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 **2012**

Important Notice

1. **The Board, Supervisory Committee and the Directors, Supervisors and senior management of the Company warrant the authenticity, accuracy and completeness of the information contained in the annual report and there are no misrepresentations, misleading statements contained in or material omissions from the annual report for which they shall assume joint and several responsibility.**

2. **All Directors of the Company attended board meetings.**

3. **PricewaterhouseCoopers has issued the audit report for the Company with unqualified opinions.**

4. **Mr. Zhang Fangyou, the Chairman of the Board, Mr. Zeng Qinghong, General Manager, Ms. Wang Dan, the financial officer and Mr. Zheng Chao, the head of the finance department, declare that they warrant the truthfulness, accuracy and completeness of the financial statements contained in this annual report.**

5. **The Board of the Company approved the 2012 profit distribution plan**
   The Board recommended to pay a cash bonus of RMB0.2 per ten Shares (tax inclusive). The cumulative cash dividend of the year accounted for about 51% of the net profit attributable to the shareholders' interests of the parent company.

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

7. **Was there any appropriation of funds of the Company by the Controlling Shareholder or its subsidiaries for non-operational activities?**
   No.

8. **Were there any guarantees granted to external parties by the Company without complying with the prescribed decision-making procedures?**
   No.

Contents

Contents

Chapter 1 Definitions and Notice of Material Risks

I DEFINITIONS

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
"Company" or "GAC Group"	Guangzhou Automobile Group Co., Ltd. (廣州汽車集團股份有限公司)
"Company Law"	the Company Law
"CSRC"	China Securities Regulatory Commission
"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, in which is the Company currently holds 100% of its equity interest
"GAC Commercial"	Guangzhou Automobile Group Business Co., Ltd (廣州汽車集團商貿有限公司), a company incorporated on 21 March 2000 under PRC law 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 Mitsubishi"	GAC Mitsubishi Motor Co., Ltd. (廣汽三菱汽車有限公司), a joint venture and JCE incorporated on 25 September 2012 under PRC law held by the Company and Mitsubishi. The Company holds 50% equity interest in it
"GAC-SOFINCO"	GAC-SOFINCO Automobile Finance Co., Ltd. (廣汽滙理汽車金融有限公司), a joint venture company incorporated on 25 May 2010 under PRC law by the Company and Société de Financement Industriel et Commercial (SOFINCO), in which each of the Company and SOFINCO holds 50% equity interest
"GAC Toyota Engine"	GAC Toyota Engine Co., Ltd. (廣汽豐田發動機有限公司), an associated company incorporated on 24 February 2004, in which the Company holds 30% equity interest
"GAC Toyota"	GAC Toyota Motor Co. Ltd (廣汽豐田汽車有限公司) (formerly known as Guangzhou Toyota Motor Co. Ltd (廣州豐田汽車有限公司)), a company incorporated on 1 September 2004 under PRC law, which is a joint venture company and a JCE held by the Company and Toyota. The Company holds 50% equity interest in GAC Toyota
"GAEI"	Guangzhou Automobile Group Company Automotive Engineering Institute, a subsidiary of the Company, established on 29 June 2006 for the purpose of conducting research and development of the products and technologies in which the 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 of the Company
"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 the Company
"Group"	the Company and its subsidiaries
"Guang Ai Insurance Brokers"	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, in which the Company holds 75.1% equity interest

Chapter 1 Definitions and Notice of Material Risks

"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 Group Corporation and Honda
"HAVECO"	Hangzhou HAVECO Automotive Transmission Co., Ltd. (杭州依維柯汽車變速器有限公司), an associated company incorporated on 26 September 1996 under PRC Law, which is a sino-foreign joint venture equally held by Hangzhou Advance Gearbox Group Co., Ltd., GAC Components and IVECO Ltd
"Hino"	Hino Motors Ltd. (日野自動車株式會社), a company incorporated under the laws of Japan and a joint venture partner of the Company in GAC Hino and Shanghai Hino
"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 the Company holds 25% of its equity interest, and which is one of the Company's associated companies
"Honda"	Honda Motor Co. Ltd (本田技研工業株式會社), a company incorporated under the laws of Japan and a joint venture partner of the Company in Guangqi Honda
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Non-executive Directors"	has the same meaning as independent directors of the Company
"jointly-controlled entity" or "JCE"	a joint venture company which is subject to direct or indirect joint control (shareholding ratio: 50%:50%), such that none of the participating parties has unilateral control over the economic activity of the jointly-controlled entity
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange and the Rules Governing the Listing of Shares on the SSE, as amended from time to time
"Mitsubishi"	Mitsubishi Motors Corporation (三菱自動車工業株式會社), a company incorporated in Japan
"MPV"	multi-purpose passenger vehicle
"PRC"	the People's Republic of China (for the purpose of this announcement, does not include Hong Kong, the Macau Special Administrative Region of the PRC or Taiwan)

Chapter 1 Definitions and Notice of Material Risks

"RMB"	Renminbi, the lawful currency of the PRC
"Securities Law"	Securities Law of the PRC
"SFO"	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
"Shanghai Hino"	Shanghai Hino Engine Co., Ltd. (上海日野發動機有限公司), a company incorporated on 8 October 2003 under PRC law. Shanghai Hino was held as to 50% by Hino, 30% by the Company and 20% by Shanghai Electric (Group) Corporation
"Shareholder(s)"	shareholder(s) of the Company
"SSE"	the Shanghai Stock Exchange
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"SUV"	sports utility vehicle
"Toyota"	Toyota Motor Co., Ltd. (豐田汽車有限公司), a company incorporated in Japan and a joint venture partner of the Company in 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 in which the Company holds 60% equity interest
Wuyang-Honda	Wuyang-Honda Motors (Guangzhou) Co., Ltd. a company jointly established by the Company, Honda and Honda, Technology & Research Industry (China) Investment Co., Ltd. in 1992, in which the Company holds 50% equity interest

II NOTICE OF MATERIAL RISKS

The Company has described in detail the existing risk factors in this report, please refer to the contents of "Discussion and Analysis by the Board on Future Development of the Company" in the section headed "Report of the Board" of the Annual Report.

Chapter 2 Chairman's Statement

Zhang Fangyou
Chairman

In 2012, affected by factors including slowdown of growth of domestic macro-economy, continued increase of oil price, the implementation of purchase restriction in major cities, the production and sales of vehicles in the PRC during the year were 19,271,800 units and 19,306,400 units, representing an increase of 4.63% and 4.33%, respectively compared to the corresponding period last year, among which, the production and sales of passenger vehicles amounted to 15,523,700 units and 15,495,200 units, representing an increase of 7.17% and 7.07% respectively compared to the corresponding period last year; the production and sales of commercial vehicles amounted to 3,748,100 units and 3,811,200 units, representing a decrease of 4.71% and 5.49% respectively compared to the corresponding period last year. China's automotive industry is showing a slight growth. In 2012, China's motorcycle industry encountered decline in both domestic and export sales, being the first time in the past five years. Sales of motorcycles amounted to 23,650,000 units in the year, representing a decrease of 12% compared to the corresponding period last year, among which domestic sales and export amounted to 14,710,000 units and 8,940,000 units, representing a decrease of 9% and 17% respectively compared to the corresponding period last year.

During the reporting period, especially due to factors such as the Sino-Japanese Diaoyu Island incident and the new enterprises being at their initial stage, production and sales of vehicles of the Group together with its joint ventures and associated companies were 703,300 units and 712,200 units, representing a decrease of 5.57% and 3.8%, respectively compared to the corresponding period last year, among which, the production and sales of passenger vehicles amounted to 670,700 units and 680,100 units, representing a decrease of 7.73% and 5.69% respectively compared to the corresponding period last year; the production and sales of commercial vehicles amounted to 32,600 units and 32,100 units, representing an increase of 82.49% and 66.54% respectively compared to the corresponding period last year; and the production and sales of motorcycles amounted to 943,600 units and 951,000 units, representing an increase of 0.95% and 5.65% respectively compared to the corresponding period last year.

Chapter 2 Chairman's Statement

During the reporting period, operating income of the Group together with its joint ventures and associated companies amounted to approximately RMB147,704 million, representing a decrease of approximately RMB10,022 million or 6.35% compared to the corresponding period last year. Operating income of the Group amounted to approximately RMB12,964 million, representing an increase of approximately 18.03% compared to the corresponding period last year. Net profit attributable to owners of the parent company amounted to approximately RMB1,134 million, representing a decrease of approximately 73.46%.

The Board adhered to its general work instruction principles of "spurring development and coping with future challenges by innovation and reform", rose to challenges by grasping opportunities amid crises and pushing forward aggressively in adversity and thus ensured stability in production and operation of the Group to the greatest possible extent. It also made breakthroughs in aspects including listing of A shares, business development of proprietary brands, deepening of joint venture cooperation, improvement in the incentive mechanism, strengthening of internal control and risk management.

Looking forward to 2013, although there remain many uncertainties in the global economy. China's economy is expected to keep up its steady growth. With such objective conditions as gradual development of urbanization and rigid demand for automobiles, there is still room for sustainable growth of China's automobile market, energy-saving and new energy vehicles are also expected to have greater development opportunities and the industry growth rate is expected to be 8%.

In 2013, on the foundation of former business and industrial layout, the Group will focus more on enhancing product competitiveness, strengthening establishment of its own systems, improving industrial structure, innovating in operation and management systems, and increasing brand competitiveness and market share, so as to further utilise the synergy of its complete production chain and achieve stable recovery of its business result.

Chapter 3 Corporate Information

I. CORPORATE INFORMATION

Chinese name of the Company	廣州汽車集團股份有限公司
Chinese abbreviation	廣汽集團
English name of the Company	Guangzhou Automobile Group Co., Ltd.
English abbreviation	GAC GROUP
Legal representative	Zhang Fangyou

II. CONTACT PERSON AND CONTACT METHOD

	Secretary to the Board
Name	Lu Sa
Address	23/F, Chengyue Building, 448-458 Dong Feng Zhong Road, Yuexiu District, Guangzhou, Guangdong
Telephone	020-83150886
Facsimile	020-83151081
E-mail	lus@gagc.com.cn

III. BASIC INFORMATION

Registered address of the Company	23/F, Chengyue Building, 448-458 Dong Feng Zhong Road, Yuexiu District, Guangzhou, Guangdong
Postal code of the Company's registered address	510030
Office address of the Company	23/F, Chengyue Building, 448-458 Dong Feng Zhong Road, Yuexiu District, Guangzhou, Guangdong
Postal code of the Company's office address	510030
Company's website	www.gagc.com.cn
E-mail	ir@gagc.com.cn

IV. INFORMATION DISCLOSURE AND PLACE OF INSPECTION

Newspapers selected by the Company for information disclosure	China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily
Website for publishing the annual report	www.sse.com.cn/www.hkex.com.hk
Place of inspection of the annual report of the Company	16/F, Chengyue Building, 448-458 Dong Feng Zhong Road, Yuexiu District, Guangzhou, Guangdong

V. INFORMATION ON THE COMPANY'S SHARES

Information on the Company's Shares

Class of shares	Stock Exchange of listing shares	Stock abbreviation	Stock code
A Shares	Shanghai Stock Exchange	GAC GROUP	601238
H Shares	Stock Exchange of Hong Kong	GAC GROUP	02238

VI. OTHER RELEVANT INFORMATION

Principal office and place of business in Hong Kong	: Room 808, Citicorp Centre, 18 Whitfield Road, Causeway Bay, Hong Kong
H share registrar of the Company	: Tricor Investor Services Limited
H share registrar of the Company's address	: 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong

VII. REGISTRATION ALTERATION OF THE COMPANY DURING THE REPORTING PERIOD

(i) Basic Profile

Date of business registration	: 18 June 2012
Place of business registration	: Guangzhou Administration for Industry and Commerce
Registration number of the Company's business license	: 440101000009080
Tax registration number	: 粵國税字 440101633203772, 粵地税字 440104633
Organization code	: 63320377-2

Chapter 3 Corporate Information

(ii) Inspection index to the initial business registration of the Company

Details of the initial business registration of the Company and its changes are set out as below:

Initial registration:	Date of business Registration	: 28 June 2005
	Place of business Registration	: Guangzhou Administration for Industry and Commerce
	Registration number of the Company's Business license	: 4401011103176
	Organization Code	: 6320377-2
	Tax Registration number	: 粵國稅字 440101633203772, 粵地稅字 440104633
	Registered Capital	: RMB3,499,665,555
1st registration change:	Date of the registration change	: 3 April 2009
	Registration number of the Company's Business license	: 4401011103176
	Organization Code	: 6320377-2
	Registered Capital	: RMB3,825,984,481
2nd registration change:	Date of the registration change	: 18 January 2010
	Registration number of the Company's Business license	: 4401011103176
	Organization Code	: 6320377-2
	Registered Capital	: RMB3,934,757,457
3rd registration change:	Date of the registration change	: 19 April 2011
	Registration number of the Company's Business license	: 44010000009080
	Organization Code	: 6320377-2
	Registered Capital	: RMB6,148,057,675
4th registration change:	Date of the registration change	: 18 June 2012
	Registration number of the Company's Business license	: 44010000009080
	Organization Code	: 6320377-2
	Registered Capital	: RMB6,435,020,097
5th registration change:	Date of the registration change	: 25 December 2012
	Registration number of the Company's Business license	: 44010000009080
	Organization Code	: 6320377-2
	Registered Capital	: RMB6,435,020,097

(iii) Changes in principal business since the listing of the Company

There was no change in principal business since the listing of the Company.

(iv) Changes in controlling shareholders since the listing of the Company

There was no change in controlling shareholders since the listing of the Company.

VIII. OTHER RELEVANT INFORMATION

Auditors (Domestic)	Name:	BDO China Shu Lun Pan Certified Public Accountants LLP
	Business address :	4th Floor, 61 Nanjing East Road, Huangpu District, Shanghai
	Name of signatory Accountants:	黃偉成 王翼初
Auditors (Hong Kong)	Name:	PricewaterhouseCoopers
	Business address:	22/F, Prince's Building, Central, Hong Kong
Sponsor performing the continuous supervisions duties during the reporting period	Name:	China International Capital Corporation Limited
	Business address:	28th Floor, World Tower 2, 1 Jian Guo Men Wai Avenue, Beijing
	Name of signatory Accountants:	張露、徐磊
	Period of continuous supervisions:	from 29 March 2012 to 31 December 2014

Chapter 4 Difference in Accounting Data under Different Accounting Standards

During 2012, the Company disclosed financial statements in accordance with Hong Kong accounting standard and PRC accounting standard, differences in the net profits and net assets attributable to the Shareholders due to different accounting standards are as follow:

Unit: RMB'000

	Net profits		Net Assets attributable to the shareholders of the listing Company	
	Current period	Last period	End of the period	Beginning of the period
In accordance with PRC Accounting Standards	1,064,623	4,167,211	31,089,854	29,158,773
In accordance with Hong Kong Financial Reporting Standards, the adjusted items and amount:				
Amortization of equity investment difference	2,210	2,210	42,607	40,397
charge staff and workers' Bonus and Welfare Fund recorded in reserve under PRC Accounting Standards to profit and loss	(1,281)	(1,067)	–	–
Difference in accounting treatment of the reversal of impairment of non-current assets	(792)	(1,454)	9,610	10,402
In accordance with Hong Kong Financial Reporting Standards	1,064,760	4,166,900	31,142,071	29,209,572


传祺
Trumpchi

Chapter 5 Report of the Board

BUSINESS OVERVIEW

I. SUMMARY OF BUSINESS OF THE GROUP

The Group's main business consists of researching and developing, manufacturing and sales of passenger vehicles, commercial vehicles, motorcycles, engines and auto parts, as well as car sale and leasing, after-sale services, import and export of automobile-related products, logistics services, automobile finance and automobile insurance and brokerage services.

(1) Vehicles

The Group produces a variety of passenger vehicles mainly through JCEs, namely Guangqi Honda, GAC Toyota, GAC Fiat and GAC Mitsubishi, and a wholly-owned subsidiary, GAMC, a subsidiary, GAC Gonow and others. As at 31 December 2012, the Group produced more than ten series of sedans, SUV and MPV, including GAC Toyota Camry, GAC Toyota Highlander, Guangqi Honda Accord, Guangqi Honda Odyssey, GAC Fiat viaggio, GAC Mitsubishi ASX, GAC Trumpchi, GAC Trumpchi GS5 and GAC Gonow Aoxuan G5 etc. The Group also participates in the production of Jazz sedans through its associated company Honda (China).

The commercial vehicles of the Group are mainly manufactured by its subsidiary, GAC Bus and JCE, GAC Hino. Main products include light and heavy trucks, construction vehicles, large- to medium-sized passenger vehicles (including new energy vehicles purely electrically powered and hybrid).

As at 31 December 2012, production capacity of passenger vehicles and commercial vehicles of the Group together with its JCEs and associated companies was 1,350,000 units.

(2) Motorcycles

The Group manufactures motorcycles mainly through Wuyang Honda. Main products include standard motorcycles, sport bikes and scooters.

For the year ended 31 December 2012, the production capacity of motorcycles of Wuyang – Honda was 1 million units.

(3) Parts and components

The Group's auto-part products include engines, gearboxes, car seats, HVAC systems, auto lamps, shock absorbers and accessories. The Group's research and development and production of engines is mainly carried out through GAC Toyota Engine, Shanghai Hino, in each of which the Group holds 30% interest and the subsidiary, GAMC, that of gearboxes through HAVECO, and that of other vehicles parts and components including car seats, HVAC systems, auto lamps, automation accessories, redirectors and shock absorbers through other subsidiaries, jointly controlled companies and investees of GAC Component.

(4) Automobile-related services

The Group's business of trading, automobile finance, insurance and brokerage, automobile logistics are mainly carried out through its subsidiaries, GAC Commercial and investees thereof, Urtrust Insurance, Guang Ai Insurance Brokers and the JCE, GAC-SOFINCO and the associated company Tong Fang Global (Tianjin) Logistics Co., Ltd. to provide automobile sales, automobile finance, automobile insurance, automobile leasing, logistics and import and export and other services.

After strategic and business development in recent years, the Group has established a complete production chain, centring upon manufacture of vehicles and covering research and development and parts and components in the upper stream and trading, finance, insurance, leasing and logistics of automobiles in the lower stream, and become one of the automobile groups having the most integrated production chain in China.

II. PERFORMANCE OF THE BOARD

In 2012, the Group listed its A shares, rapidly developed business of proprietary brands, accelerated innovative reforms, began to see fruit of its resource integration in production chain and further deepened cooperation of joint ventures, when it was also faced with severe challenges. Under the influence of such factors as slowdown of macro-economic growth, intensified competition in the automobile industry and the Sino-Japanese Diaoyu Island incident, the Board, adhering to its general work instruction principles of "spurring development and coping with future challenges by innovation and reform", assessed the situation and put effort in integrating and utilizing synergy of the production chain of the Group and pushed forward with further development of business of proprietary brands and joint venture cooperation. It advanced in the adversity in unity and secured a stable operation. It also made breakthroughs in aspects including proprietary brands, joint venture cooperation, capital operation, reorganization and integration, improvement of the incentive mechanism, reinforcing internal control and risk management, which laid a solid foundation for further development of the Group.

1. Actively responded to severe situation and secured stable production and operation

In 2012, affected by factors including intensified industry competition, the license restriction in certain cities and the Sino-Japanese Diaoyu Island incident, the Group and its investees conducted in-depth market research and adopted various proactive and effective measures, which included full production and operation, implementing proposals to broaden sources of income and reduce expenditure and launching activities to reduce cost and boost efficiency. Especially after the Diaoyu Island incident, when the disadvantageous situation was such that "normal operation of franchises was disrupted, and confidence of consumers, franchisees and operating team was affected", the Group actively made responses to stabilize its staff and calm customers, while it worked together to increase synergy among business sectors by leveraging on its complete production chain. Urtrust Insurance, a subsidiary of the Group, promptly designed and developed an insurance product specially for devastated vehicles, which gained extensive recognition from customers after launch and effectively redeemed confidence of customers and consumers and secured a relatively stable production and operation for the Group.

2. *Elaborately developed research and development platform for breakthrough in proprietary innovation*

In 2012, the Group reached a new height in the establishment of its proprietary research platform. Phase I of GAEI Hualong new base has been completed after two and a half years of construction. The base contains 15 laboratories for different purposes, a trial production space, a trial lane for vehicle adjustment and software and hardware facilities and equipment among the top class in China and the most advanced internationally. The completion and coming-intooperation of the new base will rapidly enhance efficiency and the development quality and quantity of proprietary brand vehicles and parts and components and provide strong support and protection to subsequent product development. In the year, GAEI completed 188 technical summaries, 95 design blueprints, 249 technical standards and 45 development processes. Among 214 patent applications made by the Group and its major investee companies in the year, 124 patents were granted. It was granted the "government-certified Enterprise Technology Center" qualification and "Guangzhou Patent Excellence Award".

In the year, the Group successively launched its proprietary brands, Trumpchi GS5 2.0L and 1.8T and 2-wheel-drive/4-wheel-drive SUV products and started their mass production. GS5 was ranked the third in C-NCAP collision safety assessment among the SUV class with a five-star score of 49.1 and was well-received by the market.

3. *Steadily promoted resources integration and achieved breakthrough in joint venture cooperation*

By further improving the coordination mechanism with all investees and deepening joint venture cooperation, the Group steadily proceeded with major joint venture and cooperative projects, further deepened cooperation with them and improved its industrial and regional strategic layout. In June 2012, a new plant of GAC Fiat was completed and production of the first model Viaggio commenced. In October 2012, establishment of GAC Mitsubishi was announced in Changsha, Hunan, along with the commencement of production of its first model ASX, which was put into the market in Guangzhou Auto Show in November. New joint ventures and completion and commencement of operation of plants will facilitate further development of joint venture business of the Group.

To coordinate complementary advantages of resources of the Group, rapidly enhance core competitiveness of the Group and achieve win-win development, on 6 November 2012, the Group entered into a strategic alliance cooperative agreement with Chery Automobile Co., Ltd. to commence cooperation in vehicle development, power train, key parts and components, research and development resources, energy saving and new energy vehicles, international business, production management and other fields, which opened up a new mode of cooperation between automobile companies.

4. *Listed its A shares for better capital operation*

On 29 March 2012, the Group reorganized GAC Changfeng by way of share exchange. Upon completion of its industrial layout and business integration, it listed its A shares on the main board of SSE and it became the first state-owned automobile group that has its H shares and A shares concurrently listed on the main board, and this laid a solid foundation for the Company in further optimizing its management structure and product and industrial layout, establishing a A+H double capital operation platform, expanding financing channels, reducing management costs, enhancing operating efficiency and becoming stronger. It was for the same reason that it was granted the "best innovative listed company award" for A shares in 2012 at the "China Business Network • China Capital Annual".

Furthermore, to meet needs of existing capital structure and future capital needs, the Group proposed to issue RMB6,000 million corporate bonds in the year, which was approved by the Public Offering Review Committee of the CSRC on 21 December 2012 and the approving document was received in January 2013.

5. *Innovative reform, exploring management system and mechanism*

At the beginning of 2012, the Group set an operational direction of "spurring development by innovation and reform" against existing development issues of urgency, and, based on situation of the time, proposed innovative measures in five aspects, namely "strengthening proprietary innovation to enhance core technology; strengthening reorganization and integration to enhance strategic management capability; strengthening joint venture cooperation to enhance corporate competitiveness; strengthening management system to enhance managing effectiveness; and strengthening internal management to enhance corporate efficiency". It looked for differences inside and learnt from outside to implement the innovations with participation of the whole Group.

6. *Continued standardized operation to improve internal control and risk prevention*

In the year, the Group, taking the opportunity of its listing of A shares, continued its standardised operation and organized trainings in relation to corporate management of listed companies for its directors, supervisors and senior management to comprehensively enhance their level and awareness thereof. Based on its business development needs and requirements of China's and foreign listing rules and relevant regulations, it also reviewed its entire internal management system and revised its articles and association, implementing rules of special Board committees, including the strategic committee, the audit committee, the remuneration and evaluation committee and the nomination committee, and implementing rules of secretary to the Board. Based on regulatory requirements, it formulated an inside information management system to strengthen regulations on inside information management and enhance corporate management level of the Company.

Continuously promoted the establishment of the internal control and risk management system and formulated internal control management manual and risk management manual to lay a foundation for the establishment of the Group's internal control and risk management system.

7. *Strict information disclosure to strengthen investor relation management*

Subject to regulatory requirements of China's and foreign listing rules and the principle of strict information disclosure, the Group registered inside information and made relevant announcements in a timely manner when dealing with sensitive information. In the year, the Group uploaded a total of 100 periodic reports and extraordinary announcements to the Stock Exchange and a total of 87 periodic and extraordinary announcements and disclosure documents to the SSE, which ensured that investors can understand the operation of the Company in a timely, fair, accurate and complete manner.

Through multi-level and diverse investor communicating activities, the Group incorporated investor relation management into its corporate capital market strategy. In the year, in addition to conventions such as regular visits for investors and analysts, investor open days, conference calls, roadshows in China and other places and participation in summits for investment banks, the Group also arranged for investors to attend large functions such as automobile show, ceremonies of establishing new joint ventures and commencing production of new models, so as to strengthen bilateral communication with investors and analyst by various methods. It received more than 600 analysts and investors and gradually strengthened confidence of investors in future development of the Company.

The Group's efforts in investor relation during the year were recognized by the capital market in being granted "Golden Bauhinia" Award – "Best Investor Relation Management Listed Companies" by Ta Kung Pao and "2012 Best Investor Relation Listed Companies in the Tenth China Financial List" by CBN, and being selected as one of the top 100 strongest companies in the 2012 100 strongest shares listed in Hong Kong selection sponsored by www.QQ.com and Xinhua News Agency.

8. *Implemented share appreciation rights to build a long-term incentive mechanism*

To better protect owners' interest and achieve its goals of long-term and sustainable healthy development, the Group completed its first proposal to grant H share appreciation rights based on works done in 2011, which was implemented upon approval of the general meeting and further improved long-term incentive mechanism of the Company. The implementation of such mechanism actively explored and innovated in the Group's establishment of mid-to-long-term incentive mechanisms, further improved the Group's systems of long-term incentive mechanism and overall remuneration structure and has laid a solid foundation for drawing in talents and sustainable development.

9. *Focused on increased establishment of corporate culture to perform social responsibility*

Adhering to its corporate philosophy of "people as foundation, integrity as principle, innovation as priority" and aiming to "build a public company with social trust", the Group actively supported social welfare activities such as sports, cultural education, environmental protection and charity works. Similarly, it continued to enhance product and service quality in performance of its social responsibility. In the year, the Group and its major investees actively participated in the large environmental protection and social welfare activity "Thanksgiving Guangdong" (感恩東江) organized by Guangdong Provincial Environmental Protection Foundation and "Giving a Helping Hand Day Guangdong" (廣東扶貧濟困日) and "One-to-one Charity" (對口幫扶工程). During the reporting period, the Group and its investees invested approximately RMB67 million in aggregate into various social welfare activities.

During the year, facing the impact of the Diaoyu Island incident, the Group actively responded and strengthened the communication with partners, suppliers and customers, which reflected the concern of the Company. Meanwhile, the Group also formulated the policy of "full compensation for affected customers" for customers who were affected by the incident, which showcased our concern for customers with full compensation and relieved the worries of customers using the Group's products.

In the year, GAC Toyota, a major investee of the Group, was granted awards related to environmental protection and social responsibility including "2012 China's auto enterprises charitable contribution award", "2012 China Corporate Social Responsibility Ranking Enterprise Award" by CBN, "Company of the Year in Social Responsibility" by XINHUANET. com and the "21st Century Best Chinese Business Model Green Innovation Award" by "21st Century Business Review".

Furthermore, centering upon strategic development, the Group placed effort in fostering a unique corporate culture through quality education of staff and various cultural activities to put establishment of its corporate culture into practice. The "innovation pioneer in contesting excellence" activities launched by its investees were praised as "the southern Guangdong pioneer" advanced grassroots communists in the Guangdong Province. Talent cultivating systems in investees were accelerated and front-line staff trainings were extensively launched. More than 5,000 managements, 80,000 technical staff and 250,000 front-line staff of the Group received such trainings, which substantially enhanced their technical and comprehensive quality, raised morale and increased corporate efficiency. A number of investees of the Group were conferred the title of "role model of corporate culture in Guangzhou".

MANAGEMENT DISCUSSION AND ANALYSIS

III. DISCUSSION AND ANALYSIS BY THE BOARD ON OPERATION OF THE COMPANY DURING THE REPORTING PERIOD

During the reporting period, sales revenue of the Group together with its jointly-controlled entities and associates amounted to approximately RMB147,704 million, representing a decrease of approximately RMB10,022 million or 6.35% as compared to the corresponding period last year.

During the reporting period, sales revenue of the Group amounted to approximately RMB12,964 million, representing an increase of approximately 18.03% as compared to the corresponding period last year; net profit attributable to equity holders of the Company amounted to approximately RMB1,134 million, representing a decrease of approximately 73.46%. Earnings per share amounted to approximately RMB0.18, representing a decrease of approximately 73.91% compared to the corresponding period last year.

The major factors of variations of results during the reporting period included the Sino-Japanese Diaoyu Island incident, new enterprises being at their initial stage, intensified industry competition and purchase restriction in major cities; at the same time, the Group successively launched new models (such as SUV GS5, a proprietary brand) in 2012. GAC Fiat and GAC Mitsubishi commenced production and promotion of new products during the reporting period. New businesses of the Group such as automobile finance and insurance recorded rapid development and resource integration effect of the production chain had gradually emerged.

Chapter 5 Report of the Board

(1) ANALYSIS ON PRINCIPAL BUSINESS

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

Unit: RMB100 million

Item	Current period	Corresponding period last year	Change (%)
Sales revenue	129.64	109.84	18.03
Cost of sales	122.74	105.60	16.23
Selling and distribution cost	8.15	5.89	38.37
Administrative expenses	13.33	12.16	9.62
Finance costs	5.29	4.15	27.47
Interest income	3.36	3.74	-10.16
Investment gain	26.37	46.39	-43.16
Net cash flow arising from operating activities	4.85	-6.33	176.62
Net cash flow arising from investing activities	23.29	-2.67	972.28
Net cash flow arising from financing activities	-17.49	-2.01	-770.15

2. Sales revenue

During the reporting period, sales revenue of the Group amounted to approximately RMB12,964 million, representing an increase of approximately 18.03% compared with the corresponding period last year, mainly due to the launch of the well-received GS5, a new SUV model, by the Group in April 2012 and the addition of a company into consolidation last April, and led to additional sales volume for the Group.

Sales to major clients

Unit: RMB100 million

Client	Sales revenue	Ratio to sales revenue (%)
Total sales to top 5 clients	16.32	12.59

3. Cost

(1) Cost of sales and gross profit

During the reporting period, the cost of sales of the Group amounted to approximately RMB12,274 million, representing an increase of approximately RMB1,714 million from approximately RMB10,560 million last year, mainly due to the corresponding increases resulting from the expansion of the Group's scale and the growth in sales revenue;

Gross profit margin increased by 1.46% from 3.86% of last year to 5.32% of this year, mainly due to the decrease in apportionment of fixed costs resulting from the increase in production and sales volume.

(2) Major suppliers

Unit: RMB100 million

Client	Amount of procurement	Ratio to total procurement (%)
Total procurement amount of top 5 suppliers	45.25	38.36

4. Expenses

(1) Selling and distribution cost increased by approximately RMB226 million compared with the corresponding period last year, mainly due to: a. an increase in advertising and marketing expenses correspondent to the launch of new models; b. an increase in expenses resulting from consolidating two companies in April and June last year;

(2) Administrative expenses increased by approximately RMB117 million compared with the corresponding period last year, mainly due to the increase in number of employees due to the expansion of the Group's scale and the increase of wage level due to the rise in CPI and resulting in the increase of labor costs;

(3) Finance cost increased by approximately RMB114 million compared with the corresponding period last year, mainly due to an increase in average borrowing balance of the Group during the reporting period resulting in an increase in finance expenses;

(4) Interest income decreased by approximately RMB38 million compared with the corresponding period last year, mainly due to the decrease of bank deposits of the Group during the reporting period resulting in a decrease of interest income.

5. Investment income

During the reporting period, investment income of the Group from associates and jointly-controlled entities amounted to approximately RMB2,637 million, representing a decrease of approximately RMB2,002 million as compared with the corresponding period last year, mainly as a result of the combined effect of the following factors: a. the Sino-Japanese Diaoyu Island incident, intensified competition within the industry and the implementation of purchase restriction in major cities which significantly decreased the profit as compared with the corresponding period last year; b. new companies being at their initial stage and the capacity of which was not adequately utilized and efficiency took time to emerge.

6. Research and development expenditure

(1) Amounts of research and development expenditure

Unit: RMB100 million

Current research and development expenditure expensed	1.39
Current research and development expenditure capitalized	9.87
Total research and development expenditure	11.26
Total research and development expenditure to net assets (%)	3.51
Total research and development expenditure to sales revenue (%)	8.69

(2) Explanation

In 2012, the Group increased development of proprietary products and promoted several vehicle and power train developing projects and other pilot research projects. It invested approximately RMB950 million in total and completed GAEI Hualong new base, which contained 15 laboratories for different purposes, a trial production space, a trial lane for vehicle adjustment and software and hardware facilities and equipment among the top class in China and the most advanced internationally, and was granted the "government-certified Enterprise Technology Center" qualification.

7. Cash flow

(1) During the reporting period, net cash inflow generated from operating activities amounted to approximately RMB485 million, representing an increased inflow by approximately RMB1,118 million as compared with net cash outflow of approximately RMB633 million of the corresponding period last year, mainly due to increased production and sales in the reporting period which led to an increase in sales receivables.

(2) During the reporting period, net cash inflow generated from investing activities amounted to approximately RMB2,329 million, representing an increased inflow of approximately RMB2,596 million as compared with net cash outflow of approximately RMB267 million of the corresponding period last year, mainly due to the decrease in the balance of fixed deposits during the reporting period.

(3) During the reporting period, net cash outflow used in financing activities amounted to approximately RMB1,749 million, representing an increase at approximately RMB1,548 million as compared with net cash outflow of approximately RMB201 million of the corresponding period last year, mainly due to increase in cash paid for dividend distribution in the reporting period.

(4) As at 31 December 2012, cash and cash equivalent of the Group amounted to approximately RMB9,316 million, representing an increase of approximately RMB1,077 million as compared with approximately RMB8,239 million as at 31 December 2011.

8. Others

(1) Income tax income amounted to approximately RMB65 million, representing a decrease of approximately RMB45 million as compared with the corresponding period last year, mainly due to decrease in loss of certain companies in the period.

(2) Earnings per share amounted to approximately RMB0.18, representing a decrease of approximately 73.91% as compared with approximately RMB0.69 of the corresponding period last year, mainly because the Group's net profit attributable to the parent company was approximately RMB1,134 million, representing a decrease by 73.46% as compared with the corresponding period last year, and because of increased total share capital resulting from issuance of A shares in the reporting period.

(2) ANALYSIS ON INDUSTRY, PRODUCTS OR REGIONAL OPERATION

1. Principal businesses by industry and by product

Unit: RMB100 million

Industry	Sales revenue	Cost of sales	Profit margin (%)	Change in sales revenue as compared with last year (%)	Change in cost of sales as compared with last year (%)	Change in profit margin as compared with last year (%)
Automobile and relevant businesses	127.13	120.31	5.36	18.60	16.81	1.46
Others	2.51	2.42	3.59	-5.64	-6.92	1.33
Total	129.64	122.74	5.32	18.03	16.23	1.46

2. **Principal businesses by region**

Unit: RMB100 million

Region	Sales revenue	Change in sales revenue as compared with last year (%)
Mainland China	129.62	19.27
Hong Kong	0.02	-98.28
Total	129.64	18.03

(3) ANALYSIS ON ASSETS AND LIABILITIES

1. **Table of assets and liabilities analysis**

Unit: RMB100 million

Item	Balance at the end of the year	Amount at the end of the year to total assets	Amount at the end of previous year	Amount at the end of previous year to total assets	Change
Property, plant and equipment	59.27	11.99	43.09	9.66	37.55
Land use rights	10.65	2.15	9.83	2.20	8.34
Intangible assets	30.76	6.22	22.73	5.10	35.33
Investment in jointly controlled entities and associates	168.82	34.15	143.82	32.24	17.38
Deferred income tax assets	5.68	1.15	3.39	0.76	67.55
Prepayments	13.96	2.82	4.65	1.04	200.22
Inventories	13.97	2.83	15.37	3.45	-9.11
Trade and other receivables	33.03	6.68	29.80	6.68	10.84
Time deposits	55.59	11.25	86.04	19.29	-35.39
Cash and cash equivalents	93.16	18.85	82.39	18.47	13.07
Trade and other payables	63.94	12.93	41.60	9.32	53.70
Borrowings	102.91	20.82	98.37	22.05	4.62
Other reserves	101.90	20.61	78.69	17.64	29.50

2. **Explanation on the changes**

(1) Due to addition of a company into consolidation in the reporting period, there was more than 30% increase in intangible assets, accounts receivables and other payables, as compared with the corresponding period last year;

(2) Property, plant and equipment: mainly due to increased investment in fixed assets for further increase in production capacity and new products during the reporting period;

(3) Deferred income tax assets: increased mainly due to recorded losses of certain new companies at their initial stage of operation;

(4) Prepayments: due to the purchase of headquarter office building during the reporting period;

(5) Fixed deposits: mainly due to expansion of operating scale resulting in the increased demand for capital during the reporting period;

(6) Other reserves: increased by approximately RMB287 million due to the Group's issue of A shares in March 2012 which increased share premium by approximately RMB2,250 million.

(4) ANALYSIS ON FINANCIAL POSITION

1. **Financial indicators**

As at 31 December 2012, the Group's current ratio was approximately 2.25 times, representing a decrease from approximately 3.49 times as at 31 December 2011; quick ratio was approximately 2.01 times, representing a decrease from approximately 3.19 times as at 31 December 2011.

2. **Financial resources and capital structure**

As at 31 December 2012, the Group's current assets amounted to approximately RMB20,274 million, current liabilities amounted to approximately RMB9,030 million and current ratio was approximately 2.25 times. As at 31 December 2012, the Group's total borrowings amounted to approximately RMB10,291 million, mainly consisted of mid-term notes issued by the Group with nominal value of RMB6,700 million, corporate bonds issued by the Group with nominal value of RMB600 million and loans from bank and financial institutions amounting to approximately RMB3,020 million, which resulted in a gearing ratio of approximately 24.30%. The above loans and bonds were payable upon maturity. The Group generally funds its business and operational capital needs with its own working capital. (Calculation of gearing ratio: (borrowings in non-current liabilities + borrowings in current liabilities)/(total equity + borrowings in non-current liabilities + borrowings in current liabilities))

3. Foreign exchange risk

As the Group mainly conducts its business in the PRC and the sales and purchases of the Group in the PRC were denominated in RMB. The Group's operating results and cash flow were not exposed to any foreign currency risk during the reporting period.

4. Contingent liabilities

As at 31 December 2012, third-party guarantee committed by the Group amounted to RMB7,366,667, whereas that as at 31 December 2011 was RMB0; as at 31 December 2012, financial guarantee of the Company for its subsidiaries amounted to RMB0, whereas that as at 31 December 2011 was RMB12,000,000.

(5) ANALYSIS ON CORE COMPETITIVENESS

1. Complete production chain

After years of strategic development, the Group has established a complete production chain centring upon manufacture of vehicles and covering research and development and parts and components in the upper stream and trading, finance, insurance, leasing and logistics of automobiles in the lower stream, and has become one of the automobile groups having the most integrated production chain in China. The Group recorded greater profit contribution from businesses related to automobile in the upper and lower stream and is fostering profit growth points.

2. Advanced technology and management

Amid intensified market competition and years of joint venture cooperation, the Group accumulated abundant experience in production management and quality control techniques and established modernized process management systems and production operation mechanisms. The Group has comprehensive competitive advantages over aspects such as manufacture, workmanship, quality and process management.

It mainly included: (1) quality came first, it kept its promise of "integrity as principle" and gave zero tolerance to defects; (2) people as foundation, it encouraged all staff to give suggestion to management and production and continuously improved work flow and process through various methods including improving suggestions, quality control, comprehensive quality management and technical innovation to enhance its operational efficiency and competitiveness; (3) continued innovation, it applied the idea of "innovation as priority" in operational stages of research, production and sales and sought innovation and breakthrough in techniques, operating efficiency and environmental-friendliness and energy saving to achieve green operation and harmonic development.

3. A+H double capital operation platform

With listing of its A and H shares, the Group expanded financing channels, strengthened capital capability and enhanced brand influence, which placed the Group in a good position to appreciate its capital through combination of various channels and to expand and snowball through capital operation to maximize capital return.

IV. DISCUSSION AND ANALYSIS BY THE BOARD ON FUTURE DEVELOPMENT OF THE COMPANY

(1) Industrial competition and development trend

1. Competition in the automobile industry

After years of development, China's automobile industry became more intensive and major automobile manufacturers in the industry had achieved economies of scale. In 2012, production and sales of vehicles in the PRC were 19,271,800 units and 19,306,400 units. At present, China has become the largest automobile market in the world. International automobile companies changed their "China strategy" to "global strategy" and their strategy from "cooperation" to "control". They are accelerating introduction of strategic models into joint ventures, launching proprietary brands, increasing localization, testing the lower bound of price range, paying more attention to low-emission vehicles, accelerating sales and import of high-end models and increasing investment in research and development of new energy vehicles to expand market share. On the other hand, major automobile manufacturers in China, aiming to increase their market share, are all expanding their production capacity and launching new products, thereby increasing their technological innovation and cost control ability. In future, product competition in aspects including technology, quality and quantity, service, price, equipment and design, will intensify, and this pose greater pressure and challenges to the development of their peers in China.

2. Development trend of the automobile industry

Firstly, China's automobile industry will keep up its steady growth. With continued urbanization and industrialization, China will enter its second ten-year growth period (2011-2020) subsequent to its admission to the World Trade Organisation, and the automobile market will become mature. The overall automobile market in China will grow at a slower yet steady rate in mid to-long term. Higher disposable income of citizens means more consumption in sub-markets of high-end sedans, SUV and MPV, prospects of which are bright.

Secondly, automobile technology will be directed to energy saving, intelligence and safety. With higher demand in energy saving, safety and user interface of automobile across the world, international automobile manufacturers will focus its research and development of future automobile techniques on energy saving technologies symbolized by efficient power train, lighter new energy models, safety technologies symbolized by intelligent driver assistance and vehicle intelligence technologies symbolized by interactive driving systems. Being overall short of energy and dependent on foreign supply, China is exposed to higher energy safety risk, and citizens' awareness of environmental protection is rising. Under this dual pressure, consumption in conventional vehicles will be suppressed to a certain extent. Meanwhile, Chinese government attaches great importance to development and industrialization of energy saving green vehicles and new energy vehicles, which steers future automobile technological innovation towards energy saving, intelligence and safety.

(2) **Development strategy of the Company**

The Group aims to become a large-scale market-oriented leading international car manufacturer and the most trusted and cohesive international automobile enterprise group with the highest investment value and with good social responsibility and corporate image.

To this end, the Group will firstly continue to develop proprietary innovation and strengthen establishment of proprietary systems and capacity according to the world's leading standards, enhance capability of proprietary brands in developing core technology and enhance brand image, facilitate development of key parts and components synchronized with vehicles, and enhance quality of proprietary brand products, reduce production cost, expand sales channels and obtain economies of scale. Meanwhile, it will carry on implementing new modes of joint venture and cooperation to comprehensively enhance product competitiveness and accelerating introduction and development of new models to promptly establish a rational structure classifying all vehicle types and enabling synergy development of products and will proceed with adjustments to parts and components supply system and structure. Thirdly, it will continue to improve its industrial strategy by expanding scope of its finance business in order to provide diversified quality automobile finance and insurance products and services, thereby facilitating synergy development of its production chain.

(3) **Operational plan**

In 2013, the Group will centre upon enhancing quality and efficiency of economic growth. It believes in rising to challenges, seeking steady advancement, making innovation, continuing with joint venture cooperation and striving in mutual development. It will remain committed to proprietary innovation and strengthen capability. It will open up new sources of income and reduce cost and strengthen cost control. It will bring about changes and reorganization for new systems and mechanism. The major measures of operation are as follows:

1. Further improve the operation and sales system and strengthen research on and penetration into emerging markets, innovation in sales mechanism and mode, speed up the expansion in threeto– four-tier cities, enhance the support for shop establishment in secondary network and sales training, improve the adaptability of the sales team and the innovation of marketing ideas.

2. Improve the strategic planning for medium and long-term brand management of each enterprise, expand brand influence, perfect the brand management system and inspire potential innovation momentum.

3. Promote the advance of key projects, ensure the introduction of products and further improve product structure.

4. Facilitate modification and reform of manufacturing technologies for improvement in production efficiency and product competitiveness.

5. Further enhance the cost control for research and development and introduction of new products, manufacturing and administrative expenses and procurement costs for parts and components.

6. Continue to optimize the domestic and overseas capital operation platform, improve market value management, capture the dynamic of capital market, set up equity investment operations platform of the Group, cultivate new growth points for profit, further standardize information disclosure and inside information management, establish countermeasures for crises, foster a good image for the Company in the capital market and increase our value.

7. Promptly improve and update the management system of the Group and its invested enterprises, refine the internal control processes to create a rule-based and standardized management environment and atmosphere of following protocol. Strengthen management of the Group's deployed directors, supervisors and chief financial officers team and promote the Group's sustainable, healthy and stable development.

8. Adjust and optimize the Group's management and decision-making mechanism, improve the corporate governance structure, achieve a more simple and efficient management system which is more adaptable to the operation of listed companies, improve the wage performance appraisal program and incentive mechanism for business operators, introduce diversified evaluation standards and perfect the reform of the remuneration system.

(4) Potential risks

1. Risks of the industry

(1) Risk of changes in macro economy

The overall automobile industry significantly depends on level of development of the national economy, where economic growth rate would stimulate or suppress consumption in automobile. Moreover, due to globalization of economy, the automobile industry depends on international macro environment and circumstances the same way. In recent years, sustained growth in China's economic scale, steady growth in citizen's disposable income, prompt economic policies promulgated by the Chinese government and relatively favourable international circumstances resulted in an overall growth trend in demand of China's automobile industry. However, with slower macroeconomic growth, the demand for China's automobile industry is currently gradually slowing down. In future, such demand will continue to be influenced by China's macroeconomic policies, industrial structural adjustments and international circumstances.

(2) Risks of industrial competition and rapid growth in China's vehicle production capacity

The Group is prominent in middle-to-high-end passenger car sub-markets. However, as there is a large number of automobile manufacturers in China, market shares of the leading ones are relatively even. This on one hand gives the Company room for industrial integration and sustainable development, but on the other exposes the Company to the risk of challenges from competitors for its position within the industry.

In light of the expanding automobile market, manufacturers are all expanding their production capacity, which intensifies competition in the industry. The competition between joint ventures and local companies, international brands and proprietary brands, among vehicles with similar emission volume and new and old models is relatively intense. The Company is exposed to the risk of intense competition in China's automobile industry. China's automobile industry showed an overall growth trend in the past 10 years. Since 2009, China has become the top in the world in terms of automobile sales. Taking this market opportunity, companies all set out plans to expand production capacity, resulting in continued lowering of automobile sales price. Although products of the Group are relatively well-known in China and have relatively high market shares in their individual sub-markets, intensified competition may lead to lower price of its products and force it to further increase marketing and development costs, which may result in lower sales profit margin.

(3) *Impact of new energy vehicle products and technological research on conventional vehicle products and risks of technological development*

Under shortage of energy and higher awareness of energy saving and environmental protection, new energy vehicles are the direction of future automobile technological innovation and consumption in conventional vehicles will be suppressed to a certain extent. Although the Company is currently committed to development and industrialization of new energy vehicles, technology in such aspect is not mature enough to completely replace conventional fuel vehicles, and there is uncertainty in its prospects and direction.

(4) *Risks of changes in oil price*

In recent years, oil price in the world fluctuated violently, behind which there are complicated factors. Recent rapid development of oil futures market also enhanced the financial nature of crude oil and increased the volatility of oil prices.

As oil price increases in international market, sales price of refined oil in China may also rise, thereby increasing the costs of car-users, leading to changes in consumers demand for automobile and affecting sales of products of the Company.

(5) *Risk of change in exchange rate*

Influenced by international politics and economic situations, there may be changes in exchange rate of the RMB against the U.S. dollar, the Japanese yen, the euro and other currencies. Revenue of the Group is denominated in RMB, while certain raw material and parts and components are imported, and certain subsidiaries, joint ventures and associated companies of the Company export their products to overseas markets, which are mainly denominated in the U.S. dollar, the Japanese yen and the euro. Any volatility in exchange rate of the RMB against the above currencies may have impact on purchasing cost, sales revenue and investment gains of the Company.

2. *Operational risks*

(1) ***Risks of fluctuation in price of major raw materials***

Major raw materials of car manufacture include steel, aluminium, rubber, plastics and paints, thinners and other chemical products, and that of manufacturing automobile parts and components include metallic components, chemical components and electronic devices. In manufacturing passenger and commercial vehicles and products such as engines and parts and components, the Group has to purchase a large amount of raw material from upstream companies. If bulk raw material price is volatile, the production cost of those companies will significantly increase. They may raise their prices, which may have impact on profit of the Company if the prices rise abruptly to an overly high level, despite the fact that the Company may offset the rise through measures such as launching new products, resetting its product prices, passing the cost to customers, optimizing work flow and reducing consumption.

(2) ***Risks of continuous ability to launch popular products***

The continuous ability to launch popular products directly affects product sales and operating results of the Group. The Company must continue to improve existing products and develop and introduce new products promptly based on market demand in order to consolidate its market position and gain market share in targeted sub-markets. There is no warrant that the Company can continue to develop and produce competitive products by virtue of its existing technology research and development, raw material supply and production capability. At present, production, sales and imaging of the proprietary brand products of the Company is still in a developing stage. If proprietary brand products of the Company subsequently launched fail to gain a certain market share within a reasonable time period to obtain economies of scale, the Company may not be able to implement its business strategy and may be adversely affected in business and financial position. Furthermore, it takes substantial initial investment to launch new products, which, if unsuccessful in gaining market acceptance, may have impact on expected investment gain of the Company.

(3) ***Risks of ability to promptly optimize product structure***

At present, major passenger automobile products of the Company centre upon middle to-high-end sedans, and are mainly carried out through joint ventures established with Japanese companies. In 2012, due to the Diaoyu Island incident, production and operation was impeded. At present, the Group has further enhanced production and sales arrangements with non-Japanese joint ventures such as GAMC, GAC Gonow and GAC Fiat and technological cooperation with non-Japanese syndicates to enrich existing product structure and business strategic deployment in order to lower dependence on Japanese products. However, GAMC, GAC Gonow and GAC Fiat are still under development and adjustment at the initial stage and it takes time for their effect to emerge.

(4) *Risks of ability to start downstream automobile service business*

After years of strategic moves, the Group, based on its own principal businesses of research and development and manufacture of vehicles, is gradually embarking on downstream automobile service businesses such as automobile trading services, finance, insurance, leasing and logistics, which, however, are at an initial stage and not conventional to the Group. There is uncertainty whether the Group has sufficient manpower and resources in correspondence and whether it can develop such business smoothly.

(5) *Risks of change in Sino-Japanese relationship to product sales of joint ventures of the Group*

Automobile joint ventures of the Group are mainly Japanese, including those set up with Honda, Toyota, Hino and Mitsubishi. In the reporting period, major investees of the Group were significantly affected by the Diaoyu Island incident in their production and operation. In light of this, the Group promptly conveyed greetings to suppliers, distributors and customers, gave support and performed remedial work to rebuild confidence of outlets and customers in an attempt to minimize the impact on production and operation. Meanwhile, the Group, in accordance with the Chinese government's policy of automobile industry development and its own proprietary brand developing strategy, commenced development and establishment of proprietary brands back in 2010 which is bearing fruit. After the Diaoyu Island incident, the Group further strengthened production and sales arrangements with non-Japanese joint ventures such as GAMC, GAC Gonow and GAC Fiat and technological cooperation with non-Japanese syndicates to accelerate development of proprietary brands and to lower its dependence on Japanese products and offset the impact of lower sales of Japanese products. Currently, production and sales of automobiles of the Group are restoring to their normal level. However, such international political factor may still affect product sales of Japanese joint ventures of the Group and thus the Group's operating results in a certain period of time.

3. *Risks of policies*

(1) *Risks of product recall and quality*

In recent years, China has been stricter to the automobile industry in product quality and quantity regulations and technical standards. The Regulations for the Administration of the Recall of Defective Automotive Products (《缺陷汽車產品召回管理規定》), which came into effect on 1 October 2004, requires automobile manufacturers to offer repair services and recall. On 30 October 2012, the State Council passed at an executive meeting the Ordinance for the Administration of the Recall of Defective Automotive Products (《缺陷汽車產品召回管理條例》) by amending and supplementing the above Regulations, and the ordinance became effective from 1 January 2013. If products of the Company are recalled or have other quality issues, sales and results of the Company may be affected.

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

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

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

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

China is facing severe environmental problems. Fog and haze resulted from air pollution is substantially undermining the quality of citizens' lives. To fulfill its goal of energy saving and consumption and emission reduction, the government may promulgate more stringent environmental and energy saving policies, which may increase research and production cost of the Group and thus affect operating results of the Company.

(4) *Risks of amendments to vehicle consumption policies*

With increasing traffic pressure in urban areas, certain municipalities put into place policies regulating the number of vehicles, which may negatively affect local consumption in automobile. If there is over-investment in automobile industry or automobile consumption causes increased environmental pollution and worsening of urban traffic congestion, the government may further amend vehicle consumption policies, which may have significant impact on automobile manufacture and consumption market.

V. EXPLANATION FROM THE BOARD FOR THE ACCOUNTING FIRM'S "NON-STANDARD AUDIT REPORT"

(i) Explanation from the Board and the Supervisory Committee for the accounting firm's "non-standard audit report"

✓ N/A

(ii) Analysis and explanation from the Board for reasons and impact of changes in accounting policy, accounting estimates and accounting methods

✓ N/A

(iii) Analysis and explanation from the Board for reasons and impact of correction of major errors in the previous period

✓ N/A

VI. PROPOSED PROFIT DISTRIBUTION PLAN OR CAPITAL RESERVES-TO-EQUITY

(i) FORMULATION, IMPLEMENTATION AND ADJUSTMENTS OF CASH DIVIDEND POLICY

On 15 November 2012, the amendments to the Articles of Association regarding the increase in the profit distribution policy were approved by EGM of the Company. The Company has set out the basic principles and form of the Company's profit distribution; and the cash dividend ratio of the profit distributed by the Company in cash annually shall not be less than 10% of the realised and distributable profit that year. Meanwhile, the Company has approved the dividend distribution plan for the shareholders (2012-2014) of Guangzhou Automobile Group Co., Ltd.; and formulated the cash dividend ratio of the profit distributed by the Company in cash annually shall not be less than 10% of the realised and distributable profit that year as returns to the Shareholders for the next three years.

(ii) Disclosure should be made in details about the reasons for failure to propose cash dividend distribution plan if profit is made during the reporting period and undistributed profit of the Company is positive as well as the use and usage plan for retained profit

✓ N/A

(iii) Schemes or plans for profit distribution and transfer of capital reserve to share capital in the latest 3 years (including the reporting period)

Unit: RMB

Year	Number of bonus shares issued for every 10 existing shares (share)	Dividends paid for every 10 shares (tax Inclusive)	Number of shares transferred to share capital for every 10 existing shares (share)	Amount of cash dividend (tax inclusive)
2012		0.9 (note)		579,151,808.73
2011		2.0		1,287,004,019.40
2010		2.0		1,229,611,535.00

In 2012, the Group's audited net profit attributable to shareholders of the listing Company amounted to RMB1,133,982,302.

Profit distribution plan was recommended by the Board. A cash dividend of RMB0.20 per ten Shares (tax inclusive) are paid on the basis of the total share capital of shareholders registered as at the record date (which date shall be announced), amounting to RMB128,700,401.94 (the holders of A Shares will be paid in Renminbi, and the holders of H Shares will be paid in Hong Kong dollar). No transfer of capital reserve to share capital is implemented for this profit distribution. This profit distribution plan shall be proposed for consideration in 2012 general meeting.

In view of the first half of 2012, the Group has paid an interim cash dividend of RMB0.7 per ten Shares (tax inclusive) are paid to shareholders, therefore an accumulated cash dividend of RMB0.9 per ten Shares (tax inclusive) shall be declared in the year of 2012. The cumulative cash dividend of 2012 accounted for 51% of the net profit attributable to the shareholders' interests of the parent company.

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

During the reporting period, the Company's JCEs in total declared and distributed dividends of approximately RMB3,129,244,191 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.

VII. FULFILLMENT OF SOCIAL RESPONSIBILITY

Work on social responsibility

For details of work on social responsibility, please refer to the details of 2012 Social Responsibility Report of Guangzhou Automobile Group Co., Ltd and the details published on the website of the Shanghai Stock Exchange on the same date.

VIII. OTHER DISCLOSURES

During the reporting period, the major awards won by the Group and its major investess are set out below:

Serial number	Awards won by the Group and its major investees			Organizer/theme
1	GAC	:	best innovative listed company award	China Business Network • China Capital Annual
2	GAC	:	top 100 strongest companies in the 2012 100 strongest shares listed in Hong Kong selection	www.QQ.com and Xinhua News Agency
3	GAC	:	2011-2012 advanced unit of the securities and futures law in Guangdong jurisdiction	Guangdong CSRC
4	GAC	:	"Golden Bauhinia" Award – Best Investor Relation Management Listed Companies	Ta Kung Pao
5	GAC	:	China's Most Promising Companies 2012	The Asset
6	GAC	:	2012 Best Investor Relation Listed Companies	The Tenth China Financial List
7	Guangqi Honda	:	The highest scoring Chinese enterprise in the after sale satisfactory survey	J.D. Power Asia Pacific, Inc

Serial number	Awards won by the Group and its major investees			Organizer/theme
8	Guangqi Honda	:	An environmental friendliness and public welfare contributor	Guangzhou CEEC
9	Guangqi Honda	:	The Fourth China Corporate Social Responsibility Annual Meeting Annual Corporate Responsibility Case Award	Southern Weekly
10	Guangqi Honda	:	China Automotive Safety Star Shield "Automotive Safety Promotion Practice Award"	China Automotive Technology and Research Centre
11	Guangqi Honda	:	Guangdong Independent Innovative Outstanding Enterprise	Guangdong Enterprises Confederation, Guangdong Entrepreneurs Association
12	GAC Toyota	:	Exemplary low-carbon Chinese Company	The Economic Observer
13	GAC Toyota	:	2012 Salute to Public Service Innovation by the Southern Daily	The Southern Daily "2012 Salute to Public Service Ceremony"
14	GAC Toyota	:	2012 China Corporate Social Responsibility Ranking Enterprise Award	The Fifth China Corporate Social Responsibility Ranking by CBN
15	GAC Toyota	:	Chinese Company of the Year in Social Responsibility, Outstanding Award	The Fifth Corporate Social Responsibility Summit held by XINHUANET
16	GAC Toyota	:	2012 China's auto enterprises charitable contribution award	Southern Newspaper Media Group

Furthermore, products of investees of the Group were granted awards in their respective sub-markets, for example, GAC Honda's Crosstour was granted "Cross-border car award of the year" by auto.sina.com.cn, GAC Honda's Accord was granted "the most loved sedan by civil servants" by the Southern Daily, GAC Honda's CAMRY was granted "mid-to-high end sedan of the year" by CCTV, "the first prize of satisfactory fuel-consumption" by Sohu.com, "the most environmental friendly energy saving car of the year" by Sina.com and "the most environmental friendly energy saving car of the year" by NetEase, GAC Toyota's Highlander was granted "urban SUV of the year" by China Auto Pictorial, the proprietary brand Trumpchi GS5 was granted "SUV of the year" by 主流媒體汽車聯盟, "the Best Proprietary SUV of 2012 Beijing Auto Show Star Award" by Sohu and GAC Fiat's Viaggio, launched in the reporting period, was granted "mid-class car of the year" by China's mainstream media.

Chapter 6 Report of the Supervisory Committee

In 2012, the Supervisory Committee of the Company duly performed its various duties and obligations, 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, Listing Rules of Hong Kong and Shanghai Stock Exchange Listing Rules and other laws and regulations and the requirements of the articles of association of the Company. The Supervisory Committee fully exercised its function and played an active role in the operation of the Company, and supervision of 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. The commencement of the work of the year is as follow:

I. BASIC EVALUATION OF THE PERFORMANCE OF THE BOARD AND SENIOR MANAGEMENT IN 2012

Supervisory Committee was of the view that the Board of the Company duly performed its operation in strict compliance with the requirements under the laws and regulations including the Companies Law, the articles of association of the Company and Hong Kong and Shanghai Stock Exchange Listing Rules. Especially under the influence of various factors including an intensified industrial competition, licence restriction in some central cities as well as Sino-Japanese Diaoyu Island incident, the Company is still properly performed to ensure the stability of the production and operation of the Company.

In 2012, the major business decisions making procedures of the Company were legitimate and effective. The directors and senior management of the Company duly performed its duties seriously, proactively and normatively conducted its work in accordance with the national laws, regulations, the articles of association of the Company and resolutions of the general meeting and the Board. The Supervisory Committee had not found any acts in breach of laws and regulations and the articles of association of the Company or against the interests of the Company and the Shareholders.

II. MEETINGS CONVENED OF SUPERVISORY COMMITTEE

During the year, the Supervisory Committee convened nine supervisory meetings with the details as follows:

1. The Supervisory Committee resolved and passed the 2012 Business Plan and proposal regarding the implementation of the adoption of the H Share Appreciation Rights Scheme in the 15th meeting of the 2nd session of Supervisory Committee held on 5 January 2012.

2. The Supervisory Committee resolved and passed the Working Report of Supervisory Committee for 2011, proposal regarding the change of accounting policy for joint-controlled enterprise (from using proportionate consolidation method to using equity method) in the consolidated financial statements under HKFRSs, proposal regarding 2011 Financial Report, results announcement and annual report (overseas), and 2011 profit distribution plan in the 16th meeting of the 2nd session of Supervisory Committee held on 30 March 2012.

3. The Supervisory Committee resolved and passed the proposal regarding the election of new session of the Supervisory Committee in the 17th meeting of the 2nd session of Supervisory Committee held on 20 April 2012.

4. The Supervisory Committee resolved and passed the proposal regarding the 2012 First Quarterly Report in the 18th meeting of the 2nd session of Supervisory Committee held on 27 April 2012.

5. The Supervisory Committee resolved and passed the proposal regarding the election of the chairman of the 3rd session of the Supervisory Committee of Guangzhou Automobile Group Co., Ltd. in the 1st meeting of the 3rd session of Supervisory Committee held on 21 June 2012.

6. The Supervisory Committee resolved and passed the proposal regarding the proposal of 2012 Interim Report and its Summary in the 2nd meeting of the 3rd session of Supervisory Committee held on 27 August 2012.

7. The Supervisory Committee resolved and passed the proposal regarding the guarantees given by Guangzhou Automobile Group Co., Ltd. for the issuance of corporate bonds in the 3rd meeting of the 3rd session of Supervisory Committee held on 10 September 2012.

8. The Supervisory Committee resolved and passed the proposal regarding the 2012 Third Quarterly Report in the 4th meeting of the 3rd session of Supervisory Committee held on 30 October 2012.

9. The Supervisory Committee resolved and passed the proposal regarding the continuing connected transactions for 2013 to 2015 and Report on internal control and risk management of Guangzhou Automobile Group Co., Ltd. in the 5th meeting of the 3rd session of Supervisory Committee held on 21 December 2012.

Save the meetings above, the Supervisory Committee also supervised the convening, holding, resolution, voting procedures and poll results of general meetings and Board meetings through attending general meetings and being present in every Board meeting. The Supervisory Committed has made recommendations and supervised on the legitimacy and compliance of national laws, regulations, the Articles of Association of the Company and resolutions of the Board meetings and interests of the Shareholders in respect of the regular reports, profit distribution, connected transactions and internal control.

III. INDEPENDENT OPINIONS OF THE SUPERVISORY COMMITTEE ON REGULATED OPERATION OF THE COMPANY

1. Due operation of the Company

In 2012, 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 of Hong Kong and Shanghai and the articles of association of the Company and Rules of Procedures of the three Committees and the relevant provisions of various internal control systems, decision making process is legitimate and effective. Directors and senior management of the Company performed in a diligent and responsible manner and the resolutions of the general meetings and the Board meetings were implemented faithfully. No acts were in breach of laws and regulations and the articles of association of the Company or against the interests of the Company. Meanwhile, the Company has timely performed its disclosure obligations which were in strict compliance with the requirement of the Listing Rules of Hong Kong Stock Exchange and Shanghai Stock Exchange.

2. Internal Control

The Company 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, and formulated the “Report on internal control and risk management of GAC Group Co Ltd.” pursuant thereto, to lay a foundation of further improving the internal control system.

Supervisory Committee reviewed “the self-evaluation report on internal control of the Company for 2012” prepared by the Board and the establishment and implementation of internal control policies of the Company, and approved “the self-evaluation report on internal control of the Company for 2012” prepared by the Board.

3. Financial Conditions of the Company

The Supervisory Committee examined the financial conditions of the Company seriously and carefully and reviewed the 2011 annual financial report and 2012 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. Connected Transactions

The Supervisory Committee reviewed the major connected transactions and the report of connected transactions of the year. The Supervisory Committee considered that the Company had strictly abided by the relevant provisions of the domestic and overseas listing rules and the articles of association of the Company in conducting the connected transactions of the Company in 2012. The Supervisory Committee also considered that the approval procedures of the connected transactions were legal and price was fair and was not aware of any circumstances which were prejudicial to the interests of the Company and the Shareholders.

IV. WORKING PLAN

In 2013, the Supervisory Committee will focus on the operation goals. It will also perform its supervision responsibilities under the laws and the articles of association, with the supervising focus on financial conditions to monitor the Company's financial situation in accordance with the laws, so as to safeguard the interests of Shareholders, employees and enterprises; advancing the implementation of and improving internal control; urging the Company to further improve the corporate governance structure to enhance corporate governance; continuing to strengthen the implementation of supervision functions; attending the Board in accordance with the law; grasping the decision making process and its legitimacy of significant events of the Company; implementing strictly the rules of procedures of the Supervisory Committee and organizing work meetings of the Supervisory Committee on a regular basis.

In addition, the Supervisory Committee will enhance its own learning to improve its professional level. The Supervisory Committee has plan to participate relevant trainings, broaden its professional knowledge continuously and perform its duties conscientiously strictly in accordance with the laws and regulations and the articles of association of the Company, so as to play its supervision functions entirely.

Chapter 7 Significant Events

I. MATERIAL LITIGATIONS, ARBITRATIONS AND MATTERS GENERALLY QUESTIONED BY THE MEDIA

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

II. OCCUPATION OF FUNDS AND REPAYMENT OF DEBTS AND LIABILITIES DURING THE REPORTING PERIOD

N/A

III. MATTERS RELATING TO INSOLVENCY OR RESTRUCTURING

The Company did not have any matter relating to insolvency or restructuring in the year.

IV. TRANSACTION OF ASSETS AND COMBINATION OF BUSINESS

Acquisition and disposal of asset and combination of business by the Company which have been disclosed in the temporary announcements and have no change in the subsequent implementation process

Overview and Type of matters	Query Index
1. Combination of business: absorption and merger of GAC Changfeng Motor Co., Ltd. by way of issuing A shares	Please refer to the announcement dated 27 March 2012 in relation to the absorption and merger of GAC Changfeng by GAC Group by way of issuing A Shares; and announcement dated 2 August, 6 September, 11 October in relation to the implementation progress of the absorption and merger of GAC Changfeng by GAC Group by way of issuing A Shares (temporary announcement No. 2012-18, No. 22 and No. 30), published on China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily, website of Shanghai Stock Exchange and Hong Kong Stock Exchange
2. Absorption and merger: the merger of the Company with its wholly-owned subsidiary, Guangzhou Automobile Group Co., Ltd.	Please refer to the announcement dated 28 August 2012 in relation to resolution of the Board (temporary 2012-19) and the absorption and merger of the wholly-owned subsidiary, Guangzhou Automobile Group Co., Ltd (temporary 2012-20)
3. Equity acquired: the Company paid RMB1,699.9829 million to acquire directly 100% of equity interest of GAC Mitsubishi Motor Co., Ltd held by its wholly-owned subsidiary, GAC Changfeng Motor Co., Ltd.	Please refer to the resolutions of the Board (temporary 2012-13) published on 22 June 2012 by the Company

Overview and Type of matters	Query Index
4. Equity transfer: the Company transferred 50% of equity interest in GAC Mitsubishi Motor Co., Ltd at RMB1.392 billion	Please refer to the announcement in relation to resolution of the Board (temporary No. 2012-17) published on 2 August 2012 and announcement in relation to the implementation progress of the absorption and merger of GAC Changfeng by GAC Group by way of issuing A Shares (temporary announcement No. 2012-18 and No. 2012-22) published on 2 August and 6 September

V. IMPLEMENTATION OF THE SHARE OPTION INCENTIVE SCHEME AND ITS EFFECTS

The relevant share option incentive scheme which has been disclosed in the temporary announcements and have no change in the subsequent implementation process

Overview of Matters	Query Index
The Group approved grant of H share appreciation rights scheme and its initial grant, relevant incentive recipients include directors, senior management, key technical personnel and managerial personnel.	Announcement of "Poll results of the first extraordinary general meeting of the Company of 2012 held on 29 February 2012 and Grant of H Share Appreciation Rights" disclosed on the website of the Hong Kong Stock Exchange on 29 February 2012 (H Shares announcement).

The Company offered H share appreciation rights scheme (the "Scheme") to the directors, senior management and managerial and key technical personnel and the Scheme is settled in cash. According to the Scheme, each unit of share appreciation rights is notionally linked to one H share and represents the rights conferred to the relevant incentive recipient to receive in cash stipulated earnings from the increase in market share price of the relevant H share. However, no H shares will actually be issued to any incentive recipient.

On 29 February 2012, the "Scheme of H Share Appreciation Rights of Guangzhou Automobile Group Co., Ltd." was reviewed and approved at the first extraordinary general meeting of the Company in 2012. On the same date, as considered and passed at the 53rd meeting of the second session of the Board, the Company officially implemented the initial grant of the H share appreciation rights with details as follows:

Share Appreciation Rights granted to and exercised by Directors, Supervisors and senior management during the reporting period (unit: share)

Name	Position	Number of share appreciation rights granted during the reporting period	Number of exercised share appreciation rights during the reporting period	Number of outstanding share appreciation at the end of the Reporting period
Zhang Fangyou	Director	740,000	0	740,000
Zeng Qinghong	Director	580,000	0	580,000
Yuan Zhongrong	Director	550,000	0	550,000
Fu Shoujie	Director	550,000	0	550,000
Liu Huilian	Director	550,000	0	550,000
Lu Sa	Director	550,000	0	550,000
Wei Xiaoqin	Director	550,000	0	550,000
Li Tun	Director	550,000	0	550,000
Li Shao	Senior Management	500,000	0	500,000
Huang Xiangdong	Senior Management	500,000	0	500,000
Wang Dan	Senior Management	500,000	0	500,000
Wu Song	Senior Management	500,000	0	500,000
Jiang Ping	Senior Management	500,000	0	500,000
Yao Yiming	Senior Management	550,000	0	550,000
Feng Xingya	Senior Management	550,000	0	550,000
Liu Wei	Senior Management	500,000	0	500,000
Ou Yongjian	Senior Management	500,000	0	500,000
Chen Maoshan	Senior Management	500,000	0	500,000

VI. MATERIAL CONNECTED TRANSACTIONS

1. Matters disclosed in the temporary announcements and have no change in the subsequent implementation process

Overview of Matters	Query Index
The Company proposed the issuance of domestic corporate bonds of not exceeding RMB6 billion with the guarantees provided by Guangzhou Automobile Industry Group	Please refer to the circulars of the Company dated 28 September 2012 and 30 October 2012.

2. Continuing connected transactions related to normal operations

During the year ended 31 December 2012, 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 2012, 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 2012 was RMB245,000,000. During the year ended 31 December 2012, 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 RMB49,549,521.

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 2012, 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 2012 was RMB103,000,000. During the year ended 31 December 2012, 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 RMB176,503.

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***

(a) During the year ended 31 December 2012, the Company, its subsidiaries and the principal JCEs (including GAC Toyota and Guangqi Honda) provided transport and logistic services ("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 2012, 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 RMB260,077,617.

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 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 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 logistic services have to be stopped, which in turn will hold up the manufacturing activities and the delivery of vehicle products, until the requirements of announcement and/or shareholders' approval under Chapter 14A of the Listing Rules are complied with.

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

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

On 21 December 2012, the Group, in order to establish a sound and comprehensive logistic network for the provision of logistic services for the manufacturing enterprises of the Group at reasonable and competitive prices, so that the manufacture and sales of the Group are able to record a profit margin that is within the industry standard or even better, the following GAC members (as the service provider) and the principal JCEs (including GAC Toyota and Guangqi Honda) and its subsidiaries (as the service recipient) entered into an agreement that:

(i) Guangzhou Guangqi Commercial Logistics Co., Ltd. (廣州廣汽商貿物流有限公司), an indirect wholly-owned subsidiary of the Company, and GAC Toyota Logistics

Co., Ltd. (廣汽豐田物流有限公司), being an associate of Toyota which indirectly owns 45% of equity interest, entered into Supplemental Agreement, with validity period from 1 January 2013 to 31 December 2013, which, unless otherwise agreed, will be extended to the term of not exceeding 3 years in total;

(ii) Guangqi Toyotsu Logistics Co., Ltd. (廣汽豐通物流有限公司), an indirect wholly-owned subsidiary of the Company, and Tong Fang Global (Tianjin) Logistics Co., Ltd. ("Tong Fang Global") (同方環球(天津)物流有限公司), being an associate of Toyota which indirectly owns 40% of equity interest, entered into Supplemental Agreement, with validity period from 1 January 2013 to 31 December 2015; and

(iii) Guangzhou Automobile Hunan NYK Logistics Co. Ltd. ("GAC Hunan") (湖南廣汽日郵物流有限公司) and GAC Toyota Logistics, entered into New Agreement, with validity period from 1 January 2013 to 31 December 2015.

Pursuant to the Supplemental Agreement, the payment received by the service provider from the service recipient for the Logistic Services is paid according to the prices in the contract which are determined with reference to the prevailing prices of the same type of services in the market.

Pursuant to the New Agreement, both parties to the agreement have agreed that, they shall enter into Individual Agreement(s) in relation to the provision of the Logistic Services within the validity period of the New Agreement based on the terms, conditions and principles of the New Agreement. The terms of the Individual Agreements (including the terms of calculation and payment of service fees) shall be determined based on normal commercial terms and the respective independent interests, and the transaction terms shall not be more favourable than the corresponding terms for the provision of the same type of services by the Group members to its independent third parties or less favourable than the corresponding terms for the receipt of the same type of services by the Group members from its independent third parties (as the case may be). The payment for the provision of the Logistic Services under the Individual Agreements shall be unanimously determined after thorough communication and discussion between the parties to the agreement with reference to the prevailing prices of the same type of services in the market. In case of any inconsistency between the terms of an Individual Agreement and the New Agreement, the terms of the New Agreement shall prevail. The term of the Individual Agreement shall not exceed the term of the New Agreement, otherwise a new agreement or a supplemental agreement should be entered into in accordance with the then applicable requirements of the Listing Rules.

The foresaid waivers granted by the Stock Exchange at the time of listing in relation to the transactions made expired when the Supplemental Agreements and New Agreements were entered into. The Stock Exchange has approved the Company's application for renewal of the Waivers, exempting the Company from compliance with the annual cap and annual reporting requirements under Rules 14A.35(2) and (3) of the Listing Rules to the extent that only disclosure of the total annual consideration relating to the Transactions needs to be made.

(b) During the year ended 31 December 2012, 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 2012, 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 RMB1,042,908,791.

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 Company has applied to the Stock Exchange for and was granted a waiver from compliance with annual cap requirements relating to the above transactions for the duration of the terms of the respective transactions.

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

On 21 December 2012, the Group, in order to establish a sound and comprehensive logistic network for the provision of logistic services for the manufacturing enterprises of the Group at reasonable and competitive prices, so that the manufacture and sales of the Group are able to record a profit margin that is within the industry standard or even better, the following the principal JCEs (including Toyota and Honda) and their associates (as the service provider) and GAC Group members (as the service recipient) in respect of the transactions made entered into an agreement that:

(i) Tong Fang Global and Guangqi Toyotsu entered into the Supplemental Agreement; the validity period is from 1 January 2013 to 31 December 2015;

(ii) GAC Honda Logistics Co., Ltd. (廣汽本田物流有限公司), being an associate of Honda which indirectly owns 51% equity interest, and Guangqi Honda, entered into the Supplemental Agreement with validity period from 1 January 2013 to 31 December 2013, which, unless otherwise to the relevant agreement, will be extended to the term of not exceeding 3 years in total;

(iii) GAC Toyota Logistics and GAC Hunan entered into the New Agreement with validity period from 1 January 2013 to 31 December 2015; and

(iv) GAC Toyota Logistics and Guangzhou Changning Automobile Sales and Services Co., Ltd. (廣州長寧汽車銷售服務有限公司), an indirect wholly-owned subsidiary of the Company, entered into the New Agreement with validity period from 1 January 2013 to 31 December 2015.

Pursuant to the Supplemental Agreement, the payment received by the service provider from the service recipient for the Logistic Services is paid according to the prices in the contract which are determined with reference to the prevailing prices of the same type of services in the market.

Pursuant to the New Agreement, both parties to the agreement have agreed that, they shall enter into Individual Agreement(s) in relation to the provision of the Logistic Services within the validity period of the New Agreement based on the terms, conditions and principles of the New Agreement. The terms of the Individual Agreements (including the terms of calculation and payment of service fees) shall be determined based on normal commercial terms and the respective independent interests, and the transaction terms shall not be more favourable than the corresponding terms for the provision of the same type of services by the Group members to its independent third parties or less favourable than the corresponding terms for the receipt of the same type of services by the Group members from its independent third parties (as the case may be). The payment for the provision of the Logistic Services under the Individual Agreements shall be unanimously determined after thorough communication and discussion between the parties to the agreement with reference to the prevailing prices of the same type of services in the market. In case of any inconsistency between the terms of an Individual Agreement and the New Agreement, the terms of the New Agreement shall prevail. The term of the Individual Agreement shall not exceed the term of the New Agreement, otherwise a new agreement or a supplemental agreement should be entered into in accordance with the then applicable requirements of the Listing Rules.

The foresaid waivers granted by the Stock Exchange at the time of listing in relation to the transactions made expired when the Supplemental Agreements and New Agreements were entered into. The Stock Exchange has approved the Company's application for renewal of the Waivers, exempting the Company from compliance with the annual cap and annual reporting requirements under Rules 14A.35(2) and (3) of the Listing Rules to the extent that only disclosure of the total annual consideration relating to the Transactions needs to be made.

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 2012, the Company, its subsidiaries and the principal JCEs (including GAC Toyota and Guangqi Honda) 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 services 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 2012, 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 production equipment 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 2012, 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 2012 was RMB90,000,000. The Company and Dongfeng Honda Engine Co., Ltd.(Honda holds 50% of its equity interest) hold 70% and 30% of the equity interest of Guangzhou Dakang Economic Development Co., Ltd.("Dakang") respectively, pursuant to Rule 14A.12A(1)(b) of the Listing Rules, Dakang is an associate of Honda and does not constitute a connected person of the Company, thus the transaction between Guangqi Honda and Dakang in relation to the provision of recycling materials does not constitute a transaction under Chapter 14A of the Listing Rules and is not included in the annual caps of this transaction. During the year ended 31 December 2012, 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 RMB0.

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 2012, 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 that 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 right to use intellectual property (in relation to production and sales of vehicles)*

During the year ended 31 December 2012, 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 right to use intellectual property is 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 principle 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 2012, the above connected transactions entered into by the Company as one of the parties are:

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

(2) on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, or on terms no less favourable to the Company than terms available to o1r from (as appropriate) independent third parties; and

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

(4) 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.

Chapter 7 Significant Events

VII. MATERIAL CONTRACTS AND THEIR PERFORMANCE

(1) Trusts, contracts and lease arrangements

✓ N/A

(2) Guarantee

Unit: Yuan Currency: RMB

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

Guarantor	Relationship between guarantor and listed company	Guarantee	Guaranteed amount	Date of guarantee	Commencement date of guarantee	Expiry date of guarantee	Type of guarantee	The guarantee is fully performed?	Overdue?	Overdue amount	Is counter guarantee available?	Guarantee provided to the related parties?	Relationship
GAC Bus	Wholly-owned subsidiaries	韶關市公共汽車公司	7,366,667	20 July 2011	16 February 2012	16 February 2015	Suretyship of joint and several liability	No	No	–	No	No	non-related party

Total guarantee incurred during the reporting period (excluding those provided to subsidiaries)	10,200,000.00
Total balance of guarantee as at the end of the reporting period (A) (excluding those provided to subsidiaries)	7,366,667
Total Guarantee provided by the Company (including those provided to subsidiaries)	
Aggregate guarantee (A+B)	7,366,667

(3) Other material contracts

During the reporting period, the Company had no other material contracts.

VIII. PERFORMANCE OF UNDERTAKINGS

The undertakings by the listed companies, shareholders holding over 5% of equity interest, controlling shareholders and ultimate controller during the reporting period or subsisting to the reporting period

Background of undertakings	Type of undertakings	Undertaker	Contents of undertakings	Time and period of undertaking	Is there a fulfillment time limit	Whether fulfilled strictly in time	Reason for failure in fulfillment in time (if any)	Further steps in case of failure in fulfillment in time
Undertakings in relation to substantial assets restructuring	Resolution of flaws in right of land and other property ownership	GAC Changfeng and/or the Company	Huizhou Liebao Automobile Sales Company (惠州市獵豹汽車銷售公司) ("Huizhou Liebao"), a subsidiary of GAC Changfeng, owns a parcel of land situated in Xie Xia Zhongkai San Lu, Huizhou with land certificate of Hui Fu Guo You (2002) 13021400030 and area of 4,015 sq.m.. The building erected on such land were used as the office and exhibition hall of Huizhou Liebao. Huizhou Liebao has now ceased to operate and is under the process of being deregistered, and the status of such land and the buildings thereon are idle. As for the land use right of such land owned by Huizhou Liebao, prior to Huizhou Liebao being deregistered, GAC Changfeng will apply to the local land management authorities for transferring such land use right to right to sale. If the transfer is not completed before the completion of the deregistration of Huizhou Liebao, it will be carried out by the Company as the surviving company. The Company undertakes to complete the transfer before 31 December 2012. In case the transfer has not been completed by that time, the surviving company will stop allocating such land.	Up to 31 December 2012	Yes	Yes		
Undertakings in relation to substantial assets restructuring	Resolution of flaws in right of land and other property ownership	GAC Changfeng and/or the Company	As at 31 December 2011, GAC Chengfeng has not obtained the ownership certificates of 6 buildings, with an aggregated area of 25,626.63 sq.m.. GAC Changfeng undertakes to obtain such certificates as soon as possible, and the Company also undertakes to procure GAC Changfeng to obtain such certificates as soon as possible. Before the deregistration of GAC Changfeng, relevant fees and charges will be borne by GAC Changfeng; the Company undertakes to continue the procedure regarding such certificates after the deregistration of GAC Changfeng and bear the relevant fees and charges. Among the 6 buildings, Changsha Changfeng Motor Co., Ltd. (長沙長豐汽車製造有限公司) owns a R&D building situated in 1 Gui Tang Ti Yuan Lu, Yuhua District, Changsha with area of 8,117 sq.m.. Because the company is currently in the process of deregistration, it temporarily has not yet obtained the ownership certificate. The Company undertakes that the surviving company (being the Company) will complete title documents regarding such buildings and assets and bear the relevant fees and charges. As for the other five buildings, it is expected that the ownership certificates will be obtained by the end of 2012.	Up to 31 December 2012	Yes	Yes		

Background of undertakings	Type of undertakings	Undertaker	Contents of undertakings	Time and period of undertaking	Is there a fulfillment time limit	Whether fulfilled strictly in time	Reason for failure in fulfillment in time (if any)	Further steps in case of failure in fulfillment in time
Undertakings in relation to the initial public offering	Shares subject to trading moratorium	GAIG	It undertakes that, within 36 months from the listing and trading of 3,617,403,529 A shares held by it, it will not transfer or entrust others into management the shares of the Company in issue before this round of issue which were, directly or indirectly, held by it, nor repurchase such shares from the Company.	Up to 28 March 2015	Yes	Yes		
Undertakings in relation to the initial public offering	Shares subject to trading moratorium	Wanxiang Group Corporation (萬向集團公司), China National Machinery Industry Corporation Limited (中國機械工業集團有限公司), Guangzhou Iron & Steel Enterprises Group (廣州鋼鐵企業集團有限公司) and Guangzhou Chime-Long Group Co., Ltd. (廣州長隆集團有限公司)	It is undertaken that, within 12 months from the listing and trading of A shares held by them, they will not transfer or entrust others into management of the shares of the Company in issue before this round of issue which were, directly or indirectly, respectively held by them, nor repurchase such shares from the Company.	Up to 28 March 2013	Yes	Yes		
Other commitments	Non-Competition	GAIG	(1) directly or indirectly do or participate in (or assist in doing or participating in) any business or activities which compete or may compete with the principal business of the Company in any manner (including but not limited to investment, merger and acquisition, forming associates, joint venture, cooperation, partnership, trust, underwriting, operating lease, acquisition of equity or joint stock), whether solely or jointly with other parties, in the PRC or overseas; (2) support any person other than promoters of the Company or subsidiaries of the promoters to do or participate in any business which competes or may compete with the principal business of the Company in any manner in the PRC or overseas; (3) intervene in any business or activities which compete or may compete with the principal business of the Company by other means (whether directly or indirectly), provided that the above undertaking shall not be applicable where GAIG or its subsidiaries (other than the Company and its subsidiaries) acquire or hold for investment purpose not more than 5% interest in other company listed on an internationally recognized stock exchange whose	Long-term	No	Yes		

Background of undertakings	Type of undertakings	Undertaker	Contents of undertakings	Time and period of undertaking	Is there a fulfillment time limit	Whether fulfilled strictly in time	Reason for failure in fulfillment in time (if any)	Further steps in case of failure in fulfillment in time
			principal business competes or may compete with the principal business of the Company; or where GAIG or its subsidiaries or investee company hold not more than 5% interest in a third party whose principal business competes or may compete with the principal business of the Company as a result of the debt restructuring of third parties; (4) if GAIG or its subsidiaries (other than the Company and its subsidiaries) come across any new business opportunity which competes or may compete with the principal business of the Company, it shall immediately inform the Company in writing, and shall use its best endeavours to procure such business opportunity be first offered to the Company or its subsidiaries on fair and reasonable terms and conditions. The Company shall, within 30 days from receiving the aforesaid notification, notify GAIG or its subsidiaries (other than the Company and its subsidiaries) in writing whether or not the Company or its subsidiaries intend to take up the aforesaid business opportunity. Upon receiving notification from the Company that it intends to take up such opportunity, GAIG or its subsidiaries shall refer such business opportunity to the Company or its subsidiaries; (5) if the Company or its subsidiaries decide not to take up such business opportunities for any reason, upon receiving notification from the Company of such intention or the Company fails to respond in writing to GAIG or its subsidiaries within the said 30-day period, GAIG or its subsidiaries (other than the Company and its subsidiaries) may operate such new business on its own; (6) in the future, when GAIG or its subsidiaries (other than the Company and its subsidiaries) operate such new business which competes or may compete with the principal business of the Company pursuant to paragraph (5) above, or due to adjustments in national policies or other force majeure or unexpected events, such that competition in the same business occurs or becomes inevitable, GAIG or its subsidiaries (other than the Company and its subsidiaries) shall offer an option to the Company or its subsidiaries, pursuant to which the Company or its subsidiaries shall have the right to acquire any equity, asset and other interest in the competing business from GAIG or its subsidiaries in accordance with statutory processes in one or multiple tranches, or the Company or its subsidiaries may elect to operate assets or businesses in the competing business by way of entrusted operation, operating lease or underwriting operation in accordance with statutory processes, provided that the relevant laws and regulations of the PRC and the listing rules of the relevant stock exchange then in force are complied with.					

Chapter 7 Significant Events

IX. APPOINTMENT OR DISMISSAL OF ACCOUNTANTS

Unit: Yuan Currency: RMB

Whether to appoint another accounting firm:	No	
	Formerly appointed	Currently appointed
Name of domestic auditors	BDO China Shu Lun Pan Certified Public Accountants LLP	BDO China Shu Lun Pan Certified Public Accountants LLP
Remuneration of domestic auditors	700,000	750,000
Term of audit of the domestic auditors	3 years	4 years
Name of overseas auditors	PricewaterhouseCoopers	PricewaterhouseCoopers
Remuneration of overseas auditors	3,500,000	3,049,000
Term of audit of the overseas auditors	2 years	3 years

	Name	Remuneration
Auditors as internal control auditors	BDO China Shu Lun Pan Certified Public Accountants LLP	350,000
Sponsor	China International Capital Co., Ltd	

The appointment of BDO China Shu Lun Pan Certified Public Accountants LLP and Pricewaterhouse Coopers as 2012 auditing firms and BDO China Shu Lun Pan Certified Public Accountants LLP as 2012 internal auditor were considered and approved at 2011 annual general meeting held on 21 June 2012.

X. PUNISHMENT ON THE COMPANY AND ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, SHAREHOLDERS HOLDING OVER 5% OF EQUITY INTEREST, CONTROLLING SHAREHOLDERS AND PURCHASER AND RELEVANT RECTIFICATIONS

During the reporting period, none of the Company, its Directors, supervisors, senior management members, shareholders holding over 5% of equity interest, Controlling shareholders or purchaser was subject to any investigation, administrative punishment or public criticism by the CSRC, or publicly censured by any stock exchanges.

XI. OTHER SIGNIFICANT EVENTS

The Company had no other significant events during the reporting period.

Chapter 8 Changes in Share Capital and Information on Shareholders

(I) STATEMENT OF CHANGES IN SHARES

(I) Statement of changes in shares

1. Statement of changes in shares

Unit: share

	Before change		Increase/decrease in this change (+, -)					After change	
	Number	Percentage (%)	Issue of new shares	Bonus issue	Conversion from contributed capital surplus	Others	Sub-total	Number	Percentage (%)
I. Shares subject to trading moratorium						3,934,757,457	3,934,757,457	3,934,757,457	61.14
1. State-owned shares									
2. State-owned legal person shares						3,770,501,007	3,770,501,007	3,770,501,007	58.59
3. Other domestic shares						164,256,450	164,256,450	164,256,450	2.55
Including: Domestic non-state – owned legal person shares						164,256,450	164,256,450	164,256,450	2.55
Domestic public shares									
4. Foreign shares									
Including: Overseas legal person shares									
Overseas public shares									
II. Circulating shares not subject to trading moratorium	6,148,057,675	100.00	286,962,422			-3,934,757,457	-3,647,795,035	2,500,262,640	38.86
1. Renminbi ordinary shares			286,962,422				286,962,422	286,962,422	4.46
2. Foreign shares listed domestically									
3. Foreign shares listed overseas	2,213,300,218	36.00						2,213,300,218	34.40
4. Others	3,934,757,457	64.00				-3,934,757,457	-3,934,757,457		
III. Total shares	6,148,057,675	100.00	286,962,422					6,435,020,097	100.00

2. About the approval of changes in shareholding

As at 30 January 2012, CSRC approved the Company to issue 286,962,422 Renminbi ordinary shares by "Approval of the absorption and merger of GAC Changfeng Motor Co., Ltd. by Guangzhou Automobile Group Co., Ltd. by way of initial public offering of shares" (CSRC Approval [2012] No.137) for the absorption and merger of GAC Changfeng Motor Co., Ltd.. As at 23 March 2012, the SSE approved the listing of Renminbi ordinary shares of the Company on the SSE by "Notification of A share listing of Guangzhou Automobile Group Co., Ltd." (SSE Fazi [2012] No. 6). The share capital of A share is 4,221,719,879 shares, and 286,962,422 shares of which began to be traded on SSE on 29 March 2012. Currently, the total share capital of the Company has changed from 6,148,057,675 shares to 6,435,020,097 shares.

(II) Changes in shares subjects to trading moratorium

Unit: share

Name of Shareholders	Number of shares subject to trading moratorium at the beginning of the year	Number of shares relieved from trading moratorium in the year	Number of additional shares subject to trading moratorium in the year	Number of shares subject to trading moratorium at the end of the year	Reason for the trading moratorium	Date of relieving trading moratorium
GAIG	3,617,403,529	0	0	3,617,403,529	Lock-up undertaking by promoter upon initial listing	29 March 2015
Wanxiang Group Corporation (萬向集團公司)	156,996,823	0	0	156,996,823	Lock-up undertaking by promoter upon initial listing	29 March 2013
China National Machinery Industry Corporation Limited (中國機械工業集團有限公司)	145,227,963	0	0	145,227,963	Lock-up undertaking by promoter upon initial listing	29 March 2013
Guangzhou Iron & Steel Enterprises Group (廣州鋼鐵企業集團有限公司)	7,869,515	0	0	7,869,515	Lock-up undertaking by promoter upon initial listing	29 March 2013
Guangzhou Chime – Long Group Co., Ltd (廣州長隆集團有限公司)	7,259,627	0	0	7,259,627	Lock-up undertaking by promoter upon initial listing	29 March 2013
Total	3,934,757,457	0	0	3,934,757,457	/	/

II. ISSUE AND LISTING OF SECURITIES

(I) Issue of securities in the last three years as at the end of the reporting period

Unit: Share Currency: RMB

Class of shares and their derivative securities stock	Date of issue	Issue price (or interest rate)	Number of shares issued	Date of listing	Number of shares traded with listing approval	Expiration date of trading
Class of Shares						
H Shares	25 August 2010		2,213,300,218	30 August 2010	2,213,300,218	
A Shares	29 March 2012	9.09	286,962,422	29 March 2012	4,221,719,879	

(1) Listing of H shares Issue

In accordance with the approval of CSRC by "Approval of the issue of foreign shares of GAC Changfeng Motor Co., Ltd." (CSRC Approval [2010] No. 1123) and the approval of Hong Kong Stock Exchange dated 18 August 2010, the Company by the way of share exchange issued initial public offering of 2,213,300,218 H shares to the shareholders of Denway Motors Limited on 25 August 2010. Such shares began to be traded on the main board of the Stock Exchange on 30 August 2010; using stock abbreviation "GAC GROUP" with stock code "2238". After the issue of H Shares, the aggregate share capital of the Company was RMB6,148,057,675 with a nominal value of RMB1 each, of which 3,934,757,457 were Domestic Shares representing approximately 64% of the aggregate share capital, and 2,213,300,218 were H Shares representing approximately 36% of the aggregate share capital.

(2) Listing of A shares Issue

By "Approval of the absorption and merger of GAC Changfeng Motor Co., Ltd. by Guangzhou Automobile Group Co., Ltd. by way of initial public offering of 286,962,422 shares" (CSRC Approval [2012] No. 137) dated 30 January 2012 and "Notification of A share listing of Guangzhou Automobile Group Co., Ltd." (SSE Fazi [2012] No. 6) dated 23 March 2012, CSRC and the SSE respectively approved that the share capital of A share of the Company is 4,221,710,879 shares, 286,962,422 shares of which began to be traded on SSE on 29 March 2012; using stock abbreviation "GAC GROUP" with stock code "601238".

After the issue of A Shares, the total share capital of the Company was RMB6,435,020,097 with a nominal value of RMB1 each, of which 3,934,757,457 were held by the promoter representing 61.15% of the total share capital, and 286,962,422 were held by domestic public shareholders representing 4.46% of the total share capital, and 2,213,300,218 were held by H Shares shareholders representing approximately 34.39% of the total share capital.

II. Change of the total number of shares and the share capital structures of the company and structure of the company assets and liabilities

The Company issued 286,962,422 A shares which were listed on the main board of the Shanghai Stock Exchange on 29 March 2012 for the absorption and merger with GAC Changfeng. After the issue of A Shares, the total share capital of the Company was RMB6,435,020,097 with a nominal value of RMB1 each, of which 4,221,710,879 were A Shares representing 65.61% of the total share capital, and 2,213,300,218 were held by H Shares shareholders representing 34.39% of the total share capital. Of the share capital of A Shares, 3,934,757,457 ordinary shares were held by the promoter representing 61.15% of the total share capital and 286,962,422 were held by domestic public shareholders representing 4.46% of the total share capital.

III. Existing internal employee shares

As at the end of the reporting period, there were no internal employee shares of the Company.

III. INFORMATION ON SHAREHOLDERS AND ULTIMATE CONTROLLER

(I) Number of shareholders and their shareholding

Unit: Share

Total number of shareholders as at the end of the reporting period:	A shares: 25,996 H shares: 301	Total number of shareholders as at the end of the 5th trading day prior to the disclosure of the annual report:			A shares: 26,025 H shares: 303	
Particulars of top ten shareholders						
Name of shareholder	Nature of shareholder	Percentage in share capital (%)	Total number of shares held	Increase/decrease during the reporting period	Number of shareholdings subject to trading moratorium	Number of shares pledged or frozen
Guangzhou Automobile Industry Group Co., Ltd. (廣州汽車工業集團有限公司) *(Note 1)*	State-owned legal person	57.58	3,705,129,384	87,725,855	3,617,403,529	No 0
HKSCC NOMINEES LIMITED *(Note 2)*		34.32	2,208,641,860	104,515		No 0
Wanxiang Group Corporation (萬向集團公司)	Domestic non-state-owned legal person	2.44	156,996,823	0	156,996,823	No 0
China National Machinery Industry Corporation Limited (中國機械工業集團有限公司)	State-owned legal person	2.26	145,227,963	0	145,227,963	No 0
Guangzhou Iron & Steel Enterprises Group (廣州鋼鐵企業集團有限公司)	State-owned legal person	0.12	7,869,515	0	7,869,515	Pledged: 7,869,515
Guangzhou Chime-Long Group Co., Ltd. (廣州長隆集團有限公司)	Domestic non-state-owned legal person	0.11	7,259,627	0	7,259,627	No 0
China Pacific Life Insurance Co., Ltd. – Traditional – General Insurance Product (中國太平洋人壽保險股份有限公司－傳統－普通保險產品)	Unknown	0.11	6,999,948	6,999,948	0	No 0
China Life Insurance Co., Ltd. Dividends personal bonus – 005L-FH002 Shanghai (中國人壽保險股份有限公司－分紅－個人分紅－005L-FH002滬)	Unknown	0.08	5,451,898	5,451,898	0	No 0
China Life Insurance Co., Ltd. – Traditional – General Insurance Product– 005L-CT001 Shanghai (中國人壽保險股份有限公司－傳統－普通保險產品－005L-CT001滬)	Unknown	0.05	3,330,144	3,330,144	0	No 0
China Construction Bank – Huaxia Securities Investment Fund (中國建設銀行－華夏紅利混合型開放式)	Unknown	0.05	3,094,610	3,094,610	0	No 0
Zhao Guangshun (趙廣順)	Natural person	0.04	2,748,723	2,748,723	0	

Particulars of top ten holders of shares not subject to trading moratorium

Name of shareholder	Number of tradable shares not subject to trading moratorium	Class/Number of shares
HKSCC NOMINEES LIMITED	2,208,641,860	Foreign shares listed overseas 2,208,641,860
GAIG	87,725,855	Renminbi ordinary shares 87,725,855
China Pacific Life Insurance Co., Ltd. – Traditional – General Insurance	6,999,948	Renminbi ordinary shares 6,999,948
China Life Insurance Company Limited – dividends personal bonus – 005L-FH002 Shanghai	5,451,898	Renminbi ordinary shares 5,451,898
China Life Insurance Company Limited – Traditional General Insurance – 005L-CT001 Shanghai	3,330,144	Renminbi ordinary shares 3,330,144
China Construction Bank – Huaxia Balanced Mixed Securities Investment Fund	3,094,610	Renminbi ordinary shares 3,094,610
Zhao Guangshun (趙廣順)	2,748,723	Renminbi ordinary shares 2,748,723
Pacific Securities Co., Ltd.	2,599,930	Renminbi ordinary shares 2,599,930
BOC-Franklin Templeton Sealand Growth Dynamic Equity Securities Investment Fund	1,833,875	Renminbi ordinary shares 1,833,875
BOC-Jiashi CSI300 Transactional Open-end Index Securities Investment Fund	1,683,709	Renminbi ordinary shares 1,683,709

Remarks

Note 1: GAIG holds a total of 3,705,129,384 A shares of the Company (including 3,617,403,529 shares subject to trading moratorium) approximately representing 87.76% of the share capital of A Shares of the Company. Meanwhile, GAIG holds 79,276,000 H shares of the Company through its wholly owned subsidiary, Guangzhou Automobile Group (Hong Kong) Co., Ltd., approximately representing 3.58% of the share capital of H Shares of the Company. Hence GAIG holds a total of 3,784,405,384 A and H shares, approximately representing 58.81% of the total share capital of the Company.

Note 2: H shares held by HKSCC Nominees Limited were held on behalf of a number of clients.

Number of shares held by the top ten shareholders subject to trading moratorium and particulars of such trading moratorium

Unit: share

No.	Name of shareholder subject to trading moratorium	Number of shares held subject to trading moratorium	Particulars of tradable shares subject to trading moratorium: Time for listing and trading	Particulars of tradable shares subject to trading moratorium: Number of additional shares available for listing and trading	Trading moratorium
1	GAIG	3,617,403,529	29 March 2015	0	36 months lock-up undertaking by promoter upon initial listing
2	Wanxiang Group Corporation (萬向集團公司)	156,996,823	29 March 2013	0	12 months lock-up undertaking by promoter upon initial listing
3	China National Machinery Industry Corporation Limited (中國機械工業集團有限公司)	145,227,963	29 March 2013	0	12 months lock-up undertaking by promoter upon initial listing
4	Guangzhou Iron & Steel Enterprises Group (廣州鋼鐵企業集團有限公司)	7,869,515	29 March 2013	0	12 months lock-up undertaking by promoter upon initial listing
5	Guangzhou Chime – Long Group Co., Ltd (廣州長隆集團有限公司)	7,259,627	29 March 2013	0	12 months lock-up undertaking by promoter upon initial listing

IV. STATUS OF CONTROLLING SHAREHOLDER AND ULTIMATE CONTROLLER

(I) Controlling Shareholder

1. *Legal person*

Unit: 100 million Currency: RMB

Name	:	Guangzhou Automobile Industry Group Co., Ltd.
Responsible person of the institution or legal representative	:	Zhang Fangyou
Date of establishment	:	18 October 2000
Organization code	:	72502048-X
Registered capital	:	25.713
Principal business	:	Manufacturing, processing, motor vehicles, automobile and its spare parts; property management; operation and management of the State-Owned Assets within the scope of mandate; investment and financing consultation; wholesale and retailing (other than state-controlled goods); business of exporting products and technologies produced by this enterprise itself and business of importing raw and auxiliary materials, instruments, machinery and equipment, spare parts and technologies required by this enterprise (other than goods and technologies solely operated by this enterprise or prohibited from import and export by the State); and the operation of imported material processing and three categories of processing and one category of compensation trade.
Operating results	:	As at 31 December 2012, the consolidated unaudited operating income was RMB13,000 million
Financial conditions	:	Good
Cash Flow and future development Strategies	:	Making innovation, quality production and adhering to proprietary brands and continuing with joint venture cooperation, so as to achieve four leaps (leap of production base to production properties, leap of asset management to capital operations, leap of products to proprietary brands and leap of making profits to enhancing value) as the major development. Reinforcing five sectors including passenger car, commercial vehicles, motorcycles, automotive parts and related services operations as the basis of production, to develop the Group into a large-scale, market-oriented and international enterprise.
Equity interests in other controlled and invested companies whose shares were listed in the PRC or overseas during the reporting period	:	Nil

2. Change in status, index and date of controlling shareholder during the reporting period

There was no change in the controlling shareholder of the Company during the reporting period.

(II) Ultimate Controller

1. Legal Person

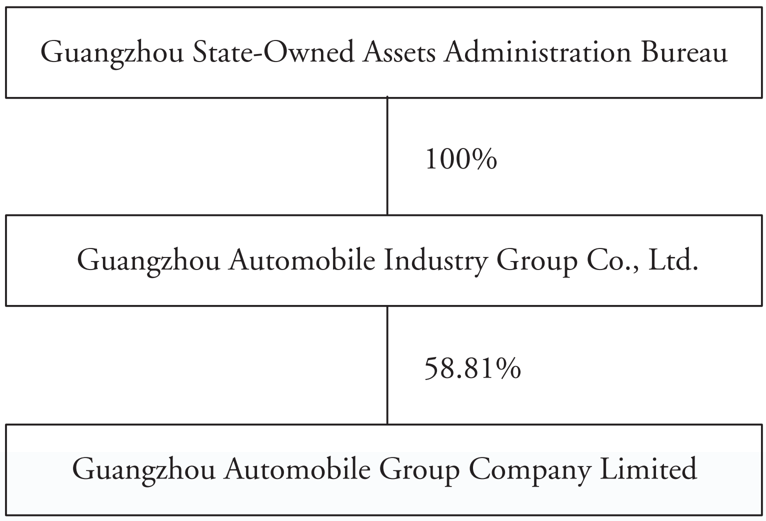
Unit: 100 million Currency: RMB

Name	:	Guangzhou Automobile Industry Group Co., Ltd.
Legal representative	:	Zhang Fangyou
Date of establishment	:	18 October 2000
Organization code	:	72502048-X
Registered capital	:	25.713
Principal business	:	Manufacturing, processing, motor vehicles, automobile and its spare parts; property management; operation and management of the State-Owned Assets within the scope of mandate; investment and financing consultation; wholesale and retailing (other than state-controlled goods); business of exporting products and technologies produced by this enterprise itself and business of importing raw and auxiliary materials, instruments, machinery and equipment, spare parts and technologies required by this enterprise (other than goods and technologies solely operated by this enterprise or prohibited from import and export by the State); and the operation of imported material processing and three categories of processing and one category of compensation trade.
Operating results	:	As at 31 December 2012, the consolidated unaudited operating income was RMB13,000 million
Financial conditions	:	Good
Cash Flow and future development strategies	:	Making innovation, quality production and adhering to proprietary brands and continuing with joint venture cooperation, so as to achieve four leaps (leap of production base to production properties, leap of asset management to capital operations, leap of products to proprietary brands and leap of making profits to enhancing value) as the major development. Reinforcing five sectors including passenger car, commercial vehicles, motorcycles, automotive parts and related services operations as the basis of production, to develop the Group into a large-scale, market-oriented and international enterprise.
Equity interests in other controlled and invested companies whose shares were listed in the PRC or overseas during the reporting period	:	Nil

2. *Change in status, index and date of ultimate controller during the reporting period*

   There was no change in the controlling shareholder of the Company during the reporting period.

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



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

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

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

As at 31 December 2012, 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 *(Note 1)*	Number of shares held	Percentage in the class of issued share capital (%)	Percentage in the total share capital (%)
GAIG *(Note 2)*	A Shares	Beneficial owner	3,679,503,529 (L)	87.16	57.18
Templeton Asset Management Limited	H Shares	Investment manager	576,929,662 (L)	26.07	8.97
Platinum Investment Management Limited	H Shares	Investment manager custodian	16,991,514 (L)	6.99	2.40
Massachusetts Financial Services Company	H Shares	Investment manager	133,926,000 (L)	6.05	2.08
Sun Life Financial, Inc.	H Shares	Investment manager	133,926,000 (L)	6.05	2.08

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

Note 2: The number of shares reflected the A shares held by GAIG on 29 March 2012 (the date of listing of A Shares of the Company). Of which, 3,617,403,529 shares were converted from domestic shares to A shares subject to trading moratorium, and 62,100,000 shares were tradable A shares. On 31 December 2012, GAIG held in total 3,705,129,384 shares of the Company's A Shares (of which, 3,617,403,529 were subject to trading moratorium), approximately representing 87.76% of the share capital of the Company's A Shares. Meanwhile, through its wholly-owned subsidiary, Guangzhou Auto Group (Hong Kong) Limited, held 79,276,000 shares of the Company's H Shares, approximately representing 3.58% of the share capital of the Company's H Shares. Hence it held in aggregate 3,784,405,384 A and H Shares, approximately representing 58.81% of the aggregated share capital of the Company.

VII. PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

VIII. PRE-EMPTIVE RIGHTS AND PUBLIC FLOAT

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

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

I. CHANGES IN SHAREHOLDING AND REMUNERATION

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

Unit: Share

Name	Position	Gender	Age	Starting date of term	End date of term	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Increase/ decrease in number of shares during the year	Reason for the increase/ decrease	Total remuneration obtained payable by the Company during the reporting period (RMB'0,000) (before tax)	Total remuneration obtained payable by shareholders during the reporting period (RMB'0000)
Zhang Fangyou	Chairman and Party Secretary	Male	56	21 June 2012	20 June 2015	0	0	0	No	0	note
Zeng Qinghong	Vice Chairman and General Manager	Male	52	21 June 2012	20 June 2015	0	0	0	No	101.54	0
Yuan Zhongrong	Executive Director and Deputy General Manager	Male	55	21 June 2012	20 June 2015	0	0	0	No	96.15	0
Lu Sa	Executive Director, Secretary of the Board and Company Secretary	Female	48	21 June 2012	20 June 2015	0	0	0	No	96.42	0
Fu Shoujie	Non-Executive Director	Male	50	21 June 2012	20 June 2015	0	0	0	No	96.22	0
Liu Huilian	Non-Executive Director and Chairman of the labor union	Male	59	21 June 2012	20 June 2015	0	0	0	No	96.22	0
Wei Xiaoqin	Non-Executive Director and Deputy Party Secretary	Male	59	21 June 2012	20 June 2015	0	0	0	No	96.22	0
Li Tun	Non-Executive Director	Male	53	21 June 2012	20 June 2015	0	0	0	No	162.17	0
Wang Songlin	Non-Executive Director	Male	61	12 August 2008	5 April 2012	0	0	0	No	0	0
Ding Hongxiang	Non-Executive Director	Male	46	21 June 2012	20 June 2015	0	0	0	No	0	48
Li Pingyi	Non-Executive Director	Male	46	21 June 2012	20 June 2015	0	0	0	No	0	40
Wu Gaogui	Independent Director	Male	71	21 June 2012	24 December 2013	0	0	0	No	10	0
Ma Guohua	Independent Director	Male	53	21 June 2012	24 December 2013	0	0	0	No	10	0
Xiang Bing	Independent Director	Male	51	21 June 2012	24 December 2013	0	0	0	No	10	0
Law Albert Yu Kwan	Independent Director	Male	63	21 June 2012	24 December 2013	0	0	0	No	10	0
Li Zhengxi	Independent Director	Male	49	21 June 2012	24 December 2013	0	0	0	No	10	0
Gao Fusheng	Chairman of the Supervisory Committee	Female	55	21 June 2012	20 June 2015	0	0	0	No	0	/
Huang Zhiyong	Supervisor	Male	48	21 June 2012	20 June 2015	0	0	0	No	0	36.96
He Yuan	Supervisor	Female	51	21 June 2012	20 June 2015	0	0	0	No	0	50
Ye Ruiqi	Supervisor representing the staff and workers	Male	51	21 June 2012	20 June 2015	0	0	0	No	76.99	0

Unit: Share

Name	Position	Gender	Age	Starting date of term	End date of term	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Increase/ decrease in number of shares during the year	Reason for the increase/ decrease	Total remuneration obtained payable by the Company during the reporting period (RMB'0,000) (before tax)	Total remuneration obtained payable by shareholders during the reporting period (RMB'0000)
He Jinpei	Supervisor representing the staff and workers	Male	49	21 June 2012	20 June 2015	0	0	0	No	52.41	0
Li Shao	Deputy General Manager	Male	50	21 June 2012	20 June 2015	0	0	0	No	85.88	0
Huang Xiangdong	Deputy General Manager	Male	56	21 June 2012	20 June 2015	0	0	0	No	85.84	0
Wang Dan	Chief Financial Officer	Female	42	21 June 2012	20 June 2015	0	0	0	No	85.85	0
Wu Song	Deputy General Manager	Male	49	21 June 2012	20 June 2015	0	0	0	No	85.89	0
Jiang Ping	Deputy General Manager	Male	57	21 June 2012	20 June 2015	0	0	0	No	85.85	0
Yao Yiming	Deputy General Manager	Male	55	21 June 2012	20 June 2015	0	0	0	No	96.15	0
Feng Xingya	Deputy General Manager	Male	44	21 June 2012	20 June 2015	0	0	0	No	96.15	0
Liu Wei	Deputy General Manager	Male	50	21 June 2012	20 June 2015	0	0	0	No	85.76	0
Ou Yongjian	Deputy General Manager	Male	53	21 June 2012	20 June 2015	0	0	0	No	85.70	0
Chen Maoshan	Deputy General Manager	Male	49	21 June 2012	20 June 2015	0	0	0	No	85.93	0

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

According to Remuneration and Performance appraisal management approach of Senior Management of GAIG, individual performance appraisal process of senior management will be carried out after the issue of the Company's annual audited report.

Since the annual audit report of GAIG has not been completed, the remuneration of 2012 payable to the chairman of the Board, Zhang Fangyou, and Gao Fusheng, the chairman of the Supervisory Committee is subject to confirmation.

1. *Interests of directors, supervisors and senior management in H Shares*

As at 31 December 2012, the interests of the directors, supervisors and senior management of the Company in the shares of the Company and its associated corporations (as defined in Part XV of the SFO), which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was deemed or taken to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "Model Code") of the Listing Rules of Hong Kong Stock Exchange (the "Listing Rule"), to be notified to the Company and the Hong Kong Stock Exchange, were as follows (unit: share):

Name	Capacity	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Increase/decrease of shares held during the year
Gao Fusheng	Supervisor	87	87	0
Yao Yiming	Deputy General Manager	536,597	536,597	0
Chen Maoshan	Deputy General Manager	9,481	9,481	0

2. *Personal Profile*

Zhang Fangyou (張房有), is the chairman and party secretary 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, GAC Changfeng and GAC Mitsubishi. 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 and 12th People's Congress of Guangdong Province, and 2007 CCTV China Economic Person of the Year. 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), is the vice chairman and general manager of the Company. He first joined the Company 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 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, and was elected by the provincial people's congress to be a delegate of the 10th and 11th National People's Congress. Mr. Zeng is a member of the Eleventh Political Consultative Committee of Guangdong Province and graduated from South China University of Technology with a Ph.D. in management science and engineering in 2009.

Yuan Zhongrong (袁仲榮), is an executive Director and deputy general manager of the Company, a professor-level senior engineer. He joined the Company 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 (Tianjin) Logistics Co., Ltd. (同方環球(天津)物流有限公司), Shanghai Hino Engine Co., Ltd. (上海日野發動機有限公司) 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), is an executive Director, a company secretary and secretary of the Board. She joined the Company 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 Mitsubishi, GAC Changfeng and 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**), is a Director of the Company. He first joined the Company 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 deputy executive general manager of GAC Changfeng and GAC Mitsubishi and director of GAMC and GAC Fiat. Prior to this, he held positions as deputy general manager of the 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**), is a Director and chairman of the labor union of the Company. He joined the Group in 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 in June 1986 and was qualified as senior political engineer.

Wei Xiaoqin (**魏筱琴**), is a Director and the deputy party secretary of the Company. Mr. Wei joined the Company in 2000. Prior to this, Mr. Wei 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 currently is a delegate of the 15th National People's Congress of Yuexiu District, Guangzhou. 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**), is a Director of the Company and 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 the Company 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 was the deputy general manager of China Lounge in 2007. He graduated from Murdoch University of Australia (澳大利亞梅鐸大學) with a diploma in business administration in March 2002.

Ding Hongxiang (**丁宏祥**), is currently a deputy general manager of China National Machinery Industry Corporation Limited (中國機械工業集團有限公司), chairman of Sinomach Automobile Co., Ltd (國機汽車股份有限公司) (a company listed on the Shanghai Stock Exchange with stock code: 600335), and vice president of China Automobile Dealers Association (中國汽車流通協會). Mr. Ding is also a member of the Standing Committee of and chief member and secretary general in Economic Sector of the Chinese Youth Association and vice secretary general of the State Enterprise Youth Federation. Mr. Ding graduated from Huazhong University of Science and Technology in 1982, and graduated from from Western Economics (master postgraduate) of Huazhong Institute of Technology in 1989.

Li Pingyi (**李平一**), is a Director of the Company. He is currently an executive Director of Wanxiang Automobile Co., Ltd (萬向電動汽車有限公司), chairman of Zhejiang Wanxiang Power Batteries Co., Ltd (浙江萬向億能動力電池有限公司), chairman of Jiangsu Senwei Precision Forging Co., Ltd (江蘇森威精鍛有限公司) and executive director of Jilin New Rucker Parts Co., Ltd. (吉林新立德部件有限公司). Prior to this, he served as deputy general manager of Wangxiang Group Enterprise Development Corporation (萬向集團企業發展總公司) and Wanxiang Qianchao Co., Ltd. (萬向錢潮股份有限公司) which is listed on the Shenzhen Stock Exchange. 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**), has been an independent Director since December 2007. Mr. Wu is a veteran professor of the automobile industry. He is currently 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 graduated from Tsinghua University, Beijing with an undergraduate graduation qualification in Automobile and Motor Studies in July 1967.

Ma Guohua (**馬國華**), has been an independent Director since December 2007. 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 was 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). Mr. Ma 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**), has been an independent Director since December 2007. 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 obtained a Ph.D. degree in accounting from Alberta University, Canada in November 1991. Mr. Xiang is currently or has been an independent director of 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), 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) and Little Sheep Group Limited (小肥羊集團有限公司) (listed on the Stock Exchange from 12 June 2008 to 1 February 2012).

Law Albert Yu Kwan (**羅裕群**), has been an independent Director of the Company since December 2007. Currently, Mr. Law is the chief financial officer and company secretary of the South China (China) Limited and the group chief financial officer of the South China Group. 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) from April 2006 to January 2011, 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), 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), a fellow member of the Association of International Accountants in England (英國國際會計師公會), a member of the Hong Kong Institute of Certified Public Accountants (香港會計師公會), a fellow member of Hong Kong Society of Registered Financial Planners (香港註冊財務策劃師協會), and a fellow member of the Taxation Institute of Hong Kong (香港稅務學會).

Li Zhengxi (**李正希**), has been an independent Director since December 2007. 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 (廣州產權交易所集團有限公司). 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. Mr. Li graduated from Macau University of Science and Technology with a doctoral degree in business administration in September 2011.

Gao Fusheng (**高符生**), is the chairman of the Supervisory Committee of the Company. She first joined the Company in March 1998 and is currently the chief accountant of GAIG. Prior to this, she served as head of the department of financial and auditing department of the 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, and is a Senior Accountant.

Huang Zhiyong (**黃志勇**), has been a Supervisor of the Company since 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). Prior to this, he has been the chairman of Guangzhou JFE Steel Sheet Co., Ltd. (廣州JFE鋼板有限公司), 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**), is a Supervisor of our Company. 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 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 (廣州華厦大酒店), 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), deputy financial controller of Holiday Inn City Centre Guangzhou (廣州文化假日酒店) and financial controller of Rosedale Hotel and Suites Guangzhou (廣州珀麗酒店).

Ye Ruiqi (**葉瑞琦**), is a supervisor representing the staff and workers of the Company, first joined the Company in November 1998. He is currently the deputy secretary to the disciplinary committee of the Company, the head of the discipline supervision department of the Company, Chairman of the Supervisory Committee of GAC Commercial and a Supervisor of GAC Changfeng and GAC Mitsubishi. 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**), is a supervisor representing the staff and workers of the Company, first joined the Company in 2007. He is currently the deputy chairman of labour union of the 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.

Li Shao (**李少**), is a deputy general manager of our Company. Mr. Li joined the Company in 1997, and currently is the chairman of GAC Component, Wuyang-Honda, Guangqi Honda, GAC Changfeng and director of 中發聯 as well as supervisor of GC Item. Prior to this, Mr. Li served as a technician, workshop officer, sub-director in High Strength Screw Factory, Guangzhou (廣州市高強度螺絲廠) from July 1985 to April 1990; director of clerks, deputy commissioning researcher in Guangzhou City Planning Commission (廣州市計劃委員會) from May 1990 to April 1996; deputy director and director of Automotive Industry Planning Department of the Office of Guangzhou Municipal People's Government (廣州市人民政府汽車工業辦公室計劃處) from May 1996 to September 1999; head of investment department and foreign economics of Guangzhou Automobile Group Ltd. (廣州汽車集團有限公司) from March 1998 to February 1999; office director of Guangzhou Automobile Group Ltd. (廣州汽車集團有限公司) from March 1999 to December 2000; assistant of general manager of Guangzhou Automobile Group Ltd. (廣州汽車集團有限公司) from June 2000 to May 2004 and deputy general manager of Guangzhou Automobile Group Ltd. (廣州汽車集團有限公司) from June 2004 to June 2005; party secretary and director of GAC Bus from January 2003 to July 2003; assistant of general manager of GAIG from July 2001 to May 2004 and deputy general manager of GAIG from June 2004 to April 2007, director of GAC Toyota from September 2004 to December 2005, and executive deputy general manager and director of GAC Hino from December 2007 and October 2010, director of Shanghai Hino from April 2010 to November 2010; and deputy general manager of the Company since March 2007 till now. 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), is a deputy general manager of the Company. Mr. Huang joined GAIG in 2004, and became the deputy general manager of the 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), is the chief financial officer of the Company. Ms. Wang joined the GAIG in March 1999, and has been the 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. Ms. Wang is a non-practicing certified public accountant. She obtained the qualification of senior accountant in December 2007.

Wu Song (吳松), is the deputy general manager of the Company. Mr. Wu first joined the GAIG in October 2003 and has served as the deputy general manager of the 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), is a deputy general manager of the Company. Mr. Jiang has served as the deputy general manager of the 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**), is a deputy general manager of the Company. Mr. Yao joined the Company in 1996, and became the deputy general manager of the 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**), is a deputy general manager of the Company. Mr. Feng joined the Company in 2004, and became the deputy general manager of the 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**), is a deputy general manager of the Company. Mr. Liu joined the Company in June 2005, became the deputy general manager of the 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**), is the deputy general manager of the company. Mr. Ou has been a deputy general manager of the company since October 2010. Currently, Mr. Ou is a director and the executive deputy general manager of GAC Hino, a director of Shanghai Hino and 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**), is a deputy general manager of the Company. 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 and 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.

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

(I) Term of office of Directors in shareholders' unit

Name of Staff	Name of shareholders' unit	Position held in shareholders' unit	Starting date of term	Expiry date of term
Zhang Fangyou	GAIG	chairman	May 2007	
Zhang Fangyou	GAIG	general manager	August 2008	
Zhang Fangyou	GAC (HK)	chairman	June 2000	
Zeng Qinghong	GAIG	deputy chairman	May 2007	
Zeng Qinghong	GAC (HK)	deputy chairman	July 2008	
Yuan Zhongrong	GAIG	director	May 2007	
Fu Shoujie	GAIG	director	May 2007	
Liu Huilian	GAIG	director	May 2007	
Wei Xiaoqin	GAIG	deputy party secretary	October 2008	
Wang Songlin	China National Machinery Industry Corporation Limited	deputy president	June 2004	November 2011
Ding Hongxiang	China National Machinery Industry Corporation Limited	deputy president	January 2012	
Ding Hongxiang	國機汽車股份有限公司	chairman	August 2011	
Li Pingyi	Wanxiang Electronic Automobiles Co., Ltd (萬向電動汽車有限公司)	director and executive director	March 2010	
Li Pingyi	Zhejiang Power Battery Co., Ltd. (浙江億能動力電池有限公司)	director and chairman	March 2011	
Li Pingyi	Jiangsu Senwei Precision Forging Co., Ltd (江蘇森威精鍛有限公司)	director and chairman	April 2006	
Li Pingyi	Jilin New Rucker Parts Co., Ltd (吉林新立德部件有限公司)	director and executive director	December 2008	
Gao Fusheng	GAIG	chief accountant	May 2007	
Gao Fusheng	GAC (HK)	director, general manager	May 2012	
Huang Zhiyong	Guangzhou Iron & Steel Enterprises Group (廣州鋼鐵企業集團有限公司)	deputy general manager	April 2007	
He Yuan	Chime-Long Group Co., Ltd (廣州長隆集團有限公司)	deputy general manager of finance department	October 2010	

(II) Term of office of Directors in other unit

Name of Staff	Name of shareholders' unit	Position held in shareholders' unit	Starting date of term	Expiry date of term
Zhang Fangyou	Guangzhou Department Store Enterprises Group Co., Ltd. (廣州百貨企業集團有限公司)	independent director	April 2007	
Zeng Qinghong	Automobile Industry Association of Guangdong Province (廣東省汽車工業協會會長)	chairman	December 2010	
Ding Hongxiang	China Automobile Dealers Association (中國汽車流通協會)	vice president	December 2005	
Ding Hongxiang	Chinese Youth Association	member of standing committee	August 2010	
Wu Gaogui	CIPE Braking System (Guangzhou) Co., Ltd.	independent director	December 2007	
Ma Guohua	Wuxi Double Elephant Micro Fibre Material Ltd. (無錫雙象超纖材料股份有限公司)	independent director	December 2010	
Ma Guohua	Shandong Sanwei Shihua Engineering Company Limited (山東三維石化工程股份有限公司)	independent director	December 2010	
Ma Guohua	Hengtong Logistics Co., Ltd (恒通物流股份有限公司)	independent director	March 2012	
Ma Guohua	Hasen Commerce And Trade (China) Co., Ltd	independent director	November 2011	
Xiang Bing	Yunnan Baiyao Group Co., Ltd. (雲南白藥集團股份有限公司)	independent director	August 2009	
Xiang Bing	Shanxi Qinchuan Machinery Development Co., Ltd (陝西秦川機械發展股份有限公司)	independent director	April 2011	
Xiang Bing	EHouse (China) Holdings Limited (易居(中國)控股有限公司)	independent director	August 2007	
Xiang Bing	Enerchina Holdings Limited (威華達控股有限公司)	independent director	December 2008	
Xiang Bing	China Dongxiang (Group) Co., Ltd. (中國動向(集團)有限公司)	independent director	May 2007	
Xiang Bing	HC International, Inc. (慧聰網有限公司)	independent director	March 2002	
Xiang Bing	Longfor Properties Co. Ltd. (龍湖地產有限公司)	independent director	November 2009	
Xiang Bing	Peak Sport Products Co., Limited (匹克體育用品有限公司)	independent director	September 2009	
Xiang Bing	Dan Form Holdings Co., Ltd. (丹楓控股有限公司)	independent director	May 1995	
Xiang Bing	Perfect World Co., Ltd. (完美時空有限公司)	independent director	August 2007	

Name of Staff	Name of shareholders' unit	Position held in shareholders' unit	Starting date of term	Expiry date of term
Xiang Bing	Sinolink Worldwide Holdings Limited independent director (百仕達控股有限公司)	independent director	December 2008	
Law Albert Yu Kwan	South China (China) Limited	chief financial officer, company secretary and executive director	January 2011	
Law Albert Yu Kwan	South China Group	chief financial officer	January 2012	
Law Albert Yu Kwan	South China Land Co., Ltd	executive director	March 2013	
Li Zhengxi	Guangzhou International Holding Group Co. Ltd. (廣州國際控股集團有限公司)	director and deputy general manager	September 2007	
Li Zhengxi	Guangzhou Enterprises Mergers and Acquisitions Services (廣州產權交易所)	managing director and legal representative	June 1999	
Li Zhengxi	Guangzhou Exchange Group Co., Ltd	chairman and legal representative	October 2010	

III. REMUNERATION FOR DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Decision-making procedure for the remuneration of the directors, supervisors and senior management	The Remuneration and Evaluation Committee of the Board conducted the evaluation of the remuneration of the Senior management of the Company and formulated the incentive program; which shall be implemented after the approval of the Board. The allowance for independent directors is implemented after the approval of the Board and the general meeting. The remuneration of other directors and supervisors is determined in accordance with the related pay system of the Company.
Basis for determination on the remuneration of the directors, supervisors and senior management	The remuneration of independent directors is issued in accordance with the approved plan in the general meeting; the remuneration of other directors and supervisors are determined by both the formulated pay system of the Company and the yearly assessment results. The remuneration of senior management is determined in accordance with the assessment program, combined with the annual results of the Company and their individual performance.
Directors, Supervisors and Senior Management	Please refer to the above list of Changes in the shareholding and remuneration of Directors, Supervisors and Senior Management.
Aggregate remuneration payable to directors, supervisors and senior management as at the end of the reporting period	At the end of the reporting period, the aggregate remuneration payable to Directors, Supervisors and senior management of the Company were RMB15.6358 million.

IV. MOVEMENT OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE COMPANY

Name	Position	Way of Change	Reason for change
Wang Songlin	Director	resigned	retirement
Ding Hongxiang	Director	appointed	election of new session

The resolutions of the election of new session of the Board and new session of the Supervisory Committee were considered and approved at the 2011 annual general meeting of the Company held on 21 June 2012, at which the 3rd session of Board and the 3rd session of Supervisory Committee were elected. The chairman, deputy chairman and senior management of the Board and chairman of Supervisory Committee were elected at the board meeting and meeting of supervisory committee respectively held on the same date. Save as the movement of the directors listed above, there was no other change in movement of directors, supervisors and senior management of the Company during the reporting period.

V. THE CORE TECHNICAL TEAM OR KEY TECHNICAL PERSONNEL OF THE COMPANY

During the reporting period, there was no change in the core technical team or key technical personnel of the Company.

VI. EMPLOYEE INFORMATION OF THE PARENT COMPANY AND MAJOR SUBSIDIARIES

(1) Employees

Number of existing employees of the parent company	141
Number of existing employees of major subsidiaries	34,585
Total number of existing employees	34,726
Number of employees resigned or retired the pension of which the parent company and major subsidiaries had to be responsible for	1,033

Specialty composition

Categories of profession	Composition
Production	19,703
Sales	2,004
Technical	5,709
Finance	581
Administration	6,729

Education Level

Category	Composition (persons)
Master or above	1,181
Undergraduate (including double major)	8,613
College graduate	6,337
Secondary or below	18,595
Total	34,729

Note: including the employees of jointly-controlled companies of the Group

(2) Remuneration Policy

The Group emphasizes on maintaining market competitiveness in staff remuneration levels, and formulates incentive and restrictive remuneration policies through research and analysis of market remuneration information. The Group is committed to and has established an employee benefits system, under which timely and full contributions to pension insurance, medical insurance, injury insurance, unemployment insurance, maternity insurance, housing fund and other statutory benefits schemes are made, and regulations on working hours, rest and vacation are complied with, and certain qualified enterprises have even established and improved their benefit systems, including supplementary medical insurance, supplementary pension insurance (or enterprise annuity systems).

(3) Training Program

The Group attaches importance to the corporate culture and employees training, with great emphasis on the enhancement of operation management skills of middle and senior management as well as the integrated managing trainings for generic employees; continuously improves the system of employees' education training, deeply develops the joint training with colleges or institutions, fully utilities internal resources, actively promotes the communication and learning among various enterprises of the Group; and continuously enhances the quality and capability of employees.

During the reporting period, the Group, including the major enterprises, organized training sessions for 324,000 employees, reaching 2,840,000 hours of training, which further enhances the sense of gathering of the Group.

Chapter 10 Corporate Governance

I. CORPORATE GOVERNANCE AND INSIDER MANAGEMENT SYSTEM

(1) Corporate Governance

The Company continues to improve the corporate governance structure, strengthen information disclosure and regulate the Company operation in strict compliance with the Company Law, the Securities Law, the relevant laws and regulations of China Securities Regulatory Commission and requirements of the Listing Rules of Shanghai Stock Exchange and Hong Kong Stock Exchange.

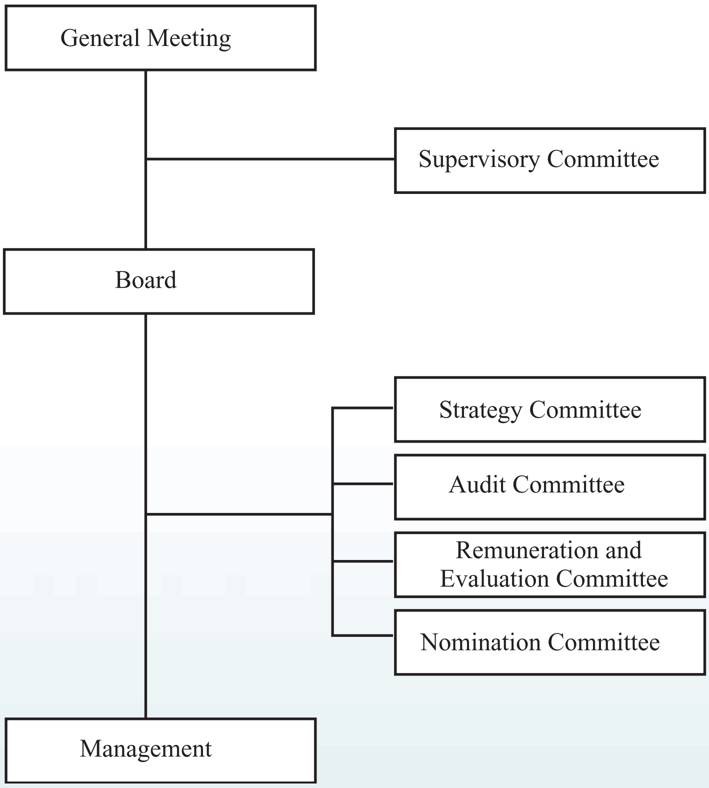
The Board is responsible for formulating and reviewing the Company's policies and practices on corporate governance, monitoring the compliance with laws and regulations, reviewing and monitoring the training and continuous professional development of Directors and senior management and reviewing to ensure that the corporate governance is in compliance with the Code and annual report disclosure.

As at the end of the reporting period, the corporate governance system of the Company is in compliance with the requirements of operations requirements of listed companies. There is no significant difference between the Company Law and the requirements in relevant documents detailed by the CSRC.

The Hong Kong Stock Exchange has revised the Code on Corporate Governance Practices (the "Former CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and renamed it the Corporate Governance Code (the "New CG Code") with effect from 1 April 2012. The Company has adopted and complied with the provisions of the former CG Code for the period from 1 January 2012 to 31 March 2012; and the Company has adopted and complied with the provisions of New CG code for the period from 1 April 2012 to 31 December 2012, save as the deviations disclosed in this report.

(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:



(3) **Shareholders and 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.

During the year, the Company convened four general meetings. All Shareholders are encouraged to attend the general meeting, all Directors, Supervisors and members of management of the Company are also requested to try their best to attend the general meeting in strict compliance with the Company Law, the articles of association of the Company, rules of procedures of the general meeting, the Listing Rules and other relevant laws and regulations. Notice of the general meeting will be issued 45 days prior to the date of the general meeting. The notice of the general meeting containing an agenda, resolutions proposed and a voting form are announced in a timely manner and sent to all H Shares registered Shareholders whose Shares are registered in the register of members by post in accordance with the requirements. All registered Shareholders are entitled to attend the general meeting. H Shares Shareholders who are unable to attend the general meeting can appoint their proxies or the chairman of the general meeting as their proxies to attend the general meeting on behalf of those Shareholders. (The proxy form shall be completed and returned to the Company or the Company's share registrar.) The poll results of the general meeting in such manner as required by the Listing Rules shall be timely announced.

The controlling shareholders and ultimate controller of the Company conscientiously fulfill their obligation in good faith. Neither the act of interfering with the decisions and operations of the Company directly or indirectly bypassing the general meeting, nor the damage of the interest of the Company and other shareholders were found. The Company and the controlling shareholders maintain independence in respect of personnel, assets, finance, organization and business. The Company has an independent and complete business and ability to operate independently.

Pursuant to Article 67 of the articles of association of the Company, if Shareholders individually and jointly holding not less than 10% of the Company's issued shares with voting rights request in writing to hold an extraordinary general meeting, the Board shall hold an extraordinary general meeting within the receipt of the written request. Pursuant to Article 69 of the articles of association of the Company, Shareholders individually and jointly holding over 3% of the shares of the Company are entitled to propose extraordinary motions to the Company and submit them in writing to the convener ten days before the convening of the general meeting. The convener of the general meeting shall issue supplementary notice of the general meeting to announce the content of the extraordinary motions within two days after receiving the proposed motions.

Shareholders may raise enquiries and express their view to the Board in writting. (Contact address: The office of the Board of GAC Group at 16/F, Chengyue Building, No. 448 Dong Feng Zhong Road, Guangzhou (Postal code: 510030), Telephone: 020-83151683, Fax: 020-83151081, ir@gagc.com.cn.)

(4) Directors and Board of Directors

1. Directors and composition of the Board

Directors are elected or replaced at the general meeting. During the reporting period, the term of office of the 2nd session of the Board is expired. The resolution of the election of the 3rd session of Board was considered and approved for a term of three years in the 2011 annual general meeting held on 21 June 2012.

The Board of the Company consists of 15 Directors, including 4 executive Directors, the chairman, Zhang Fangyou, deputy chairman, Zeng Qinghong, Yuan Zhongrong and Lu Sa; 6 non-executive Directors, Fu Shoujie, Liu Huilian, Wei Xiaoqin, Li Tun, Li Pingyi and Ding Hongxiang; and 5 independent non-executive Directors, Wu Gaogui, Ma Guohua, Xiang Bing, Law Albert Yu Kwan and Li Zhengxi. The members of the Board have different professional background and have extensive expertise and experience in aspects including the automotive industry, management, financial accounting and legal. The composition of the Board complies with the requirements of laws and regulations and the Articles of Association of the Company. The composition of the Board is in compliance with the relevant laws and regulations and the requirements of the Articles of association of the Company.

2. Powers of the Board

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(17) To formulate share incentive schemes;

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

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

3. *Responsibilities of directors*

The Directors acknowledge their responsibility for the preparation of annual financial statements and true and fair presentation of the Company's business results and financial conditions. The Directors are of the view that the Company has sufficient resources to continue its business in the foreseeable future; and are not aware of material uncertainties which may materially affect the Company's ability to continue as a going concern. Please refer to page 64 of the annual report for details of auditors' remuneration.

4. *Professional Training*

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

Name of Directors	Training participated
Zhang Fangyou	BC
Zeng Qinghong	ABC
Yuan Zhongrong	ABC
Fu Shoujie	BC
Liu Huilian	ABC
Lu Sa	ABC
Wei Xiaoqin	ABC
Li Tun	BC
Li Pingyi	BC
Ding Hongxiang	BC
Wu Gaogui	ABC
Ma Guohua	BC
Xiang Bing	BC
Law Albert Yu Kwan	ABC
Li Zhengxi	BC

Notes:

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

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

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

All directors of the Company may timely access the relevant laws, regulations and other information relating to their continuing obligations through the Secretary and the Office of the Board. The Company ensures that all directors keep abreast of business development of the Company, the competitive and regulatory environment, as well as the development of the industry environment through provision of materials, work reports and conferences, which help Directors understand their responsibilities and make right decision and conduct effective supervision. The Company has adopted the Model Code as the Code of Conduct for Securities Transactions by Directors.

After the Company's making specific enquiries with all Directors, all Directors have confirmed that they have fully complied with the rules as required by the Model Code throughout the year of 2012.

During the reporting period, the Company convened 20 Board meetings. The convening, holding and resolution procedures of the Board meetings have complied with the Company Law, the Articles of Associations of the Company, Rules of Procedures of the Board and the New CG Code.

Individual profiles of directors are set out in the Section of Directors, Supervisors, Senior Management and Employees of this annual report. There is no financial, business, family or any other material or related relationship among the Directors.

5. Independence of Directors

The independent non-executive Directors are Wu Gaogui, Ma Guohua, Xiang Bing, Law Albert Yu Kwan and Li Zhengxi, representing one-third of the total number of members of the Board. The Company's independent non-executive directors have knowledge of the rights and obligations of the directors and independent directors of the listed companies.

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

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

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

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

6. Special Committees of the Board

The Board set up Strategy Committee, Audit Committee, Remuneration and Evaluation Committee and Nomination Committee. Among them,

(1) Strategy Committee comprises six Directors (Zhang Fangyou, Zeng Qinghong, Yuan Zhongrong, Fu Shoujie, Wu Gaogui and Xiang Bing) of which, Wu Gaogui and Xiang Bing are independent non-executive Directors and Zhang Fangyou is Officer Member. The Committee is mainly responsible for conducting research and making recommendations on the long term development strategy and major investment decision of the Company. Two meetings of Strategy Committee were held during the year and all members attended the meetings.

(2) Audit Committee consists of 3 independent non-executive Directors, namely, Law Albert Yu Kwan, Ma Guohua and Xiang Bing, of which, Law Albert Yu Kwan is Officer Member. Their primary duties are to supervise and review the annual audit work and internal audit system of the Company, the financial information and disclosure of the Company. During the year, eight meetings of the Audit Committee were held and all members attended the meetings. During the reporting period, the Audit Committee mainly reviewed quarterly, interim and annual results and internal control system.

(3) Remuneration and Evaluation Committee consists of 3 non-executive Directors, namely Li Zhengxi, Ma Guohua and Li Pingyi, two of whom, Li Zhengxi and Ma Guohua are independent non-executive Directors and Li Zhengxi is Officer Member. Their primary duties are to formulate and review the remuneration policies and packages of Directors and senior management of the Company. During the year, two meetings of the Remuneration and Evaluation Committee were held in total and all members attended the meetings. During the reporting period, the Committee has carried out the assessment of the senior management, and made recommendations to the Board in respect of the remuneration of the directors and senior management for approval.

(4) Nomination Committee consists of 3 non-executive Directors, namely Wu Gaogui, Li Zhengxi and Ding Hongxiang, and two of them, Wu Gaogui and Li Zhengxi are independent non-executive Directors and Wu Gaogui ia Officer Member. Their duties are to make recommendations regarding the candidates, the selection standards and procedures of Directors and senior management. During the year, one meeting of the Nomination Committee was held and all members attended the meeting. During the reporting period, the Nomination Committee has resolved various matters including the nomination of directors, nomination procedures of directors and directors selection and recommendation for consideration.

(5) Supervisors and Supervisory Committee

During the reporting period, term of office of the 2nd session of Supervisory Committee of the Company expired, and the 3rd session of the Supervisory Committee of the Company was elected at the 2011 annual general meeting held on 21 June 2012 for a term of three years. At present, there are 5 Supervisors of the Company, namely Gao Fusheng, Huang Zhiyong, He Yuan, Ye Ruiqi and He Jinpei, among which Gao Fusheng is the chairperson of the Supervisory Committee, Ye Ruiqi and He Jinpei are supervisors representing staff and workers. Constitution of such committee was in compliance with requirements of laws and regulations and the articles of association.

The committee strictly performed its supervisory function under requirements of relevant laws and regulations and the articles of association. It supervised the Company's finance, connected transactions and the legitimacy and compliance of performance of duties by the directors and senior management of the Company and attended or sat in on all board meetings and general meetings in the year.

During the reporting period, the committee convened 9 meetings, the convening, holding and procedures of which are in line with relevant requirements under the articles of association and the procedures of supervisory committee. All Supervisors attended the meetings in person or by proxy and performed their duties conscientiously.

(6) 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 management of the Company exercises the following powers under authorization of the Board:

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

2. to organize the implementation of the Company's annual business plan and investment plan;

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

4. to formulate the Company's basic management system;

5. to formulate the specific rules and regulations of the Company;

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

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

8. to propose the convening of extraordinary Board meeting; and

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

(7) Commencement of corporate governance activities and establishment of governance system of the Company

1. During the reporting period, in accordance with amendments made by the Stock Exchange to the Code on Corporate Governance and related requirements of the Listing Rules, the Company amended related provisions of the Detailed Implementation Rules for the Strategic Committee under the Board, the Detailed Implementation Rules for the Audit Committee under the Board, the Detailed Implementation Rules for the Remuneration and Evaluation Committee under the Board and the Detailed Implementation Rules for the Nomination Committee under the Board. The aforesaid systems were considered and approved at the board meeting of the Company held on 30 March 2012.

2. Pursuant to the "Notice on Commencing Special Inspection of the Implementation of Working System for The Secretary to The Board of Listed Companies" (Guangdong Zheng Jian [2012] No. 80) issued by Guangdong Bureau of the China Securities Regulatory Commission (the "GDSRC"), amendments were made to relevant clauses of the Working Rules for The Secretary to The Board of Guangzhou Automobile Group Co., Ltd.. The aforesaid rules were considered and approved at the Board meeting of the Company held on 21 June 2012.

3. To optimize and improve the scientific, continuous and stable bonus mechanism and monitoring mechanism of the Company and to further enhance the transparency of the profit distribution policy and effectively protect the legal rights and interests of all shareholders, amendments to Articles of Association were made and the Dividend Distribution Plan for Shareholders of the Company for 2012 to 2014 was formulated in accordance with the related requirements of "Notice of Further Implementation of Relevant Matters on Cash Dividends by Listed Companies" issued by the CSRC and "Notice of Further Implementation of Relevant Provisions on Dividends by Listed Companies" issued by GDSRC (Guangdong Zhengjian [2012] No. 91). The amendments to the Articles of Association and the plan were considered and approved at the 3rd extraordinary general meeting of the Company held on 15 November 2012. For details of the amendments, please refer to the circular of the Company dated 4 September 2012.

(8) Information Disclosure and registration and management of insiders

The Company recognizes the importance of performing its statutory obligation of disclosing information and complying with the information disclosure regulations of the Listing Rules. It has formulated management systems of information disclosure and of insider information management measures, and has designated Shanghai Securities News, Securities Times, China Securities News, Securities Daily as newspapers to disclose A share information of the Company and made disclosure on the websites as designated by Shanghai Stock Exchange and the Stock Exchange and its own website. Information disclosure of the Company was performed in strict compliance with related laws and regulations and related requirements in relation to information disclosure and insider information management. The Company truthfully, accurately, completely and promptly disclosed its information, ensuring all shareholders have equal and fair access to all of such information.

(9) Investor Relations

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

(10) Amendments to the articles of association

Amendments of the articles of association were proposed and approved at the 3rd extraordinary general meeting of the Company in 2012 held on 15 November 2012. (For details, please refer to the circular of the Company convening such meeting.)

II. GENERAL MEETINGS

Session of the meeting	Convening date	Venue	Title(s) of the proposal(s) of the meeting	Status of resolution	Enquiry index of the designated website for the publication of the proposals	Date of disclosure of the publication of the proposals
The 1st extraordinary general meeting in 2012	29 February 2012	Company conference room No. 1, 23/F, Chengyue Building, No. 448-No. 458, Dong Feng Zhong Road, Yuexiu District, Guangzhou	Proposal of Grant of H share appreciation rights	Passed	Website of Hong Kong Stock Exchange	29 February 2012
The 2nd extraordinary general meeting in 2012	20 April 2012	Company conference room No. 1, 23/F, Chengyue Building, No. 448-No. 458, Dong Feng Zhong Road, Yuexiu District, Guangzhou	Proposal of change of domestic auditors in year 2011	Passed	China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily, website of Hong Kong Stock Exchange and Shanghai Stock Exchange	21 April 2012

Session of the meeting	Convening date	Venue	Title(s) of the proposal(s) of the meeting	Status of resolution	Enquiry index of the designated website for the publication of the proposals	Date of disclosure of the publication of the proposals
Annual general meeting in 2011	21 June 2012	Chrysanthemum Room, 3/F, The Garden Hotel, 368 Huanshi Dong Lu, Guangzhou, PRC	(1) Ordinary resolutions 1. Resolution in relation to the report of the board of directors ("the Board") of the Company for the year 2011 2. Resolution in relation to the report of the supervisory committee ("the Supervisory Committee") of the Company for the year 2011 3. Resolution in relation to the financial report of the Company for the year 2011 4. Resolution in relation to the profit distribution proposal of the Company for the year 2011 5. Resolutions in relation to the appointment of the auditors of the Company for year 2012 6. Resolution in relation to the election of the second session of the Board 7. Resolution in relation to the election of the second session of the Supervisory Committee (2) Special Resolutions 1. Resolution in relation to the general mandate authorizing the Board to issue additional H Shares	All passed		22 June 2012

Session of the meeting	Convening date	Venue	Title(s) of the proposal(s) of the meeting	Status of resolution	Enquiry index of the designated website for the publication of the proposals	Date of disclosure of the publication of the proposals
The 3rd extraordinary general meeting in 2012	15 November 2012	Company conference room 23/F, Chengyue Building, No. 448-No. 458, Dong Feng Zhong Road, Yuexiu District, Guangzhou	(1) Special Resolutions 1. Resolution in relation to the amendments to the Articles of Association 2. Resolution in relation to the absorption and merger of wholly-owned subsidiary, Guangzhou Auto Group Corporation 3. Resolution in relation to the public issuance of the Domestic Corporate Bonds in the aggregate principal amount of not exceeding RMB6 billion by the Company (2) Ordinary Resolutions 1. Resolution in relation to the provision of guarantee by Guangzhou Automobile Industry Group Co., Ltd. for the issuance of the Domestic Corporate Bonds in the aggregate principal amount of not exceeding RMB6 billion 2. Resolution in relation to the Dividend Distribution Plan for Shareholders for 2012 to 2014	All passed		16 November 2012

III. DIRECTORS' PERFORMANCE OF THEIR DUTIES

(1) Directors' attendance in Board meetings and General meetings

		Attendence in Board meeting(s)						Attendance in general meeting(s)
Name of directors	Independent non-executive director or not	Mandatory attendance in Board meetings during the year	Attendance in person	Attendance by telecommu-nication	Attendance by proxy	Absence	Absent in person for two consecutive times or not	Attendance in general meetings
Zhang Fangyou	No	20	20	12	0	0	No	4
Zeng Qinghong	No	20	20	12	0	0	No	4
Yuan Zhongrong	No	20	20	12	0	0	No	3
Fu Shoujie	No	20	20	12	0	0	No	3
Liu Huilian	No	20	19	12	1	0	No	4
Lu Sa	No	20	19	12	1	0	No	4
Wei Xiaoqin	No	20	19	12	1	0	No	3
Li Tun	No	20	19	12	1	0	No	1
Li Pingyi	No	20	19	13	1	0	No	4
Ding Hongxiang	No	20	19	13	1	0	No	1
Wu Gaogui	Yes	20	20	12	0	0	No	4
Ma Guohua	Yes	20	20	13	0	0	No	2
Xiang Bing	Yes	20	17	13	3	0	No	0
Law Albert Yu Kwan	Yes	20	19	13	1	0	No	1
Li Zhengxi	Yes	20	16	13	4	0	No	2

Number of Board meetings held during the year	20
Number of general meetings held during the year	4
Of which: Number of physical meetings	7
Number of meetings held via communication	12
Number of meetings held by way of combination of both	1

(2) Independent Directors' objections to relevant matters of the Company

During the reporting period, independent Directors of the Company had no objections to proposals of the Board and other proposals.

VI. EXPLANATION ON RISKS OF THE COMPANY DETECTED BY THE SUPERVISORY COMMITTEE

The Supervisory Committee of the Company had no objections to the supervisory items during the reporting period.

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

During the reporting period, the Board of the Company and the Senior management have entered into the performance contract for 2012. Remuneration and Evaluation Committee of the Board will conduct the annual performance appraisal of senior management in accordance with the completion of the performance contract.

During the reporting period, in order to establish the long-term incentive mechanism linked to the Company's results and long-term strategies, the Company officially implemented the initial grant of the H share appreciation rights upon the approval of the general meeting. For details of its implementation, please refer to Chapter 5 – IMPLEMENTATION OF THE SHARE OPTION INCENTIVE SCHEME AND ITS EFFECTS.

Chapter 11 Internal Control

I. INTERNAL CONTROL RESPONSIBILITY STATEMENT AND ESTABLISHMENT OF INTERNAL CONTROL SYSTEM

The Company consistently implemented the Basic Principles for Internal Control of Enterprises, the Guidelines for Enterprise Internal Control, the Guidance for the Internal Control of Companies Listed on Shanghai Stock Exchange and the GDSRC's Notice in relation to Internal Control Practice of Companies in the Jurisdiction Listed on the Main Board, and further improved internal control by establishing, and effectively implementing, a sound internal control system to enhance its operation and management level and risk resistance. It commenced such establishment in September 2010 and engaged Ernst & Young (China) Advisory Limited as an external consultant on such end to assist in establishment and improvement of such system.

During the reporting period, in accordance with requirements of the GDSRC's Notice in relation to Internal Control Practice of Companies in the Jurisdiction Listed on the Main Board, the Company formulated its internal control standard practice proposal, and set up an internal control leading team and internal control working team for implementation thereof, which formulated an internal control manual and risk management manual (provisional) based on one-to-one interviews with relevant departmental directors, tests, on-site inspections, sampling and comparison and analysis. The manuals have been put to trial under approval of the Board. It also engaged experts in the field for special training in relation to internal control policy, corporate internal control standards and ancillary guidelines to initiate cultivation of internal control and risk management culture.

Pursuant to requirements of Contents and Formats for Information Disclosure by Companies that Offer Securities to the Public No. 2 (Contents and Format of Annual Reports) (revised 2012) ([2012] No. 22) issued by the CSRC on 19 September 2012 and the Notice on the Preparation of 2012 Annual Report by Listed Companies issued by the Shanghai Stock Exchange, the Board of the Company evaluated its internal control in 2012 and compiled an internal control self-evaluation report, the full text of which was disclosed on the website of the Shanghai Stock Exchange (www.sse.com.cn) on 29 March. The Board of directors was of the view that, as at the benchmark date, being 31 December 2012, internal control of the Company was effective and no significant deficiency in design or implementation of internal control of the Group was found.

II. INTERNAL CONTROL AND AUDIT REPORT

The Company engaged BDO China Shu Lun Pan Certified Public Accountants for independent audit of effectiveness of its internal control in 2012, which issued an opinion that "the internal control over financial report of the Company was in compliance with the Basic Principles for Internal Control of Enterprises and relevant requirements and was effective in all significant aspects as at 31 December 2012. (For full text of the accountants' report, please refer to the disclosure made on the website of the Shanghai Stock Exchange www.sse.com.cn on 29 March.)

III. ACCOUNTABILITY MECHANISM FOR MAJOR ERRORS IN ANNUAL REPORT AND RELEVANT INFORMATION ON ITS IMPLEMENTATION

Pursuant to the Management Measures on Information Disclosure of the Company and relevant provisions of the Format Guidance for Information Disclosure in Annual Reports, the Company formulated an accountability mechanism for major errors in annual report, under which any obligor for information disclosure who has resulted in any error of information disclosure or any significant adverse effect or loss to the Company as a result of any breach of duty of such person or violation of relevant provisions by such person shall be held liable for the non-compliance according to gravity of the situation.

During the reporting period, there was no amendment to preliminary results announcement, major error and major omission in annual reports of the Company.

pwc 羅兵咸永道

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

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 110 to 223, which comprise the consolidated and company balance sheets as at 31 December 2012, 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.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

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

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 2012, 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, 28 March 2013

Consolidated Balance Sheet

	Note	As at 31 December 2012 RMB'000	2011 RMB'000
ASSETS			
Non-current assets			
Land use rights	*7*	**1,064,581**	983,130
Property, plant and equipment	*8*	**5,927,416**	4,308,829
Investment properties	*9*	**30,580**	32,057
Intangible assets	*10*	**3,076,492**	2,273,409
Investments in jointly-controlled entities and associates	*12*	**16,881,951**	14,382,229
Deferred income tax assets	*14*	**567,622**	339,134
Available-for-sale financial assets	*15*	**144,099**	98,855
Held-to-maturity investments		**71,175**	70,142
Prepayments	*16*	**1,395,654**	465,397
		29,159,570	22,953,182
Current assets			
Inventories	*17*	**1,397,419**	1,536,698
Trade and other receivables	*18*	**3,303,090**	2,979,669
Financial assets at fair value through profit or loss		**31,455**	2,250
Time deposits	*19*	**5,558,589**	8,603,852
Restricted cash	*20*	**667,952**	297,067
Cash and cash equivalents	*21*	**9,315,874**	8,239,169
		20,274,379	21,658,705
Total assets		**49,433,949**	44,611,887
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital	*22*	**6,435,019**	6,148,057
Other reserves	*23*	**10,190,029**	7,869,317
Retained earnings	*23*		
– Proposed final dividend	*36*	**128,700**	1,287,004
– Others		**14,388,323**	13,905,194
		31,142,071	29,209,572
Non-controlling interests		**921,760**	976,052
Total equity		**32,063,831**	30,185,624

Consolidated Balance Sheet

	Note	As at 31 December 2012 RMB'000	2011 RMB'000
LIABILITIES			
Non-current liabilities			
Trade and other payables	*26*	**18,530**	90,733
Borrowings	*24*	**7,776,084**	7,737,314
Deferred income tax liabilities	*14*	**16,323**	38,901
Provisions		**21,587**	–
Government grants	*25*	**507,786**	353,083
		8,340,310	8,220,031
Current liabilities			
Trade and other payables	*26*	**6,375,740**	4,068,896
Borrowings	*24*	**2,514,720**	2,100,021
Current income tax liabilities		**139,348**	33,774
Provisions		**–**	3,541
		9,029,808	6,206,232
Total liabilities		**17,370,118**	14,426,263
Total equity and liabilities		**49,433,949**	44,611,887
Net current assets		**11,244,571**	15,452,473
Total assets less current liabilities		**40,404,141**	38,405,655

The notes on pages 119 to 223 are an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 28 March 2013 and were signed on its behalf:

Zhang Fang You
Director

Lu Sa
Director

Balance Sheet

	Note	As at 31 December 2012 RMB'000	2011 RMB'000
ASSETS			
Non-current assets			
Land use rights	*7*	**119,146**	119,146
Property, plant and equipment	*8*	**1,297,627**	462,126
Intangible assets	*10*	**1,833,061**	1,577,921
Investments in subsidiaries	*11*	**25,331,259**	21,336,524
Investments in jointly-controlled entities and associates	*12*	**8,333,956**	5,815,693
Prepayments	*16*	**1,262,786**	458,791
		38,177,835	29,770,201
Current assets			
Inventories	*17*	**6,923**	2,822
Trade and other receivables	*18*	**1,118,059**	1,027,316
Time deposits	*19*	**1,992,858**	750,000
Restricted cash	*20*	**222,953**	–
Cash and cash equivalents	*21*	**1,116,712**	1,459,394
		4,457,505	3,239,532
Total assets		**42,635,340**	33,009,733
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital	*22*	**6,435,019**	6,148,057
Other reserves	*23*	**17,177,071**	14,858,748
Retained earnings	*23*		
– Proposed final dividend	*36*	**128,700**	1,287,004
– Others		**3,289,486**	2,574,572
Total equity		**27,030,276**	24,868,381

Balance Sheet

	Note	As at 31 December 2012 RMB'000	2011 RMB'000
LIABILITIES			
Non-current liabilities			
Trade and other payables	*26*	**18,299**	90,218
Borrowings	*24*	**7,271,294**	7,252,929
Government grants	*25*	**218,926**	192,008
		7,508,519	7,535,155
Current liabilities			
Trade and other payables	*26*	**8,096,545**	406,197
Borrowings	*24*	**–**	200,000
		8,096,545	606,197
Total liabilities		**15,605,064**	8,141,352
Total equity and liabilities		**42,635,340**	33,009,733
Net current (liabilities)/assets		**(3,639,040)**	2,633,335
Total assets less current liabilities		**34,538,795**	32,403,536

The notes on pages 119 to 223 are an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 28 March 2013 and were signed on its behalf:

Zhang Fang You	**Lu Sa**
Director	**Director**

Consolidated Statement of Comprehensive Income

	Note	Year ended 31 December 2012 RMB'000	2011 RMB'000
Revenue		**12,963,860**	10,984,273
Cost of sales	*27*	**(12,273,586)**	(10,559,896)
Gross profit		**690,274**	424,377
Selling and distribution costs	*27*	**(814,760)**	(589,242)
Administrative expenses	*27*	**(1,332,539)**	(1,216,442)
Interest income	*30*	**279,795**	316,222
Other gains – net	*29*	**12,865**	840,288
Operating loss		**(1,164,365)**	(224,797)
Finance costs	*31*	**(528,644)**	(414,744)
Interest income	*30*	**55,891**	57,879
Share of profit of jointly-controlled entities and associates	*12*	**2,637,092**	4,638,648
Profit before income tax		**999,974**	4,056,986
Income tax credit	*32*	**64,786**	109,914
Profit for the year		**1,064,760**	4,166,900
Other comprehensive income/(loss) for the year, net of tax	*33*	**1,211**	(1,145)
Total comprehensive income for the year		**1,065,971**	4,165,755
Profit/(loss) attributable to:			
Equity holders of the Company		**1,133,982**	4,271,703
Non-controlling interests		**(69,222)**	(104,803)
		1,064,760	4,166,900

Consolidated Statement of Comprehensive Income

	Note	Year ended 31 December 2012 RMB'000	2011 RMB'000
Total comprehensive income/(loss) attributable to:			
Equity holders of the Company		**1,134,709**	4,271,016
Non-controlling interests		**(68,738)**	(105,261)
		1,065,971	4,165,755
Earnings per share attributable to equity holders of the Company			
(expressed in RMB per share)			
– basic and diluted	*35*	**0.18**	0.69

The notes on pages 119 to 223 are an integral part of these financial statements.

	Note	Year ended 31 December 2012 RMB'000	2011 RMB'000
Dividends	*36*	**579,151**	1,287,004

Consolidated Statement of Changes in Equity

	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 2011	6,148,057	7,636,764	11,826,689	25,611,510	232,587	25,844,097
Comprehensive income						
Profit/(loss) for the year	–	–	4,271,703	4,271,703	(104,803)	4,166,900
Other comprehensive income/(loss) –						
Available-for-sale financial assets – net of tax	–	(687)	–	(687)	(458)	(1,145)
Total comprehensive income/(loss), net of tax	–	(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 non-controlling shareholders of subsidiaries	–	–	–	–	279,120	279,120
Non-controlling interests arising on business combination	–	–	–	–	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
Comprehensive income						
Profit/(loss) for the year	–	–	1,133,982	1,133,982	(69,222)	1,064,760
Other comprehensive income –						
Available-for-sale financial assets – net of tax	–	727	–	727	484	1,211
Total comprehensive income/(loss), net of tax	–	727	1,133,982	1,134,709	(68,738)	1,065,971
Total contributions by and distributions to equity holders of the Company recognised directly in equity						
Issue of new shares *(Note 1)*	286,962	2,246,621	–	2,533,583	–	2,533,583
Appropriation to reserve fund	–	71,702	(71,702)	–	–	–
Dividend declared by the Company and subsidiaries	–	–	(1,737,455)	(1,737,455)	(19,326)	(1,756,781)
Others	–	1,599	–	1,599	975	2,574
Total contributions by and distributions to equity holders of the Company	286,962	2,319,922	(1,809,157)	797,727	(18,351)	779,376
Disposal of subsidiaries	–	–	–	–	(47,426)	(47,426)
Contribution from non-controlling shareholders of subsidiaries	–	63	–	63	19,091	19,154
Non-controlling interests arising on business combination *(Note 39(a))*	–	–	–	–	61,132	61,132
Total transactions with owners	286,962	2,319,985	(1,809,157)	797,790	14,446	812,236
Balance as at 31 December 2012	6,435,019	10,190,029	14,517,023	31,142,071	921,760	32,063,831

The notes on pages 119 to 223 are an integral part of these financial statements.

Consolidated Cash Flow Statement

	Note	Year ended 31 December 2012 RMB'000	2011 RMB'000
Cash flows from operating activities			
Cash generated from/(used in) operations	*37*	725,412	(459,687)
Interest received		399,582	312,019
Interest paid		(522,634)	(404,769)
Income tax paid		(117,189)	(80,781)
Net cash generated from/(used in) operating activities		485,171	(633,218)
Cash flows from investing activities			
Purchase of property, plant and equipment, land use rights, investment properties and intangible assets		(2,948,019)	(2,243,609)
Proceeds from sales of property, plant and equipment and land use rights		16,226	59,991
Acquisition of subsidiaries, net of cash acquired		(276,140)	163,312
Additional capital injection in jointly-controlled entities		(400,971)	(603,428)
Additional capital injection in associates		(114,402)	(55,700)
Acquisition and set-up of jointly-controlled entities		(771,530)	(659,419)
Acquisition and set-up of associates		(180,000)	(14,249)
Disposal of subsidiaries and associates		419,406	30,187
Acquisition of available-for-sale financial assets and financial assets at fair value through profit or loss		(572,833)	(172,696)
Disposal of available-for-sale financial assets and financial assets at fair value through profit or loss		497,827	–
Issue of entrusted loans		(140,110)	(397,515)
Proceeds from repayment of entrusted loan		136,025	610,000
Receipt of government grant		187,796	141,045
Dividends received		3,642,288	5,435,120
Decrease/(increase) in time deposits		3,045,263	(2,738,584)
(Increase)/decrease in restricted cash		(211,719)	178,500
Net cash generated from/(used in) investing activities		2,329,107	(267,045)

Consolidated Cash Flow Statement

	Note	Year ended 31 December 2012 RMB'000	2011 RMB'000
Cash flows from financing activities			
Contribution from non-controlling shareholders of subsidiaries		**19,080**	279,120
Payment of listing-related expenses		**(49,725)**	(223,595)
Distribution to shareholders of the Company and non-controlling shareholders of subsidiaries		**(1,756,781)**	(686,276)
Proceeds from borrowings		**4,560,803**	2,359,442
Repayments of borrowings		**(4,522,340)**	(1,930,064)
Net cash used in financing activities		**(1,748,963)**	(201,373)
Net increase/(decrease) in cash and cash equivalents		**1,065,315**	(1,101,636)
Cash and cash equivalents at beginning of the year		**8,239,169**	9,382,214
Exchange gain/(losses) on cash and cash equivalents		**11,390**	(41,409)
Cash and cash equivalents at end of the year		**9,315,874**	8,239,169

The notes on pages 119 to 223 are an integral part of these financial statements.

1. GENERAL INFORMATION

The Company and its subsidiaries (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 People's Republic of China (the "PRC").

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

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

The Company previously held 29% interests in GAC Changfeng Motor Co., Ltd. ("GAC Changfeng", which was listed on the Shanghai Stock Exchange ("SSE")) and was the largest shareholder of GAC Changfeng. Subsequent to the approval by the Company's shareholders and China Securities Regulatory Commission, the Company paid cash considerations totaling RMB2,409,409,738 to the second largest shareholder of GAC Changfeng, Changfeng Group Limited Company ("Changfeng Group"), and the third largest shareholder, Mitsubishi Motors Corporation ("Mitsubishi Corporation"), to acquire 36.57% interests in GAC Changfeng held by these two companies in 2012. On 23 March 2012 ("GAC Changfeng Acquisition Date"), the Company issued 286,962,422 RMB ordinary shares in exchange for 34.43% interests in GAC Changfeng held by the remaining shareholders and then GAC Changfeng was delisted from SSE. Upon the above arrangement became effective, GAC Changfeng became a wholly owned subsidiary of the Company. On 29 March 2012, following the issuance of the above 286,962,422 RMB new shares, the Company was listed on the SSE.

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 28 March 2013.

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.

2.1.1 Going concern

As at 31 December 2012, the current liabilities of the Company exceeded its current assets by approximately RMB3,639,040,000. Included in the current liabilities of the Company were amounts due to subsidiaries of approximately RMB7,382,054,000 (Note 26(d)). Since the Company has the power to control the repayment term of inter-company balance mentioned above, the Directors are of the view that there are sufficient financial resources available to the Company at least in the coming twelve months to meet its liabilities due to third parties when they fall due. Accordingly, the Directors are of the opinion that it is appropriate to prepare the Company's financial statements on a going concern basis.

2.1.2 Changes in accounting policy and disclosures

(a) Amendments to existing standards effective in 2012 but not relevant to the Group:

Standards	**Subject of amendment**	**Effective for accounting periods beginning on or after**
HKAS 12 (Amendment)	Deferred tax: Recovery of underlying assets	1 January 2012
HKFRS 7 (Amendment)	Disclosures – Transfers of financial assets	1 July 2011
HKFRS1(Amendment)	Severe hyperinflation and removal of fixed dates for first-time adopters	1 July 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

2.1.2 Changes in accounting policy and disclosures (continued)

(b) The following new or revised standards and amendments to standards have been issued but are not effective for the financial year beginning 1 January 2012 and have not been early adopted:

Standards	Subject of amendment	Effective for accounting periods beginning on or after
HKFRS 1	First-time adoption of Hong Kong Financial Reporting Standards	1 January 2013
HKFRS 7 (Amendment)	Financial instruments: Disclosures – offsetting financial assets and financial liabilities	1 January 2013
HKFRS 9	Financial instruments	1 January 2015
HKFRS 10	Consolidated financial statements	1 January 2013
HKFRS 11	Joint arrangements	1 January 2013
HKFRS 12	Disclosure of interests in other entities	1 January 2013
HKFRS 13	Fair value measurement	1 January 2013
HKFRS 7 and HKFRS 9 (Amendment)	Mandatory effective date and transition disclosures	1 January 2015
HKFRS (Amendments)	Annual Improvements 2009-2011 Cycle	1 January 2013
HKAS 1 (Amendment)	Presentation of financial statements	1 July 2012
HKAS 16	Property, plant and equipment	1 January 2013
HKAS 32	Financial instruments	1 January 2013
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

The Group has already commenced an assessment of the impact of these new or revised standards and amendments, and anticipated that the adoption of HKFRS 10 and HKFRS 11 will not lead to major changes in the classification of the Group's investments. Except for the aforementioned, the Group is in progress of assessing the impact of other new or revised standards and amendments.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

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

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Subsidiaries (continued)

2.2.1 Consolidation (continued)

(a) Business combinations (continued)

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.

(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 jointly controlled entities and associates' in the consolidated statement of comprehensive income.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 and associates' 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.

When an investor increases its stake in an existing investee company to gain joint control over the entity, the cost of acquiring the additional stake (including any directly attributable costs) is added to the carrying value of the investee company and goodwill arising on the purchase of the additional stake is the excess of the consideration over its additional share of fair value of net identifiable assets at the date the additional interest is acquired (any negative goodwill is recognised in profit or loss).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Segment reporting

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

(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'.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Foreign currency translation (continued)

(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.

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

(d) Disposal of foreign operation

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.

2.7 Land use rights

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Property, plant and equipment

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

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Construction in progress

Construction in progress represents property, plant and equipment 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.

2.10 Investment properties

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries, 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.

(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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Intangible assets (continued)

(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 ranging from 5 to 10 years.

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

2.14 Financial assets

2.14.1 Classification

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

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

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

(b) Loans and receivables

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14 Financial assets (continued)

2.14.1 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.

2.14.2 Recognition and measurement

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14 Financial assets (continued)

2.14.2 Recognition and measurement (continued)

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

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

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

2.15 Offsetting financial instruments

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

2.16 Impairment of financial assets

(a) Assets carried at amortised cost

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.16 Impairment of financial assets (Continued)

(a) Assets carried at amortised cost (Continued)

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.

(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.

2.17 Inventories

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.18 Trade and other receivables

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

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

2.19 Cash and cash equivalents

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

2.20 Share capital

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

2.21 Trade payables

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

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

2.22 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.23 Borrowing costs

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

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

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

2.24 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.24 Current and deferred income tax (Continued)

(b) Deferred income tax (Continued)

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)

2.25 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.

2.26 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. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.27 Share-based payment settled in cash

Employee services received in exchange for cash-settled share-based payments, are recognised at the fair value of the liability incurred and are expensed over the vesting period, when consumed or capitalised as assets, which are depreciated or amortised. The liability is remeasured at each balance sheet date to its fair value, with all changes recognised immediately in the consolidated statement of comprehensive income.

2.28 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sales of products

The Group manufactures and sells a range of passenger vehicles, commercial vehicles, engines and 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 buyers and the amount of revenue can be measured reliably.

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

(b) Rendering of service

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

(c) Interest income

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

(d) Rental income

Rental income from investment property is recognised in the income statement on a straight-line basis over the term of the lease.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.28 Revenue recognition (Continued)

(e) Dividend income

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

2.29 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.

2.30 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.

2.31 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"), Japanese yen ("JPY") and European dollar ("EUR") 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 2012, if RMB had strengthened/weakened by 5% against USD with all other variables held constant, post-tax profit would have been approximately RMB4,400,000 higher/lower (2011: RMB5,119,000 lower/higher), mainly as a result of foreign exchange gains/losses on translation of USD-denominated trade and other receivables, time deposits, cash and cash equivalents, trade and other payables and borrowings.

As at 31 December 2012, if RMB had strengthened/weakened by 5% against HKD with all other variables held constant, post-tax profit would have been approximately RMB7,577,000 higher/lower (2011: RMB17,211,000 higher/lower), mainly as a result of foreign exchange gains/losses on translation of HKD-denominated trade and other receivables, time deposits, cash and cash equivalents, trade and other payables and borrowings.

As at 31 December 2012, if RMB had strengthened/weakened by 5% against JPY with all other variables held constant, post-tax profit would have been approximately RMB201,000 higher/lower (2011: RMB208,000 higher/lower), mainly as a result of foreign exchange gains/losses on translation of JPY-denominated trade and other receivables, time deposits, cash and cash equivalents, trade and other payables and borrowings.

As at 31 December 2012, if RMB had strengthened/weakened by 5% against EUR with all other variables held constant, post-tax profit would have been approximately RMB389,000 lower/higher (2011: nil), mainly as a result of foreign exchange losses/gains on translation of EUR-denominated trade and other receivables, time deposits, cash and cash equivalents, trade and other payables and borrowings.

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(ii) Cash flow and fair value interest rate risk

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

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

As at 31 December 2012, 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 RMB13,567,000 (2011: RMB13,623,000) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

As at 31 December 2012, approximately RMB8,481,847,000 (2011: RMB8,020,996,000) 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 24.

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 2012 and 2011, 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 equivalents, the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, Group Finance maintains flexibility in funding by maintaining availability under committed credit lines.

Management monitors the Group's undrawn borrowing facilities (Note 24), time deposits (Note 19) and cash and cash equivalents (Note 21) 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 2012				
Borrowings	**2,828,375**	**7,086,942**	**1,176,998**	**20,134**
Trade and other payables (exclude advances from customers, staff welfare benefits payable, other taxes and government grants)	**5,360,554**	**18,530**	**–**	**–**
Financial guarantee contracts *(Note 42)*	**7,367**	**–**	**–**	**–**
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	–
Financial guarantee contracts *(Note 42)*	–	–	–	–

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 2012				
Borrowings	**284,480**	**6,984,480**	**708,360**	**–**
Trade and other payables (exclude staff welfare benefits payable and other taxes and government grants)	**8,003,742**	**18,299**	**–**	**–**
Financial guarantee contracts *(Note 42)*	**–**	**–**	**–**	**–**
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	–
Financial guarantee contracts *(Note 42)*	12,000	–	–	–

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.

3. FINANCIAL RISK MANAGEMENT (continued)

3.2 Capital risk management (continued)

The gearing ratios as at 31 December 2012 and 2011 were as follows:

	As at 31 December	
	2012	2011
	RMB'000	RMB'000
Total borrowings *(Note 24)*	**10,290,804**	9,837,335
Total equity	**32,063,831**	30,185,624
Total capital	**42,354,635**	40,022,959
Gearing ratio	**24%**	25%

3.3 Fair value estimation

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

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

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

3. FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation (Continued)

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2012.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Financial assets at fair value through profit or loss				
– Trading debt investments	29,230	–	–	29,230
– Fund investments	2,225	–	–	2,225
Available-for-sale financial assets				
– Bond investments	144,099	–	–	144,099
Total assets	175,554	–	–	175,554

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2011.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Financial assets at fair value through profit or loss				
– Fund investments	2,250	–	–	2,250
Available-for-sale financial assets				
– Fund investments	98,855	–	–	98,855
Total assets	101,105	–	–	101,105

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily corporate bonds, enterprise short-term financing bonds, fund investments and medium-term notes classified as trading debt investments or available-for-sale.

There were no significant transfers of financial assets between level 1 and level 2 fair value hierarchy classifications.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(a) Current and deferred income taxes

The Group is subject to income taxes and land appreciation taxes ("LAT")over land disposal transactions in the PRC. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. In addition, interpretation of taxation rules and requirements for whether group entities are able to enjoy an LAT exemption under the restructuring arrangement during the year also give rise to uncertain tax positions. These estimates also include significant management judgments about the eventual outcome of the tax review based on the latest information available about the positions expected to be taken by tax authority. Accordingly, significant judgement is required in determining the amounts of current income tax, deferred income taxes and LAT. For details, please refer to Note 32. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the taxation and tax provisions in the years in which such taxes have been finalised with local tax authorities.

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(b) Impairment of property, plant and equipment, intangible assets and land use rights

Property, plant and equipment, intangible assets and land use rights are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. 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.

(c) 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 fair value less costs to sell estimated using the discounted cash flow method. These calculations require the use of estimates.

(d) Impairment of investments in jointly-controlled entities and associates

The Group determines at each reporting date whether there is any objective evidence that the investments in the jointly-controlled entities and associates are impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the jointly-controlled entities and associates and their carrying value. The recoverable amounts of the jointly-controlled entities and associates have been determined based on fair value less costs to sell estimated using the discounted cash flow method. In arriving at fair value less costs to sell, post-tax discount rates of eleven point eight per cent to twelve point two per cent have been applied to the post-tax cash flows expressed in real terms. Fair value less costs to sell was determined by estimating cash flows for a period of five years. The cash flow projections are based on financial budgets approved by management covering a five-year periods. These cash flows are then aggregated with a "terminal value". The terminal value represents the value of cash flows beyond the fifth year, incorporating an annual real-term growth rate of three per cent. These calculations require the use of estimates.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(d) Impairment of investments in jointly-controlled entities and associates (continued)

No impairment charge arose in one jointly-controlled entity with significant goodwill identified on acquisition during the year 2012. If the budgeted revenue used in the fair-value-less-costs-to-sell calculation for this jointly-controlled entity had been 3% lower than management's estimates at 31 December 2012, the Group would not recognise any impairment of investment.

If the estimated post-tax discount rate for the jointly-controlled entity had been 0.3% higher than management's estimates, the Group would not recognise an impairment against investment.

(e) Warranty provisions

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

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

As at 31 December 2012 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	RMB2,600,000,000	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%	–

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
Subsidiaries (continued)					
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$435,700,000	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%
GAC-SOFINCO Automobile Finance Co., Ltd 廣汽匯理汽車金融有限公司	Mainland China	Provide automotive financing services	RMB1,000,000,000	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%	–

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
Jointly-controlled entities (continued)					
GAC Mitsubishi Motors Co., Ltd. ("GAC Mitsubishi") 廣汽三菱汽車有限公司	Mainland China	Manufacture and sale of automobile and automotive parts	RMB1,700,000,000	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$291,220,000	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%	–
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 executive directors. The executive directors review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The executive directors considered the nature of the Group's business and determined that the Group has two reportable operating segments as follows:

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

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

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

6. SEGMENT INFORMATION (continued)

The segment results for the year ended 31 December 2012 and other segment items included in the consolidated statement of comprehensive income are as follows:

	Vehicles and related operations RMB'000	Others RMB'000	Eliminations RMB'000	Unallocated RMB'000	Consolidated RMB'000
Total gross segment revenue	12,736,307	305,155	(77,602)		12,963,860
Inter-segment revenue	(23,773)	(53,829)	77,602		–
Revenue (from external customers)	12,712,534	251,326	–		12,963,860
Segment results	(908,320)	(72,630)	(45,699)		(1,026,649)
Unallocated income – Headquarter interest income	–	–	–	274,073	274,073
Unallocated costs – Headquarter expenditure	–	–	–	(411,789)	(411,789)
Operating loss					(1,164,365)
Finance costs	(236,412)	(15,037)	–	(277,195)	(528,644)
Interest income	21,279	10,249	–	24,363	55,891
Share of profit of jointly-controlled entities and associates	2,521,383	115,709	–	–	2,637,092
Profit before income tax					999,974
Income tax credit/(expense)	100,738	15,707	(8,502)	(43,157)	64,786
Profit for the year					1,064,760
Other segment items					
Depreciation and amortisation	638,909	12,941	–	15,761	667,611
Provision for/(reversal of) impairment loss of trade and other receivables	6,044	118	–	(17,092)	(10,930)
Impairment of inventories	21,413	–	–	–	21,413

6. SEGMENT INFORMATION (continued)

The segment assets and liabilities as at 31 December 2012 and additions to non-current assets (other than deferred tax assets, available-for-sale financial assets and held-to-maturity investments) for the year then ended are as follows:

	Vehicles and related operations RMB'000	Others RMB'000	Eliminations RMB'000	Unallocated RMB'000	Consolidated RMB'000
Total assets	34,135,580	4,375,091	(1,227,708)	12,150,986	49,433,949
Total assets include:					
Investment in jointly-controlled entities and associates	15,733,069	1,148,882	–	–	16,881,951
Total liabilities	10,484,526	780,928	(1,166,630)	7,271,294	17,370,118
Additions to non-current assets (other than deferred tax assets, available-for-sale financial assets and held-to-maturity investments)	4,108,171	1,676,418	–	–	5,784,589

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:

	Vehicles and related operations RMB'000	Others RMB'000	Eliminations RMB'000	Unallocated RMB'000	Consolidated RMB'000
Total gross segment revenue	10,725,570	317,728	(59,025)		10,984,273
Inter-segment revenue	(6,837)	(52,188)	59,025		–
Revenue (from external customers)	10,718,733	265,540	–		10,984,273
Segment results	(910,500)	(867)	(5,498)		(916,865)
Unallocated income – Headquarter interest income and government grant	–	–	–	1,098,948	1,098,948
Unallocated costs – Headquarter expenditure	–	–	–	(406,880)	(406,880)
Operating loss					(224,797)
Finance costs	(162,171)	(82)	–	(252,491)	(414,744)
Interest income	20,470	10,366	–	27,043	57,879
Share of profit of jointly-controlled entities and associates	4,560,016	78,632	–	–	4,638,648
Profit before income tax					4,056,986
Income tax credit/(expense)	171,081	(784)	–	(60,383)	109,914
Profit for the year					4,166,900
Other segment items					
Depreciation and amortisation	476,392	4,289	–	9,065	489,746
(Reversal of)/provision for impairment loss of trade and other receivables	(3,769)	14	–	(20,533)	(24,288)
Impairment of inventories	21,130	–	–	–	21,130
Impairment of property, plant and equipment and land use rights	5,595	–	–	–	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:

	Vehicles and related operations RMB'000	Others RMB'000	Eliminations RMB'000	Unallocated RMB'000	Consolidated RMB'000
Total assets	26,361,376	4,877,475	(1,767,030)	15,140,066	44,611,887
Total assets include:					
Investment in jointly-controlled entities and associates	13,541,742	840,487	–	–	14,382,229
Total liabilities	7,614,745	1,123,340	(1,764,751)	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)	3,511,407	1,281,700	–	–	4,793,107

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

	As at 31 December 2012 RMB'000	2011 RMB'000
Total segment assets	**37,282,963**	29,471,821
Unallocated assets:		
– Time deposits and cash and cash equivalents of headquarter	**12,150,986**	15,140,066
Total assets	**49,433,949**	44,611,887

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

	As at 31 December 2012 RMB'000	2011 RMB'000
Total segment liabilities	**10,098,824**	6,973,334
Unallocated liabilities:		
– Borrowings of headquarter	**7,271,294**	7,452,929
Total liabilities	**17,370,118**	14,426,263

6. SEGMENT INFORMATION (continued)

Revenue from external customers by geographical location is as follows:

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
Mainland China	**12,961,965**	10,868,099
Hong Kong	**1,895**	116,174
	12,963,860	10,984,273

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	
	2012	2011
	RMB'000	RMB'000
Mainland China	**28,272,793**	22,348,334
Hong Kong	**103,881**	96,717
	28,376,674	22,445,051

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

Analysis of revenue by category:

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
Sales of products	**12,601,049**	10,628,233
Rendering of services	**230,680**	199,685
Others	**132,131**	156,355
	12,963,860	10,984,273

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	
	2012	2011
	RMB'000	RMB'000
Beginning of the year		
Cost	**1,069,381**	741,007
Accumulated amortisation and impairment	**(86,251)**	(75,088)
Net book amount	**983,130**	665,919
For the year ended		
Opening net book amount	**983,130**	665,919
Additions	**2,826**	31,887
Acquisition of GAC Changfeng *(Note 39(a))*	**45,323**	–
Acquisition of other subsidiaries	**52,346**	307,166
Disposal of a subsidiary	**–**	(1,034)
Amortisation charge *(Note 27)*	**(19,044)**	(16,420)
Impairment charge *(Note 27)*	**–**	(4,388)
Closing net book amount	**1,064,581**	983,130
End of the year		
Cost	**1,169,876**	1,069,381
Accumulated amortisation and impairment	**(105,295)**	(86,251)
Net book amount	**1,064,581**	983,130

7. LAND USE RIGHTS (continued)

The Company

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
Beginning of the year		
Cost	**119,146**	114,684
Accumulated amortisation	**–**	–
Net book amount	**119,146**	114,684
For the year ended		
Opening net book amount	**119,146**	114,684
Additions	**–**	4,462
Closing net book amount	**119,146**	119,146
End of the year		
Cost	**119,146**	119,146
Accumulated amortisation *(note (c))*	**–**	–
Net book amount	**119,146**	119,146

(a) The amount of amortisation of the Group was primarily charged to cost of sales and administrative expenses in the consolidated statement of comprehensive income.

(b) Certain bank borrowings were secured by the Group's land use rights with an aggregate carrying value of approximately RMB143,456,000 (2011: RMB169,826,000) (Note 24(a)).

(c) As at 31 December 2012, the Company was 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 (2011: RMB119,146,000). The Directors consider that the Company is entitled to lawfully and validly occupy or use such land. Thus the land use right did not begin to amortise in 2012.

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	
	2012	2011
	RMB'000	RMB'000
In Mainland China, held on:		
Leases of between 10 and 50 years	**1,038,786**	956,754
In Hong Kong, held on:		
Leases of between 10 and 50 years	**25,795**	26,376
	1,064,581	983,130

The Company

	As at 31 December	
	2012	2011
	RMB'000	RMB'000
In Mainland China, held on:		
Leases of between 10 and 50 years	**119,146**	119,146

8. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings RMB'000	Machinery RMB'000	Vehicles RMB'000	Moulds RMB'000	Office and other equipment RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
Year ended 31 December 2011								
Opening net book amount	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	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 27)*	(58,818)	(125,390)	(64,650)	(25,952)	(19,152)	(19,744)	–	(313,706)
Impairment charge *(Note 27)*	–	(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
Year ended 31 December 2012								
Opening net book amount	1,474,708	1,258,472	231,724	236,373	76,178	156,244	875,130	4,308,829
Additions	23,103	75,507	112,083	29,737	21,567	49,878	1,183,432	1,495,307
Acquisition of GAC Changfeng *(Note 39(a))*	51,520	16,418	1,290	–	1,636	–	411,377	482,241
Acquisition of other subsidiaries	66,242	603	1,036	–	1,377	8,403	1,140	78,801
Disposals	(743)	(170)	(30,465)	(12)	(1,125)	–	–	(32,515)
Transfers	698,151	240,015	82	96,536	4,553	–	(1,039,337)	–
Depreciation charge *(Note 27)*	(75,741)	(157,788)	(67,957)	(60,846)	(23,498)	(19,417)	–	(405,247)
Closing net book amount	2,237,240	1,433,057	247,793	301,788	80,688	195,108	1,431,742	5,927,416
At 31 December 2012								
Cost	2,495,654	1,838,108	449,252	391,514	174,405	264,980	1,431,742	7,045,655
Accumulated depreciation and impairment	(258,414)	(405,051)	(201,459)	(89,726)	(93,717)	(69,872)	–	(1,118,239)
Net book amount	2,237,240	1,433,057	247,793	301,788	80,688	195,108	1,431,742	5,927,416

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 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
Year ended 31 December 2012					
Opening net book amount	**1,466**	**13,046**	**60,543**	**387,071**	**462,126**
Additions	**–**	**456**	**25,168**	**825,729**	**851,353**
Disposals	**–**	**(123)**	**(90)**	**–**	**(213)**
Transfers	**399,729**	**307**	**6,363**	**(406,399)**	**–**
Depreciation charge	**(75)**	**(5,249)**	**(10,315)**	**–**	**(15,639)**
Closing net book amount	**401,120**	**8,437**	**81,669**	**806,401**	**1,297,627**
At 31 December 2012					
Cost	**402,025**	**31,012**	**114,446**	**806,401**	**1,353,884**
Accumulated depreciation	**(905)**	**(22,575)**	**(32,777)**	**–**	**(56,257)**
Net book amount	**401,120**	**8,437**	**81,669**	**806,401**	**1,297,627**

8. PROPERTY, PLANT AND EQUIPMENT

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

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
Cost of sales	**323,653**	254,987
Selling and distribution costs	**9,423**	7,491
Administrative expenses	**72,171**	51,228
	405,247	313,706

(b) Certain bank borrowings were secured by the Group's property, plant and equipment with an aggregate carrying value of approximately RMB134,280,000 (2011: RMB297,013,000) (Note 24(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 RMB27,640,000 (2011: RMB29,429,000). The Directors consider that the Group is entitled to lawfully and validly occupy or use those properties.

(d) During the year, the Group capitalised borrowing costs amounting to RMB19,280,000 (2011: RMB4,042,000) on qualifying assets. Borrowing costs were capitalised at the weighted average rate of its general borrowings of 4.06% (2011: 5.12%).

9. INVESTMENT PROPERTIES

The Group

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
Beginning of the year		
Cost	**46,887**	68,636
Accumulated depreciation	**(14,830)**	(11,930)
Net book amount	**32,057**	56,706
For the year ended		
Opening net book amount	**32,057**	56,706
Additions	**1,958**	16,557
Disposal of a subsidiary	**–**	(38,306)
Depreciation charge *(Note 27)*	**(3,435)**	(2,900)
Closing net book amount	**30,580**	32,057
End of the year		
Cost	**48,845**	46,887
Accumulated depreciation	**(18,265)**	(14,830)
Net book amount	**30,580**	32,057

10. INTANGIBLE ASSETS

The Group

	Patent and proprietary technology RMB'000	Computer software RMB'000	Goodwill RMB'000	Development costs RMB'000	Total RMB'000
Year ended 31 December 2011					
Opening net book amount	692,876	38,349	125,775	589,213	1,446,213
Additions	113,544	22,690	–	410,942	547,176
Additions of subsidiaries	113,853	–	201,337	121,550	436,740
Amortisation charge *(Note 27)*	(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
Year ended 31 December 2012					
Opening net book amount	854,585	51,831	327,112	1,039,881	2,273,409
Additions	1,225	25,644	–	699,995	726,864
Additions of GAC Changfeng *(Note 39(a))*	5,422	–	–	309,599	315,021
Additions of other subsidiaries	–	38	1,324	–	1,362
Amortisation charge *(Note 27)*	(87,103)	(12,982)	–	(139,800)	(239,885)
Disposal	–	(279)	–	–	(279)
Closing net book amount	774,129	64,252	328,436	1,909,675	3,076,492
At 31 December 2012					
Cost	946,733	97,823	328,436	2,144,494	3,517,486
Accumulated amortisation	(172,604)	(33,571)	–	(234,819)	(440,994)
Net book amount	774,129	64,252	328,436	1,909,675	3,076,492

10. INTANGIBLE ASSETS (continued)

The Company

	Patent and proprietary technology RMB'000	Computer software RMB'000	Development costs RMB'000	Total RMB'000
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
Year ended 31 December 2012				
Opening net book amount	**704,451**	**16,675**	**856,795**	**1,577,921**
Additions	**–**	**13,140**	**444,430**	**457,570**
Amortisation charge	**(64,202)**	**(7,408)**	**(130,820)**	**(202,430)**
Closing net book amount	**640,249**	**22,407**	**1,170,405**	**1,833,061**
At 31 December 2012				
Cost	**764,745**	**45,031**	**1,396,244**	**2,206,020**
Accumulated amortisation	**(124,496)**	**(22,624)**	**(225,839)**	**(372,959)**
Net book amount	**640,249**	**22,407**	**1,170,405**	**1,833,061**

10. INTANGIBLE ASSETS (continued)

(a) Amortisation of the Group's intangible assets has been charged to cost of sales and administrative expenses in the consolidated statement of comprehensive income.

(b) Goodwill arose from acquisition of businesses:

	As at 31 December	
	2012	2011
	RMB'000	RMB'000
Business acquired by GAC Gonow (i)	**201,337**	201,337
Denway	**90,299**	90,299
Others	**36,800**	35,476
	328,436	327,112

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

(i) The recoverable amount of GAC Gonow has been assessed by reference to fair value less costs to sell, using discounted cash flows, in line with the policy in note 2.11(a).

In arriving at fair value less costs to sell, a post-tax discount rate of twelve per cent has been applied to the post-tax cash flows expressed in real terms. Fair value less costs to sell was determined by estimating cash flows for a period of 5 years. The cash flow projections are based on financial budgets approved by management covering a five-year periods. These cash flows are then aggregated with a "terminal value". The terminal value represents the value of cash flows beyond the fifth year, incorporating an annual real-term growth rate of three per cent.

11. INVESTMENTS IN SUBSIDIARIES

The Company

	As at 31 December	
	2012	2011
	RMB'000	RMB'000
Unlisted investment, at cost *(Note (a))*	**25,484,717**	21,336,524
Less: Provision for impairment	**(153,458)**	–
	25,331,259	21,336,524

(a) Additions in investments in subsidiaries mainly represent additional capital injection in certain subsidiaries, acquisition cost for GAC Changfeng and other subsidiaries.

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

12. INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES AND ASSOCIATES

The Group

	As at 31 December	
	2012	2011
	RMB'000	RMB'000
Investments in jointly-controlled entities	**12,313,895**	9,284,474
Investments in associates	**4,568,056**	5,097,755
	16,881,951	14,382,229

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
Share of profit of jointly-controlled entities	**2,014,701**	3,872,359
Share of profit of associates	**622,391**	766,289
	2,637,092	4,638,648

12. INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES AND ASSOCIATES (continued)

The Company

	As at 31 December	
	2012	2011
	RMB'000	RMB'000
Investments in jointly-controlled entities	**7,366,568**	3,885,739
Investments in associates	**967,388**	1,929,954
	8,333,956	5,815,693

12.1 INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES

The Group

	As at 31 December	
	2012	2011
	RMB'000	RMB'000
Unlisted investment	**12,313,895**	9,284,474

The Company

	As at 31 December	
	2012	2011
	RMB'000	RMB'000
Unlisted investment, at cost	**7,913,063**	3,885,739
Less: Provision for impairment	**(546,495)**	–
	7,366,568	3,885,739

12. INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES AND ASSOCIATES (continued)

12.1 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	
	2012	2011
	RMB'000	RMB'000
Beginning of the year	**9,284,474**	8,166,021
Additions *(Note (i))*	**4,175,888**	1,254,496
Share of profits	**2,017,247**	3,906,365
Dividends received	**(3,129,244)**	(4,042,408)
Disposal	**(34,470)**	–
End of the year	**12,313,895**	9,284,474

The Company

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
Beginning of the year	**3,885,739**	2,928,546
Additions *(Note (i))*	**4,027,324**	957,193
Provision for impairment *(Note (ii))*	**(546,495)**	–
End of the year	**7,366,568**	3,885,739

(i) During the year, additions in investments in jointly-controlled entities mainly represented the investment in a joint venture with Mitsubishi Corporation amounting to RMB3,635,035,000(Note 39(a)) and additional capital contributions in certain jointly-controlled entities.

(ii) The recoverable amount of the Company's interest in a jointly-controlled entity has been assessed by reference to fair value less costs to sell, using discounted cash flow method.

In arriving at fair value less costs to sell, a post-tax discount rate of twelve per cent has been applied to the post-tax cash flows expressed in real terms. Fair value less costs to sell was determined by estimating cash flows for a period of 5 years. The cash flow projections are based on financial budgets approved by management covering a five-year periods. These cash flows are then aggregated with a "terminal value". The terminal value represents the value of cash flows beyond the fifth year, incorporating an annual real-term growth rate of three per cent.

12. INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES AND ASSOCIATES (continued)

12.1 INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES (continued)

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

The Group

	As at 31 December	
	2012	2011
	RMB'000	RMB'000
Assets		
Non-current assets		
– Property, plant and equipment	**8,356,861**	7,109,745
– Other non-current assets	**2,295,694**	1,817,540
	10,652,555	8,927,285
Current assets		
– Inventories	**2,349,445**	2,148,486
– Trade and other receivables	**7,125,643**	3,116,471
– Other current assets	**7,849,310**	10,666,573
	17,324,398	15,931,530
Total assets	**27,976,953**	24,858,815
Liabilities		
Non-current liabilities		
– Borrowings and other non-current liabilities	**1,779,423**	765,440
Current liabilities		
– Trade and other payables	**11,773,285**	11,253,783
– Borrowings	**4,459,333**	1,939,933
– Other current liabilities	**532,523**	1,601,239
	16,765,141	14,794,955
Total liabilities	**18,544,564**	15,560,395
Net assets	**9,432,389**	9,298,420
Non-controlling interests	**(13,787)**	(13,946)
	9,418,602	9,284,474

12. INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES AND ASSOCIATES (continued)

12.1 INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES (continued)

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

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
Revenue	**51,132,490**	54,213,861
Cost of sales	**(43,660,273)**	(46,093,516)
Other expenditures	**(5,455,302)**	(4,216,703)
Profit for the year	**2,016,915**	3,903,645
Plus: losses shared by non-controlling interest	**332**	2,720
	2,017,247	3,906,365
Less: impact of unrealised profits arising from transactions between the Group and jointly-controlled entities	**(2,546)**	(34,003)
Share of profit of jointly-controlled entities	**2,014,701**	3,872,359

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

12. INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES AND ASSOCIATES (continued)

12.2 INVESTMENTS IN ASSOCIATES

The Group

	As at 31 December	
	2012	2011
	RMB'000	RMB'000
A listed company in Mainland China – GAC Changfeng	**–**	1,071,671
Unlisted companies	**4,568,056**	4,026,084
	4,568,056	5,097,755
Market value of listed shares	**–**	2,223,496

The Company

	As at 31 December	
	2012	2011
	RMB'000	RMB'000
A listed company in Mainland China – GAC Changfeng	**–**	1,057,872
Unlisted companies	**967,388**	872,082
	967,388	1,929,954

12. INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES AND ASSOCIATES (continued)

12.2 INVESTMENTS IN ASSOCIATES (continued)

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

The Group

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
Beginning of the year	**5,097,755**	5,200,729
Additions	**623,042**	53,859
Disposal of GAC Changfeng *(Note 39(a))*	**(1,004,816)**	–
Disposal of other associates	**(149,034)**	(1,238)
Share of profits	**622,391**	766,289
Dividends received	**(621,282)**	(921,884)
End of the year	**4,568,056**	5,097,755

The Company

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
Beginning of the year	**1,929,954**	1,879,400
Additions	**95,306**	50,554
Disposal of GAC Changfeng	**(1,057,872)**	–
End of the year	**967,388**	1,929,954

12. INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES AND ASSOCIATES (continued)

12.2 INVESTMENTS IN ASSOCIATES (continued)

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

	As at 31 December	
	2012	2011
	RMB'000	RMB'000
Total assets	**19,802,688**	26,482,170
Total liabilities	**(7,232,150)**	(12,104,969)
Net assets	**12,570,538**	14,377,201

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
Revenue	**34,115,129**	38,081,946
Profit for the year	**2,151,430**	2,349,315

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

13. FINANCIAL INSTRUMENTS BY CATEGORY

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

The Group

	As at 31 December	
	2012	2011
	RMB'000	RMB'000
Loan and receivables		
– Trade and other receivables (exclude prepayments and VAT recoverable) *(Note 18)*	**2,730,038**	2,289,768
– Time deposits *(Note 19)*	**5,558,589**	8,603,852
– Restricted cash *(Note 20)*	**667,952**	297,067
– Cash and cash equivalents *(Note 21)*	**9,315,874**	8,239,169
Financial assets at fair value through the profit and loss	**31,455**	2,250
Held-to-maturity investments	**71,175**	70,142
Available-for-sale financial assets *(Note 15)*	**144,099**	98,855
	18,519,182	19,601,103

	As at 31 December	
	2012	2011
	RMB'000	RMB'000
Financial liabilities at amortised cost		
– Trade and other payables (exclude advances from customers, employee benefits payable, other taxes and government grants) *(Note 26)*	**5,379,084**	3,520,733
– Borrowings *(Note 24)*	**10,290,804**	9,837,335
Total	**15,669,888**	13,358,068

13. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The Company

	As at 31 December	
	2012	2011
	RMB'000	RMB'000
Loans and receivables		
– Trade and other receivables (exclude prepayments) *(Note 18)*	**1,117,969**	1,019,694
– Time deposits *(Note 19)*	**1,992,858**	750,000
– Restricted cash *(Note 20)*	**222,953**	–
– Cash and cash equivalents *(Note 21)*	**1,116,712**	1,459,394
Total	**4,450,492**	3,229,088

	As at 31 December	
	2012	2011
	RMB'000	RMB'000
Financial liabilities at amortised cost		
– Trade and other payables (exclude employee benefits payable, other taxes and government grants) *(Note 26)*	**8,022,041**	446,153
– Borrowings *(Note 24)*	**7,271,294**	7,452,929
Total	**15,293,335**	7,899,082

14. 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	
	2012	2011
	RMB'000	RMB'000
Deferred tax assets:		
– to be recovered after more than 12 months	**407,033**	275,932
– to be recovered within 12 months	**160,589**	63,202
	567,622	339,134
Deferred tax liabilities:		
– to be settled after more than 12 months	**(2,887)**	(1,422)
– to be settled within 12 months	**(13,436)**	(37,479)
	(16,323)	(38,901)
Deferred tax assets – net	**551,299**	300,233

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

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
Beginning of the year	**300,233**	110,754
Tax credited to consolidated statement of comprehensive income *(Note 32)*	**287,550**	191,337
Acquisition of GAC Changfeng *(Note 39(a))*	**(35,248)**	–
Acquisition of other subsidiaries	**(1,215)**	(1,858)
Tax charge relating to components of other comprehensive income	**(21)**	–
End of the year	**551,299**	300,233

14. DEFERRED INCOME TAX (continued)

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

Deferred tax assets	Impairment provision RMB'000	Amortisation of pre-operating expenses RMB'000	Accrued expenses and provisions RMB'000	Tax losses RMB'000	Unrealised profits RMB'000	Total RMB'000
Year ended 31 December 2011						
Opening book amount	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
Year ended 31 December 2012						
Opening book amount	19,511	–	135,583	175,539	8,501	339,134
Acquisition of GAC Changfeng *(Note 39(a))*	–	–	–	32,163	–	32,163
Recognised in the consolidated statement of comprehensive income	(449)	5,047	26,840	173,388	(8,501)	196,325
Closing book amount	19,062	5,047	162,423	381,090	–	567,622

14. 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	Revaluation of available-for-sale financial assets RMB'000	Fair value gains RMB'000	Total RMB'000
Year ended 31 December 2011					
Opening book amount	(22,390)	(969)	–	–	(23,359)
Acquisition of subsidiary	–	–	–	(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)
Year ended 31 December 2012					
Opening book amount	(37,479)	–	–	(1,422)	(38,901)
Acquisition of GAC Changfeng *(Note 39(a))*	–	–	–	(67,411)	(67,411)
Acquisition of other subsidiaries	–	–	–	(1,215)	(1,215)
Recognised in the consolidated statement of comprehensive income	24,043	–	–	67,182	91,225
Tax charge relating to components of other comprehensive income	–	–	(21)	–	(21)
Closing book amount	(13,436)	–	(21)	(2,866)	(16,323)

(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 RMB2,949,718,000 (2011: RMB2,396,910,000), 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 2013 and 2017.

15. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	As at 31 December	
	2012	2011
	RMB'000	RMB'000
Available-for-sale investments	**144,099**	98,855

Available-for-sale financial assets are a group of funds and bonds 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 and bonds classified as available-for-sale.

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

16. PREPAYMENTS

The Group

	As at 31 December	
	2012	2011
	RMB'000	RMB'000
Prepayments for purchase of properties *(Note(a))*	**1,262,786**	458,791
Others	**132,868**	6,606
	1,395,654	465,397

The Company

	As at 31 December	
	2012	2011
	RMB'000	RMB'000
Prepayments for purchase of properties *(Note(a))*	**1,262,786**	458,791

(a) The amount represents prepayments for the purchase of an office building. As at 31 December 2012, the office building was not yet handed over for use.

17. INVENTORIES

The Group

	As at 31 December	
	2012	2011
	RMB'000	RMB'000
Raw materials and consumables	**449,904**	304,734
Work-in-progress	**66,163**	96,450
Finished goods and merchandise	**926,714**	1,183,146
	1,442,781	1,584,330
Less: provision for impairment	**(45,362)**	(47,632)
	1,397,419	1,536,698

The Company

	As at 31 December	
	2012	2011
	RMB'000	RMB'000
Consumables	**6,923**	2,822

The cost of inventories recognised as expenses and included in cost of sales amounted to RMB10,713,898,000 (2011: RMB9,314,949,000).

18. TRADE AND OTHER RECEIVABLES

The Group

	As at 31 December	
	2012	2011
	RMB'000	RMB'000
Trade receivables	**1,173,583**	899,222
Less: Provision for impairment	**(137,655)**	(135,321)
Trade receivables – net	**1,035,928**	763,901
Notes receivable	**58,972**	63,602
Deposits	**80,468**	47,663
Entrusted loans to third parties *(note (f))*	**–**	48,515
Entrusted loans to related parties *(note (f) and note 40(b))*	**76,600**	24,000
Value added tax recoverable	**208,306**	224,066
Prepayments	**364,746**	465,835
Dividends receivable	**982,330**	874,091
Other receivables – net	**495,740**	467,996
	3,303,090	2,979,669

The Company

	As at 31 December	
	2012	2011
	RMB'000	RMB'000
Trade receivables	**70,322**	70,322
Less: Provision for impairment	**(70,322)**	(70,322)
Trade receivables – net	**–**	–
Prepayments	**90**	7,622
Dividends receivable *(note 40(b))*	**269,425**	19,138
Other receivables	**39,611**	36,756
Entrusted loans to related parties *(note (f) and note 40(b))*	**755,000**	950,000
Receivables from subsidiaries *(note (g) and note 40(b))*	**53,933**	13,800
	1,118,059	1,027,316

18. TRADE AND OTHER RECEIVABLES (continued)

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

The Group

	As at 31 December	
	2012	2011
	RMB'000	RMB'000
Within 3 months	**610,317**	573,843
Between 3 months and 1 year	**402,522**	183,398
Between 1 and 2 years	**23,325**	4,003
Between 2 and 3 years	**3,243**	4,242
Over 3 years	**134,176**	133,736
	1,173,583	899,222

As at 31 December 2012, most of the trade receivables overdue by more than 1 year were impaired and provided for. The individually impaired receivables were mainly related to customers of the Group with long outstanding balances which arose prior to the conversion of the Company into a joint stock limited liability company.

(b) As at 31 December 2012, trade receivables of RMB817,000 (2011: RMB2,538,000) 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	
	2012	2011
	RMB'000	RMB'000
Within 1 year	**817**	2,535
Between 1 and 2 years	**–**	3
	817	2,538

18. TRADE AND OTHER RECEIVABLES (continued)

(c) As at 31 December 2012, trade receivables of RMB469,955,000 (2011: RMB378,499,000) were impaired and provided for. The amount of the provision was RMB137,655,000 (2011: RMB135,321,000). 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	
	2012	2011
	RMB'000	RMB'000
Within 1 year	**309,211**	236,521
Between 1 and 2 years	**23,325**	4,000
Between 2 and 3 years	**3,243**	4,242
Over 3 years	**134,176**	133,736
	469,955	378,499

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

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
Beginning of the year	**135,321**	138,262
Impairment loss for trade receivables	**2,334**	1,984
Receivables written off as uncollectible	**–**	(3,539)
Disposal of subsidiaries	**–**	(1,386)
End of the year	**137,655**	135,321

The creation and release of provision for impaired receivables have been included in "administrative expenses" in the consolidated statement of comprehensive income (Note 27). Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

18. 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	
	2012	2011
	RMB'000	RMB'000
RMB	3,299,365	2,879,850
HKD	3,725	99,819
	3,303,090	2,979,669

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

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

(f) The entrusted loans are mainly lent to related parties through financial institutions, which will be mature in 2013. The effective interest rate as at 31 December 2012 is 5.35% (2011: 6.50%).

(g) The amounts due from subsidiaries are unsecured, interest free, denominated in RMB and repayable on demand.

19. TIME DEPOSITS

The Group

	As at 31 December	
	2012	2011
	RMB'000	RMB'000
Denominated in:		
– RMB	5,308,000	8,303,086
– HKD	24,356	300,766
– USD	226,233	–
Total	5,558,589	8,603,852

19. TIME DEPOSITS (continued)

The initial term of time deposits was over three months, and the weighted average effective interest rates were from 3.05% to 3.23% per annum for the years ended 31 December 2012 and 2011.

The Company's time deposits denominated in USD amounted to approximately RMB226,233,000 (2011: nil), and the remaining are denominated in RMB.

20. RESTRICTED CASH

As at 31 December 2012 and 2011, all restricted cash are denominated in RMB.

As at 31 December 2012, RMB338,976,000 of the Group was pledged for the issuance of bank notes and letters of credit and short-term borrowings (2011: RMB177,067,000). Other restricted cash mainly includes security deposits of RMB223,976,000(2011: nil) which were received from Changfeng Group in connection with the disposal of certain business of GAC Changfeng (see Note 39(a) for details), and statutory deposit of RMB105,000,000(2011: RMB100,000,000) paid by a subsidiary majored in insurance business. As at 31 December 2011, RMB20,000,000 was deposited into a designated bank account for the formation of a subsidiary of the Group.

21. CASH AND CASH EQUIVALENTS

The Group

	As at 31 December	
	2012	2011
	RMB'000	RMB'000
Denominated in:		
– RMB	**8,774,811**	7,904,224
– HKD	**280,489**	78,769
– USD	**253,981**	250,511
– JPY	**5,470**	5,535
– Others	**1,123**	130
	9,315,874	8,239,169

The Company's cash and cash equivalents denominated in USD amounted to approximately RMB63,936,000 (2011: nil), and the remaining are denominated in RMB.

21. CASH AND CASH EQUIVALENTS (continued)

(a) As at 31 December 2012 and 2011, the Group's cash and cash equivalents, restricted cash (Note 20) and time deposits (Note 19) were deposited in financial institutions without significant credit risk. Detail ratings of these financial institutions, as published by Standard & Poor's, are set out as follows:

The Group

	As at 31 December	
	2012	2011
	RMB'000	RMB'000
A+	**311,896**	146,435
A-	**3,548,141**	2,575,490
BBB	**3,300,402**	3,518,249
BBB-	**7,255,870**	10,663,732
Others and cash on hand	**1,126,106**	236,182
Total	**15,542,415**	17,140,088
Representing		
– Time deposits	**5,558,589**	8,603,852
– Restricted cash	**667,952**	297,067
– Cash and cash equivalents	**9,315,874**	8,239,169
	15,542,415	17,140,088

22. SHARE CAPITAL

	RMB ordinary shares of RMB1 each		Domestic legal person shares of RMB1 each		Foreign shares listed outside of mainland China 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	Number of shares (thousands)	Ordinary shares RMB'000
As at 1 January 2011 and 2012	–	–	3,934,757	3,934,757	2,213,300	2,213,300	6,148,057	6,148,057
Issue of new shares	286,962	286,962	–	–	–	–	286,962	286,962
As at 31 December 2012	286,962	286,962	3,934,757	3,934,757	2,213,300	2,213,300	6,435,019	6,435,019

(a) As detailed in note 1, the Company issued 286,962,422 shares of RMB ordinary shares (A shares) with par value of RMB1 on 23 March 2012.

23. RESERVES

The Group

	Share premium RMB'000	Capital reserve RMB'000	Special reserve RMB'000	Available-for-sale investments reserve RMB'000	Statutory surplus reserve fund RMB'000 *Note (a)*	Total other reserves RMB'000	Retained earnings RMB'000	Total reserves RMB'000
As at 1 January 2011	15,253,838	(8,603,796)	–	–	986,722	7,636,764	11,826,689	19,463,453
Revaluation of available-for-sale financial assets	–	–	–	(687)	–	(687)	–	(687)
Reversal of over-accrued transaction costs	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
Issue of new shares *(Note 1)*	2,246,621	–	–	–	–	2,246,621	–	2,246,621
Revaluation of available-for-sale financial assets	–	–	–	727	–	727	–	727
Profit for the year	–	–	–	–	–	–	1,133,982	1,133,982
Appropriation to reserve fund	–	–	–	–	71,702	71,702	(71,702)	–
Distributions	–	–	–	–	–	–	(1,737,455)	(1,737,455)
Others	–	63	1,599	–	–	1,662	–	1,662
As at 31 December 2012	17,503,791	(8,603,733)	1,599	40	1,288,332	10,190,029	14,517,023	24,707,052

23. RESERVES (continued)

The Company

	Share premium RMB'000	Deficit on reorganisation RMB'000 *Note (b)*	Other capital reserve RMB'000	Statutory surplus reserve fund RMB'000 *Note (a)*	Total other reserves RMB'000	Retained earnings RMB'000	Total reserves RMB'000
As at 1 January 2011	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	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
Issue of new shares *(Note 1)*	2,246,621	–	–	–	2,246,621	–	2,246,621
Profit for the year	–	–	–	–	–	1,365,767	1,365,767
Appropriation to reserve fund	–	–	–	71,702	71,702	(71,702)	–
Distributions	–	–	–	–	–	(1,737,455)	(1,737,455)
As at 31 December 2012	17,503,791	(1,617,558)	2,506	1,288,332	17,177,071	3,418,186	20,595,257

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

(b) As at the date of reorganisation and formation of the joint stock holding company, retained earnings of the company-only financial statements prepared under generally accepted accounting principles in the PRC ("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 were converted into share capital. Under HKFRS, the results of these investee companies were accounted for using cost method in the company-only financial statements and there were no such retained earnings in the company-only financial statements available 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.

(c) As at 31 December 2012, consolidated retained earnings included subsidiaries' statutory surplus reserve fund attributable to the Company, which amounted to RMB789,190,000 (2011: RMB718,138,000).

24. BORROWINGS

The Group

	As at 31 December	
	2012	2011
	RMB'000	RMB'000
Non-current		
Borrowings from banks and other financial institutions		
– secured *(Note (a))*	**142,735**	22,944
– unsecured	**362,055**	461,441
	504,790	484,385
Corporate bonds – unsecured *(Notes (a) and (h))*	**595,171**	594,367
Debentures – unsecured *(Note (i))*	**6,676,123**	6,658,562
Total non-current borrowings	**7,776,084**	7,737,314
Current		
Borrowings from banks and other financial institutions		
– secured *(Note (a))*	**341,068**	443,053
– unsecured	**2,173,652**	1,656,968
Total current borrowings	**2,514,720**	2,100,021
Total borrowings	**10,290,804**	9,837,335

The Company

	As at 31 December	
	2012	2011
	RMB'000	RMB'000
Non-current		
Corporate bonds – unsecured *(Notes (a) and (h))*	**595,171**	594,367
Debentures – unsecured *(Note (i))*	**6,676,123**	6,658,562
	7,271,294	7,252,929
Current		
Bank borrowings – unsecured	**–**	200,000
Total borrowings	**7,271,294**	7,452,929

24. 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	
	2012	2011
	RMB'000	RMB'000
Secured by certain assets of the Group	**483,803**	465,997
Guarantees given by a state-owned financial institution	**595,171**	594,367
Total borrowings	**1,078,974**	1,060,364

The Company

	As at 31 December	
	2012	2011
	RMB'000	RMB'000
Guarantees given by a state-owned financial institution	**595,171**	594,367

24. 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	
	2012	2011
	RMB'000	RMB'000
Within 1 year	**3,019,510**	2,584,406
Between 1 and 5 years	**7,271,294**	6,658,562
Over 5 years	**–**	594,367
	10,290,804	9,837,335

The Company

	As at 31 December	
	2012	2011
	RMB'000	RMB'000
Within 1 year	**–**	200,000
Between 1 and 5 years	**7,271,294**	6,658,562
Over 5 years	**–**	594,367
	7,271,294	7,452,929

24. 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	
	2012	2011
	RMB'000	RMB'000
Within 1 year	**2,514,720**	2,100,021
Between 1 and 2 years	**6,676,122**	127,944
Between 2 and 5 years	**1,087,227**	7,015,003
Over 5 years	**12,735**	594,367
	10,290,804	9,837,335

The Company

	As at 31 December	
	2012	2011
	RMB'000	RMB'000
Within 1 year	**–**	200,000
Between 1 and 2 years	**6,676,123**	–
Between 2 and 5 years	**595,171**	6,658,562
Over 5 years	**–**	594,367
	7,271,294	7,452,929

24. BORROWINGS (continued)

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

The Group

	As at 31 December	
	2012	2011
	RMB'000	RMB'000
RMB	**9,904,261**	9,449,135
USD	**362,622**	388,200
HKD	**12,735**	–
EUR	**11,186**	–
	10,290,804	9,837,335

All the Company's borrowings are denominated in RMB.

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

The Group

	As at 31 December	
	2012	2011
Borrowings from banks and other financial institutions		
– RMB	**5.76%**	5.50%
– USD	**6.00%**	5.98%
– HKD	**2.23%**	–
– EUR	**2.90%**	–
Corporate bonds (RMB)	**6.21%**	6.21%
Debentures (RMB)	**4.02%**	4.02%

The Company

	As at 31 December	
	2012	2011
Bank borrowings (RMB)	**–**	3.60%
Corporate bonds (RMB)	**6.21%**	6.21%
Debentures (RMB)	**4.02%**	4.02%

24. BORROWINGS (continued)

(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	
	2012	2011
	RMB'000	RMB'000
Carrying amount	**7,776,085**	7,737,314
Fair value	**7,777,609**	7,748,999

The Company

	As at 31 December	
	2012	2011
	RMB'000	RMB'000
Carrying amount	**7,271,294**	7,252,929
Fair value	**7,276,338**	7,274,912

The fair values of current borrowings equal their carrying amounts, 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 6.4% (2011: 6.65%).

24. BORROWINGS (continued)

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

The Group

	As at 31 December	
	2012	2011
	RMB'000	RMB'000
Floating rate		
– Expiring within 1 year	**8,688,104**	6,125,521
– Expiring beyond 1 year	**1,221,638**	839,869
	9,909,742	6,965,390

The Company

	As at 31 December	
	2012	2011
	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 the weighted average effective interest rate of 6.21% per annum. The related interest is payable on an annual basis. These corporate bonds will be fully redeemed at par in November 2017, and are guaranteed by China Development Bank, a state-owned financial institution, and will be used to finance projects related to passenger vehicles. The guarantee provided by China Development Bank will not be released until the full redemption of corporate bonds.

(i) On 10 April 2009 and 27 April 2009, the Company issued debentures with principals of RMB3.3 billion and RMB3.4 billion which bore weighted average effective interest rate of 4.02% respectively. The related interest is payable on an annual basis. These debentures will be fully redeemed at par in April 2014.

25. GOVERNMENT GRANTS

The Group

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
Opening book amount	**353,083**	241,968
Additions	**187,796**	141,045
Amortisation	**(33,093)**	(29,930)
End of the year	**507,786**	353,083

The Company

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
Beginning of the year	**192,008**	64,548
Additions	**43,402**	141,045
Amortisation	**(16,484)**	(13,585)
End of the year	**218,926**	192,008

26. TRADE AND OTHER PAYABLES

The Group

	As at 31 December	
	2012	2011
	RMB'000	RMB'000
Trade payables *(Note (a))*	**2,817,243**	1,850,408
Notes payable	**1,110,902**	677,860
Advances from customers	**398,296**	335,058
Employee benefits payable	**335,440**	226,577
Other taxes *(Note (c))*	**119,166**	76,011
Commission fee payables	**18,038**	36,075
Interest payable	**192,105**	186,833
Other payables	**1,403,080**	770,807
	6,394,270	4,159,629
Less: non-current portion of trade and other payables	**(18,530)**	(90,733)
Current portion	**6,375,740**	4,068,896

The Company

	As at 31 December	
	2012	2011
	RMB'000	RMB'000
Trade payables	**20,961**	24,144
Employee benefits payable	**80,002**	45,906
Other taxes *(Note (c))*	**6,201**	4,356
Commission fee payable	**18,038**	36,075
Interest payable	**175,254**	175,254
Other payables	**432,334**	165,286
Amounts due to subsidiaries *(Note (d) and Note 40(b))*	**7,382,054**	45,394
	8,114,844	496,415
Less: non-current portion of trade and other payables	**(18,299)**	(90,218)
Current portion	**8,096,545**	406,197

26. TRADE AND OTHER PAYABLES (continued)

(a) As at 31 December 2012 and 2011, the ageing analysis of the Group's trade payables is as follows:

The Group

	As at 31 December	
	2012	2011
	RMB'000	RMB'000
Within 1 year	**2,771,967**	1,823,937
Between 1 and 2 years	**37,959**	20,151
Between 2 and 3 years	**3,612**	2,701
Over 3 years	**3,705**	3,619
	2,817,243	1,850,408

The Company

	As at 31 December	
	2012	2011
	RMB'000	RMB'000
Within 1 year	**9,784**	24,144
Between 1 and 2 years	**11,177**	–
	20,961	24,144

26. TRADE AND OTHER PAYABLES (continued)

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

The Group

	As at 31 December	
	2012	2011
	RMB'000	RMB'000
RMB	**6,300,219**	3,950,544
HKD	**93,785**	91,518
USD	**266**	–
EUR	**–**	117,567
	6,394,270	4,195,629

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.

(d) The amounts due to subsidiaries are unsecured, interest free, denominated in RMB and repayable on demand.

27. EXPENSES BY NATURE

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
Auditors' remuneration	**6,443**	7,232
Depreciation and amortisation charges *(Notes 7, 8, 9 and 10)*	**667,611**	489,746
Impairment charges *(Notes 7 and 8)*	**–**	5,595
Impairment of inventories	**21,413**	21,130
Reversal of impairment loss of trade and other receivables	**(10,930)**	(24,288)
Employee benefit expenses *(Note 28)*	**1,609,486**	1,075,552
Changes in inventories of finished goods and work-in-progress	**286,719**	151,006
Raw materials, goods and consumables used	**10,427,179**	9,163,943
Sales tax and levies	**411,510**	218,959
Transportation	**85,227**	113,022
Advertising and promotion	**524,852**	481,788
Warranty expenses	**43,252**	37,076
Research costs	**138,816**	149,126
Amortisation of government grants	**(33,093)**	(29,930)
Operating lease expenses	**50,348**	43,459
Other expenses	**192,052**	462,164
Total cost of sales, selling and distribution costs and administrative expenses	**14,420,885**	12,365,580

28. EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
Wages and salaries	**1,225,238**	814,429
Pension scheme and other social security costs *(Note (a))*	**174,088**	110,630
Housing benefits *(Note (b))*	**82,391**	54,361
Welfare, medical and other expenses	**127,769**	96,132
	1,609,486	1,075,552

28. EMPLOYEE BENEFIT EXPENSES (continued)

(a) The Group's employees in the PRC are covered by certain defined contribution pension schemes regulated by 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 2012 is set out below:

Name	Fees RMB'000	Basic salaries, housing allowances, other allowances and benefits-in-kind RMB'000	Contributions to pension plans RMB'000	Discretionary bonuses RMB'000	Total RMB'000
Name of director:					
Zhang Fangyou (Chairman)	–	–	–	–	–
Zeng Qinghong	–	466	144	405	1,015
Yuan Zhongrong	–	437	143	381	961
Fu shoujie	–	537	43	382	962
Liu Huilian	–	439	141	382	962
Lu Sa	–	437	143	384	964
Wei Xiaoqin	–	459	121	382	962
Li Tun	–	1,138	56	428	1,622
Li Pingyi	–	–	–	–	–
Ding Hongxiang	–	–	–	–	–
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	–	314	103	353	770
Ye Ruiqi	–	198	93	233	524

28. EMPLOYEE BENEFIT EXPENSES (continued)

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

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 (Chairman)	–	–	–	–	–
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

(d) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include 5 directors and supervisors (2011: 5) whose emoluments are reflected in the analysis presented above.

29. OTHER GAINS – NET

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
Net foreign exchange losses	**5,821**	16,746
Gain on disposal of property, plant and equipment and land use rights	**(5,181)**	(5,266)
Donations	**74,850**	140,447
Loss on disposal of subsidiaries and associates	**792**	1,335
Government grants	**(104,961)**	(993,103)
Others	**15,814**	(447)
	(12,865)	(840,288)

30. INTEREST INCOME

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

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
Interest income from time deposits	**279,795**	316,222
Interest income from restricted cash, cash and cash equivalents	**55,891**	57,879
	335,686	374,101

31. FINANCE COSTS

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
Interest expense	**560,522**	439,256
Interest capitalised in qualifying assets	**(32,614)**	(4,042)
Net foreign exchange loss/(gain) on financing activities	**736**	(20,470)
	528,644	414,744

32. TAXATION

(a) Income tax credit

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
Current income tax:		
– Hong Kong profits tax	**–**	–
– PRC enterprise income tax	**222,764**	81,423
	222,764	81,423
Deferred tax *(Note 14)*	**(287,550)**	(191,337)
	(64,786)	(109,914)

The difference between the actual income tax credit 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	
	2012	2011
	RMB'000	RMB'000
Profit before income tax	**999,974**	4,056,986
Tax calculated at domestic tax rates applicable to profits in the respective countries	**257,475**	989,689
Effect of tax holiday *(Note (i))*	**–**	(3,942)
Share of profit of jointly-controlled entities and associates	**(659,273)**	(1,159,662)
Income not subject to tax	**(16,675)**	(8,455)
Expenses not deductible for tax purposes	**37,662**	662
Utilisation of previously unrecognised tax losses	**(21,206)**	(34,973)
Tax losses for which no deferred income tax asset was recognised	**240,846**	106,767
Other – income tax related to restructuring of GAC Changfeng	**96,385**	–
Income tax credit	**(64,786)**	(109,914)

32. TAXATION (continued)

(a) Income tax credit (continued)

(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 profits 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. 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. According to the CIT law, the 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, 24% for 2011 and 25% for 2012.

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

	2012	2011
The Company	**25%**	25%
GAC Honda Motor Co., Ltd.	**25%**	24%
GAC Toyota Motor Co., Ltd.	**25%**	24%

Certain subsidiaries are subject to Hong Kong profits tax, which has been provided at the rate of 16.5% (2011: 16.5%) on the estimated assessable profits for the year ended 31 December 2012.

(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 normally subject to output VAT at 17% 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 output VAT to determine net VAT payable.

32. TAXATION (continued)

(d) Land appreciation tax ("LAT")

As at 31 December 2012, the Group was in the process of applying for an exemption of LAT from the relevant tax authorities regarding land disposal transactions in the re-organisation of GAC Changfeng. The exemption is subject to the final approval by the State Administration of Taxation ("SAT"). According to the current status of approval and the communication with the relevant tax authorities, the directors are of the opinion that the application for granting such exemption is in compliance with the relevant taxation policies prevailing in the PRC. The Company is currently applying for such approval from the SAT. Accordingly, the management has not recognised LAT provision arising from this transaction. Should the aforementioned application be not approved by the SAT, the Group would need to pay and recognise the provision in the consolidated statement of comprehensive income in the year when such application could not be obtained.

33. OTHER COMPREHENSIVE INCOME/(LOSS) – NET OF TAX

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
Change in fair value of available-for-sale financial assets – net of tax	**1,211**	(1,145)

34. 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 RMB1,365,767,000 (2011: RMB2,716,773,000).

35. 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	
	2012	2011
	RMB'000	RMB'000
Profit attributable to equity holders of the Company	**1,133,982**	4,271,703
Weighted average number of ordinary shares in issue (thousands)	**6,363,279**	6,148,057
Basic earnings per share (RMB per share)	**0.18**	0.69

As there were no potential dilutive ordinary shares during 2012 and 2011, diluted earnings per share was equal to basic earnings per share.

36. DIVIDENDS

Dividends paid in 2012 and 2011 were RMB1,737,455,000 and RMB676,286,000 respectively. A final dividend in respect of the year ended 31 December 2012 of RMB0.02 per ordinary share, amounting to a total dividend of approximately RMB128,700,000 is to be proposed at the forthcoming annual general meeting. These financial statements do not reflect this dividend payable.

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
Interim dividend paid of RMB0.07 (2011: nil) per ordinary share	**450,451**	–
Proposed final dividend of RMB0.02 (2011: RMB0.20) per ordinary share	**128,700**	1,287,004
	579,151	1,287,004

37. NOTE TO CONSOLIDATED CASH FLOW STATEMENT

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
Profit for the year	**1,064,760**	4,166,900
Adjustments for:		
– Income tax credit *(Note 32)*	**(64,786)**	(109,914)
– Depreciation *(Notes 8 and 9)*	**408,682**	316,606
– Amortisation *(Notes 7 and 10)*	**258,929**	173,140
– Amortisation of government grants	**(33,093)**	(29,930)
– Impairment provision	**–**	5,595
– Gain on disposal of property, plant and equipment and land use rights	**(5,181)**	(5,266)
– Interest income *(Note 30)*	**(335,686)**	(374,101)
– Finance costs *(Note 31)*	**528,644**	414,744
– Loss on disposal of associates and subsidiaries	**792**	1,335
– Foreign exchange (gain)/loss on cash and cash equivalents	**(11,390)**	41,409
– Fair value losses on financial assets at fair value through profit or loss	**40**	446
– Share of profit of jointly-controlled entities and associates *(Note 12)*	**(2,637,092)**	(4,638,648)
– Negative goodwill *(Note 39(b))*	**(4,521)**	–
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation):		
– Inventories	**325,541**	1,885
– Trade and other receivables	**(101,025)**	(320,634)
– Restricted cash	**(44,390)**	(1,813)
– Trade and other payables	**1,357,142**	(104,982)
– Provisions	**18,046**	3,541
Cash generated from/(used in) operations	**725,412**	(459,687)

38. COMMITMENTS

(a) Capital commitments

The Group's capital commitments as at each of the balance sheet dates during the year are as follows:

	As at 31 December	
	2012	2011
	RMB'000	RMB'000
Property, plant and equipment		
– Contracted but not provided for	**177,102**	319,712
– Authorised but not contracted for	**204,601**	704,249
	381,703	1,023,961
Investments		
– Contracted but not provided for *(Note (i))*	**81,997**	–
	463,700	1,023,961

(i) On 20 December 2012, the Board of Directors of Guangzhou Automobile Group Component Co., Ltd., a subsidiary of the Company, approved an additional capital contribution of RMB118,330,000 to Hangzhou IVECO Automobile Transmission Technology Co., Ltd., a jointly-controlled entity of the Group, which will be paid in three instalments. During the year, the first instalment of RMB36,333,333 was paid, and the remaining two instalments totaling RMB81,996,667 is expected to be paid as scheduled.

(b) Operating lease commitments

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

	As at 31 December	
	2012	2011
	RMB'000	RMB'000
Within 1 year	**32,934**	31,483
Between 1 and 5 years	**131,495**	127,487
Over 5 years	**257,059**	273,768
	421,488	432,738

39. BUSINESS COMBINATION

(a) Acquisition of GAC Changfeng

Following the acquisition of GAC Changfeng as detailed in Note 1, the Company underwent a restructuring of its original business after the GAC Changfeng Acquisition Date. The original business of GAC Changfeng comprised three businesses namely Changfeng Business, GAC Mitsubishi Business and the Remaining Business.

(1) "Changfeng Business": It comprised business relating to certain major vehicle models and two subsidiaries to be sold to Changfeng Group. The Company managed to complete the sale of the former and de-recognise majority of Changfeng Business at a consideration of approximately RMB780,024,000 as at GAC Changfeng Acquisition Date. A major portion of these two subsidiaries was sold to Changfeng Group subsequent to GAC Changfeng Acquisition Date at a consideration of approximately RMB404,020,000. There was no significant gain or loss recorded for this sales transaction. As at 31 December 2012, the Company had no plan to disposal of the remaining equity interests held which has been accounted for as investment in an associate.

(2) "GAC Mitsubishi Business": Pursuant to the relevant agreements and the actual operations of this business, the Company is of the opinion that GAC Mitsubishi Business has been jointly controlled by the Company and Mitsubishi Corporation from GAC Changfeng Acquisition Date. Accordingly, the addition of the Company's equity interests in GAC Mitsubishi Business was accounted for as a step acquisition, i.e., the Company's equity interests in GAC Mitsubishi Business was increased by 21% from 29% (percentage of the Company's previously held interest in GAC Changfeng prior to GAC Changfeng Acquisition Date) to 50% (percentage of the Company's equity interests in GAC Mitsubishi as at 31 December 2012).

(3) "Remaining Business": the Company is of the opinion that, the acquisition of the Remaining Business and two subsidiaries sold to Changfeng Group (note (1)) subsequent to GAC Changfeng Acquisition Date (collectively, "Acquired Business") satisfied the definition of Business Combination, and thus should be accounted for in accordance with the accounting policy of Business Combination. The consideration for acquisition of the Acquired Business amounted to approximately RMB215,655,000. There was no significant difference between the fair value and the carrying value of the Group's 29% equity interests in the Acquired Business and, hence, no revaluation gain or loss over the relevant equity investment was recognised in the financial statements.

39. BUSINESS COMBINATION (continued)

(a) Acquisition of GAC Changfeng (continued)

	Note	RMB'000
Carrying value of 29% previously held equity interest in GAC Changfeng as at GAC Changfeng Acquisition Date		1,004,816
Cash paid for acquisition of 36.57% equity interests in GAC Changfeng		2,409,410
Fair value of new shares issued for acquisition of 34.43% equity interests in GAC Changfeng	*(i)*	2,608,488
		6,022,714
Less:		
50% equity interests in GAC Mitsubishi Business		(3,635,035)
Consideration paid on behalf of Changfeng Group and Mitsubishi Corporation		(2,172,024)
Consideration for acquisition of the Acquired Business		215,655

As at GAC Changfeng Acquisition Date, the recognised amounts of identifiable assets acquired and liabilities assumed of the Acquired Business are as follows:

	Note	
Cash and cash equivalents		82,901
Restricted cash		114,776
Inventories		158,851
Trade and other receivables	*(ii)*	216,612
Assets held for sale		1,155,769
Investments in associates		29,524
Property, plant and equipment *(Note 8)*		482,241
Intangible assets *(Note 10)*		315,021
Land use rights *(Note 7)*		45,323
Deferred income tax assets		32,163
Trade and other payables		(645,316)
Borrowings		(1,159,519)
Liabilities held for sale		(484,148)
Deferred income tax liabilities		(67,411)
Total identifiable net assets		276,787
Non-controlling interest	*(iii)*	(61,132)
		215,655

39. BUSINESS COMBINATION (continued)

(a) Acquisition of GAC Changfeng (continued)

(i) The fair value of the Company's newly issued 286,962,422 RMB ordinary shares as part of the consideration amounting to approximately RMB2,608,488,416 was determined based on the share issue price of RMB9.09 per share.

(ii) The fair value of trade and other receivables was RMB216,612,000 and includes trade receivables with a fair value of RMB27,518,000.

(iii) The fair value of the non-controlling interests in the Acquired Business was estimated based on the fair value of the Acquired Business's identifiable net assets as at GAC Changfeng Acquisition Date.

(iv) Amongst the acquisition-related costs, approximately RMB74,905,000 of which related to issuance of new shares and has been deducted from share premium.

(v) The revenue of the Acquired Business included in the consolidated statement of comprehensive income since GAC Changfeng Acquisition Date was approximately RMB226,099,000. The Acquired Business had contributed a loss of RMB247,948,000 during the same period.

Had the Acquired Business been consolidated from 1 January 2012, the Group's consolidated statement of comprehensive income would have recorded a pro-forma revenue of approximately RMB13,682,143,000 and profit of approximately RMB897,932,000.

(b) Acquisition of additional equity interests in two jointly-controlled entitites

During the year, the Group acquired 50% additional equity interests (previously held interest: 50%) of Changsha GAC Changyao Auto Sales Co., Ltd. The excess of the cost of acquisition over the fair value of the Group's share of the identified net assets acquired was RMB1,324,000, which has been recorded as goodwill.

During the year, the Group acquired 50% additional equity interests (previously held interest: 50%) of Hunan GAC Shunjie Logisitics Co., Ltd. The cost of acquisition was less than the fair value of the Group's share of the identified net assets acquired by RMB4,521,000, which has been recognised as Other gains – net in the consolidated statement of comprehensive income.

40. RELATED PARTY TRANSACTIONS

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

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

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

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

(a) Significant related party transactions

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
Sales of goods		
Sales of auto parts and steels		
– Jointly-controlled entities	**52,563**	6,691
– Associates	**435,163**	586,158
	487,726	592,849
Sales of passenger vehicles		
– Jointly-controlled entities	**4,276**	8,067
	492,002	600,916
Rendering of labour services		
– Jointly-controlled entities	**308,095**	261,142
– Associates	**350,483**	371,177
	658,578	632,319

40. RELATED PARTY TRANSACTIONS (continued)

(a) Significant related party transactions (continued)

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
Purchases of goods		
Purchases of auto parts and materials		
– Jointly-controlled entities	264,989	293,945
– Associates	176,209	88,568
	441,198	382,513
Purchases of passenger vehicles		
– Jointly-controlled entities	2,750,002	3,589,293
	3,191,200	3,971,806
Payment for logistics services		
– Jointly-controlled entities	27,303	19,105
– Associates	4,394	904
	31,697	20,009
Purchases of trademarks		
– Guangzhou Automobile Industry Group Co., Ltd. ("GAIGC") – intermediate holding company	–	30,960
Sales of insurance contracts to related parties		
– Jointly-controlled entities	22,975	5,939
– Associates	4,089	1,282
	27,064	7,221
Provision of entrusted loans to related parties		
– Jointly-controlled entities	55,000	–
– Associates	38,400	–
	93,400	–

40. RELATED PARTY TRANSACTIONS (continued)

(a) Significant related party transactions (continued)

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
Repayment of entrusted loans from related parties		
– Associates	**40,800**	–
Entrusted loans provided by related parties		
– Associates	**55,400**	62,000
– GAIGC	**–**	150,000
	55,400	212,000
Repayment of entrusted loans to related parties		
– Associates	**62,000**	–
Borrowings provided by related parties		
– Jointly-controlled entities	**345,673**	170,736
Repayment of borrowings from related parties		
– Jointly-controlled entities	**224,172**	154,797
Acquisition of equity shares of Wuyang-Honda Motors (Guangzhou) Co., Ltd		
– Subsidiary of GAIGC	**27,650**	444,765

Disposal of investments to related parties

During the year, the Group disposed of a wholly-owned subsidiary with a net liability value of RMB25,266,000 to a subsidiary controlled by GAIGC at a consideration of RMB100.

During the year, the Group disposed of a subsidiary with a net asset value of RMB2,533,000 to GAIGC at a consideration of RMB2,422,000.

40. RELATED PARTY TRANSACTIONS (continued)

(b) Significant balances with related parties

The Group

	As at 31 December	
	2012	2011
	RMB'000	RMB'000
Trade receivables		
– Jointly-controlled entities	**340,848**	14,021
– Associates	**31,934**	36,939
	372,782	50,960
Other receivables and prepayments		
– Jointly-controlled entities	**142,417**	154,512
– Associates	**76,560**	12,314
	218,977	166,826
Dividends receivable from		
– Jointly-controlled entities	**950,952**	818,887
– Associates	**31,378**	55,204
	982,330	874,091
Entrusted loans due from		
– Jointly-controlled entities	**55,000**	–
– Associates	**21,600**	24,000
	76,600	24,000

40. RELATED PARTY TRANSACTIONS (continued)

(b) Significant balances with related parties (continued)

The Group (continued)

	As at 31 December	
	2012	2011
	RMB'000	RMB'000
Trade payables		
– Jointly-controlled entities	**687,641**	40,837
– Associates	**81,594**	15,232
	769,235	56,069
Advances from customers and other payables due to		
– Jointly-controlled entities	**104,356**	–
– Associates	**14,787**	77,190
	119,143	77,190
Notes payable		
– Jointly-controlled entities	**169,847**	214,467
Short-term borrowings		
– a Jointly-controlled entity *(Note 24)*	**137,439**	15,939
Entrusted loans due to		
– Associates	**55,400**	62,000

40. RELATED PARTY TRANSACTIONS (continued)

(b) Significant balances with related parties (continued)

The Company

	As at 31 December	
	2012	2011
	RMB'000	RMB'000
Other receivables		
– Subsidiaries	**53,933**	13,800
Dividends receivable from		
– Subsidiaries	**247,960**	–
– Associates	**21,465**	19,138
	269,425	19,138
Entrusted loans due from		
– Subsidiaries	**700,000**	950,000
– Jointly-controlled entities	**55,000**	–
	755,000	950,000

	As at 31 December	
	2012	2011
	RMB'000	RMB'000
Other payables due to		
– Subsidiaries	**7,382,054**	45,394

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

(ii) Borrowings from a jointly-controlled entity, which is a financial institution, are interest bearing (Note 24). Other balances with related parties are unsecured, interest free and repayable on demand.

40. RELATED PARTY TRANSACTIONS (continued)

(c) Key management compensation

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
Salaries and other short-term employee benefits	**20,975**	17,485

(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 2012 and 2011, 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 2012 and 2011, information of borrowings secured by guarantees given by a state-owned financial institution is presented in Note 24(a).

41. SHARE APPRECIATION RIGHTS SCHEME

In the extraordinary general meeting held on 29 February 2012, the shareholders resolved to grant 35,850,000 Share Appreciation Rights ("SAR") to the Company's directors, senior management and key technical and managerial personnel ("Incentive Recipents"). Pursuant to the Scheme, each unit of SAR is notionally linked to one H Share and represents the rights conferred on the relevant Incentive Recipients to receive in cash stipulated earnings from the increase in market value of the relevant H share. However, no H Shares will actually be issued to any Incentive Recipients. The SARs will have an exercise period of five years from the date of grant. After the second, third and fourth anniversary of the date of grant, each one third of the SARs will become exercisable. The Directors are of the opinion that there is significant uncertainty over the performance during exercise period. Accordingly no corresponding staff cost was recognised during 2012.

42. CONTINGENT LIABILITIES

As at 31 December 2012, there were no financial guarantees provided by the Company to subsidiaries within the Group (2011: RMB12,000,000).

As at 31 December 2012, the financial guarantees provided to third party outside the Group by the Group amounted to appropriately RMB7,367,000 (2011: nil).

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

43. SUBSEQUENT EVENTS

(a) On 28 January 2013, the Board of Directors approved to increase capital contribution of RMB300,000,000, which represented its 50% proportional share of investments in GAC Fiat Automobile Co., Ltd. The capital increase is for the purpose of launching new products and the increase in production capacity.

(b) On 21 January 2013, the Company was approved by China Securities Regulatory Commission to publicly issue domestic corporate bonds for amounts not exceeding RMB6,000,000,000.

On 20 March 2013, the Company issued five-year corporate bonds to public investors by internet trading and also issued five-year and ten-year corporate bonds to institutional investors from 20 to 22 March 2013 totalling RMB4,000,000,000.

(c) On 12 March 2013, the Board of Directors approved to contribute RMB1,000,000,000 to set up GAC Capital Co., Ltd. The business scope of this newly set-up company will include investment, investment management and investment consultation.

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				
	2012	2011	2010	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**12,963,860**	10,984,273	8,742,344	7,056,565	6,931,194
Cost of sales	**(12,273,586)**	(10,559,896)	(7,999,290)	(6,592,207)	(6,492,821)
Gross profit	**690,274**	424,377	743,054	464,358	438,373
Selling and distribution costs	**(814,760)**	(589,242)	(325,572)	(147,820)	(179,458)
Administrative expenses	**(1,332,539)**	(1,216,442)	(516,308)	(860,066)	(685,287)
Interest income	**279,795**	316,222	209,666	137,014	153,128
Other gains/(losses) – net	**12,865**	840,288	57,844	(445,324)	22,065
Operating (loss)/profit	**(1,164,365)**	(224,797)	168,684	(851,838)	(251,179)
Finance costs	**(528,644)**	(414,744)	(362,288)	(324,858)	(198,667)
Interest income	**55,891**	57,879	24,986	25,078	28,027
Share of profit of jointly-controlled entities and associates	**2,637,092**	4,638,648	5,690,212	4,391,087	3,324,217
Profit before income tax	**999,974**	4,056,986	5,521,594	3,239,469	2,902,398
Income tax credit/(expense)	**64,786**	109,914	(1,675)	11,099	(45,977)
Profit for the year	**1,064,760**	4,166,900	5,519,919	3,250,568	2,856,421
Profit attributable to:					
Equity holders of the Company	**1,133,982**	4,271,703	4,295,099	2,031,800	1,566,814
Non-controlling interests	**(69,222)**	(104,803)	1,224,820	1,218,768	1,289,607
	1,064,760	4,166,900	5,519,919	3,250,568	2,856,421

	As at 31 December				
	2012	2011	2010	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets, liabilities and non-controlling interests					
Total assets	**49,433,949**	44,611,887	38,519,860	32,769,333	23,358,610
Total liabilities	**17,370,118**	14,426,263	12,675,763	11,327,225	4,542,369
Non-controlling interests	**921,760**	976,052	232,587	8,382,369	7,407,592