney General of China's Ministry of Justice from January 1993 to June 1997, a member of the Second Listing Approval Committee of the China Securities Regulatory Commission from 1999 to 2000 and a lawyer of a legal service company in Hong Kong from June 1997 to June 1998. Mr. Ma obtained a bachelor's degree of law from China University of Political Science and Law in July 1984 and a master's degree of law from Peking University in January 2006.

Xiang Bing (**項兵**), aged 49, has been an independent non-executive Director since he first joined our Company in December 2007. He is also a member of the Audit Committee and the Strategic Committee of the Company. Mr. Xiang is the dean and professor of Cheung Kong Graduate School of Business. Prior to this, Mr. Xiang held positions as finance and accounting professor of China European International Business School (Shanghai) from July 1997 to June 1999 and accounting professor of the Guanghua School of Management of Peking University from July 1999 to December 2001. Mr. Xiang holds a bachelor's degree in engineering control from Xi'an Jiaotong University, a master's degree in business administration and obtained a Ph.D. degree in accounting from Alberta University, Canada in November 1991. Mr. Xiang is currently an independent director of the following listed companies:

– China Dongxiang (Group) Co., Ltd. (中國動向(集團)有限公司) (listed on the Stock Exchange)

– Dan Form Holdings Co., Ltd. (丹楓控股有限公司) (listed on the Stock Exchange)

– Longfor Properties Co. Ltd. (龍湖地產有限公司) (listed on the Stock Exchange)

– Sinolink Worldwide Holdings Limited (百仕達控股有限公司) (listed on the Stock Exchange)

– Enerchina Holdings Limited (威華達控股有限公司) (listed on the Stock Exchange)

– HC International, Inc. (慧聰網有限公司) (listed on the Stock Exchange)

– Peak Sport Products Co., Limited (匹克體育用品有限公司) (listed on the Stock Exchange)

– LDK Solar Co., Ltd. (江西賽維LDK太陽能高科技有限公司) (listed on the New York Stock Exchange)

– EHouse (China) Holdings Limited (易居(中國)控股有限公司) (listed on the New York Stock Exchange)

– Perfect World Co., Ltd. (完美時空有限公司) (listed on NASDAQ)

– Yunnan Baiyao Group Co., Ltd. (雲南白藥集團股份有限公司) (listed on the Shenzhen Stock Exchange)

Law Albert Yu Kwan (羅裕群), aged 62, has been an independent non-executive Director of the Company since he first joined our Company in December 2007. He is also the chairman of the Audit Committee of the Company. Currently, Mr. Law is the group chief financial officer of the South China Group and the chief financial officer and secretary of the South China (China) Limited. Mr. Law is the president of the Institute of Accountants in Management (專業管理會計師公會) since 2007. Previously, Mr. Law held various positions including the managing director of A.A. and Associates Consulting International Limited (卓越管理顧問國際有限公司) in April 2006, financial controller of K. Wah Construction Materials Limited (嘉華建材有限公司) from June 1997 to April 2006 (responsible for the finance and accounting, legal, IT and treasury) managing director of K.K. Yeung Financial Management Consultants International Limited (楊國琦財務管理顧問國際有限公司) from July 1996 to June 1997 (responsible for the marketing, business development and overseas consulting projects) and assistant general manager (responsible for finance, accounting and administration) of Winning Management Company Limited (a Hong Kong real estate holding and investment group) from November 1990 to March 1995. Mr. Law had also served as the former president of the UK Chartered Institute of Management Accountants (英國特許管理會計師公會) (Hong Kong Division) in the year 2006 to 2007 and the former chairman of an enterprise governance committee under the said Institute from 2003 to 2007. Mr. Law is a fellow member of the Chartered Institute of Management Accountants (英國特許管理會計師公會) since January 1997, an associate of the Institute of Chartered Accountants in England and Wales (英格蘭及威爾士特許會計師公會) since May 2006, a fellow member of the Association of International Accountants in England (英國國際會計師公會) since May 1995, a member of the Hong Kong Institute of Certified Public Accountants (香港會計師公會) since June 1979, a fellow member of Hong Kong Society of Registered Financial Planners (香港註冊財務策劃師協會) since October 2002, and a fellow member of the Taxation Institute of Hong Kong (香港稅務學會) since August 2007.

Li Zhengxi (李正希), aged 47, has been an independent non-executive Director since he first joined our Company in December 2007. He is also the chairman of the Remuneration and Evaluation Committee and a member of the Nomination Committee of the Company. Mr. Li is the director and deputy general manager of Guangzhou International Holding Group Co. Ltd. (廣州國際控股集團有限公司) and managing director and legal person representative of Guangzhou Enterprises Mergers and Acquisitions Services (廣州產權交易所). Mr. Li was head of the General Division and the Policies, Laws and Regulations Division of the Guangzhou State-Owned Assets Administration Bureau from December 1994 to June 1999. Mr. Li was recognised as a certified asset valuer by the Finance Department in June 1995 and was also recognised as an accountant by Guangzhou Financial Bureau in October 1992. Mr. Li graduated from Guangdong Amateur College of Finance and Economics with a college diploma in finance in September 1989 and Macau University of Science and Technology with a master's degree in public administration in February 2004.

(2) SUPERVISORS

Gao Fusheng (高符生), aged 55, is the chairman of the Supervisory Committee of our Company. She first joined our Company in March 1998 and became the chairman of the Supervisory Committee in August 2008. She is currently the chief accountant of GAIG. Prior to this, she served as head of the department of financial and auditing department of our Company and deputy general manager and financial controller of Denway. Ms. Gao graduated from Murdoch University, Australia with a master's degree in Business Administration in March 2001.

Huang Zhiyong (黃志勇), aged 47, has been a Supervisor of our Company since he first joined our Company in June 2005. Currently, Mr. Huang serves as the deputy general manager of Guangzhou Iron & Steel Enterprises Group (廣州鋼鐵企業集團有限公司). He is also the chairman of Guangzhou JFE Steel Sheet Co., Ltd. (廣州JFE鋼板有限公司). Prior to this, Mr. Huang served as an assistant to manager, deputy manager, head of the planning department and assistant to the general manager of Guangzhou Iron & Steel Continuous Rolling Plant (廣州鋼鐵連軋廠). Mr. Huang graduated from Jiangxi Yejing University (江西冶金學院) with a master's in engineering in July 1991 and was recognised as a senior engineer by Guangzhou Personnel Bureau (廣州市人事局) in November 1998.

He Yuan (何源), aged 49, has been a Supervisor of our Company since she first joined our Company in August 2008. She is currently the deputy general manager of finance department of Guangzhou Chime-Long Group Co., Ltd (廣州長隆集團有限公司). She has also been the director of Urtrust Insurance with the approval of the Insurance Regulatory Commission since August 2011. Prior to this, she served as an assistant engineer of Guangzhou Huanan Computer Company (廣州華南計算機公司), deputy manager of the computer department of Hotel Landmark Canton (廣州華廈大酒店), manager of the IT department, chief accountant and deputy financial controller of Ramada Pearl Hotel Guangzhou (廣州凱旋華美達大酒店), assistant financial controller of Holiday Inn City Centre Guangzhou (廣州文化假日酒店) and deputy financial controller and financial controller of Rosedale Hotel and Suites Guangzhou (廣州珀麗酒店). She graduated from Tsinghua University with a bachelor's degree in computer science in July 1984.

Ye Ruiqi (葉瑞琦), aged 50, first joined our Company in November 1998 and became a Supervisor in August 2008. He is currently the deputy secretary to the disciplinary committee of the Company, the head of the discipline supervision department of our Company, Chairman of the Supervisory Committee of GAC Commercial and a Supervisor of GAC Changfeng. Prior to this, Mr. Ye served as the head of company secretariat of factory director office of Guangzhou Heavy Machinery Plant (廣州重型機器廠), head of Guangzhou Municipal People's Government Auto Industry Office (廣州市人民政府汽車工業辦公室), head of disciplinary inspection department of the Company and head of the discipline inspection department, human resources department and the party committee of GAIG. Mr. Ye graduated from Party School of the Central Committee of C.P.C. with a postgraduate qualification in administration in July 2003.

He Jinpei (何錦培), aged 48, first joined our Company in 2007 and became a Supervisor of our Company in August 2008. He is currently the deputy chairman of labour union of our Company. Prior to this, he served as head of working unit of Party Committee, chairman of labour union and secretary to disciplinary committee of GAC Bus, and director of labour union office and head of human resources department of GAIG. Mr. He graduated from Guangzhou Workers Vocational College (廣州市職工業餘大學) with a college diploma in manufacturing of machinery in July 1990, and College of Administration and Management of Correspondence Institute of the Party School of C.C. of C.P.C. in December 2001.

(3) SENIOR MANAGEMENT

Li Shao (李少), aged 49, is a deputy general manager of our Company. Mr. Li joined the Group in March 1998, and became the deputy general manager of our Company in 2007. Mr. Li is the chairman of GAC Component, director of Guangqi Honda and chairman of Wuyang-Honda. Prior to this, Mr. Li had served as head of investment department and foreign economics, office director, assistant of general manager and deputy general manager of Guangzhou Automobile Group Ltd. (廣州汽車集團有限公司) from March 1998 to February 1999, March 1999 to December 2000, June 2000 to May 2004 and from June 2004 to June 2005 respectively, party secretary and director of GAC Bus from January 2003 to July 2003, assistant of general manager and deputy general manager of GAIG from July 2001 to May 2004 and June 2004 to April 2007 respectively, director of GAC Toyota from September 2004 to December 2005, director of Shanghai Hino from April 2010 to November 2010 and director and executive deputy general manager of GAC Hino from December 2007 and October 2010. Mr. Li graduated from South China University of Technology and obtained a bachelor's degree in metal material and heat treatment in July 1985 and he also obtained a master's degree of business administration from the Open University of Hong Kong in December 2002.

Huang Xiangdong (黃向東), aged 56, is a deputy general manager of our Company. Mr. Huang joined GAIG in 2004, and became the deputy general manager of our Company in June 2005. Currently, Mr. Huang also serves as a director of GAC Toyota, GAMC and GAC Fiat, chairman of Guangzhou Automobile Technology Centre (廣州汽車技術中心) and dean of GAEI. Prior to this, Mr. Huang had taught at Xi'an University of Technology from February 1982 to October 1985 and South China University of Technology from June 1991 to September 2004. Mr. Huang obtained a bachelor's degree from Wuhan University in mechanical engineering in September 1982 and a doctoral degree from the University of Torino, Italy in November 1989.

Wang Dan (**王丹**), aged 41, is the chief financial officer of our Company. Ms. Wang joined the Group in March 1999, and has been our Company's chief financial officer and financial controller since 2005. Currently, Ms. Wang also serves as chairman of GAC-SOFINCO and chairman of the Supervisory Committee of GAC Changfeng. Prior to this, Ms. Wang served in the financial audit department of Guangzhou Junda Automobile Enterprise Group (廣州駿達汽車企業集團) from July 1992 to April 1999 and was the deputy head of the financial audit division of the Group from March 1999 to March 2000. Ms. Wang graduated from the Sun Yat-Sen University with a bachelor's degree in July 1992 and the School of Management of Zhongshan University with a senior executive master's degree in business administration in December 2005.

Wu Song (**吳松**), aged 49, is the deputy general manager of our Company. Mr. Wu first joined the Group in October 2003 and has served as the deputy general manager of our Company since 2007. Mr. Wu is now the director and general manager of GAMC and director of GAC Fiat. Prior to this, Mr. Wu served as director and general manager of Daye Steel Group Corporation (冶鋼集團有限公司) from December 1997 to October 2000, deputy managing director of Guangzhou Wuyang – Honda Company Limited (廣州五羊－本田有限公司) from May 2003 to October 2003, director of GAC Toyota from September 2004 to 2007 and director and deputy general manager of GAC Toyota Engine from February 2004 to April 2007. Mr. Wu graduated from Huazhong University of Science and Technology (華中科技大學) (formerly known as Huazhong Science and Technology College (華中工學院) with a bachelor's degree in mechanical manufacturing in July 1984 and he also did a graduate course in management engineering at Xi'an Jiaotong University from September 1987 to January 1989.

Jiang Ping (**蔣平**), aged 56, is a deputy general manager of our Company. Mr. Jiang has served as the deputy general manager of our Company since April 2007. Mr. Jiang is now a director and deputy executive general manager of GAC Commercial and GAC Fiat. Prior to this, Mr. Jiang served as general manager of Guangzhou Peugeot Automobile Sales Company (廣州標緻銷售公司) from February 1998 to August 2000, vice chairman and general manager of GAC Component from August 2000 to April 2001 and deputy general manager of Guangqi Honda from April 2001 to April 2007, the chairman of Guangzhou Denway Bus Co., Ltd. (廣州駿威客車有限公司) from January 2008 to July 2008 and the chairman of GAC Bus from July 2008 to December 2010. Mr. Jiang graduated from Hunan University with a bachelor's degree in engineering in July 1982 and a master's degree in engineering in December 1985.

Yao Yiming (**姚一鳴**), aged 54, is a deputy general manager of our Company. Mr. Yao joined our Group in 1996, and became the deputy general manager of our Company in July 2008. Mr. Yao is also a director of Denway, a director and executive deputy general manager of Guangqi Honda and a director of China Lounge and Guangzhou Auto. Prior to this, Mr. Yao has served as a director and managing director of GAC Commercial from February 2002 to July 2008. Mr. Yao graduated from Xinghai Conservatory of Music in management in July 1988 and Wuhan University with a master's degree in information technology in December 1997.

Feng Xingya (**馮興亞**), aged 42, is a deputy general manager of our Company. Mr. Feng joined our Group in 2004, and became the deputy general manager of our Company in July 2008. Mr. Feng is also a director and executive deputy general manager of GAC Toyota. Prior to this, Mr. Feng served as a deputy managing director in Zhengzhou Nissan Automobile Company Limited (鄭州日產汽車有限公司) from June 1998 to December 2004. Mr. Feng graduated from Xi'an Jiaotong University with a bachelor's degree in engineering in July 1988 and a master's degree in business administration in April 2001.

Liu Wei (**劉偉**), aged 49, is a deputy general manager of our Company. Mr. Liu joined our Group in June 2005, became the deputy general manager of our Company in August 2008, and is currently the chairman of GAC Bus and also a director of GAC Gonow. Prior to this, Mr. Liu was an associate professor at Northeast Forestry University from September 1995 to January 2001 and deputy general manager of Beijing Automotive Industry Holding Corporation (北京汽車工業控股公司) from January 2001 to March 2004. Mr. Liu graduated from Northeast Forestry University School of Mechanical Engineering with a bachelor's degree in engineering in July 1982, a master degree in engineering in July 1985 and a machinery design and theory doctoral degree in June 2000.

Ou Yongjian (**區永堅**), aged 52, is the deputy general manager of our company. Mr. Ou has been a deputy general manager of our company since October 2010. Currently, Mr. Ou is the executive deputy general manager of GAC Hino, a director of Shanghai Hino, a director and a director of GAC Hino (Shenyang). Prior to this, Mr. Ou has been the director of GAC Component from April 2001 to September 2002 and from September 2005 to February 2009, the vice chairman of GAC Component from April 2001 to September 2005, a general manager and party member of GAC Component from April 2001 to September 2008 and a director of GAMC from August 2008 to January 2009. Mr. Ou graduated from Guangzhou Jiaotong Transportation Workers University with a professional diploma in transportation in 1981. He graduated from Sun Yat-sen University with a master's degree in executive master of business administration in 2011.

Chen Maoshan (**陳茂善**), aged 47, has served as a deputy general manager of the Company since March 2011. Currently, he is also the managing director and deputy general manager of Wuyang – Honda; Mr. Chen held the positions as the minister of general affairs department of Guangqi Honda from July 1998 to August 2003; deputy general manager of Honda (China) from September 2003 to January 2008; deputy general manager of Guangzhou Motorcycle Group Company (廣州摩托集團公司) and managing director, deputy general manager of Wuyang – Honda from July 2008 to January 2011. Mr. Chen graduated from Dalian University of Technology in the profession of machinery manufacturing of mechanical engineering in July 1986.

The Board hereby presents the report of the Board, annual report together with the audited financial statements of the Group and its subsidiaries for the year ended 31 December 2011 prepared in accordance with the Hong Kong Financial Reporting Standards.

(1) PRINCIPAL BUSINESS

The Company acts as an investment holding company. Its subsidiaries and jointly-controlled entities own an independent and comprehensive system of manufacturing, supply, sales and R&D with its main business covering design and manufacturing of vehicles and auto parts, auto sales and logistics, auto finance, insurance and related services in domestic and international markets.

(2) RESULTS

The Group's results for the year ended 31 December 2011 and the financial status of the Company and the Group as at that date are set out in the audited financial statements on pages 71 to 175 in this annual report.

(3) DIVIDENDS

The Board recommends distributing a final dividend of RMB0.20 per Share in respect of the 2011 results, subject to consideration and approval at the annual general meeting to be held on 21 June 2012.

(4) DISTRIBUTABLE DIVIDEND FROM THE JOINTLY-CONTROLLED ENTITIES OF THE COMPANY

For the year ended 31 December 2011, the Company's JCEs in total declared and distributed dividends of approximately RMB4,042,408,220 to the Company or its relevant subsidiary (being the joint venture partner of the relevant JCE). As some of JCEs are indirectly held by the Company through its subsidiaries or JCEs, the above figures do not represent the actual aggregate amount of dividends directly received by the Company from all JCEs.

Pursuant to the joint venture agreements and/or articles of association of the JCEs, dividends may be paid out of the profit made by the JCEs as determined by the directors or the shareholders of the relevant JCEs after payment of relevant taxes in accordance with the relevant PRC law. Before the distribution of dividends, the losses of previous years are required to be offset and statutory reserve funds (including corporate reserve fund, employee bonus and welfare funds and enterprises development fund), as required under the PRC laws and regulations, are required to be deducted from the profit of the relevant JCEs.

Pursuant to the joint venture agreements and/or the articles of association of the JCEs, dividend distribution is made in accordance with the capital contribution paid by the joint venture partner in the relevant JCE as approved by the directors or shareholders of the relevant JCE.

Save as disclosed above, none of the JCEs has any specific dividend policies. However, if all the joint venture partners agree, the JCEs may declare dividends when there are distributable profits. Since dividend distribution is the primary channel for return of the investment to the Company (or its relevant subsidiaries) and the relevant joint venture partners in respect of each JCE, in the past the JCEs have fully paid out all profits for each year after offsetting losses of previous years and deducting the portion of profit to be allocated for applicable statutory reserve funds as required under the PRC laws and regulations (including corporate reserve fund, enterprise development fund, employee bonus and welfare fund) and making allocations for corporate reserve fund (including but not limited to amounts allocated to cover working capital or to increase capital or expand production). In the future, it is the intention of the Company and the relevant joint venture partners to continue to declare dividends when there are distributable profits for the relevant JCE, subject to the agreement between the Company and the relevant joint venture partners on the appropriate dividend distributions based on the circumstances of each JCE and pursuant to the provisions of the relevant joint venture agreements and/or the articles of association of each JCE and applicable PRC laws and regulations.

(5) FINANCIAL INFORMATION SUMMARY

A summary of the operating results, assets and liabilities of the Group for the last five years ended 31 December 2011 is set out on page 176 in this annual report.

(6) BANK LOANS AND OTHER BORROWINGS

Details of the bank loans and other borrowings of the Group are set out in note 25 to the audited financial statements.

(7) CAPITALISED INTEREST

Details of the capitalised interest of the Group for the year ended 31 December 2011 are set out in note 32 to the audited financial statements.

(8) PROPERTY, PLANT AND EQUIPMENT

The movements of property, plant and equipment of the Company and the Group for the year ended 31 December 2011 are set out in note 8 to the audited financial statements.

(9) DESIGNATED DEPOSITS AND OVERDUE TERM DEPOSITS

As at 31 December 2011, the Group had no designated deposits and overdue term deposits in any financial institution or any other units.

(10) RESERVES

Details of movements in reserves of the Company and the Group for the year ended 31 December 2011 are set out in note 24 to the audited financial statements and the consolidated statement of changes in equity on page 77, respectively.

Pursuant to Article 208 of the articles of association of the Company, if there are material discrepancies between the financial statements prepared in accordance with the accounting standards and regulations in the PRC and the financial statements prepared in accordance with International Financial Reporting Standards or the accounting standards in other place(s) where the Company is listed, profit after tax to be allocated for the relevant accounting period shall be the lower of profits after tax in these financial statements.

The Board recommends an allocation of 10% of total profit to the statutory surplus reserve and non-allocation of any profit to the discretionary surplus reserve in accordance with the laws and the articles of association of the Company, subject to consideration and approval at the annual general meeting to be held on 21 June 2012.

(11) MAJOR CUSTOMERS AND SUPPLIERS

(i) During the year ended 31 December 2011, the sales attributable to the top five largest customers accounted for 19.2% of the Group's total sales during the year, in which the sales attributable to the largest customer accounted for 10.3% of the Group's total sales during the year; and

(ii) the purchases (other than those of a capital nature) attributable to the five largest suppliers accounted for 54.5% of the Group's total purchases during the year, in which the purchases attributable to the largest supplier accounted for 22.2% of the Group's total purchases during the year.

None of the Directors or their associates has interests in any of the aforesaid suppliers and, to the knowledge of the Directors, none of the shareholders owning more than 5% of the Company's shares had any interest in the aforesaid and suppliers of the Group during the year.

(12) SUBSIDIARIES, JOINTLY-CONTROLLED ENTITIES AND OTHER COMPANIES IN WHICH THE COMPANY HAS DIRECT EQUITY INTERESTS

As at 31 December 2011, details of the subsidiaries, JCEs and other companies in which the Company has direct equity interests are set out in notes 11, 12 and 13 respectively to the audited financial statements.

(13) SHARE CAPITAL

During the year, there was no change in the share capital of the Company.

As at 31 December 2011, the aggregate share capital of the Company was RMB6,148,057,675 divided into 6,148,057,675 ordinary Shares with a nominal value of RMB1 each, of which 3,934,757,457 were Domestic Shares representing approximately 64% of the aggregate number of Shares in issue, and 2,213,300,218 were H Shares representing approximately 36% of the aggregate number of Shares in issue.

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

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

(15) PRE-EMPTIVE RIGHTS

These are no provision for pre-emptive rights in the articles of association of the Company or the laws of the PRC.

(16) INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 31 December 2011, the names of the persons (other than Directors and Supervisors) entitled to exercise 5% or more of the voting rights at any general meeting of the Company and the number of underlying Shares, as recorded in the register required to be kept by the Company pursuant to Section 336 of the Securities and Futures Ordinance are set out below:

Name	Class of Shares	Capacity	Number of shares held	Percentage in the class of issued share capital (%)	Percentage in the total share capital (%)
GAIG	Domestic Shares	Beneficial owner	3,617,403,529	91.93	58.84
Templeton Asset Management Limited	H Shares	Investment manager	552,136,090 (L)	24.95	8.98
Platinum Investment Management Limited	H Shares	Investment manager Custodian	16,991,514 (L)	0.77	0.28
			137,708,828 (L)	6.22	2.24
JP Morgan Chase & Co.	H Shares	Beneficial owner	20,803,909 (L)	0.94	0.34
			12,050,000 (S)	0.54	0.20
		Investment manager	15,825,504 (L)	0.72	0.26
		Custodian corporation/Approved lending agent	139,681,196 (P)	6.31	2.27
BlackRock, Inc.	H Shares	Interest of controlled corporation	117,108,624 (L)	5.29	1.90
			9,063,752 (S)	0.41	0.15

Notes: (L) – Long Position, (S) – Short Position, (P) – Lending Pool

(17) DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE COMPANY

The Directors and senior management of the Company during the year were:

1. Directors

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

2. Senior Management

Zeng Qinghong	*General Manager*
Yuan Zhongrong	*Deputy General Manager*
Lu Sa	*Company Secretary and Secretary of the Board*
Li Shao	*Deputy General Manager*
Huang Xiangdong	*Deputy General Manager*
Wang Dan	*Chief Financial Officer*
Wu Song	*Deputy General Manager*
Jiang Ping	*Deputy General Manager*
Yao Yiming	*Deputy General Manager*
Feng Xinya	*Deputy General Manager*
Liu Wei	*Deputy General Manager*
Ou Yongjian	*Deputy General Manager*
Chen Maoshan	*Deputy General Manager*

Biographies of each of the Directors and senior management of the Company are set out on pages 25 to 34 in this annual report.

3. **Supervisors**

Gao Fusheng	*Chairman of the Supervisory Committee*
Huang Zhiyong	*Supervisor*
He Yuan	*Supervisor*
Ye Ruiqi	*Supervisor*
He Jinpei	*Supervisor*

Biographies of each of the Supervisors of the Company are set out on pages 31 to 32 in this annual report.

The following Directors also held the following positions in GAIG:

Name of Directors	**Position held in GAIG**
Zhang Fangyou	Chairman General Manager Party Secretary
Zeng Qinghong	Vice Chairman
Yuan Zhongrong	Non-Executive Director
Fu Shoujie	Non-Executive Director
Liu Huilian	Non-Executive Director
Wei Xiaoqin	Deputy Party Secretary

(18) CONFIRMATIONS OF INDEPENDENCE FROM INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received the annual written confirmations of independence from all independent non-executive Directors, and believes that each of them is independent from our Company.

(19) DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

None of the Directors nor Supervisors proposed to be re-elected at the forthcoming annual general meeting has entered into a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than legal compensation.

(20) INTERESTS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE IN SHARES

As at 31 December 2011, the interests and short positions of each Director, Supervisor and chief executives of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO as recorded in the register required to be kept under Section 352 of the SFO or which were notified to the Company or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Interests in Shares of the Company

Name (Position)	Personal interests (Beneficially owned)	Family interests (Interests of spouse and children under the age of 18)	Corporate interests (ii) (Interests owned by controlled corporation)	Other interests	Total interests	Percentage of total issued share capital
Gao Fusheng (Supervisor)	87	–	–	–	87	0.00

Save as disclosed above, as at 31 December 2011, none of the Directors, Supervisors or chief executives of the Company had any interests or short position in any Shares, underlying Shares and debentures of the Company and its associated corporations.

(21) DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

Except for service contracts, no Director or Supervisor of the Company has a material interest, whether directly or indirectly, in any material contract to which the Company or any of its subsidiaries and JCEs was a party during the year ended 31 December 2011.

(22) REMUNERATIONS OF DIRECTORS AND SUPERVISORS

All Directors, Supervisors and senior management are entitled to receive reimbursements from the Company for expenses which are necessarily and reasonably incurred for providing services to our Company or for executing matters in relation to the operation of our Company. Besides, the executive Directors, Supervisors and senior management (also being employees of our Company) may receive remuneration in the form of salaries, housing allowances, other allowances, benefits in kind and discretionary bonuses (including the Company's contribution to the pension scheme for its executive Directors, non-independent Supervisors and senior management in accordance with the relevant PRC laws).

Details of the remunerations of the Directors and Supervisors of the Company are set out in note 29 to the audited financial statements.

(23) FIVE HIGHEST-PAID INDIVIDUALS

Information on the five highest-paid individuals of the Company is set out in note 29 to the audited financial statements.

(24) EMPLOYEES

As at 31 December 2011, the registered employees of the Group and its major JCEs are 29,537. The number of employees in various divisions and their percentage of total number of employees are as follows:

Categories of profession	Composition	Percentage
Management	1,315	4.5%
Engineering and technical personnel	4,588	15.5%
Technical workers	16,435	55.6%
Other service personnel	7,199	24.4%
Total	29,537	100.00%

The Group emphasises on maintaining market competitiveness in remuneration levels, and formulates incentive and restrictive remuneration policies through research and analysis of market remuneration information. The Group is committed to the establishment and improvement of employee benefits system, under which we make timely and full contributions to pension insurance, medical insurance, injury insurance, unemployment insurance, maternity insurance, housing fund and other statutory benefits schemes, and comply with regulations on working hours, rest and vacation, and certain qualified enterprises have established and improved their benefit systems, including supplementary medical insurance, supplementary pension insurance or enterprise annuity systems.

(25) NON-COMPETITION UNDERTAKINGS

To avoid any actual or potential competition between the business of GAIG (the controlling shareholder of the Company) and the Company, GAIG has undertaken to the Company on 17 May 2010 ("Non-competition Undertaking") that during its existence, it shall not, and shall procure that its subsidiaries (other than the Group) shall not, directly or indirectly, whether on its own or jointly with any other person or company, own, invest in, participate in, develop, operate or engage in any business or company which directly or indirectly compete with the manufacturing of vehicles and auto parts, automobile related marketing and customer services, automobile trade and logistics and other related business carried on by the Group in the PRC and Hong Kong. GAIG has further undertaken that during its existence, it shall, and shall procure that its subsidiaries (other than the Group) to, negotiate and conclude all transactions between the Group and GAIG or its subsidiaries (other than the Group) on an arm's length basis. Details of non-competition undertakings are set out in the section of "relationship with the controlling shareholder" in the listing documents of the H Share of the Company.

As at the year ended 31 December 2011, GAIG has complied with its obligations under the non-competition undertaking.

(26) PUBLIC FLOAT

As at the date hereof, on the basis of publicly available information and to the best knowledge of the Company and its Directors, more than 25% of the Company's total issued share capital is held by the public (as defined in the Listing Rules).

(27) RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

Details on related party transactions for the year are set out in note 41 to the consolidated financial statements. Details of any related party transaction which also constitute connected transaction or continuing connected transaction not exempted under Rule 14A.31 or Rule 14A.33 of the Listing Rules are disclosed below. The Group has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules, if applicable, in respect of such transactions.

During the year ended 31 December 2011, GAC Group and its associates (as defined in the Listing Rules) had entered into the following connected transactions and continuing connected transactions:

(A) Continuing Connected Transactions

1. *Provision of backend services for office and staff dormitory (including cleaning and maintenance services for office and staff dormitory, provision of food, security service, and staff shuttle bus)*

(a) During the year ended 31 December 2011, the Company, its subsidiaries and the principal JCEs (including GAC Toyota and Guangqi Honda) provided the backend services for office and staff dormitory (including cleaning and maintenance services for office and staff dormitory, provision of food, security service, and staff shuttle bus) to the joint venture partners of the principal JCEs (including Toyota and Honda) and their associates according to the following pricing terms on a regular basis. Such service will continue during the term of the joint ventures.

When determining the price, the Company, its subsidiaries and the principal JCEs will take into account market price of the relevant products and services offered by independent third party to make sure that the price offered to the joint venture partners and their associates are fair and reasonable and on normal commercial terms.

The Group's annual cap in respect of the backend service connected transaction in 2011 was RMB224,000,000. During the year ended 31 December 2011, the amount for the provision of the backend service by the Company, its subsidiaries and the principal JCEs (including GAC Toyota and Guangqi Honda) to the joint venture partners of the principal JCEs (including Toyota and Honda) and their associates was RMB41,728,429.

The Company has also reached an agreement with the Stock Exchange that only disclosure of the annual aggregate dollar value of the transactions made each year would be made. This is because the disclosure of separate transaction value between contracting parties would constitute disclosure of commercially sensitive information relating to the operations of the relevant JCEs and would not be in the interest of the Company or the relevant JCEs.

(b) During the year ended 31 December 2011, the joint venture partners of the principal JCEs (including Toyota and Honda) and their associates provided the backend services for office and staff dormitory (including cleaning and maintenance services for office and staff dormitory, provision of food, security service, and staff shuttle bus) to the Company, its subsidiaries and the principal JCEs (including GAC Toyota and Guangqi Honda) according to the following pricing terms on a regular basis. Such service will continue during the term of the joint ventures.

When determining the service price, in order to ensure that the products or services are obtained at the most favourable price, the Company, its subsidiaries and the principal JCEs will consider the market price for equivalent services in order to make sure that the service price will remain a reasonable and competitive one prior to selecting the suppliers of relevant products and services. Also, the Group (including the principal JCEs) will also determine the service price by taking into account the profit margin that could be achieved by the Group and to ensure that the service price will be set at a level that the Group will still be able to generate a profit margin that is within the industry standard or even better.

The Group's annual cap in respect of the backend services connected transaction in 2011 was RMB96,000,000. During the year ended 31 December 2011, the amount involved in the provision of the service by the joint venture partners of the principal JCEs (including Toyota and Honda) and their associates was RMB76,797,258.

The Company has also reached an agreement with the Stock Exchange that only disclosure of the annual aggregate dollar value of the transactions made each year would be made. This is because the disclosure of separate transactions between contracting parties would constitute disclosure of commercially sensitive information relating to the operations of the relevant JCEs and would not be in the interest of the Company or the relevant JCEs.

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

(1) During the year ended 31 December 2011, the Company, its subsidiaries and the principal JCEs (including GAC Toyota and Guangqi Honda) provided transport and logistic services in respect of vehicle products and vehicle parts and components to the joint venture partners of the principal JCEs (including Toyota and Honda) and their associates according to the following pricing terms on a regular basis. Such service will continue during the term of the joint ventures.

The Company, its subsidiaries and the principal JCEs will take into account market price of the relevant products and services offered by independent third party to make sure that the price offered to the joint venture partners and their associates are fair and reasonable and on normal commercial terms.

During the year ended 31 December 2011, the total consideration paid by the joint venture partners of the principal JCEs (including Toyota and Honda) relating to the above transport and logistic services in respect of vehicle products and vehicle parts and components to the Company, its subsidiaries and the principal JCEs (including GAC Toyota and Guangqi Honda) was RMB261,861,542.

In relation to the transactions, the Directors consider that the annual cap requirement under Rule 14A.35(2) shall not be imposed. The provisions of the transport and logistic services are part and parcel of the cooperation arrangement with joint venture parties and their associates. They are an important part of the supply chain management of the vehicle manufacturing and sales business.

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

The Directors consider that the imposition of annual caps on such transaction is not in the interest of the Group. Therefore, the Stock Exchange has granted a waiver from compliance with annual cap requirements relating to the above transactions for the duration of the terms of the respective transactions.

The Company has also reached an agreement with the Stock Exchange that only disclosure of the annual aggregate dollar value of the transactions made each year would be made. This is because the disclosure of separate transactions between contracting parties would constitute disclosure of commercially sensitive information relating to the operations of the relevant JCEs and would not be in the interest of the Company or the relevant JCEs.

(2) During the year ended 31 December 2011, the joint venture partners of the principal JCEs (including Toyota and Honda) and their associates provided the transport and logistic services in respect of vehicle products and vehicle parts and components to the Company, its subsidiaries and the principal JCEs (including GAC Toyota and Guangqi Honda) according to the following pricing terms on a regular basis. Our principal JCEs purchase raw materials, parts and components from the relevant joint venture partners and also sell some of the products to the relevant joint venture partners. The relevant joint venture partners would provide transport and logistic services to complete the processes. Such service will continue during the term of the joint ventures.

When determining the service price, in order to ensure that the products or services are obtained at the most favourable price, the Company, its subsidiaries and the principal JCEs will consider the market price for equivalent services in order to make sure that the price will remain a reasonable and competitive one prior to selecting the suppliers of relevant products and services. Also, the Group (including the principal JCEs) will also determine the price by taking into account the profit margin that could be achieved by the Group and to ensure that the price will be set at a level that the Group will still be able to generate a profit margin that is within the industry standard or even better.

During the year ended 31 December 2011, the total consideration paid by the Company, its subsidiaries and the principal JCEs (including GAC Toyota and Guangqi Honda) relating to the above transport and logistic services in respect of vehicle products and vehicle parts and components was RMB1,044,161,266.

In relation to the transactions, the Directors consider that the annual cap requirement under Rule 14A.35(2) shall not be imposed. The provisions of the transport and logistic services are part and parcel of the cooperation arrangement with joint venture parties and their associates. They are an important part of the supply chain management of the vehicle manufacturing and sales business.

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

The Directors consider that the imposition of annual caps on such transaction is not in the interest of the Group. Therefore, the Stock Exchange has granted a waiver from compliance with annual cap requirements relating to the above transactions for the duration of the terms of the respective transactions.

The Company has also reached an agreement with the Stock Exchange that only disclosure of the annual aggregate dollar value of the transactions made each year would be made. This is because the disclosure of separate transactions between contracting parties would constitute disclosure of commercially sensitive information relating to the operations of the relevant JCEs and would not be in the interest of the Company or the relevant JCEs.

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

(a) During the year ended 31 December 2011, the Company, its subsidiaries and the principal JCEs sold raw materials, parts and components and vehicles to the joint venture partners of the principal JCEs (including Toyota and Honda) and their associates according to the following pricing terms on a regular basis. Such service will continue during the term of the joint ventures.

The Company, its subsidiaries and the principal JCEs will take into account market price of the relevant products and services offered by independent third party in determining the price of the products to make sure that the price offered to the joint venture partners and their associates are fair and reasonable and on normal commercial terms.

The Company has reached an agreement with the Stock Exchange that the transactions above are exempted from written agreement and annual cap requirements as set out in Rule 14A.35 of the Listing Rules, and are only required to disclose the nature of relevant transactions made each year. This is because the disclosure of separate transactions between the contracting parties would constitute disclosure of commercially sensitive information relating to the operations of the relevant JCEs and would not be in the interest of the Company or the relevant JCEs.

(b) During the year ended 31 December 2011, the joint venture partners of the principal JCEs (including Toyota and Honda) and their associates provided the sale of raw materials, parts and components and vehicles to the principal JCEs according to the following pricing terms on a regular basis. Such service will continue during the term of the joint ventures.

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

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

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

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

The Company has reached an agreement with the Stock Exchange that the transactions above are exempt from written agreement and annual cap requirements as set out in Rule 14A.35 of the Listing Rules, and are only required to disclose the nature of relevant transactions made each year. This is because the disclosure of separate transactions between contracting parties would constitute disclosure of commercially sensitive information relating to the operations of the relevant JCEs and would not be in the interest of the Company or the relevant JCEs.

4. ***Provision of recycling materials (including scrap metal)***

During the year ended 31 December 2011, the principal JCEs of the company provided recycling materials to the subsidiaries of the principal JCEs according to the following pricing terms on a regular basis, and these transactions can be regarded as the provision of recycling materials by the joint venture partners of the principal JCEs and their associates to the Company, its subsidiaries and the principal JCEs (including GAC Toyota and Guangqi Honda). Such service will continue during the term of the joint ventures.

The Company, its subsidiaries and the principal JCEs will take into account market price of the relevant products and services offered by independent third party in determining the price to make sure that the price offered to the joint venture partners and their associates are fair and reasonable and on normal commercial terms.

The Group's annual cap of connected transactions in respect of recycling materials service in 2011 was RMB82,000,000. During the year ended 31 December 2011, the amount involved in providing the recycling materials service by the Company, its subsidiaries and the principal JCEs (including GAC Toyota and Guangqi Honda) to the joint venture partners of the principal JCEs (including Toyota and Honda) and their associates was RMB81,199,087.

The Company has also reached an agreement with the Stock Exchange that only disclosure of the annual aggregate dollar value of the transactions made each year would be made. This is because the disclosure of separate transactions between contracting parties would constitute disclosure of commercially sensitive information relating to the operations of the relevant JCEs and would not be in the interest of the Company or the relevant JCEs.

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

During the year ended 31 December 2011, the joint venture partners of the principal JCEs (including Toyota and Honda) and their associates provided technical support, research and development support and information enquiry (including production preparation support, local support, advisory services, and provisions of software) to the Company, its subsidiaries and the principal JCEs (including GAC Toyota and Guangqi Honda) according to the following pricing terms on a regular basis. Our joint venture partners are the proprietors of the technology involved in the production of vehicle models manufactured by the principal JCEs and they are primarily responsible for the research and development of all new models. The provision of technical support by the joint venture partners is to ensure that the latest technology is applied in the manufacturing process of the principal JCEs and to ensure the products remain competitive in the market. Such service will continue during the term of the joint ventures.

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

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

The Company has reached an agreement with the Stock Exchange that the transactions above are exempt from written agreement and annual cap requirements as set out in Rule 14A.35 of the Listing Rules, and are only required to disclose the nature of relevant transactions made each year. This is because the disclosure of separate transaction value between contracting parties would constitute disclosure of commercially sensitive information relating to the operations of the relevant JCEs and would not be in the interest of the Company or the relevant JCEs.

6. *Provision of the use of intellectual property rights (in relation to production and sales of vehicles)*

During the year ended 31 December 2011, the joint venture partners of the principal JCEs provided the use of intellectual property rights (in relation to production and sales of vehicles) to the principal JCEs according to the following pricing terms on a regular basis. The provision of the use of intellectual property are key to the long term profitability and competitiveness of the principal JCEs and their products. Our Group entered into several technology licence agreements and trademark licence agreements with our joint venture partners during the track record period in the past. Such agreements will continue during the term of the joint ventures.

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

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

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

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

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

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

The Company has reached an agreement with the Stock Exchange that the transactions above are exempt from written agreement and annual cap requirements set out in Rule 14A.35 of the Listing Rules, and are only required to disclose the nature of relevant transactions made each year. This is because the disclosure of separate transactions between contracting parties would constitute disclosure of commercially sensitive information relating to the operations of the relevant JCEs and would not be in the interest of the Company or the relevant JCEs.

(B) Control Mechanism

In relation to the connected transactions between the Company and its subsidiaries on the one hand and the joint venture partners and their associates on the other hand as described in paragraphs 1 to 6 above, negotiations will be conducted by the Company and/or the relevant subsidiary directly on an arm's length basis and our Company is able to control the negotiations between the subsidiaries and the joint venture partners and/or their associates. The joint venture partners and/or their associates will not be in a position to influence the Company and/or its subsidiaries to agree to terms which may not be in its and the Company's interest.

In relation to the connected transactions between the principal JCEs on the one hand and the joint venture partners and their associates on the other hand as described in paragraphs 1 to 6 above, it is provided under the respective joint venture agreements, articles of association and memoranda of the principal JCEs that negotiations between the principal JCE and the joint venture partner and its associates should always be conducted directly by the relevant principal JCE's senior management nominated by the Company on behalf of the Company or by representative of the Company as a joint venture partner and will thus be conducted on an arm's length basis. No joint venture partners or their associates is in a position to influence the principal JCEs to agree to terms which may not be in the principal JCEs' and therefore the Company's interest. The Company also confirms that negotiations of transactions between the principal JCEs and the relevant joint venture partners were all conducted by the relevant principal JCE's senior management nominated by the Company.

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

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

(C) Confirmation by the Independent Non-executive Directors

The independent non-executive Directors confirm that during the year ended 31 December 2011, the above connected transactions entered into by the Company as one of the parties are:

A in the ordinary and usual course of business of the Company;

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

C in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole; and

D have not exceeded their respective annual cap (if an annual cap was set for the continuing connected transaction).

(D) Auditor's Letter

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the aforesaid continuing connected transactions in accordance with Main Board Listing Rule 14A.38. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

(28) MATERIAL LITIGATION

As of 31 December 2011, the Group was not involved in any material litigation or arbitration and as far as the Group was aware, no material litigation or claim was pending or threatened or made against the Group.

(29) MODEL CODE

Pursuant to a resolution passed by the Board on 31 May 2010, the Company has adopted the Model Code as a code of conduct of the Company regarding Directors' and Supervisors' transactions of the listed securities of the Company. After making specific enquiries with all Directors, during the reporting period, the Directors of the Company have strictly complied with the Model Code.

(30) CORPORATE GOVERNANCE

Pursuant to a resolution passed by the Board on 31 May 2010, the Company has adopted all the requirements under the provisions of the Code on Corporate Governance as its code. The Company has been in compliance with the Code on Corporate Governance and actively followed the recommended best practices. Please refer to pages 59 to 68 in the corporate governance report of the Company.

(31) REVIEW OF THE ACCOUNTS

The Company appointed PricewaterhouseCoopers and BDO China Guang Dong Shu Lun Pan Certified Public Accountants Co., Ltd. (as BDO China Guang Dong Shu Lun Pan Certified Public Accountants Co., Ltd. joined BDO China Shu Lun Pan Certified Public Accountants LLP as a whole, its principal service provider is now BDO China Shu Lun Pan Certified Public Accountants LLP) as the Company's overseas and domestic auditors respectively for the year ended 31 December 2011. Apart from this, the Company has not replaced its domestic or overseas auditors over the past three years.

By Order of the Board
Guangzhou Automobile Group Co., Ltd.
Zhang Fangyou
Chairman

Guangzhou, PRC
30 March 2012

To all shareholders,

In 2011, the Supervisory Committee of the Company duly performed its various duties, proactively and normatively conducted its work with the spirit of holding itself accountable to all Shareholders and in accordance with the Companies Law, the Securities Law, other laws and regulations and the requirements of the articles of association of the Company. The Supervisory Committee closely monitored the operation of the Company, and supervised the normative operation of the Company and the actions of Directors and senior management of the Company in discharging their duties, so as to ensure the legitimacy, compliance and effectiveness of the Company's operation and strive to safeguarded the legal interests of the Company and the Shareholders. The commencement of the work of the year is as follow:

(1) WORK OF THE SUPERVISORY COMMITTEE

During the year, the Supervisory Committee convened three supervisory meetings and resolved certain matters including the working report of the Supervisory Committee for 2010, the 2010 financial report and the final dividend proposal for 2011.

The Supervisors of the Company attended and presented in each of the Board meetings and general meetings, and supervised on the legitimacy and compliance in respect of the convening, holding, resolution and voting procedures of the Board meetings and general meetings.

(2) INDEPENDENT OPINIONS OF THE SUPERVISORY COMMITTEE ON REGULATED OPERATION OF THE COMPANY

The Supervisory Committee supervised the procedure of decision making, internal control mechanism and the condition of the Directors and senior management of the Company in performing their work in accordance with the relevant requirements of the Companies Law, the Securities Law, the articles of association of the Company and the rules of procedures of the Supervisory Committee. The Supervisory Committee was of the view that the various work of the Board and senior management of the Company were in compliance with the relevant requirements of the Companies Law, the Securities Law, the Listing Rules and the articles of association of the Company in the year 2011. The work was performed in a diligent and responsible manner. The procedures in decision-making of the Company were in strict compliance with the articles of association of the Company. The process of decision-making was democratic and transparent. The Management of the Company implemented the resolutions of the general meetings and Board meetings faithfully and reported the condition of implementation regularly.

To further enhance the level of internal control and the overall risk management of the Company, during the year, the Board appointed professional consultants pursuant to "The Basic Standard for Enterprise Internal Control" in developing the project of internal control and the overall risk management of the Company, assessing the internal control and the overall risk management of the Company and proposed the plan and measures for improvement, which laid the foundation for the establishment of a well-developed internal control mechanism. Meanwhile, the Board prepared "the evaluation report on internal control of the Company for 2011" which made a self-evaluation on relevant internal control of the financial reports. The Supervisory Committee approved "the evaluation report on internal control of the Company for 2011" prepared by the Board.

The Supervisory Committee was of the view that the Directors and senior management of the Company performed their work in a diligent and responsible manner in 2011, no acts were in breach of laws and regulations and the articles of association of the Company or against the interests of the Company and the Shareholders. The challenges were overcome and various tasks for the year were completed in a better way especially under the complex and vulnerable macroeconomic situation as well as the adverse impacts of the earthquake in Japan and the floods in Thailand.

The Supervisory Committee was of the view that all Directors and other senior management of the Company were in strict compliance with relevant laws and regulations of the PRC and various rules and systems of the Company when performing their duties, they were honest, diligent and dedicated. The Supervisory Committee was not aware of any acts by the Directors and senior management of the Company which were in breach of laws and regulations, the Listing Rules, the articles of association of the Company or against the interests of the Company and the Shareholders. Meanwhile, the Company has timely performed its disclosure obligations which were in strict compliance with the requirement of the Listing Rules.

(3) INDEPENDENT OPINIONS OF THE SUPERVISORY COMMITTEE ON EXAMINING THE FINANCIAL CONDITIONS OF THE COMPANY

The Supervisory Committee examined the financial system and financial conditions of the Company seriously and carefully and reviewed the 2010 annual financial report and 2011 interim report.

The Supervisory Committee considered that the financial report of the Company gave a full, true and objective view of the operation results and financial conditions of the Company while the financial report with unqualified opinions issued by the auditing firm was objective and fair.

(4) INDEPENDENT OPINIONS OF THE SUPERVISORY COMMITTEE ON CONNECTED TRANSACTIONS

The Supervisory Committee reviewed the connected transactions and the report of connected transactions of the year and considered that the decision-making procedures of the connected transactions between the Company and the connected parties were legal and price was fair. The Supervisory Committee was not aware of any circumstances which were prejudicial to the interests of the Company and the Shareholders.

(5) THE SUPERVISORY COMMITTEE EARNESTLY DISCHARGED THE FUNCTIONS OF SUPERVISING AND SERVING THE OPERATION OF THE COMPANY

Over the last year, with the full support of the Shareholders, the Supervisory Committee earnestly discharged its function of supervision. With the joint effort of the Board and the operating team, various tasks of the Company were proceeded with successfully. The Supervisory Committee performed its supervisory function and services, fully supported the Group's direction of development by itself and through joint ventures as well as adherence to both product and capital markets orientation. In 2011, new success in aspects like joint venture cooperation, proprietary brand products, capital operation projects and enrichment of industrial chain were achieved.

In 2012, the Supervisory Committee will focus on the operation goals and working plan, continuously enhance its supervision on the major operation and management activities and the major transactions, advancing the implementation of internal control, risk prevention and warning mechanism. It will also perform its supervision responsibilities under the laws and the articles of association, safeguard the interests of Shareholders, employees and enterprises, promote the regulated operations of the Company and contribute to the long term and sustainable development of the Company.

By Order of the Supervisory Committee
Gao Fusheng
Chairman of the Supervisory Committee

Guangzhou, PRC
30 March 2012

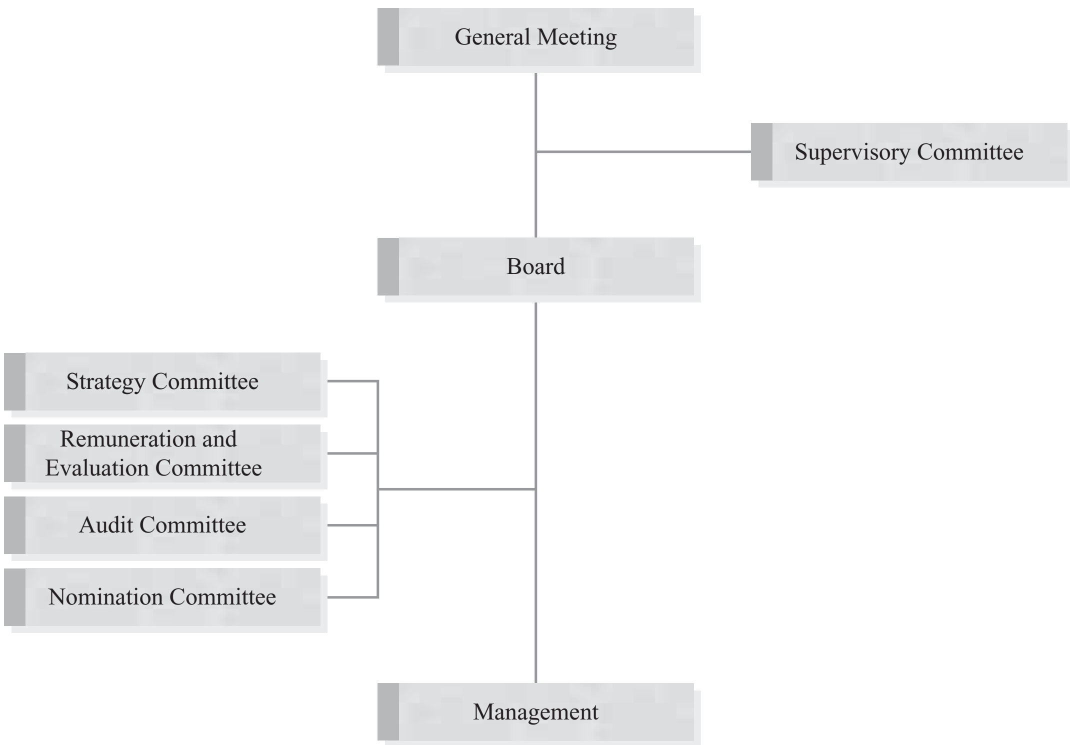
(1) OVERVIEW OF CORPORATE GOVERNANCE

The Company has been in strict compliance with the PRC Company Law and the relevant requirements of the Code on Corporate Governance since the listing of the Company on 30 August 2010. The Company has guided its daily operation activities and regulated its operation behaviors in strict compliance with various governing regulations so as to make efforts to improve the transparency and independence of its operations, to strengthen the level of corporate governance, and to continuously enhance the Shareholders' value.

During the reporting period, the Company has complied with the relevant requirements of the Code on Corporate Governance. Meanwhile, to further improve the internal control mechanism of the Company, in 2011, the Board appointed professional consultants to assess and give recommendations on the internal control and the overall risk management of the Company, and also to evaluate the relevant internal control on the financial reports pursuant to the requirements of "The Basic Standard for Enterprise Internal Control". No significant deficiency in internal control was found during the process of self-evaluation of internal control.

(2) STRUCTURE OF CORPORATE GOVERNANCE

The Company's structure of corporate governance comprises the General Meeting, the Board and special committees, the Supervisory Committee, the management and the employees, each of which plays an important role in the corporate governance of the Company. The structure of governance of the Company is as follows:



1. Shareholders and the general meeting

(1) The general meeting

The general meeting is the authority of the Company and has legal power to decide on material matters of the Company. The Company carries out policies of open and honest communication and fair disclosures. The general meeting is an important channel for direct communication between the Board and the Shareholders. The Company highly values the importance of the general meeting and notice of the general meeting will be issued 45 days prior to the date of the general meeting. All Shareholders are encouraged to attend the general meeting, all Directors, Supervisors and members of management of the Company would try their best to attend the general meeting.

All registered Shareholders whose Shares are registered in the register of members shall receive notice of the general meeting by post. The notice of the general meeting contains an agenda, resolutions proposed and a voting form. All registered Shareholders are entitled to attend the general meeting. Shareholders who is unable to attend the general meeting can appoint their proxies or the chairman of the general meeting as their proxies to attend the general meeting on behalf of those Shareholders. The proxy form shall be completed and returned to the Company or the Company's share registrar.

The Company timely announced the poll results of the general meeting in such manner as required by the Listing Rules.

During the year, the Company convened the annual general meeting and one extraordinary general meeting, the Company has reviewed the working report of the Board in 2010, the working report of the Supervisory Committee and financial report for the year of 2010, the proposal for the profit appropriation for the year of 2010 (i.e. proposal of final dividend) and proposal for the appointment of domestic and overseas auditors etc.

(2) Substantial Shareholder

GAIG is our controlling Shareholder, holding 58.84% of the Shares and it has never directly or indirectly interfered with the Company's decision-making or operations beyond the authorization of the General Meeting.

Shareholding of other substantial shareholders during the reporting period are set out on page 38 of this annual report.

2. Directors and Board of Directors

(1) Directors

Directors are elected or replaced at the general meeting by simple majority of the voting rights held by Shareholders present at the general meeting. A Director shall hold office for a term of three years and, upon expiry of his term, may offer himself for re-election at the general meeting.

The current session of the Board for the year 2011 consists of 15 Directors, including 4 executive Directors, 6 non-executive Directors and 5 independent non-executive Directors. The size and composition of the Board are in compliance with the relevant laws and regulations. Details of members of the Board are set out on page 25 to 30 of this annual report.

Independence of Directors

The independent non-executive Directors are Wu Gaogui, Ma Guohua, Xiang Bing, Law Albert Yu Kwan and Li Zhengxi. Xiang Bing is the founding dean and accounting professor of Cheung Kong Graduate School of Business; Law Albert Yu Kwan is a member of the UK Chartered Institute of Management Accountants, and is also a member of the Hong Kong Institute of Certified Public Accountants, Hong Kong Society of Registered Financial Planners and Association of International Accountants. As at the date of this annual report, in accordance with Rule 3.13 of the Listing Rules, the Company has received the annual confirmation of independence from each of the independent non-executive Directors. The Company considers that they remain independent. The independent non-executive Directors have discharged their duties with good faith, integrity and diligence according to the laws and regulations. The independent non-executive Directors participated in the discussion and decision on the material issues of the Board and Board committees and gave their views on the compliance and operation of the Company based on their industry expertise and experience. They have duly reviewed and expressed their independent views on the equality and fairness of connected transactions. They have performed their duties independently and are independent of the controlling Shareholders or other units and individuals who have interests in the Company. The independent non-executive Directors made significant contributions towards the overall interest of the Company, the legal interests of all Shareholders and the healthy development of the Company.

During the reporting period, the independent non-executive Directors did not hold dissenting views regarding all of the material matters of the Company.

Induction Program for Directors

In 2011, the Company dispatched the Guide on Disclosure of Price-Sensitive Information, the Model Code and the relevant explanations and guidelines for information disclosure requirements under the Listing Rules to all Directors to promptly inform them of the latest rules and regulations on compliance and their continuous duties as Directors. In 2011, the Company provided all Directors with information, reports and special meetings to keep them informed of the Company's business development, competition and regulatory environment as well as the development environment in the industry, thus facilitating all Directors to understand their due responsibilities, to make correct decisions and carry out effective supervision.

Securities Transactions by Directors

The Company has adopted the Model Code as its code of conduct regarding Directors' securities transactions. After specific enquiry of all Directors made by the Company, all Directors have confirmed that they have fully complied with the rules as required by the Model Code throughout the year of 2011.

(2) Meetings of the Board

In 2011, the Board held 17 meetings. Board meetings could facilitate effective discussion and the making of prudent decisions. The major matters discussed include:

a) to review and approve the annual and interim reports;

b) to review and approve the annual and interim financial reports;

c) to review and approve the Directors' report;

d) to review and approve the relevant connected transactions for the year of 2011;

e) to review and approve the annual appointment of the auditors;

f) to review and approve the annual remuneration of management; and

g) to review and approve the major investment projects and acquisition projects of the Company.

The Directors' attendance of the 17 Board meetings held during the year is as follows:

Members of the Board	Number of Attendance/ Number of Meetings	Attendance Rate	Remarks
Executive Directors			
Zhang Fangyou	17/17	100.00%	All director not present in person have authorized other Directors to attend and vote on their behalf
Zeng Qinghong	17/17	100.00%	
Yuan Zhongrong	17/17	100.00%	
Lu Sa	17/17	100.00%	
Non-executive Directors			
Fu Shoujie	17/17	100.00%	
Liu Huilian	17/17	100.00%	
Wei Xiaoqin	17/17	100.00%	
Li Tun	17/17	100.00%	
Li Pingyi	17/17	100.00%	
Wang Songlin	17/17	100.00%	
Independent Non-executive Directors			
Wu Gaogui	17/17	100.00%	
Ma Guohua	15/17	88.24%	
Xiang Bing	15/17	88.24%	
Law Albert Yu Kwan	17/17	100.00%	
Li Zhengxi	16/17	94.12%	

The management of the Company is responsible for providing the Board with the relevant data and information required for reviewing and approving the resolutions, and arranging management officers to report on various issues, especially the progress of major projects of the Company, at the Board meetings.

(3) Special Committees of the Board

The Board set up 4 special committees, comprising Strategy Committee, Audit Committee, Nomination Committee and Remuneration and Evaluation Committee. The Board has fully considered the expertise and experience of each Director when appointing members to the above special committees.

① *Strategy Committee*

The Board has established a Strategy Committee which comprises five Directors (two of which are independent non-executive Directors). The Committee is responsible for conducting research and making recommendations on the long term development strategy and major investment decision of the Company. The Chairman of the Strategy Committee is Zhang Fangyou, two meetings were held during the year and the attendance of each member was as follows:

Members of Strategy Committee	Number of Attendance/ Number of Meetings	Attendance Rate
Zhang Fangyou	2/2	100.00%
Zeng Qinghong	2/2	100.00%
Yuan Zhongrong	2/2	100.00%
Fu Shoujie	2/2	100.00%
Wu Gaogui	2/2	100.00%
Xiang Bing	2/2	100.00%

② *Audit Committee*

The Board has established an Audit Committee consisting of 3 independent non-executive Directors, namely, Law Albert Yu Kwan, Ma Guohua and Xiang Bing. Their duties are to supervise and review the annual audit work and internal audit system of the Company, the financial information and disclosure of the Company. The chairman of the Audit Committee is Law Albert Yu Kwan. During the year, four meetings of the Audit Committee were held and the attendance of each member was as follows:

Members of Audit Committee	Number of Attendance/ Number of Meetings	Attendance Rate
Law Albert Yu Kwan	4/4	100.00%
Ma Guohua	4/4	100.00%
Xiang Bing	4/4	100.00%

③ *Nomination Committee*

The Board has established a Nomination Committee consisting of 3 non-executive Directors, namely Wu Gaogui, Li Zhengxi and Wang Songlin, and two of them are independent non-executive Directors. Their duties are to make recommendations regarding the candidates, the selection standards and procedures of Directors and senior management. The chairman of the Nomination Committee is Wu Gaogui. During the year, one meeting of the Nomination Committee was held and the attendance of each member was as follows:

Member of Nomination Committee	Number of Attendance/ Number of Meeting	Attendance Rate
Wu Gaogui	2/2	100.00%
Li Zhengxi	2/2	100.00%
Wang Songlin	2/2	100.00%

④ *Remuneration and Evaluation Committee*

The Board has established a Remuneration and Evaluation Committee consisting of 3 non-executive Directors, namely Li Zhengxi, Ma Guohua and Li Pingyi, two of whom are independent non-executive Directors. Their duties are to formulate and review the remuneration policies and packages of Directors and senior management of the Company. The chairman of the Remuneration Committee is Li Zhengxi. During the year, three meetings of the Remuneration and Evaluation Committee were held in total and the attendance of each member was as follows:

Member of Remuneration & Evaluation Committee	Number of Attendance/ Number of Meeting	Attendance Rate
Li Zhengxi	3/3	100.00%
Ma Guohua	3/3	100.00%
Li Pingyi	3/3	100.00%

Other than the five independent non-executive Directors who are entitled to Director's remuneration, all other Directors do not receive Director's remuneration from the Company. Directors who also hold offices in the management of the Company and other management positions receive management remuneration from the Company. The Director's remuneration is determined with reference to the average market rate and the actual conditions of the Company.

During the year, the annual remuneration paid to each of the five independent non-executive Directors by the Company was RMB100,000 (before tax).

(4) Responsibility for the Preparation of Financial Report

The Directors have confirmed their responsibility for the preparation of financial statements of the Group in accordance with the applicable laws and accounting policies, and the financial statement shall give a true and fair view of the financial status of the Group.

The statement of reporting responsibility made by the auditors of the Company regarding the Company's financial statements is set out in the Auditor's Report on page 69.

3. Internal Control System

(1) Supervisors and Supervisory Committee

In 2011, the Supervisory Committee has supervised the Company's finance, connected transactions and the legitimacy and compliance of rules and regulations by the Directors and senior management of the Company when discharging their duties. In 2011, three meetings were held by the Supervisory Committee. Members of the Supervisory Committee attended or sat in on all Board meetings and General Meetings and diligently performed their supervisory duties. Three meetings of the Supervisory Committee were held during the year and the attendance of each member is as follows:

Members of Supervisory Committee	Number of Personal Attendance/ Number of Meetings	Attendance Rate	Notes
Gao Fusheng	2/3	66.67%	Supervisors not present in person have authorized other Supervisors to attend and vote on their behalf
Huang Zhiyong	1/3	33.33%	
He Yuan	3/3	100.00%	
Ye Ruiqi	3/3	100.00%	
He Jinpei	3/3	100.00%	

A Supervisor shall hold office for a term of three years and upon expiry of his term, shall be eligible for re-election.

(2) Internal Control

The Board is responsible for establishing and maintaining the internal control system of the Company, and reviewing the effectiveness of all key supervision and control procedures in relation to the finance, operation, compliance and risk management of the Company, so as to safeguard the interest of the Shareholders and the assets of the Group.

The Board is of the view that during the year and as at the date of this annual report, the Group has maintained a comprehensive internal control system covering corporate governance, operation, investment, finance, administration and personnel management, and the internal control system is fully effective.

The Board is also of the view that the internal control system is established for the purpose of managing potential risks instead of completely eliminating all risks. Accordingly, the internal control system of the Company can only render reasonable, rather than absolute, assurance for achieving the Company's operating objectives.

To further strengthen the comprehensive risk management and internal control, the Board appointed a professional organization during the year to conduct a comprehensive assessment on the internal control system of the Company, no significant deficiency in internal control was found during the process of self-evaluation of internal control; the internal control system of the Group took effect on 31 December 2011 and has preliminarily established manuals for comprehensive risk management and internal control.

(3) Auditors

The Company appointed BDO China Guang Dong Shu Lun Pan Certified Public Accountants (as BDO China Guang Dong Shu Lun Pan Certified Public Accountants LLP joined BDO China Shu Lun Pan Certified Public Accountants as a whole, its principal service provider is now BDO China Shu Lun Pan Certified Public Accountants) and PricewaterhouseCoopers as our domestic and overseas auditors, respectively, for the year ended 31 December 2011. The annual audit fees for the year of 2011 were RMB4,240,000.

The Audit Committee has discussed and assessed the expertise of the auditors and their performance of audit work for the year 2011.

4. The Management

The Company has clearly defined the roles and division of work between the Board and the management as well as the respective responsibilities of the chairman of the Board and the general manager in its Articles of Association, ensuring the independence of the Board in decision-making and the independence of the management in managing the daily operations.

The chairman of the Board is Mr. Zhang Fangyou and the general manager of the Company is Mr. Zeng Qinghong. The chairman of the Board focuses on the Group's development strategies and the decision-making issues of the Board while the general manager is responsible for the management of daily operation and business development of the Company.

5. Information Disclosure

(1) Information Disclosure

The Company recognizes the importance of performing its statutory obligation of disclosing information and has complied with the information disclosure regulations of the Listing Rules. The Company promptly, truthfully, accurately and completely discloses information that may materially affect the decision-making of the public investors strictly in accordance with the rules and procedures in relation to the preparation and reporting for information disclosure, ensuring all Shareholders have equal and sufficient access to all information regarding the Company.

During the reporting period, the Company has published 44 announcements in accordance with the Listing Rules. The Company published all announcements both on the websites of the Stock Exchange and the Company. For details, please visit www.hkexnews.hk and www.gagc.com.cn.

(2) Investor Relations and Communication

Regarding investor relations, the Company insists on the compliance with the principle of "transparency, openness and truthfulness" and regarded "effective communication" as the core of the work.

During the reporting period, the Company has organized 4 large domestic and overseas roadshows, receptions of general visits by about 420 investors and analysts from investment institutions, 3 automobile shows and activities of the release of auto models, 1 telephone conference with global analysts and about 53 telephone conferences for institutional investors and analysts.

(3) Shareholders' Return

The Company has been striving to enhance the Shareholders' return, and the Board recommended the payment of a final dividend of RMB0.20 per Share in respect of the annual results of the year of 2011 (amounting to RMB1,287 million in total, subject to actual payment due to currency translation reasons). The dividend payment will be proposed at the annual general meeting of 2011 for consideration and approval.

羅兵咸永道

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

We have audited the consolidated financial statements of Guangzhou Automobile Group Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") set out on pages 71 to 175, which comprise the consolidated and company balance sheets as at 31 December 2011, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 30 March 2012

	Note	As at 31 December 2011 RMB'000	2010 RMB'000 Restated (Note 2.1.1)	As at 1 January 2010 RMB'000 Restated (Note 2.1.1)
ASSETS				
Non-current assets				
Land use rights	*7*	**983,130**	665,919	621,615
Property, plant and equipment	*8*	**4,308,829**	3,027,878	2,372,285
Investment properties	*9*	**32,057**	56,706	57,608
Intangible assets	*10*	**2,273,409**	1,446,213	688,725
Investments in jointly-controlled entities	*12*	**9,284,474**	8,166,021	6,760,627
Investments in associates	*13*	**5,097,755**	5,200,729	4,644,787
Deferred income tax assets	*15*	**339,134**	134,113	57,547
Available-for-sale financial assets	*16*	**98,855**	–	–
Held-to-maturity investments		**70,142**	–	–
Prepayment	*17*	**465,397**	–	–
		22,953,182	18,697,579	15,203,194
Current assets				
Inventories	*18*	**1,536,698**	1,353,342	645,061
Trade and other receivables	*19*	**2,979,669**	2,845,139	2,776,965
Financial assets at fair value through profit or loss		**2,250**	–	–
Time deposits	*20*	**8,603,852**	5,865,268	4,950,983
Restricted cash	*21*	**297,067**	376,318	328,165
Cash and cash equivalents	*22*	**8,239,169**	9,382,214	8,864,967
		21,658,705	19,822,281	17,566,141
Total assets		**44,611,887**	38,519,860	32,769,335
EQUITY				
Equity attributable to the equity holders of the Company				
Share capital	*23*	**6,148,057**	6,148,057	3,934,757
Other reserves	*24*	**7,869,317**	7,636,764	814,186
Retained earnings	*24*			
– Proposed dividend	*37*	**1,287,004**	676,286	–
– Others		**13,905,194**	11,150,403	8,310,798
		29,209,572	25,611,510	13,059,741
Non-controlling interests		**976,052**	232,587	8,382,369
Total equity		**30,185,624**	25,844,097	21,442,110

	Note	As at 31 December 2011 RMB'000	2010 RMB'000 Restated (Note 2.1.1)	As at 1 January 2010 RMB'000 Restated (Note 2.1.1)
LIABILITIES				
Non-current liabilities				
Trade and other payables	*27*	**90,733**	120,832	55,760
Borrowings	*25*	**7,737,314**	7,950,322	7,649,398
Deferred income tax liabilities	*15*	**38,901**	23,359	10,133
Government grants	*26*	**353,083**	241,968	279,846
		8,220,031	8,336,481	7,995,137
Current liabilities				
Trade and other payables	*27*	**4,068,896**	3,253,545	2,394,022
Current income tax liabilities		**33,774**	33,132	10,361
Borrowings	*25*	**2,100,021**	1,052,605	927,705
Provisions		**3,541**	–	–
		6,206,232	4,339,282	3,332,088
Total liabilities		**14,426,263**	12,675,763	11,327,225
Total equity and liabilities		**44,611,887**	38,519,860	32,769,335
Net current assets		**15,452,473**	15,482,999	14,234,053
Total assets less current liabilities		**38,405,655**	34,180,578	29,437,247

The notes on pages 80 to 175 are an integral part of these financial statements.

The financial statements on pages 71 to 175 were approved by the Board of Directors on 30 March 2012 and were signed on its behalf:

Zhang Fang You
Director

Lu Sa
Director

	Note	As at 31 December 2011 RMB'000	2010 RMB'000
ASSETS			
Non-current assets			
Land use rights	*7*	**119,146**	114,684
Property, plant and equipment	*8*	**462,126**	232,903
Intangible assets	*10*	**1,577,921**	1,307,347
Investments in subsidiaries	*11*	**21,336,524**	20,736,524
Investments in jointly-controlled entities	*12*	**3,885,739**	2,928,546
Investments in associates	*13*	**1,929,954**	1,879,400
Prepayment	*17*	**458,791**	–
		29,770,201	27,199,404
Current assets			
Inventories	*18*	**2,822**	8,802
Trade and other receivables	*19*	**1,027,316**	1,124,589
Time deposits	*20*	**750,000**	1,480,000
Cash and cash equivalents	*22*	**1,459,394**	1,419,018
		3,239,532	4,032,409
Total assets		**33,009,733**	31,231,813
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital	*23*	**6,148,057**	6,148,057
Other reserves	*24*	**14,858,748**	14,625,508
Retained earnings	*24*		
– Proposed dividend	*37*	**1,287,004**	676,286
– Others		**2,574,572**	1,374,711
Total equity		**24,868,381**	22,824,562

	Note	As at 31 December 2011 RMB'000	2010 RMB'000
LIABILITIES			
Non-current liabilities			
Trade and other payables	*27*	**90,218**	120,832
Borrowings	*25*	**7,252,929**	7,435,288
Government grants	*26*	**192,008**	64,548
		7,535,155	7,620,668
Current liabilities			
Trade and other payables	*27*	**406,197**	786,583
Borrowings	*25*	**200,000**	–
		606,197	786,583
Total liabilities		**8,141,352**	8,407,251
Total equity and liabilities		**33,009,733**	31,231,813
Net current assets		**2,633,335**	3,245,826
Total assets less current liabilities		**32,403,536**	30,445,230

The notes on pages 80 to 175 are an integral part of these financial statements.

The financial statements on pages 71 to 175 were approved by the Board of Directors on 30 March 2012 and were signed on its behalf:

Zhang Fang You
Director

Lu Sa
Director

Consolidated Statement of Comprehensive Income

	Note	Year ended 31 December 2011 RMB'000	2010 RMB'000 Restated (Note 2.1.1)
Revenue		**10,984,273**	8,742,344
Cost of sales	*28*	**(10,559,896)**	(7,999,290)
Gross profit		**424,377**	743,054
Selling and distribution costs	*28*	**(589,242)**	(325,572)
Administrative expenses	*28*	**(1,216,442)**	(516,308)
Interest income	*31*	**316,222**	209,666
Other gains – net	*30*	**840,288**	57,844
Operating (loss)/profit		**(224,797)**	168,684
Finance costs	*32*	**(414,744)**	(362,288)
Interest income	*31*	**57,879**	24,986
Share of profit of jointly-controlled entities		**3,872,359**	4,560,501
Share of profit of associates	*13(a)*	**766,289**	1,129,711
Profit before income tax		**4,056,986**	5,521,594
Income tax credit/(expense)	*33*	**109,914**	(1,675)
Profit for the year		**4,166,900**	5,519,919
Other comprehensive income for the year, net of tax	*34*	**(1,145)**	–
Total comprehensive income for the year		**4,165,755**	5,519,919
Profit attributable to:			
Equity holders of the Company		**4,271,703**	4,295,099
Non-controlling interests		**(104,803)**	1,224,820
		4,166,900	5,519,919

	Note	Year ended 31 December 2011 RMB'000	2010 RMB'000 Restated (Note2.1.1)
Total comprehensive income attributable to:			
Equity holders of the Company		**4,271,016**	4,295,099
Non-controlling interests		**(105,261)**	1,224,820
		4,165,755	5,519,919
Earnings per share attributable to equity holders of the Company			
(expressed in RMB per share)			
– basic and diluted	*36*	**0.6948**	0.9192

The notes on pages 80 to 175 are an integral part of these financial statements.

	Note	Year ended 31 December 2011 RMB'000	2010 RMB'000
Dividends	*37*	**1,287,004**	676,286

	Attributable to equity holders of the Company					
	Share capital RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance as at 1 January 2010, as previously reported	3,934,757	814,186	8,310,798	13,059,741	8,401,607	21,461,348
Effect of change in accounting policy *(Note 2.1.1)*	–	–	–	–	(19,238)	(19,238)
Balance as at 1 January 2010, as restated	3,934,757	814,186	8,310,798	13,059,741	8,382,369	21,442,110
Profit for the year and total comprehensive income	–	–	4,295,099	4,295,099	1,224,820	5,519,919
Total contributions by and distributions to equity holders of the Company recognised directly in equity						
Privatisation of a subsidiary by issue of new shares *(Note 1)*	2,213,300	6,596,695	–	8,809,995	(9,129,777)	(319,782)
Appropriation to reserve fund	–	225,883	(225,883)	–	–	–
Dividend declared by the Company and subsidiaries	–	–	(553,325)	(553,325)	(286,617)	(839,942)
Total contributions by and distributions to equity holders of the Company	2,213,300	6,822,578	(779,208)	8,256,670	(9,416,394)	(1,159,724)
Contribution from the non-controlling shareholders of subsidiaries	–	–	–	–	41,792	41,792
Total transactions with owners	2,213,300	6,822,578	(779,208)	8,256,670	(9,374,602)	(1,117,932)
Balance as at 31 December 2010	6,148,057	7,636,764	11,826,689	25,611,510	232,587	25,844,097
Balance as at 1 January 2011, as previously reported	6,148,057	7,636,764	11,826,689	25,611,510	249,430	25,860,940
Effect of change in accounting policy *(Note 2.1.1)*	–	–	–	–	(16,843)	(16,843)
Balance as at 1 January 2011, as restated	6,148,057	7,636,764	11,826,689	25,611,510	232,587	25,844,097
Comprehensive income						
Profit for the year	–	–	4,271,703	4,271,703	(104,803)	4,166,900
Other comprehensive income – Available-for-sale financial assets	–	(687)	–	(687)	(458)	(1,145)
Total comprehensive income	–	(687)	4,271,703	4,271,016	(105,261)	4,165,755
Total contributions by and distributions to equity holders of the Company recognised directly in equity						
Reversal of over-accrued transaction costs	–	3,332	–	3,332	–	3,332
Appropriation to reserve fund	–	229,908	(229,908)	–	–	–
Dividend declared by the Company and subsidiaries	–	–	(676,286)	(676,286)	(9,990)	(686,276)
Total contributions by and distributions to equity holders of the Company	–	233,240	(906,194)	(672,954)	(9,990)	(682,944)
Disposal of subsidiaries	–	–	–	–	(37,804)	(37,804)
Contribution from the non-controlling shareholders of subsidiaries	–	–	–	–	279,120	279,120
Non-controlling interests arising on business combination *(Note 40)*	–	–	–	–	617,400	617,400
Total transactions with owners	–	233,240	(906,194)	(672,954)	848,726	175,772
Balance as at 31 December 2011	6,148,057	7,869,317	15,192,198	29,209,572	976,052	30,185,624

The notes on pages 80 to 175 are an integral part of these financial statements.

Consolidated Cash Flow Statement

	Note	Year ended 31 December 2011 RMB'000	2010 RMB'000 Restated (Note 2.1.1)
Cash flows from operating activities			
Cash used in operations	*38*	**(459,687)**	(819,771)
Interest received		**312,019**	186,046
Interest paid		**(404,769)**	(331,607)
Income tax paid		**(80,781)**	(42,244)
Net cash used in operating activities		**(633,218)**	(1,007,576)
Cash flows from investing activities			
Purchases of property, plant and equipment, land use rights, investment properties and intangible assets		**(2,243,609)**	(1,348,890)
Proceeds from sales of property, plant and equipment and land use rights		**59,991**	64,153
Additional capital injection in associates		**(55,700)**	(49,225)
Additional capital in jointly-controlled entities		**(603,428)**	(704,009)
Acquisition and set-up of jointly-controlled entities		**(659,419)**	(40,357)
Acquisition of associates		**(14,249)**	(105,756)
Acquisition of subsidiaries, net of cash acquired		**163,312**	–
Disposal of subsidiary and associate		**30,187**	480
Acquisition of investment on financial assets		**(172,696)**	–
Issue of entrusted loans		**(397,515)**	(776,000)
Proceeds from repayment of entrusted loan		**610,000**	751,000
Receipt of government grant		**141,045**	31,105
Dividends received		**5,435,120**	5,099,741
Increase in time deposits		**(2,738,584)**	(914,285)
Decrease/(increase) in restricted cash		**178,500**	(48,153)
Net cash (used in)/generated from investing activities		**(267,045)**	1,959,804

	Note	Year ended 31 December 2011 RMB'000	2010 RMB'000 Restated (Note 2.1.1)
Cash flows from financing activities			
Contribution from non-controlling shareholders of subsidiaries		**279,120**	41,792
Other payments of listing-related expenses		**(223,595)**	(97,086)
Distribution to shareholders of the Company and non-controlling shareholders of subsidiaries		**(686,276)**	(839,942)
Proceeds from borrowings		**2,359,442**	1,775,952
Repayments of borrowings		**(1,930,064)**	(1,314,694)
Net cash used in financing activities		**(201,373)**	(433,978)
Net (decrease)/increase in cash and cash equivalents		**(1,101,636)**	518,250
Cash and cash equivalents at beginning of the year		**9,382,214**	8,864,967
Exchange losses on cash and cash equivalents		**(41,409)**	(1,003)
Cash and cash equivalents at end of the year		**8,239,169**	9,382,214

The notes on pages 80 to 175 are an integral part of these financial statements.

1. GENERAL INFORMATION

The Group is 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.

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

The Company privatised Denway Motors Limited ("Denway") on 27 August 2010. Thereafter, Denway became a wholly-owned subsidiary of the Company. The Company's 2,213,300,218 newly issued shares were then listed on the HKSE by way of Introduction on 30 August 2010.

As detailed in note 43(a), the Company has successfully issued 281,912,422 A shares for its listing on the Shanghai Stock Exchange on 29 March 2012.

These financial statements are presented in thousands of Renminbi Yuan ("RMB"), unless otherwise stated. These financial statements have been approved for issue by the Board of Directors on 30 March 2012.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policy and disclosures

(a) Changes in accounting policy

According to HKAS 31, in its consolidated financial statements, a venturer can recognise its interest in a jointly-controlled entity using proportionate consolidation method or using equity method. In prior years, the Group recognised its interests in its jointly-controlled entities using proportionate consolidation method. Under this method, the Group combined its share of the jointly-controlled entities' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the Group's consolidated financial statements.

The Company has listed its A shares on the Shanghai Stock Exchange on 29 March 2012. Thereafter, the Company became dual listing of its A shares and H shares on stock exchange. The Group has changed its accounting policy to account for its interest in jointly-controlled entity by using equity method during the year ended 31 December 2011. The purposes of such policy change are to adopt a consistent accounting policy used in the Company's statutory financial statements preparing under Accounting Standards for Business Enterprises and to provide consistent information to shareholders of both A shares and H shares. Under the equity method, the Group's share of the jointly-controlled entities' individual income and expenses, assets and liabilities and cash flows are not consolidated in the Group's consolidated financial statements. Instead, the Group's share of its jointly controlled entities' profits or losses is recognised in profit or loss, and its share of movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment.

The change in accounting policy has been accounted for retrospectively and the consolidated financial statements have been restated in order to comply with HKAS 8 'Accounting policies, changes in accounting estimates and errors'. The effect on the Group's financial statements is as follows:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policy and disclosures (continued)

(a) Changes in accounting policy (continued)

Consolidated balance sheet	As at 31 December		As at 1 January
	2011	2010	2010
	RMB'000	RMB'000	RMB'000
Non-current assets			
Decrease in land use rights	(852,868)	(857,969)	(356,964)
Decrease in property, plant and equipment	(7,024,177)	(5,812,700)	(5,965,345)
Decrease in intangible assets	(736,040)	(402,453)	(275,976)
Increase in investments in jointly controlled entities	9,284,474	8,166,021	6,760,627
Decrease in deferred income tax assets	(309,314)	(249,819)	(209,172)
Decrease in prepayment	(4,886)	–	–
Current assets			
Decrease in inventories	(2,125,509)	(1,664,232)	(1,597,341)
(Decrease)/increase in trade and other receivables *(Note(i))*	(2,368,844)	(1,417,428)	1,111,055
Decrease in time deposits	(1,265)	(4,020,750)	(7,857,734)
Decrease in restricted cash	(5)	(685)	(6)
Decrease in cash and cash equivalents	(10,556,517)	(6,598,701)	(2,467,973)
Total assets	(14,694,951)	(12,858,716)	(10,858,829)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policy and disclosures (continued)

(a) Changes in accounting policy (continued)

Consolidated balance sheet (continued)	As at 31 December		As at 1 January
	2011	2010	2010
	RMB'000	RMB'000	RMB'000
Non-current liabilities			
Decrease in borrowings	(97,712)	(48,552)	–
Decrease in deferred income tax liabilities	(42,793)	–	–
Decrease in provisions	(260,528)	(230,183)	(201,542)
Decrease in government grants	(364,407)	(234,064)	–
Current liabilities			
Decrease in trade and other payables	(11,569,186)	(11,322,850)	(10,097,183)
Decrease in current income tax liabilities	(213,487)	(454,503)	(220,284)
Decrease in borrowings	(1,939,933)	(312,339)	(142,664)
Decrease in provisions	(192,959)	(239,382)	(177,918)
Total liabilities	(14,681,005)	(12,841,873)	(10,839,591)
Decrease in non-controlling interests	(13,946)	(16,843)	(19,238)
Total equity and liabilities	(14,694,951)	(12,858,716)	(10,858,829)

(i) By using the equity method retrospectively, as at 1 January 2010, the Group had accounted for its dividend receivables due from jointly-controlled entities amounting to RMB1,755,627,000. In addition, the Group had de-consolidated share of jointly-controlled entities' trade and other receivables amounting to RMB644,572,000. Accordingly, the balance of trade and other receivables as at 1 January 2010 in the consolidated balance sheet increased by RMB1,111,055,000.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policy and disclosures (continued)

(a) Changes in accounting policy (continued)

Consolidated statement of comprehensive income	Year ended 31 December	
	2011	2010
	RMB'000	RMB'000
Decrease in revenue	(52,376,286)	(51,105,579)
Decrease in cost of sales	43,283,599	41,576,493
Decrease in selling and distribution costs	2,608,864	2,442,416
Decrease in administrative expenses	1,768,467	1,757,599
Decrease in interest income (above operating profit)	(176,032)	(173,475)
Decrease in other gains – net	(278,608)	(32,883)
Decrease in finance costs	44,716	6,875
Decrease in interest income (below operating profit)	(6,079)	(2,202)
Increase in share of profit of jointly-controlled entities	3,872,359	4,560,501
Decrease in income tax expense	1,261,720	972,650
	2,720	2,395
Change in profit attributable to equity holders of the Company	–	–
Increase in profit attributable to non-controlling interests	2,720	2,395
Change in earnings per share attributable to the equity holders of the Company – basic and diluted	–	–

The changes in accounting policy have no significant impact on the equity and profit attributable to the equity holders of the company in the consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policy and disclosures (continued)

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

The following new amendments to standards are mandatory for accounting periods beginning on or after 1 January 2011. The adoption of these amendments to standards does not have any significant impact to the results and financial position of the Group:

Standards/Interpretations	Subject of amendment	Effective for accounting periods beginning on or after
HKAS 1 (Amendment)	Presentation of financial statements	1 January 2011
HKAS 24 (Revised)	Related party transactions	1 January 2011
HKAS 27 (Amendment)	Consolidated and separate financial statements	1 July 2010
HKAS 34 (Amendment)	Interim financial reporting	1 January 2011
HKFRS 3 (Amendment)	Business combinations	1 July 2010

(c) *The following new amendments to standards and interpretations are mandatory for accounting periods beginning on or after 1 January 2011 but are not relevant to the Group's operations:*

Standards/Interpretations	Subject of amendment	Effective for accounting periods beginning on or after
HKFRS 1 (Amendment)	Limited exemption from comparative HKFRS 7 disclosures for first-time adopters	1 July 2010
HKFRS 1 (Amendment)	First time adoption of Hong Kong Financial Reporting Standards	1 January 2011
HKFRS 1 (Amendment)	Severe hyperinflation and removal of fixed dates for first-time adopters	1 July 2011
HKFRS 7 (Amendment)	Financial instruments: Disclosures	1 January 2011
HKAS 32 (Amendment)	Classification of rights issues	1 February 2010
HK (IFRIC)-Int 13 (Amendment)	Customer loyalty programmes	1 January 2011
HK (IFRIC)-Int 14 (Amendment)	Prepayments of a minimum funding requirement	1 January 2011
HK (IFRIC)-Int1 9 (Amendment)	Extinguishing financial liabilities with equity instruments	1 July 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policy and disclosures (continued)

(d) New standards and amendments to standards have been issued but are not effective for the financial year beginning on or after 1 January 2011 and have not been early adopted:

Standards/Interpretations	Subject of amendment	Effective for accounting periods beginning on or after
HKAS 1 (Amendment)	Presentation of financial statements	1 July 2012
HKAS 12 (Amendment)	Deferred tax: Recovery of underlying assets	1 January 2012
HKAS 19 (Amendment)	Employee benefits	1 January 2013
HKAS 27 (revised 2011)	Separate financial statements	1 January 2013
HKAS 28 (revised 2011)	Associates and joint ventures	1 January 2013
HKAS 32 (Amendment)	Offsetting financial assets and financial liabilities	1 January 2014
HKFRS 7 and HKFRS 9 (Amendment)	Mandatory effective date and transition disclosures	1 January 2015
HKFRS 9	Financial instruments	1 January 2015
HKFRS 10	Consolidated financial statements	1 January 2013
HKFRS 11	Joint arrangements	1 January 2013
HKFRS 12	Disclosures of interests in other entities	1 January 2013
HKFRS 13	Fair value measurements	1 January 2013

2.2 Subsidiaries

2.2.1 Consolidation

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise from circumstances such as enhanced minority rights or contractual terms between shareholders, etc.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Subsidiaries (continued)

2.2.1 Consolidation (continued)

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(a) Business combinations

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

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Subsidiaries (continued)

2.2.1 Consolidation (continued)

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

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

(c) *Disposal of subsidiaries*

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

2.2.2 Separate financial statements

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Associates

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

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

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

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

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

2.4 Jointly-controlled entities

A jointly-controlled entity is a joint venture where the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity. Investments in jointly-controlled entities are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in jointly-controlled entities includes goodwill identified on acquisition, deducting the accumulated impairment losses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Jointly-controlled entities (continued)

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

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

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

Dilution gains and losses arising in investments in jointly-controlled entities are recognised in the consolidated statement of comprehensive income.

2.5 Segment reporting

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

2.6 Foreign currency translation

(a) Functional and presentation currency

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Foreign currency translation (continued)

(b) Transactions and balances

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

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

(c) Group companies

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

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

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

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

(d) Disposal of foreign operation

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Property, plant and equipment

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

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

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

	Useful lives	Residual rate
– Buildings	8 – 50 years	0% – 10%
– Machinery	5 – 22 years	0% – 10%
– Vehicles	5 – 15 years	0% – 10%
– Mould	5 – 10 years	0% – 10%
– Office and other equipment	3 – 19 years	0% – 10%
– Leasehold improvement	2 – 20 years	0%

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Construction in progress

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

2.9 Investment properties

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

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

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

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

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

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

2.10 Land use rights

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Intangible assets

(a) ***Goodwill***

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

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

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

(b) ***Patent and proprietary technology***

Purchased patents and proprietary technology are initially recorded at actual cost and are amortised on a straight-line basis over their useful lives of 5 to 10 years as stated in the contract.

(c) ***Computer software***

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

(d) ***Research and development costs***

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 Impairment of non-financial assets

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

2.13 Financial assets

2.13.1 Classification

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

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

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

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise `trade and other receivables' and 'cash and cash equivalents' in the balance sheet (notes 2.17 and 2.18).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.13 Financial assets (continued)

2.13.1 Classification (continued)

(c) Available-for-sale financial assets

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

(d) Held-to-maturity investments

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

2.13.2 Recognition and measurement

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.15 Impairment of financial assets

(a) Assets carried at amortised cost

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.15 Impairment of financial assets (continued)

(b) Assets classified as available for sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For the funds, the Group uses the criteria referred to in (a) above. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in the consolidated statement of comprehensive income on equity instruments are not reversed through the consolidated statement of comprehensive income. If, in a subsequent period, the fair value of the financial assets increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated statement of comprehensive income.

2.16 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.17 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.18 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.19 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.20 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

2.21 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.22 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.23 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company's subsidiaries, associates and jointly-controlled entities operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and jointly-controlled entities, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(c) Offsetting

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.24 Employee benefits

(a) Defined contribution employee retirement schemes

The Group participates in the defined contribution employee retirement schemes regarding pension benefits required under existing PRC legislation. The defined contribution plan is a pension plan under which the Group pays contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

(b) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefi ts falling due more than 12 months after balance sheet date are discounted to present value.

2.25 Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Provision for product warranties granted by the Group for certain products are recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present value as appropriate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.26 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sales of products

The Group manufactures and sells a range of passenger vehicles, commercial vehicles, engines and auto parts to its dealers and end customers. Sales of products are recognised when the significant risks and rewards of ownership of the products have been passed to the buyer and the amount of revenue can be measured reliably.

The passenger vehicles are often sold with sales rebates. Sales are recorded based on the price specified in the sales contracts, net of the sales rebates which are calculated periodically.

(b) Rendering of service

Management fee and labour service income are recognised on accrual basis when service is rendered.

(c) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired receivables are recognised using the original effective interest rate.

(d) Rental income

Rental income under operating leases of buildings is recognised on a straight-line basis over the lease term.

(e) Dividend income

Dividend income is recognised when the right to receive payment is established.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.27 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

(a) As a lessee

Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

(b) As a lessor

Assets leased out under operating leases are included in property, plant and equipment in the balance sheet. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

2.28 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

2.29 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated statement of comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the consolidated statement of comprehensive income on a straight-line basis over the expected lives of the related assets.

Government grants are deducted in reporting the related expenses, when appropriate.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow interest rate risk and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by the Group's finance department ("Group Finance") under policies approved by the senior management. Group Finance identifies and evaluates financial risks in close co-operation with the Group's operating units.

(a) Market risk

(i) Foreign exchange risk

The Group's business mainly operates in the PRC with most of the transactions denominated and settled in RMB, except that certain receivables and payables, cash and cash equivalents and borrowings are denominated in US dollar ("USD"), HK dollar ("HKD") and Japanese yen ("JPY"), which are exposed to foreign currency translation risk. The Group had not used any financial instrument to hedge the foreign exchange risk.

As at 31 December 2011, if RMB had strengthened/weakened by 5% against USD, HKD, JPY with all other variables held constant, post-tax profit would have been approximately RMB12,300,000 (2010: RMB10,787,000) lower/higher, mainly as a result of foreign exchange gains/losses on translation of USD, HKD and JPY-denominated trade and other receivables, time deposit, cash and cash equivalents, trade and other payables and borrowings.

(ii) Cash flow and fair value interest rate risk

The Group has no significant interest-bearing assets other than entrusted loans (included in other receivables), time deposits, restricted cash, and cash and cash equivalents. The maturity terms of these assets, together with the Group's current borrowings, are within 12 months so there would not be significant interest rate risk for these financial assets and liabilities.

The Group's interest rate risk arises from non-current borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(ii) Cash flow and fair value interest rate risk (continued)

As at 31 December 2011, the Group's borrowings at variable rates were denominated in RMB, if interest rates on bank borrowings had been 100 basis point higher/lower respectively with all other variables held constant, post-tax profit would have been RMB13,623,000 (2010: RMB4,136,000) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

As at 31 December 2011, approximately RMB8,020,996,000 (2010: RMB8,451,429,000) of the Group's borrowings bore interests at fixed rates. The interest rates and terms of repayment of the Group's borrowings are disclosed in Note 25.

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

(b) Credit risk

The carrying amounts of time deposits, cash and cash equivalents, restricted cash, and trade and other receivables included in the consolidated financial statements represent the Group's maximum exposure to credit risk in relation to its financial risk.

As at 31 December 2011 and 2010, most of the time deposits, restricted cash and cash and cash equivalent are deposited in state-owned banks and other financial institutions without significant credit risks. Management does not expect any losses from non-performance by these state-owned banks and financial institutions.

The Group generally requires dealers and customers to pay the full amounts in advance, either in cash or by bank acceptance notes with maturity within 6 months, which is accepted and settled by banks, prior to the delivery of the passenger vehicles. In addition to the requirement for advance payment from customers, the Group has policy in place to ensure credit sales are made to customers with an appropriate credit history. Credit terms are approved after credit evaluations/review. Majority of trade receivables are with customers having an appropriate credit history.

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and cash equivalent, the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, Group Finance maintains flexibility in funding by maintaining availability under committed credit lines.

Management monitors the Group's undrawn borrowing facilities (Note 25), time deposits (Note 20) and cash and cash equivalents (Note 22) on the basis of expected cash flow.

The tables below analyses the Group's and the Company's financial liabilities into relevant maturity Groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

The Group

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000
At 31 December 2011				
Borrowings	**2,495,444**	**438,141**	**7,284,424**	**634,141**
Trade and other payables (exclude advances from customers, staff welfare benefits payable, other taxes and government grants)	**3,430,000**	**63,727**	**27,217**	**–**
At 31 December 2010				
Borrowings	1,413,023	639,438	7,562,882	670,261
Trade and other payables (exclude advances from customers, staff welfare benefits payable, other taxes and government grants)	2,727,921	66,777	66,777	–

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

The Company

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000
At 31 December 2011				
Borrowings	**491,207**	**284,480**	**6,882,469**	**634,141**
Trade and other payables (exclude staff welfare benefits payable and other taxes)	**355,935**	**63,212**	**27,217**	**–**
At 31 December 2010				
Borrowings	284,480	484,480	7,130,829	670,261
Trade and other payables (exclude staff welfare benefits payable and other taxes)	733,322	66,777	66,777	–

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings divided by total capital. Total borrowings include current and non-current borrowings, as shown in the consolidated balance sheet. Total capital is calculated as total equity, as shown in the consolidated balance sheet, plus total borrowings.

The gearing ratios as at 31 December 2011 and 2010 were as follows:

	As at 31 December	
	2011 RMB'000	2010 RMB'000
Total borrowings *(Note 25)*	**9,837,335**	9,002,927
Total equity	**30,185,624**	25,844,097
Total capital	**40,022,959**	34,847,024
Gearing ratio	**25%**	26%

3. FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation

The Group's financial instruments recognised in the balance sheet are mainly loans and receivables and financial liabilities (Note 14) carried at amortised cost. The carrying value less impairment provision of trade receivables and payables are a reasonable approximation of their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Useful lives and residual value of property, plant and equipment

The Group's management determines the residual value, useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual residual value and useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where residual value or useful lives are less than previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(b) Current and deferred income taxes

The Group is subject to income taxes in the PRC. Significant judgement is required in determining provision for current and deferred income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers it is likely that future taxable profits will be available against which temporary differences or tax loss can be utilised. When the expectations are different from the original estimates, such differences will impact the recognition of deferred tax assets and income tax charges in the period in which such estimates are changed.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(c) Impairment of property, plant and equipment and land use rights

Property, plant and equipment and land use rights are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations or market valuations. These calculations require the use of judgements and estimates.

Management judgement is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset value may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell or net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value in the impairment test and as a result affect the Group's financial condition and results of operations. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment charge to the consolidated statement of comprehensive income.

(d) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2.11. The recoverable amounts of cash-generated units have been determined based on value-in-use calculations. These calculations require the use of estimates.

(e) Warranty provisions

Provisions for product warranties granted by the Group to certain products are recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate.

5. PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINTLY-CONTROLLED ENTITIES AND ASSOCIATES

As at 31 December 2011 particulars of principal subsidiaries, jointly-controlled entities and associates are as follows:

Name	Place of incorporation	Principal activities	Particulars of registered capital/ issued share capital	Interest held Direct	Interest held Indirect
Subsidiaries					
Guangzhou Automobile Group Auto bus Co., Ltd. 廣州汽車集團客車有限公司	Mainland China	Manufacture and sale of automobiles	US$49,900,000	50%	50%
Guangzhou Automobile Group Motor Co., Ltd. 廣州汽車集團乘用車有限公司	Mainland China	Manufacture and sale of automobiles	RMB1,800,000,000	100%	–
Guangzhou Automobile Group Component Co., Ltd. 廣州汽車集團零部件有限公司	Mainland China	Manufacture and sale of automotive parts	RMB185,680,000	51%	49%
Guangzhou Automobile Group Business Co., Ltd. 廣州汽車集團商貿有限公司	Mainland China	Trading of automobiles, automotive parts and steel	RMB611,000,000	100%	–
GAC Gonow Co., Ltd. ("GAC Gonow") 廣汽吉奧汽車有限公司	Mainland China	Manufacture and sale of automobile	RMB1,260,000,000	51%	–
Jointly-controlled entities					
Guangqi Honda Automobile Co., Ltd. 廣汽本田汽車有限公司	Mainland China	Manufacture and sale of automobile and automotive parts	US$283,290,000	–	50%
GAC Toyota Motor Co., Ltd. 廣汽豐田汽車有限公司	Mainland China	Manufacture and sale of automobile and automotive parts	US$399,560,000	50%	–
GAC Hino Motors Co., Ltd. 廣汽日野汽車有限公司	Mainland China	Manufacture and sale of automobile and automotive parts	RMB1,500,000,000	50%	–
GAC Hino (ShenYang) motors Co., Ltd. 廣汽日野（瀋陽）汽車有限公司	Mainland China	Manufacture and sale of automobile and automotive parts	RMB1,004,218,280	–	45%

5. PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINTLY-CONTROLLED ENTITIES AND ASSOCIATES (continued)

Name	Place of incorporation	Principal activities	Particulars of registered capital/ issued share capital	Interest held Direct	Interest held Indirect
GAC-SOFINCO Automobile Finance Co., Ltd 廣汽匯理汽車金融有限公司	Mainland China	Provide automotive finance services	RMB500,000,000	50%	–
GAC FIAT Automobiles Co., Ltd. 廣汽菲亞特汽車有限公司	Mainland China	Manufacture and sale of automobile and automotive parts	RMB1,800,000,000	50%	–
Wuyang-Honda Motors (Guangzhou) Co., Ltd. 五羊－本田摩托(廣州)有限公司	Mainland China	Manufacture and sale of motorcycle and motorcycle parts	US$49,000,000	50%	–
Associates					
GAC Toyota Engine Co. Ltd. 廣汽豐田發動機有限公司	Mainland China	Manufacture and sale of automotive parts	US$240,720,000	30%	–
Honda Automobile (China) Co., Ltd. 本田汽車(中國)有限公司	Mainland China	Manufacture and sale of automobile and automotive parts	US$82,000,000	25%	–
GAC Chang Feng Motors Co. Ltd. 廣汽長豐汽車股份有限公司	Mainland China	Manufacture and sale of automobile and automotive parts	RMB520,871,390	29%	–
Shanghai Hino Engine Co., Ltd. 上海日野發動機有限公司	Mainland China	Manufacture and sale of automotive parts	US$29,980,000	30%	–
Guangzhou TS Automotive Interior Systems Co., Ltd. 廣州提愛思汽車內飾系統有限公司	Mainland China	Manufacture and sale of automotive parts	US$3,860,000	–	48%
Guangzhou Intex Automotive Interior Parts Co., Ltd. 廣州櫻泰汽車飾件有限公司	Mainland China	Manufacture and sale of automotive parts	US$22,500,000	–	25%
Guangzhou Stanley Electric Company Limited 廣州斯坦雷電氣有限公司	Mainland China	Manufacture and sale of automotive parts	US$44,700,000	–	30%
Guangzhou Denso Co., Ltd. 廣州電裝有限公司	Mainland China	Manufacture and sale of automotive parts	US$23,022,409	–	40%

6. SEGMENT INFORMATION

The chief operating decision-maker has been identified as the 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 and related operations – production and sale of a variety of passenger vehicles and related operations.

(ii) Commercial vehicles – production and sale of commercial vehicles including trucks and buses, and

(iii) Auto parts – production and sale of engines and other auto parts and accessories.

Others mainly comprise automobile finance and insurance business 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.

6. SEGMENT INFORMATION (continued)

The segment results for the year ended 31 December 2011 and other segment items included in the consolidated statement of comprehensive income are as follows:

	Passenger vehicles and related operations RMB'000	Commercial vehicles RMB'000	Auto parts RMB'000	Others RMB'000	Eliminations RMB'000	Unallocated RMB'000	Consolidated RMB'000
Total gross segment revenue	9,923,365	461,630	487,116	317,728	(205,566)	–	10,984,273
Inter-segment revenue	(60,730)	–	(92,648)	(52,188)	205,566	–	–
Revenue (from external customers)	9,862,635	461,630	394,468	265,540	–	–	10,984,273
Segment results	(879,396)	8,775	(27,692)	(867)	(17,685)		(916,865)
Unallocated income – Headquarter interest income and government grants						1,098,948	1,098,948
Unallocated costs – Headquarter expenditure						(406,880)	(406,880)
Operating loss							(224,797)
Finance costs	(143,163)	(7,259)	(11,749)	(82)	–	(252,491)	(414,744)
Interest income	14,776	2,394	3,300	10,366	–	27,043	57,879
Share of profit/(loss) of jointly-controlled entities	3,892,286	(75,290)	(19,245)	74,608	–	–	3,872,359
Share of profit of associates	101,501	–	660,764	4,024	–	–	766,289
Profit before income tax							4,056,986
Income tax credit/(expense)	169,676	1,476	(71)	(784)	–	(60,383)	109,914
Profit for the year							4,166,900
Other segment items							
Depreciation and amortisation	450,316	7,182	18,894	4,289	–	9,065	489,746
(Reversal of)/provision for impairment loss for trade and other receivables	(4,531)	398	364	14	–	(20,533)	(24,288)
Impairment of inventories	17,050	3,272	808	–	–	–	21,130
Impairment of property, plant and equipment	–	4,388	1,207	–	–	–	5,595

6. SEGMENT INFORMATION (continued)

The segment assets and liabilities as at 31 December 2011 and additions to non-current assets (other than deferred tax assets, available-for-sale financial assets and held-to-maturity investments) for the year then ended are as follows:

	Passenger vehicles and related operations RMB'000	Commercial vehicles RMB'000	Auto parts RMB'000	Others RMB'000	Eliminations RMB'000	Unallocated RMB'000	Consolidated RMB'000
Total assets	20,739,369	972,056	4,692,463	4,877,475	(1,809,542)	15,140,066	44,611,887
Total assets include:							
Investment in jointly-controlled entities	7,710,147	337,619	421,185	815,523	–	–	9,284,474
Investment in associates	1,696,757	–	3,376,034	24,964	–	–	5,097,755
Total liabilities	6,698,795	525,428	434,722	1,123,340	(1,808,951)	7,452,929	14,426,263
Additions to non-current assets (other than deferred tax assets, available-for-sale financial assets and held-to-maturity investments)	2,814,647	113,196	583,564	1,281,700	–	–	4,793,107

6. SEGMENT INFORMATION (continued)

The segment results for the year ended 31 December 2010 and other segment items included in the consolidated statement of comprehensive income are as follows:

	Passenger vehicles and related operations RMB'000	Commercial vehicles RMB'000	Auto parts RMB'000	Others RMB'000	Eliminations RMB'000	Unallocated RMB'000	Consolidated RMB'000
Total gross segment revenue	7,463,158	546,135	362,130	382,052	(11,131)	–	8,742,344
Inter-segment revenue	(2,792)	(904)	(3,185)	(4,250)	11,131	–	–
Revenue (from external customers)	7,460,366	545,231	358,945	377,802	–	–	8,742,344
Segment results	160,520	8,991	(37,749)	26,555	(1,805)		156,512
Unallocated income							
Headquarter interest income						210,775	210,775
Unallocated costs Headquarter expenditure						(198,603)	(198,603)
Operating profit							168,684
Finance costs	(68,366)	(12,764)	(7,205)	(131)	–	(273,822)	(362,288)
Interest income	3,188	1,424	887	77	–	19,410	24,986
Share of profit/(loss)of jointly-controlled entities	4,674,112	(94,599)	(1,749)	(17,263)	–	–	4,560,501
Share of profit of associates	145,437	–	980,807	3,467	–	–	1,129,711
Profit before income tax							5,521,594
Income tax credit/(expense)	26,010	5,234	2,586	(113)	–	(35,392)	(1,675)
Profit for the year							5,519,919
Other segment items							
Depreciation and amortisation	167,032	5,807	11,049	9,968	–	5,613	199,469
Impairment/(reversal of impairment) of trade and other receivables	4,123	1,477	(85)	–	–	(618)	4,897
Impairment of inventories	42,948	5,093	–	–	–	–	48,041

6. SEGMENT INFORMATION (continued)

The segment assets and liabilities as at 31 December 2010 and additions to non-current assets (other than deferred tax assets) for the year then ended are as follows:

	Passenger vehicles and related operations RMB'000	Commercial vehicles RMB'000	Auto parts RMB'000	Others RMB'000	Eliminations RMB'000	Unallocated RMB'000	Consolidated RMB'000
Total assets	17,423,994	1,042,299	4,155,821	4,337,272	(1,918,703)	13,479,177	38,519,860
Total assets include:							
Investment in jointly-controlled entities	7,289,459	412,878	229,416	234,268	–	–	8,166,021
Investment in associates	1,743,962	–	3,427,111	29,656	–	–	5,200,729
Total liabilities	4,828,540	528,872	321,859	1,479,072	(1,917,868)	7,435,288	12,675,763
Additions to non-current assets (other than deferred tax assets)	2,359,510	6,449	287,599	20,260	–	–	2,673,818

Reportable segments' assets are reconciled to total assets as follows:

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
Total segment assets	**29,471,821**	25,040,683
Unallocated assets:		
– Time deposits and cash and cash equivalents of headquarter	**15,140,066**	13,479,177
Total assets	**44,611,887**	38,519,860

Reportable segments' liabilities are reconciled to total liabilities as follows:

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
Total segment liabilities	**6,973,334**	5,240,475
Unallocated liabilities:		
– Borrowings of headquarter	**7,452,929**	7,435,288
Total liabilities	**14,426,263**	12,675,763

6. SEGMENT INFORMATION (continued)

Revenue of approximately RMB1,129,622,000 is derived from single external customer (2010: RMB989,182,000). These revenues are attributable to the passenger vehicles and related operation segment. Revenue from external customers by geographical location is as follows:

	Year ended 31 December	
	2011	2010
	RMB'000	RMB'000
Mainland China	**10,868,099**	8,462,706
Hong Kong	**116,174**	279,638
	10,984,273	8,742,344

Revenue is allocated based on the country/place in which the customer is located.

Non-current assets (other than deferred tax assets, available-for-sale financial assets and held-to-maturity investments) located by geographical location are as follows:

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
Mainland China	**22,348,334**	18,413,595
Hong Kong	**96,717**	149,871
	22,445,051	18,563,466

Non-current assets are allocated based on the location of the assets.

Analysis of revenue by category:

	Year ended 31 December	
	2011	2010
	RMB'000	RMB'000
Sales of products	**10,628,233**	8,396,799
Rendering of services	**199,685**	152,940
Others	**156,355**	192,605
	10,984,273	8,742,344

7. LAND USE RIGHTS

Land use rights represent the Group's interests in land which are held on leases between 15 to 50 years. Movements of the land use rights for the year are as follows:

The Group

	Year ended 31 December	
	2011	2010
	RMB'000	RMB'000
At beginning of the year, as previously reported	**1,523,888**	978,579
Effect of change in accounting policy *(Note 2.1.1)*	**(857,969)**	(356,964)
At beginning of the year, as restated	**665,919**	621,615
Cost	**741,007**	679,783
Accumulated amortisation and impairment	**(75,088)**	(58,168)
Net book amount	**665,919**	621,615
For the year ended		
Opening net book amount	**665,919**	621,615
Additions	**31,887**	82,366
Acquisition of subsidiaries *(Note 40)*	**307,166**	–
Disposals	**–**	(5,906)
Disposal of a subsidiary	**(1,034)**	(15,236)
Amortisation charge *(Note 28)*	**(16,420)**	(16,920)
Impairment charge	**(4,388)**	–
Closing net book amount	**983,130**	665,919
At end of the year		
Cost	**1,069,381**	741,007
Accumulated amortisation and impairment	**(86,251)**	(75,088)
Net book amount	**983,130**	665,919

7. LAND USE RIGHTS (continued)

The Company

	Year ended 31 December	
	2011	2010
	RMB'000	RMB'000
At beginning of the year		
Cost	**114,684**	–
Accumulated amortisation	**–**	–
Net book amount	**114,684**	–
For the year ended		
Opening net book amount	**114,684**	–
Additions	**4,462**	114,684
Closing net book amount	**119,146**	114,684
At end of the year		
Cost	**119,146**	114,684
Accumulated amortisation	**–**	–
Net book amount	**119,146**	114,684

(a) Amortisation of the land use rights has been charged to the cost of sales in the consolidated statement of comprehensive income.

(b) Certain bank borrowings were secured by land use rights with an aggregate carrying value of approximately RMB169,826,000 (2010: RMB19,808,000) (Note 25(a)).

(c) As at 31 December 2011, the Group is in the process of applying for the title certificates of certain of its land use rights with an aggregate carrying value of approximately RMB119,146,000. The Directors consider that the Group is entitled to lawfully and validly occupy or use these land (2011: RMB124,981,000).

7. LAND USE RIGHTS (continued)

(d) The Group's interests in land use rights at their net book values are analysed as follows:

The Group

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
In Mainland China, held on:		
Leases of between 10 and 50 years	**956,754**	632,202
In Hong Kong, held on:		
Leases of between 10 and 50 years	**26,376**	33,717
	983,130	665,919

The Company

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
In Mainland China, held on:		
Leases of between 10 and 50 years	**119,146**	114,684

8. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings RMB'000	Machinery RMB'000	Vehicles RMB'000	Mould RMB'000	Office and other equipment RMB'000	Leasehold improvement RMB'000	Construction -in-progress RMB'000	Total RMB'000
Year ended 31 December 2010								
Opening net book amount, as previously reported	2,297,430	3,307,236	282,253	670,648	176,754	78,422	1,524,887	8,337,630
Effect of change in accounting policy *(Note 2.1.1)*	(1,650,795)	(3,198,757)	(46,306)	(667,007)	(130,099)	(22,843)	(249,538)	(5,965,345)
Opening net book amount, as restated	646,635	108,479	235,947	3,641	46,655	55,579	1,275,349	2,372,285
Additions	39,752	10,348	13,450	19,212	3,836	15,962	798,807	901,367
Disposals	(23,812)	(3,277)	(1,945)	(3,651)	(765)	–	–	(33,450)
Transfers	583,862	1,047,919	48,971	76,129	50,626	–	(1,807,507)	–
Depreciation charge *(Note 28)*	(37,473)	(32,692)	(58,466)	(2,940)	(14,345)	(2,836)	–	(148,752)
Disposal of a subsidiary	(56,349)	(4,889)	(1,456)	–	(878)	–	–	(63,572)
Closing net book amount	1,152,615	1,125,888	236,501	92,391	85,129	68,705	266,649	3,027,878
At 31 December 2010								
Cost	1,241,210	1,247,212	398,868	95,416	150,686	99,416	266,649	3,499,457
Accumulated depreciation and impairment	(88,595)	(121,324)	(162,367)	(3,025)	(65,557)	(30,711)	–	(471,579)
Net book amount	1,152,615	1,125,888	236,501	92,391	85,129	68,705	266,649	3,027,878
Year ended 31 December 2011								
Opening net book amount, as previously reported	2,791,267	3,942,911	334,769	681,727	227,276	87,379	775,249	8,840,578
Effect of change in accounting policy *(Note 2.1.1)*	(1,638,652)	(2,817,023)	(98,268)	(589,336)	(142,147)	(18,674)	(508,600)	(5,812,700)
Opening net book amount, as restated	1,152,615	1,125,888	236,501	92,391	85,129	68,705	266,649	3,027,878
Additions	26,323	42,255	89,873	104,907	5,299	106,915	603,064	978,636
Acquisition of subsidiaries *(Note 40)*	331,196	130,858	6,644	–	3,826	368	228,301	701,193
Disposals	(28,339)	(583)	(36,959)	–	(54)	–	–	(65,935)
Transfers	58,536	92,463	3,684	65,051	3,150	–	(222,884)	–
Depreciation charge *(Note 28)*	(58,818)	(125,390)	(64,650)	(25,952)	(19,152)	(19,744)	–	(313,706)
Impairment charge	–	(1,003)	–	–	(204)	–	–	(1,207)
Disposal of a subsidiary	(6,805)	(6,016)	(3,369)	(24)	(1,816)	–	–	(18,030)
Closing net book amount	1,474,708	1,258,472	231,724	236,373	76,178	156,244	875,130	4,308,829
At 31 December 2011								
Cost	1,658,107	1,505,883	398,121	265,253	149,037	206,699	875,130	5,058,230
Accumulated depreciation and impairment	(183,399)	(247,411)	(166,397)	(28,880)	(72,859)	(50,455)	–	(749,401)
Net book amount	1,474,708	1,258,472	231,724	236,373	76,178	156,244	875,130	4,308,829

8. PROPERTY, PLANT AND EQUIPMENT (continued)

The Company

	Buildings RMB'000	Vehicles RMB'000	Office and other equipment RMB'000	Construction -in-progress RMB'000	Total RMB'000
Year ended 31 December 2010					
Opening net book amount	3,091	17,264	45,799	–	66,154
Additions	–	2,044	3,495	174,979	180,518
Disposals	(1,470)	(728)	(8)	–	(2,206)
Transfers	–	–	7,089	(7,089)	–
Depreciation charge	(80)	(5,002)	(6,481)	–	(11,563)
Closing net book amount	1,541	13,578	49,894	167,890	232,903
At 31 December 2010					
Cost	2,296	34,251	64,983	167,890	269,420
Accumulated depreciation	(755)	(20,673)	(15,089)	–	(36,517)
Net book amount	1,541	13,578	49,894	167,890	232,903
Year ended 31 December 2011					
Opening net book amount	1,541	13,578	49,894	167,890	232,903
Additions	–	4,720	16,764	221,311	242,795
Disposals	–	(313)	(10)	–	(323)
Transfers	–	–	2,130	(2,130)	–
Depreciation charge	(75)	(4,939)	(8,235)	–	(13,249)
Closing net book amount	1,466	13,046	60,543	387,071	462,126
At 31 December 2011					
Cost	2,296	32,709	83,861	387,071	505,937
Accumulated depreciation	(830)	(19,663)	(23,318)	–	(43,811)
Net book amount	1,466	13,046	60,543	387,071	462,126

8. PROPERTY, PLANT AND EQUIPMENT (continued)

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

	Year ended 31 December	
	2011	2010
	RMB'000	RMB'000
Cost of sales	**254,987**	115,223
Selling and distribution costs	**7,491**	6,580
Administrative expenses	**51,228**	26,949
	313,706	148,752

(b) Certain bank borrowings were secured by property, plant and equipment with an aggregate carrying value of approximately RMB297,013,000 (2010: RMB201,435,000) (Note 25(a)).

(c) The Group is in the process of applying for the title certificates of certain of its properties with an aggregate carrying value of approximately RMB29,429,000 (2010: RMB21,217,000). The Directors consider that the Group is entitled to lawfully and validly occupy or use these properties.

9. INVESTMENT PROPERTIES

The Group

	Year ended 31 December	
	2011	2010
	RMB'000	RMB'000
At beginning of the year		
Cost	**68,636**	69,976
Accumulated depreciation	**(11,930)**	(12,368)
Net book amount	**56,706**	57,608
For the year ended		
Opening net book amount	**56,706**	57,608
Additions	**16,557**	1,431
Disposal of a subsidiary	**(38,306)**	–
Depreciation charge *(Note 28)*	**(2,900)**	(2,333)
Closing net book amount	**32,057**	56,706
At end of the year		
Cost	**46,887**	68,636
Accumulated depreciation	**(14,830)**	(11,930)
Net book amount	**32,057**	56,706

10. INTANGIBLE ASSETS

The Group

	Patent and proprietary technologies RMB'000	Computer software RMB'000	Goodwill RMB'000	Development costs RMB'000	Total RMB'000
Year ended 31 December 2010					
Opening net book amount, as previously reported	643,168	110,021	125,959	85,553	964,701
Effect of change in accounting policy *(Note 2.1.1)*	(186,358)	(89,434)	(184)	–	(275,976)
Opening net book amount, as restated	456,810	20,587	125,775	85,553	688,725
Additions	248,687	23,410	–	516,855	788,952
Amortisation charge *(Note 28)*	(12,621)	(5,648)	–	(13,195)	(31,464)
Closing net book amount	692,876	38,349	125,775	589,213	1,446,213
At 31 December 2010					
Cost	712,167	51,786	125,775	602,408	1,492,136
Accumulated amortisation	(19,291)	(13,437)	–	(13,195)	(45,923)
Net book amount	692,876	38,349	125,775	589,213	1,446,213
Year ended 31 December 2011					
Opening net book amount, as previously reported	**876,212**	**132,269**	**125,959**	**714,226**	**1,848,666**
Effect of change in accounting policy *(Note 2.1.1)*	**(183,336)**	**(93,920)**	**(184)**	**(125,013)**	**(402,453)**
Opening net book amount, as restated	**692,876**	**38,349**	**125,775**	**589,213**	**1,446,213**
Additions	**113,544**	**22,690**	**–**	**410,942**	**547,176**
Additions of subsidiaries *(Note 40)*	**113,853**	**–**	**201,337**	**121,550**	**436,740**
Amortisation charge *(Note 28)*	**(65,688)**	**(9,208)**	**–**	**(81,824)**	**(156,720)**
Closing net book amount	**854,585**	**51,831**	**327,112**	**1,039,881**	**2,273,409**
At 31 December 2011					
Cost	**940,086**	**74,495**	**327,112**	**1,134,900**	**2,476,593**
Accumulated amortisation	**(85,501)**	**(22,664)**	**–**	**(95,019)**	**(203,184)**
Net book amount	**854,585**	**51,831**	**327,112**	**1,039,881**	**2,273,409**

10. INTANGIBLE ASSETS (continued)

The Company

	Patent and proprietary technologies RMB'000	Computer software RMB'000	Development costs RMB'000	Total RMB'000
Year ended 31 December 2010				
Opening net book amount	456,148	15,496	85,553	557,197
Additions	261,819	6,789	516,855	785,463
Amortisation charge	(17,074)	(5,044)	(13,195)	(35,313)
Closing net book amount	700,893	17,241	589,213	1,307,347
At 31 December 2010				
Cost	718,391	26,863	602,408	1,347,662
Accumulated amortisation	(17,498)	(9,622)	(13,195)	(40,315)
Net book amount	700,893	17,241	589,213	1,307,347
Year ended 31 December 2011				
Opening net book amount	700,893	17,241	589,213	1,307,347
Additions	46,354	5,028	349,406	400,788
Amortisation charge	(42,796)	(5,594)	(81,824)	(130,214)
Closing net book amount	704,451	16,675	856,795	1,577,921
At 31 December 2011				
Cost	764,745	31,891	951,814	1,748,450
Accumulated amortisation	(60,294)	(15,216)	(95,019)	(170,529)
Net book amount	704,451	16,675	856,795	1,577,921

10. INTANGIBLE ASSETS (continued)

(a) Amortisation of the Group's intangible assets has been charged to the consolidated statement of comprehensive income as follows:

	Year ended 31 December	
	2011	2010
	RMB'000	RMB'000
Cost of sales	**5,501**	9,524
Selling and distribution costs	**288**	–
Administrative expenses	**150,931**	21,940
	156,720	31,464

(b) Goodwill arose from acquisition of Businesses:

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
Business acquired by GAC Gonow *(Note 40)*	**201,337**	–
Denway	**90,299**	90,299
Others	**35,476**	35,476
	327,112	125,775

Goodwill is allocated to the passenger vehicles and related operations and auto parts segment, which is operated in Mainland China. Impairment testing is performed in the year end, and there is no material impairment for goodwill as at year end.

11. INVESTMENTS IN SUBSIDIARIES

The Company

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
Unlisted investment, at cost *(Note (a))*	**21,336,524**	20,736,524
Less: Provision for impairment *(Note (b))*	**–**	–
	21,336,524	20,736,524

(a) In 2011, additional capital injection was made to Guangzhou Automobile Group Moto Co., Ltd.

(b) Particulars of the Group's principal subsidiaries are set out in Note 5.

12. INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES

The Group

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
Unlisted investment	**9,284,474**	8,166,021

The Company

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
Unlisted investment, at cost	**3,885,739**	2,928,546

12. INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES (continued)

(a) Movements of investments in jointly-controlled entities are set out as follows:

The Group

	Year ended 31 December	
	2011	2010
	RMB'000	RMB'000
At beginning of the year, as previously reported	**–**	–
Effect of change in accounting policy *(Note 2.1.1)*	**8,166,021**	6,760,627
At beginning of the year, as restated	**8,166,021**	6,760,627
Additions *(Note (i))*	**1,254,496**	744,366
Share of profit	**3,906,365**	4,581,357
Dividends received	**(4,042,408)**	(3,920,329)
End of the year	**9,284,474**	8,166,021

The Company

	Year ended 31 December	
	2011	2010
	RMB'000	RMB'000
Beginning of the year	**2,928,546**	2,254,537
Additions *(Note (i))*	**957,193**	674,009
End of the year	**3,885,739**	2,928,546

(i) In January 2011, the Group acquired 50% equity interests in Wuyang-Honda Motors (Guangzhou) Co., Ltd. ("Wuyang-Honda") from a subsidiary of the Company's parent company, Guangzhou Automobile Industry Group Co., Ltd, at a consideration of RMB444,764,750.

The additions of investments in jointly-controlled entities for the year ended 31 December 2011 mainly represented additional capital contribution to GAC FIAT automobiles Co., Ltd, at a consideration of RMB450,000,000.

12. INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES (continued)

(b) The following amounts represent the Group's share of the assets and liabilities, and income and expenses of the jointly-controlled entities.

The Group

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
Assets		
Non-current assets	**8,927,285**	7,322,941
Current assets	**15,931,530**	15,346,816
Total Assets	**24,858,815**	22,669,757
Liabilities		
Non-current liabilities	**765,440**	512,779
Current liabilities	**14,794,955**	13,974,114
Total Liabilities	**15,560,395**	14,486,893
Net assets	**9,298,420**	8,182,864
Non-controlling interests	**(13,946)**	(16,843)
	9,284,474	8,166,021
Proportionate interest in jointly-controlled entities' commitments	**703,724**	3,380,533

	Year ended 31 December	
	2011	2010
	RMB'000	RMB'000
Income	**54,213,861**	53,486,633
Expenses	**(50,310,216)**	(48,907,671)
Profit after income tax	**3,903,645**	4,578,962
Non-controlling interests arising on business combination	**2,720**	2,395
	3,906,365	4,581,357

(c) Particulars of the Group's principal jointly-controlled entities are set out in Note 5.

13. INVESTMENTS IN ASSOCIATES

The Group

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
A listed company in Mainland China	**1,071,671**	1,109,923
Unlisted companies	**4,026,084**	4,090,806
	5,097,755	5,200,729
Market value of listed shares	**2,223,496**	2,125,312

The Company

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
A listed company in Mainland China	**1,057,872**	1,057,872
Unlisted companies	**872,082**	821,528
	1,929,954	1,879,400

13. INVESTMENTS IN ASSOCIATES (continued)

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

The Group

	Year ended 31 December	
	2011	2010
	RMB'000	RMB'000
Beginning of the year	**5,200,729**	4,644,787
Additions	**53,859**	155,336
Disposal	**(1,238)**	–
Share of profits	**766,289**	1,129,711
Dividends received	**(921,884)**	(729,105)
End of the year	**5,097,755**	5,200,729

The Company

	Year ended 31 December	
	2011	2010
	RMB'000	RMB'000
Beginning of the year	**1,879,400**	1,753,080
Additions	**50,554**	126,320
End of the year	**1,929,954**	1,879,400

13. INVESTMENTS IN ASSOCIATES (continued)

(b) The combined results, total assets and liabilities of the Group's associates are as follows:

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
Total assets	**26,482,170**	25,625,437
Total liabilities	**(12,104,969)**	(11,024,430)
Net assets	**14,377,201**	14,601,007

	Year ended 31 December	
	2011	2010
	RMB'000	RMB'000
Revenue	**38,081,946**	41,434,584
Profit for the year	**2,349,315**	3,573,692

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

14. FINANCIAL INSTRUMENTS BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

The Group

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
Loan and receivables		
– Trade and other receivables		
(exclude prepayment and VAT recoverable) *(Note 19)*	**2,289,768**	2,358,340
– Time deposits *(Note 20)*	**8,603,852**	5,865,268
– Restricted cash *(Note 21)*	**297,067**	376,318
– Cash and cash equivalents *(Note 22)*	**8,239,169**	9,382,214
Assets at fair value through the profit and loss	**2,250**	–
Held-to-maturity investments	**70,142**	–
Available-for-sale financial assets	**98,855**	–
	19,601,103	17,982,140

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
Financial liabilities at amortised cost		
– Trade and other payables (exclude advances from customers, staff welfare benefits payable, other taxes and government grants) *(Note 27)*	**3,520,733**	2,848,753
– Borrowings *(Note 25)*	**9,837,335**	9,002,927
Total	**13,358,068**	11,851,680

14. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The Company

	Loans and receivables As at 31 December	
	2011	2010
	RMB'000	RMB'000
Trade and other receivables (exclude prepayment) *(Note 19)*	**1,019,694**	1,120,756
Time deposit	**750,000**	1,480,000
Cash and cash equivalents	**1,459,394**	1,419,018
Total	**3,229,088**	4,019,774

	Financial liabilities at amortised cost As at 31 December	
	2011	2010
	RMB'000	RMB'000
Trade and other payables (exclude staff welfare benefits payable and other taxes) *(Note 27)*	**446,153**	854,154
Borrowings *(Note 25)*	**7,452,929**	7,435,288
Total	**7,899,082**	8,289,442

15. DEFERRED INCOME TAX

(a) Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same taxation authority. The offset amounts are as follows:

The Group

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
Deferred tax assets:		
– to be recovered after more than 12 months	**275,932**	81,054
– to be recovered within 12 months	**63,202**	53,059
	339,134	134,113
Deferred tax liabilities:		
– to be settled after more than 12 months	**(1,422)**	(969)
– to be settled within 12 months	**(37,479)**	(22,390)
	(38,901)	(23,359)
Deferred tax assets-net	**300,233**	110,754

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

	Year ended 31 December	
	2011	2010
	RMB'000	RMB'000
Beginning of the year	**110,754**	47,414
Recognised in the consolidated statement of comprehensive income *(Note 33)*	**191,337**	63,340
Acquisition of subsidiaries *(Note 40)*	**(1,858)**	–
End of the year	**300,233**	110,754

15. DEFERRED INCOME TAX (continued)

(c) The movements in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

Deferred tax assets	Impairment provision RMB'000	Amortisation of pre-operating expenses RMB'000	Accrued expenses RMB'000	Tax losses RMB'000	Unrealised profit RMB'000	Total RMB'000
Year ended 31 December 2010						
Opening book amount, as previously reported	34,682	46,017	139,428	46,592	–	266,719
Effect of change in accounting policy *(Note 2.1.1)*	(16,946)	(14,524)	(134,308)	(43,394)	–	(209,172)
Opening book amount, as restated	17,736	31,493	5,120	3,198	–	57,547
Recognised in the consolidated statement of comprehensive income	9,014	10,057	50,628	6,867	–	76,566
Closing book amount	26,750	41,550	55,748	10,065	–	134,113
Year ended 31 December 2011						
Opening book amount, as previously reported	**57,259**	**48,778**	**202,548**	**75,347**	**–**	**383,932**
Effect of change in accounting policy *(Note 2.1.1)*	**(30,509)**	**(7,228)**	**(146,800)**	**(65,282)**	**–**	**(249,819)**
Opening book amount, as restated	**26,750**	**41,550**	**55,748**	**10,065**	**–**	**134,113**
Recognised in the consolidated statement of comprehensive income	**(7,239)**	**(41,550)**	**79,835**	**165,474**	**8,501**	**205,021**
Closing book amount	**19,511**	**–**	**135,583**	**175,539**	**8,501**	**339,134**

15. DEFERRED INCOME TAX (continued)

(c) The movements in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows(continued):

Deferred tax liabilities	Accrued bank interest income RMB'000	Accelerated depreciation RMB'000	Fair value gains RMB'000	Total RMB'000
Year ended 31 December 2010				
Opening book amount, as previously reported	(9,315)	(818)	–	(10,133)
Effect of change in accounting policy *(Note 2.1.1)*	–	–	–	–
Opening book amount, as restated	(9,315)	(818)	–	(10,133)
Recognised in the consolidated statement of comprehensive income	(13,075)	(151)	–	(13,226)
Closing book amount	(22,390)	(969)	–	(23,359)
Year ended 31 December 2011				
Opening book amount, as previously reported	(22,390)	(969)	–	(23,359)
Effect of change in accounting policy *(Note 2.1.1)*	–	–	–	–
Opening book amount, as restated	(22,390)	(969)	–	(23,359)
Acquisition of subsidiary *(Note 40)*	–	–	(1,858)	(1,858)
Recognised in the consolidated statement of comprehensive income	(15,089)	969	436	(13,684)
Closing book amount	(37,479)	–	(1,422)	(38,901)

(d) In accordance with the PRC tax law, tax losses may be carried forward against future taxable income for a period of five years. The Group did not recognise deferred tax assets in respect of losses amounting to RMB2,396,910,351 (2010: RMB2,002,212,954), as it is uncertain that future taxable profit will be available against which the tax losses can be utilised. These tax losses will expire between 2012 and 2016.

16. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Year ended 31 December	
	2011	2010
	RMB'000	RMB'000
As at 1 January		
Addition	**100,000**	–
Net loss charged to equity	**(1,145)**	–
As at 31 December	**98,855**	–

Available-for-sale financial assets are a group of funds in which the group invested. All available-for-sale financial assets are denominated in RMB.

The maximum exposure to credit risk at the reporting date is the carrying value of the funds classified as available-for-sale.

None of these financial assets is either past due or impaired.

17. PREPAYMENTS

The Group

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
Prepayments for purchase of properties	**458,791**	–
Others	**6,606**	–
	465,397	–

The Company

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
Prepayments for purchase of properties	**458,791**	–

18. INVENTORIES

The Group

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
Raw materials and consumables	**304,734**	187,818
Work-in-progress	**96,450**	46,689
Finished goods and merchandise	**1,183,146**	1,202,829
	1,584,330	1,437,336
Less: provision for impairment	**(47,632)**	(83,994)
	1,536,698	1,353,342

The Company

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
Consumables	**2,822**	8,802

The cost of inventories recognised as expenses and included in cost of sales amounted to RMB9,628,457,000 (2010: RMB7,348,314,000).

19. TRADE AND OTHER RECEIVABLES

The Group

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
Trade receivables	**899,222**	519,319
Less: Provision for impairment	**(135,321)**	(138,262)
Trade receivables – net	**763,901**	381,057
Notes receivables	**63,602**	2,491
Deposits	**47,663**	49,874
Entrusted loans	**72,515**	285,000
VAT recoverable	**224,066**	219,622
Prepayments	**465,835**	267,177
Dividends receivables	**874,091**	1,344,919
Other receivables	**467,996**	294,999
	2,979,669	2,845,139

The Company

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
Trade receivables – gross	**70,322**	70,322
Less: Provision for impairment	**(70,322)**	(70,322)
Trade receivables – net	**–**	–
Prepayments	**7,622**	3,833
Other receivables	**36,756**	145,608
Receivables from subsidiaries	**982,938**	975,148
	1,027,316	1,124,589

19. TRADE AND OTHER RECEIVABLES (continued)

(a) Sales of passenger vehicles were normally made with advance from customers. Sales of other products were made on credit terms ranging from 2 to 170 days. Ageing analysis of trade receivables at respective balance sheet dates is as follows:

The Group

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
Within 3 months	**573,843**	312,295
Between 3 months and 1 year	**183,398**	60,396
Between 1 and 2 years	**4,003**	7,409
Between 2 and 3 years	**4,242**	2,549
Over 3 years	**133,736**	136,670
	899,222	519,319

As at 31 December 2011, most of the trade receivables overdue by more than 1 year were impaired and provided. The individually impaired receivables were mainly related to customers of the Group with long outstanding balances which arose prior to the conversion of the Company into a joint stock limited liability company.

(b) As at 31 December 2011, trade receivables of RMB2,538,000 (2010: RMB1,574,000) were past due but not impaired. These relate to a number of independent customers with no recent history of default. The ageing analysis of these trade receivables is as follows:

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
Within 1 year	**2,535**	1,570
Between 1 and 2 years	**3**	4
	2,538	1,574

19. TRADE AND OTHER RECEIVABLES (continued)

(c) As at 31 December 2011, trade receivables of RMB378,645,000 (2010: RMB279,358,000) were impaired and provided for. The amount of the provision was RMB135,321,000 (2010: RMB138,262,000). The individually impaired receivables were mainly related to customers, with unexpected difficult economic situations. It was assessed that only a portion of these receivables is expected to be recovered. The ageing of these trade receivables is as follows:

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
Within 1 year	**236,521**	166,737
Between 1 and 2 years	**4,000**	7,405
Between 2 and 3 years	**4,242**	2,549
Over 3 years	**133,736**	136,670
	378,499	313,361

Movements on the provision for impairment of trade receivables are as follows:

	Year ended 31 December	
	2011	2010
	RMB'000	RMB'000
Beginning of the year	**138,262**	162,618
Impairment loss for trade receivables	**1,984**	867
Receivables written off as uncollectible	**(3,539)**	(2,633)
Disposal of subsidiaries	**(1,386)**	(22,590)
End of the year	**135,321**	138,262

The creation and release of provision for impaired receivables have been included in "administrative expenses" in the consolidated statement of comprehensive income (Note 28). Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

19. TRADE AND OTHER RECEIVABLES (continued)

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

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
RMB	**2,879,850**	2,725,486
HKD	**99,819**	119,653
	2,979,669	2,845,139

The carrying amounts of the Company's trade and other receivables are denominated in RMB.

(e) The Group was not aware of any credit risk on notes receivables, dividend receivables, deposits and entrusted loan as the counterparties are either state-owned banks or other financial institutions without significant credit risk, or entities without financial difficulties.

20. TIME DEPOSITS

The Group

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
Denominated in:		
– RMB	**8,303,086**	5,865,268
– HKD	**300,766**	–
Total	**8,603,852**	5,865,268

The initial term of time deposits was over three months, and the weighted average effective interest rates were from 1.98% to 3.05% per annum for the years ended 31 December 2011 and 2010.

The Company's time deposits were denominated in RMB.

21. RESTRICTED CASH

All restricted cash was denominated in RMB as at 31 December 2011 and 2010.

RMB177,067,000 was pledged for the issuance of bank notes and letters of credit (2010: RMB76,318,000), and RMB100,000,000 was pledged for the capital of a financial entity (2010: nil) as at 31 December 2011. In addition, RMB20,000,000 (2010: RMB300,000,000) was deposited into a designated bank account for the formation of a subsidiary of the Group as at 31 December 2011.

22. CASH AND CASH EQUIVALENTS

The Group

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
Denominated in:		
– RMB	**7,904,224**	8,723,022
– HKD	**78,769**	377,154
– USD	**250,511**	275,239
– JPY	**5,535**	6,556
– Others	**130**	243
	8,239,169	9,382,214

The Company's cash and cash equivalents were denominated in RMB.

22. CASH AND CASH EQUIVALENTS (continued)

(a) As at 31 December 2011 and 2010, the Group's cash and cash equivalents, restricted cash (Note 21) and time deposits (Note 20) were deposited in financial institutions without significant credit risk. Detail ratings of these financial institutions, as published by Standard & Poor's, are set out as follows:

The Group

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
A+	**146,435**	243,013
A–	**2,575,490**	3,075,212
BBB	**3,518,249**	2,551,151
BBB–	**10,663,732**	3,170,853
Others and cash on hand	**236,182**	6,583,571
Total	**17,140,088**	15,623,800
Representing		
– Time deposits	**8,603,852**	5,865,268
– Restricted cash	**297,067**	376,318
– Cash and cash equivalents	**8,239,169**	9,382,214
	17,140,088	15,623,800

23. SHARE CAPITAL

	Domestic shares of RMB1 each		H shares of RMB1 each		Total	
	Number of shares (thousands)	Ordinary shares RMB'000	Number of shares (thousands)	Ordinary shares RMB'000	Number of shares (thousands)	Ordinary shares RMB'000
As at 1 January 2010	3,934,757	3,934,757	–	–	3,934,757	3,934,757
Issue of new shares	–	–	2,213,300	2,213,300	2,213,300	2,213,300
As at 31 December 2010 and 2011	3,934,757	3,934,757	2,213,300	2,213,300	6,148,057	6,148,057

As detailed in Note 1, the Company was transformed into a joint stock limited liability company in Jane 2005 under the PRC Company Law by converting its registered share capital and reserves as of 30 June 2004 into 3,499,665,555 shares of RMB1 each. On 26 August 2010, the Company issued 2,123,300,218 ordinary H shares of RMB1 each.

24. RESERVES

The Group

	Share premium RMB'000	Capital reserves RMB'000	Available-for-sale investments RMB'000	Statutory surplus reserve fund RMB'000 *Note (a)*	Other reserves RMB'000	Retained earnings RMB'000	Total reserves RMB'000
As at 1 January 2010	–	53,347	–	760,839	814,186	8,310,798	9,124,984
Issue of new shares, net of transaction costs *(Note (b))*	15,253,838	–	–	–	15,253,838	–	15,253,838
Transaction with Public Shareholders of Denway	–	(8,657,143)	–	–	(8,657,143)	–	(8,657,143)
Profit for the year	–	–	–	–	–	4,295,099	4,295,099
Appropriation to reserve fund	–	–	–	225,883	225,883	(225,883)	–
Distributions	–	–	–	–	–	(553,325)	(553,325)
As at 31 December 2010	15,253,838	(8,603,796)	–	986,722	7,636,764	11,826,689	19,463,453
Available-for-sale financial assets	–	–	(687)	–	(687)	–	(687)
Reversal of over-accrued transaction costs *(Note (b))*	3,332	–	–	–	3,332	–	3,332
Profit for the year	–	–	–	–	–	4,271,703	4,271,703
Appropriation to reserve fund	–	–	–	229,908	229,908	(229,908)	–
Distributions	–	–	–	–	–	(676,286)	(676,286)
As at 31 December 2011	15,257,170	(8,603,796)	(687)	1,216,630	7,869,317	15,192,198	23,061,515

24. RESERVES (continued)

The Company

	Share premium RMB'000	Deficit on reorganisation RMB'000 *Note (c)*	Other capital reserve RMB'000	Statutory surplus reserve fund RMB'000 *Note (a)*	Other reserves RMB'000	Retained earnings RMB'000	Total reserves RMB'000
As at 1 January 2010	–	(1,617,558)	2,506	760,839	(854,213)	1,083,098	228,885
Issue of new shares, net of transaction costs *(Note(b))*	15,253,838	–	–	–	15,253,838	–	15,253,838
Profit for the year	–	–	–	–	–	1,747,107	1,747,107
Appropriation to reserve fund	–	–	–	225,883	225,883	(225,883)	–
Distributions	–	–	–	–	–	(553,325)	(553,325)
As at 31 December 2010	15,253,838	(1,617,558)	2,506	986,722	14,625,508	2,050,997	16,676,505
Reversal of over-accrued transaction costs *(Note (b))*	3,332	–	–	–	3,332	–	3,332
Profit for the year	–	–	–	–	–	2,716,773	2,716,773
Appropriation to reserve fund	–	–	–	229,908	229, 908	(229,908)	–
Distributions	–	–	–	–	–	(676,286)	(676,286)
As at 31 December 2011	15,257,170	(1,617,558)	2,506	1,216,630	14,858,748	3,861,576	18,720,324

24. RESERVES (continued)

(a) In accordance with relevant rules and regulations in the PRC, except for Sino-foreign equity joint venture enterprises, all PRC companies are required to transfer 10% of their profit after taxation calculated under PRC accounting rules and regulations to the statutory surplus reserve fund, until the accumulated total of the fund reaches 50% of their registered capital. The statutory surplus reserve fund can only be used, upon approval by the relevant authority, to offset previous years' losses or to increase the capital of respective companies.

(b) When the privatisation of Denway and the listing of the Company by way of Introduction were completed on 30 August 2010, part of the transaction costs were not yet fully settled and share premium was deducted by an estimated amount. In 2011, all the transaction costs were settled and the over-accrued transaction costs of RMB3,332,000, which had been off-set against share premium, were reversed.

(c) As of the date of reorganisation and formation of the joint stock holding company, retained earnings of the company-only financial statements prepared under PRC GAAP amounted to approximately RMB1.6 billion, which mainly resulted from the Company's share of results from its subsidiaries, associates and jointly-controlled entities using equity method. On the conversion of the Company to a joint stock holding company, retained earnings of RMB1.6 billion under PRC GAAP was converted into share capital. Under HKFRS, the results in these investee companies were accounted for using cost method in the company-only financial statements. Accordingly, there was no such RMB1.6 billion in retained earnings in the company-only financial statements to be utilised. Such amount was therefore charged to the capital reserve account of the company. Considering the nature of this deficit balance, the Company will transfer dividends declared by the investees which relate to the profits generated before the reorganisation and formation of the joint stock holding company, to capital reserve, to the extent that the deficit balance becomes zero.

(d) As at 31 December 2011, consolidated retained earnings included subsidiaries' surplus reserve attributable to the Company, which amounted to RMB718,138,000 (2010: RMB635,363,000).

25. BORROWINGS

The Group

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
Non-current		
Bank borrowings		
– secured *(Note (a))*	**22,944**	53,444
– unsecured	**461,441**	661,590
	484,385	715,034
Corporate bonds-secured *(Notes (a) and (h))*	**594,367**	593,611
Debentures-unsecured *(Note (i))*	**6,658,562**	6,641,677
Total non-current borrowings	**7,737,314**	7,950,322
Current		
Bank borrowings		
– secured *(Note (a))*	**443,053**	135,098
– unsecured	**1,656,968**	917,507
Total current borrowings	**2,100,021**	1,052,605
Total borrowings	**9,837,335**	9,002,927

The Company

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
Non-current		
Bank borrowings – unsecured	**–**	200,000
Corporate bonds – secured *(Notes (a) and (h))*	**594,367**	593,611
Debentures – unsecured *(Note (i))*	**6,658,562**	6,641,677
	7,252,929	7,435,288
Current		
Bank borrowings – unsecured	**200,000**	–
Total borrowings	**7,452,929**	7,435,288

25. BORROWINGS (continued)

(a) Details of the securities of the Group's and the Company's borrowings are as follows:

The Group

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
Secured by assets of the Group	**465,997**	188,542
Guarantees given by a state-owned financial institution	**594,367**	593,611
Total borrowings	**1,060,364**	782,153

The Company

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
Guarantees given by a state-owned financial institution	**594,367**	593,611

25. BORROWINGS (continued)

(b) The exposure of the Group's and the Company's borrowings to interest rate changes and the contractual repricing dates or maturity dates whichever is earlier at the balance sheet dates are as follows:

The Group

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
Within 1 year	**2,584,406**	1,362,717
Between 1 and 5 years	**6,658,562**	7,046,599
Over 5 years	**594,367**	593,611
	9,837,335	9,002,927

The Company

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
Within 1 year	**200,000**	–
Between 1 and 5 years	**6,658,562**	6,841,677
Over 5 years	**594,367**	593,611
	7,452,929	7,435,288

25. BORROWINGS (continued)

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

The Group

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
Within 1 year	**2,100,021**	1,052,605
Between 1 and 2 years	**127,944**	323,089
Between 2 and 5 years	**7,015,003**	7,033,622
Over 5 years	**594,367**	593,611
	9,837,335	9,002,927

The Company

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
Within 1 year	**200,000**	–
Between 1 and 2 years	**–**	200,000
Between 2 and 5 years	**6,658,562**	6,641,677
Over 5 years	**594,367**	593,611
	7,452,929	7,435,288

(d) The carrying amounts of the Group's borrowings are denominated in the following currencies:

The Group

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
RMB	**9,449,135**	8,678,175
USD	**388,200**	324,752
	9,837,335	9,002,927

All the Company's borrowings are denominated in RMB.

25. BORROWINGS (continued)

(e) The weighted average effective interest rates at the respective balance sheet dates are set out as follows:

The Group

	As at 31 December	
	2011	2010
Bank borrowings		
– RMB	**5.50%**	3.91%
– USD	**5.98%**	4.03%
Corporate bonds (RMB)	**6.21%**	6.21%
Debentures (RMB)	**4.02%**	4.02%

The Company

	As at 31 December	
	2011	2010
Bank borrowings (RMB)	**3.60%**	3.60%
Corporate bonds (RMB)	**6.21%**	6.21%
Debentures (RMB)	**4.02%**	4.02%

(f) The carrying amounts of current borrowings approximate their fair values. The carrying value and fair value of non-current borrowings are set out as follows:

The Group

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
Carrying amount	**7,737,314**	7,950,322
Fair value	**7,748,999**	7,928,316

The Company

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
Carrying amount	**7,252,929**	7,435,288
Fair value	**7,274,912**	7,427,467

The fair value of current borrowings equals their carrying amount, as the impact of discounting is not significant. The fair values are based on cash flows discounted using a rate based on the borrowing rate of 6.65% (2010: 5.76%).

25. BORROWINGS (continued)

(g) At each balance sheet date, the Group of the Company had the following undrawn borrowing facilities:

The Group

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
Floating rate		
– Expiring within 1 year	**6,125,521**	7,416,194
– Expiring beyond 1 year	**839,869**	3,142,842
	6,965,390	10,559,036

The Company

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
Floating rate		
– Expiring within 1 year	**2,300,000**	2,300,000

(h) 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 China Development Bank, a state-owned financial institution and will be used to finance projects related to passenger vehicles. The guarantee provided by China Development Bank will not be released until the full redemption of corporate bonds.

(i) 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.

26. GOVERNMENT GRANTS

The Group

	Year ended 31 December	
	2011	2010
	RMB'000	RMB'000
Opening book amount, as previously reported	**476,032**	279,846
Effect of change in accounting policy *(Note 2.1.1)*	**(234,064)**	–
Opening book amount, as restated	**241,968**	279,846
Additions	**141,045**	31,105
Amortisation	**(29,930)**	(68,983)
End of the year	**353,083**	241,968

The Company

	Year ended 31 December	
	2011	2010
	RMB'000	RMB'000
Beginning of the year	**64,548**	109,846
Additions	**141,045**	21,105
Amortisation	**(13,585)**	(66,403)
End of the year	**192,008**	64,548

27. TRADE AND OTHER PAYABLES

The Group

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
Trade payables *(Note (a))*	**1,850,408**	813,308
Bills payables	**677,860**	583,483
Advances from customers	**335,058**	307,315
Staff welfare benefits payable	**226,577**	189,510
Other taxes *(Note (c))*	**76,011**	25,649
Commission fee payables	**36,075**	51,440
Interests payable	**186,833**	182,050
Other payables	**770,807**	1,221,622
	4,159,629	3,374,377
Less: non-current portion of trade and other payables	**(90,733)**	(120,832)
Current portion	**4,068,896**	3,253,545

The Company

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
Trade payables	**24,144**	17,276
Employee benefits payable	**45,906**	48,095
Other taxes	**4,356**	5,166
Commission fee payable	**36,075**	51,440
Interest payable	**175,254**	175,254
Other payables	**165,286**	584,961
Amounts due to subsidiaries	**45,394**	25,223
	496,415	907,415
Less: non-current portion of trade and other payables	**(90,218)**	(120,832)
Current portion	**406,197**	786,583

27. TRADE AND OTHER PAYABLES (continued)

(a) As at 31 December 2011 and 2010, the ageing analysis of the Group's trade payables is as follows:

The Group

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
Within 1 year	**1,823,937**	802,391
Between 1 and 2 years	**20,151**	5,358
Between 2 and 3 years	**2,701**	3,278
Over 3 years	**3,619**	2,281
	1,850,408	813,308

All the Company's trade payables are within 1 year.

(b) The carrying amounts of the Group's trade and other payables are denominated in the following currencies:

The Group

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
RMB	**3,950,544**	3,029,341
HKD	**91,518**	165,178
USD	**–**	893
JPY	**–**	122
EUR	**117,567**	178,843
	4,159,629	3,374,377

All the Company's trade and other payables are denominated in RMB.

(c) Balances of other taxes include value-added tax payables, business tax payables, consumption tax payables and other taxes payable.

28. EXPENSES BY NATURE

	Year ended 31 December	
	2011	2010
	RMB'000	RMB'000
Auditors' remuneration	**7,232**	6,560
Depreciation and amortisation charges *(Notes 7, 8, 9 and 10)*	**489,746**	199, 469
Impairment charges *(Notes 7 and 8)*	**5,595**	–
Impairment of inventories	**21,130**	48,041
(Reversal of)/provision for impairment loss for trade and other receivables	**(24,288)**	4,897
Employee benefit expense *(Note 29)*	**1,075,552**	808,987
Changes in inventories of finished goods and work-in-progress	**151,006**	(684,835)
Raw materials, goods and consumables used	**9,163,943**	7,993,172
Sales tax and levies	**194,065**	47,965
Transportation	**114,480**	78,775
Advertising and promotion	**481,788**	325,042
Warranty expense	**37,076**	–
Research costs	**149,126**	170,656
Other expenses	**529,059**	315,548
Government grants	**(29,930)**	(473,107)
Total cost of sales, selling and distribution costs and administrative expenses	**12,365,580**	8,841,170

29. EMPLOYEE BENEFIT EXPENSE

	Year ended 31 December	
	2011	2010
	RMB'000	RMB'000
Wages and Salaries	**814,429**	591,231
Pension scheme costs *(Note (a))*	**110,630**	81,837
Housing benefits *(Note (b))*	**54,361**	49,442
Welfare, medical and other expenses	**96,132**	86,477
	1,075,552	808,987

29. EMPLOYEE BENEFIT EXPENSE (continued)

(a) The Group's employees in the PRC are covered by certain defined contribution pension schemes regulated by the relevant municipal and provincial governments in the PRC, pursuant to which the municipal and provincial governments undertake to assume the retirement benefit obligations payable to all existing and retired employees. The contributions to the scheme are expensed as incurred.

(b) The Group's contributions to the defined contribution housing fund scheme administered by a government agency are determined at a certain percentage of the salaries of the employees. The contributions to the scheme are expensed as incurred.

(c) Directors' and senior management's emoluments

The remuneration of every Director and Supervisor for the year ended 31 December 2011 is set out below:

Name	Fees	Basic salaries, housing allowances, other allowances and benefits-in-kind	Contributions to pension plans	Discretionary bonuses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Name of director:					
Zhang Fangyou	–	–	–	–	–
Zeng Qinghong	–	567	93	629	1,289
Wei Xiaoqin	–	–	–	–	–
Li Tun	–	1,132	51	–	1,183
Liu Huilian	–	482	93	524	1,099
Yuan Zhongrong	–	539	93	592	1,224
Fu Shoujie	–	–	–	–	–
Wang Songlin	–	–	–	–	—
Lu Sa	–	539	93	596	1,228
Li Pingyi	–	–	–	–	–
Wu Gaogui	–	100	–	–	100
Ma Guohua	–	100	–	–	100
Xiang Bing	–	100	–	–	100
Luo Yuqun	–	100	–	–	100
Li Zhengxi	–	100	–	–	100
Name of supervisor:					
Gao Fusheng	–	–	–	–	–
Huang Zhiyong	–	–	–	–	–
He Yuan	–	–	–	–	–
He Jinpei	–	358	93	84	535
Ye Ruiqi	–	478	93	128	699

29. EMPLOYEE BENEFIT EXPENSE (continued)

(c) Directors' and senior management's emoluments (continued)

The remuneration of every Director and Supervisor for the year ended 31 December 2010 is set out below:

Name	Fees	Basic salaries, housing allowances, other allowances and benefits-in-kind	Contributions to pension plans	Discretionary bonuses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Name of director:					
Zhang Fangyou	–	–	–	–	–
Zeng Qinghong	–	654	78	292	1,024
Wei Xiaoqin	–	–	–	–	–
Li Tun	260	1,119	49	535	1963
Liu Huilian	–	567	78	243	888
Yuan Zhongrong	–	625	78	274	977
Fu Shoujie	–	–	–	–	–
Wang Songlin	–	–	–	–	–
Lu Sa	–	616	78	276	970
Li Pingyi	–	–	–	–	–
Wu Gaogui	–	100	–	–	100
Ma Guohua	–	100	–	–	100
Xiang Bing	–	100	–	–	100
Luo Yuqun	–	100	–	–	100
Li Zhengxi	–	100	–	–	100
Name of supervisor:					
Gao Fusheng	–	–	–	–	–
Huang Zhiyong	–	–	–	–	–
He Yuan	–	–	–	–	–
He Jinpei	–	261	78	304	643
Ye Ruiqi	–	372	78	474	924

29. EMPLOYEE BENEFIT EXPENSE (continued)

(d) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include 5 directors and supervisors (2010: 3) whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining 0 (2010: 3) individual during the year are as follows:

	Year ended 31 December	
	2011	2010
	RMB'000	RMB'000
Fees	–	–
Basic salaries, housing allowances, other allowances and benefits-in-kind	–	1,800
Contributions to pension plans	–	235
Discretionary bonuses	–	2,209
	–	4,244

The emoluments fall within the following bands:

	Year ended 31 December	
	2011	2010
Senior management		
– Nil to HKD1,000,000 (equivalent to RMB866,000)	–	–

30. OTHER GAINS – NET

	Year ended 31 December	
	2011	2010
	RMB'000	RMB'000
Net foreign exchange losses	**16,746**	26,145
(Gain)/loss on disposal of property, plant and equipment and land use rights	**(5,266)**	660
Donations	**140,447**	27,226
Loss/(gain) on disposal of a subsidiary and an associate	**1,335**	(85,691)
Government grants *(Note (a))*	**(993,103)**	(59,571)
Others	**(447)**	33,387
	(840,288)	(57,844)

(a) According to Suifu13Jie160Ci[2011] No.31 circular, the People's Government of Guangzhou Municipality granted a financial subsidy of RMB700,000,000 to the Company for its strategic development. Up to 31 December 2011, the Company had received the fund totalling RMB700,000,000 from Guangzhou Financial Bureau.

The amount received was a comprehensive subsidy to the Company of which the fund can be used at its own discretion. As the subsidy of RMB700,000,000 was a government grant related to income, according to the relevant regulations regarding government grants in HKAS 20, the whole amount of the subsidy was recognised in the consolidated statement of comprehensive income in 2011.

31. INTEREST INCOME

Interest income recognised in the consolidated statement of comprehensive income is included as follows:

	Year ended 31 December	
	2011	2010
	RMB'000	RMB'000
Interest income from time deposits	**316,222**	209,666
Interest income from restricted cash and cash and cash equivalents	**57,879**	24,986
	374,101	234,652

32. FINANCE COSTS

	Year ended 31 December	
	2011	2010
	RMB'000	RMB'000
Interest expenses	**439,256**	369,091
Interests capitalised in qualifying assets	**(4,042)**	(4,749)
Net foreign exchange gains on financing activities	**(20,470)**	(2,054)
	414,744	362,288

33. TAXATION

(a) Income tax (credit)/expense

	Year ended 31 December	
	2011	2010
	RMB'000	RMB'000
Current income tax:		
– Hong Kong profits tax	**–**	53
– PRC enterprise income tax	**81,423**	64,962
	81,423	65,015
Deferred tax *(Note 15)*	**(191,337)**	(63,340)
	(109,914)	1,675

33. TAXATION (continued)

(a) Income tax (credit)/expense (continued)

The difference between the actual income tax (credit)/expense in the consolidated statement of comprehensive income and the amounts which would result from applying the enacted tax rate to profit before income tax can be reconciled as follows:

	Year ended 31 December	
	2011	2010
	RMB'000	RMB'000
Profit before income tax	**4,056,986**	5,521,594
Tax calculated at domestic tax rates applicable to profits in the respective countries	**989,689**	1,341,928
Effect of tax holiday *(Note (i))*	**(3,942)**	(2,556)
Income not subject to tax *(Note (ii))*	**(1,168,117)**	(1,429,186)
Expenses not deductible for tax purposes	**662**	412
Utilisation of previously unrecognised tax losses	**(34,973)**	(7,305)
Tax losses for which no deferred income tax asset was recognised	**106,767**	98,382
Income tax (credit)/expense	**(109,914)**	1,675

(i) All the Group companies incorporated in Mainland China are subject to Mainland China Corporate Income Tax ("CIT"), which has been calculated on the estimated assessable profit for the year at a rate of 25%, except for enterprises which were established before the publication of the CIT Law on 16 March 2007 and were entitled to preferential treatments of reduced tax rates granted by the relevant authorities, the new corporate income tax rate will gradually increase to 25% within 5 years. For enterprises that enjoyed a reduced income tax rate of 15%, the tax rate was 18% for 2008, 20% for 2009, 22% for 2010, will be 24% for 2011 and 25% for 2012. Enterprises that were entitled to exemptions or reductions from the standard income tax rate for a fixed term may continue to enjoy such treatment until the fixed term expires.

Details of the tax rates applicable to the Company and its major jointly-controlled entities are listed as below:

	2010	2011	2012
The Company	25%	25%	25%
GAC Honda Motor Co., Ltd.	22%	24%	25%
GAC Toyota Motor Co., Ltd.	11%	24%	25%

Certain subsidiaries are subject to Hong Kong profits tax, which has been provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profit for the year ended 31 December 2011.

33. TAXATION (continued)

(a) Income tax (credit)/expense (continued)

(ii) Income not subject to tax for the year mainly represented the Group's share of profit of jointly-controlled entities and associates.

(b) Consumption tax ("CT") and business tax ("BT")

Certain companies within the Group are subject to CT at rates ranging from 3% to 25% for the sales of passenger vehicles and commercial vehicles.

In addition, the Group is also subject to BT at the rate of 5% for service fee income received and receivable.

(c) Value-added tax ("VAT")

The sales of products are subject to output value-added tax at 17% normally which is included in the selling price. An input credit is available whereby input VAT previously paid on purchases of raw materials or semi-finished products can be used to offset the output VAT to determine the net VAT payable.

34. OTHER COMPREHENSIVE INCOME

	Year ended 31 December	
	2011	2010
	RMB'000	RMB'000
Charge in fair value of available-for-sale financial assets	(1,145)	–

35. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of RMB2,716,773,000 (2010: RMB1,747,107,000).

36. 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 the year.

	Year ended 31 December	
	2011	2010
	RMB'000	RMB'000
Profit attributable to equity holders of the Company	**4,271,703**	4,295,099
Weighted average number of ordinary shares in issue (thousands)	**6,148,057**	4,672,524
Basic earnings per share (RMB per share)	**0.6948**	0.9192

There were no potential dilutive ordinary shares during 2011 and 2010, diluted earnings per share was equal to the basic earnings per share.

37. DIVIDENDS

The dividends paid in 2011 and 2010 were RMB676,286,000 (RMB0.11 per ordinary share) and RMB553,325,000 (RMB0.09 per ordinary share) respectively. A final dividend in respect of the year ended 31 December 2011 of RMB0.20 per ordinary share, with an aggregate share capital of the Company of 6,435,020,097 shares as at 30 March 2012, amounting to a total dividend of approximately RMB1,287,004,019, is to be proposed at the forthcoming annual general meeting. These financial statements do not reflect this dividend payable.

	Year ended 31 December	
	2011	2010
	RMB'000	RMB'000
Interim dividend paid of RMB: nil (2010: RMB0.09) per ordinary share	**–**	553,325
Proposed final dividend of RMB0.20 (2010: RMB0.11) per ordinary share	**1,287,004**	676,286

The aggregate amounts of the dividends paid and proposed during 2011 and 2010 have been disclosed in the consolidated statement of comprehensive income in accordance with the Hong Kong Companies Ordinance.

38. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

	Year ended 31 December	
	2011	2010
	RMB'000	RMB'000
Profit for the year	**4,166,900**	5,519,919
Adjustments for:		
– Income tax (credit)/expense *(Note 33)*	**(109,914)**	1,675
– Depreciation *(Notes 8 and 9)*	**316,606**	151,085
– Amortisation *(Notes 7 and 10)*	**173,140**	48,384
– Amortisation of government grants	**(29,930)**	(68,983)
– Impairment provision	**5,595**	–
– (Gain)/loss on disposal of property, plant and equipment and land use rights	**(5,266)**	660
– Interest income *(Note 31)*	**(374,101)**	(234,652)
– Finance costs *(Note 32)*	**414,744**	362,288
– Loss/(gain) on disposal of investment in associates and subsidiaries	**1,335**	(85,691)
– Foreign exchange loss on cash and cash equivalents	**41,409**	1,003
– Fair value losses on financial assets at fair value through profit or loss	**446**	–
– Share of profit of jointly-controlled entities *(Note 12)*	**(3,872,359)**	(4,560,501)
– Share of profit of associates *(Note 13)*	**(766,289)**	(1,129,711)
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation):		
– Inventories	**1,885**	(703,611)
– Trade and other receivables	**(320,634)**	(543,710)
– Trade and other payables	**(104,982)**	422,074
– Restricted cash	**(1,813)**	–
– Provisions	**3,541**	–
Cash generated from operations	**(459,687)**	(819,771)

39. COMMITMENTS

(a) Capital commitments

Capital commitments as at each of the balance sheet dates during the year are as follows:

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
Property, plant and equipment		
– Contracted but not provided for	**319,712**	271,856
– Authorised but not contracted for	**704,249**	–
	1,023,961	271,856
Intangible assets		
– Contracted but not provided for	**–**	30,960
Investments		
– Contracted but not provided for *(Note(i))*	**–**	957,192
	1,023,961	1,260,008

(i) According to the board resolutions dated 28 February 2009 and 19 May 2009, the Company 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 was RMB1.8 billion of which the Company and FIAT Group should contribute on equal basis. Up to 31 December 2011, the full amount of capital has been injected.

(b) Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
Within 1 year	**31,483**	25,403
Between 1 and 5 years	**127,487**	101,821
Over 5 years	**273,768**	198,811
	432,738	326,035

40. BUSINESS COMBINATION

In March 2011, Zhejiang Gonow Investment Co., Ltd. (浙江吉奧投資有限公司) ("Zhejiang Gonow Investment") injected all its equity interests in Hangzhou Gonow Auto Co., Ltd. (杭州吉奧汽車有限公司), Dongying Gonow Auto Co., Ltd. (東營吉奧汽車有限公司), Zhejiang Gonow Auto Sales Co., Ltd. (浙江吉奧汽車銷售有限公司), Zhejiang Gonow Auto Component Co., Ltd. (浙江吉奧汽車零部件有限公司), and Zhejiang Gonow Import&Export Co., Ltd. (浙江吉奧進出口有限公司), and certain machineries and proprietary technologies (together, the "Acquired Business") into a subsidiary of the Group, GAC Gonow, in exchange for 49% equity interests in GAC Gonow.

The goodwill of RMB201,337,000 arising from the acquisition is attributable to acquired customer base and economies of scale expected from combining the operations of the Group and GAC Gonow.

None of the goodwill recognised is expected to be deductible for income tax purposes. The consideration paid by GAC Gonow and the fair value of the assets acquired and liabilities assumed recognised at the acquisition date is as below:

	RMB'000
Purchase consideration: Share capital issued to the non-controlling interests by a subsidiary	617,400
Less: Recognised amount of the identifiable assets acquired and liabilities assumed	416,063
Goodwill	201,337

Recognised amount of the identifiable net assets acquired and liabilities assumed are listed as follows:

	RMB'000
Cash and cash equivalent	163,312
Restricted cash	97,436
Land use rights	307,166
Property, plant and equipment	701,193
Intangible assets	235,403
Inventories	258,692
Trade and other receivables	404,117
Trade and other payables	(1,342,201)
Borrowings	(407,197)
Deferred income tax liabilities	(1,858)
	416,063

40. BUSINESS COMBINATION (continued)

The fair value of trade and other receivables is RMB404,117,000 and includes trade receivables with a fair value of RMB126,169,000.

The revenue included in the consolidated statement of comprehensive income since 1 April 2011 contributed by Acquired Business was RMB947,957,000. Acquired Business also contributed profit of RMB215,089,000 over the same period.

Had Acquired Business from 1 January 2011, the consolidated statement of comprehensive income would show revenue of RMB11,265,491,000 and profit of RMB4,158,023,000.

41. RELATED PARTY TRANSACTIONS

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

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

In addition to the related party information shown elsewhere in the consolidated financial statements, the following is a summary of significant related party transactions entered into in the ordinary and usual course of business and balances between the Group and its related parties, including other State-owned Enterprises, during the year.

During the year, 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 its related parties.

41. RELATED PARTY TRANSACTIONS (continued)

(a) Significant related party transactions

	Year ended 31 December	
	2011	2010
	RMB'000	RMB'000
Sales of goods		
Sales of auto parts and steels		
– Jointly-controlled entities	**6,691**	7,322
– Associates	**586,158**	764,561
	592,849	771,883
Sales of passenger vehicles		
– Jointly-controlled entities	**8,067**	22,039
	600,916	793,922
Rendering of labour services		
– Jointly-controlled entities	**261,142**	183,027
– Associates	**371,177**	302,492
	632,319	485,519

41. RELATED PARTY TRANSACTIONS (continued)

(a) Significant related party transactions (continued)

	Year ended 31 December	
	2011	2010
	RMB'000	RMB'000
Purchases of goods		
Purchases of auto parts and materials		
– Jointly-controlled entities	293,945	142,471
– Associates	88,568	–
	382,513	142,471
Purchases of passenger vehicles		
– Jointly-controlled entities	3,589,293	4,064,805
	3,971,806	4,207,276
Payment of logistics services		
– Jointly-controlled entities	19,105	–
– Associates	904	–
	20,009	–
Purchases of trademarks		
– GAIGC	30,960	–
Provision of entrusted loans to related parties		
– Associates	–	180,000
– Jointly-controlled entities	–	50,000
	–	230,000
Entrusted loans provided by related parties		
– Associates	62,000	–
– GAIGC	150,000	–
	212,000	–
Acquisition of equity shares of Wuyang-Honda Motors(Guangzhou) Co., Ltd		
– Subsidiary of GAIGC	444,765	–

41. RELATED PARTY TRANSACTIONS (continued)

(b) Balances with related parties

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
Trade receivables		
– Jointly-controlled entities	14,021	14,453
– Associates	36,939	12,202
	50,960	26,655
Other receivables and prepayment		
– Jointly-controlled entities	154,512	115,246
– Associates	12,314	18,194
	166,826	133,440
Dividend receivables due from		
– Jointly-controlled entities	818,887	1,310,810
– Associates	55,204	34,109
	874,091	1,344,919
	1,091,877	1,505,014

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
Trade payables		
– Jointly-controlled entities	40,837	25,769
– Associates	15,232	6,917
	56,069	32,686
Advances from customers and other payables due to		
– Associates	77,190	129,382
	133,259	162,068

(i) There was no provision for impairment of receivables from related parties for the year.

(ii) The balances with related parties are unsecured, interest free and repayable on demand.

41. RELATED PARTY TRANSACTIONS (continued)

(c) Key management compensation

	Year ended 31 December	
	2011	2010
	RMB'000	RMB'000
Salaries and other short-term employee benefits	**17,485**	12,469

(d) Transactions and balances with other state-owned enterprises in the PRC

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

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

Nevertheless, the Directors consider that transactions with other State-owned Enterprises are activities in the ordinary course of the Group's business, and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and other State-owned Enterprises are ultimately controlled or owned by the PRC Government. The Group has also established pricing policies for products and services, and such pricing policies do not depend on whether or not the customers are State-owned Enterprises. Having due regard to the substance of the relationships, the Directors are of the opinion that none of these transactions are material related party transactions that require separate disclosure except for the transactions with state-owned financial institutions as disclosed below.

(i) Balances with state-owned financial institutions

As at 31 December 2011 and 2010, 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 31 December 2011 and 2010, information of borrowings secured by guarantees given by a state-owned financial institution is presented in Note 23(a).

42. CONTINGENT LIABILITIES

As at 31 December 2011, the financial guarantees provided to subsidies by the Company amounted to RMB12,000,000 (2010: RMB12,000,000).

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

43. SUBSEQUENT EVENTS

(a) In the first extraordinary general meeting of the Company held on 27 June 2011, the merger with GAC Changfeng Motor Co., Ltd. ("GAC Changfeng") by way of issuing A share and listing on the Shanghai Stock Exchange ("SSE") was approved.

The Company planned to pay a cash consideration of RMB2,409,409,738 to acquire GAC Changfeng's shares totaling 190,467,173 shares held by Changfeng Group Limited Company ("Changfeng Group") and Mitsubishi Motors Corporation ("Mitsubishi Motors"). Up to 30 March 2012, the Company has not yet paid cash consideration of RMB961,378,828 to Mitsubishi Motors.

As at 31 January 2012, the Company and GAC Changfeng received the <Approval of the merger of GAC Changfeng by Guangzhou Automobile Group Co., Ltd. by way of issuing shares> (CSRC Approval[2012] No.137), which approved the Company to proceed with the merger with GAC Changfeng.

Upon receipt of the <Approval of the delisting of GAC Changfeng> (SSE Gongzi [2012] No.13) from SSE on 15 March 2012, GAC Changfeng decided to delist on 20 March 2012.

The Company received the <Notification of A share listing of Guangzhou Automobile Group Co., Ltd.> (SSE Fazi [2012] No.6) from SSE, which approved A share listing of the Company. The share capital of A share is 4,221,719,879, and 286,962,422 shares of which began to be traded on SSE on 29 March 2012.

(b) In the first extraordinary general meeting of 2012 held on 29 February 2012, the shareholders resolved to grant 35,850,000 Share Appreciation Rights to the Company's directors, senior management and key technical and managerial personnel. Pursuant to the Scheme, each unit of Share Appreciation Rights is notionally linked to one H Share and represents the rights conferred on the relevant Incentive Recipient to receive in cash stipulated earnings from the increase in market value of the relevant H share. However, no H Shares will actually be issued to any Incentive Recipient.

Five-Year Financial Summary

A summary of the published financial results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements of the Group, is set out below:

	Year ended 31 December				
	2011	2010	2009	2008	2007
		(Restated)	(Restated)	(Restated)	(Restated)
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**10,984,273**	8,742,344	7,056,565	6,931,194	7,967,199
Cost of sales	**(10,559,896)**	(7,999,290)	(6,592,207)	(6,492,821)	(7,318,787)
Gross profit	**424,377**	743,054	464,358	438,373	648,412
Selling and distribution costs	**(589,242)**	(325,572)	(147,820)	(179,458)	(259,177)
Administrative expenses	**(1,216,442)**	(516,308)	(860,066)	(685,287)	(581,083)
Interest income	**316,222**	209,666	137,014	153,128	90,287
Other gains/(losses) – net	**840,288**	57,844	(445,324)	22,065	(37,163)
Operating (loss)/profit	**(224,797)**	168,684	(851,838)	(251,179)	(138,724)
Finance costs	**(414,744)**	(362,288)	(324,858)	(198,667)	(130,128)
Interest income	**57,879**	24,986	25,078	28,027	16,525
Share of profit of jointly-controlled entities	**3,872,359**	4,560,501	3,675,413	2,806,646	4,250,387
Share of profit of associates	**766,289**	1,129,711	715,674	517,571	842,695
Profit before income tax	**4,056,986**	5,521,594	3,239,469	2,902,398	4,840,755
Income tax credit/(expense)	**109,914**	(1,675)	11,099	(45,977)	(26,248)
Profit for the year	**4,166,900**	5,519,919	3,250,568	2,856,421	4,814,507
Profit attributable to:					
Equity holders of the Company	**4,271,703**	4,295,099	2,031,800	1,566,814	3,436,785
Non-controlling interests	**(104,803)**	1,224,820	1,218,768	1,289,607	1,377,722
	4,166,900	5,519,919	3,250,568	2,856,421	4,814,507

	As at 31 December				
	2011	2010	2009	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets, liabilities and non-controlling interests					
Total assets	**44,611,887**	38,519,860	32,769,333	23,358,610	20,473,130
Total liabilities	**14,426,263**	12,675,763	11,327,225	4,542,369	3,870,889
Non-controlling interests	**976,052**	232,587	8,382,369	7,407,592	6,764,662

In this annual 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
"Board"	the board of Directors of the Company
"China Lounge"	China Lounge Investment Limited (中隆投資有限公司), a company incorporate in Hong Kong
"CIT Law"	the Corporate Income Tax Law of China ("CIT Law") promulgated on 16 March 2007
"Code on Corporate Governance"	the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules in effect during the year ended 31 December 2011
"Denway"	Denway Motors Limited, a company incorporated in Hong Kong and the Shares of which were listed on Hong Kong Stock Exchange from February 2003 to August 2010
"Director(s)"	the director(s) 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
"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 and a wholly-owned subsidiary of our Company
"GAC Component"	Guangzhou Automobile Group Component Co., Ltd. (廣州汽車集團零部件有限公司), which was 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 by Fiat Group Automobiles S.p.A. and our Company, in which our Company holds 50% equity interest
"GAC Gonow"	GAC Gonow Automobile Co., Ltd (廣州吉奧汽車有限公司), a company incorporated on 8 December 2010 under PRC Law, in which the Company holds 51% of its equity interest

"GAC Hino"	GAC Hino Motors Co., Ltd. (廣汽日野汽車有限公司), a JCE incorporated on 28 November 2007 under PRC law by Hino Motors and our Company, in which our Company holds 50% equity interest
"GAC (HK)"	Guangzhou Auto Group (Hong Kong) Limited, a company incorporated in Hong Kong
"GAC-SOFINCO"	GAC-SOFINCO Automobile Finance Co., Ltd. (廣汽匯理汽車金融有限公司), a JCE incorporated on 25 May 2010 under PRC law by our Company and Société de Financement Industriel et Commercial in which our Company owns 50% equity interest. Its principle business is auto financing
"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 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 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 technologies in which our Company has proprietary right
"GAIG"	Guangzhou Automobile Industry Group Co., Ltd. (廣州汽車工業集團有限公司), a state-owned enterprise incorporated on 18 October 2000 under PRC law, a controlling shareholder and one of our Company's founders. Its principal business is the manufacture of automobiles and the operation and management of state-owned assets
"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
"Guang Ai"	Guangzhou Guang Ai Insurance Brokers Limited (廣州廣愛保險經紀有限公司), a company incorporated on 7 June 2006 under PRC law in which our Company, GAC Commercial and Aioi Insurance Company Limited own 50.2%, 24.9% and 24.9% equity interest respectively. It is a subsidiary of our Company and its principal business is the provision of insurance related-services

"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 held by Guangzhou Auto and Honda Motor Co., Ltd
"Guangzhou Auto"	Guangzhou Auto Group Corporation (廣汽車集團公司), a company incorporated on 17 December 1988 under PRC law and a wholly-owned subsidiary of Denway. Its principal business is automobiles related businesses
"HAVECO"	HAVECO Automotive Transmission Co., Ltd. (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 Component and IVECO Ltd
"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
"Hong Kong"	Hong Kong Special Administrative Region of the PRC
"jointly-controlled entity" or "JCE"	a JCE 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 JCEs 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-byline basis. When the profit sharing ratio is different to the joint venture party's equity interests in the JCEs, 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 a jointly-controlled entity 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 JCEs 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
"Mitsubishi"	Mitsubishi Motor Corporation, a company incorporated in Japan
"Model Code"	the Model Code for Securities Transaction by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"MPV"	multi-purpose passenger vehicle

"PRC Company Law"	Company Law of the People's Republic of China
"PRC" or "China"	the People's Republic of China (for the purpose of this annual report, exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan)
"RMB"	Renminbi, the lawful currency of the PRC
"Shanghai Hino"	Shanghai Hino Engine Co., Ltd. (上海日野發動機有限公司), 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
"Share(s)"	ordinary share(s) in the capital of the Company with a nominal value of RMB1.00 each, comprising H shares and A shares of the Company
"Shareholder(s)"	shareholders of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supervisor(s)"	the supervisor(s) of the Company
"Supervisory Committee"	the supervisory committee of the Company
"SUV"	sports utility vehicle
"the 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
"the Group or GAC Group"	our Company and its subsidiaries
"Tong Fang Global"	Tong Fang Global (Tianjin) Logistics Co., Ltd. (同方環球(天津)物流有限公司), a company incorporated on 16 July 2007 under PRC law in which Toyota Motor Company, China First Automobile Works Group Corporation and our Company own 40%, 35% and 25% equity interest, respectively. It is an associated company of our Company and its principal business is the provision of logistics services to GAC Toyota
"Urtrust Insurance"	Urtrust Insurance Co., Ltd（眾誠汽車保險股份有限公司）, which was incorporated on 8 June 2011 and is a subsidiary of our Company
"Wuyang-Honda"	Wuyang-Honda Motors (Guangzhou) Co., Ltd. (五羊－本田摩托(廣州)有限公司), a Sino-Japanese joint venture company incorporated under PRC law with limited liability