THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this Scheme Document or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant, or other professional adviser.

If you have sold or otherwise transferred all your shares in Denway Motors Limited, you should at once hand this Scheme Document and the accompanying forms of proxy to the purchaser or the transferee or to the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

广汽集团
GAC GROUP

GUANGZHOU AUTOMOBILE GROUP CO., LTD.
廣 州 汽 車 集 團 股 份 有 限 公 司
(a joint stock company incorporated in the People's Republic of China with limited liability)

DENWAY MOTORS LIMITED
駿 威 汽 車 有 限 公 司
(Incorporated in Hong Kong under the Companies Ordinance)
(Stock code: 203)

PROPOSED PRIVATISATION OF DENWAY BY GAC BY WAY OF A SCHEME OF ARRANGEMENT UNDER SECTION 166 OF THE COMPANIES ORDINANCE
AND
PROPOSED WITHDRAWAL OF LISTING OF DENWAY MOTORS LIMITED
AND
LISTING OF GAC BY WAY OF INTRODUCTION ON THE MAIN BOARD OF THE STOCK EXCHANGE

Joint Financial Advisers and Joint Sponsors to GAC

J.P.Morgan   Morgan Stanley   CICC 中金香港证券

Independent Financial Adviser to Denway IBC

BNP PARIBAS
CORPORATE & INVESTMENT BANKING

Valuation Adviser to GAC

ANGLO CHINESE 英高
CORPORATE FINANCE, LIMITED

Capitalised terms used hereunder shall have the same meanings as defined in this Scheme Document. A letter from the Denway Board is set out on pages 21 to 27 of this Scheme Document. The Explanatory Statement is set out on pages 55 to 74 of this Scheme Document. A letter from the Denway IBC containing its advice to the Disinterested Denway Shareholders in relation to the Privatisation is set out on page 28 to 29 of this Scheme Document. A letter from the Independent Financial Adviser containing its advice to the Denway IBC in relation to the Privatisation is set out on pages 30 to 54 of this Scheme Document. Actions to be taken by the Disinterested Denway Shareholders are set out on pages 13 to 14 of this Scheme Document. Notices convening the Court Meeting and the Denway EGM to be held on Friday, 16 July 2010 are set out on pages N-1 to N-2 and EGM-1 to EGM-2 of this Scheme Document, respectively. Whether or not you are able to attend any of the Meetings in person, you are strongly urged to complete and sign the enclosed pink form of proxy in respect of the Court Meeting and also the white form of proxy in respect of the Denway EGM in accordance with the instructions printed respectively on them, and to deposit them at the office of Denway's share registrar, Tricor Abacus Limited, at 26/F Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any case not later than the respective times stated under the paragraph headed "Actions to be taken" set out on pages 13 to 14 of this Scheme Document. If the pink form of proxy is not so lodged, it may be handed to the chairman of the Court Meeting at the Court Meeting. This Scheme Document is issued jointly by GAC and Denway. The English language text of this Scheme Document shall prevail over the Chinese language text.

18 June 2010

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In this Scheme Document, unless the context otherwise requires, the following expressions have the meanings set out below:

"acting in concert"	has the meaning given to it in the Takeovers Code
"Announcement"	the announcement issued jointly by GAC and Denway pursuant to Rule 3.5 of the Takeovers Code and dated 19 May 2010
"Announcement Date"	19 May 2010, being the date of the Announcement
"Associate"	has the meaning given to it in the Takeovers Code
"associate"	has the meaning given to it in the Listing Rules
"BNP Paribas S.A. Entities"	BNP Paribas Capital and entities which control or are controlled by or under the same control as BNP Paribas Capital
"Business Day(s)"	a day on which banks and the Stock Exchange are opened for business in Hong Kong (excluding Saturdays, Sundays and public holidays in Hong Kong)
"China Lounge"	China Lounge Investments Limited (中隆投資有限公司), a company incorporated in Hong Kong on 27 August 1992, which is a wholly-owned subsidiary of GAC
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CICC"	China International Capital Corporation Hong Kong Securities Limited, a corporation licensed to carry on type 1 regulated activity (dealing in securities), type 4 regulated activity (advising on securities) and type 6 regulated activity (advising on corporate finance) and a joint financial adviser to GAC in respect of the Privatisation and the Scheme
"CICC Entities"	CICC and entities which control or are controlled by or under the same control as CICC, being presumed concert parties of GAC
"CNMIC"	China National Machinery Industry Corporation Limited (中國機械工業集團有限公司) (formerly known as China National Machinery Industry Corporation (中國機械裝備（集團）公司), a company incorporated on 21 May 1988 under PRC law, one of GAC's promoters

	which holds 3.6909% of GAC's equity interest as at the Latest Practicable Date. CNMIC is principally engaged in the construction and contracting of large scale integrated plants
"Companies Ordinance"	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"connected person"	has the meaning given to it in the Listing Rules
"Court Hearing"	the hearing of the petition by the High Court for the sanction of the Scheme and the confirmation of the capital reduction of Denway
"Court Meeting"	a meeting of the Denway Shareholders to be convened at the direction of the High Court for the approval of the Scheme
"Denway"	Denway Motors Limited (駿威汽車有限公司), a company incorporated in Hong Kong on 23 June 1992 and listed on the Main Board of the Stock Exchange with stock code 203 and a subsidiary of GAC, in which GAC indirectly owns approximately 37.90% of its issued share capital as at the Latest Practicable Date. Denway is an investment holding company and Mr. Zhang Fangyou, a GAC Director, is the chairman of Denway and Mr. Zeng Qinghong, Mr. Fu Shoujie and Mr. Li Tun, also GAC Directors, are Denway Directors as at the Latest Practicable Date. Upon the Scheme becoming effective, Denway will become a wholly-owned subsidiary of GAC
"Denway 2009 Final Dividend"	the final dividend of RMB0.06 (equivalent to approximately HK$0.0681965) per Denway Share for which the record date was 11 May 2010
"Denway Board"	the board of Denway Directors
"Denway Directors"	the directors of Denway
"Denway EGM"	the extraordinary general meeting of Denway to be convened immediately following the Court Meeting for the implementation of the Scheme
"Denway Group"	Denway and its subsidiaries
"Denway IBC"	the independent board committee of Denway comprising all of the independent non-executive Denway Directors, being Mr. CHEUNG Doi Shu, Mr. LEE Ka Lun and Mr. FUNG Ka Pun, to advise the Disinterested Denway

	Shareholders as to (a) whether the Privatisation is, or is not, fair and reasonable and (b) whether to vote in favour of the Scheme at the Court Meeting and the Denway EGM
"Denway Optionholders"	Mr. Zhang Fangyou and Mr. Zeng Qinghong (both executive Denway Directors and GAC Directors) and Mr. Yang Dadong and Mr. Zhang Baoqing (both former Denway Directors)
"Denway Options"	the options to acquire Denway Shares granted under the Denway Share Option Scheme
"Denway Share Option Scheme"	the share option scheme established pursuant to Chapter 17 of the Listing Rules and adopted by Denway on 6 June 2002, as amended from time to time
"Denway Shareholders"	registered holders of Denway Shares
"Denway Shares"	ordinary share(s) with a nominal value of HK$0.10 each in the share capital of Denway
"Disclosure Period"	the period commencing from 22 July 2009 (being the date falling six months prior to the Offer Period Start Date) and ending on the Latest Practicable Date
"Disinterested Denway Shareholders"	Denway Shareholders other than GAC and those Denway Shareholders acting in concert with GAC (including China Lounge, members of the Morgan Stanley Entities, members of the J.P. Morgan Entities and members of the CICC Entities, which for this purpose include Exempt Principal Traders connected with GAC or Denway)
"Exempt Fund Managers"	has the meaning given to it in the Takeovers Code
"Exempt Principal Traders"	has the meaning given to it in the Takeovers Code
"Executive"	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
"Fiat"	Fiat Group Automobiles S.p.A., an Italian automobile manufacturer, engine manufacturer, financial and industrial group founded on 11 July 1899 in Turin, Italy, and a joint venture partner of GAC in GAC Fiat
"GAC"	Guangzhou Automobile Group Co., Ltd., being the offeror under the Privatisation, registered on 28 June 2005 as a joint stock limited company in the PRC with limited liability
"GAC Board"	the board of GAC Directors

"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 GAC holds 29% of its equity interest
"GAC Directors"	the directors of GAC
"GAC Domestic Shares"	ordinary shares in the capital of GAC, with a nominal value of RMB1.00 each, which are subscribed for and credited as fully paid up in Renminbi by PRC nationals and/or PRC incorporated entities
"GAC Fiat"	GAC FIAT Automobiles Co., Ltd. (廣汽菲亞特汽車有限公司), a Jointly-controlled Entity incorporated on 9 March 2010 under PRC law between Fiat and GAC, in which GAC holds a 50% equity interest. Its principal business is automobile and automobile parts and components manufacturing
"GAC Group"	GAC and its subsidiaries
"GAC H Shares"	overseas listed foreign shares in the ordinary share capital of GAC, with a nominal value of RMB1.00 each, which are subscribed for and traded in Hong Kong dollars and which are to be listed on the Stock Exchange pursuant to the Introduction
"GAC Shareholders"	holders of GAC Shares
"GAC Shares"	ordinary shares of GAC with a nominal value of RMB1.00 each, comprising both GAC Domestic Shares and GAC H Shares
"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 and is a Jointly-controlled Entity held by GAC and Toyota. GAC holds a 50% equity interest in GAC Toyota. Its principal business is automobile and automobile parts and components manufacturing. Yuan Zhongrong, a GAC Director, is the chairman of GAC Toyota. Lu Sa, a GAC Director and secretary of the GAC Board, Huang Xiangdong and Feng Xinya, deputy general managers of GAC, are also directors of GAC Toyota
"GAIG"	Guangzhou Automobile Industry Group Co., Ltd. (廣州汽車工業集團有限公司), a state-owned enterprise

	incorporated on 18 October 2000 under PRC law and which is one of GAC's promoters and which directly holds approximately 91.9346% of GAC's equity interest as at the Latest Practicable Date. Its principal business is the manufacture of automobiles and the operation and management of state-owned assets
"GAMC"	Guangzhou Automobile Group Motor Co. Ltd. (廣州汽車集團乘用車有限公司), a company incorporated on 21 July 2008 under PRC law and a wholly-owned subsidiary of GAC. Its principal business includes the manufacturing and sale of GAC's proprietary brand of passenger vehicles
"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 Jointly-controlled Entity which is held by Guangzhou Auto and Honda. Guangzhou Auto holds 50% equity interest in Guangqi Honda. Its principal business is automobile and automobile parts and components manufacturing. Fu Shoujie, a GAC Director and a Denway Director, is the chairman of Guangqi Honda and Li Tun, a GAC Director and a Denway Director, and Yao Yiming, a Denway Director, and Yan Zhuangli, the deputy general managers of GAC, are directors of Guangqi Honda
"Guangzhou Auto"	Guangzhou Auto Group Corporation (廣州汽車集團公司), a company incorporated on 17 December 1988 under PRC law and a wholly-owned subsidiary of Denway. Its principal business is automobiles-related businesses
"Guangzhou Chime-Long"	Guangzhou Chime-Long Hotel Co. Ltd. (廣州市長隆酒店有限公司), a company incorporated on 10 September 2001 under PRC law, one of GAC's promoters which holds 0.1845% of GAC's equity interests as at the Latest Practicable Date. Its principal business is tourism
"Guangzhou Iron & Steel"	Guangzhou Iron & Steel Enterprises Group (廣州鋼鐵企業集團有限公司), a company incorporated on 26 May 1978 under PRC law, one of GAC's promoters which holds 0.2% of GAC's equity interests as at the Latest Practicable Date. Its principal business includes metal smelting, rolling and press forging. Huang Zhiyong, the supervisor of GAC, is also a deputy general manager of Guangzhou Iron & Steel

"High Court"	the High Court of Hong Kong
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"HKFRS"	Hong Kong Financial Reporting Standards
"HKSCC"	Hong Kong Securities Clearing Company Limited
"Honda"	Honda Motor Co., Ltd., a company incorporated under the laws of Japan, being Guangzhou Auto's joint venture partner in Guangqi Honda and a joint venture partner of GAC
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"IFA Announcement Date"	21 April 2010, being the date on which the appointment of the Independent Financial Adviser was announced
"Independent Financial Adviser" or "BNP Paribas Capital"	BNP Paribas Capital (Asia Pacific) Limited, a corporation licensed to carry on type 1 regulated activity (dealing in securities) and type 6 regulated activity (advising on corporate finance), being the independent financial adviser to the Denway IBC
"Introduction"	the proposed Listing of GAC by way of introduction on the Main Board of the Stock Exchange which includes the creation of listed equity consideration (in the form of GAC H Shares) for the proposed Privatisation
"Investor Participant"	a person admitted to participate in CCASS as an investor participant
"Joint Venture Company"	a joint venture company is a company set up by a joint venture agreement, whereby the joint venture parties undertake an economic activity. A joint venture company operates as a separate entity in which each party has an interest whether direct or indirect. The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture company's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with terms of the joint venture agreement

A joint venture company is treated by a joint venture party as:

(a) a subsidiary, if the joint venture party has unilateral control, directly or indirectly, over the joint venture company;

(b) a jointly-controlled entity, if the joint venture party does not have unilateral control, but has joint control, directly or indirectly, over the joint venture company;

(c) an associated company, if the joint venture party does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture company's registered capital and is in a position to exercise significant influence over the joint venture company; or

(d) an investment, if the joint venture party holds, directly or indirectly, less than 20% of the joint venture company's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture company

"Jointly-controlled Entity" a jointly-controlled entity is a Joint Venture Company which is subject to direct or indirect joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity. A joint venture party's investments in its Jointly-controlled Entities can be accounted for by proportionate consolidation, which involves recognising a proportionate share of the joint venture's assets, liabilities, income and expenses with similar items in the consolidated financial statements of the joint venture party on a line-by-line basis. When the profit sharing ratio is different to the joint venture party's equity interests in the Jointly-controlled Entities, the joint venture party's share of their assets, liabilities, income and expenses is determined based on the agreed profit sharing ratio. The results of Jointly-controlled Entities are included in the joint venture party's income statement to the extent which reflects the dividends received and receivable by such joint venture party. The joint venture party's investments in Jointly-controlled Entities are treated as long term assets and are stated at cost less impairment losses

"Joint Financial Advisers" J.P. Morgan, Morgan Stanley and CICC, the financial advisers to GAC in connection with the Privatisation and the Scheme

"J.P. Morgan"	J.P. Morgan Securities (Asia Pacific) Limited, a registered institution under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) licensed to carry on type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 7 (providing automated trading services) regulated activities, a restricted licence bank under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong), and one of the Joint Financial Advisers to GAC in connection with the Privatisation and the Scheme
"J.P. Morgan Entities"	J.P. Morgan and entities which control or are controlled by or under the same control as J.P. Morgan (other than Exempt Principal Traders and Exempt Fund Managers), being presumed concert parties of GAC
"Last Trading Date"	28 April 2010, being the last trading day prior to the suspension of trading of Denway Shares pending the issue of the Announcement
"Latest Practicable Date"	the latest practicable date prior to the printing of this Scheme Document for the purpose of ascertaining certain information contained herein, being 14 June 2010
"Listing"	the listing of and permission to deal in, the GAC H Shares on the Stock Exchange
"Listing Document"	the listing document dated 18 June 2010 issued by GAC pursuant to the Introduction
"Listing Rules"	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
"Meetings"	the Court Meeting and the Denway EGM
"Morgan Stanley"	Morgan Stanley Asia Limited, a company incorporated in Hong Kong, which is licensed for Type 1 (dealing in securities), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance), Type 7 (providing automated trading services) and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and one of the Joint Financial Advisers to GAC in connection with the Privatisation and the Scheme
"Morgan Stanley Entities"	Morgan Stanley and entities which control or are controlled by or under the same control as Morgan Stanley (other than

	Exempt Principal Traders and Exempt Fund Managers), being presumed concert parties of GAC
"Offer Period Start Date"	22 January 2010, being the date of the issue of the Rule 3.7 Announcement
"Other CCASS Participant"	a broker, custodian, nominee or other relevant person who is, or has deposited Scheme Shares with, a CCASS participant
"PRC" or "China"	the People's Republic of China
"Profit Forecast"	the profit forecast of GAC Group's consolidated profit attributable to the equity holders of GAC for the year ending 31 December 2010 contained in the Listing Document on the basis that the Privatisation has not yet been completed
"Privatisation"	the privatisation of Denway by GAC by way of the Scheme
"Registrar"	the Registrar of Companies in Hong Kong
"Relevant Period"	the period commencing from the Offer Period Start Date and ending on the Latest Practicable Date
"RMB"	Renminbi, the lawful currency of the PRC
"Rule 3.7 Announcement"	the first announcement issued jointly by GAC and Denway on 22 January 2010 pursuant to Rule 3.7 of the Takeovers Code by GAC and Denway in respect of GAC's proposed listing on the Stock Exchange by way of Introduction and the corresponding proposed Privatisation
"Scheme"	a scheme of arrangement under section 166 of the Companies Ordinance involving the cancellation of all the Scheme Shares on the terms, and subject to the conditions, set out in this Scheme Document
"Scheme Document"	this document to be despatched to all Denway Shareholders containing, among other things, details of the Privatisation and the Scheme
"Scheme Effective Date"	the date on which the Scheme becomes effective in accordance with the Companies Ordinance
"Scheme Record Time"	4:00 p.m. (Hong Kong time), on the date when the entitlements of the Scheme Shareholders are determined under the Scheme

"Scheme Shareholders"	holders of Scheme Shares
"Scheme Shares"	all the Denway Shares in issue and such further Denway Shares as may be issued prior to the Scheme Record Time (other than those Denway Shares held by China Lounge)
"SEC"	the US Securities and Exchange Commission
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share Exchange Ratio"	the exchange ratio of 0.474026 GAC H Shares for every Scheme Share cancelled under the Privatisation as stated in the announcement jointly issued by GAC and Denway on 8 June 2010; previously, the exchange ratio was set out at 0.378610 GAC H Shares for every Scheme Share cancelled as stated in the Announcement
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"substantial shareholder"	has the meaning given to it in the Listing Rules
"Takeovers Code"	the Code on Takeovers and Mergers issued by the SFC
"Track Record Period"	the three years ended 31 December 2007, 2008 and 2009
"Toyota"	Toyota Motor Company, a company incorporated in Japan, being a joint venture partner of GAC in GAC Toyota
"trading day"	a day on which the Stock Exchange is open for the business of dealings in securities
"United States" or "US"	the United States of America, its territories and possessions, any State of the United States, and the District of Columbia
"US Securities Act"	the US Securities Act of 1933, as amended, including the related rules and regulations promulgated thereunder
"US Securities Exchange Act"	the US Securities Exchange Act of 1934, as amended, including the related rules and regulations promulgated thereunder
"US$"	United States dollars, the lawful currency of the United States
"Valuation Adviser" or "Anglo Chinese"	Anglo Chinese Corporate Finance, Limited, the adviser appointed by GAC to value the GAC H Shares and which is licensed for Type 1 regulated activity (dealing in securities), Type 4 regulated activity (advising on

	securities), Type 6 regulated activity (advising on corporate finance) and Type 9 regulated activity (asset management). Anglo Chinese's appointment has been accepted by the Executive
"Wanxiang"	Wanxiang Group Corporation (萬向集團公司), a company incorporated on 24 December 1990 under PRC law, one of GAC's promoters which holds 3.99% of GAC's issued share capital as at the Latest Practicable Date. Its principal business includes the manufacture and sale of machinery and auto parts

All references in this Scheme Document to times and dates are references to Hong Kong times and dates.

This Scheme Document contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. All statements, other than statements of historical facts included in this Scheme Document, are or may be forward-looking statements. Forward-looking statements include, but are not limited to, those using words such as "seek", "expect", "envisage", "anticipate", "estimate", "believe", "intend", "project", "plan", "strategy", "forecast" and similar expressions or future or conditional verbs such as "will", "would", "should", "could", "may" and "might". These statements reflect GAC's or Denway's (as the case may be) current expectations, beliefs, hopes, intentions or strategies regarding the future and assumptions in light of currently available information. Such forward-looking statements are not guarantees of future performance or events and involve known and unknown risks and uncertainties.

Accordingly, actual results may differ materially from those described in such forward-looking statements as a result of a number of factors, including, without limitation:

- the satisfaction of the conditions to the Privatisation;
- any changes in the regulatory regime and significant policies for the PRC automotive industry, or any in the regulatory policies of the State-owned Assets Supervision and Administration Commission and other relevant government authorities of the PRC;
- any changes in the effects of competition on the market demand and sale price of the products manufactured by GAC and Denway;
- any changes in political, economic, legal and social conditions in the PRC and other countries in which GAC and/or Denway operates, including policies with respect to economic growth, consolidations or restructuring of and other structural changes in the PRC automotive industry, foreign exchange, foreign investment and entry by foreign companies into the PRC automotive market.

Other unknown or unpredictable factors could cause actual results to differ materially from those in the forward-looking statements. Denway Shareholders and investors should not place undue reliance on such forward-looking statements.

All written and oral forward-looking statements attributable to GAC or Denway or persons acting on behalf of either of them are expressly qualified in their entirety by the cautionary statements above. The forward-looking statements included herein are made only as of the date of this Scheme Document.

Scheme Shareholders, investors and potential investors in Denway should be aware that the implementation of the Privatisation and the Scheme is subject to the conditions set out in this Scheme Document being satisfied or waived, as applicable, and accordingly, the Privatisation and the Scheme may or may not become effective. Scheme Shareholders, investors and potential investors in Denway should therefore exercise caution when dealing in Denway Shares and/or other securities of Denway. Persons who are in doubt as to the action they should take should consult their licensed securities dealers, registered institutions in securities, bank managers, solicitors or other professional advisers.

ACTIONS TO BE TAKEN BY DISINTERESTED DENWAY SHAREHOLDERS

Completion of forms of proxy

A **pink** form of proxy for use at the Court Meeting and a **white** form of proxy for use at the Denway EGM are enclosed with this Scheme Document.

Whether or not you are able to attend the Court Meeting or the Denway EGM, if you are a Disinterested Denway Shareholder (other than an Exempt Principal Trader connected with GAC or Denway), you are strongly urged to complete and sign the enclosed **pink** form of proxy in respect of the Court Meeting in accordance with the instructions printed on it and if you are a Denway Shareholder, you are strongly urged to complete and sign the enclosed **white** form of proxy in respect of the Denway EGM in accordance with the instructions printed on it, and to deposit them, together with the power of attorney or other authority (if any) under which they are signed or notarially certified copy of such power of attorney or other authority, at the office of Denway's share registrar, Tricor Abacus Limited, at 26/F Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong. **The pink form of proxy for use at the Court Meeting should be deposited not later than 10:00 a.m. on 14 July 2010 and, in order to be valid, the white form of proxy for use at the Denway EGM should be deposited not later than 10:30 a.m. on 14 July 2010.** The **pink** form of proxy in respect of the Court Meeting may alternatively be handed to the Chairman of the Court Meeting at the Court Meeting if it is not so deposited. The completion and return of a form of proxy for the Court Meeting or the Denway EGM will not preclude you from attending and voting in person at the Court Meeting or the Denway EGM. In such event, the relevant form of proxy will be deemed to have been revoked.

Determining entitlements to vote at the Court Meeting and the Denway EGM

For the purpose of determining the entitlements of the Disinterested Denway Shareholders to attend and vote at the Court Meeting and the Denway Shareholders to attend and vote at the Denway EGM, the register of members of Denway will be closed from 12 July 2010 to 16 July 2010 (both days inclusive) and during such period, no transfer of Denway Shares will be effected. In order to qualify to vote at the Court Meeting and the Denway EGM, all transfers accompanied by the relevant share certificates must be lodged with the share registrar of Denway in Hong Kong, Tricor Abacus Limited, at 26/F Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. (Hong Kong time) on 9 July 2010.

ACTIONS TO BE TAKEN BY HOLDERS OF DENWAY SHARES HELD THROUGH TRUST OR CCASS

Denway will not recognise any person holding any Denway Shares through trust. If you are a beneficial owner whose Denway Shares are held in trust by, or registered in the name of, a trustee or nominee (other than HKSCC Nominees Limited), you should provide the registered holder with instructions or make arrangements with him in relation to the manner in which your Denway Shares should be voted at the Court Meeting and the Denway EGM. Such instructions or arrangements should be given or made in advance of the aforementioned latest time for the deposit of forms of proxy in respect of the Court Meeting and the Denway EGM in order to enable him to have sufficient time to complete the forms of proxy and to submit them by the relevant deadline stated above.

If you are a beneficial owner whose Denway Shares are deposited in CCASS and registered under the name of HKSCC Nominees Limited, you must, unless you are an Investor Participant, contact your broker, custodian, nominee, or other relevant person who is, or has, in turn, deposited such Denway Shares with, an Other CCASS Participant regarding voting instructions to be given to such persons if you wish to vote at the Court Meeting or at the Denway EGM. You should contact your broker, custodian, nominee or other relevant person in advance of the latest time for the deposit of forms of proxy in respect of the Court Meeting and the Denway EGM in order to enable such broker, custodian, nominee or other relevant person to have sufficient time to provide HKSCC with instructions or make arrangements with HKSCC in relation to the manner in which your Denway Shares should be voted at the Court Meeting and the Denway EGM.

If you are a beneficial owner whose Denway Shares are deposited in CCASS, you may elect to become a Denway Shareholder of record, and thereby have the right to attend the Court Meeting (if you are a Disinterested Denway Shareholder) and the Denway EGM, and be counted for the purpose of calculating a "majority in number" in respect of the Scheme at the Court Meeting (for an explanation of the "majority in number" requirement, please refer to the answer to "5. How will the votes at the Court Meeting and the Denway EGM be counted" in "Questions and Answers"). You can become a Denway Shareholder of record by withdrawing your Denway Shares or at least some of them and becoming a registered holder of such Denway Shares. For the purposes of calculating a "majority in number" at the Court Meeting, you will be counted as one Denway Shareholder if, but only if, you are a registered holder of at least some of the Denway Shares you beneficially owned and you attend and vote either in person or by proxy at the Court Meeting.

	Hong Kong time[(1)]
Latest time for lodging transfers of Denway Shares in order to qualify for attending and voting at the Court Meeting and the Denway EGM	4:30 p.m. on Friday, 9 July 2010
Register of members of Denway closed for determination of entitlements of Disinterested Denway Shareholders to attend and vote at the Court Meeting and of Denway Shareholders to attend and vote at the Denway EGM[(2)]	Monday, 12 July 2010 to Friday, 16 July 2010 (both days inclusive)
Latest time for lodging forms of proxy in respect of[(6)]:	
● Court Meeting	10:00 a.m. on Wednesday, 14 July 2010
● Denway EGM	10:30 a.m. on Wednesday, 14 July 2010
Suspension of dealing in Denway Shares	9:30 a.m. on Friday, 16 July 2010
Court Meeting	10:00 a.m. on Friday, 16 July 2010
Denway EGM	10:30 a.m. on Friday, 16 July 2010 (or immediately after the conclusion or adjournment of the Court Meeting)
Announcement of the results of the Court Meeting and the Denway EGM published on the Stock Exchange's website and Denway's website	not later than 7 p.m. on Friday, 16 July 2010
Resumption of dealing in Denway Shares	9:30 a.m. on Monday, 19 July 2010
High Court hearing of the summons for directions in respect of capital reduction	9:30 a.m. on Tuesday, 27 July 2010
Last day for dealing in Denway Shares	Monday, 16 August 2010
Latest time for lodging transfers of the Denway Shares to qualify for entitlements under the Scheme	4:30 p.m. on Thursday, 19 August 2010
Closure of register of members of Denway for determination of Scheme Shareholders[(7)]	Friday, 20 August 2010 to Tuesday, 24 August 2010 (inclusive)
Court Hearing[(3)]	9:30 a.m. on Tuesday, 24 August 2010
Scheme Record Time	4 p.m. on Tuesday, 24 August 2010
Announcement of (1) the results of the Court Hearing and (2) the expected withdrawal of the listing of the Denway Shares from the Stock Exchange on the Stock Exchange's website and Denway's website	not later than 7 p.m. on Tuesday, 24 August 2010

	Hong Kong time[1]
Scheme Effective Date[8]	Wednesday, 25 August 2010
Withdrawal of listing of the Denway Shares on the Stock Exchange[9]	after close of business on Wednesday, 25 August 2010
Announcement of (1) Scheme Effective Date and (2) the withdrawal of the listing of the Denway Shares on the Stock Exchange published on the Stock Exchange's website and Denway's website	Wednesday, 25 August 2010
Certificates for the GAC H Shares to be despatched on or before[5] . . .	Friday, 27 August 2010
Dealings in the GAC H Shares on the Stock Exchange expected to commence at	9:30 a.m. on Monday, 30 August 2010

Notes:

(1) ***Denway Shareholders should note that the timetable is subject to change. Further announcement(s) will be made in the event that there is any change.***

(2) The closure of the register of members of Denway during this period is not for the purpose of determining entitlements under the Scheme. Instead, it is for the purpose of determining entitlements of Disinterested Denway Shareholders to attend and vote at the Court Meeting and the Denway Shareholders to attend and vote at the Denway EGM, respectively.

(3) The Court Hearing will be held at the High Court at the High Court Building, 38 Queensway, Hong Kong.

(4) If the Listing Committee of the Stock Exchange does not grant approval for the Listing on or prior to 25 August 2010, the Introduction will lapse. GAC will announce on the next Business Day that the Introduction has lapsed. In addition, GAC will make a separate announcement if there is any revision to the above timetable. The Scheme shall become effective upon all the conditions to the Privatisation being fulfilled and/or otherwise waived (as the case may be).

(5) The GAC H Share certificates are expected to be despatched to Scheme Shareholders on 27 August 2010 after the Stock Exchange grants its approval for the Listing. In the event that the approval for the Listing is not obtained on 25 August 2010, the GAC H Share certificates will not be despatched on 27 August 2010 and dealings in the GAC H Shares on the Stock Exchange will not commence on 30 August 2010. In such event, and before 9:00 a.m. on 30 August 2010, GAC will make an announcement of the above and of a revised timetable. Investors who trade in the GAC H Shares prior to the receipt of the GAC H Share certificates do so entirely at their own risk.

(6) Forms of proxy should be deposited at the office of Denway's share registrar, Tricor Abacus Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong no later than the relevant times and dates stated above or, in the case of the pink form of proxy in respect of the Court Meeting, it may be handed to the chairman of the Court Meeting at the Court Meeting. Completion and return of a form of proxy for the Court Meeting or the Denway EGM will not preclude a Denway Shareholder from attending the relevant meeting and voting in person. In such event, the returned form of proxy will be deemed to have been revoked.

(7) The registers of members of Denway kept in Hong Kong will be closed during such period, for the purpose of determining Scheme Shareholders who are qualified for entitlements under the Scheme.

(8) The Scheme will become effective when (a) it is sanctioned (with or without modification) by the High Court and (b) a copy of the order of the High Court sanctioning the Scheme is delivered to the Companies Registry for registration. Registration is expected to take place on Wednesday, 25 August 2010. Scheme Shareholders should note the "Conditions of the Privatisation and the Scheme" set out on pages 59 to 61 of this Scheme Document.

(9) It is expected that the listing of the Denway Shares on the Stock Exchange will be withdrawn after close of business on Wednesday, 25 August 2010, being the Scheme Effective Date.

The Court Meeting and the Denway EGM will both be held at Harcourt Room, Lower Lobby, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Friday, 16 July 2010. Please see the notice of the Court Meeting set out on pages N-1 to N-2 and the notice of the Denway EGM set out on pages EGM-1 to EGM-2 of this Scheme Document for details.

The following are some of the questions you, as a Scheme Shareholder, may have and the answers to those questions. **However, you are urged to read this entire Scheme Document, including the Appendices, carefully**.

1. What is the purpose of this Scheme Document? What is the Court Meeting and the Denway EGM? What is the Court Hearing?

The purpose of this Scheme Document is to provide you with further information regarding the Privatisation and, in particular, the Scheme, and the expected timetable, to give you notices of the Court Meeting and the Denway EGM and to inform you of the date and place of the Court Hearing.

At the Court Meeting, the Scheme will be voted on by the Disinterested Denway Shareholders (other than the Exempt Principal Traders connected with GAC or Denway) and at the Denway EGM, the capital reduction of Denway and the issue of the Denway Shares to GAC in connection with the Scheme will be voted on by all Denway Shareholders.

At the Court Hearing, the High Court will hear the petition for the sanction of the Scheme and the confirmation of the capital reduction of Denway. The Court Hearing will take place on 24 August 2010 after the Court Meeting and the Denway EGM. A notice will also be published of the date and time of the Court Hearing.

2. What are the Privatisation and the Scheme?

Please see the section headed "2. The Privatisation and the Scheme" in the Explanatory Statement of this Scheme Document for a discussion of the Privatisation and the consideration you will be entitled to receive under the Privatisation and the section headed "3. Conditions of the Privatisation and the Scheme" in the Explanatory Statement of this Scheme Document for a discussion of the conditions of the Privatisation and the Scheme.

The Scheme is a scheme of arrangement under Section 166 of the Companies Ordinance between Denway and the Scheme Shareholders involving the cancellation of all of the Scheme Shares.

Upon the Scheme becoming effective, the Scheme will be binding on Denway and all of the Scheme Shareholders, regardless of whether such Scheme Shareholders attended or voted at the Court Meeting or the Denway EGM, and Denway will become a wholly-owned subsidiary of GAC.

3. What is the position of the Denway IBC with regard to the Privatisation?

The Denway IBC, having considered the terms of the Privatisation and taken into account the advice of the Independent Financial Adviser, considers that the terms of the Privatisation are fair and reasonable so far as the Disinterested Denway Shareholders are concerned.

4. What vote is required from the Denway Shareholders in order for the Scheme to be approved?

The Scheme must be approved (by way of poll) by a majority in number representing not less than three-fourths in value of the Denway Shares held by the Disinterested Denway Shareholders (other than the Exempt Principal Traders connected with GAC or Denway) who are present and voting either in person or by proxy at the Court Meeting, provided that the number of votes cast against the resolution to approve the Scheme at the Court Meeting is not more than 10% of the votes attaching to all of the Denway Shares held by the Disinterested Denway Shareholders, including the Exempt Principal Traders connected with GAC or Denway.

In addition to the vote for approving the Scheme at the Court Meeting, a special resolution would need to be passed by a majority of not less than three-fourths of the votes cast by the Denway Shareholders present and voting in person or by proxy at the Denway EGM to (a) approve and give effect to the reduction of the issued share capital of Denway by cancelling and extinguishing the Scheme Shares and (b) approve the issue of the Denway Shares to GAC in connection with the Scheme.

5. How will the votes at the Court Meeting and the Denway EGM be counted?

At the Court Meeting, the Disinterested Denway Shareholders (other than the Exempt Principal Traders connected with GAC or Denway) who are present and voting either in person or by proxy will be entitled to vote all of their respective Scheme Shares in favour of the Scheme or against it. Alternatively, the Disinterested Denway Shareholders (other than the Exempt Principal Traders connected with GAC or Denway) may vote some of their Scheme Shares in favour of the Scheme and any or all of the balance of their Scheme Shares against the Scheme.

The "majority in number" requirement will be met if the number of such Disinterested Denway Shareholders voting in favour of the Scheme exceeds the number of such Disinterested Denway Shareholders voting against the Scheme. For the purpose of calculating the "majority in number" requirement, if a Disinterested Denway Shareholder votes all of his Denway Shares in favour of the Scheme (or against the Scheme), he will be counted as one Disinterested Denway Shareholder voting in favour of the Scheme (or against the Scheme) in respect of the number of his Denway Shares so voted. If a Disinterested Denway Shareholder elects to vote a portion of his Denway Shares in favour of the Scheme and the balance of his Denway Shares against the Scheme in person or by proxies, he will be counted as one Disinterested Denway Shareholder voting in favour of the Scheme in respect of the number of the Denway Shares voted in favour of the Scheme, and one Disinterested Denway Shareholder voting against the Scheme in respect of the number of the Denway Shares voted against the Scheme. As a result, any Disinterested Denway Shareholder voting both in favour of the Scheme and against the Scheme will cancel himself out in terms of calculating the "majority in number" requirement. Scheme Shares held in CCASS are registered in the name of HKSCC Nominees Limited. For the proposes of ascertaining whether or not the "majority in number" test has been satisfied, only HKSCC Nominees Limited can be counted for Scheme Shares held in CCASS. Accordingly the wishes of any individual beneficial owner of Scheme Shares held in CCASS may not be reflected in the calculation of a "majority in number" at the Court Meeting. If any beneficial owner of Scheme Shares held in CCASS wishes to ensure that he is counted for the purposes of calculating a "majority in number" at the Court Meeting, he may elect to become a Denway Shareholder of record by withdrawing his Scheme Shares or at least some of his Scheme Shares from CCASS and becoming a registered holder of such Scheme Shares.

If a proxy has been appointed to represent more than one Disinterested Denway Shareholder at the Court Meeting, for the purpose of calculating the "majority in number requirement", he will be counted as one Disinterested Denway Shareholder for each of the Disinterested Denway Shareholders he represents.

At the Denway EGM, every Denway Shareholder present and voting either in person or by proxy will be entitled to vote all of his Denway Shares in favour of the special resolution for the capital reduction of Denway and the issue of the Denway Shares to GAC in connection with the Scheme or against it. Alternatively, such Denway Shareholders may vote some of their Denway Shares in favour of and some against the special resolution. At the Denway EGM, the special resolution will be passed if the value of the Denway Shares voted in favour of it is at least three-fourths of the total value of the Denway Shares voted at the Denway EGM.

6. I am a Denway Shareholder. How do I vote on the Privatisation?

If you are a Denway Shareholder, you may, if you are a Disinterested Denway Shareholder other than an Exempt Principal Trader connected with GAC or Denway, vote in person or by proxy at the Court Meeting (during which the Scheme will be voted on) and you may vote in person or by proxy at the Denway EGM (during which the capital reduction of Denway and the issue of Denway Shares to GAC in connection with the Scheme will be voted on).

Whether or not you are able to attend the Court Meeting or the Denway EGM, if you are a Disinterested Denway Shareholder other than an Exempt Principal Trader connected with GAC or Denway, you are strongly urged to complete and sign the enclosed pink form of proxy in respect of the Court Meeting, in accordance with the instructions printed on it, and if you are a Denway Shareholder, you are strongly urged to complete and sign the enclosed white form of proxy in respect of the Denway EGM, in accordance with the instructions printed on it, and to deposit them at the office of Denway's share registrar, Tricor Abacus Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong. The pink form of proxy for use at the Court Meeting should be deposited not later than 10:00 a.m. on 14 July 2010 and, in order to be valid, the white form of proxy for use at the Denway EGM should be deposited not later than 10:30 a.m. on 14 July 2010. The pink form of proxy in respect of the Court Meeting may alternatively be handed to the Chairman of the Court Meeting at the Court Meeting if it is not so deposited.

The completion and return of a form of proxy for the Court Meeting or the Denway EGM will not preclude you from attending and voting in person at the Court Meeting or the Denway EGM. In such event, the relevant form of proxy will be deemed to have been revoked.

7. If my Denway Shares are held in the name of the nominee of my financial intermediary, will my financial intermediary vote my Denway Shares for me?

Your financial intermediary should send you directions on how to provide it with instructions to vote your Denway Shares. Your financial intermediary may not vote your shares without your instructions and as such, if you do not provide your financial intermediary with instructions on how to vote your Denway Shares, your financial intermediary will not vote them at the Court Meeting and the Denway EGM. You should therefore ensure that your financial intermediary is provided with instructions on how to vote your Denway Shares by the deadlines set by your financial intermediary. If you do not give voting instructions to your financial intermediary, you will not be counted as having voted at the Court Meeting and the Denway EGM unless you have the Denway Shares registered in your name and appear in person or by proxy at the Court Meeting and the Denway EGM.

8. Can I change my vote after I have submitted my proxy with voting instructions?

Yes. If you are registered as a Denway Shareholder, there are two ways in which you may revoke your proxy and change your vote in respect of the resolutions to be voted on at the Court Meeting or the Denway EGM:

(a) you may notify Denway in writing of the revocation of your proxy and deposit a new form of proxy, provided that such revised form of proxy is deposited not less than 48 hours before the time for holding the Court Meeting or the Denway EGM or, in the case of the pink form of proxy in respect of the Court Meeting, it may be handed to the Chairman of the Court Meeting at the Court Meeting; or

(b) you may attend and vote at the Court Meeting or the Denway EGM in person and in such event, your relevant form of proxy will be deemed to have been revoked.

If you have instructed a financial intermediary to vote your Denway Shares, you must follow the directions received from such financial intermediary to change your vote or revoke your proxy.

9. What is the location, date and time of the Court Meeting and the Denway EGM?

The Court Meeting and the Denway EGM will be held at Harcourt Room, Lower Lobby, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong, on 16 July 2010 at respectively 10 a.m. and 10:30 a.m. (or immediately after the conclusion or adjournment of the Court Meeting).

10. What is the location, date and time of the Court Hearing?

The Court Hearing will be held at the High Court at the High Court Building, 38 Queensway, Hong Kong and is expected to take place on 24 August 2010. A notice will be published of the exact date and time of the Court Hearing.

11. Who should I call if I have additional questions?

If a registered or beneficial owner of Denway Shares in Hong Kong has questions concerning administrative matters, such as dates, documentation and procedures relating to the Privatisation proposal, please call the share registrar of Denway, Tricor Abacus Limited, at (852) 2980 1333 (general line) between 9:00 a.m. and 5:30 p.m. (Hong Kong time) Monday to Friday.

This helpline cannot and will not provide advice on the merits of the Privatisation or the Scheme or give any financial or legal advice, and will not be soliciting proxies or votes in respect of the resolutions to be voted on at the Court Meeting and the Denway EGM.

DENWAY MOTORS LIMITED
(Incorporated in Hong Kong under the Companies Ordinance)
(Stock code: 203)

Directors:

Executive Directors

ZHANG Fangyou *(Chairman)*
ZENG Qinghong *(Vice Chairman)*
FU Shoujie
YAO Yiming
LI Tun *(Managing Director)*

Independent non-executive Directors

CHEUNG Doi Shu
LEE Ka Lun
FUNG Ka Pun

Registered Office:

Room 801, Citicorp Centre,
18 Whitfield Road, Causeway
Bay, Hong Kong

Website:
http://www.denway-motors.com

18 June 2010

PROPOSED PRIVATISATION OF DENWAY BY GAC BY WAY OF A SCHEME OF ARRANGEMENT INVOLVING THE CANCELLATION OF SCHEME SHARES HELD BY THE SCHEME SHAREHOLDERS AND PROPOSED WITHDRAWAL OF LISTING OF DENWAY MOTORS LIMITED AND LISTING OF GAC BY WAY OF INTRODUCTION ON THE MAIN BOARD OF THE STOCK EXCHANGE

To the Disinterested Denway Shareholders

Dear Sir or Madam,

1. INTRODUCTION

Reference is made to (i) the Announcement pursuant to which GAC and Denway jointly announced that on 18 May 2010, GAC formally requested the Denway Board to put forward the Privatisation proposal to the Scheme Shareholders with a view to privatise Denway by GAC; and (ii) the announcement dated 8 June 2010 pursuant to which GAC and Denway jointly announced that on 7 June 2010, GAC requested the Denway Board to put forward the revised Share Exchange Ratio to the Scheme Shareholders. The Privatisation proposal, if successfully implemented and completed, will result in Denway becoming a wholly-owned subsidiary of GAC. Upon the Scheme becoming effective, the listing of the Denway Shares on the Stock Exchange will be withdrawn.

As at the Latest Practicable Date, GAC holds 2,849,544,904 Denway Shares, representing approximately 37.90% of the outstanding issued share capital of Denway, through China Lounge, a wholly-owned subsidiary of GAC. Mr. Yao Yiming (an executive Denway Director and also a member of GAC's senior management team) and Mr. Cheung Doi Shu (an independent non-executive Denway Director) hold 1,132,000 and 3,000,000 Denway Shares, representing approximately 0.02% and 0.04% of the outstanding issued share capital of Denway, respectively. So far as Denway Directors are aware, Templeton Asset Management Ltd. holds 1,162,841,027 Denway Shares, representing approximately 15.47% of the outstanding issued share capital of Denway. The remaining approximately 46.58% of the outstanding issued share capital of Denway is held by public Denway Shareholders.

GAC has appointed J.P. Morgan, Morgan Stanley and CICC as its joint financial advisers in connection with the Privatisation and the Scheme.

The Denway Board established the Denway IBC comprising all the independent non-executive Denway Directors, namely Mr. Cheung Doi Shu, Mr. Lee Ka Lun and Mr. Fung Ka Pun to advise the Disinterested Denway Shareholders as to whether the Privatisation is, or is not, fair and reasonable and to make a recommendation to the Disinterested Denway Shareholders as to whether to vote in favour of the Scheme at the Court Meeting and the Denway EGM. As at the Latest Practicable Date, Mr. Cheung Doi Shu was interested in 3,000,000 Denway Shares but he is not regarded as having a direct or indirect interest in the Proposed Privatisation for the purposes of Rule 2.8 of the Takeovers Code.

On 21 April 2010, Denway announced that BNP Paribas Capital has been appointed with the approval of the Denway IBC as the independent financial adviser to the Denway IBC in respect of the Privatisation and the Scheme. The Denway IBC has evaluated the Privatisation and the views and recommendations of the Denway IBC in respect of the Privatisation are set out in the letter from the Denway IBC on pages 28 to 29 of this Scheme Document.

The purpose of this Scheme Document is to provide you with further information regarding the Privatisation proposal and to give you notices of the Court Meeting and the Denway EGM.

2. THE PRIVATISATION AND THE SCHEME

2.1 The Privatisation

The Privatisation will be implemented by way of the Scheme. Under the Scheme, the Scheme Shares will be cancelled and, in consideration thereof, all Scheme Shareholders will be entitled to receive:

For every Scheme Share cancelled . . . . **0.474026 GAC H Shares**

It is expected that under the Privatisation, fractions of GAC H Shares will not be issued to the Scheme Shareholders.

The Share Exchange Ratio of 0.474026 GAC H Shares for every Scheme Share cancelled was determined by GAC on the basis of, among other things, (i) the historical performance of GAC and Denway, (ii) the business potential of both GAC and Denway, (iii) the earnings forecast of GAC for the year ending 31 December 2010 (Please refer to Appendix III of the Listing Document as set out in Appendix F of this Scheme Document), (iv) the prevailing and historical market price levels of Denway and those of comparable companies, (v) the potential benefits of the Introduction and the Privatisation for Denway Shareholders and GAC Shareholders, (vi) the possibility, if the Privatisation does not proceed, that GAC may consider making an application for an initial public offering of its shares which would not involve a privatisation of Denway, (vii) the fact that the Denway 2009 Final Dividend has been declared and paid, (viii) the fact that GAC H Shares (as opposed to cash) are being offered as consideration under the Scheme and that accordingly, upon success of the Introduction and the Privatisation, investors in Denway may participate as GAC Shareholders in a combined business which would include any benefits accruing from the combination, and (ix) that the transaction does not represent a change of controlling shareholder of Denway.

On 17 May 2010, each of the Denway Optionholders gave Denway an irrevocable undertaking that (i) conditional upon the Scheme becoming effective, each of them will surrender their respective Denway Options for nil consideration with effect from the Scheme Effective Date; and (ii) each of them shall not exercise their Denway Options held by him until: (x) if the Scheme becomes effective, the Scheme Effective Date, at which time such Denway Options shall be surrendered pursuant to the terms of their respective irrevocable undertakings (and in any event shall lapse automatically in accordance with the terms of the Denway Share Option Scheme); or (y) if the Scheme is withdrawn, not approved or lapses, the date of such withdrawal, non-approval or lapse; and (iii) each of them shall not accept an offer in respect of their respective Denway Options if a comparable offer for the outstanding Denway Options were made. Accordingly, no comparable offers are made for the outstanding Denway Options and the total number of Scheme Shares are 4,669,153,630 Denway Shares.

Under the Privatisation, it is expected fractions of GAC H Shares will not be issued to the Scheme Shareholders. Fractional entitlements of Scheme Shareholders to GAC H Shares will be aggregated and sold in the market with the proceeds paid to GAC for its own benefit.

2.2 Total Consideration and Comparisons of Value

Scheme Shareholders, investors and potential investors should note that the estimated value of each GAC H Share as presented in this Scheme Document is different from that presented in the Announcement, which is due to the update of the Valuation Report as set out in Appendix B of this Scheme Document.

Anglo Chinese has estimated that the value of each GAC H Share on the Latest Practicable Date is in the range of RMB9.84 to RMB10.22 (equivalent to HK$11.22 to HK$11.66) per GAC H Share. On the basis that for every Scheme Share cancelled under the Privatisation, Scheme Shareholders will receive 0.474026 GAC H Shares, the value of the consideration of each Denway Share would be in the range of HK$5.32 to HK$5.53. Accordingly, given that there are 7,518,698,534 Denway Shares in issue, the entire issued share capital of Denway as at the Latest Practicable Date would be theoretically valued in the range of HK$39,988,737,394 to HK$41,556,923,174.

The foregoing paragraph is subject to the bases, limitations and assumptions set out in the Valuation Report set out in Appendix B of this Scheme Document. **In particular, Scheme Shareholders, investors and potential investors should note that the theoretical value of GAC H Shares estimated by Anglo Chinese does not represent the trading price of GAC immediately following completion of the Introduction. The trading price of GAC may fluctuate subject to prevailing market conditions and may materially differ from the theoretical value of GAC H shares estimated by the Valuation Adviser. Accordingly, Scheme Shareholders, investors and**

potential investors should not rely on the Share Exchange Ratio and the implied theoretical value of GAC H Shares as the basis of projecting the trading price of the GAC H Shares upon completion of the Introduction.

Market prices

Scheme Shareholders, investors and potential investors should note that the below comparison results are different from those presented in the Announcement, which are due to the update of the estimated value of each GAC H Share and update of the trading information in Denway Shares.

The Share Exchange Ratio of 0.474026 GAC H Shares for every Scheme Share cancelled represents the mid-point of the valuation range of GAC estimated by the Valuation Adviser and is equivalent to a value of HK$5.42 for each Scheme Share under the Privatisation and represents:

(a) a premium of approximately 49.3% over the closing price of each Denway Share of HK$3.63 on the Stock Exchange as at the Latest Practicable Date;

(b) a premium of approximately 17.3% over the closing price of each Denway Share of HK$4.62 on the Stock Exchange on 21 January 2010, being the last trading date prior to the Offer Period Start Date;

(c) a premium of approximately 18.9% over the closing price of each Denway Share of HK$4.56 on the Stock Exchange on the Last Trading Day immediately preceding the Announcement Date;

(d) a premium of approximately 50.6% over the average closing price of HK$3.60 of each Denway Share based on the daily closing prices of Denway Shares as quoted on the Stock Exchange for the five trading days immediately prior to and including the Latest Practicable Date;

(e) a premium of approximately 57.1% over the average closing price of HK$3.45 of each Denway Share based on the daily closing prices of Denway Shares as quoted on the Stock Exchange for the ten trading days immediately prior to and including the Latest Practicable Date;

(f) a premium of approximately 45.3% over the average closing price of HK$3.73 of each Denway Share based on the daily closing prices of Denway Shares as quoted on the Stock Exchange for the 30 trading days immediately prior to and including the Latest Practicable Date;

(g) a premium of approximately 35.5% over the average closing price of HK$4.00 of each Denway Share based on the daily closing prices of Denway Shares as quoted on the Stock Exchange for the 60 trading days immediately prior to and including the Latest Practicable Date;

(h) a premium of approximately 30.9% over the average closing price of HK$4.14 of each Denway Share based on the daily closing prices of Denway Shares as quoted on the Stock Exchange for the 90 trading days immediately prior to and including the Latest Practicable Date;

(i) a premium of approximately 25.8% over the average closing price of HK$4.31 of each Denway Share based on the daily closing prices of Denway Shares as quoted on the Stock

Exchange for the 120 trading days immediately prior to and including the Latest Practicable Date;

(j) a premium of approximately 25.2% over the average closing price of HK$4.33 of each Denway Share based on the daily closing prices of Denway Shares as quoted on the Stock Exchange for the 150 trading days immediately prior to and including the Latest Practicable Date; and

(k) a premium of approximately 29.0% over the average closing price of HK$4.20 of each Denway Share based on the daily closing prices of Denway Shares as quoted on the Stock Exchange for the 180 trading days immediately prior to and including the Latest Practicable Date.

Net Asset Value

Based on the latest published audited consolidated financial statements of Denway under HKFRS, the net asset value of Denway, excluding minority interest, as at 31 December 2009 was approximately RMB14,188 million (equivalent to approximately HK$16,174 million). This is equivalent to approximately HK$2.15 for each Denway Share as at the Latest Practicable Date.

On that basis, the value of HK$5.42 for each Scheme Share under the Privatisation, being the theoretical value of 0.474026 GAC H Shares as estimated by Anglo Chinese, represents a multiple of 2.5 times of the net asset value for each Denway Share of HK$2.15.

3. CONDITIONS OF THE PRIVATISATION AND THE SCHEME

The Privatisation and the Scheme are subject to the satisfaction or waiver, as applicable, of the conditions of the Privatisation set out in the section headed "3. Conditions of the Privatisation and the Scheme" in the Explanatory Statement on pages 59 to 61 of this Scheme Document. All these conditions will have to be satisfied or waived, as applicable, on or before 31 December 2010 (or such later date as GAC and Denway may agree and the High Court may allow), otherwise the Privatisation, including the Scheme, will lapse. Assuming that all of these conditions are satisfied or waived, as applicable, it is expected that the Scheme will become effective on 25 August 2010.

Denway Shareholders, investors and potential investors in Denway should note that the implementation of the Privatisation and the Scheme are subject to the satisfaction and waiver (as applicable) of the conditions of Privatisation and therefore may or may not become effective. Accordingly, Denway Shareholders, investors and potential investors in Denway should therefore exercise caution when dealing in Denway Shares.

4. REASONS FOR AND BENEFITS OF THE PRIVATISATION AND THE LISTING OF GAC BY INTRODUCTION

You are urged to read carefully the section headed "5. Reasons for and Benefits of the Privatisation and the Listing of GAC by Introduction" in the Explanatory Statement on pages 62 to 65 of this Scheme Document.

5. INTENTIONS OF GAC WITH REGARD TO DENWAY

You are referred to the section headed "6. Intentions of GAC with regard to Denway" in the Explanatory Statement on pages 65 to 68 of this Scheme Document.

6. INFORMATION ON GAC AND DENWAY

Your attention is drawn to the sections headed "Financial Information on Denway" and "General Information on Denway" in Appendices A and C, respectively, to this Scheme Document.

Your attention is further drawn to the section headed "Valuation Report", "General Information on GAC" and the Listing Document in Appendices B, D and F, respectively, to this Scheme Document

7. OVERSEAS DENWAY SHAREHOLDERS

Overseas holder of Denway Shares are requested to read specifically the paragraph headed "2.5(b) Overseas Denway Shareholders" in the Explanatory Statement on page 59 of this Scheme Document.

8. COURT MEETING AND DENWAY EGM

Notices convening the Court Meeting and the Denway EGM to be held at Harcourt Room, Lower Lobby, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on 16 July 2010 at 10:00 a.m. and 10:30 a.m. (or immediately after the conclusion or adjournment of the Court Meeting) respectively are set out on pages N-1 to N-2 and pages EGM-1 to EGM-2 respectively of this Scheme Document.

The High Court has directed that the Court Meeting be held for the purpose of considering and, if thought fit, passing a resolution to approve the Scheme, with or without modification. The Scheme will be subject to the approval by the Disinterested Denway Shareholders at the Court Meeting in the manner referred to in the section headed "3. Conditions of the Privatisation and the Scheme" in the Explanatory Statement on pages 59 to 61 of this Scheme Document.

Immediately following the Court Meeting, the Denway EGM will be held for the purpose of considering and, if thought fit, passing a special resolution to approve the implementation of the Scheme. All Denway Shareholders will be entitled to attend and vote on such special resolution at the Denway EGM.

9. ACTIONS TO BE TAKEN

The actions which you are required to take in relation to the Privatisation are set out in the earlier section headed "Actions to be Taken" on pages 13 to 14 of this Scheme Document.

10. RECOMMENDATIONS

Your attention is drawn to the recommendation of the Denway IBC in respect of the Privatisation proposal as set out in the letter from the Denway IBC on pages 28 to 29 of this Scheme Document.

11. IMPLEMENTATION OF THE PRIVATISATION; WITHDRAWAL OF LISTING

Your attention is drawn to the section headed "10. Implementation of the Privatisation; withdrawal of listing of Denway Shares" in the Explanatory Statement on pages 71 to 72 of this Scheme Document.

12. TAXATION, EFFECTS AND LIABILITIES

It is emphasised that none of GAC, Denway, J.P. Morgan, Morgan Stanley, CICC, the Independent Financial Adviser, the Valuation Adviser and any of their respective directors or associates or any other person involved in the Scheme and the Privatisation accept responsibility for any tax or other effects including any stamp duty on, or liabilities of, any person or persons as a result of the implementation or otherwise of the Scheme and the Privatisation. Accordingly, if you are in any doubt as to any aspect of this Scheme Document or as to the actions to be taken, you should consult an appropriate qualified professional adviser.

13. FURTHER INFORMATION

You are urged to read carefully (1) the letter from the Denway IBC set out on pages 28 to 29 of this Scheme Document, (2) the letter from the Independent Financial Adviser to the Denway IBC, set out in pages 30 to 54 of this Scheme Document, (3) the terms of the Schemes set out on pages S-1 to S-6 of this Scheme Document; (4) the Explanatory Statement set out on pages 55 to 74 of this Scheme Document, (5) the valuation report from Anglo Chinese set out in Appendix B to this Scheme Document, (6) the appendices to this Scheme Document, (7) notices of the Court Meeting and the Denway EGM set out on pages N-1 to N-2 and pages EGM-1 to EGM-2 of this Scheme Document respectively, and (8) the pink proxy form in respect of the Court Meeting and the white proxy form in respect of the Denway EGM, both as enclosed in this Scheme Document.

By order of the board of
Denway Motors Limited
Mr. Li Tun
Managing Director

DENWAY MOTORS LIMITED
(*Incorporated in Hong Kong under the Companies Ordinance)*
(Stock code: 203)

Directors:

Executive Directors

ZHANG Fangyou *(Chairman)*
ZENG Qinghong *(Vice Chairman)*
FU Shoujie
YAO Yiming
LI Tun *(Managing Director)*

Independent non-executive Directors

CHEUNG Doi Shu
LEE Ka Lun
FUNG Ka Pun

Registered Office:

Room 801, Citicorp Centre,
18 Whitfield Road, Causeway
Bay, Hong Kong

Website:
http://www.denway-motors.com

18 June 2010

PROPOSED PRIVATISATION OF DENWAY BY GAC BY WAY OF A SCHEME OF ARRANGEMENT INVOLVING THE CANCELLATION OF SCHEME SHARES HELD BY THE SCHEME SHAREHOLDERS AND PROPOSED WITHDRAWAL OF LISTING OF DENWAY MOTORS LIMITED AND LISTING OF GAC BY WAY INTRODUCTION ON THE MAIN BOARD OF THE STOCK EXCHANGE

To the Disinterested Denway Shareholders

We refer to the document dated 18 June 2010 jointly issued by GAC and Denway in relation to the Privatisation (the ***Scheme Document***), of which this letter forms part. Terms defined in the Scheme Document shall have the same meanings in this letter unless the context otherwise requires.

We have been appointed by the Denway Board as the Denway IBC to give a recommendation to the Disinterested Denway Shareholders in respect of the Privatisation. BNP Paribas Capital has been appointed as the Independent Financial Adviser in respect of the Privatisation.

Having considered the terms of the Privatisation and taken into account the advice of BNP Paribas Capital, in particular, the factors, reasons and recommendations as set out in the letter from the

Independent Financial Adviser in the Scheme Document, we consider the terms of the Privatisation to be, on balance, fair and reasonable so far as the Disinterested Denway Shareholders are concerned. Accordingly, we recommend the Disinterested Denway Shareholders to vote in favour of the resolution to approve the Scheme at the Court Meeting and the special resolution to approve and give effect to the Scheme at the Denway EGM.

The Denway IBC draws the attention of the Disinterested Denway Shareholders to (1) the letter from the Denway Board set out on pages 21 to 27 of the Scheme Document, (2) the Explanatory Statement set out on pages 55 to 74 of the Scheme Document and the Appendices to the Scheme Document, in particular, the Listing Document set out in Appendix F to the Scheme Document and (3) the letter from the Independent Financial Adviser set out on pages 30 to 54 of the Scheme Document.

Yours faithfully,

Mr. CHEUNG Doi Shu
Mr. LEE Ka Lun
Mr. FUNG Ka Pun
Independent board committee of
Denway Motors Limited

The following is the text of the letter prepared by BNP Paribas Capital setting out its advice to the Denway IBC in respect of the Privatisation and the Scheme for inclusion in this Scheme Document.

BNP PARIBAS
CORPORATE & INVESTMENT BANKING

BNP Paribas Capital (Asia Pacific) Limited
59 - 63/F Two International Finance Centre,
8 Finance Street, Central, Hong Kong

18 June 2010

To the Denway IBC

Dear Sirs or Madam,

**PROPOSED PRIVATISATION OF DENWAY BY GAC
BY WAY OF A SCHEME OF ARRANGEMENT
UNDER SECTION 166 OF THE HONG KONG COMPANIES ORDINANCE**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Denway IBC in relation to the Privatisation and the Scheme, details of which are set out in the letter from the Board contained in the scheme document dated 18 June 2010 issued jointly by GAC and Denway to the Denway Shareholders (the "Scheme Document"), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Scheme Document unless the context requires otherwise.

As set out in the Announcement, the GAC Board and the Denway Board jointly announced that on 18 May 2010, GAC formally requested the Denway Board to put forward the Privatisation proposal to the Scheme Shareholders with a view to privatise Denway by GAC. Pursuant to the announcement dated 8 June 2010 issued jointly by the GAC Board and the Denway Board (the "Revised Offer Announcement"), GAC requested the Denway Board on 7 June 2010 to put forward the revised Share Exchange Ratio (the "Revised Share Exchange Ratio") to the Scheme Shareholders. The Privatisation will be implemented by way of the Scheme. Details of the Privatisation proposal and the Scheme are contained in the Scheme Document. The Privatisation proposal, if successfully implemented and completed, will result in Denway becoming a wholly-owned subsidiary of GAC. Upon the Scheme becoming effective, the listing of the Denway Shares on the Stock Exchange will be withdrawn.

As at the Latest Practicable Date, GAC indirectly held 2,849,544,904 Denway Shares, representing approximately 37.90% of the outstanding issued share capital of Denway. As at the Latest Practicable Date, members of the Morgan Stanley Entities and the CICC Entities which are presumed to be acting in concert with GAC in relation to the Privatisation under the Takeovers Code hold long positions of an aggregate of 3,100 Denway Shares (held in the form of Denway ADRs) and 6,690,000 Denway Shares (representing approximately 0.000041% and 0.09% of the issued share capital of

Denway as at the Latest Practicable Date, respectively). As at the Latest Practicable Date, the J.P. Morgan Entities did not hold any Denway Shares.

Other than the aggregate of 2,856,238,004 Denway Shares held by GAC (through China Lounge), the Morgan Stanley Entities and the CICC Entities (representing an aggregate of approximately 37.99% of the issued share capital of Denway as at the Latest Practicable Date) and the 26,344,000 Denway Options held by the Denway Optionholders as at the Latest Practicable Date, neither GAC nor any of the parties acting in concert with it owns, controls or directs any Denway Shares or holds any convertible securities, warrants or options (or other outstanding derivatives) in respect of Denway Shares. Denway Shares held by members of the Morgan Stanley Entities and the CICC Entities will form part of the Scheme Shares and will be cancelled upon the Scheme becoming effective.

Mr. Yao Yiming, a Denway Director and also a member of GAC's senior management team has irrevocably undertaken to GAC and Denway that he will abstain from voting at the Court Meeting in respect of the 1,132,000 Denway Shares held by him.

Other than China Lounge, a wholly-owned subsidiary of GAC, members of the Morgan Stanley Entities (and for this purpose, including those Morgan Stanley Entities which are Exempt Principal Traders), members of the J.P. Morgan Entities (and for this purpose, including those J.P. Morgan Entities which are Exempt Principal Traders) and members of the CICC Entities, no Denway Shareholder has a material interest in the Privatisation and accordingly, all Denway Shareholders other than the above-mentioned entities are "disinterested shareholders" for the purpose of the Takeovers Code. Accordingly, other than China Lounge, members of the Morgan Stanley Entities (including Exempt Principal Traders), members of the J.P. Morgan Entities (including Exempt Principal Traders), members of the CICC Entities, Mr. Yao Yiming (as a result of his irrevocable undertaking to GAC and Denway to abstain from voting at the Court Meeting) and BNP Paribas S.A. Entities (in respect of the Denway Shares held by them as Exempt Principal Traders connected with Denway), no Denway Shareholder is required to abstain from voting at the Court Meeting.

All Denway Shareholders will be entitled to attend the Denway EGM and vote on (i) the reduction of the issued share capital of Denway by cancelling and extinguishing the Scheme Shares, and (ii) the increase in the issued share capital of Denway to the amount prior to the cancellation of the Scheme Shares to pay up in full at par such number of new Denway Shares as is equal to the number of Scheme Shares cancelled as a result of the Scheme, credited as fully paid, for issuance to GAC. GAC has indicated that if the Scheme is approved at the Court Meeting, those Denway Shares held by China Lounge will be voted in favour of the resolutions to be proposed at the Denway EGM.

Platinum has given an irrevocable undertaking to GAC that, among other things, it shall exercise all voting rights attaching to an aggregate of 393,285,973 Denway Shares (which represents approximately 5.22% of the issued share capital of Denway as at the Announcement Date) and any other shares or securities in Denway issued or unconditionally allotted to it or otherwise acquired by it to vote in favour of all resolutions to approve the Scheme and any related matters necessary to implement the Scheme proposed at the Court Meeting and the Denway EGM or at any adjournment of any such meeting.

The Denway Board established the Denway IBC, comprising all of the independent non-executive Denway Directors, namely Mr. Cheung Doi Shu, Mr. Lee Ka Lun and Mr. Fung Ka Pun to advise the Disinterested Denway Shareholders as to whether the Privatisation is, or is not, fair and reasonable and to make recommendation to the Disinterested Denway Shareholders as to whether to vote in favour of the Scheme at the Court Meeting and the Denway EGM. As at the Latest Practicable Date, Mr. Cheung Doi Shu was interested in 3,000,000 Denway Shares but he is not regarded as having a direct or indirect interest in the Privatisation for the purposes of Rule 2.8 of the Takeovers Code.

We are a licensed corporation holding a licence to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO. We shall receive a fee from the Denway for the delivery of this letter. Denway has also agreed to indemnify us and certain related persons against any potential legal liabilities and out-of-pocket expenses suffered or incurred by us or our related persons in connection with this engagement.

Apart from the normal professional fees for our services to Denway as described above, no arrangement exists whereby we shall receive any fees or benefits from Denway, its subsidiaries or associates. As at the Latest Practicable Date, BNP Paribas S.A. Entities beneficially owned 14,302,498 Denway Shares, representing approximately 0.19% of its issued share capital. As at the Latest Practicable Date, Denway maintained a current bank account with us without having any banking facilities.

We do not consider these shareholding interests and the current bank account with Denway would affect the objectivity of our advice, given the fact that (i) the interests so held are immaterial; (ii) BNP Paribas S.A. Entities will abstain from voting at the Court Meeting in respect of the Denway Shares held by it as Exempt Principal Trades connected with Denway; and (iii) there is no banking facilities granted to the current account maintained with Denway. Accordingly, we consider ourselves suitable to give independent financial advice to the Independent Board Committee regarding the Privatisation.

BASIS OF OUR OPINION

In preparing this letter and in giving any opinion or advice, we have only had regard to the Privatisation and the Scheme in isolation, and not in connection with any past, present or future business plan or strategy or prospects with regard to Denway Group or GAC Group as a whole, nor have we viewed the Privatisation and the Scheme as part of a series of other transactions or arrangements. We express no opinion as to whether the Privatisation and the Scheme will be completed as proposed or at all or whether it will be successful.

In arriving at our opinion and advice, we have also relied on the statements, information and facts supplied, the opinions expressed and the representations made by the Denway Directors and GAC Directors including those set out in the Scheme Document and assumed that all statements, intentions, assumptions described in the Scheme Document, opinions and representations made, for which Denway and Denway Directors and GAC and GAC Directors are solely and wholly responsible, were true, complete, accurate and not misleading at the time they were made and continue to be so in all material respects up to and as at the Latest Practicable Date and that they may be relied upon.

We have been advised by the Denway Directors and GAC Directors, having made reasonable enquiries, that to the best of their information, knowledge and belief all material information and facts necessary for the purposes of BNP Paribas Capital to carry out the work have been provided. On the basis of the aforesaid, we have no reason to believe that any material information has been withheld, or to doubt the truth or accuracy or completeness of the information provided. We have also sought and received confirmation from the Denway Directors and GAC Directors that representations and opinions expressed in the information given have been provided after due and careful consideration. Neither BNP Paribas Capital nor any of their respective directors or associates has authorised anyone to provide Denway Shareholders with information that is different from what is contained in the Scheme Document.

We have reviewed, inter alia, the Information Pack, the Scheme Document, the published information on Denway, including the announcements, annual reports and the source of other information used in this letter, and the valuation report on GAC prepared by the Valuation Adviser. We have not carried out any independent verification of such information, or conducted an independent investigation into the business and affairs of Denway Group or GAC Group, or conducted any valuation or appraisal of any assets or liabilities, or conducted any form of investigation into the commercial viability of the future prospects of the Denway Group or of GAC Group or of its underlying assets, or of the financial conditions or future prospects of any other parties. We also have not considered the taxation implication on the Denway Group or the Denway Shareholders as a result of the Privatisation and the Scheme. None of BNP Paribas Capital and any of their respective directors or associates accept responsibility for any tax or other effects including any stamp duty on, or liabilities of, any person or persons as a result of the implementation or otherwise of the Scheme and the Privatisation.

Our opinion is necessarily based upon the market, economic and other conditions as they existed and could be evaluated on, and the information available to us as of the Latest Practicable Date. Should there be any subsequent major changes which occur up to date throughout the offer period and would affect or alter our opinion, we will notify Denway Shareholders accordingly as soon as possible.

PRINCIPAL FACTORS AND REASONS

In formulating our view, we have taken into consideration the principal factors and reasons set out below. In reaching our conclusions, we have considered the results of the analyses in light of each other and ultimately reached an opinion based on the results of all analyses taken as a whole.

1. Terms and conditions of the Scheme

1.1 Background of, reasons for and benefits of the Privatisation and the Introduction

As stated in the Scheme Document, as at the Latest Practicable Date, GAC held approximately 37.90% of the issued share capital of Denway through China Lounge, a wholly-owned subsidiary of GAC. Denway in turn indirectly holds a 50% equity interest in Guangqi Honda through its wholly-owned subsidiary, Guangzhou Auto. On 19 May 2010, the GAC Board and the Denway Board jointly announced that on 18 May 2010, GAC formally requested the Denway Board to put forward the Privatisation proposal to the Scheme Shareholders with a view to privatise Denway by GAC.

In connection with the Privatisation, GAC is simultaneously seeking a listing of the GAC H Shares by way of introduction on the Main Board of the Stock Exchange. Denway is an investment holding company and through its wholly-owned subsidiary indirectly holds 50% equity interest in Guangqi Honda. As at the Latest Practicable Date, GAC indirectly held 37.90% interest in Denway while the remaining 62.10% of outstanding Denway Shares were held by other Denway Shareholders. As a result, although Guangqi Honda is categorised as a Jointly-controlled Entity and is proportionately consolidated into the GAC Group's financial statements on a proportionate consolidation basis under HKFRS, only approximately 19.0% of the profit generated from Guangqi Honda, among other profits generated from Denway, is attributable to equity holders of GAC, while the remaining 31.0% of the profits is attributable to Denway Shareholders other than GAC Shareholders. Upon the Scheme becoming effective, Scheme Shareholders will become GAC Shareholders and Denway will become GAC's wholly-owned subsidiary which will enable 100% of profits from Denway, including 50% of profits from Guangqi Honda, to become attributable to the equity holders of GAC.

We note the reasons and benefits of the Privatisation as set out in the Scheme Document, and we concur with the views of Denway Directors and GAC Directors that, if the Scheme is successful, Denway Shareholders may potentially enjoy the benefits of GAC's larger and more diverse business. In addition, the GAC Group will also benefit from a more streamlined corporate structure with all of its vehicle manufacturing and other auto-mobile related services businesses at the same subsidiary level. The streamlined corporate structure will enable the GAC Group to more efficiently manage its resources and make effective decisions on the management and operations of each of the Jointly-controlled Entities.

In light of the above factors and the fact that:

(i) Scheme Shares will be exchanged into GAC H Shares under the Privatisation and Introduction. As such, upon the Scheme becoming effective, Scheme Shareholders will become the GAC Shareholders;

(ii) GAC H Shares will be listed on the Stock Exchange whereas the listing of Denway Shares will be withdrawn;

(iii) GAC and Denway are operating in a very similar business with GAC having a larger scale in terms of market share, product diversification and production capacity;

(iv) GAC held an approximately 37.90% interest in Denway as at the Latest Practicable Date and will hold 100% interest in Denway upon the Scheme becoming effective; and

(v) Denway is ultimately controlled by GAIG, which also controlled GAC as at the Latest Practicable Date. As such, there is no change in control under the Privatisation,

we consider that the Privatisation and the Introduction are in effect a reorganisation of GAC Group. Hence, the Privatisation may allow the Scheme Shareholders to retain the investment in Denway.

1.2 Principal terms of the Scheme

(i) Share Exchange Ratio and Revised Share Exchange Ratio

On the Announcement Date, the GAC Board and Denway Board jointly announced that under the Scheme, the Scheme Shares will be cancelled and, in consideration thereof, all Scheme Shareholders will be entitled to receive 0.378610 GAC H Shares for every Scheme Share cancelled.

Pursuant to the Revised Offer Announcement, GAC formally requested the Denway Board on 7 June 2010 to put forward the Revised Share Exchange Ratio to the Scheme Shareholders. The Revised Share Exchange Ratio is set out below:

For every Scheme Share cancelled . . . . 0.474026 GAC H Shares

Scheme Shareholders, investors and potential investors should note that the below analysis is conducted based on the Revised Share Exchange Ratio.

As set out in the Revised Offer Announcement, GAC is of the view that the previous Share Exchange Ratio is reasonable to Scheme Shareholders and the Revised Share Exchange Ratio will further enhance the attractiveness of the offer. The Revised Share Exchange Ratio shows GAC's full respect of Scheme Shareholders' interest and GAC's willingness to share its potential growth with the Scheme Shareholders. GAC believes that the Revised Share Exchange Ratio improves the return of the Scheme Shareholders in the Privatisation and will engage the support of Scheme Shareholders. GAC has confirmed that there will be no further revision to the Revised Share Exchange Ratio. Save as aforesaid, all other terms of the Privatisation proposal will remain unchanged.

We note from the Scheme that the Revised Share Exchange Ratio of 0.474026 GAC H Shares for every Scheme Share cancelled was determined by GAC on the basis of, among other things, (i) the historical performance of GAC and Denway, (ii) the business potential of both GAC and Denway, (iii) the earnings forecast of GAC for the year ending 31 December 2010, (iv) the prevailing and historical market price levels of Denway and those of comparable companies, (v) the potential benefits of the Introduction and the Privatisation for Denway Shareholders and GAC Shareholders, (vi) the possibility, if the Privatisation does not proceed, that GAC may consider making an application for an initial public offering of its shares which would not involve a privatisation of Denway, (vii) the fact that the Denway 2009 Final Dividend has been declared and paid; (viii) the fact that GAC H Shares (as opposed to cash) are being offered as consideration under the Scheme and that accordingly, upon success of the Introduction and the Privatisation, investors in Denway may participate as GAC Shareholders in a combined business which would include any benefits accruing from the combination and (ix) that the transaction does not represent a change of controlling shareholder of Denway.

The consideration for the Privatisation is not expected to involve any cash element and no GAC H Shares will be issued in connection with the Privatisation other than to Scheme Shareholders following the Scheme becoming effective.

Under the Privatisation, the share capital of Denway will, on the Scheme Effective Date, be reduced by cancelling and extinguishing the Scheme Shares. Immediately thereafter, the authorised share capital of Denway will be increased to the amount prior to the cancellation of the Scheme Shares by the creation of new Denway Shares and such Denway Shares, being in the same number as the cancelled Scheme Shares, will be issued to GAC and/or its nominees at par, credited as fully paid with the reserve arising from the cancellation of the Scheme Shares. Under the Privatisation, it is expected fractions of GAC H Shares will not be issued to the Scheme Shareholders. Fractional entitlements of Scheme Shareholders to GAC H Shares will be aggregated and sold in the market with the proceeds paid to GAC for its own benefit.

As at the Latest Practicable Date, there are 26,344,000 Denway Options outstanding, of which 8,528,000, 5,664,000, 5,664,000 and 6,488,000 Denway Options are held by Mr. Zhang Fangyou, Mr. Zeng Qinghong, Mr. Yang Dadong and Mr. Zhang Baoqing, respectively. Mr. Zhang Fangyou and Mr. Zeng Qinghong are both executive Directors of Denway and GAC. Mr. Yang Dadong and Mr. Zhang Baoqing are both former Denway Directors. On 17 May 2010, each of the Denway Optionholders gave Denway an irrevocable undertaking that (i) conditional upon the Scheme becoming effective, each of them will surrender their respective Denway Options for nil consideration with effect from the Scheme Effective Date; (ii) each of them shall not exercise their Denway Options held by him until: (x) if the Scheme becomes effective, the Scheme Effective Date, at which time such Denway Options shall be surrendered pursuant to the terms of their respective irrevocable undertakings (and in any event shall lapse automatically in accordance with the terms of the Denway Share Option Scheme); or (y) if the Scheme is withdrawn, not approved or lapses, the date of such withdrawal, non-approval or lapse; and (iii) each of them shall not accept an offer in respect of their respective Denway Options if a comparable offer for the outstanding Denway Options were made. Accordingly, no comparable offers are made for the outstanding Denway Options and the total number of Scheme Shares are 4,669,153,630 Denway Shares.

(ii) Conditions of the Privatisation and the Scheme

The Introduction and the Privatisation are inter-conditional upon each other. The Introduction will only take place if the Scheme and the Privatisation become effective, and vice versa. The Privatisation is subject to, and the Scheme will become effective and binding on Denway and all Scheme Shareholders subject to, the satisfaction or waiver (as applicable) of all the conditions set out in the Scheme Document. All of the conditions will have to be satisfied or waived, as applicable, on or before 31 December 2010 (or such other date as GAC and Denway may agree and the High Court may allow), otherwise the Privatisation and the Scheme will lapse. Assuming that all of these conditions are satisfied or waived, as applicable, it is expected that the Scheme will become effective on 25 August 2010.

2. Business development, financial performance and shareholding structure of Denway Group and GAC Group

2.1 Business development, financial performance and shareholding structure of Denway Group

(i) Business development

As set out in the Scheme Document, Denway was incorporated in Hong Kong on 23 June 1992 and listed on the Main Board of the Stock Exchange in 1993. Denway is an investment holding company. Denway Group, its Jointly-controlled Entities and associates are principally engaged in an integrated range of activities relating to the manufacturing, assembly and trading of motor vehicles, the manufacturing and trading of automotive equipments and parts in the PRC. In particular, Denway indirectly owns 50% equity interest in Guangqi Honda, a jointly controlled entity whose other shareholder is Honda, through its wholly-owned subsidiary. Guangqi Honda manufactures a series of Honda. Accord, Odyssey, City, City (Fengfan) and Fit series of passenger vehicles.

As set out in the 2009 annual report of Denway, the production capacity of Guangqi Honda is 360,000 units, which remains unchanged for the past three years. In 2010, Guangqi Honda will take proactive measures to tackle technical and production bottleneck to further exploit production capacity, and has set an annual production and sales target of 386,000 units. As set out in the Scheme Document, following the announcement of the proposed Privatisation on 19 May 2010, it was announced on

25 May 2010 that in order to support the future development of Guangqi Honda, Honda and Denway will increase the production capacity of Guangqi Honda from 360,000 units to 480,000 units by the end of 2011 and new Honda models, Guangqi Honda Everus and Guangqi Honda Crosstour, will be introduced to the market by Guangqi Honda. Subject to governmental approvals, the construction of the new facilities is expected to be completed by the end of 2011.

(ii) Historical financial performance

The following table sets out the financial information of the Denway Group for the three years ended 31 December 2007, 2008 and 2009:

(in RMB' million)

	For the year ended 31 December		
	2007	**2008**	**2009**
Turnover	863	725	638
Profit before tax	2,197	2,150	1,941
Profit for the year	2,181	2,090	1,919
Profit attributable to:			
— Equity holders of Denway	2,170	2,094	1,915
— Minority interests	11	(4)	4
Dividends	1,006	526	677

Source: Denway annual reports

As shown in the table above, the turnover of Denway Group for the year ended 31 December 2009 was approximately RMB638 million (2008: RMB725 million), a decrease of 12% over the same period of last year. The main reason was due to scale down of the loss making vehicle trading company in order to minimize any subsequent effects.

The consolidated profit attributable to the equity holders of Denway for the year ended 31 December 2009 was approximately RMB1,914.5 million (2008: RMB2,094.3 million), a decrease of 8.6% over the same period of last year. The main reason for such decrease was due to a donation of approximately RMB301 million to the 16th Asian Games Organising Committee. Should the financial effect of the donation be excluded, the consolidated net profit of Denway for the year ended 31 December 2009 would have increased accordingly.

The dividend paid to Denway Shareholders for the three years ended 31 December 2007, 2008 and 2009 represents 46%, 25% and 35% of the profit attributable to equity holders of Denway, respectively.

(iii) Shareholding structure

As at the Latest Practicable Date, there were 7,518,698,534 Denway Shares in issue and 26,344,000 Denway Options outstanding. Other than the Denway Shares and the Denway Options, there are no other options, derivatives, warrants or other securities convertible or exchangeable into Denway Shares. As at the Latest Practicable Date, GAC held 2,849,544,904 Denway Shares, representing approximately 37.90% of the outstanding issued share capital of Denway through China Lounge, a wholly-owned subsidiary of GAC. So far as Denway Directors are aware, Templeton Asset Management Ltd. holds 1,162,841,027 Denway Shares, representing approximately 15.4% of the outstanding issued share capital of Denway. Accordingly, both GAC and Templeton Asset Management Ltd. are substantial shareholders of Denway.

The table below sets out the shareholding structure of Denway as at the Latest Practicable Date and following the completion of the Introduction and the Privatisation:

Name	**As at the Latest Practicable Date**		**Immediately following completion of the Introduction and the Privatisation**	
	No. of Denway Shares	**Approximate %**	**No. of Denway Shares**	**%**
GAC and China Lounge	2,849,544,904(1)	37.90	7,518,698,534	100.00
Morgan Stanley Entities(2)	3,100	0.000041		
CICC Entities(3)	6,690,000	0.09	—	—
Yao Yiming(4)	1,132,000	0.02	—	—
Other Disinterested Denway Shareholders	4,661,328,530(5)	61.99	—	—
Total	7,518,698,534	100.00	7,518,698,534	100.00

Notes:

(1) *Such Denway Shares are held by China Lounge, a wholly-owned subsidiary of GAC and which is presumed to be acting in concert with GAC.*

(2) *Members of the Morgan Stanley Entities are persons presumed to be acting in concert with GAC. The interests of the Morgan Stanley Entities in these Denway Shares is in the form of Denway ADRs.*

(3) *Members of the CICC Entities are persons presumed to be acting in concert with GAC.*

(4) *Yao Yiming is an executive Denway Director and also a member of GAC's senior management team. Yao Yiming has irrevocably undertaken to GAC and Denway that he will abstain from voting at the Court Meeting. Notwithstanding Yao Yiming's abstention from voting at the Court Meeting, he remains a Disinterested Denway Shareholder.*

(5) *Such Denway Shares include: (i) 3,000,000 Denway Shares held by Cheung Doi Sun, an independent non-executive director of Denway and (ii) 14,302,498 Denway Shares held by BNP Paribas S.A. Entities. BNP Paribas S.A. Entities will abstain from voting at the Court Meeting in respect of the Denway Shares held by them as Exempt Principal Traders connected with Denway.*

2.2 Business development, financial performance and shareholding structure of GAC Group

(i) Business development

As set out in the Scheme Document, GAC was established in June 1997 as Guangzhou Automobile Group Ltd. (廣州汽車集團有限公司), a limited liability company with the Guangzhou State-Owned Assets Administration Bureau (the predecessor of State-owned Assets Supervision and Administration Commission of Guangzhou Municipal Government (廣州市人民政府國有資產監督管理委員會) as its sole shareholder. GAC, through its subsidiaries and Jointly-controlled Entities, is principally engaged in auto manufacturing business in the PRC, including manufacturing passenger vehicles, commercial vehicles, engines and auto parts and automobile-related services. The passenger vehicle manufacturing business is a major source of revenue for GAC, and revenue from this segment contributed 98.2 % of the total revenue of GAC for the year ended 31st December 2009. The GAC Group produces a variety of passenger vehicles through GAC Toyota and Guangqi Honda under following model families: GAC Toyota Camry, GAC Toyota Highlander, GAC Toyota Yaris, Guangqi Honda Accord, Guangqi Honda Odyssey, Guangqi Honda City, Guangqi Honda City (Fengfan) and Guangqi Honda Fit.

GAC Toyota is one of the two major Jointly controlled Entities of GAC which manufactures passenger vehicles under a number of well-known model series including GAC Toyota Camry (including a hybrid vehicle model of Camry), GAC Toyota Yaris, and GAC Toyota Highlander. Guangqi Honda, a company jointly controlled by Denway and Honda, manufactures the Guangqi

Honda Accord, Guangqi Honda Odyssey, Guangqi Honda Fit and Guangqi Honda City (Fengfan) series.

During the period from 1 January 2007 to 31 December 2009, Guangqi Honda Accord and GAC Toyota Camry commanded the top two rankings in the PRC mid-to-high-end sedan market in terms of sales volume. It is planned that GAC will launch commercially its first proprietary "Guangqi" brand passenger vehicle, and will begin production through GAC Fiat, a Jointly-controlled Entity between GAC and Fiat, of the new Linea series passenger vehicle by the end of 2011. Other than its passenger vehicle business, GAC also manufactures commercial vehicles through GAC Bus and Guangqi Hino, engines through GAC Toyota Engine, auto parts through GAC Components and its subsidiaries and associates.

During the three years ended 31 December 2007, 2008 and 2009, the production capacity of GAC and its associated companies increased from approximately 628,200 units to 909,000 units, representing more than 45% growth. Furthermore, by completing the construction of GAMC in 2010 and the establishment of GAC Fiat in 2011, the production capacity of GAC and its associated companies is expected to achieve approximately 1,009,000 units in 2010 and approximately 1,269,000 units in 2011.

(ii) Historical financial performance

As set out in the accountants' report contained in the Appendix F — Listing Document of the Scheme Document, pursuant to the composition of the board of directors of Denway, and taking into consideration its articles of association, dispersed passive shareholders and historic shareholders activism in the past shareholders' meetings, the Directors are of the opinion that GAC has de facto control over Denway and therefore Denway is considered as a subsidiary of the GAC Group.

The following table sets out the financial information of the GAC Group for the three years ended 31 December 2007, 2008 and 2009:

(in RMB' million)

	For the year ended 31 December		
	2007	2008	2009
Revenue	42,407	43,770	50,254
Profit before income tax	4,953	3,460	3,980
Profit for the year	4,815	2,858	3,256
Profit attributable to:			
— Equity holders of GAC	3,437	1,567	2,032
— Minority interests	1,378	1,291	1,224
Dividends	—	—	816

Source: Accountants' report contained in the Appendix F — Listing Document of the Scheme Document

As shown in the table above, the revenue of GAC Group for the year ended 31 December 2009 was approximately RMB50,254 million (2008: RMB43,770 million), an increase of 15% over the same period of last year. The main reason for such increase was in line with the increase in sales volume due to the recovery of the global economy since the 2008 global financial crisis, the implementation of supporting policies by PRC government in 2009 which were aimed at stimulating demand for passenger vehicles and the increase in sales of new passenger vehicle models. In particular, the successful launch by GAC in June 2009 of its first GAC SUV, GAC Toyota Highlander, contributed to 10% of revenue of GAC in 2009. Due to the launch of a new model of mid-end sedan, Guangqi Honda City (Fengfan), at the end of 2008, the contribution from the sales of mid-end sedans to GAC Group's revenue increased to approximately 12% in 2009 from approximately 1% in 2008.

Due to the aforementioned reasons, the consolidated profit attributable to the equity holders of GAC was approximately RMB2,032 million (2008: RMB1,567 million), an increase of approximately 29.7% over the same period of last year. In 2009, GAC Group donated approximately RMB451 million to Guangzhou Asian Games Organising Committee to become a prestige partner of Guangzhou Asian Games. Should the financial effect of the donation be excluded, the consolidated net profit of GAC Group would have increased accordingly.

The dividend paid to GAC Shareholders for the year ended 31 December 2009 represents approximately 40.2% of the profit attributable to equity holders of GAC.

(iii) Shareholding structure

As at the Latest Practicable Date, there were 3,934,757,457 GAC Shares in issue, all of which are GAC Domestic Shares. Other than the GAC Shares, there are no other options, derivatives, warrants or other securities convertible or exchangeable into GAC Shares. GAIG is the ultimate shareholding company of GAC. GAIG directly holds approximately 91.9346% of the issued share capital of GAC as at the Latest Practicable Date.

Assuming the Scheme becomes effective, a total of 2,213,300,218 GAC H Shares will be issued. The table below sets out the shareholding structure of GAC as at the Latest Practicable Date and following the completion of the Privatisation, assuming 2,213,300,218 GAC H Shares are issued and there are no other changes in the shareholdings in GAC prior to the completion of the Privatisation:

Name	**As at the Latest Practicable Date**		**Immediately following completion of the Introduction and the Privatisation**	
	No. of GAC Shares	**Approximate %**	**No. of GAC Shares**	**Approximate %**
GAIG	3,617,403,529	91.9346	3,617,403,529	58.8382
Wanxiang	156,996,823	3.9900	156,996,823	2.5536
CNMIC	145,227,963	3.6909	145,227,963	2.3622
Guangzhou Iron & Steel	7,869,515	0.2000	7,869,515	0.1280
Guangzhou Chime-Long	7,259,627	0.1845	7,259,627	0.1181
Other public shareholders	—	—	2,213,300,218	36.0000
Total	**3,934,757,457**	**100.0000**	**6,148,057,675**	**100.0000**

3. Business potential of Denway Group and GAC Group

We note from the Appendix B — valuation report of the Scheme Document, there is a comparison table of the historical operating and financial performance between GAC and Denway, and we concur that, although both Denway Group and GAC Group are automobile manufacturers in the

PRC, the operation scale of GAC Group is larger than Denway Group in terms of market share, product diversification and production capacity.

As set out in the Scheme Document, GAC Group developed into a strong player in the PRC automobile market and ranked fourth in terms of revenue among all PRC automobile manufacturers in 2007 and 2008. It is a strong player in the passenger vehicle market with production of two major compelling and competitive brands "Guangqi Honda" and "GAC Toyota" in the PRC. According to the Scheme Document, GAC plans to further expand its product portfolio in the passenger vehicle segment and enhance its production capacity to increase its market share. The following table sets out the comparison of production capacity and utilisation of GAC Group and Denway Group:

	GAC Group	Denway Group
Production capacity	The production capacity is expected to achieve approximately 1,009,000 units in 2010 and approximately 1,269,000 units in 2011.	The production capacity of 360,000 units remain unchanged for the three years ended 31 December 2007, 2008 and 2009. As set out in the 2009 Denway annual report, Denway will take proactive measures to tackle technical and production bottleneck to further exploit production capacity. An annual production and sales target of 386,000 units for 2010 has been set. As set out in the Scheme Document, following the announcement of the proposed Privatisation on 19 May 2010, it was announced on 25 May 2010 that in order to support the future development of Guangqi Honda, Honda and Denway will increase the production capacity of Guangqi Honda from 360,000 units to 480,000 units by the end of 2011 and new Honda models, Guangqi Honda Everus and Guangqi Honda Crosstour, will be introduced to the market by Guangqi Honda. Subject to governmental approvals, the construction of the new facilities is expected to be completed by the end of 2011.
Utilisation rate of production capacity in 2009	76.4% in 2009	Full utilisation of production capacity in 2009

Given (i) GAC is operated in a larger scale than Denway with a combination of two well-recognized brands "Guangqi Honda" and "GAC Toyota"; and (ii) GAC has greater production capacity than Denway, we concur with the GAC Directors and the Denway Directors that the Privatisation and Introduction benefit both Scheme Shareholders and GAC and mark a significant milestone in the development of the GAC Group. In addition, as set out in the Scheme Document, GAC indirectly holds approximately 37.90% of the issued share capital of Denway, and Denway in turn indirectly holds 50% equity interest in Guangqi Honda through its wholly-owned subsidiary.

4. Analysis on the equity value of GAC and Denway

4.1 Estimate value of GAC

Paragraph 30 to Schedule 1 to the Takeovers Code requires that where the offer involves the issue of unlisted securities, an estimate of the value of such securities is prepared by an appropriate adviser, together with the assumptions and methodology used in arriving at such value. In accordance with these requirements, GAC has appointed the Valuation Adviser to advise on the value of the GAC Shares. On 19 May 2010, the Valuation Adviser issued its valuation report in respect of the estimate of the value of the existing share capital of GAC. As set out in the valuation report on 19 May 2010, the Valuation Adviser has used analysis of the recent historical trading performance of Denway Shares and companies comparable to Denway and GAC, the respective businesses, financial performances and prospects of Denway and GAC, and various valuation benchmarks of companies comparable to Denway and GAC. Subsequent to 19 May 2010, the Valuation Adviser updated the estimate of value ("Estimate of Value") using market information and exchange rate of RMB1 to HK$1.14 as at the Latest Practicable Date. In determining the Estimate of Value, the Valuation Adviser used the same methodology as described in valuation report on 19 May 2010. The analysis performed below in the letter is based on the Estimate of Value updated on the Latest Practicable Date. As set out in the valuation report on the Latest Practicable Date contained in the Appendix B — valuation report of the Scheme Document (the "Valuation Report"), on the basis of the 2010 forecast profits of GAC attributable to shareholders of RMB3,760 million of GAC, and applying a low end price earnings multiple of 10.3 times, the Valuation Adviser determines the low end of the Estimate of Value to be approximately RMB38,728 million (equivalent to approximately HK$44,150 million). In determining the high end of the range of Estimate of Value, the Valuation Adviser applies the high end price earnings multiple of 10.7 times to the 2010 forecast profit of GAC attributable to shareholders of RMB3,760 million, resulting in an high end of the Estimate of Value of approximately RMB40,232 million (equivalent to HK$45,864 million). Accordingly, the range of the Estimate of Value per GAC Share before implementation of the Scheme is estimated to be between RMB9.84 to RMB10.22 (equivalent to approximately HK$11.22 and HK$11.66). Such range of Estimate of Value will vary with fluctuations of the market price of shares in companies comparable to GAC used in the Valuation Report.

On the basis that for every Scheme Share cancelled under the Privatisation, Scheme Shareholders will receive 0.474026 GAC H Shares, the theoretical value of the consideration of each Scheme Share would be in the range of approximately HK$5.32 to HK$5.53 (the "Scheme Share Theoretical Value"). Accordingly, given that there are 7,518,698,534 Denway Shares authorised and in issue, the entire issued share capital of Denway as at the Latest Practicable Date would be theoretically valued in the range of HK$39,988,737,394 to HK$41,556,923,174.

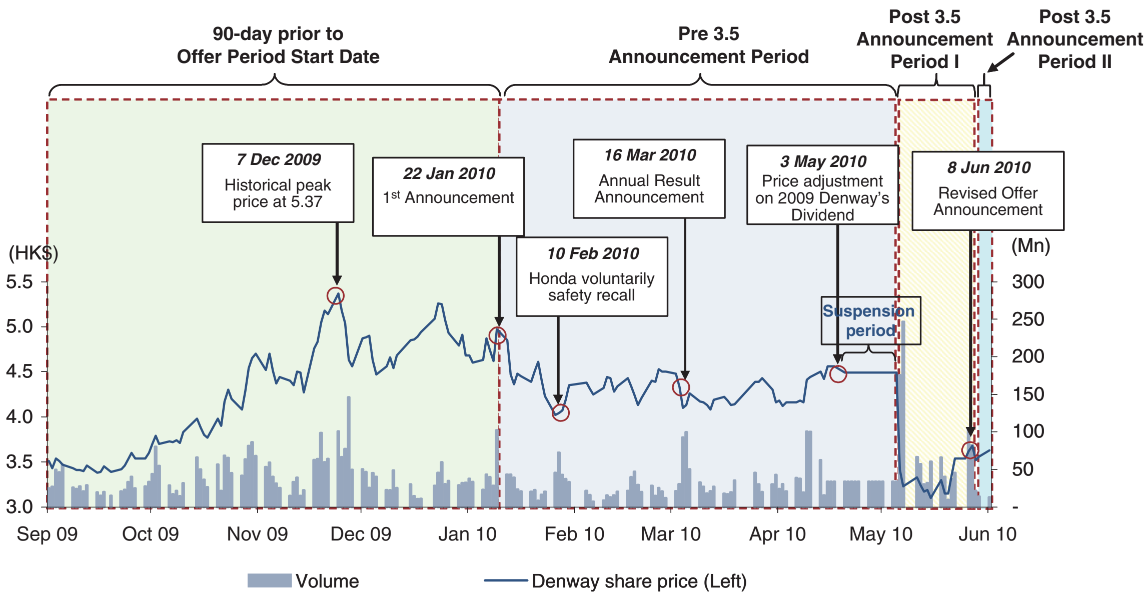
Details of the bases, limitations and assumptions in estimating the Estimate of Value are set out in the Valuation Report. In particular, it should be noted that the Estimate of Value is estimated on the basis that GAC currently owns an approximate 37.90% interest in Denway, that is before the Scheme becomes effective and before Listing. It is stated in the Valuation Report that the Estimate of Value expressed in the Valuation Report is not necessarily indicative of (i) the price at which the GAC H Shares might actually trade in any public market as at the date of the Valuation Report or at any future date; or (ii) the amount which might be realized upon a sale of GAC H Share to a third party; or (iii) the value of GAC H Share after the proposed Scheme becomes effective. The Estimate of Value may differ substantially from estimates available from other sources such as research reports published by brokers. In addition, the Valuation Adviser's view would be expected to fluctuate with changes in prevailing market conditions, the financial conditions and prospects of GAC and other factors which generally influence the valuation of companies and securities. As a result, there can be no assurance that the actual price of GAC H Shares will be higher or lower than that implied by the Estimate of Value. It is noted that, on the basis of the Revised Share Exchange Ratio, the Scheme Share Theoretical Value would be in the range of approximately HK$5.32 to HK$5.53 while the Denway's share price as at the Latest Practicable Date was approximately HK$3.63.

Given that Dongfeng Motor Group Company Limited ("Dongfeng"), which we consider as the most comparable company (as discussed below) to GAC, was traded at the low end of the range as at the Latest Practicable Date among the other comparable companies used by the Valuation Adviser in arriving at the Estimate of Value and the low end of the range of the Estimate of Value will show the minimum benefit from the Privatisation and the Introduction to the Scheme Shareholders, we consider appropriate to adopt a conservative approach by applying the low end of Scheme Share Theoretical Value, being HK$5.32 per Scheme Share, for the purpose of analysis as set out below.

4.2 Share price and trading volume of Denway

(i) Average closing prices of Denway Share

Set out below are daily closing price and trading volume of Denway Shares as quoted on the Stock Exchange for the (i) 90-day prior to 22 January 2010, being the Offer Period Start Date; (ii) period commencing from the Offer Period Start Date up to and including 28 April 2010 (being the last trading day (the "Last Trading Day") before the suspension of trading in the Denway Shares pending the release of a firm intention to make an offer by GAC as required under Rule 3.5 of the Takeovers Code (the "3.5 Announcement)) (the "Pre-3.5 Announcement Period"); (iii) from 19 May 2010 (being the first trading day after the resumption of trading of the Denway Shares upon the publication of the 3.5 Announcement on 19 May 2010 (the "Announcement Date")); (iv) from the Announcement Date to 7 June 2010 (being the day before publication of the Revised Offer Announcement (the "Revised Offer Date")) (the "Post-3.5 Announcement Period I"); and (v) from the Revised Offer Date up to and including the Latest Practicable Date (the "Post-3.5 Announcement Period II", together with (i), (ii), (iii) and (iv) the "Review Period"):



Source: Website of the Stock Exchange (www.hkex.com.hk)

As shown in the chart above, Denway recorded its highest daily closing price at approximately HK$5.37 on 7 December 2009 during the Review Period. The average 90-day daily closing price of Denway prior to the Offer Period Start Date was approximately HK$4.28. During the Offer Period Start Date up to and including the Last Trading Day, the average daily closing price of Denway was raised to approximately HK$4.32. Throughout the Pre-3.5 Announcement Period, Denway made various announcements to update Denway Shareholders in relation to the Scheme and Privatisation and also published its annual results for the year ended 31 December 2009 on 16 March 2010. A decrease of 5.3% in daily closing price on 17 March 2010 was recorded immediately after the 2009 annual results was announced. As set out in the 2009 annual report of Denway, a donation of approximately RMB301 million was made to Asian Game in 2009, which was the major contributing factor leading to a decrease of approximately 8.6% in profit attributable to the equity holders of Denway as compared to that of 2008. During the period of 29 April 2010 to 18 May 2010 (both dates inclusive), Denway suspended trading of its shares on the Stock Exchange pending the release of the 3.5 Announcement.

On 16 March 2010, the Denway Board resolved to recommend a final dividend of RMB6 cents per share for the year ended 31 December 2009.

On the Announcement Date, the daily share price of Denway was closed at approximately HK$3.41, represents a decline of approximately 24.1% from the theoretical ex-dividend price of HK$4.492 recorded on 3 May 2010. During the period from the Last Trading Day to the Announcement Date, Hong Kong stock market is in a downward trend as evidenced by the decrease in Hang Seng Index while those comparable automobile companies experienced a similar drop in share price. Those comparable automobile companies include Brilliance China Automotive Holdings Limited ("Brilliance China"), Dongfeng, Geely Automobile Holdings Limited ("Geely") and Great Wall Motor Company Limited ("Great Wall"). The following table shows the movement of the share prices of those comparable automobiles companies and Hang Seng Index between the Last Trading Day and the Announcement Date:

Company	Stock code	Closing price on Last Trading Day	Closing price on Announcement Date	Decrease (-)
Brilliance China	1114	2.69	2.40	-10.8%
Donfeng	489	11.02	8.97	-18.6%
Geely	175	3.54	2.81	-20.6%
Great Wall	2333	14.34	11.80	-17.7%
HSI Index		20,949.4	19,578.9	-6.6%

Source: Website of Hong Kong Stock Exchange (www.hkex.com.hk)

During the period commencing from the Announcement Date to the date prior to the Revised Offer Date, the daily closing price of Denway was fluctuated within a range between HK$3.10 to 3.54. During the Post-3.5 Announcement Period I, the daily closing prices of the Denway Shares fluctuated within an average daily closing price of approximately HK$3.26. During the Post-3.5 Announcement Period II, the share price of Denway ranged between HK$3.52 to HK$3.68 per Denway Share.

(ii) Trading volume of Denway Share

The daily average trading volume was approximately 40,067,126 number of shares during the Review Period. For the period commencing from 14 September 2009 (being the first day of the Review Period) to the Latest Practicable Date, there were eight trading days with a trading volume of over 100 million shares. Certain possible corporate event(s) contributing to the relatively large volume of trading on those particular days are set out below:

Particular Date with trading volume of over 100 million shares	Trading volume ('mn shares)	Possible corporate event(s) contributing to the large trading volume on that particular date
7 December 2009	101.06	No specific corporate event was announced one week prior to the particular date. Denway Share traded up to its highest price at HK$5.37 during the Review Period
10 December 2009	145.94	No specific corporate event was announced one week prior to the particular date. The share price of Denway Share reduced to HK$4.63, represent a decrease of 13.8% as compared to its peak price on 7 December 2009
22 January 2010	102.21	Announcement made by Denway on 22 January 2010 in relation to the proposed Introduction and proposed Privatisation
22 April 2010 23 April 2010	100.50 100.18	2009 results announcement made by Denway on 16 March 2010 and various announcements to update the status of the proposed Introduction and proposed Privatisation 23 February 2010, 23 March 2010, 21 April 2010. Two consecutive trading days after the announcement made on 21 April 2010
19 May 2010 20 May 2010	175.59 246.46	The first and second trading day after the Announcement was made
8 June 2010	104.98	The first trading day after the Revised Share Exchange Ratio was announced

Source: Website of the Stock Exchange (www.hkex.com.hk) *(iii) Scheme Share Theoretical Value*

As referred to above, we will apply the low end of the Scheme Share Theoretical Value in our analysis. The following table compares the average closing price of Denway Share and the Scheme Share Theoretical Value on the basis of the Estimate of Value per GAC Share:

Various historical period up to and including the Latest Practicable Date	Closing price/Average closing price of Denway Share (in HK$)	Premium of the low end of the Scheme Share Theoretical Value over the closing price/ average closing price of Denway Share
Latest Practicable Date	3.63	46.6%
Revised Offer Date	3.62	47.0%
Announcement Date	3.41	56.0%
Last Trading Day	4.56	16.7%
10 trading days prior to and including the Last Trading Day	4.30	23.7%
30 trading days prior to and including the Last Trading Day	4.26	24.9%
60 trading days prior to and including the Last Trading Day	4.30	23.7%
180 trading days prior to and including the Last Trading Day	4.29	24.0%
90 trading days prior to the Offer Period Start Date	4.28	24.3%

Source: Website of the Stock Exchange (www.hkex.com.hk)

It is noted from above table that the low end of the Scheme Share Theoretical Value represents a premium over the average closing prices of various historical periods.

4.3 Comparable companies analysis for the Privatisation

In assessing whether the terms of the Privatisation is fair and reasonable, we have analysed the trading multiples of the comparable companies. Our selection criteria include those companies which are (i) listed on the main board of the Stock Exchange; (ii) engaged mainly in the manufacturing and sales of passenger and commercial vehicles in the PRC; and (iii) a market capitalisation of over HK$12,000 million as at the Latest Practicable Date. One should recognise that due to the unique business strategy and position of each company, it is not practicable to identify a company with the same proportion of revenue contribution from the same business and geographic segment. As such, in accordance with our selection criteria above, we have the following exhaustive list of four comparable companies, namely, Dongfeng, Brilliance China, Geely and Great Wall (the "Comparable Companies"). Among the Comparable Companies, we consider Dongfeng as most comparable for the similarity of its product mix and target market segment to GAC while both operations involve setting up Jointly-controlled Entity with foreign partners.

There are a number of commonly adopted valuation methodologies such as price-to-earning ratio ("PER"), price-to-book ratio ("PBR") and enterprise value/EBITDA ("EV/EBITDA"). However, it is noted that since substantial portions of GAC businesses are operated through its joint venture companies and its Jointly-controlled Entities (including but not limited to Guangqi Honda), those results have been consolidated into GAC Group on a proportionate consolidation basis as permitted under HKFRS whereas as set out in 2009 annual report of Denway, Denway has accounted for the results of Guangqi Honda by using equity accounting method, which makes our analysis on the EV/

EBITDA between Denway and GAC not feasible. As such, we have conducted the analyses by applying PER and PBR as the parameters. The following tables show the trading multiples of the Comparable Companies and those of Denway on the basis of the low end of the Scheme Share Theoretical Value:

In respect of PER

		Based on 2009 audited results of each Comparable Companies			Based on prospective 2010 results of each Comparable Companies	
Company name	**Stock Code**	**Last Trading Day**	**Announcement Date**	**Latest Practicable Date**	**Announcement Date**	**Latest Practicable Date**
		(times) (Note 1)	*(times) (Note 1)*	*(times) (Note 1)*	*(times) (Note 1)*	*(times) (Note 1)*
Brilliance China	1114	na	na	na	17.57	17.55
Dongfeng	489	13.44	11.40	10.56	9.64	8.95
Geely	175	18.63	15.58	13.58	10.96	9.56
Great Wall	2333	13.53	11.57	12.96	9.36	10.49
Simple Average		15.20	12.85	12.37	11.88	11.64
Median		14.37	11.57	12.96	10.30	10.03

In respect of PBR

		Based on 2009 audited results of each Comparable Companies			Based on prospective 2010 results of each Comparable Companies	
Company name	**Stock Code**	**Last Trading Day**	**Announcement Date**	**Latest Practicable Date**	**Announcement Date**	**Latest Practicable Date**
		(times) (Note 2)	*(times) (Note 2)*	*(times) (Note 2)*	*(times) (Note 2)*	*(times) (Note 2)*
Brilliance China	1114	2.36	1.89	2.20	2.16	1.93
Dongfeng	489	3.06	2.07	2.41	2.60	1.92
Geely	175	3.58	2.24	2.61	2.99	1.95
Great Wall	2333	1.82	1.39	1.75	1.56	1.56
Simple Average		2.70	1.90	2.24	2.33	1.84
Median		2.71	1.98	2.31	2.38	1.93

Source: Bloomberg on 28 April 2010 (being the Last Trading Day), 19 May 2010 (being the Announcement Date) and 14 June 2010 (being the Latest Practicable Date)

Notes:

(1) *PER of the Comparable Companies and Denway is calculated as market capitalization as at the Last Trading Day/ Announcement Date/ the Latest Practicable Date, as the case maybe, divided by profit attributable to the shareholders for the year ended 31 December 2009/ for the year ending 31 December 2010, as the case maybe. Given that Brilliance China was loss making for the year ended 31 December 2009, the historical earnings per share of Brilliance China is not applicable.*

(2) *PBR of the Comparable Companies and Denway is calculated as the share price as at the Last Trading Day/ Announcement Date/ the Latest Practicable Date, as the case maybe, divided by the net asset value per share after excluding minority interest for the year ended 31 December 2009/ for the year ending 31 December 2010, as the case maybe.*

It should also be noted that the business and operation scale, customer base, prospects, and risk profile of the Denway Group are not identical to those of the Comparable Companies and we have not conducted any in-depth investigation into the businesses and operations of the Comparable Companies. Accordingly, the Comparable Companies are only used for illustrative purpose.

The 2009 PER of Denway as at the Last Trading Day, the Announcement Date and the Latest Practicable Date was approximately 15.72 times, 11.76 times and 12.52 times respectively. The 2009

PBR of Denway as at the Last Trading Day, the Announcement Date and the Latest Practicable Date was approximately 2.13 times, 1.59 times and 1.70 times respectively. As mentioned in the Valuation Report, based on the consensus estimates provided by a third party information service provider, Denway Shares were trading at a low prospective PER (representing a discount of some 9%) than the median consensus prospective PER of Comparable Companies during the period of the past 30 trading days prior to and including the Latest Practicable Date. As also set out in the Valuation Report, the historical price earnings multiple of Denway of 11.6 times is also lower than the median multiple of other listed passenger vehicles manufacturers. The Valuation Adviser, as set out in the Valuation Report, believe the reasons for this discount may be the market perception that Denway offers limited growth owing to a lack of new vehicle models and the capacity restrains of Guangqi Honda, which is already producing more vehicles than the designed capacity of its plant. However, it is noted from the Scheme Document that following the announcement of the proposed Privatisation on 19 May 2010, it was announced on 25 May 2010 that in order to support the future development of Guangqi Honda, Honda and Denway will increase the production capacity of Guangqi Honda from 360,000 units to 480,000 units by the end of 2011 and new Honda models, Guangqi Honda Everus and Guangqi Honda Crosstour, will be introduced to the market by Guangqi Honda. Subject to governmental approvals, the construction of the new facilities is expected to be completed by the end of 2011.

On the basis of low end of the Estimate of Value per GAC, the 2009 PER and PBR of GAC would be approximately 18.17 times and 2.96 times, respectively and the 2010 PER of GAC would be approximately 10.30 times. The 2009 implied PER and PBR of Denway, on the basis of the low end of the Scheme Share Theoretical Value, would be approximately 18.34 times and 2.49 times, respectively. The 2009 implied PER of Denway was above the PERs of the Comparable Companies on the Latest Practicable Date while the 2009 implied PBR of Denway was within the range of the PBRs of the Comparable Companies on the Latest Practicable Date.

5. Analysis on earnings and net asset value of GAC and Denway

As set out in the Profit Forecast, the net profit attributable to the equity holder of GAC for the year ending 31 December 2010 would be not less than RMB3,760 million, which represents a growth of approximately 85% as compared to that of RMB2,032 million for the year ended 31 December 2009. The Profit Forecast has been prepared based on the unaudited management accounts of the GAC Group for the three months ended 31 March 2010 and the forecast results for the year ending 31 December 2010. The Profit Forecast is prepared based on GAC's current shareholding of approximately 37.90% in Denway. It has not taken into consideration of the increase in GAC's shareholding in Denway should the Privatisation be completed, as the Privatisation is subject to conditions beyond control of GAC. As the completion date and other details of the Privatisation cannot be ascertained with reasonable certainty, the potential changes in share of profit/loss of Denway as a result of the increase in shareholding should the Privatisation be completed, has not been considered in the Profit Forecast.

Shareholders and potential investors should note that in the event that the Scheme becoming effective, 100% equity interest in Denway would be accounted for by GAC. Hence, the net profit attributable to the equity holder of GAC would then be increased by the amounts equal to the minority interests' share of net profit of Denway Group for the period since the Scheme becoming effective on the basis that proportionate consolidation method is adopted. As set out in the Scheme Document, GAC Group expects that HKFRS be amended and such amendments to be issued and become effective in the foreseeable future. The effect of such amendments to HKFRS ("HKFRS Amendments") will require GAC Group to recognize its interest in Jointly-controlled Entities (including but not limited to Guangqi Honda) on the basis of equity accounting whereby GAC's investments in the Jointly-controlled Entities are initially recognized at cost and adjusted for any post-acquisition changes in net assets of the Jointly-controlled Entities. In the event that the HKFRS Amendments become effective, the line-by-line items of the financial statement would not remain the same as those treated under proportionate consolidation method although the net profit and net assets accounted for using equity method should have no material difference from those accounted for using proportionate consolidation method. It should be noted that GAC Directors confirm that (a) upon completion of the Listing and before the effective date of the amendments to HKFRS, the ongoing disclosure of the GAC Group should be in line with the current disclosure in the Scheme Document; and (b) upon the effectiveness of the amendment to HKFRS, GAC will endeavour to provide sufficient information to fulfil its ongoing disclosure obligation, enabling the investors to assess GAC Group's operating results.

In reviewing the Profit Forecast, we note that the Profit Forecast is prepared on a number of assumptions, in particular, it is assumed that there will be no material impact on the sales of GAC Toyota as a result of Toyota's recent global recall. As stated in the Scheme Document, although none of the recalls initiated by Toyota or Honda involved the products manufacturer by GAC Toyota or Guangqi Honda as at the Latest Practicable Date, the recalls initiated by Toyota and Honda may still have a negative impact on the respective brand image of GAC Toyota and Guangqi Honda, which in turn would have a negative impact on GAC operations and financial results.

It is also noted that no profit forecast for the year ending 31 December 2010 has been made publicly available by the management of Denway. As such, we are not able to perform such analysis on a prospective basis. We prepare the analysis based on GAC's and Denway's audited 2009 results on the assumption that the Privatisation had been taken place on 1 January 2009. Set out below is the comparison between the unaudited pro-forma earnings per share and net asset value attributable to each Scheme Share implied by the Revised Share Exchange Ratio, as if the Privatisation had been taken place on 1 January 2009, and the audited earnings per share of Denway for the year ended 31 December 2009 and net asset value per share of Denway as at 31 December 2009:

	GAC Group			**Denway Group**
	Based on audited 2009 results	**Based on unaudited pro-forma 2009 results (assuming after the Scheme becomes effective)**	**Unaudited pro-forma earnings/ net asset attributable to each Scheme Share**	**Based on audited 2009 results**
Profit attributable to shareholders (in RMB'000)	2,031,800	3,210,429(1)		1,914,530
Total number of GAC domestic and H Shares		6,148,057,675(2)		
Net asset value (in RMB'000)	13,059,741	21,229,991(3)		14,188,201
Earnings per share (RMB)	0.5413	0.5222(4)	0.2475(6)	0.2550
Net asset value per share (RMB)	3.3190	3.4531(5)	1.6369(6)	1.8870

Notes:

(1) *As set out in Appendix II — unaudited pro forma financial information contained in the Appendix F — Listing Document of the Scheme Document, the pro-forma profit attributable to shareholders would be approximately RMB3,210 million, after taking into account the adjustment of RMB1,178,629, which represents the increase in share of the profit of Denway as a result of the increase in its 62.1% shareholding in Denway upon the Scheme becoming effective.*

(2) *The number of issued shares of GAC as enlarged by approximately 2,213,300,218 GAC H Shares would become approximately 6,148,057,675, which represents approximately 36% of GAC's enlarged issued number of shares, upon the Scheme becoming effective.*

(3) *As set out in the Appendix II — unaudited pro forma financial information contained in the Appendix F — Listing Document of the Scheme Document, the pro-forma net assets value would be approximately RMB21,230 million, after taking into account the adjustment of RMB8,170 million, which represents the increase in share of net assets of Denway as a result of the increase in its 62.1% shareholding in Denway upon the Scheme becoming effective.*

(4) *Pro-forma earning per share of GAC is calculated based on the net profit attributable to shareholders divided by the total number of 6,148,057,675 issued GAC domestic and H Shares as at 31 December 2009, assuming the Privatisation had taken place on 1 January 2009.*

(5) *Pro-forma net assets value per share of GAC is calculated based on the net assets attributable to GAC Shareholders divided by the total number of GAC domestic and H Shares as at 31 December 2009, assuming the Privatisation had taken place on 1 January 2009.*

(6) *GAC's earning/net assets value attributable to each Scheme Share implied by the Revised Share Exchange Ratio is calculated based on the GAC's earning/net assets value per share multiplied by the Revised Share Exchange Ratio of 0.474026.*

As shown above, it is noted that the unaudited pro-forma earnings per share and net asset value attributable to each Scheme Share implied by the Revised Share Exchange Ratio are RMB0.2475 and RMB1.6369 respectively, which represents a decrease of 2.9% and 13.3% respectively, when compared with the audited 2009 earnings per share and net asset value per share of Denway. Based on 2009 audited results of GAC and Denway, there would be a dilutive effect to the pro-forma earnings and net asset value attributable to each Scheme Share implied by the Revised Share Exchange Ratio assuming the Privatisation had taken place on 1 January 2009. It should be noted that the pro-forma analysis is prepared solely for illustrative purpose. As set out in the Profit Forecast, the net profit attributable to the equity holder of GAC for the year ending 31 December 2010 would be not less than RMB3,760 million, which represents a growth of approximately 85% as compared to that of RMB2,032 million for the year ended 31 December 2009. However, as mentioned above, no profit forecast for the year ending 31 December 2010 has been made publicly available by the management of Denway. As such, we are unable to perform analysis to compare the pro-forma implied earnings and net asset value attributable to each Scheme Share with the 2010 earnings and net asset value per share of Denway on the basis of the profit forecast of Denway for the year ending 31 December 2010. In our view, unless the dilutive effect is reduced, the Revised Share Exchange Ratio under the Privatisation is unfavourable to the Scheme Shares from the attributable earnings and net asset value perspective.

6. Analysis on previous privatisation cases

We have, on our best knowledge and effort, identified and reviewed an exhaustive list of transactions involving privatisation, which includes listed companies which are listed on the Stock Exchange of which the privatisation was first announced between 1 January 2008 and the Latest Practicable Date (the "Privatisation Precedents"). Other than one involving issuance of listed shares as consideration, all the other Privatisation Precedents were cash offers for the shareholders to exit their respective investments. Consequently, we consider that comparison with the Privatisation Precedents is not meaningful.

7. Other considerations

(i) Opportunity to retain the investment in Denway and capture the potential upside of GAC Group

The Scheme involving the exchange of Denway Shares with GAC H Shares allow Denway Shareholders to retain their investments in the PRC automobile industry and provides Denway Shareholders opportunities to enjoy the potential benefits from a larger vehicle manufacturing platform of GAC Group. Also, the financial results of Denway for the three years ended 31 December 2009 remained relatively stable with only a mild growth in the profits attributable to the equity holders of Denway from 2007 to 2008, while Denway experienced a drop of profits attributable to equity holders of Denway by 8.6% in 2009 as compared to 2008. Should the financial effect of the donation of approximately RMB301 million be excluded, the consolidated net profit of Denway for the year ended 31 December 2009 would have increased accordingly. As opposed to Denway, GAC recorded a relatively stronger growth of profits attributable to the equity holders of GAC by approximately 29.7% in 2009 as compared to 2008. In addition, GAC Group has greater production capacity than Denway.

(ii) Takeovers Code implication on another offer and possible offer within 12 months

We note that if the Privatisation is not approved by the Disinterested Denway Shareholders and therefore lapses, the GAC Group is precluded by the Takeovers Code to announce another offer or possible offer for Denway within 12 months from the date on which the Proposal lapses, except with the consent of Executive as defined under the Takeovers Code (the "Executive").

(iii) Dividends

The dividend paid to Denway Shareholders for the three years ended 31 December 2007, 2008 and 2009 represents 46%, 25% and 35% of the profit attributable to equity holders of Denway, respectively. GAC did not declare and pay dividend to GAC Shareholders for the two years ended 31 December 2007 and 2008. For the year ended 31 December 2009, dividend paid to GAC Shareholders represents approximately 40% of the profit attributable to equity holders of GAC. As set out in the Scheme Document, GAC Group will continue this practice in the future. We would however draw Denway Shareholders' attention that, as set out in the Scheme Document, the PRC laws permit payment of dividends only out of net income as determined in accordance with the PRC accounting standards and regulations. GAC's subsidiaries, JCEs and associated companies in the PRC are required to set aside a portion of their net income each year to fund designated statutory reserve funds in connection with certain mandatory social welfare programs. These reserves are not distributable as cash dividends. As a result, GAC's primary source of funds for dividend payments is subject to relevant PRC legal restrictions and uncertainties. As also set out in the Scheme Document, currency exchange restrictions may limit GAC's ability to receive and use its revenues effectively. In particular, GAC may need to convert a portion of its revenue into other currencies to meet its foreign currency obligations, including payment of dividend declared, if any. The PRC government could take further measures in the future to restrict access to foreign currencies for the current account transactions. Therefore, it would impose limitation in dividend payments by GAC Group.

8. Risk factors

As set out in the Risk Factors of the Scheme Document, we noted that most of the risks associated with GAC, in general, are same as those in connection with Denway since both GAC Group and Denway Group are engaged in the automobile industry in the PRC. Nevertheless, we would like to draw Denway Shareholders' attention to certain risks that Denway Shareholders may subject to only in the event that they become GAC Shareholders. Those particular risks include but not limited to (i) Toyota's voluntary safety recalls could jeopardize GAC's reputation and financial performance; (ii) the potential conversion of GAC Domestic Shares into GAC H Shares may result in an increase in the number of GAC H Shares available on the market and may affect the price of GAC H Shares; (iii) foreign individual holders of the GAC H Shares may become subject to PRC income tax and there are uncertainties as to the PRC tax obligations of foreign enterprises that are holders of the GAC H Shares; and (iv) it may be difficult to enforce a judgement obtained from non-PRC courts against GAC or GAC Directors, supervisors or senior executive officers residing in China.

CONCLUSIONS AND RECOMMENDATIONS

We have considered the above principal factors and reasons and, in particular, have taken into account the following factors in arriving at our opinion:

- the Privatisation and the Introduction are in effect a reorganisation of GAC Group. The Privatisation and the Introduction would allow Scheme Shareholders to retain participation in the existing Denway core business through their ownership in the enlarged GAC Group after the Scheme becoming effective. The Privatisation and the Introduction would also offer the Scheme Shareholders an opportunity to participate in GAC with a larger scale in terms of market share, product diversification and production capacity. Immediately following the completion of the Privatisation and the Introduction, the shareholding of the Scheme Shareholders in GAC will be approximately 36.0% of the then enlarged share capital;
- Using low end of the Estimate of Value and low end of the Scheme Share Theoretical Value, being HK$5.32 per Scheme Share, for conducting analysis in this letter as a conservative approach to demonstrate the minimum benefit from the Privatisation and the Introduction to the Scheme Shareholders, on the basis that Dongfeng is considered to be the most comparable company to GAC and was trading at the low end of the range among the comparable companies used by the Valuation Adviser in arriving at the Estimate of Value;
- the low end of the Scheme Share Theoretical Value represents a premium over the average closing prices of various historical periods; and
- on the basis of low end of the Scheme Share Theoretical Value, the 2009 implied PER of Denway was above the PERs of the Comparable Companies while the 2009 implied PBR of Denway was within the range of the PBRs of the Comparable Companies on the Latest Practicable Date.

Having considered the above matters in aggregate, we consider the terms of the Privatisation proposal to be, on balance, fair and reasonable so far as the Disinterested Denway Shareholders are concerned. Accordingly, we advise the Denway IBC to recommend the Disinterested Denway Shareholders to vote in favour of the special resolution to approve the Scheme at the Court Meeting and the special resolution to approve and give effect to the Scheme at the Denway EGM.

In making this recommendation, we note that Disinterested Denway Shareholders are at liberty to vote according to their personal preference and circumstances and they should consult their own professional advisers for professional advice. Denway Shareholders who are not confident of the future prospects of the GAC Group as an independent entity and/or do not wish to continue to retain an exposure in the GAC Group and/or who are not attracted by the Privatisation proposal as compared to the historical trading performance or their respective investment costs of the Shares may wish to vote against the special resolution in relation to the Privatisation proposal at the Denway EGM.

Denway Shareholders, investors and potential investors should note that the theoretical value of GAC H Shares estimated by the Valuation Adviser does not represent the trading price of GAC H Shares immediately following completion of the Introduction. The trading price of GAC may fluctuate subject to prevailing market conditions and may materially differ from the theoretical value of GAC H Shares estimated by the Valuation Adviser. Accordingly, Scheme Shareholders, investors and potential investors should not rely on the implied theoretical value of

GAC H Shares as the basis of projecting the trading price of the GAC H Shares upon completion of the Introduction.

The Privatisation is not a cash offer. Those Scheme Shareholders who may wish to divest their Denway investments to receive cash before the Privatisation and those who are concerned that the proposed Privatisation may not become effective and are not willing to become GAC Shareholders may consider disposing of their Denway Shares in the open market before the Court Meeting. The Scheme Shareholders should take into account the potential net realisation value of their investments after considering the normal transaction costs, including brokerage commission, transaction levy and stamp duty if they are involved in disposing their Denway Shares before the Privatisation becoming effective.

Yours faithfully,
For and on behalf of
BNP Paribas Capital (Asia Pacific) Limited
Isadora Li
Head of Investment Banking — North Asia

This Explanatory Statement constitutes the statement required under Section 166A of the Companies Ordinance.

Dear Sir or Madam,

1. INTRODUCTION

Reference is made to (i) the Announcement pursuant to which GAC and Denway jointly announced that on 18 May 2010, GAC formally requested the Denway Board to put forward the Privatisation proposal to the Scheme Shareholders regarding the privatisation of Denway by way of the Scheme; and (ii) the announcement dated 8 June 2010, pursuant to which GAC and Denway jointly announced that on 7 June 2010, GAC requested the Denway Board to put forward the Share Exchange Ratio to the Scheme Shareholders.

As at the Latest Practicable Date, GAC holds 2,849,544,904 Denway Shares, representing approximately 37.90% of the outstanding issued share capital of Denway, through China Lounge, a wholly owned subsidiary of GAC. Mr Yao Yiming (an executive Denway Director and also a member of GAC's senior management team) and Mr Cheung Doi Shu (an independent non-executive Denway Director) hold 1,132,000 and 3,000,000 Denway Shares, representing approximately 0.02% and 0.04% of the outstanding issued share capital of Denway, respectively. So far as Denway Directors are aware, Templeton Asset Management Ltd. holds 1,162,841,027 Denway Shares, representing approximately 15.47% of the outstanding issued share capital of Denway. The remaining approximately 46.58% of the outstanding issued share capital of Denway is held by public Denway Shareholders.

GAC has appointed J.P. Morgan, Morgan Stanley and CICC as its joint financial advisers in connection with the Privatisation and the Scheme.

The purpose of this Explanatory Statement is to explain the terms and effects of the Privatisation and, in particular, the Scheme and to provide the Denway Shareholders with other relevant information in relation to the Privatisation and the Scheme.

Your attention is drawn to (1) the letter from the Denway Board set out on pages 21 to 27 of this Scheme Document, (2) the letter from the Denway IBC set out on pages 28 to 29 of this Scheme Document, (3) the letter from the Independent Financial Adviser, set out on pages 30 to 54 of this Scheme Document and (4) the terms of the Scheme set out on pages S-1 to S-6 of this Scheme Document.

2. THE PRIVATISATION AND THE SCHEME

2.1 The Privatisation

The Privatisation will be implemented by way of the Scheme. Under the Scheme, the Scheme Shares will be cancelled and, in consideration thereof, all Scheme Shareholders will be entitled to receive:

For every Scheme Share cancelled . . . . **0.474026 GAC H Shares**

It is expected that under the Privatisation, fractions of GAC H Shares will not be issued to the Scheme Shareholders.

Under the Privatisation, the share capital of Denway will, on the Scheme Effective Date, be reduced by cancelling and extinguishing the Scheme Shares. Immediately thereafter, the authorised share capital of Denway will be increased to the amount prior to the cancellation of the Scheme Shares by the creation of new Denway Shares and such Denway Shares, being in the same number as the cancelled Scheme Shares, will be issued to GAC and/or its nominees at par, credited as fully paid with the reserve arising from the cancellation of the Scheme Shares.

The Share Exchange Ratio of 0.474026 GAC H Shares for every Scheme Share cancelled was determined by GAC on the basis of, among other things, (i) the historical performance of GAC and Denway, (ii) the business potential of both GAC and Denway, (iii) the earnings forecast of GAC for the year ending 31 December 2010 (Please refer to Appendix III of the Listing Document set out in Appendix F of this Scheme Document), (iv) the prevailing and historical market price levels of Denway and those of comparable companies, (v) the potential benefits of the Introduction and the Privatisation for Denway Shareholders and GAC Shareholders, (vi) the possibility, if the Privatisation does not proceed, that GAC may consider making an application for an initial public offering of its shares which would not involve a privatisation of Denway, (vii) the fact that the Denway 2009 Final Dividend has been declared and paid, (viii) the fact that GAC H Shares (as opposed to cash) are being offered as consideration under the Scheme and that accordingly, upon success of the Introduction and the Privatisation, investors in Denway may participate as GAC Shareholders in a combined business which would include any benefits accruing from the combination and (ix) that the transaction does not represent a change of controlling shareholder of Denway.

Under the Privatisation, it is expected fractions of GAC H Shares will not be issued to the Scheme Shareholders. Fractional entitlements of Scheme Shareholders to GAC H Shares will be aggregated and sold in the market with the proceeds paid to GAC for its own benefit.

2.2 Total Consideration and Comparisons of Value

Scheme Shareholders, investors and potential investors should note that the estimated value of each GAC H Share as presented in this Scheme document is different from that presented in the Announcement, which is due to the update of the Valuation Report as set out in Appendix B of this Scheme Document.

Anglo Chinese has estimated that the value of each GAC H Share on the Latest Practicable Date is in the range of RMB9.84 to RMB10.22 (equivalent to HK$11.22 to HK$11.66) per GAC H share. On the basis that for every Scheme Share cancelled under the Privatisation, Scheme Shareholders will receive 0.474026 GAC H Shares, the value of the consideration of each Denway Share would be in the range of HK$5.32 to HK$5.53. Accordingly, given that there are 7,518,698,534 Denway Shares in issue, the entire issued share capital of Denway as at the Latest Practicable Date would be theoretically valued in the range of HK$39,988,737,394 to HK$41,556,923,174.

The foregoing paragraph is subject to the bases, limitations and assumptions set out in the Valuation Report set out in Appendix B of this Scheme Document. **In particular, Scheme Shareholders, investors and potential investors should note that the theoretical value of GAC H Shares estimated by Anglo Chinese does not represent the trading price of GAC immediately following completion of the Introduction. The trading price of GAC may fluctuate subject to prevailing market conditions and may materially differ from the theoretical value of GAC H Shares estimated by the Valuation Adviser. Accordingly, Scheme Shareholders, investors and potential investors should not rely on the Share Exchange Ratio and the implied theoretical value of GAC H Shares as the basis of projecting the trading price of the GAC H Shares upon completion of the Introduction.**

Market prices

Scheme Shareholders, investors and potential investors should note that the below comparison results are different from those presented in the Announcement, which are due to the update of the estimated value of each GAC H Share and update of the trading information in Denway Shares.

The Share Exchange Ratio of 0.474026 GAC H Shares for every Scheme Share cancelled represents the mid-point of the valuation range of GAC estimated by the Valuation Adviser and is equivalent to a value of HK$5.42 for each Scheme Share under the Privatisation and represents:

(a) a premium of approximately 49.3% over the closing price of each Denway Shares of HK$3.63 on the Stock Exchange as at the Latest Practicable Date;

(b) a premium of approximately 17.3% over the closing price of each Denway Share of HK$4.62 on the Stock Exchange on 21 January 2010, being the last trading date prior to the Offer Period Start Date;

(c) a premium of approximately 18.9% over the closing price of each Denway Share of HK$4.56 on the Stock Exchange on the Last Trading Day immediately preceding the Announcement Date;

(d) a premium of approximately 50.6% over the average closing price of HK$3.60 of each Denway Share based on the daily closing prices of Denway Shares as quoted on the Stock Exchange for the five trading days immediately prior to and including the Latest Practicable Date;

(e) a premium of approximately 57.1% over the average closing price of HK$3.45 of each Denway Share based on the daily closing prices of Denway Shares as quoted on the Stock Exchange for the ten trading days immediately prior to and including the Latest Practicable Date;

(f) a premium of approximately 45.3% over the average closing price of HK$3.73 of each Denway Share based on the daily closing prices of Denway Shares as quoted on the Stock Exchange for the 30 trading days immediately prior to and including the Latest Practicable Date;

(g) a premium of approximately 35.5% over the average closing price of HK$4.00 of each Denway Share based on the daily closing prices of Denway Shares as quoted on the Stock Exchange for the 60 trading days immediately prior to and including the Latest Practicable Date;

(h) a premium of approximately 30.9% over the average closing price of HK$4.14 of each Denway Share based on the daily closing prices of Denway Shares as quoted on the Stock Exchange for the 90 trading days immediately prior to and including the Latest Practicable Date;

(i) a premium of approximately 25.8% over the average closing price of HK$4.31 of each Denway Share based on the daily closing prices of Denway Shares as quoted on the Stock Exchange for the 120 trading days immediately prior to and including the Latest Practicable Date;

(j) a premium of approximately 25.2% over the average closing price of HK$4.33 of each Denway Share based on the daily closing prices of Denway Shares as quoted on the Stock Exchange for the 150 trading days immediately prior to and including the Latest Practicable Date; and

(k) a premium of approximately 29.0% over the average closing price of HK$4.20 of each Denway Share based on the daily closing prices of Denway Shares as quoted on the Stock Exchange for the 180 trading days immediately prior to and including the Latest Practicable Date.

Net Asset Value

Based on the latest published audited consolidated financial statements of Denway under HKFRS, the net asset value of Denway, excluding minority interest, as at 31 December 2009 was approximately RMB14,188 million (equivalent to approximately HK$16,174 million). This is equivalent to approximately HK$2.15 for each Denway Share as at the Latest Practicable Date.

On that basis, the value of HK$5.42 for each Scheme Share under the Privatisation, being the theoretical value of 0.474026 GAC H Shares as estimated by Anglo Chinese, represents a multiple of 2.5 times of the net asset value for each Denway Share of HK$2.15.

2.3 Denway Options

As at the Latest Practicable Date, there are 26,344,000 Denway Options outstanding, of which 8,528,000, 5,664,000, 5,664,000 and 6,488,000 Denway Options are held by Mr. Zhang Fangyou, Mr. Zeng Qinghong, Mr. Yang Dadong and Mr. Zhang Baoqing, respectively. Mr. Zhang Fangyou and Mr. Zeng Qinghong are both executive Directors of Denway and GAC. Mr. Yang Dadong and Mr. Zhang Baoqing are both former Denway Directors. On 17 May 2010, each of the Denway Optionholders gave Denway an irrevocable undertaking that (i) conditional upon the Scheme becoming effective, each of them will surrender their respective Denway Options for nil consideration with effect from the Scheme Effective Date; and (ii) each of them shall not exercise their Denway Options held by him until: (x) if the Scheme becomes effective, the Scheme Effective Date, at which time such Denway Options shall be surrendered pursuant to the terms of their respective irrevocable undertakings (and in any event shall lapse automatically in accordance with the terms of the Denway Share Option Scheme); or (y) if the Scheme is withdrawn, not approved or lapses, the date of such withdrawal, non-approval or lapse; and (iii) each of them shall not accept an offer in respect of their respective Denway Options if a comparable offer for the outstanding Denway Options were made.

2.4 Market Prices

Denway Shares

The table below shows the closing prices of the Denway Shares as quoted on the Hong Kong Stock Exchange on (1) the Latest Practicable Date, (2) the Last Trading Date and (3) at the end of each of the calendar months during the Disclosure Period:

Date	Closing Price for each Denway Share (HK$)
7/30/2009	3.67
7/31/2009	3.85
8/31/2009	3.45
9/30/2009	3.45
10/31/2009	3.77
11/30/2009	4.76
12/31/2009	4.94
1/31/2010	4.45
2/28/2010	4.34
3/31/2010	4.13
4/28/2010	4.56
4/30/2010	4.56
5/31/2010	3.30
6/14/2010	3.63

During the Disclosure Period, the highest closing price of Denway Shares as quoted on the Stock Exchange was HK$5.37 each on 7 December 2009, and the lowest closing price of Denway Shares as quoted on the Stock Exchange was HK$3.10 each on 28 May 2010.

2.5 Further Terms of the Privatisation

(a) GAC H Shares to be issued

The GAC H Shares to be issued pursuant to the Introduction will be issued free from all liens, charges and encumbrances and together with all rights attaching to them, including the right to receive all dividends and other distributions, if any, declared, made or paid on or after the date of their issue and will rank pari passu with the other existing GAC Shares.

The GAC H Shares to be issued pursuant to the Introduction, will be issued in reliance upon the exemption from the registration requirements of the US Securities Act provided by Section 3(a)(10) thereof. As a consequence, the GAC H Shares will not be registered under the US Securities Act.

An application will be made to the Stock Exchange for the listing of, and permission to deal in, the GAC H Shares to be issued pursuant to the Introduction.

(b) Overseas Denway Shareholders

The making of the Privatisation proposal to persons not resident in Hong Kong may be subject to the laws of the relevant jurisdictions. Such persons should inform themselves about and observe any applicable legal or regulatory requirements. It is the responsibility of any overseas holder of Denway Shares wishing to take any action in relation to the Privatisation and the Scheme to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required, or the compliance with other necessary formalities and the payment of any issue, transfer or other taxes due in such jurisdiction.

2.6 Statement of Indebtedness

As at 30 April 2010, being the latest practicable date for the purpose of this indebted statement, the GAC Group had total outstanding secured bank loans of approximately RMB242 million. For details of the statement of indebtedness of GAC Group, please refer to pages F-184 and F-185 of the Listing Document set out in Appendix F of this Scheme Document.

Disclaimer

Save as disclosed in this section headed "2.6 Statement of indebtedness" and apart from intergroup liabilities, the GAC Group did not have any debt securities, any other outstanding loan capital, any other borrowings or indebtedness in the nature of borrowings, including bank overdrafts and liabilities under acceptance (other than normal trade bills) or other similar indebtedness, debentures, mortgages, charges, loans, acceptance credits, hire purchase commitments, guarantees or other material contingent liabilities as at 30 April 2010; and the GAC Directors confirm that there were no material changes in indebtedness and contingent liabilities of the GAC Group since 30 April 2010 up to and including the Latest Practicable Date.

3. CONDITIONS OF THE PRIVATISATION AND THE SCHEME

The Privatisation is subject to, and the Scheme will become effective and binding on Denway and all Scheme Shareholders subject to, the satisfaction or waiver (as applicable) of the following conditions:

(a) the Listing Committee of the Stock Exchange having approved the listing of, and permission to deal in, the GAC H Shares on the Stock Exchange to be issued pursuant to the Introduction;

(b) the approval of the Scheme (by way of poll) by a majority in number of the Disinterested Denway Shareholders present and voting either in person or by proxy at the Court Meeting representing not less than three-fourths in value of the Scheme Shares that are voted either in person or by proxy at the Court Meeting, provided that the number of votes cast (by way of poll) against the resolution to approve the Scheme at the Court Meeting is not more than 10% of the votes attaching to all the Denway Shares held by all the Disinterested Denway Shareholders;

(c) (i) the passing of a special resolution by a majority of not less than three-fourths of the votes cast by the Denway Shareholders present and voting in person or by proxy at the Denway EGM to approve and give effect to the reduction of the issued share capital of Denway by cancelling and extinguishing the Scheme Shares, and (ii) the increase of the issued share capital of Denway immediately thereafter to the amount prior to the cancellation of the Scheme Shares to pay up in full at par such number of new Denway Shares as is equal to the number of Scheme Shares cancelled as a result of the Scheme, credited as fully paid, for issuance to GAC;

(d) the sanction of the Scheme (with or without modification) and the confirmation of the reduction of the share capital of Denway by the High Court, under Sections 166 and 60, respectively, of the Companies Ordinance;

(e) a copy of the order of the High Court sanctioning the Scheme and confirming the reduction of the share capital of Denway, together with a minute approved by the High Court containing the particulars required by Section 61 of the Companies Ordinance, being delivered to and registered by the Registrar;

(f) all applicable filings, notices and waivers required in connection with the Privatisation (including its implementation) from or with any governmental or regulatory body having been made, and, if applicable, any waiting periods under any applicable antitrust or similar laws and regulations having expired or terminated;

(g) all necessary authorisations, consents and approvals (including approval in-principle) of any governmental or regulatory body in relation to the Privatisation (including their implementation) having been obtained and remaining in full force and effect pursuant to the provisions of any laws or regulations in Hong Kong, the PRC, and any other relevant jurisdictions;

(h) all necessary third party consents in relation to the Privatisation which may be required under any existing contractual obligations to which any member of the Denway Group or GAC is a party (where any failure to obtain a consent would have a material adverse effect on the implementation of the Privatisation or the business of the Denway Group or GAC Group, in each case taken as a whole) having been obtained or waived by the relevant party(ies);

(i) no relevant government, governmental, quasi-governmental, statutory or regulatory body, court or agency having granted any order or made any decision that would make the Privatisation void, unenforceable or illegal, or restrict or prohibit the implementation of, or impose any additional material conditions or obligations with respect to, the Privatisation (other than such orders or decisions as would not have a material adverse effect on the legal ability of GAC to proceed with or consummate the Privatisation);

(j) no event having occurred which would make the Privatisation or the cancellation of the Scheme Shares void, unenforceable or illegal or which would prohibit the implementation of the Privatisation or impose any additional material conditions or obligations with respect to the Privatisation or any part thereof or on the cancellation of the Scheme Shares;

(k) since the Announcement Date, there having been no material adverse change in the business, financial or trading position of the GAC Group or the Denway Group, each taken as a whole; and

(l) save in connection with the implementation of the Privatisation, the listing of the Denway Shares on the Stock Exchange not having been withdrawn, and no indication being received from the SFC and/or the Stock Exchange, to the effect that the listing of the Denway Shares on the Stock Exchange is or is likely to be withdrawn.

The condition in paragraph (b) above is the combined effect of Section 166 of the Companies Ordinance and Rule 2.10 of the Takeovers Code. Insofar as the statutory requirement for the sanction of the Scheme by the High Court is concerned, a resolution for the approval of the Scheme will be deemed to have been passed if a majority in number representing three-fourths in value of the Denway Shareholders present and voting either in person or by proxy at the Court Meeting vote in favour of the Scheme.

Under Rule 2.10 of the Takeovers Code, however, such a resolution will only be considered to have been passed if (1) the Scheme is approved by at least 75% of the votes attaching to the Denway Shares held by the Disinterested Denway Shareholders (other than the Exempt Principal Traders connected with GAC or Denway) that are cast either in person or by proxy at the Court Meeting and (2) the number of votes cast against the resolution is not more than 10% of the votes attaching to all of the Denway Shares held by the Disinterested Denway Shareholders, including the Exempt Principal Traders.

As at the Latest Practicable Date, there were 4,662,460,530 Denway Shares in issue that were held by the Disinterested Denway Shareholders. Assuming that no new Denway Shares or Denway Options are issued, and that none of the Denway Options are exercised, after the Latest Practicable Date, 10% of such Denway Shares would amount to 466,246,053 Denway Shares.

Exempt Principal Traders and Exempt Fund Managers are not presumed to be parties acting in concert with GAC in relation to the Privatisation under the Takeovers Code notwithstanding their connections with either J.P. Morgan, Morgan Stanley or CICC. However, Exempt Principal Traders connected with GAC or Denway are prohibited under Rule 35.4 of the Takeovers Code from voting the Denway Shares beneficially owned by them at the Court Meeting although they are Disinterested Denway Shareholders and, as such, their Denway Shares will form part of the Scheme Shares.

GAC reserves the right to waive the conditions referred to in paragraphs (h), (j) and (k) either in whole or in part, either generally or in respect of any particular matter. Conditions (a), (b), (c), (d), (e), (f), (g), (i) and (l) cannot be waived in any event. All of the above conditions will have to be satisfied or waived, as applicable, on or before 31 December 2010 (or such other date as GAC and Denway may agree and the High Court may allow), otherwise the Privatisation and the Scheme will lapse. Denway has no right to waive any of the conditions.

Scheme Shareholders, investors and potential investors in Denway should be aware that the implementation of the Privatisation and the Scheme is subject to the conditions set out in this Scheme Document being satisfied or waived, as applicable, and accordingly, the Privatisation and the Scheme may or may not become effective. Scheme Shareholders, investors and potential investors in Denway should therefore exercise caution when dealing in Denway Shares and/or other securities of Denway. Persons who are in doubt as to the action they should take should consult their licensed securities dealers, registered institutions in securities, bank managers, solicitors or other professional advisers.

4. UNDERTAKINGS

Platinum has given an irrevocable undertaking to GAC that, among other things, it shall exercise all voting rights attaching to an aggregate of 393,285,973 Denway Shares (which represents approximately 5.22% of the issued share capital of Denway as at the Announcement Date) and any other shares or securities in Denway issued or unconditionally allotted to it or otherwise acquired by it to vote in favour of all resolutions to approve the Scheme and any related matters necessary to implement the Scheme proposed at the Court Meeting and the Denway EGM or at any adjournment of any such meeting.

Under the terms of the irrevocable undertaking given by Platinum, the undertakings and the instruction will lapse (a) if the Announcement is not released by 21 May 2010; or (b) if GAC announces, with the consent of the SFC and before the Scheme Document is posted, that it does not intend to proceed with the Scheme; or (c) if the Scheme is not approved at the Denway EGM or the Court Meeting by 31 July 2010; or (d) if the Scheme lapses or is withdrawn in accordance with its terms; or (e) if since the date of the irrevocable undertaking, there has been a material adverse change in the business, financial or trading position of GAC; or (f) in the event that the Independent Financial Adviser does not render an opinion that the Privatisation is fair and reasonable.

In addition to conditions (a) to (f) above, the undertaking given by Platinum will lapse if the Scheme is not approved at the Court Meeting or the Denway EGM.

5. REASONS FOR AND BENEFITS OF THE PRIVATISATION AND THE LISTING OF GAC BY INTRODUCTION

5.1 Reasons for the Privatisation

Currently, GAC holds approximately 37.90% of the issued share capital of Denway through China Lounge, a wholly-owned subsidiary of GAC. Denway in turn indirectly holds a 50% equity interest in Guangqi Honda through its wholly-owned subsidiary, Guangzhou Auto. GAC believes that this indirect holding of Denway and Guangqi Honda has not proved efficient for the GAC Group in terms of the management of resources and the effectiveness of decision-making at the Guangqi Honda-level and does not give Denway Shareholders an opportunity to participate in the growth of the GAC Group as a whole during the Track Record Period as the GAC Group has significant assets other than Guangqi Honda. In view of this, the GAC Board has resolved to privatise Denway by way of the Scheme.

Prior to the Scheme becoming effective, the profit attributable to minority interests is primarily contributed by the profit of the GAC Group shared by minority shareholders of Denway. For the three years ended 31 December 2007, 2008 and 2009, the profit attributable to minority interests of Denway accounts for 101.1%, 99.9% and 96.3% of the profit attributable to minority interests of the GAC Group. Denway is an investment holding company and, through its wholly-owned subsidiary, Guangzhou Auto, indirectly holds 50% equity interest in Guangqi Honda. As at the Latest Practicable Date, GAC holds 37.90% interest in Denway through China Lounge, a wholly-owned subsidiary of GAC, while the remaining 62.1% of outstanding Denway Shares are held by other Denway Shareholders. As a result, although Guangqi Honda is categorized as a Jointly-controlled Entity and is proportionately consolidated into the GAC Group's financial statements on a proportionate consolidation basis under HKFRS, only approximately 19.0% of the profit generated from Guangqi Honda, among other profits generated from Denway, is attributable to equity holders of GAC, while the remaining 31.0% of the profits is attributable to Denway Shareholders other than GAC Shareholders. Upon the Scheme becoming effective, Scheme Shareholders will become GAC Shareholders and Denway will become GAC's wholly-owned subsidiary which will enable 100% of profits from Denway, including 50% of profits from Guangqi Honda, to become attributable to the equity holders of GAC.

The Privatisation will enable Scheme Shareholders to participate in the growth of GAC, which will not only indirectly hold a 50% equity interest in Guangqi Honda through a wholly-owned subsidiary, but has, since 1993 when Denway was listed on the Main Board of the Stock Exchange, established GAC Toyota, GAC Hino and more recently, GAC Fiat. GAC has grown since 1993 from being a single brand passenger vehicle producer to a multi-brand passenger vehicle producer manufacturing a diverse portfolio of products that are widely recognised in the PRC as well as engaging in a broad range of automobile-related services and other businesses such as producing auto-parts, engaging in after-sales services, logistics services and auto insurance brokerage services. GAC is also in the process of developing and producing its own proprietary brand of passenger vehicles which it believes will mark another key milestone in its growth. If the Scheme is successful, Scheme Shareholders may potentially enjoy the benefits of GAC's larger and more diverse businesses. In addition, the GAC Group will also benefit from a more streamlined corporate structure with all of its vehicle manufacturing and other auto-mobile related services businesses at the same subsidiary level. GAC believes that a streamlined corporate structure will enable the GAC Group to more efficiently manage its resources and make effective decisions on the management and operations of each of its Jointly-controlled Entities.

5.2 The Introduction

In connection with the Privatisation, GAC is seeking a listing of the GAC H Shares by way of introduction on the Main Board of the Stock Exchange. The key purpose of the Listing is to add liquidity to the GAC H Shares and provide GAC with greater access to international capital through its listing platform, thereby increasing the attractiveness of the GAC H Shares and the consideration for the Scheme Shares. Accordingly, it is a condition to the Introduction that the Scheme becomes effective and a condition to the Scheme that the Listing Committee of the Stock Exchange approves the listing of, and permission to deal in, the GAC H Shares on the Stock Exchange to be issued pursuant to the Introduction.

The consideration for the Privatisation is not expected to involve any cash element and no GAC H Shares will be issued in connection with the Privatisation other than to Scheme Shareholders following the Scheme becoming effective.

5.3 Benefits of the Privatisation and the Introduction

The GAC Directors and the Denway Directors believe that the Introduction and the Privatisation benefit both Scheme Shareholders and GAC and mark a significant milestone in the development of the GAC Group.

The Introduction and the Privatisation represent an opportunity for Scheme Shareholders to become GAC Shareholders and benefit Scheme Shareholders and GAC in the following ways:

(a) Scheme Shareholders will benefit from investments in GAC's larger and more diverse businesses

The GAC Directors and the Denway Directors believe that, compared with Denway, GAC represents a compelling investment opportunity with its larger size, more diversified product portfolio and greater growth in production capacity during the Track Record Period. Upon the Scheme becoming effective, Scheme Shareholders will become GAC Shareholders and will form a part of a more attractive company, benefiting from the following.

- *Diversified product portfolio*. The operating results of Denway have been derived largely from the manufacture of automobile by Guangi Honda through its cooperation with Honda, the sales of which are influenced by the model cycles of a single joint venture partner. Upon the Scheme becoming effective, Scheme Shareholders will become GAC Shareholders and are expected to enjoy the benefits of GAC's cooperation with four other world-renowned auto brands, namely, Toyota, Fiat, Hino and Mitsubishi with strong growth in production capacity. Furthermore, Scheme Shareholders may also potentially benefit from the development of GAC's proprietary brand of passenger vehicles, its commercial vehicle segment and GAC Changfeng. Accordingly, by becoming GAC Shareholders, the Introduction and the Privatisation enable Scheme Shareholders to participate in GAC's more diversified product portfolio.

- *Integrated Business Model*. GAC operates a more vertically integrated business model ranging from engine and auto parts businesses to auto insurance brokerage and auto finance businesses as well as logistics services. Upon the Scheme becoming effective, Scheme Shareholders are expected to share the benefits generated by GAC through the automotive industry value chain.
- *Growth of production capacity*. The production capacity of Guangqi Honda remained unchanged during each of the three years ended 31 December 2007, 2008 and 2009, while the production capacity of the GAC Group and its associated companies increased from approximately 628,200 units to 909,000 units, representing a more than 45% growth during the three-year period. Furthermore, by completing the construction of GAMC in 2010 and the establishment of GAC Fiat in 2011, the production capacity of GAC and its associated companies is expected to achieve approximately 1,009,000 units in 2010 and approximately 1,269,000 units in 2011. The increase in production capacity will potentially further expand our production and sales of our products as well as potentially enable us to increase our utilisation rate and lower the cost of our products. Accordingly, upon the Scheme becoming effective and Scheme Shareholders becoming GAC Shareholders, Scheme Shareholders are expected to benefit from the greater production capacity of the GAC Group.
- *Government support*. As one of the eight major automobile corporations endorsed by the PRC government, GAC is supported by government policies which encourage further acquisitions and cooperation with international and domestic automobile manufacturers and GAC also benefits from PRC policies which encourage domestic financial institutions providing financing to corporations such as GAC. Accordingly, by becoming GAC Shareholders, Scheme Shareholders will also benefit from such favourable policies.
- *Corporate governance*. The success of the Introduction and the Privatisation will eliminate any potential conflicts of interest of the directors and management team of GAC and Denway relating to Denway's listed company status. As at the Latest Practicable Date, four directors of the GAC Board also sit on the Denway Board and all of the executive directors of Denway are either directors or senior manager of GAC. Upon the Scheme becoming effective, these duplicated roles will be eliminated, enabling such members to focus on their management roles in GAC.

(b) Benefits of the Privatisation and Introduction to GAC

The GAC Board believes that success of the Introduction may benefit GAC in the following ways and may in turn create greater value for Scheme Shareholders who will become GAC Shareholders upon the Scheme becoming effective.

- *Greater management efficiencies*. Upon the Scheme becoming effective, GAC will eliminate the multi-shareholding layers between GAC and Guangqi Honda and will become a direct shareholder of Guangqi Honda. GAC believes that its direct interest in Guangqi Honda will increase its management efficiency and will also enable GAC to establish closer cooperation with Honda, our joint venture partner, which it believes will encourage more efficient management of Guangqi Honda's resources and greater efficiency in the decision making process at Guangqi Honda. In the long term, the GAC Board and the Denway Board believe that this will benefit the development of Guangqi Honda in terms of production capacity expansion and the introduction of new models.

- *Increasing the GAC Group's financing capacity*. Currently, the GAC Group has access to international capital markets only through Denway. Issuances of new Denway Shares to raise equity financing would further dilute GAC's holding in Denway and in Guangqi Honda. Following the success of the Introduction, GAC H Shares will be listed on the Stock Exchange and will benefit from the additional liquidity afforded by the Listing, whilst GAC (and accordingly, Scheme Shareholders who will become GAC Shareholders) will have direct access to the international capital markets, thereby strengthening its capacity to access international capital. Furthermore, the success of the Introduction will allow rating agencies, financial institutions and investors to focus on one investment vehicle which the GAC Board believes would also benefit GAC in the sourcing of new capital in the future.

- *Enhancing GAC's business profile*. Success of the Introduction and the Privatisation will enhance GAC's profile amongst customers, suppliers and other business partners, as well as its ability to recruit talent and will therefore benefit Denway Shareholders, who will become shareholders of GAC upon the Scheme becoming effective.

6. INTENTIONS OF GAC WITH REGARD TO DENWAY

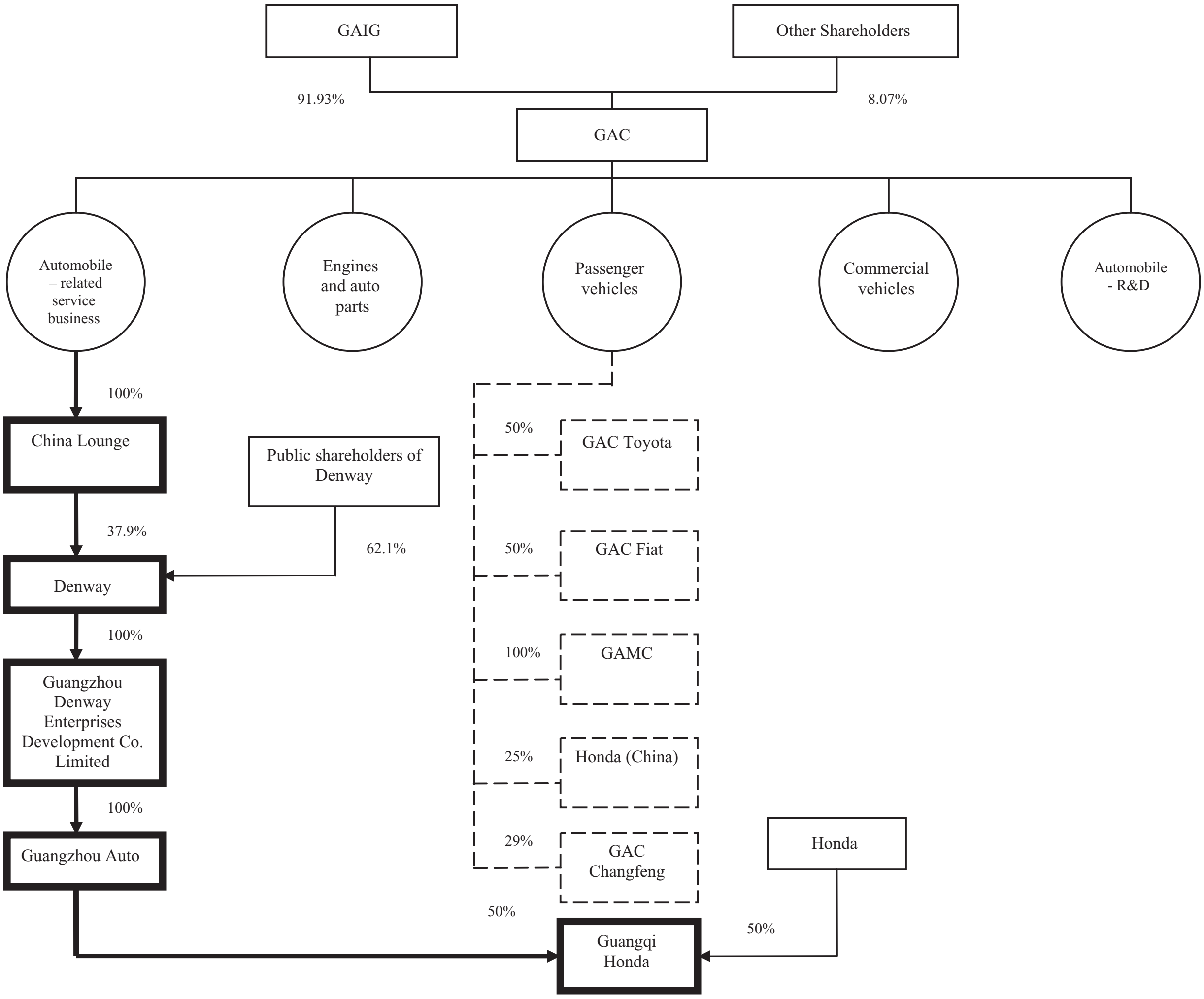
Upon the Scheme becoming effective, all Scheme Shares will be cancelled and the share certificates for the Scheme Shares will thereafter cease to have effect as documents or evidence of title. Denway will apply to the Stock Exchange for the withdrawal of the listing of the Denway Shares on the Stock Exchange immediately following the Scheme Effective Date.

The Scheme Shareholders will be notified by way of announcement of, amongst other things, the exact dates of the last day for dealing in the Denway Shares and on which day the Scheme and the withdrawal of the listing of the Denway Shares on the Stock Exchange will become effective.

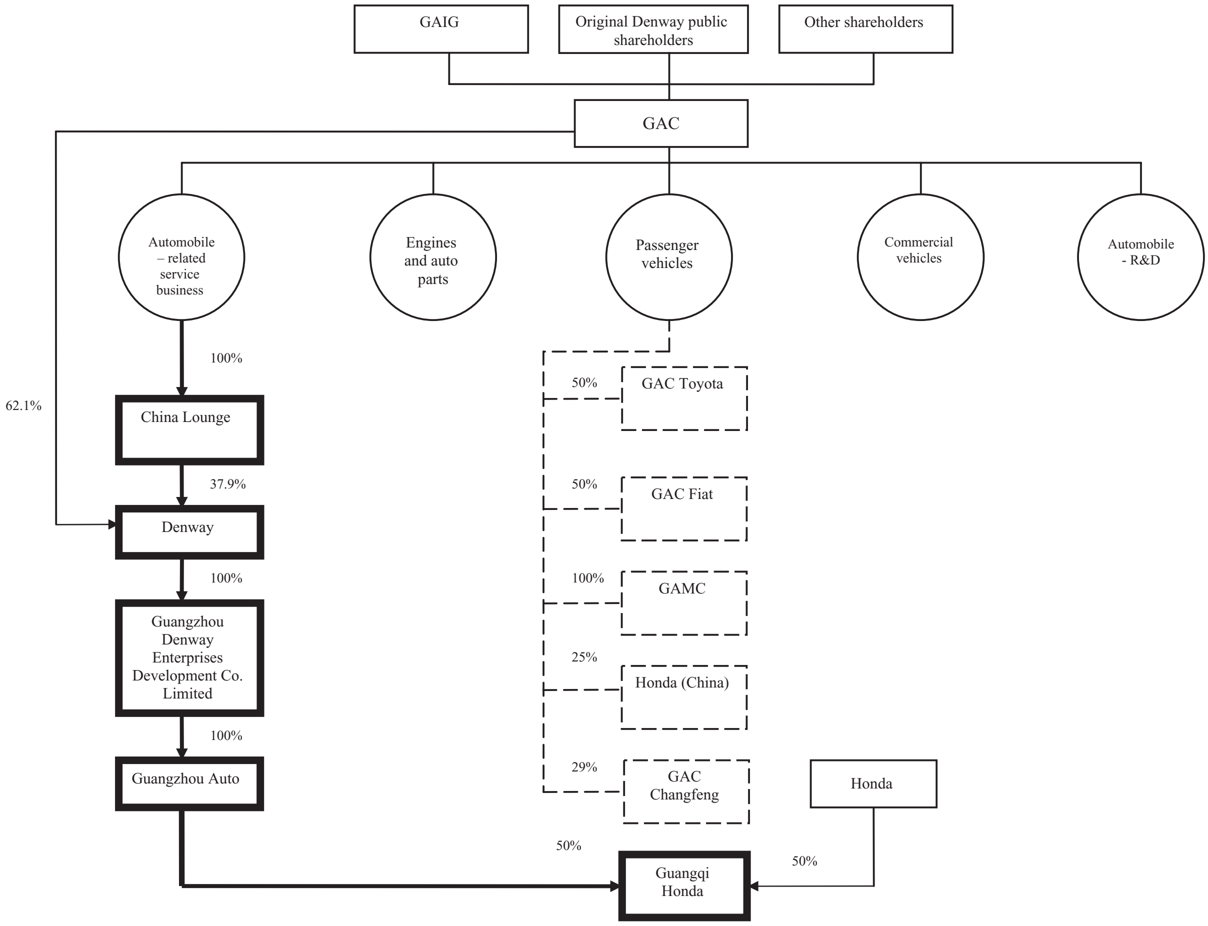
An indicative, or expected, timetable of the Scheme is included in this Scheme Document.

In connection with the Scheme, GAC and Denway expect to review Denway and its assets, corporate structure, capitalisation, operations, properties, policies, management and personnel to consider and determine what changes, if any, would be appropriate or desirable following the Scheme in order to best organise and optimise the activities of Denway. In particular, upon completion of the Privatisation and the Introduction, and subject to obtaining the necessary approvals from the relevant PRC regulatory authorities, GAC plans to rearrange the internal structure of the GAC Group to eventually become the direct shareholder of Guangqi Honda. The following sets out the simplified shareholding structure of GAC and Denway immediately before completion of the Privatisation and the Introduction, immediately after completion of the Privatisation and the Introduction and after the proposed internal restructuring by GAC following completion of the Privatisation and the Introduction.

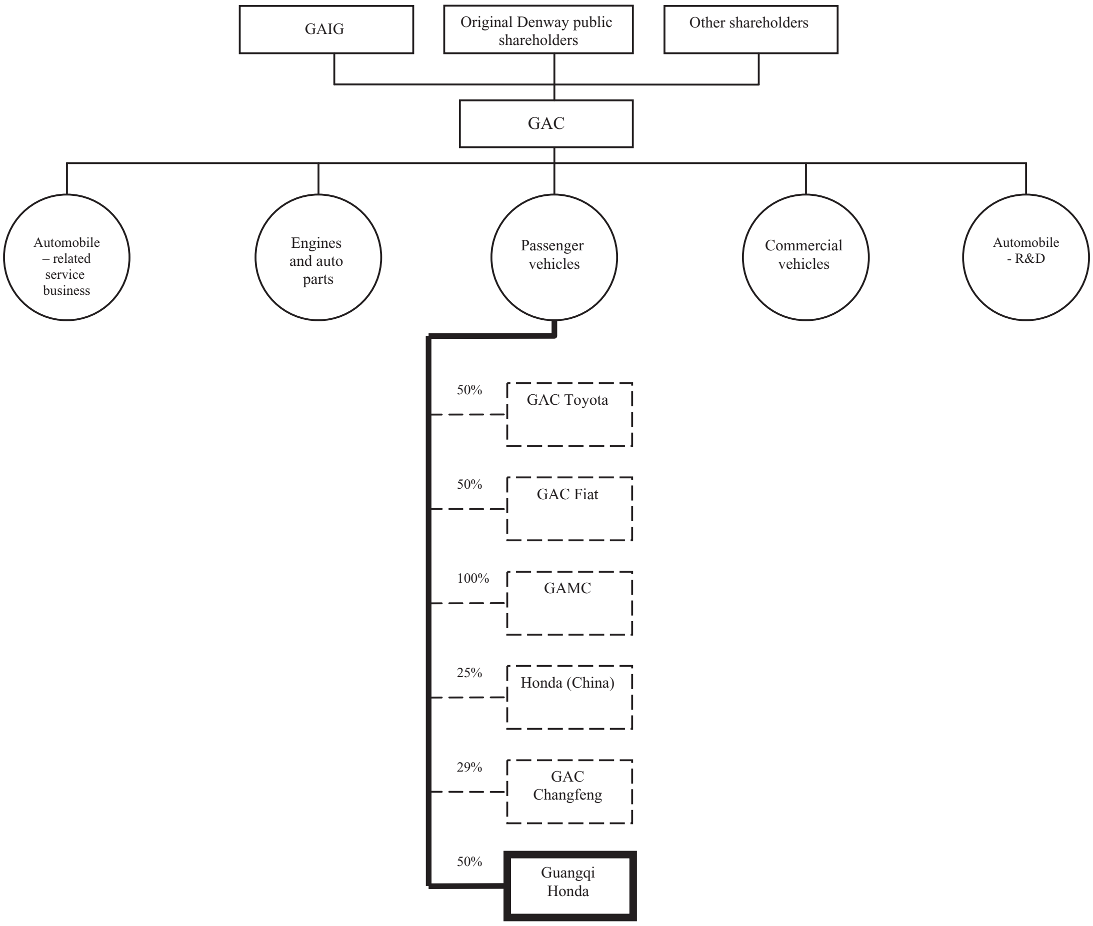
The following chart sets out the simplified shareholding structure of GAC and Denway immediately before the Privatisation and the Introduction:



The following chart sets out the simplified shareholding structure of GAC and Denway immediately after the Privatisation and the Introduction:



The following chart sets out the simplified shareholding structure of our Group upon completion of our proposed internal restructuring after the Privatisation and the Introduction[1]:



Note:

(1) Upon completion of the Privatisation and the Introduction, Denway will become a wholly-owned subsidiary of our Company. Subject to obtaining the necessary approvals from the relevant PRC regulatory authorities, our Company plans to rearrange the internal structure of our Group to eventually become the direct shareholder of Guangqi Honda.

Accordingly, GAC and Denway expressly reserve the right to make any changes that they deem necessary, appropriate or convenient in light of their review of the GAC Group and Denway, in light of future developments or in order to better integrate, generate maximum synergy or exploit full economies of scale with other operations of the GAC Group. Such changes could include, among other things, changes in Denway's businesses including redeployment of fixed assets of Denway or operations, corporate structure, articles of association, capitalisation, management, the Denway Board or dividend policy.

GAC currently has no intention to introduce any significant changes to the management of Denway, or to discontinue the employment of any employees of Denway and its subsidiaries, as a result of the implementation of the Privatisation. GAC does anticipate that, after completion of the Privatisation, cost savings will be realised through the elimination of administrative, compliance and other costs associated with Denway's independent listing.

7. FINANCIAL EFFECTS OF THE PROPOSALS

Your attention is drawn to Appendix II of the Listing Document set out in Appendix F of this Scheme Document which sets out the unaudited pro forma consolidated financial information of the enlarged group which has been prepared for the purpose of illustrating the financial effects of the Privatisation and the Introduction.

8. EFFECTS OF THE PRIVATISATION ON THE SHAREHOLDING STRUCTURES OF GAC AND DENWAY

8.1 Shareholding Structure of Denway

As at the Latest Practicable Date, there were 7,518,698,534 Denway Shares in issue and 26,344,000 Denway Options outstanding. Other than the Denway Shares and the Denway Options, there are no other options, derivatives, warrants or other securities convertible or exchangeable into Denway Shares. Please refer to the section headed "2.3 Denway Options" under this Explanatory Statement for information relating to the Denway Options in respect of the Privatisation and the Scheme.

As at the Latest Practicable Date, GAC holds 2,849,544,904 Denway Shares, representing approximately 37.90% of the outstanding issued share capital of Denway through China Lounge, a wholly-owned subsidiary of GAC. So far as Denway Directors are aware, Templeton Asset Management Ltd. holds 1,162,841,027 Denway Shares, representing approximately 15.47% of the outstanding issued share capital of Denway. Accordingly, both GAC and Templeton Asset Management Ltd. are substantial shareholders of Denway.

The table below sets out the shareholding structure of Denway as at the Latest Practicable Date and following the completion of the Privatisation:

Name	As at the Latest Practicable Date		Immediately following completion of the Introduction and the Privatisation	
	No. of Denway Shares	Approximate %	No. of Denway Shares	%
GAC and China Lounge	2,849,544,904(1)	37.90	7,518,698,534	100.00
Morgan Stanley Entities(2)	3,100	0.000041		
CICC Entities(3)	6,690,000	0.09	—	
Yao Yiming(4)	1,132,000	0.02		
Other Disinterested Denway Shareholders	4,661,328,530(5)	61.99	—	—
Total	**7,518,698,534**	**100.00**	**7,518,698,534**	**100.00**

Notes:

(1) *Such Denway Shares are held by China Lounge, a wholly-owned subsidiary of GAC and which is presumed to be acting in concert with GAC.*

(2) *Members of the Morgan Stanley Entities are persons presumed to be acting in concert with GAC. The interests of the Morgan Stanley Entities in these Denway Shares is in the form of Denway ADRs.*

(3) *Members of the CICC Entities are persons presumed to be acting in concert with GAC.*

(4) *Yao Yiming is an executive Denway Director and also a member of GAC's senior management team. Yao Yiming has irrevocably undertaken to GAC and Denway that he will abstain from voting at the Court Meeting. Notwithstanding Yao Yiming's abstention from voting at the Court Meeting, he remains a Disinterested Denway Shareholder.*

(5) *Such Denway Shares include (i) 3,000,000 Denway Shares held by Cheung Doi Shu, an independent non-executive director of Denway and (ii) 14,302,498 Denway Shares held by BNP Paribas S.A. Entities. BNP Paribas S.A. Entities will abstain from voting at the Court Meeting in respect of the Denway Shares held by them as Exempt Principal Traders connected with Denway.*

8.2 Shareholding Structure of GAC

As at the Latest Practicable Date, there were 3,934,757,457 GAC Shares in issue all of which are GAC Domestic Shares. Other than the GAC Shares, there are no other options, derivatives, warrants or other securities convertible or exchangeable into GAC Shares.

GAIG is the ultimate shareholding company of GAC. GAIG directly holds approximately 91.9346% of the issued share capital of GAC as at the Latest Practicable Date.

Assuming the Scheme becomes effective, a total of 2,213,300,218 GAC H Shares will be issued. The table below sets out the shareholding structure of GAC as at the Latest Practicable Date and following the completion of the Privatisation, assuming 2,213,300,218 GAC H Shares are issued and there are no other changes in the shareholdings in GAC prior to the completion of the Privatisation:

Name	As at the Latest Practicable Date		Immediately following completion of the Privatisation	
	No. of GAC Shares	Approximate %	No. of GAC Shares	Approximate %
GAIG	3,617,403,529	91.9346	3,617,403,529	58.8382
Wanxiang	156,996,823	3.9900	156,996,823	2.5536
CNMIC	145,227,963	3.6909	145,227,963	2.3622
Guangzhou Iron & Steel	7,869,515	0.2000	7,869,515	0.1280
Guangzhou Chime-Long	7,259,627	0.1845	7,259,627	0.1181
Other public shareholders	—	—	2,213,300,218	36.0000
Total	**3,934,757,457**	**100.0000**	**6,148,057,675**	**100.0000**

9. SCHEME SHARES, COURT MEETING AND THE DENWAY EGM

As at the Latest Practicable Date, members of the Morgan Stanley Entities and the CICC Entities which are presumed to be acting in concert with GAC in relation to the Privatisation under the Takeovers Code hold long positions of an aggregate of 3,100 Denway Shares (held in the form of Denway ADRs) and 6,690,000 Denway Shares (representing approximately 0.000041% and 0.09% of the issued share capital of Denway as at the Latest Practicable Date, respectively). As at the Latest Practicable Date, the J.P. Morgan Entities did not hold any Denway Shares.

Other than the 2,856,238,004 Denway Shares (representing approximately 37.99% of the issued share capital of Denway as at the Latest Practicable Date) held by GAC (through China Lounge), the Morgan Stanley Entities and the CICC Entities and the 26,344,000 Denway Options held by the Denway Optionholders as at the Latest Practicable Date, neither GAC nor any of the parties acting in concert with it owns, controls or directs any Denway Shares or holds any convertible securities, warrants or options (or other outstanding derivatives) in respect of Denway Shares. Denway Shares held by members of the Morgan Stanley Entities and the CICC Entities will form part of the Scheme Shares and will be cancelled upon the Scheme becoming effective.

Mr. Yao Yiming, a Denway Director and also a member of GAC's senior management team has irrevocably undertaken to GAC and Denway that he will abstain from voting at the Court Meeting in respect of the 1,132,000 Denway Shares held by him.

BNP Paribas S.A. Entities will abstain from voting at the Court Meeting in respect of the Denway Shares held by them as Exempt Principal Traders connected with Denway.

Other than China Lounge, a wholly-owned subsidiary of GAC, members of the Morgan Stanley Entities (and for this purpose, including those Morgan Stanley Entities which are Exempt Principal Traders), members of the J.P. Morgan Entities (and for this purpose, including those J.P. Morgan Entities which are Exempt Principal Traders) and members of the CICC Entities, no Denway Shareholder has a material interest in the Privatisation and accordingly, all Denway Shareholders other than the above-mentioned entities are "disinterested shareholders" for the purpose of the Takeovers Code. Accordingly, other than China Lounge, members of the Morgan Stanley Entities (including Exempt Principal Traders), members of the J.P. Morgan Entities (including Exempt Principal Traders), members of the CICC Entities, Mr. Yao Yiming (as a result of his irrevocable undertaking to GAC and Denway to abstain from voting at the Court Meeting) and BNP Paribas S.A. Entities (in respect of the Denway Shares held by them as Exempt Principal Traders connected with Denway), no Denway Shareholder is required to abstain from voting at the Court Meeting.

GAC has not dealt for value in Denway Shares or convertible securities, warrants or options (or other outstanding derivatives) in respect of Denway Shares during the Disclosure Period.

Any dealings in Denway Shares and other Denway securities by the parties acting in concert with GAC during the Disclosure Period are disclosed in this Scheme Document.

GAC and China Lounge will undertake that it will be bound by the Scheme so as to ensure that it will be subject to the terms and conditions of the Scheme.

All Denway Shareholders will be entitled to attend the Denway EGM and vote on (i) the reduction of the issued share capital of Denway by cancelling and extinguishing the Scheme Shares, and (ii) the increase in the issued share capital of Denway to the amount prior to the cancellation of the Scheme Shares to pay up in full at par such number of new Denway Shares as is equal to the number of Scheme Shares cancelled as a result of the Scheme, credited as fully paid, for issuance to GAC. GAC has indicated that if the Scheme is approved at the Court Meeting, those Denway Shares held by China Lounge will be voted in favour of the resolutions to be proposed at the Denway EGM.

10. IMPLEMENTATION OF THE PRIVATISATION; WITHDRAWAL OF LISTING OF DENWAY SHARES

Implementation of the Privatisation will be carried out in accordance with the relevant Hong Kong and PRC laws and regulations, the Takeovers Code, the Listing Rules and other requirements of the Stock Exchange.

10.1 Listing status of the Denway Shares

(a) If the Scheme becomes effective

Upon the Scheme becoming effective, all the Scheme Shares will be cancelled. The share certificates for the Scheme Shares will thereafter cease to have effect as documents or evidence of title. An application will be made by Denway to the Stock Exchange for the voluntary withdrawal of the listing of the Denway Shares from the Stock Exchange pursuant to Rule 6.15 of the Listing Rules immediately following the Scheme Effective Date, which is subject to the approval of the Listing Committee of the Stock Exchange.

Denway Shareholders will be notified by way of an announcement of the proposed withdrawal of listing and the exact date of the last day for dealing in the Denway Shares and on which dates the Scheme and the withdrawal of the listing of the Denway Shares on the Stock Exchange take effect.

(b) If the Scheme is not approved or the Privatisation lapses

The listing of the Denway Shares on the Stock Exchange will not be withdrawn if the Scheme is not approved or the Privatisation otherwise lapses and Denway Shares will remain listed and traded on the Stock Exchange. In such event, there are restrictions under the Takeovers Code on making subsequent offers, to the effect that neither GAC nor any person who acted in concert with it in the course of the Privatisation (nor any person who is subsequently acting in concert with any of them) may within 12 months from the date on which the Privatisation lapses announce an offer or possible offer for Denway, except with the consent of the Executive. Furthermore, if the Scheme does not proceed, GAC may consider making an application for an initial public offering of its shares which would not involve the privatisation of Denway.

11. THE VALUATION REPORT

Paragraph 30 to Schedule 1 to the Takeovers Code requires that where the offer involves the issue of unlisted securities, an estimate of the value of such securities is prepared by an appropriate adviser, together with the assumptions and methodology used in arriving at such value. In accordance with these requirements, GAC has appointed the Valuation Adviser to advise on the value of the GAC H Shares. The valuation report estimating the theoretical value of the GAC H Shares, together with the report from the Joint Financial Advisers made in accordance with the requirements under Rule 11.1(b) of the Takeovers Code are set out in Appendix B of this Scheme Document. Such report from the Joint Financial Advisers has been lodged with the Executive.

12. REGISTRATION AND DESPATCH OF GAC H SHARE CERTIFICATES

Scheme Shareholders

In order to determine entitlements under the Scheme, it is proposed that the register of members of Denway will be closed from Friday, 20 August 2010 to Tuesday, 24 August 2010, or such other period as may be notified to the Denway Shareholders by announcement. The transferees of the Denway Shares or their successors in title should ensure that their Denway Shares are lodged for registration in their names or in the names of their nominees before 4:30 p.m. on Thursday, 19 August 2010. The share registrar of Denway is Tricor Abacus Limited, which is located at 26/F Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

Assuming that the Scheme becomes effective on Wednesday, 25 August 2010, the share certificates for the GAC H Shares representing the consideration under the Scheme are expected to be despatched to the Scheme Shareholders or persons nominated by them on or before Friday, 27 August 2010.

In the absence of any specific instructions to the contrary received in writing by the share registrar of GAC before the Scheme Effective Date, the share certificates for the GAC H Shares representing the consideration under the Scheme will be sent to the Scheme Shareholders whose names appear on the register of members of Denway at the Scheme Record Time at their respective addresses or, in the case of joint holders, to the registered address of that joint holder whose name stands first on the register of members of Denway in respect of the joint holding. All such share certificates will be sent at the risk of the persons entitled thereto and neither GAC nor Denway will be liable for any loss or delay in transmission.

Settlement of the consideration under the Scheme will be implemented in full in accordance with the terms of the Scheme without regard to any lien, right of set-off, counterclaim or other analogous right to which GAC or Denway may otherwise be, or claim to be, entitled against any Scheme Shareholders.

13. COURT MEETING AND DENWAY EGM

Notices convening the Court Meeting and the Denway EGM to be held at Harcourt Room, Lower Lobby, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on 16 July at respectively 10:00 a.m. and 10:30 a.m. (or immediately after the conclusion or adjournment of the Court Meeting) are set out on pages N-1 to N-2 and pages EGM-1 to EGM-2 of this Scheme Document respectively.

The High Court has directed that the Court Meeting be held for the purpose of considering and, if thought fit, passing a resolution to approve the Scheme, with or without modification. The Scheme will be subject to the approval by the Disinterested Denway Shareholders (other than the Exempt Principal Traders connected with GAC or Denway) at the Court Meeting in the manner referred to in the section headed "3. Conditions of the Privatisation and the Scheme" above in this Explanatory Statement.

Immediately following the Court Meeting, the Denway EGM will be held for the purpose of considering and, if thought fit, passing a special resolution to approve the implementation of the Scheme. All Denway Shareholders will be entitled to attend and vote on such special resolution at the Denway EGM.

14. PROCEDURES FOR DEMANDING A POLL AT THE DENWAY EGM

In accordance with article 73 of the articles of association of Denway, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is taken as may from time to time be required under the Listing Rules or unless a poll is (before or on the declaration of the result of the show of hands) demanded:

(i) by the Chairman of the meeting;

(ii) by at least three Denway Shareholders present in person or by proxy for the time being entitled to vote at the meeting;

(iii) by any Denway Shareholder or Denway Shareholders present in person or by proxy and representing not less than one-tenth of the total voting rights of all Denway Shareholders having the right to attend and vote at the meeting; or

(iv) by any Denway Shareholder or Denway Shareholders present in person or by proxy and holding shares in Denway conferring a right to vote at the meeting being shares on which an aggregate sum has been paid-up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

A poll shall be taken in such manner (including the use of ballot or voting papers or tickets) and at such time and place, not being more than thirty days from the date of the meeting or adjourned meeting at which the poll was demanded, as the Chairman of the Denway EGM directs. On a poll, every Denway Shareholder present at the Denway EGM shall be entitled to one vote for every fully paid-up Denway Share of which he is the holder. The result of such poll shall be deemed to be the resolution of the meeting at which the poll was so demanded.

15. COSTS OF THE SCHEME

In the event that the Scheme becomes effective, the costs of the Scheme incurred by Denway will be borne by Denway. The costs of the Scheme and of its implementation incurred by Denway are expected to amount to approximately HK$15 million. These primarily consist of fees for independent financial adviser, legal advisers, accounting, printing, the fee charged by the SFC prescribed for purpose of section 395(1)(a)(ii) of Securities and Futures Ordinance and other related charges.

In the event that the Scheme does not become effective, each of Denway and GAC will bear its own expenses incurred in connection with the Scheme.

16. FURTHER INFORMATION

Further information is set out in the Appendices to this Explanatory Statement, all of which form part of this Explanatory Statement.

17. WHERE YOU CAN FIND ADDITIONAL INFORMATION

In addition to the documents available for inspection set out in Appendix F to this Explanatory Statement, each of GAC and Denway publishes its respective annual and interim reports, announcements or other corporate communications on their websites at http://www.gagc.com.cn and http://www.denway-motors.com, respectively, and on the Stock Exchange's website at http://www.hkexnews.hk. Information published by Denway on the Stock Exchange's website can be found on such website by reference to its stock code or stock name.

You should rely only on the information contained or incorporated by reference in this Scheme Document in order to vote your Scheme Shares at the Court Meeting and the Denway EGM. Neither GAC, Denway, J.P. Morgan, Morgan Stanley, CICC, BNP Paribas Capital, Anglo Chinese nor any of their respective directors or associates has authorised anyone to provide you with information that is different from what is contained in this Scheme Document. This Scheme Document is dated 18 June 2010. No assumption should be made that the information contained in this Scheme Document is accurate as at any date other than the Latest Practicable Date, and neither the despatch of this Scheme Document to the Denway Shareholders nor the payment of the consideration pursuant to the Privatisation shall create any implication to the contrary.

18. LANGUAGE

The English language text of this document and the accompanying forms of proxy shall prevail over the Chinese language text in the event of any inconsistency.

I. SUMMARY OF FINANCIAL INFORMATION

Set out below is the summary financial information for each of the three financial years ended 31 December 2007, 2008 and 2009, which is extracted from the audited consolidated financial statements of the Denway Group for the years then ended prepared in accordance with HKFRS. The auditor's reports in respect of the Denway Group's audited consolidated financial statements for each of the three years ended 31 December 2007, 2008 and 2009 did not contain any qualifications.

	Year ended 31 December		
	2007	**2008**	**2009**
	RMB'000	**RMB'000**	**RMB'000**
Turnover	862,573	725,464	637,537
Profit before tax	2,196,511	2,149,944	1,940,702
Taxation	(15,522)	(59,938)	(22,129)
Profit for the year	2,180,989	2,090,006	1,918,573
Minority interests	10,594	(4,253)	4,043
Dividends	1,005,701	526,309	676,683
Dividends per share	8.5 cents plus HK5 cents	7 cents	9 cents
Earnings per share (basic)	28.9 cents	27.9 cents	25.5 cents
Earnings per share (diluted)	28.8 cents	27.8 cents	25.4 cents

Note: Donations totaling approximately RMB301 million were made by the Denway Group during the year ended 31 December 2009.

II. AUDITED FINANCIAL STATEMENTS OF THE DENWAY GROUP FOR THE YEAR ENDED 31 DECEMBER 2009

Set out below are the audited financial statements together with the relevant notes thereto as extracted from the annual report of Denway for the year ended 31 December 2009 (the "2009 Annual Report") and capitalised terms used below in this section II shall have the same meanings as those defined in the 2009 Annual Report.

Consolidated Income Statement

For the year ended 31 December 2009

	Note	Group 2009 RMB'000	Group 2008 RMB'000
Turnover	5	**637,537**	725,464
Cost of sales		**(581,314)**	(682,776)
Gross profit		**56,223**	42,688
Other income and other gains	6	**108,286**	115,467
Selling and distribution costs		**(27,335)**	(28,210)
General and administrative expenses		**(68,709)**	(67,260)
Other operating expenses		**(296,235)**	(48,210)
Operating (loss)/profit	7	**(227,770)**	14,475
Finance costs	8	**(934)**	(646)
Share of profits less losses of:			
A jointly controlled entity	20(a)	**1,918,576**	1,912,723
Other jointly controlled entities		**242,682**	217,608
Associates	21	**8,148**	5,784
Profit before taxation		**1,940,702**	2,149,944
Taxation	9	**(22,129)**	(59,938)
Profit for the year		**1,918,573**	2,090,006
Attributable to:			
Equity holders of the Company	10	**1,914,530**	2,094,259
Minority interests		**4,043**	(4,253)
		1,918,573	2,090,006
Earnings per share attributable to the equity holders of the Company	11		
Basic		**25.5 cents**	27.9 cents
Diluted		**25.4 cents**	27.8 cents
Dividends	12	**676,683**	526,309

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2009

	Group	
	2009	**2008**
	RMB'000	**RMB'000**
Profit for the year	**1,918,573**	2,090,006
Other comprehensive income:		
Currency translation differences	**(2,539)**	(8,033)
Total comprehensive income for the year	**1,916,034**	2,081,973
Total comprehensive income attributable to:		
Equity holders of the Company	**1,912,027**	2,090,182
Minority interests	**4,007**	(8,209)
	1,916,034	2,081,973

Denway Balance Sheets

As at 31 December 2009

	Note	Group 2009 RMB'000	Group 2008 RMB'000	Company 2009 RMB'000	Company 2008 RMB'000
ASSETS					
Non-current assets					
Intangible asset	15	**896,398**	896,398	**—**	—
Leasehold land and land use rights	16	**35,669**	36,503	**—**	—
Property, plant and equipment	17	**42,993**	48,702	**2,248**	1,136
Investment properties	18	**52,560**	49,669	**12,480**	12,550
Investments in subsidiaries	19	**—**	—	**1,681,450**	1,681,450
Interest in a jointly controlled entity	20(a)	**2,337,270**	5,265,800	**—**	—
Interests in other jointly controlled entities	20(b)	**1,475,145**	1,270,988	**—**	—
Interests in associates	21	**70,063**	64,889	**—**	—
		4,910,098	7,632,949	**1,696,178**	1,695,136
Current assets					
Inventories	22	**62,784**	70,788	**—**	—
Trade and other receivables	23	**2,162,869**	881,343	**2,069,936**	1,887,882
Current tax recoverable		**41**	1,506	**—**	—
Cash and bank balances					
— pledged bank deposits	24	**23,381**	5,721	**—**	—
— cash and cash equivalents	24	**7,277,426**	4,254,993	**159,341**	156,349
		9,526,501	5,214,351	**2,229,277**	2,044,231
Total assets		**14,436,599**	12,847,300	**3,925,455**	3,739,367
EQUITY					
Share capital and reserves					
Attributable to the equity holders of the Company					
Share capital	25	**757,118**	757,118	**757,118**	757,118
Reserves					
Proposed final dividend	12 & 26	**451,122**	150,374	**451,122**	150,374
Others	26	**12,979,961**	11,744,638	**2,627,414**	2,760,862
		14,188,201	12,652,130	**3,835,654**	3,668,354
Minority interests		**68,200**	67,586	**—**	—
Total equity		**14,256,401**	12,719,716	**3,835,654**	3,668,354
LIABILITIES					
Non-current liabilities					
Borrowings	27	**226**	752	**—**	—
Deferred tax liabilities	28	**39,262**	40,999	**—**	—
		39,488	41,751	**—**	—
Current liabilities					
Trade and other payables	29	**131,509**	76,205	**84,040**	65,244
Current tax liabilities		**8,675**	8,270	**5,761**	5,769
Borrowings	27	**526**	1,358	**—**	—
		140,710	85,833	**89,801**	71,013
Total liabilities		**180,198**	127,584	**89,801**	71,013
Total equity and liabilities		**14,436,599**	12,847,300	**3,925,455**	3,739,367
Net current assets		**9,385,791**	5,128,518	**2,139,476**	1,973,218
Total assets less current liabilities		**14,295,889**	12,761,467	**3,835,654**	3,668,354

On behalf of the Board

Zhang Fanyou
Chairman

Li Tun
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2009

	Note	Attributable to the equity holders of the Company		Minority interests	Total
		Share Capital	Reverse		
		RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2008		757,118	10,819,854	77,680	11,654,652
Profit for the year		—	2,094,259	(4,253)	2,090,006
Other comprehensive income:					
Currency translation differences	26	—	(4,077)	(3,956)	(8,033)
Total comprehensive income for 2008		—	2,090,182	(8,209)	2,081,973
2007 final dividend paid	26	—	(451,122)	—	(451,122)
2007 special dividend paid	26	—	(187,967)	—	(187,967)
2008 interim dividend paid	26	—	(375,935)	—	(375,935)
Dividend paid to a minority shareholder		—	—	(1,885)	(1,885)
Balance at 31 December 2008		757,118	11,895,012	67,586	12,719,716
Balance at 1 January 2009		**757,118**	**11,895,012**	**67,586**	**12,719,716**
Profit for the year		**—**	**1,914,530**	**4,043**	**1,918,573**
Other comprehensive income:					
Currency translation differences	26	**—**	**(2,503)**	**(36)**	**(2,539)**
Total comprehensive income for 2009		**—**	**1,912,027**	**4,007**	**1,916,034**
2008 final dividend paid	26	**—**	**(150,374)**	**—**	**(150,374)**
2009 interim dividend paid	26	**—**	**(225,561)**	**—**	**(225,561)**
Elimination upon disposals of subsidiaries		**—**	**(21)**	**(251)**	**(272)**
Acquisition of shares held by minority shareholders		**—**	**—**	**(480)**	**(480)**
Dividends paid to minority shareholders		**—**	**—**	**(2,662)**	**(2,662)**
Balance at 31 December 2009		**757,118**	**13,431,083**	**68,200**	**14,256,401**

Consolidated Cash Flow Statement

For the year ended 31 December 2009

	Note	Group 2009 RMB'000	Group 2008 RMB'000
Cash flows from operating activities			
Net cash used in operations	30(a)	**(307,149)**	(111,066)
Interest paid		**(934)**	(646)
Hong Kong profits tax paid		**(483)**	(2,285)
Overseas income tax paid		**(21,513)**	(23,499)
Net cash used in operating activities		**(330,079)**	(137,496)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(3,293)**	(3,979)
Proceeds from disposal of property, plant and equipment		**7,766**	1,953
Cash outflow from disposal of subsidiaries		**(204)**	—
Purchase of shares held by minority shareholders		**(480)**	—
Purchase of investment properties		**—**	(2,488)
Dividends received from a jointly controlled entity		**3,618,991**	1,407,915
Dividends received from other jointly controlled entities		**18,793**	20,108
Dividends received from associates		**3,875**	1,601
Interest received		**107,190**	97,479
Net change in bank deposits pledged		**(17,660)**	21,331
Net cash generated from investing activities		**3,734,978**	1,543,920
Cash flows from financing activities			
Repayment of bank loans and other loans		**(1,358)**	(2,753)
Dividends paid to minority shareholders		**(2,662)**	(4,769)
Dividends paid		**(375,935)**	(1,015,024)
Net cash used in financing		**(379,955)**	(1,022,546)
Increase in cash and cash equivalents		**3,024,944**	383,878
Cash and cash equivalents at 1 January		**4,254,993**	3,869,231
Effect of foreign exchange rate changes		**(2,511)**	1,884
Cash and cash equivalents at 31 December		**7,277,426**	4,254,993

Notes to Financial Statements

1 GENERAL INFORMATION

The Group, jointly controlled entities and associates are principally engaged in the manufacturing, assembly and trading of motor vehicles, the manufacturing and trading of automotive equipment and parts in the People's Republic of China (the "PRC") and the manufacturing and trading of audio equipment in Hong Kong.

The Company is a limited liability company incorporated in Hong Kong. The address of its registered office is Room 801, Citicorp Centre, 18 Whitfield Road, Causeway Bay, Hong Kong.

The Company's shares are listed on The Stock Exchange of Hong Kong Limited.

These consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated. These consolidated financial statements were approved by the Board of Directors (the "Board") for issue on 16 March 2010.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted 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.

(a) Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). They have been prepared under the historical cost convention, as modified by the revaluation of investment properties, which are stated 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.

The following new standard, revised standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2009:

HKAS 1 (Revised)	Presentation of financial statements
HKAS 23 (Revised)	Borrowing costs
HKFRS 2 (Amendment)	Share-based payment — vesting conditions and cancellations
HKFRS 7 (Amendment)	Improving disclosures about financial instruments
HKFRS 8	Operating segments

The revised HKAS 1 prohibits the presentation of items of income and expenses (that is "non-owner changes in equity") in the statement of changes in equity, requiring "non-owner changes in equity" to be presented separately from owner changes in equity in a statement of comprehensive income. As a result the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

Amendment to HKFRS 7 requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on earnings per share.

HKFRS 8 replaces HKAS 14, "Segment reporting", and aligns segment reporting with the requirements of the US standard SFAS 131, "Disclosure about segments of an enterprise and related information". The new standard requires a "management approach" under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in revision of disclosure on segment information. However, such revision in note disclosure does not have any impact on the balance sheets.

Other than those above, the adoption of the above revised standard and amendment to standard did not have any significant financial impact to the Group.

The following standard, revised standards, amendment to standard and interpretation have been issued but are not effective for the financial year beginning 1 January 2009 and have not been early adopted. The directors are currently assessing the impact on their adoption.

HKFRS 1 (Amendment)	Additional exemptions for first-time adopters
HKFRS 2 (Amendment)	Group cash-settled share-based payment transactions
HKFRS 3 (Revised)	Business combinations
HKFRS 9	Financial instruments
HKAS 24 (Revised)	Related party disclosures
HKAS 27 (Revised)	Consolidated and separate financial statements
HKAS 32 (Amendment)	Classification of rights issues
HKAS 39 (Amendment)	Eligible hedged items
HK(IFRIC) — Int 14	Prepayments of a minimum funding requirement
HK(IFRIC) — Int 17	Distributions of non-cash assets to owners
HK(IFRIC) — Int 19	Extinguishing financial liabilities with equity instrument

HKICPA's improvements to HKFRS published in April/May 2009.

(b) Consolidation

(i) Subsidiaries

Subsidiaries are those entities over which the Company 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.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated income statement.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary in the consolidated financial statements to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(ii) Transactions with minority interests

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group and are recorded in the income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

(iii) Jointly controlled entities

A joint venture is a contractual arrangement whereby 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. Interests in jointly controlled entities are accounted for using the equity method of accounting and are initially recognised at cost. The Group's interests in jointly controlled entities include goodwill and technology on acquisition (net of any accumulated impairment loss) (see note 2(c)(i) and (ii)).

The Group's share of its jointly controlled entities' post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

Accounting policies of jointly controlled entities have been changed where necessary in the consolidated financial statements to ensure consistency with the policies adopted by the Group.

(iv) 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 and are initially recognised at cost. The Group's investments in associates include goodwill (on acquisition net of any accumulated impairment loss) (see note 2(c)(i)).

The Group's share of its associates' post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against 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 obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary in the consolidated financial statements to ensure consistency with the policies adopted by the Group.

(c) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiaries/associates/ jointly controlled entities at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates and jointly controlled entities is included in respective investments and is tested for impairment as part of the overall balance. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified according to operating segment.

(ii) Technology

Technology is shown at historical cost. Technology has a definite useful life and is carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of technology over its estimated useful lives.

(d) Property, plant and equipment

(i) Depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs, including related borrowing costs, of bringing the asset to its present working condition and location for its intended use.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their costs over their estimated useful lives, as follows:

Buildings	2%–5%
Plant and machinery	10%
Office equipment and leasehold improvements	20%
Motor vehicles	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

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.

(ii) Gain or loss on disposal of property, plant and equipment

Gains and losses on disposals are eliminated by comparing the proceeds with the carrying amount and are recognised in the consolidated income statement.

(e) Investment properties

Investment properties principally comprise leasehold land and buildings that are held for long-term rental yields and are not occupied by the Group.

Investment property is carried at fair value, representing open market value determined annually by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. These valuations are reviewed annually by external valuers, changes in fair values are recorded in the consolidated income statement.

(f) Impairment of investments in subsidiaries, jointly controlled entities, associates and non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets 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.

Impairment testing of the investments in subsidiaries, jointly controlled entities or associates is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary, jointly controlled entity or associate 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.

(g) Inventories

Inventories comprise stocks and work in progress and are stated at the lower of cost and net realisable value. Cost, calculated on the weighted average basis, comprises materials, direct labour and an appropriate proportion of all production overhead expenditure. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(h) Financial assets — Loans and other receivables

Classification of financial assets depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. The Group has no financial assets other than 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 maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the balance sheet (notes 2(j) and 2(k)).

(i) Impairment of financial assets

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.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
  - (i) adverse changes in the payment status of borrowers in the portfolio;
  - (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists.

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 asset's carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan on 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 income statement.

(j) 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.

(k) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(l) Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables 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 and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(m) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement 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 balance sheet date.

(n) Current and deferred income tax

The tax expense comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised directly 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.

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 and its subsidiaries, jointly controlled entities and associates 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.

Deferred income tax is provided in full, 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, if the deferred income tax 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, it is not accounted for. Deferred income tax is determined on the basis of the tax laws enacted or substantially enacted at 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 to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, jointly controlled entities and associates, except 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.

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 tax 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.

(o) 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.

(p) Revenue recognition

Revenue in respect of the sales of motor vehicles and related equipment and parts, and other goods is recognised, net of sales tax, on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and the title has passed.

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

Interest income is recognised on a time-proportion basis using the effective interest method.

Operating lease rental income is recognised on a straight-line basis over the lease period.

Handling service charges for motor vehicle registration is recognised when the service is rendered.

(q) 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. Payments made under operating leases net of any incentives received from the lessor, including upfront payment made for leasehold land and land use rights, are charged to the consolidated income statement on a straight- line basis over the lease periods.

(r) Foreign currency translation

(i) 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 RMB, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement within "other operating expenses".

(iii) Group companies

The results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates; and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, such exchange differences that are recorded in equity are recognised in the consolidated income statement as part of the gain or loss on sale.

(s) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and overtime leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and overtime leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Profit sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(iii) Pension obligations

The Group participates in a number of defined contribution plans, the assets of which are generally held in independently administered funds. A defined contribution plan is a pension plan under which the Group pays fixed 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. The Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no future payment obligation once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due.

(t) Share-based compensation

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total amount expensed is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become vested. It recognises the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(u) Provisions

Provisions for environmental restoration, restructuring costs and legal claims 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. Restructuring provisions comprise lease termination penalties and employee termination payments. 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 presented value of the expenditures expected to be required to settle 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.

(v) 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 Board that makes strategic decisions.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign exchange risk, credit risk, liquidity risk and cash flow and fair value interest-rate risk. The Group's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effect on the Group's financial performance. The Group regularly monitors its exposure and currently considers not necessary to hedge any of these financial risks.

(a) Foreign exchange risk

Majority of the subsidiaries of the Group operate in the PRC with most of the transactions denominated in RMB. The Group is exposed to foreign exchange risk arising from the exposure of Hong Kong Dollars ("HKD") and United States dollars ("USD") against RMB. It has not hedged its foreign exchange rate risk, as management does not anticipate significant foreign exchange rate risk associated with these assets or liabilities.

As at 31 December 2009, if RMB had strengthened/weakened by 1% against HKD and USD with all other variables held constant, post-tax profit for the year would have been approximately RMB1,704,000 lower/higher, mainly as a result of foreign exchange gains/losses on translation of certain borrowings (note 27) and cash and bank balances (note 24) denominated in foreign currencies.

(b) Credit risk

The Group has no significant concentrations of credit risk. The carrying amount of trade and other receivables, pledged bank deposits, cash and cash equivalents included in the consolidated balance sheet represents the Group's maximum exposure to credit risk in relation to its financial assets.

As at 31 December 2008 and 2009, the majority of the Group's cash and bank balances are deposited in major banks which are entities incorporated in the PRC. Management believes all these financial institutions have no significant credit risk.

The Group's credit sales are only made to customers with an appropriate credit history and normally under a credit period of 90 days. The Group has policies in place to ensure that trade receivables are followed on a timely basis.

The Group is of the view that there is low recoverability issue for dividend receivables from jointly controlled entities included in other receivables because these jointly controlled entities have repayment capabilities.

(c) Liquidity risk

The Group operates in an industry with intensive capital requirement. The liquidity risk of the Group is controlled by maintaining sufficient cash and cash equivalents, which is mainly generated from operations in the PRC.

The table below presents a maturity analysis for non-derivative financial liabilities that shows the remaining contractual maturities. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than one year	Between one and two years	Between two and five years
	RMB'000	RMB'000	RMB'000
Group			
At 31 December 2009			
Borrowings	540	230	—
Trade and other payables	131,509	—	—
At 31 December 2008			
Borrowings	1,401	540	230
Trade and other payables	76,205	—	—
Company			
At 31 December 2009			
Trade and other payables	84,040	—	—
At 31 December 2008			
Trade and other payables	65,244	—	—

At 31 December 2009, total liabilities of the Group amounted to approximately RMB180,198,000 (2008: RMB127,584,000), while cash and cash equivalents amounted to approximately RMB7,277,426,000 (2008: RMB4,254,993,000). With sufficient cash and cash equivalents on hand to cover all the debts and the strong cash flows generated from investing activities amounted to approximately RMB3,734,978,000 (2008: RMB1,543,920,000), management believe that the Group's current cash flows are sufficient for financing its capital commitments in the near future and for working capital purposes.

(d) Cash flow and fair value interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates and the Group has no significant interest-bearing assets except for cash and bank balances, details of which have been disclosed in note 24.

Financial assets and liabilities at fixed rates expose the Group to fair value interest- rate risk. The Group currently does not hedge its exposure to interest rate risk. Financial assets and liabilities at variable rates expose the Group to cash flow interest rate risk. The Group's exposure to changes in interest rates is mainly attributable to its cash and bank balances and borrowings.

Details of the borrowings have been disclosed in note 27 to the consolidated financial statements. The Group has not used any interest rate swaps to hedge its exposure to interest rate risk. Management does not anticipate significant impact resulted from the changes in interest rates because the interest-bearing bank borrowings as disclosed in note 27 are immaterial to the Group.

Management analyses its interest rate exposure on cash and bank balances by way of sensitivity analysis. If the market interest rates had been 0.5% higher/lower with all other variables held constant at 31 December 2009, profit would have been approximately RMB14,032,000 (2008: RMB3,199,000) higher/lower as a result of higher/lower interest income on floating rate cash and bank balances.

3.2 Fair value estimation

The carrying value less impairment provision of trade and other receivables, trade and other payables are a reasonable approximation of their fair values.

3.3 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.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings divided by total equity less minority interests as shown in the consolidated balance sheet. Total borrowings include non-current borrowings and current borrowings.

During 2009, the Group's strategy, which was unchanged from 2008, was to maintain a minimal stable gearing ratio. The gearing ratios at 31 December 2008 and 2009 were as follows:

	Group	
	2009	**2008**
	RMB'000	**RMB'000**
Total borrowings *(note 27)*	**752**	2,110
Total equity (excluding minority interests)	**14,188,201**	12,652,130
Gearing ratio	**0.01%**	0.02%

The decrease in the gearing ratio during 2009 resulted primarily from the decrease in utilisation of bank borrowing facilities.

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 or liabilities are discussed below.

(a) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2(c)(i). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

(b) Estimated useful lives and impairment of property, plant and equipment

The Group's management determines the estimated useful lives of its property, plant and equipment. This estimate is based on historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will increase the depreciation charge where useful lives are less than previously estimated lives, and will write-off or write-down technically obsolete assets that have been abandoned.

Property, plant and equipment 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.

(c) Estimate of fair value of investment properties

The fair value of investment properties has been determined with reference to independent valuations. The best evidence of fair value is current price in an active market for similar lease and other contracts. The Group employed an independent firm of professional surveyor to determine the open market values for the investment properties of the Group. These valuations require the use of judgement and estimates.

(d) Taxation

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

Deferred tax assets relating to certain temporary differences and tax losses are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred taxation assets and taxation in the periods in which such estimate is changed.

(e) Provision

Provisions including but not limited to royalty and warranty provisions are based on management's best estimates of the expenditure required to settle the obligations. Management estimates the provisions based on historical information, as well as recent trends that might suggest that past information may differ from future occurrence. The amount of the provisions contains uncertainties because it requires management to make assumptions and apply judgement regarding past occurrence. Any increase or decrease in the actual occurrence will affect profit or loss in future years.

At 31 December 2009, the Group recognised a provision for royalty fee based on the terms of the agreements and other existing known circumstances. The Group is in negotiation with the joint venture partner relating to the royalty fee. Management believes that the provision for royalty fee to be adequate based on current development.

5 REVENUE AND SEGMENT INFORMATION

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

The Board considers the business from a product perspective. The Board assesses the performance of motor vehicles, automotive equipment and parts, and audio equipment. Motor vehicles are further separated into trading and manufacturing and assembly segments.

The Board assesses the performance of the operating segments based on operating income before interest and tax. Interest income and finance costs are also included in the results for each operating segment that is reviewed by the Board. Other information provided to the Board is measured in a manner consistent with that in the financial statements.

Revenue represents sales by the Company and its subsidiaries to external customers and comprises revenue from:

	Group	
	2009	**2008**
	RMB'000	**RMB'000**
Trading of motor vehicles	**420,382**	485,217
Manufacturing and trading of automotive equipment and parts	**3,041**	9,655
Manufacturing and trading of audio equipment	**214,114**	230,592
	637,537	725,464

	Trading of motor vehicles	Manufacturing and assembly of motor vehicles	Manufacturing and trading of automotive equipment and parts	Manufacturing and trading of audio equipment	Other operations	Total
	2009	2009	2009	2009	2009	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	420,382	—	3,041	214,114	—	637,537
Segment operating profit/(loss) before interest income	5,829	—	(314,610)	3,752	(24,193)	(329,222)
Interest income	869	—	99,742	44	797	101,452
Segment operating profit/(loss)	6,698	—	(214,868)	3,796	(23,396)	(227,770)
Finance costs	(884)	—	(2)	(48)	—	(934)
Share of profits less losses of:						
A jointly controlled entity[1]	—	1,918,576	—	—	—	1,918,576
Other jointly controlled entities	—	—	242,682	—	—	242,682
Associates	3,894	—	4,254	—	—	8,148
Profit/(loss) before taxation	9,708	1,918,576	32,066	3,748	(23,396)	1,940,702
Segment assets	171,062	—	9,120,567	144,755	1,117,737	10,554,121
Interests in						
A jointly controlled entity	—	2,337,270	—	—	—	2,337,270
Other jointly controlled entities	—	—	1,475,145	—	—	1,475,145
Associates	13,400	—	56,663	—	—	70,063
Total assets	184,462	2,337,270	10,652,375	144,755	1,117,737	14,436,599
Total liabilities	82,967	—	13,876	39,577	43,778	180,198
Depreciation	668	—	831	3,836	2,672	8,007
Amortisation	—	—	—	154	631	785
Impairment loss	—	—	194	—	—	194
Expenditure for non-current assets	965	—	323	193	1,812	3,293

Note:

(1) Share of profits of a jointly controlled entity includes a share of revenue amounting to RMB22,414,913,000 and a share of expenses amounting to RMB20,502,190,000

	Trading of motor vehicles	Manufacturing and assembly of motor vehicles	Manufacturing and trading of automotive equipment and parts	Manufacturing and trading of audio equipment	Other operations	Total
	2008	2008	2008	2008	2008	2008
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	485,217	—	9,655	230,592	—	725,464
Segment operating loss before interest income	(24,566)	—	(29,703)	(8,866)	(38,826)	(101,961)
Interest income	391	—	111,793	227	4,025	116,436
Segment operating (loss)/ profit	(24,175)	—	82,090	(8,639)	(34,801)	14,475
Finance costs	(427)	—	—	(219)	—	(646)
Share of profits less losses of:						
A jointly controlled entity[1]	—	1,912,723	—	—	—	1,912,723
Other jointly controlled entities	—	—	217,608	—	—	217,608
Associates	2,117	—	3,667	—	—	5,784
(Loss)/profit before taxation	(22,485)	1,912,723	303,365	(8,858)	(34,801)	2,149,944
Segment assets	111,999	—	4,899,349	137,428	1,096,847	6,245,623
Interests in						
A jointly controlled entity	—	5,265,800	—	—	—	5,265,800
Other jointly controlled entities	—	—	1,270,988	—	—	1,270,988
Associates	13,877	—	51,012	—	—	64,889
Total assets	125,876	5,265,800	6,221,349	137,428	1,096,847	12,847,300
Total liabilities	32,624	—	17,697	33,188	44,075	127,584
Depreciation	1,597	—	1,028	4,033	2,622	9,280
Amortisation	—	—	—	156	639	795
Impairment loss	11,148	—	—	—	—	11,148
Expenditure for non-current assets	869	—	879	2,178	53	3,979

The Group is mainly domiciled in PRC and operates in three main geographical areas. Revenue from external customers and total non-current assets attributable to each region/country is as follows:

	Revenue	Total non-current assets
	2009	2009
	RMB'000	RMB'000
PRC	**420,382**	**4,792,268**
Hong Kong	**214,114**	**117,830**
Australia	**3,041**	**—**
	637,537	**4,910,098**

	Revenue	Total non-current assets
	2009	2009
	RMB'000	RMB'000
PRC	485,217	7,512,142
Hong Kong	230,592	120,210
Australia	9,655	597
	725,464	7,632,949

For the year ended 31 December 2009, revenues of approximately RMB70,980,000 (2008: RMB66,986,000) are derived from a single external customer. These revenues are attributable to the manufacturing and trading of audio equipment.

6 OTHER INCOME AND OTHER GAINS

	Group	
	2009	2008
	RMB'000	RMB'000
Other income:		
Interest income	**101,452**	116,436
Gross rental income from investment properties	**1,809**	1,817
Handling service charges for motor vehicles registration	**1,765**	1,073
Rental income from leasing of motor vehicles	**—**	375
	105,026	119,701
Other gains:		
Fair value gains/(losses) on investment properties *(note 18)*	**2,944**	(4,734)
Others	**316**	500
	3,260	(4,234)
	108,286	115,467

7 OPERATING (LOSS)/PROFIT

	Group 2009 RMB'000	Group 2008 RMB'000
Expenses included in cost of sales, selling and distribution costs, general and administrative expenses and other operating expenses are analysed as follows:		
Cost of inventories sold *(note 22)*	**525,792**	622,157
Auditor's remuneration	**2,732**	3,142
Staff costs (including directors' emoluments) *(note 13)*	**42,906**	42,286
Operating lease rentals in respect of land and buildings	**8,488**	9,066
Outgoings in respect of investment properties	**1,041**	1,056
Outgoings in respect of other properties	**33**	33
Amortisation of leasehold land and land use rights *(note 16)*	**785**	795
Depreciation of property, plant and equipment *(note 17(a))*	**8,007**	9,280
Gain on disposal of subsidiaries	**(37)**	—
(Gain)/loss on disposal of property, plant and equipment	**(7,216)**	33
Provision for impairment loss of property, plant and equipment *(note 17(a))*	**194**	11,148
Donations	**301,560**	19,241

8 FINANCE COSTS

	Group 2009 RMB'000	Group 2008 RMB'000
Interest on bank borrowings	**48**	173
Interest on other loans — wholly repayable within five years	**886**	473
	934	646

9 TAXATION

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 16.5%) on the estimated assessable profits for the year. Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operates.

	Group 2009 RMB'000	Group 2008 RMB'000
Current taxation		
Hong Kong profits tax	**11**	—
PRC enterprise income tax	**25,830**	14,666
(Over)/under-provision in prior year	**(1,975)**	5,237
	23,866	19,903
Deferred taxation		
Recognition of deferred withholding tax	**—**	29,127
Reversal and origination of other temporary differences	**(1,275)**	10,853
Impact of change in Hong Kong tax rate	**—**	55
Over-provision in prior year	**(462)**	—
	(1,737)	40,035
Taxation charge	**22,129**	59,938

The taxation differs from the theoretical amount that would arise using the PRC enterprise income tax rate as follows:

	Group	
	2009	**2008**
	RMB'000	**RMB'000**
(Loss)/profit before taxation, less share of profits less losses of jointly controlled entities and associates	**(228,704)**	13,829
Calculated at a tax rate of 25% (2008: 25%)	**(57,176)**	3,457
Effect of different tax rates in different tax jurisdictions	**1,959**	(1,733)
Income not subject to tax	**(659)**	(661)
Expenses not deductible for tax purposes	**79,696**	17,144
Tax losses not recognised	**746**	7,312
Impact of change in Hong Kong tax rate	**—**	55
(Over)/under-provision in prior year	**(2,437)**	5,237
Recognition of deferred withholding tax	**—**	29,127
Taxation charge	**22,129**	59,938

10 PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

Included in the Group's profit attributable to the equity holders of the Company of approximately RMB1,914,530,000 (2008: RMB2,094,259,000) is a profit of approximately RMB543,235,000 (2008: RMB900,233,000), which is dealt with in the Company's own financial statements.

11 EARNINGS PER SHARE

Basic

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

	2009	**2008**
	RMB'000	**RMB'000**
Profit attributable to the equity holders of the Company	**1,914,530**	2,094,259
Weighted average number of ordinary shares in issue ('000)	**7,518,699**	7,518,699
Basic earnings per share (RMB cents)	**25.5**	27.9

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has share options outstanding during the year which are dilutive potential ordinary shares. Calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average daily market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	2009	2008
	RMB'000	RMB'000
Profit attributable to the equity holders of the Company	**1,914,530**	2,094,259
Weighted average number of ordinary shares in issue ('000)	**7,518,699**	7,518,699
Adjustments for share options ('000)	**10,114**	9,886
Weighted average number of ordinary shares for diluted earnings per share ('000)	**7,528,813**	7,528,585
Diluted earnings per share (RMB cents)	**25.4**	27.8

12 DIVIDENDS

	Company	
	2009	2008
	RMB'000	RMB'000
Interim, paid, of RMB3 cents (2008: RMB5 cents) per ordinary share	**225,561**	375,935
Final, proposed, of RMB6 cents (2008: RMB2 cents) per ordinary share *(note (a))*	**451,122**	150,374
	676,683	526,309

Note:

(a) The Board has recommended the payment of a final dividend of RMB6 cents per ordinary share. Total dividends for year 2009 will be RMB9 cents per ordinary share. The proposed final dividend is to be approved by shareholders at the annual general meeting on 11 May 2010 and is not reflected as dividend payable in these financial statements but will be reflected as an appropriation of retained earnings for the year ending 31 December 2010.

13 STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	Group	
	2009	2008
	RMB'000	RMB'000
Wages and salaries	**39,675**	39,762
Pension costs — retirement benefit costs	**3,231**	2,524
	42,906	42,286

The Company and certain of its Hong Kong subsidiaries (the "Employers") participate in a defined contribution scheme as defined in the Occupational Retirement Schemes Ordinance (the "ORSO Scheme") and a mandatory provident fund scheme ("MPF Scheme"). Contributions to the schemes by the employers and employees are calculated as a percentage of employees' basic salaries.

The Group's contributions are reduced by contributions forfeited by those employees who leave the ORSO Scheme prior to vesting fully in the contributions. There was no forfeited contribution utilised during the years ended 31 December 2008 and 2009. There was no outstanding balance available at the balance sheet dates of 2008 and 2009 to reduce future contributions. As at 31 December 2009, contributions totalling RMB62,000 (2008: RMB63,000) were payable to the ORSO Scheme and MPF Scheme and are included in other payables. The assets of the schemes are held separately from those of the Group in independently administered funds.

The subsidiaries of the Group in the PRC participate in an employees' retirement scheme of Guangzhou city. The implementation of such scheme by the Guangzhou Municipal Government is an administrative measure to provide pensions for retired employees. Pursuant to the relevant provisions, the subsidiaries in the PRC make a monthly defined contribution of 20% of the entire payroll of its staff while the employees need to contribute 8% of their payroll. The pension plan has been paying monthly pensions to the retired employees of these subsidiaries. In 2009 and 2008, there was no material contribution forfeited by employees who left the scheme prior to vesting fully in such contributions. The Group has no further obligations for the actual payment of the pensions or post-retirement benefits beyond the annual contributions made.

The Group's retirement benefit costs were expensed as incurred and the total amount charged to the consolidated income statement for the year was approximately RMB3,231,000 (2008: RMB2,524,000).

14 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) The remuneration of every director for the year ended 31 December 2009 is set out below:

Name of Director	Fees	Salaries, allowances, and benefits in kind	Retirement benefit costs	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Executive director:				
Zhang Fangyou	881	—	—	881
Zeng Qinghong	705	—	—	705
Fu Shoujie	264	—	—	264
Yao Yiming(4)	264	—	—	264
Li Tun(1)	264	1,297	41	1,602
Yang Dadong(3)	—	—	—	—
Zhang Baoqing(2)	—	924	38	962
	2,378	2,221	79	4,678
Independent non-executive director:				
Cheung Doi Shu	159	—	—	159
Lee Ka Lun	159	—	—	159
Fung Ka Pun	159	—	—	159
	477	—	—	477
	2,855	2,221	79	5,155

The remuneration of every director for the year ended 31 December 2008 is set out below:

Name of Director	Fees	Salaries, allowances, and benefits in kind	Retirement benefit costs	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Executive director:				
Zhang Fangyou	892	—	—	892
Zeng Qinghong	713	—	—	713
Yang Dadong(3)	713	—	—	713
Zhang Baoqing(2)	268	1,167	64	1,490
Fu Shoujie	268	—	—	268
Yao Yiming(4)	268	—	—	268
Lu Zhifeng(5)	—	—	—	—
	3,122	1,167	64	4,353
Independent non-executive director:				
Cheung Doi Shu	161	—	—	161
Lee Ka Lun	161	—	—	161
Fung Ka Pun	161	—	—	161
	483	—	—	483
	3,605	1,167	64	4,836

Notes:

(1) The director was appointed on 20 August 2009.

(2) The director resigned on 20 August 2009.

(3) The director resigned on 2 June 2009.

(4) The director was appointed on 15 October 2008.

(5) The director resigned on 10 July 2008.

No director waived any emoluments and no emoluments were paid to the directors as an inducement fee to join or as compensation for loss of office during the years ended 31 December 2008 and 2009.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest for the year include three (2008: two) of the directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2008: three) individuals during the year are as follows:

	Group	
	2009	2008
	RMB'000	RMB'000
Basic salaries and allowances	2,158	2,500

The emoluments fell within the following bands:

	Number of individuals	
	2009	2008
Emolument bands		
Below HKD1,000,000	—	2
HKD1,000,001–HKD1,500,000	2	1

During the year, no emoluments were paid to the five highest paid individuals as an inducement fee to join or as compensation for loss of office.

15 INTANGIBLE ASSET

	Group
	Goodwill
	RMB'000
At 1 January 2008, 31 December 2008 and 2009	
Cost	896,398

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to business segment.

A segment-level summary of the goodwill is presented below.

	2009			2008		
	Trading of motor vehicles	Manufacturing and assembly of motor vehicles	Manufacturing and trading of automotive equipment and parts (note 20(b))	Trading of motor vehicles	Manufacturing and assembly of motor vehicles	Manufacturing and trading of automotive equipment and parts (note 20(b))
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
PRC	26,241	870,157	215,897	26,241	870,157	215,897

In accordance with HKAS 36 "Impairment of Assets", and following the allocation of goodwill to CGUs, the impairment test for goodwill was carried out by comparing the recoverable amounts to the carrying amounts as at the balance sheet date. The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering the financial year of 2009/10. Cash flows from the financial year of 2010 onwards are projected based on conservative financial forecasts using the estimated growth rates of 8% for manufacturing and trading CGUs. The forecast profitability is based on past performance and expected future changes in costs and sales prices. Future cash flows are discounted at 12%. The discount rate used is pre-tax and reflects specific risks relating to the relevant CGUs. There was no evidence of impairment arising from tests of reasonable variations of the assumptions used.

16 LEASEHOLD LAND AND LAND USE RIGHTS

	Group	
	2009	2008
	RMB'000	RMB'000
At 1 January	**36,503**	39,595
Exchange differences	**(49)**	(2,297)
Amortisation of leasehold land and land use rights *(note 7)*	**(785)**	(795)
At 31 December	**35,669**	36,503

The Group's interests in leasehold land and land use rights represent prepaid operating lease payments and their net book values are analysed as follows:

	2009	2008
	RMB'000	RMB'000
In Hong Kong, held on:		
Leases of over 50 years	**3,767**	3,807
Leases of between 10 to 50 years	**30,486**	31,230
Outside Hong Kong, held on:		
Leases of between 10 to 50 years	**1,416**	1,466
	35,669	36,503

At 31 December 2009, certain leasehold land with a total net book value of approximately RMB3,737,000 (2008: RMB4,507,000) were pledged as securities for the Group's bank borrowings (note 27).

17 PROPERTY, PLANT AND EQUIPMENT

(a)

	Group				
	Buildings	Plant and machinery	Office equipment and leasehold improvements	Motor vehicles	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2009					
Cost	66,060	45,219	23,317	13,009	147,605
Accumulated depreciation and accumulated impairment	(39,049)	(33,854)	(17,461)	(8,539)	(98,903)
Net book amount	27,011	11,365	5,856	4,470	48,702
Year ended 31 December 2009					
Opening net book amount	**27,011**	**11,365**	**5,856**	**4,470**	**48,702**
Exchange differences	**(25)**	**57**	**13**	**30**	**75**
Additions	**—**	**359**	**508**	**2,426**	**3,293**
Disposals	**—**	**(364)**	**—**	**(186)**	**(550)**
Depreciation *(note 7)*	**(1,920)**	**(2,514)**	**(2,503)**	**(1,070)**	**(8,007)**
Impairment *(note 7)*	**—**	**(134)**	**(14)**	**(46)**	**(194)**
Disposal of subsidiaries	**—**	**(160)**	**(23)**	**(143)**	**(326)**
Closing net book amount	**25,066**	**8,609**	**3,837**	**5,481**	**42,993**
At 31 December 2009					
Cost	**52,866**	**28,079**	**22,986**	**11,888**	**115,819**
Accumulated depreciation and accumulated impairment	**(27,800)**	**(19,470)**	**(19,149)**	**(6,407)**	**(72,826)**
Net book amount	**25,066**	**8,609**	**3,837**	**5,481**	**42,993**

	Group				
	Buildings	Plant and machinery	Office equipment and leasehold improvements	Motor vehicles	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2008					
Cost	69,083	46,711	26,960	13,129	155,883
Accumulated depreciation and accumulated impairment	(29,186)	(32,336)	(17,051)	(7,880)	(86,453)
Net book amount	39,897	14,375	9,909	5,249	69,430
Year ended 31 December 2008					
Opening net book amount	39,897	14,375	9,909	5,249	69,430
Exchange differences	(1,235)	(808)	(287)	37	(2,293)
Additions	368	1,315	1,289	1,007	3,979
Disposals	—	(18)	(1,928)	(40)	(1,986)
Depreciation *(note 7)*	(2,354)	(2,990)	(2,798)	(1,138)	(9,280)
Impairment *(note 7)*	(9,665)	(509)	(329)	(645)	(11,148)
Closing net book amount	27,011	11,365	5,856	4,470	48,702
At 31 December 2008					
Cost	66,060	45,219	23,317	13,009	147,605
Accumulated depreciation and accumulated impairment	(39,049)	(33,854)	(17,461)	(8,539)	(98,903)
Net book amount	27,011	11,365	5,856	4,470	48,702

The above assets were carried at cost at 31 December 2009 and 2008.

At 31 December 2009, certain buildings with total net book value of approximately RMB6,592,000 (2008: RMB2,881,000) were pledged as securities for the Group's bank borrowings (note 27).

(b)

	Company		
	Office equipment and leasehold improvements	**Motor vehicles**	**Total**
	RMB'000	**RMB'000**	**RMB'000**
Cost	4,400	2,616	7,016
Accumulated depreciation	(3,343)	(2,164)	(5,507)
Net book amount	1,057	452	1,509
Year ended 31 December 2008			
Opening net book amount	1,057	452	1,509
Additions	53	—	53
Depreciation	(319)	(107)	(426)
Closing net book amount	791	345	1,136
At 31 December 2008			
Cost	4,453	2,616	7,069
Accumulated depreciation	(3,662)	(2,271)	(5,933)
Net book amount	791	345	1,136
Year ended 31 December 2009			
Opening net book amount	**791**	**345**	**1,136**
Additions	**129**	**1,478**	**1,607**
Depreciation	**(314)**	**(181)**	**(495)**
Closing net book amount	**606**	**1,642**	**2,248**
At 31 December 2009			
Cost	**4,583**	**2,921**	**7,504**
Accumulated depreciation	**(3,977)**	**(1,279)**	**(5,256)**
Net book amount	**606**	**1,642**	**2,248**

18 INVESTMENT PROPERTIES

(a)

	Group	
	2009	**2008**
	RMB'000	**RMB'000**
At 1 January	**49,669**	54,358
Exchange differences	**(53)**	(2,443)
Additions	**—**	2,488
Fair value gains/(losses) *(note 6)*	**2,944**	(4,734)
At 31 December	**52,560**	49,669

Investment properties were revalued at 31 December 2009 on the basis of their open market values by Colliers International (Hong Kong) Limited, a member of the Hong Kong Institute of Surveyors.

The Group's interests in investment properties at their net book values are analysed as follows:

	2009	2008
	RMB'000	RMB'000
In Hong Kong, held on:		
Leases of over 50 years	**13,369**	12,003
Leases of between 10 to 50 years	**24,007**	22,497
Outside Hong Kong, held on:		
Leases of over 50 years	**705**	599
Leases of between 10 to 50 years	**14,479**	14,570
	52,560	49,669

At 31 December 2009, certain investment properties with a total net book value of approximately RMB27,847,000 (2008: RMB25,707,000) were pledged as securities for the Group's bank borrowings (note 27).

(b)

	Company	
	2009	2008
	RMB'000	RMB'000
At 1 January	**12,550**	11,771
Additions	**—**	2,488
Fair value losses	**(70)**	(1,709)
At 31 December	**12,480**	12,550

The Company's interests in investment properties at their net book values are analysed as follows:

	2009	2008
	RMB'000	RMB'000
Outside Hong Kong, held on:		
Leases of over 50 years	**705**	599
Leases of between 10 to 50 years	**11,775**	11,951
	12,480	12,550

19 INVESTMENTS IN SUBSIDIARIES

	Company	
	2009	2008
	RMB'000	RMB'000
Investments at cost		
Unlisted investments	**1,752,859**	1,752,859
Provision for impairment losses	**(71,409)**	(71,409)
	1,681,450	1,681,450

Particulars of principal subsidiaries are set out in note 34 to the consolidated financial statements.

20 INTERESTS IN JOINTLY CONTROLLED ENTITIES

(a) Interest in a jointly controlled entity

	Group	
	2009	2008
	RMB'000	RMB'000
Share of net assets	**2,337,270**	5,265,800

The jointly controlled entity is same as last year as set out in the previous year's financial statements:

Place of establishment	Principal activities	Effective interest held
PRC	Manufacturing and assembly of motor vehicles in the PRC	50%

This is a Sino-foreign equity joint-venture in which 50% (2008: 50%) of the equity capital, voting power and profit sharing is held by a 100% (2008: 100%) owned subsidiary of the Company. The Group's investment cost in this company is RMB551,000,000 (2008: RMB551,000,000). The Group has no unilateral control over the joint venture company. The joint venture period is 30 years from May 1998.

The following amounts represent the Group's 50% (2008: 50%) share of assets and liabilities, income and expenses of the jointly controlled entity:

	2009	2008
	RMB'000	RMB'000
Assets:		
Non-current assets[(1)]	**2,745,803**	2,882,882
Current assets	**7,928,348**	7,334,971
	10,674,151	10,217,853
Liabilities:		
Non-current liabilities	**(3,000)**	(3,000)
Current liabilities	**(8,329,418)**	(4,944,830)
	(8,332,418)	(4,947,830)
Minority interests	**(4,463)**	(4,223)
	2,337,270	5,265,800
Income	**24,945,551**	22,414,913
Expenses	**(23,026,975)**	(20,502,190)
Profit for the year	**1,918,576**	1,912,723

Note:

(1) Included in this balance is goodwill of approximately RMB134,292,000 (2008: RMB150,420,000) arising from the acquisition of the motor vehicle manufacturing business in Guangzhou by the jointly controlled entity.

Capital commitments

At 31 December 2009, the Group's share of capital commitments in respect of construction and purchase of property, plant and equipment of the jointly controlled entity itself was as follows:

	2009	2008
	RMB'000	RMB'000
Authorised but not contracted for	**—**	—
Contracted but not provided for	**189,654**	85,467

(b) Interests in other jointly controlled entities

	Group	
	2009	2008
	RMB'000	RMB'000
Share of net assets	**1,106,265**	894,544
Intangible assets		
— Technology	**152,983**	160,547
— Goodwill *(note 15)*	**215,897**	215,897
	368,880	376,444
	1,475,145	1,270,988

Included in this balance is goodwill (note 15) of approximately RMB215,897,000 (2008: RMB215,897,000) arising from the acquisition of shares and shareholder's loan by the Group.

Particulars of the principal jointly controlled entity are as follows:

Name	Place of establishment	Principal activities	Effective interest held
Guangzhou Automobile Group Component Co., Limited	PRC	Investment holding in entities engaged in manufacturing and assembly of parts and components for motor vehicles in the PRC	49%

This is a Sino-foreign equity joint-venture in which 49% (2008: 49%) of the equity capital is held by a 100% (2008: 100%) owned subsidiary of the Company. The Group's investment cost in this company is RMB740,388,000 (2008: RMB740,388,000). The Group has no unilateral control over the joint venture company. The joint venture period is 40 years from September 2005.

21 INTERESTS IN ASSOCIATES

	Group	
	2009	2008
	RMB'000	RMB'000
At 1 January	**64,889**	61,607
Share of results	**8,148**	5,784
Dividends	**(2,974)**	(2,502)
At 31 December	**70,063**	64,889

Particulars of a principal associate are as follows:

Name	Place of establishment	Principal activities	Re Registered capital	Effective Interest indirectly held
Shanghai Guangqi Automotive Trading and Services Company Limited	PRC	Wholesale and retail of various types of motor vehicles in the PRC	RMB10,000,000	30%

This associate is indirectly held by a subsidiary of the Company. The Group's investment cost in this company is approximately RMB3,000,000 (2008: RMB3,000,000). The operation period is 30 years from March 1999.

22 INVENTORIES

	Group	
	2009	2008
	RMB'000	RMB'000
Raw materials	**12,651**	18,346
Work in progress	**8,943**	14,279
Finished goods	**45,719**	42,130
Less: provision	**(4,529)**	(3,967)
	62,784	70,788

The cost of inventories recognised as expense and included in cost of sales amounted to RMB525,792,000 (2008: RMB622,157,000) (note 7).

23 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2009	2008	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables *(note (a))*	**60,753**	38,197	**—**	—
Less: provision for impairment of receivables	**(2,015)**	(2,150)	**—**	—
	58,738	36,047	**—**	—
Due from subsidiaries *(note (b))*	**—**	—	**2,066,027**	1,883,215
Due from the single largest shareholder of the Company *(note (b))*	**—**	102	**—**	102
Due from a jointly controlled entity *(note (b))*	**20,801**	5,087	**—**	—
Dividend receivable from a jointly controlled entity *(note (b))*	**2,014,401**	786,286	**—**	—
Dividend receivable from other jointly controlled entities *(note (b))*	**19,732**	—	**—**	—
Dividend receivable from an associate *(note (b))*	**—**	901	**—**	—
Other receivables and deposits	**49,197**	52,920	**3,909**	4,565
	2,162,869	881,343	**2,069,936**	1,887,882

Notes:

(a) The Group allows its trade customers an average credit period of 90 days.

(b) The balances are unsecured, interest-free and repayable on demand.

The carrying amounts of trade and other receivables approximate their fair values.

At 31 December 2009, the ageing analysis of the trade receivables was as follows:

	Group	
	2009	2008
	RMB'000	RMB'000
Within 3 months	**55,139**	30,022
4–6 months	**3,510**	7,242
7–12 months	**87**	67
Over 12 months	**2,017**	866
	60,753	38,197

As at 31 December 2009, trade receivables of RMB2,015,000 (2008: RMB2,150,000) were impaired. The amount of the provision was RMB2,015,000 as at 31 December 2009 (2008: RMB2,150,000). The individually impaired receivables mainly relate to smaller customers which are in financial difficulties. The ageing of these impaired receivables is as follows:

	Group	
	2009	2008
	RMB'000	RMB'000
1–6 months	—	1,813
Over 12 months	**2,015**	337
	2,015	2,150

As at 31 December 2009, trade receivables of RMB3,599,000 (2008: RMB6,025,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these past due but not impaired receivables is as follows:

	Group	
	2009	2008
	RMB'000	RMB'000
1–6 months	**3,510**	5,429
7–12 months	**87**	67
Over 12 months	**2**	529
	3,599	6,025

Trade and other receivables are denominated in the following currencies:

	Group		Company	
	2009	2008	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000
HKD	**6,264**	6,089	**462,223**	483,261
USD	**24,243**	23,484	**6,468**	6,476
RMB	**2,132,362**	851,121	**1,601,245**	1,398,145
Others	—	649	—	—
	2,162,869	881,343	**2,069,936**	1,887,882

24 CASH AND BANK BALANCES

	Group		Company	
	2009	2008	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000
Cash at bank and in hand	**2,773,105**	145,553	**6,698**	13,098
Short-term bank deposits	**4,527,702**	4,115,161	**152,643**	143,251
	7,300,807	4,260,714	**159,341**	156,349

Cash and bank balances are denominated in the following currencies:

	Group		Company	
	2009	2008	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000
HKD	**35,891**	34,767	**4,424**	20,534
USD	**155,197**	136,020	**153,745**	134,971
RMB *(note (a))*	**7,108,547**	4,088,651	**—**	—
Others	**1,172**	1,276	**1,172**	844
	7,300,807	4,260,714	**159,341**	156,349

Note:

(a) RMB is not a freely convertible currency. The conversion of RMB into foreign currencies is subject to the rules and regulations of the foreign exchange control promulgated by the PRC government.

At 31 December 2009, bank balances of the Group totalling RMB23,381,000 (2008: RMB5,721,000) were pledged as collateral for the Group's bank borrowing facilities (note 27).

The effective interest rate on short-term bank deposits was 2.08% (2008: 2.97%); these deposits have an average maturity of approximately 140 days (2008: 120 days).

25 SHARE CAPITAL

	Ordinary shares of HKD0.1 each		
	No. of shares	HKD'000	RMB'000
Authorised:			
At 1 January 2008, 31 December 2008 and 2009	10,000,000,000	1,000,000	
Issued and fully paid:			
At 1 January 2008, 31 December 2008 and 2009	7,518,698,534	751,870	757,118

(a) A share option scheme was approved at an extraordinary general meeting of the Company held on 6 June 2002 under which the directors may, at their discretion, invite any participant who has rendered services or will render services to the Group to take up options. Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2009		2008	
	Average exercise price in HKD per share	Options ('000)	Average exercise price in HKD per share	Options ('000)
At 1 January	**2.1525**	**26,344**	2.1525	39,692
Forfeited	**2.1525**	**—**	2.1525	(13,348)
31 December	**2.1525**	**26,344**	2.1525	26,344

All of the above outstanding options were exercisable. No options were exercised in 2009 (2008: Nil).

Share options outstanding at the end of the year have the following expiry date and exercise price:

	Exercise price in HKD per share	Options ('000)	
		2009	2008
Expiry date			
5 June 2012	2.1525	**26,344**	26,344

26 RESERVES

	Group		Company	
	2009	2008	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000
Share premium[(1)]				
At 1 January and at 31 December	**2,380,439**	2,380,439	**2,380,439**	2,380,439
Exchange reserve				
At 1 January	**(9,604)**	(5,527)	**—**	—
Currency translation differences of financial statements of foreign subsidiaries, jointly controlled entities and associates	**(2,503)**	(4,077)	**—**	—
Elimination upon disposal of subsidiaries	**(21)**	—	**—**	—
At 31 December	**(12,128)**	(9,604)	**—**	—
Retained earnings *(note (a))*				
At 1 January	**7,836,028**	6,938,622	**530,797**	645,588
Profit for the year	**1,914,530**	2,094,259	**543,235**	900,233
2008 final dividend paid/2007 final dividend paid	**(150,374)**	(451,122)	**(150,374)**	(451,122)
2007 special dividend paid	**—**	(187,967)	**—**	(187,967)
Interim dividend paid	**(225,561)**	(375,935)	**(225,561)**	(375,935)
Transfer to capital reserve	**(109,760)**	(181,829)	**—**	—
At 31 December	**9,264,863**	7,836,028	**698,097**	530,797
Capital reserve *(note (b))*				
At 1 January	**1,688,149**	1,506,320	**—**	—
Transfer from retained earnings	**109,760**	181,829	**—**	—
As at 31 December	**1,797,909**	1,688,149	**—**	—
Total reserves	**13,431,083**	11,895,012	**3,078,536**	2,911,236

Note:

(1) As at 31 December 2009, the share premium, in terms of HKD, amounted to approximately HKD2,504,231,000 (2008: HKD2,504,231,000).

(a) Retained earnings

	Group	
	2009	2008
	RMB'000	RMB'000
Company and subsidiaries	**8,441,627**	4,189,727
A jointly controlled entity	**218,355**	3,211,732
Other jointly controlled entities	**602,529**	437,391
Associates	**2,352**	(2,822)
	9,264,863	7,836,028

(b) The reserve represents transfers made to reserve funds and enterprise development funds set up by certain subsidiaries, jointly controlled entities and associates in the PRC, pursuant to regulations in the PRC. According to the regulations, reserve funds may be used for making up losses, if any, and increasing capital while enterprise development funds may be used for increasing capital.

27 BORROWINGS

	Group	
	2009	**2008**
	RMB'000	**RMB'000**
Non-current		
Long-term bank loans	**226**	752
Current		
Current portion of long-term bank loans	**526**	1,358
Total borrowings	**752**	2,110

The maturity of bank borrowings is as follows:

	Group	
	2009	**2008**
	RMB'000	**RMB'000**
Within one year	**526**	1,358
In the second year	**226**	526
In the third to fifth year inclusive	**—**	226
	752	2,110

(a) Borrowings of the Group totalling RMB752,000 (2008: RMB2,110,000) are secured by certain leasehold land and buildings, investment properties and pledged bank balances (notes 16, 17, 18 and 24) of the Group.

(b) The effective interest rate for bank loans at the balance sheet date was 3.58% (2008: 3.94%).

(c) The carrying amounts of all borrowings approximate their fair values and are denominated in HKD.

28 DEFERRED TAXATION

Deferred taxation is calculated in full on temporary differences under the liability method using the applicable income tax rate.

The movement on the deferred tax liabilities during the year is as follows:

	Group			
	Accelerated tax depreciation	**Withholding tax**	**Interest income**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
At 1 January 2008	964	—	—	964
Charged to income statement *(note 9)*	148	29,127	10,760	40,035
At 31 December 2008	1,112	29,127	10,760	40,999
Credited to income statement *(note 9)*	(293)	—	(1,444)	(1,737)
At 31 December 2009	819	29,127	9,316	39,262

Deferred income tax assets are only recognised for tax losses carried forward to the extent that realisation of the related tax benefits through the future taxable profits is probable. The Group did not recognise deferred income tax assets in respect of losses amounting to RMB91,725,000 (2008: RMB89,632,000) that can be carried forward against future taxable income. Except for tax losses amounting to RMB30,488,000 (2008: RMB28,210,000) which expire in 2013, the remaining losses have no expiry date. Total potential deferred tax assets not provided for in the financial statements are as follows:

	Group		Company	
	2009	2008	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000
Tax losses	**17,726**	17,187	**8,758**	8,630

Deferred income tax liabilities of RMB162,438,000 (2008: RMB66,509,000) have not been recognised for the withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries. Unremitted earnings totalled RMB3,248,760,000 at 31 December 2009 (2008: RMB1,330,184,000). The Group has no plan to distribute such unremitted earnings in the foreseeable future.

29 TRADE AND OTHER PAYABLES

	Group		Company	
	2009	2008	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000
Due to a subsidiary *(note (a))*	**—**	—	**75,251**	56,098
Due to the single largest shareholder of the Company *(note (a))*	**390**	846	**—**	—
Due to a fellow subsidiary *(note (a))*	**717**	713	**—**	—
Due to an associate *(note (a))*	**846**	—	**—**	—
Due to a minority shareholder of a subsidiary *(note (a))*	**—**	391	**—**	—
Trade payables	**30,416**	34,155	**—**	—
Bills payables *(note (b))*	**75,000**	16,130	**—**	—
Other payables, deposits received and accrued charges	**24,140**	23,970	**8,789**	9,146
	131,509	76,205	**84,040**	65,244

Notes:

(a) The balances are unsecured, interest-free and repayable on demand.

(b) Bills payables are due for payments within 6 months.

The carrying amounts of trade and other payables approximate their fair values. At 31 December 2009, the ageing analysis of the trade payables was as follows:

	Group	
	2009	2008
	RMB'000	RMB'000
Within 3 months	**30,297**	26,592
4–6 months	**119**	6,362
7–12 months	**—**	82
Over 12 months	**—**	1,119
	30,416	34,155

Trade and other payables are denominated in the following currencies:

	Group		Company	
	2009	2008	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000
HKD	**37,245**	33,679	**8,243**	65,244
RMB	**89,709**	38,774	**75,754**	—
Others	**4,555**	3,752	**43**	—
	131,509	76,205	**84,040**	65,244

30 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of profit before taxation to net cash used in operations:

	2009	2008
	RMB'000	RMB'000
Profit before taxation	**1,940,702**	2,149,944
Interest income	**(101,452)**	(116,436)
Interest expense	**934**	646
Share of profits less losses of:		
A jointly controlled entity	**(1,918,576)**	(1,912,723)
Other jointly controlled entities	**(242,682)**	(217,608)
Associates	**(8,148)**	(5,784)
Fair value (gains)/losses on investment properties	**(2,944)**	4,734
Amortisation of leasehold land and land use rights	**785**	795
Depreciation of property, plant and equipment	**8,007**	9,280
(Gain)/loss on disposal of property, plant and equipment	**(7,216)**	33
Provision for impairment loss of property, plant and equipment	**194**	11,148
Gain on disposal of subsidiaries	**(37)**	—
Operating loss before working capital changes	**(330,433)**	(75,971)
Decrease in inventories	**7,142**	22,088
(Increase)/decrease in trade and other receivables	**(41,521)**	29,874
Increase/(decrease) in trade and other payables	**57,663**	(87,057)
Net cash used in operations	**(307,149)**	(111,066)

31 COMMITMENTS

(a) Commitments under operating leases

At 31 December 2009, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	Group	
	2009	2008
	RMB'000	RMB'000
Not later than one year	**5,407**	8,779
Later than one year and not later than five years	**17,107**	30,049
Later than five years	**48,762**	74,919
	71,276	113,747

The Company had no operating lease commitments as at 31 December 2008 and 2009.

(b) Capital commitments

The Group and the Company had no capital commitments as at 31 December 2008 and 2009.

32 RELATED PARTY TRANSACTIONS

(a) Related parties

The Company's single largest shareholder is China Lounge Investments Limited (incorporated in Hong Kong), which owns 37.90% (2008: 37.90%) of the Company's shares. The remaining 62.10% (2008: 62.10%) of its shares are widely held. China Lounge Investments Limited is a subsidiary of Guangzhou Automobile Industry Group Company Limited (incorporated in the PRC).

Related parties are those parties which have the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Saved as disclosed in note 20 in the consolidated financial statements, the table set forth below summarised the name of significant party and nature of relationship with the Company as at 31 December 2009:

Significant related party	Relationship with the Company
Guangzhou GABC Automobile Services Company Limited	Fellow subsidiary

(b) Transactions with related parties

The following is a summary of significant transactions with related parties during the year:

	Group	
	2009	2008
	RMB'000	RMB'000
Purchase from a jointly controlled entity	**329,376**	308,602
Sales to a fellow subsidiary	**—**	6,632

(c) Balances with related parties

Save as disclosed in notes 23 and 29 in the consolidated financial statements, there are no other significant balances with related parties.

(d) Key management compensation

	Group	
	2009	2008
	RMB'000	RMB'000
Salaries and other short-term employee benefits	**5,076**	4,772
Retirement benefits	**79**	64
	5,155	4,836

33 OTHER INFORMATION

A jointly controlled entity (the "Joint Venture") in which 50% of the equity capital, voting power and profit sharing is held by a 100% owned subsidiary of the Company, is in a negotiation with its joint venture partners in respect of relevant issues of the Joint Venture, including but not limited to adjustment on price of its products and change in terms of licenses, etc. As at the date of this report, no agreement has been reached. Management considers that the outcome of the negotiation may have a significant impact on the profits of the Joint Venture, which may in turn have a significant impact on the Group's financial results.

34 SUBSIDIARIES

The following includes the principal subsidiaries of the Company which, in the opinion of the directors, are significant to the results for the year ended 31 December 2009 or formed a substantial portion of the net assets of the Group at 31 December 2009:

Name	Place of incorporation/ establishment and kind of legal entity	Principal activities	Registered capital/ issued share capital	Effective interest held
Interest held directly:				
Guangzhou Denway Enterprises Development Company Limited	PRC, limited liability company	Investment holding and management	USD87,272,700	100%
Easeco Enterprises Limited	Hong Kong, limited liability company	Property holding	HKD2	100%
Gardex Development Limited	Hong Kong, limited liability company	Property holding	HKD2	100%
National Grade Limited	Hong Kong, limited liability company	Property holding	HKD2	100%
Interest held indirectly:				
Guangzhou Auto Group Corporation	PRC, limited liability company	Investment holding and management	RMB468,200,000	100%
Guangzhou Honda Automobile No.1 Sales Company Limited	PRC, limited liability company	Trading of sedans	RMB18,000,000	51%
Promowide Technology Limited	Hong Kong, limited liability company	Investment holding and management	HKD42,394,938	63%
Arkon Industrial Limited	Hong Kong, limited liability company	Investment holding and management	HKD10,000,000	63%
Art Sea Metal Works Limited	Hong Kong, limited liability company	Manufacturing of metal parts	HKD400,000	63%
Uni-Art Precise Products Limited	Hong Kong, limited liability company	Manufacturing of audio equipment	HKD400,000	63%
Classic Tech Development Limited	Hong Kong, limited liability company	Property holding	HKD35,010,000	63%

Note:
All subsidiaries above mainly operate in their respective places of incorporation/establishment.

III. STATEMENT OF INDEBTEDNESS

a) Borrowings

As at 31 March 2010, being the latest practicable date for the purpose of this indebtedness statement, the Denway Group had total outstanding secured bank loans of approximately RMB612,000.

b) Guarantee and charges on assets

The Denway Group's secured bank borrowings and banking facilities were secured by a legal charge on the Denway Group's leasehold land and buildings with an aggregate net book amount of approximately RMB10,855,000, investment properties with an aggregate amount of approximately RMB27,800,000 and pledged bank deposits of approximately RMB3,879,000 as at 31 March 2010.

c) Contingent liabilities

As at 31 March 2010, the Denway Group had no contingent liabilities.

Disclaimer

Save as disclosed in this section headed "III. Statement of indebtedness" and apart from inter-group liabilities, the Denway Group did not have any debt securities, any other outstanding loan capital, any other borrowings or indebtedness in the nature of borrowings, including bank overdrafts and liabilities under acceptance (other than normal trade bills) or other similar indebtedness, debentures, mortgages, charges, loans, acceptance credits, hire purchase commitments, guarantees or other material contingent liabilities as at 31 March 2010; and the Denway Directors confirm that there were no material changes in indebtedness and contingent liabilities of the Denway Group since 31 March 2010 up to and including the Latest Practicable Date.

IV. MATERIAL CHANGES

The Denway Directors confirm that as at the Latest Practicable Date, they were not aware of any material change in the financial or trading position or outlook of the Denway Group since 31 December 2009, being the date to which the latest audited consolidated financial statements of the Denway Group were made up, up to and including the Latest Practicable Date.

Partners Capital International Limited was engaged as the financial adviser to Denway for the purpose of Rule 10.11 of the Takeovers Code.

The following is the full text of the letter from Anglo Chinese Corporate Finance, Limited to the Board of Directors of Guangzhou Automobile Group Co., Ltd. prepared for the purpose of inclusion in this Scheme Document.

The Board of Directors
Guangzhou Automobile Group Co., Ltd.
448 Dongfeng Zhonglu
Chengyue Building
Guangzhou City, Guangdong Province, 510030
The People's Republic of China

J.P. Morgan Securities (Asia Pacific) Limited
28/F, Chater House
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Morgan Stanley Asia Limited
46/F, International Commerce Centre
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China International Capital Corporation Hong Kong
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Hong Kong

18th June 2010

Dear Sirs,

PROPOSED PRIVATISATION OF DENWAY MOTORS LIMITED BY WAY OF A SCHEME OF ARRANGEMENT

ESTIMATE OF VALUE OF H SHARES IN GUANGZHOU AUTOMOBILE GROUP CO. LTD

Introduction

We refer to our appointment as the adviser to the GAC Board in respect of providing an estimate of the value of the existing share capital of GAC ("**Estimate of Value**"). New GAC H Shares, which rank pari passu with the existing shares in GAC, are to be issued to the shareholders of Denway in relation to the proposed privatisation of Denway. Unless otherwise defined, expressions used in this letter have the same meanings as defined in the Scheme Document jointly issued by GAC and Denway dated 19th May 2010 of which this letter forms part.

Further to our letter of 19th May, 2010 containing the Estimate of Value, we have updated the Estimate of Value using market information and exchange rate of RMB to HK dollars as at 14th June, 2010 which is the Latest Practicable Date referred to in the Scheme Document. In determining the updated Estimate of Value, we have used the same methodology as described in our letter of 19th May, 2010.

As at the Latest Practicable Date, GAC and its wholly owned subsidiary, China Lounge, own 2,849,544,904 Denway Shares, representing approximately 37.90% of the issued share capital of Denway. GAC proposes to privatise Denway by way of a scheme of arrangement under section 166 of the Companies Ordinance whereby shareholders of Denway other than GAC and China Lounge are offered new GAC H Shares in exchange for the cancellation of Denway Shares held by them. None of the shares in GAC are currently listed. As stated in the Rule 3.7 Announcement and described in more details in the Scheme Document, it is proposed that GAC will list the GAC H Shares on the Stock Exchange by way of introduction under Rule 7.14(3) of the Listing Rules. The key purpose of the Listing is to add liquidity to the GAC H Shares and provide GAC with greater access to international capital through its listing platform, thereby increasing the attractiveness of the GAC H Shares and the consideration for the Denway Shares. We have been appointed to provide the Estimate of Value of the currently unlisted shares in GAC pursuant to paragraph 30 of Schedule I of the Takeovers Code. It is a condition of the Scheme becoming effective that the Listing Committee of the Stock Exchange approves the Listing of, and gives permission to deal in new GAC H Shares to be offered to the independent Denway shareholders under the Scheme.

Immediately following the Listing and the Scheme becoming effective, Denway will become a wholly-owned subsidiary of GAC and the Denway Shareholders, other than GAC, will become shareholders of the newly listed GAC.

Purpose

The Estimate of Value has been provided to the GAC Board and the Joint Financial Advisers solely for the purpose of paragraph 30 of Schedule I of the Takeovers Code and shall not be used or relied upon for any other purpose whatsoever. This letter is not addressed to and may not be relied upon by any third party for any purposes whatsoever and Anglo Chinese expressly disclaims any duty or liability to any third party with respect to the contents of this letter.

This letter sets out the Estimate of Value on the basis that the GAC Group currently owns a 37.90% interest in Denway, that is before the Scheme becomes effective and before the Listing. The Estimate of Value also assumes a willing buyer and seller, neither being under any compulsion to buy or sell, dealing on an arm's length basis, each having knowledge of all relevant facts. The Estimate of Value is also prepared on the basis of a value as to investors acquiring a minority interest as a portfolio investment. It does not include any premium for control.

The Estimate of Value does not constitute an opinion as to the price at which GAC H Shares may trade at any point in the future, or represent the value that a holder of GAC H Shares may realise on any future sale, where such a value may be higher or lower than the Estimate of Value contained in this letter. Anglo Chinese assumes no obligation to update or revise the Estimate of Value based upon circumstances or events occurring after the date of this letter.

In formulating the Estimate of Value, we have reviewed the information pack of GAC containing, amongst other things, the accountants' report of GAC for the three financial years ended 31st December, 2007, 2008 and 2009; the unaudited pro-forma financial information of the enlarged group based on the consolidated audited accounts of GAC for the year ended 31st December, 2009; property valuation reports of GAC; profit forecast of GAC for the year ending 31st December, 2010 and working capital forecast of GAC up to 30th June, 2011; published information on Denway including its audited annual financial statements for the years ended 31st December, 2007, 2008 and 2009; press announcements issued by Denway; certain publicly available information relating to the business and financial performance of Denway, and the automobile manufacturing industry in the PRC; the Articles of Association of GAC and the rights and restrictions attached to the GAC H Shares (as summarised in the information pack of GAC); the price data on the shares in Denway Shares; and the price data on the shares in comparable listed companies in Hong Kong. We have also been given the opportunity to discuss with the management of GAC their business strategies, operations and prospects as outlined in the information pack of GAC.

In determining the Estimate of Value, we have not taken into account any financial projections for GAC for fiscal year 2011 and beyond.

We have relied on, and assumed, without independent verification, the accuracy and completeness of the information reviewed by us for the purpose of determining the Estimate of Value. We have not made any independent valuation or appraisal of the assets and liabilities of GAC, nor have we sought or been provided with any such valuation or appraisal other than the draft property valuation report of GAC contained in its information pack. The Estimate of Value is necessarily based on financial, market and other conditions in effect, and the information made available to us as at date of this letter.

The valuation of non-publicly traded securities is inherently imprecise and is subject to certain uncertainties and contingencies, all of which are difficult to quantify or predict and are beyond our control. Consequently, the Estimate of Value expressed in this letter is not necessarily indicative of (i) the price at which the GAC H Shares might actually trade in any public market as at the date of this letter or at any future date; or (ii) the amount which might be realised upon a sale of GAC H Shares to a third party; or (iii) the value of GAC H Shares after the proposed Scheme becomes effective. The Estimate of Value may differ substantially from estimates available from other sources such as research reports published by brokers. In addition, our view would be expected to fluctuate with changes in prevailing market conditions, the financial conditions and prospects of GAC and other factors which generally influence the valuation of companies and securities. As a result, there can be no assurance that the actual price of GAC H Shares will be higher or lower than that implied by the Estimate of Value.

Methodology

Anglo Chinese has used analysis of the recent historical trading performance of Denway Shares and companies comparable to Denway and GAC, the respective businesses, financial performances and prospects of Denway and GAC, and various valuation benchmarks of companies comparable to Denway and GAC. We consider the relative valuation approach in determining the Estimate of Value to be appropriate given the similarities between GAC and Denway in terms of nature of business, asset mix, revenue contribution from the businesses and the contribution that Denway makes to net profit attributable to shareholders of GAC.

We have determined the Estimate of Value using these methodologies and taken into account the information, factors, assumptions and limitations set out above.

An exchange rate of RMB1=HK$1.14 as at 14th June, 2010 is applied in our calculations.

Part of the value of GAC in its current form is represented by the interest it holds in Denway. The value of this interest in Denway should be arrived at on a basis which is consistent for all shareholders in Denway. We have therefore sought to value the business of GAC based on the market valuation of Denway as well as other comparable companies and other factors we think appropriate, and having done so sought to arrive at a value of GAC prior to the Scheme becoming effective.

The taxation position of individual shareholders of Denway will vary and so we have not taken account of the effects of any taxation exemptions, allowances or relief available for purposes of income, capital gains, inheritance or any other applicable tax, duty or levy, notwithstanding that these may be significant in the case of some shareholders of Denway.

No account has been taken of any potential transaction costs that a holder of GAC H Shares may incur, including any dealing costs that may be associated with the trading of such GAC H Shares.

Estimate of Value

We have set out below the principal factors that have been taken into account in determining the Estimate of Value.

Information on GAC

The information relating to GAC referred to below is derived from the information set out the Scheme Document which is in all material respects the same information on GAC set out in the Listing Document set out in Appendix F of the Scheme Document. The independent Denway Shareholders should read carefully the Scheme Document of which this letter forms a part.

GAC, established in June 1997, is currently 91.93% owned by Guangzhou State-owned Asset Administration Commission. GAC was converted into a joint stock limited company in June 2005. The GAC Board is of the view that the Group has the authority to govern the financial and operation policies of Denway and therefore treat Denway as a subsidiary although GAC does not control more than 50% of the issued share capital in Denway. Accordingly the results, assets and liabilities of Denway are consolidated in the group accounts of GAC.

GAC is a multi-brand vehicle producer manufacturing a diverse portfolio of products and operates a vertically integrated business model ranging from engine and auto parts businesses to auto insurance brokerage and auto finance businesses. GAC provides automobile-related services through its subsidiaries which include selling and leasing of vehicles, after-sales services, import and export of automobile-related products (such as the import of vehicle manufacturing equipment, auto parts and steel products and the export of engines and auto parts), logistics services for transportation of vehicles, engines and auto parts as well as the provision of auto insurance brokerage services.

The passenger vehicle manufacturing business is a major source of revenue for GAC, and revenue from this segment contributed 98.2% of the total revenue of GAC for the year ended 31st December, 2009. This business segment is currently operated through (i) Guangzhou Automobile

Group Motor Co., Ltd, a subsidiary of GAC, for manufacturing its proprietary branded passenger vehicle, and (ii) established partnerships with Toyota and Honda, and recently in 2009, with Fiat.

GAC Toyota is one of the two major Jointly-controlled Entities of GAC which manufactures passenger vehicles under a number of well-known model series including *GAC Toyota Camry* (including a hybrid vehicle model of *Camry*), *GAC Toyota Yaris*, and *GAC Toyota Highlander*. In particular, the successful launch by GAC in June 2009 of its first GAC sports utility vehicles, *GAC Toyota Highlander*, contributed to the increase of revenue of GAC during 2009. From June to December 2009, GAC Toyota sold 35,466 units of *GAC Toyota Highlander*. From August, 2009 to February, 2010, the market share of *GAC Toyota Highlander* in the domestic sports utility vehicles market reached 8% or above every month.

Guangqi Honda, a company jointly controlled by Denway and Honda, manufactures the *Guangqi Honda Accord, Guangqi Honda Odyssey, Guangqi Honda Fit and Guangqi Honda City (Fengfan)* series. The *Guangqi Honda* branded passenger vehicles contributed about 60.3% of the total number of vehicle units sold by GAC during 2009.

During the period from 1st January, 2006 to 31st December, 2009, *Guangqi Honda Accord* and *GAC Toyota Camry* commanded the top two rankings in the PRC mid-to-high-end sedan market in terms of sales volume. It is planned that GAC will launch commercially its first proprietary "*Guangqi*" brand passenger vehicle, and will begin production through GAC Fiat, a Jointly-controlled Entity between GAC and Fiat, of the new *Linea* series passenger vehicle by the first half of 2012. Other than its passenger vehicle business, GAC also manufactures commercial vehicles through Guangzhou Automobile Group Autobus Co., Ltd. and, starting from April 2010, through GAC Hino Motors Co., Ltd., engines through GAC Toyota Engine Co., Ltd, auto parts through Guangzhou Automobile Group Component Co., Ltd. and its subsidiaries and associates.

Past trading performance and financial ratios of GAC (including a 37.90% interest in Denway that is accounted for as a subsidiary of GAC)

Table 1
(Figures in RMB million)

	For the year ended 31st December,					
	2007	Units sold	2008	Units sold	2009	Units sold
Revenue comprising:	42,407		43,770		50,254	
— Passenger vehicles	41,285	508,717	42,953	523,734	49,370	603,509
— Commercial vehicles	482	4,778	257	2,245	345	3,112
— Auto parts	275		268		264	
— Others	365		292		275	
Less: Cost of goods sold	(35,277)		(36,446)		(41,918)	
Gross profit	7,130		7,324		8,336	
Contributions from GAC Toyota to						
— revenue	38%		34%		38%	
— operating profit	53%		40%		55%	
Contributions from Guangqi Honda to						
— revenue	48%		53%		51%	
— operating profit	51%		68%		65%	
EBITDA	5,559		4,193		5,065	
EBIT	4,842		3,419		3,935	
Net profit	4,815		2,858		3,256	
— Profit attributable to shareholders	3,437		1,567		2,032	
— Profit attributable to minority interests	1,378		1,291		1,224	
Profit attributable to shareholders contributed by Denway	23.9%		50.7%		35.7%	
Net cash *(note 1)*	11,023		11,275		15,750	
Net asset value	16,602		18,830		21,461	
— Attributable to shareholders	9,838		11,409		13,060	
— Attributable to minority interests	6,764		7,421		8,401	
Revenue growth	n.a.		3.2%		14.8%	
Net profit margin	11.4%		6.5%		6.5%	
Return on equity *(note 2)*	34.9%		13.7%		15.6%	
Net cash/equity	66.4%		59.9%		73.4%	
Book value per share (RMB) *(note 3)*	2.81		3.26		3.32	

Notes:

(1) The net cash amount is the sum of time deposits, cash, cash equivalent and restricted cash less total borrowings as at the relevant balance sheet date.

(2) Return of equity is calculated by net profit attributable to shareholders for the year divided by owners' equity of GAC as at the corresponding balance sheet date.

(3) Book value per share is calculated by dividing owner's equity of GAC by the number of issued GAC Shares as at the corresponding balance sheet date.

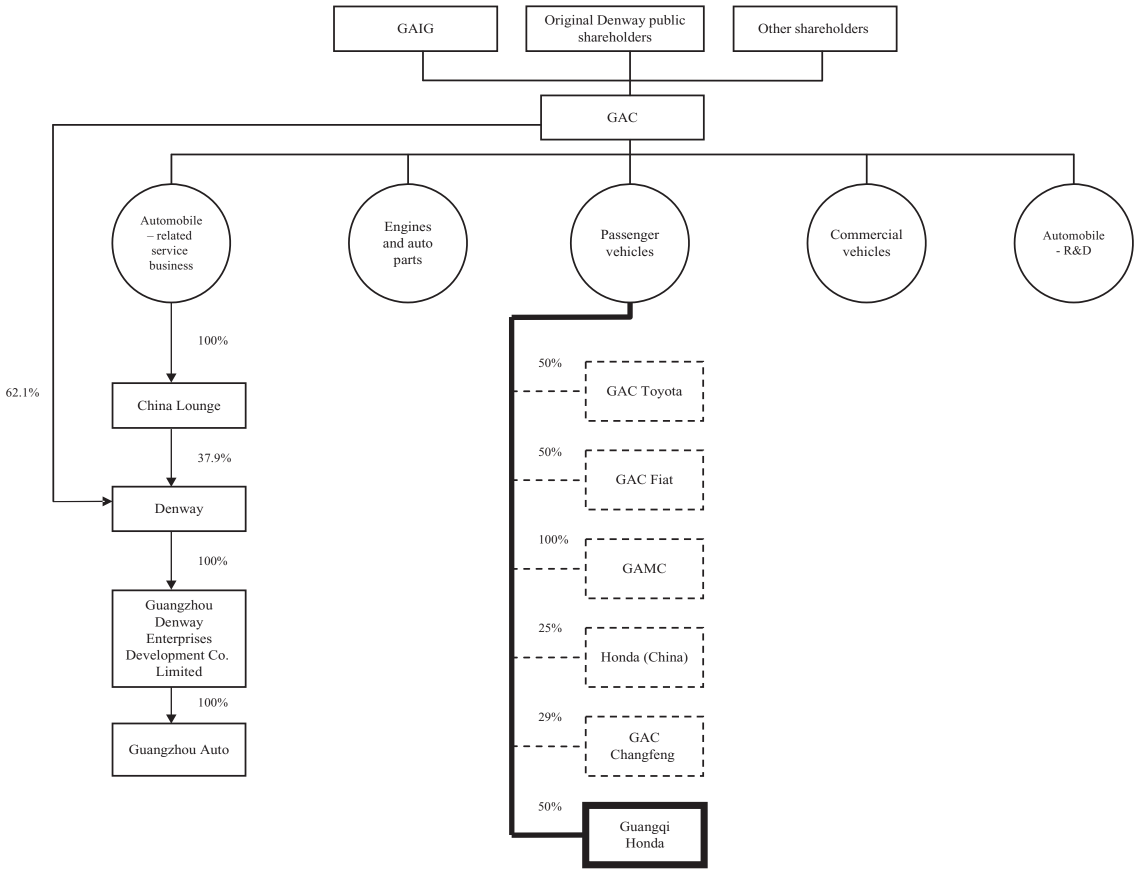
Source: GAC

During the past financial year, GAC benefited from the rapid economic expansion and supportive government polices in the PRC that had a positive impact on local demand for automobiles manufactured by domestic manufacturers. For the year ended 31st December, 2009, the audited net profit attributable to shareholders of GAC was approximately RMB2,032 million, representing a 29.7% increase when compared to the previous financial year. Of the profit attributable to shareholders during 2009, Denway contributed about 35.7% (2008: 50.7%; 2007: 23.9%). Net profit margin remained stable at around 6.5% in 2009 and 2008 (2007: 11.4%). Return on equity improved to 15.6% in 2009 from 13.7% in 2008 (2007: 34.9%).

For the past three financial years under review, passenger vehicle sales formed the major income source for GAC. During the same period, the other two revenue contributing business segments are commercial vehicles and auto parts.

As shown in the consolidated accounts of GAC at 31st December, 2009 the GAC Group had net cash balances being the sum of time deposits and cash less total borrowings of approximately RMB15,750 million (2008: RMB11,275 million; 2007: RMB11,023 million).

The diagram below shows the major subsidiaries, joint venture companies, jointly controlled entities and the shareholding structure of GAC after the proposed internal restructuring by GAC[1] after the Listing:



Source: GAC

Information on Denway

Denway is principally engaged in a range of activities relating to the manufacturing, assembly and trading of passenger vehicles, manufacturing and trading of automotive equipment and auto parts in the PRC, and manufacturing and trading of audio equipment in Hong Kong. Other operations of Denway include investment holding and holding of investment properties. Shares in Denway were listed on the Main Board of the Stock Exchange in 1993.

1 *The proposed internal restructuring by GAC is subject to obtaining the necessary approvals from the relevant PRC regulatory authorities*

Guangqi Honda, a company jointly controlled by a wholly-owned subsidiary of Denway and Honda Motor Co., Ltd., is the major Jointly-controlled Entity of Denway and which manufactures passenger vehicles under various model series including *Guangqi Honda Accord*, *Guangqi Honda Odyssey*, *Guangqi Honda Fit* and *Guangqi Honda City (Fengfan)* series. In each of the three years ended 31st December, 2009, Guangqi Honda contributed 84.7%, 89.0% and 98.9% respectively to the profit before taxation of Denway. Denway manufactured, through its Jointly-controlled Entity, more than 365,000 units of passenger vehicles in 2009 exceeding the designed capacity of the manufacturing plant of 360,000 vehicles per year.

For the year ended 31st December, 2009, Denway's audited net profit attributable to shareholders was approximately RMB1,915 million, representing an 8.6% decrease when compared to the previous financial year. The profit growth was affected by an increase in overall tax expense at a rate represented by an annual increment after the PRC Corporate Income Tax Law became effective in 2008. The net asset value of Denway, which included net cash balances of RMB7,300 million, amounted to approximately RMB14,256 million as at 31st December, 2009.

It is noted that the closing price of Denway Shares increased from HK$4.62 on 21st January, 2010, the day before the Rule 3.7 Announcement to HK$4.97 on 22nd January, 2010. Subsequently and until the Latest Practicable Date, the price of Denway Shares decreased gradually and traded between HK$2.85 (on 20th May, 2010) and HK$5.16 on 22nd January, 2010.

Past trading performance and financial ratios of Denway

Table 2
(Figures in RMB million)

	For the year ended 31st December		
	2007	2008	2009
Revenue *(note 1)*	20,182	23,141	25,583
comprising:			
— Trading of motor vehicles	556	485	420
— Manufacturing and trading of automotive parts	12	10	3
— Manufacturing and trading of audio equipment	295	231	214
— Share of income of a jointly controlled entity	19,319	22,415	24,946
Net profit before tax	2,181	2,150	1,941
Contributions from Guangqi Honda to profit before taxation	84.7%	89.0%	98.9%
Profit attributable to shareholders	2,170	2,094	1,915
Net cash *(note 2)*	3,891	4,259	7,300
Net asset value	11,655	12,720	14,256
Revenue growth	3.0%	14.7%	10.6%
Net profit margin	10.8%	9.0%	7.5%
Return on equity	18.7%	16.6%	13.5%
Net cash/equity	33.4%	33.5%	51.2%
Book value per share (RMB) *(note 3)*	1.54	1.68	1.89

Notes:

(1) The revenue of Denway for each of the past three financial years has been adjusted to take into account its share of revenue from its jointly controlled entities.

(2) The net cash amount is the sum of time deposits and cash less total borrowings.

(3) Book value per share is calculated by dividing owner's equity of Denway by the number of issued Denway Shares as at the corresponding balance sheet date.

Source: Annual reports of Denway

Comparison between GAC and Denway

Past financial performance

GAC has been profitable during the past three financial years that we have reviewed. For the year ended 31st December, 2009, GAC posted a 14.8% growth in revenue and a 29.7% growth in net profit attributable to shareholders when compared to the previous financial year. As shown in Tables 1 and 2 above, it is noted that GAC recorded a higher revenue growth and return on equity than that of Denway during the financial year ended 31st December, 2009. Return on equity was over 13% for each of the past two financial years in 2008 and 2009 for Denway. Net profit margin of Denway for 2009 is 7.5% (2008: 9.0%; 2007: 10.8%) which is moderately higher than that of GAC which is 6.5% (2008: 6.5%; 2007: 11.4%).

Diversification

GAC has a diversified business which includes the manufacturing of GAC Toyota vehicles as well as Guangqi Honda vehicles. We also note that although GAC Toyota produced fewer cars than Guangqi Honda during 2009, it has excess production capacity enabling it to increase substantially its production if demand arises.

Denway focuses on a single vehicle brand which is Honda. The results of Denway in the past three financial years have been heavily dependent upon the results of the passenger vehicle business conducted through Guangqi Honda which is currently operating at full capacity of 360,000 units. As stated in the announcement of results of Denway dated 16th March, 2010 Guangqi Honda plans to further exploit production capacity and an annual production and sales target of 386,000 units for 2010 have been set, representing an increase of 5.7%.

In addition, GAC produces commercial vehicles which include buses and trucks. GAC will gradually expand its production capacity of commercial vehicles and focus on research and development of new products. GAC also manufactures engines and auto parts, including transmissions and shock absorbers, for the use of its own plants and for external customers.

Strong balance sheet

GAC had a strong balance sheet with net cash balances of approximately RMB15,750 million as at 31st December, 2009. Net cash to equity ratio of GAC was 73.4% compared to 51.2% for Denway as at 31st December, 2009.

Growth drivers from new vehicle models

GAC plans to launch its proprietary brand of vehicles in the second half of 2010 and later *Linea* series with GAC Fiat in 2011 to meet the anticipated strong growth in the automobile market in the PRC. The GAC Directors expect the Expo 2010 in Shanghai, China and Guangzhou Asian Games to boost the sales of automobiles in these regions of the PRC.

As for Denway, new Honda models, Guangqi Honda Everus and Guangqi Honda Crosstour, will be introduced to the market by Guangqi Honda. Subject to obtaining approval from relevant authorities, the construction of the new facilities is expected to be completed by the end of 2011.

Strong brand recognition

The GAC Board plans to strengthen its passenger vehicle business and other businesses by improving operational efficiency and leveraging on its listing status to access the capital market. The strengthened financial position of GAC is expected to enable GAC to further increase its market share and enhance recognition of brands — *GAC Toyota, GAC Honda, GAC Fiat* and its proprietary brand.

Set out below are various comparisons between GAC and Denway

Table 3

	GAC (including its interest in Denway and other associates)	Denway
Market share	5.8% in the PRC passenger vehicle market in terms of sales volume during FY 2009 according to China Association of Automobile Manufacturers ("**CAAM**")	3.5% in the PRC passenger vehicle market in terms of sales volume during FY 2009 according to CAAM
	29.5% in the mid-to-high-end sedan market during FY 2009 according to CAAM	15.6% in the mid-to-high-end sedan market during FY 2009 according to CAAM
Market ranking	Ranked first in the PRC mid-to-high-end sedan market in terms of sales and production volume for the Track Record Period	No information on the ranking of Denway is available
Vehicles produced and sold	Produced and sold 607,221 and 606,621 units of automobiles in FY 2009, of which 603,509 units were passenger vehicles	Produced and sold 365,997 and 365,623 units of automobiles in FY 2009, all of them were passenger vehicles
Sales volume growth (in vehicle units)	2.4% growth in 2008 and 15.3% growth in 2009	3.4% growth in 2008 and 19.7% growth in 2009
Production capacity	890,000 units of passenger vehicles, 21,500 units of commercial vehicles, 500,000 units of engines and 200,000 units of transmissions	Currently 360,000 units of passenger vehicles and will be increased to 480,000 units by the end of 2011.
	Production capacity increased from 628,200 units to 909,000 units from year 2007 to 2009	Production capacity of Guangqi Honda remained unchanged during each of the three years ended 31st December, 2007, 2008 and 2009
	The launch of its own branded vehicle in 2010 and *Linea* series with GAC Fiat in 2011 are expected to further increase the production capacity to 1,009,000 units in 2010 and 1,271,500 units in 2011	
Utilisation rate of production capacity	76.4% in FY 2009	Full utilisation of production capacity in FY 2009

	GAC (including its interest in Denway and other associates)	Denway
Profitability	Passenger vehicle sales reached some RMB49.4 billion and generated profit before taxation of RMB4.3 billion in FY 2009	Passenger vehicle sales reached some RMB25.4 billion and generated profit before taxation of RMB1.9 billion in FY 2009
	Net profit attributable to equity holders were approximately RMB2,032 million in FY 2009	Net profit attributable to equity holders were approximately RMB1,915 million in FY 2009
Net asset value	Approximately RMB21,461 million as at 31st December, 2009	Approximately RMB14,256 million as at 31st December, 2009

Profit forecast of GAC and government grants

GAC has forecast on the bases and assumptions set out in the forecast on pages III-1 to III-7 of the Listing Document and in the absence of unforeseen circumstances, that forecast consolidated profit attributable to shareholders of GAC for the year ending 31st December, 2010 will not be less than RMB3,760 million. The forecast profit is based on GAC interest in Denway remaining at 37.90% and represents an increase of 85.06% over the profit attributable to shareholders of GAC for the year ended 31st December, 2009. The majority of the increase is attributable to improved performance of GAC Toyota which is primarily as a result of the successful launch of *GAC Toyota Highlander* in June 2009 and the disposal of Zhujiang Steel Co., Ltd., which had been loss making in 2008 and 2009.

It is noted that the forecast profit of GAC for the year ending 31st December, 2010 includes government grants of RMB368 million which are expected to be recognised as other income to compensate operating expenses in the consolidated income statement of GAC during the year ending 31st December, 2010. Such grants emanate from the government grants policy implemented by the Guangzhou municipal government to encourage automotive technologies and support the development of automobile industry in the PRC. As stated in the Listing Document, GAC established a wholly owned subsidiary, GAMC in 2008 with an aim to produce proprietary brand passenger vehicles. In 2008 and 2009, GAC received from Guangzhou municipal government grants of RMB183 million and RMB455 million respectively to support the development of its proprietary branded vehicles. These amounts were not recognised as income of GAC during 2008 and 2009 in accordance with the accounting policy of GAC whereby government grants relating to costs are deferred and recognised in the consolidated income statement over the period in which the relevant expenses are incurred and for which the grants are intended to compensate.

As stated in the Listing Document, it is intended that RMB358 million of the government grants received and grants of RMB10 million that is expected to be received during 2010 will be applied to compensate operating expenses incurred by GAMC in 2010 upon commencement of production of proprietary brand of passenger vehicles.

Government grants received by comparable companies

We have considered the proportion of government grants relative to profits of comparable companies during the past three years. It is noted that Dongfeng Motor, Great Wall Motor and Geely Automobile are most comparable to GAC in this regard. For the past three years ended 31st December, 2009, it is noted that the three comparable companies received annual government grants (subject to the PRC corporate tax rate of 33% in 2007 and 25% in 2008 and 2009) of a median and average amount of about 4.3% and 6.8% of their respective net profits attributable to shareholders respectively. In the case of GAC, the expected government grant of GAC which represents a 7.9% of its forecast consolidated profits attributable to shareholders, net of government grant, for the year ending 31st December, 2010, is higher than both median and average amount of government grants of 4.3% and 6.8% of its peers.

Inclusion of Government Grant in forecast Profit on which Estimate of Value is based

In determining an appropriate forecast profit as a basis for our Estimate of Value, we have considered the appropriateness or otherwise of including the government grant of RMB368 million. The forecast 2010 net profit includes the benefit of government grants and on the basis of a 25% annual tax rate the value of this benefit would be RMB276 million. Basing our determination on, among others things, the fact that the selected comparable PRC automobile companies traded in Hong Kong have received government grants over the last three years, and based on the GAC Directors' expectation, as stated in the Scheme Document, that GAC will continue to receive government grants of similar nature and magnitude during 2011 and 2012, we have considered that the inclusion of 100% of the grant would be appropriate. We have arrived at an Estimate of Value based on the 2010 forecast profit of GAC attributable to shareholders of RMB3,760 million. This figure includes the benefit of the full amount of the pretax government grant of RMB368 million, and implies a return on equity (based on GAC's net asset value of RMB13,060 million as at 31st December, 2009) of 28.8%.

However, it must be noted that there is no assurance that GAC will continue to receive government grants of similar nature or amounts beyond 2012 as this depends on the PRC government policy to support the domestic automobile industry. It should also be noted there can be no certainty whether such grants have been included, and if they have whether they represent a similar proportion of net income, in the estimates of prospective price/earnings multiples provided by third parties for comparable companies.

We set out below the expected return on equity based on the 2009 net asset value of the comparable companies.

Table 4

Passenger and commercial vehicles manufacturers		**Expected return on equity in 2010**
Dongfeng Motor		26.8%
Brilliance China		12.4%
Great Wall Motor		17.0%
Geely Automobile		23.1%
	Average	19.8%
	Median	20.1%

Notes:

(1) The expected return on equity is calculated by dividing the prospective based on the consensus projection earnings attributable to shareholders in 2010 by owner's of equity of the company as at 31st December, 2009.

Source: Bloomberg and annual reports of the relevant companies

Comparison with publicly traded automobile manufacturers listed in Hong Kong

Summarised below are the financial data relating to comparable PRC automobile manufacturers listed on the Stock Exchange as at the Latest Practicable Date, 2010:

Table 5

	Market capitalisation as at the Latest Practicable Date	Average closing price of the past 30 trading days prior to and including the Latest Practicable Date	Prospective price/earnings ratio	Historic price/earnings ratio
	(HK$ million)	(HK$)	(times)	(times)
Commercial vehicles manufacturers				
Qingling Motors	4,592	1.799	14.0	15.8
Sinotruk HK	17,588	6.396	12.6	12.8
		Average	13.3	14.3
		Median	13.3	14.3
Passenger and commercial vehicles manufacturers comparable to GAC and Denway				
Dongfeng Motor	74,616	9.251	9.6	11.2
Brilliance China	12,535	2.482	17.4	Loss making
Great Wall Motor	15,049	15.852	9.6	12.1
Geely Automobile	18,949	2.880	11.9	14.8
		Average	12.1	12.7
		Median	10.7	12.1
		Overall average	12.5	13.3
		Overall median	12.2	12.8

Notes:

(1) *Qingling Motors and Sinotruk HK are principally engaged in manufacturing of commercial vehicles only and are therefore not directly comparable to GAC and Denway.*

(2) *The prospective estimated earnings per share provided by Bloomberg represent the earnings per share estimated by brokers and market consensus. In particular, such prospective price earnings multiple is the average prospective multiple estimate made by stockbrokers.*

(3) *Prospective price/earnings ratio is the ratio of average closing prices of the companies of the past 30 trading days prior to and including the Latest Practicable Date divided by the estimated earnings per share for 2010 financial year provided by Bloomberg as at the Latest Practicable Date.*

(4) *Historic price/earnings ratio is the ratio of average closing prices of the relevant companies of the past 30 trading days prior to including the Latest Practicable Date divided by the earnings per share for 2009 financial year.*

Source: Bloomberg, annual and interim reports of respective companies

The comparable companies shown above are selected on the basis that they are PRC automobile manufacturers, and represent all passenger and vehicle manufacturers, listed on the Stock Exchange. As both GAC and Denway derive their income mainly from passenger vehicle sales, we consider the companies most comparable are Dongfeng Motor, Brilliance China, Great Wall Motor and Geely Automobile. Denway is relatively smaller than Dongfeng Motor (which produces both passenger vehicles and commercial vehicles) in terms of scale of operations, market capitalisation and profit track record.

Based on the consensus estimates provided by a third party information service provider, Denway Shares were trading at a lower prospective price earnings multiple (representing a discount of some 9%) than the median consensus prospective price earnings ratio of comparable companies during the 30 trading day period prior to and including 14th May, 2010. Trading in Denway Shares was suspended from 29th April, 2010 to 18th May, 2010. The historic price earnings multiple of Denway of 11.6 times is also lower than the median multiple of other listed passenger vehicles manufacturers. We believe the reasons for this discount may be the market perception that Denway offers limited growth owing to a lack of new vehicle models and the capacity restraints of Guangqi Honda, which is already producing more vehicles than the designed capacity of its plant.

Value of GAC before the privatisation of Denway

Under the Scheme widely held Denway Shares representing 62.1% of the issued share capital of Denway are to be exchanged for GAC H Shares. Shareholders in Denway will therefore continue to participate in the enlarged GAC Group, a significant portion of which will comprise Denway as a wholly-owned subsidiary. It is considered that the value of Denway is likely to be principally driven by earnings attributable to its shareholders, and that the valuation of GAC as it currently exists before the privatisation of Denway would be similarly driven.

Price earnings ratio

In arriving at a valuation for GAC we believe that the current valuation of Denway may have a material influence. The contributions made by Denway to the net profit attributable to shareholders of GAC were as follows in each of the three years ended 31st December, 2009.

2007	2008	2009	Average (2007–2009)
23.9%	50.7%	35.7%	36.8%

On the basis of the above historical contributions by Denway to the overall results of GAC we believe the price earnings multiple to be used for valuing GAC could be adjusted to take account of the profit contribution by Denway.

It is noted that both the historic and prospective multiples of Denway are below that of any of and the average of the historic and prospective multiples of the comparable companies. As mentioned above, we believe reasons for this discount may be the market perception that Denway offers limited growth owing to the capacity restraints of Guangqi Honda, which is already producing more vehicles than the designed capacity of its plants. GAC Toyota however has production capacity which is significantly greater than the number of vehicles currently produced. In 2009 overall utilisation of manufacturing plants of GAC (including Denway) ran at 74%.

In determining the range of the Estimate of Value, we have applied two price earnings multiples to the forecast earnings attributable to shareholders of GAC for 2010. The first multiple is a weighted multiple taking into account Denway's average contribution of 36.8% to the net profit attributable to shareholders of GAC during the past three financial years. On this basis, we calculate the weighted multiple to be 10.3 times, using (i) Denway's 2010 prospective price earnings multiple provided by a third party information service provider and using average closing prices during the 30 trading days prior to and including the Latest Practicable Date (other than those days when Denway Shares were suspended from trading), and (ii) the 2010 median prospective price earnings multiple of 10.7 times of the four companies comparable to GAC and Denway as shown in **Table 5** above. The second price earnings multiple is 10.7 times which represents the median prospective price earnings multiple of the four companies comparable to GAC and Denway.

On the basis of the 2010 forecast profits of RMB3,760 million, which includes government grants as described above, and applying a low end price earnings multiple of 10.3 times, we determine the low end of the range of Estimate of Value to be approximately RMB38,728 million (equivalent to approximately HK$44,150 million). In determining the high end of the range of Estimate of Value, we apply the higher price earnings multiple of 10.7 times to the 2010 forecast profit of GAC attributable to shareholders of RMB3,760 million, resulting in an Estimate of Value of approximately RMB40,232 million (equivalent to approximately HK$45,864 million). Such range of Estimate of Value will vary with fluctuations of the market price of shares in companies comparable to GAC.

Dividends

GAC has made no forecast as to the dividends that may be paid in respect of the current financial year. We set out below the dividends paid by GAC as shown in the accountants' report in respect of the three years ended 31st December, 2009:

	Year ended 31st December	
2007	**2008**	**2009**
(RMB million)	**(RMB million)**	**(RMB million)**
—	—	816

The dividends paid represents 40.2% of profit attributable to shareholders of GAC in respect of the year ended 31st December, 2009.

We set out below a table showing the dividends payout ratio and historical yields of the comparable companies.

Table 6

	Market capitalisation as at the Latest Practicable Date	Yearly dividend of FY2009	Earnings attributable to shareholders	Dividend payout ratio	Dividend yield
	(HK$ million)	(RMB million)	(RMB million)	(%)	(%)
Commercial vehicles manufacturers					
Qingling Motors	4,592	199	241	82.5%	4.9%
Sinotruk HK	17,588	146	965	15.1%	0.9%
			Average	***48.8%***	***2.9%***
Passenger and commercial vehicles manufacturers					
Dongfeng Motor	74,616	776	6,250	12.4%	1.2%
Brilliance China	12,535	n.a.	(1,640)	n.a.	n.a.
Great Wall Motor	15,049	274	1,023	26.8%	2.1%
Geely Automobile	18,949	148	1,183	12.5%	0.9%
			Average	***17.2%***	***1.4%***
Denway	27,293	677	1,915	35.3%	2.8%

Source: Bloomberg, annual reports, announcement of annual results of respective companies

On the basis of the range of Estimate of Value of GAC set out above, implied historical dividend yield would range from 2.0% to 2.1%. Although this is higher than the average and median historical yield of the comparable companies, we do not consider it to have a material effect on the range of values we have arrived at for the Estimate of Value.

Conclusion

In arriving at the Estimate of Value, we consider that the value should be benchmarked closely to the median prospective price earnings multiple for 2010 of comparable companies but influenced by Denway's multiple as it is a major contributor to the profit attributable to shareholders of GAC. We have also considered the nature of government grants included in the 2010 forecast profits of GAC and similar grants received by comparable PRC automobile companies listed on the Stock Exchange. We therefore propose that the low end of the range of Estimate of Value to be calculated based on the weighted prospective price earnings multiple of Denway and comparable automobile manufacturers to be applied to the forecast profits attributable to shareholders of GAC for the year ending 31st December, 2010. The high end of the range of Estimate of Value will be calculated by applying the median prospective price earnings multiples of comparable companies to the forecast profit attributable to shareholders of GAC for the year ending 31st December, 2010. On this basis, the Estimate of Value ranges between approximately RMB38,728 million and approximately RMB40,232 million, or between RMB9.84 and RMB10.22 (equivalent to HK$11.22 and HK$11.66 respectively) per Share before implementation of the Scheme. Such Estimate of Value will vary with fluctuations of the market price of shares in companies comparable to GAC.

General

Anglo Chinese is appointed as the adviser to GAC in respect of providing the Estimate of Value. Anglo Chinese receives fees for its services in the form of cash.

Denway Shareholders are strongly advised to read carefully all the information contained in the Scheme Document and, in particular, the fact that the proposed listing of the GAC H Shares and the Scheme are inter-conditional, and may or may not materialise. Denway Shareholders should also note that there are no restrictions on the transfer of GAC H Shares under the Articles of Association of GAC. We specifically draw your attention to the risk factors set out on pages 37 to 55 of the Listing Document.

In providing the Estimate of Value, Anglo Chinese expresses no opinion or recommendation to any person as to whether they should accept the share exchange offer under the Scheme or how they should vote on the Scheme. Shareholders of Denway are recommended to seek their own independent financial advice. Anglo Chinese expresses no opinion as to the fairness and reasonableness of the terms of the Scheme.

Yours faithfully,
For and on behalf of
Anglo Chinese Corporate Finance, Limited
Stephen Clark
Managing Director

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18 June 2010

PRIVATISATION OFFER BY GUANGZHOU AUTOMOBILE GROUP CO. LTD FOR DENWAY MOTORS LIMITED REPORT ON THE ESTIMATE OF VALUE OF GAC SHARES

Dear Sirs,

Pursuant to the requirements of the Takeovers Code, you have engaged Anglo Chinese Corporate Finance, Limited (the "**Valuer**") to provide you with an estimate of value of the GAC Shares ("**Estimate of Value**"). Capitalised terms used in this letter will, unless otherwise stated, have the same meaning given to them in the scheme document dated 18 June 2010.

This letter has been provided to the GAC Directors solely for the purposes of rule 11.1(b) of the Takeovers Code and shall not be used or relied upon for any other purpose whatsoever. It is not addressed to and may not be relied upon by any third party for any purpose whatsoever and J.P. Morgan Securities (Asia Pacific) Limited, Morgan Stanley Asia Limited and China International Capital Corporation Hong Kong Securities Limited (together, the "**Financial Advisers**") expressly disclaim any duty or liability to any third party with respect to the contents of this letter.

The Valuer is licensed for Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance.

We have reviewed and discussed, from the perspective of financial advisers, with you and the Valuer the qualifications, bases and assumptions adopted by the Valuer in the context of its Estimate of Value contained in the letter dated 18 June 2010 addressed to you and us from the Valuer. We are satisfied that these qualifications, bases and assumptions have been made with due consideration, care and objectivity, and on a reasonable basis.

Yours faithfully,

For and on behalf of **J.P. Morgan Securities (Asia Pacific) Limited**	For and on behalf of **Morgan Stanley Asia Limited**	For and on behalf of **China International Capital Corporation Hong Kong Securities Limited**
David PW Lau *Executive Director*	**Peter Ding** *Managing Director*	**Zhaohui Huang** *Managing Director*

1. RESPONSIBILITY STATEMENT

The information in this Scheme Document relating to the Denway Group has been supplied by Denway. The issue of this Scheme Document has been approved by the Denway Directors, who jointly and severally accept full responsibility for the accuracy of the information contained in this Scheme Document including all the appendices hereto (other than that relating to the GAC Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, the opinions expressed in this Scheme Document including all the appendices hereto (other than those expressed by the GAC Group) have been arrived at after due and careful consideration and there are no other facts not contained in this Scheme Document including all the appendices hereto, the omission of which would make any statement (other than that relating to the GAC Group) herein misleading.

2. SHARE CAPITAL OF DENWAY

As at the Latest Practicable Date:

(a) the authorised share capital of Denway was HK$1,000,000,000 divided into 10,000,000,000 Denway Shares of HK$0.10 each;

(b) the issued share capital of Denway was HK$751,869,853.40 divided into 7,518,698,534 Denway Shares of HK$0.10 each;

(c) save for the 26,344,000 Denway Options held by the Denway Optionholders, Denway did not have any outstanding options, warrants, derivatives or convertible securities; and

(d) Denway had not issued any Denway Shares since 31 December 2009, being the end of its last financial year.

Each Denway Share ranks pari passu in all respects, including as to dividends, voting rights and capital.

3. DISCLOSURE OF INTERESTS

For the purpose of this paragraph 3 of Appendix C to the Scheme Document:

“interested” and **“interests”** have the meanings respectively ascribed thereto in Part XV of the SFO; and

“GAC Shareholdings” means the GAC Shares and any other equity share capital of GAC, securities of GAC which carry substantially the same rights as the GAC H Shares, and convertible securities, warrants, options and derivatives in respect of any of them; and **“Denway Shareholdings”** means the Denway Shares and any other securities of Denway which carry voting rights, and convertible securities, warrants, options and derivatives in respect of any of them.

(a) Interests of Denway Directors in Denway Shareholdings

(i) Interests in the Denway Shares

As at the Latest Practicable Date, the following Denway Directors had the following interests in the Denway Shares respectively set opposite their names:

Denway Director	Note	Number of Denway Shares held and nature of interest: Personal Interests	Family Interests	Corporate Interests	Other Interests	Total number and approximate percentage of issued share capital of Denway held: Total	%
YAO Yiming		1,132,000	—	—	—	1,132,000	0.02
CHEUNG Doi Shu		3,000,000	—	—	—	3,000,000	0.04

(ii) Rights to acquire Denway Shares

Pursuant to the Share Option Scheme, certain Denway Directors were granted Denway Options to subscribe for the Denway Shares, details of which as at the Latest Practicable Date were as follows:

Name of Denway Director	Date of grant	Number of Denway Options as at the Latest Practicable Date	Period during which Denway Options are exercisable	Price per Denway Share payable upon exercise of Denway Options
ZHANG Fangyou	7 August 2003	8,528,000	7 August 2003- 5 June 2012	HK$2.1525
ZENG Qinghong	7 August 2003	5,664,000	7 August 2003- 5 June 2012	HK$2.1525

Save as disclosed above, none of the Denway Directors had any interest in Denway Shareholdings as at the Latest Practicable Date.

(b) Certain interests of Denway, Denway Directors and other parties

As at the Latest Practicable Date:

(i) none of Denway or any of the Denway Directors had any interests in the GAC Shareholdings;

(ii) except that BNP Paribas S.A. Entities held 14,302,498 Denway Shares, representing approximately 0.19% of the issued share capital of Denway, BNP Paribas S.A. Entities did not own or control any Denway Shareholdings or GAC Shareholdings;

(iii) save as disclosed above, no subsidiary of Denway, pension fund of Denway or of any subsidiary of Denway, or any adviser to Denway as specified in class (2) of the definition of "associate" in the Takeovers Code (but excluding exempt principal traders) owned or controlled any Denway Shareholdings or any GAC Shareholdings;

(iv) no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code existed between any person and Denway or any person who is an associate of Denway by virtue of classes (1), (2), (3) or (4) of the definition of "associate" under the Takeovers Code;

(v) no interest in Denway Shareholdings or GAC Shareholdings was managed on a discretionary basis by fund managers (other than exempt fund managers) connected with Denway; and

(vi) none of Denway and Denway Directors had borrowed or lent any Denway Shareholdings or GAC Shareholdings.

Mr. Yao Yiming, being an executive Denway Director and also a member of GAC's senior management team, has irrevocably undertaken to GAC and Denway that he will abstain from voting at the Court Meeting.

Mr. Cheung Doi Shu has indicated that he intends to vote in favour of the Scheme at the Court Meeting and the Denway EGM.

Save for Mr. Yao Yiming and Mr. Cheung Doi Shu, none of the Denway Directors owned any Denway Shares as at the Latest Practicable Date.

BNP Paribas S.A. Entities will abstain from voting at the Court Meeting in respect of the Denway Shares held by them as Exempt Principal Traders connected with Denway.

(c) Arrangements affecting the Denway Directors

As at the Latest Practicable Date:

(i) no benefit was to be given to any Denway Director as compensation for loss of office or otherwise in connection with the Privatisation proposal;

(ii) no agreement or arrangement existed between any Denway Director and any other person which was conditional on or dependent upon the outcome of the Privatisation proposal or otherwise connected with the Privatisation proposal; and

(iii) no material contract had been entered into by GAC in which any Denway Director had a material personal interest.

(d) Service contracts of Denway Directors

As at the Latest Practicable Date, none of the Denway Directors had a service contract in force with Denway or any of the subsidiaries or associated companies of Denway which: (a) (including both continuous and fixed term contracts) had been entered into or amended within six months before the Offer Period Start Date, (b) were continuous contracts with a notice period of twelve months or more, or (c) were fixed term contracts with more than twelve months to run irrespective of the notice period.

4. DEALINGS IN SHARES

(a) Denway had not dealt for value in the GAC Shareholdings during the Disclosure Period.

(b) None of the Denway Directors had dealt for value in the Denway Shareholdings or the GAC Shareholdings during the Disclosure Period.

(c) During the Relevant Period, BNP Paribas S.A. Entities had dealt in Denway Shares as follows:

Name	Date	Type of Transaction	Number of Denway Shares	Price (HK$)
BNP Paribas Arbitrage SNC	1 February 2010	Purchase	114,000	4.3400
BNP Paribas Arbitrage SNC	4 February 2010	Purchase	90,000	4.4100
BNP Paribas Arbitrage SNC	12 February 2010	Purchase	224,000	4.3536
BNP Paribas Arbitrage SNC	17 February 2010	Sale	16,000	4.4800
BNP Paribas Arbitrage SNC	22 February 2010	Sale	280,000	4.3106
BNP Paribas Arbitrage SNC	22 February 2010	Purchase	88,000	4.3800
BNP Paribas Arbitrage SNC	26 February 2010	Sale	48,000	4.3242
BNP Paribas Arbitrage SNC	26 February 2010	Sale	14,000	4.3600
BNP Paribas Arbitrage SNC	4 March 2010	Purchase	128,000	4.1489

Name	Date	Type of Transaction	Number of Denway Shares	Price (HK$)
BNP Paribas Arbitrage SNC	5 March 2010	Sale	4,000	4.2100
BNP Paribas Arbitrage SNC	16 March 2010	Purchase	146,000	4.3200
BNP Paribas Arbitrage SNC	17 March 2010	Purchase	32,000	4.1372
BNP Paribas Arbitrage SNC	18 March 2010	Purchase	96,000	4.1273
BNP Paribas Arbitrage SNC	22 March 2010	Purchase	42,000	4.1733
BNP Paribas Arbitrage SNC	22 March 2010	Sale	48,000	4.1600
BNP Paribas Arbitrage SNC	23 March 2010	Sale	24,000	4.1600
BNP Paribas Arbitrage SNC	24 March 2010	Sale	14,000	4.1429
BNP Paribas Arbitrage SNC	25 March 2010	Sale	6,000	4.0867
BNP Paribas Arbitrage SNC	25 March 2010	Purchase	108,000	4.0800
BNP Paribas Arbitrage SNC	26 March 2010	Sale	2,000	4.1800
BNP Paribas Arbitrage SNC	26 March 2010	Purchase	62,000	4.1484
BNP Paribas Arbitrage SNC	29 March 2010	Sale	4,000	4.2200
BNP Paribas Arbitrage SNC	31 March 2010	Sale	12,000	4.1400
BNP Paribas Arbitrage SNC	1 April 2010	Purchase	2,000	4.1100
BNP Paribas Arbitrage SNC	1 April 2010	Sale	140,000	4.1364
BNP Paribas Arbitrage SNC	7 April 2010	Purchase	136,000	4.3900
BNP Paribas Arbitrage SNC	7 April 2010	Sale	136,000	4.3900
BNP Paribas Arbitrage SNC	7 April 2010	Purchase	138,000	4.3914
BNP Paribas Arbitrage SNC	7 April 2010	Sale	130,000	4.2569
BNP Paribas Arbitrage SNC	8 April 2010	Purchase	86,000	4.3881
BNP Paribas Arbitrage SNC	8 April 2010	Sale	28,000	4.3579
BNP Paribas Arbitrage SNC	9 April 2010	Purchase	48,000	4.4367
BNP Paribas Arbitrage SNC	12 April 2010	Purchase	16,000	4.3213
BNP Paribas Arbitrage SNC	13 April 2010	Purchase	28,000	4.1600
BNP Paribas Arbitrage SNC	19 April 2010	Sale	6,000	4.1433
BNP Paribas Arbitrage SNC	21 April 2010	Purchase	6,000	4.1700

Save as disclosed above, none of the persons referred to in paragraphs (iii) to (v) in the section headed "4. Disclosure of Interest – (b) Certain interests of Denway, Denway Directors and other parties" in this Appendix had dealt for value in any Denway Shares or any GAC Shares during the Relevant Period.

5. MATERIAL CONTRACTS

After the date two years preceding the Offer Period Start Date, neither Denway nor any of its subsidiaries entered into any contracts which are or may be material, other than in the ordinary course of business carried on or intended to be carried on by the Denway Group.

6. MATERIAL LITIGATION

As at the Latest Practicable Date, there was no material litigation or claim of material importance pending or threatened against any member of the Denway Group.

7. MISCELLANEOUS

(a) The executive Denway Directors are Mr. ZHANG Fangyou, Mr. ZENG Qinghong, Mr. LI Tun, Mr. FU Shoujie and Mr. YAO Yiming and the independent non-executive Denway Directors are Mr. CHEUNG Doi Shu, Mr. LEE Ka Lun and Mr. FUNG Ka Pun.

(b) The registered office of Denway is situated at Room 801, Citigroup Centre, 18 Whitfield Road, Causeway Bay, Hong Kong.

(c) The company secretary of Denway is Mr. LEUNG Chong Shun, a partner of Woo Kwan Lee & Lo, the legal advisers to Denway as to Hong Kong law in relation to the Privatisation, and a joint company secretary of GAC with effect from the Listing.

(d) The share registrar of Denway is Tricor Abacus Limited of 26/F, Tesbury Centre, 28 Queen's Road East, Wan Chai, Hong Kong.

(e) The principal place of business of BNP Paribas Capital is situated at 59/F – 63/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong.

8. EXPERTS

The following are the qualifications of the Independent Financial Adviser who has given opinions or advice which are contained in this Scheme Document:-

Name	Qualifications
BNP Paribas Capital	A corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

9. CONSENTS

BNP Paribas Capital has given and has not withdrawn its written consent to the issue of this Scheme Document with the inclusion therein of its opinions and/or letters and/or the references to its name and/or opinions and/or letters in the form and context in which they respectively appear.

1. RESPONSIBILITY STATEMENT

The GAC Directors jointly and severally accept full responsibility for the accuracy of the information in this Scheme Document, including all the appendices hereto (other than that relating to the Denway Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Scheme Document, including all the appendices hereto (other than that expressed by the Denway Group), have been arrived at after due and careful consideration and there are no other facts not contained in this Scheme Document (including all the appendices hereto), the omission of which would make any statement (other than that relating to Denway Group) herein misleading.

2. SHARE CAPITAL

(a) As at the Latest Practicable Date, GAC's registered share capital is RMB3,934,757,457 divided into 3,934,757,457 GAC Domestic Shares of nominal value of RMB1 each.

(b) As at the Latest Practicable Date, there were 3,934,757,457 GAC Shares in issue all of which are GAC Domestic Shares.

(c) All the GAC Shares rank *pari passu* in all respects as regards rights to capital, dividends and voting.

(d) GAC issued 3,934,757,457 GAC Shares after 31 December 2009, being the end of the last financial year of GAC, up to the Latest Practicable Date.

(e) No GAC Shares have been repurchased by GAC after 31 December 2009, being the end of the last financial year of GAC.

(f) Other than the GAC Shares, there are no other options, derivatives, warrants or other securities convertible or exchangeable into GAC Shares.

(g) There has been no reorganisation of the capital of GAC during the two financial years preceding 22 January 2010, the date of first issuance of joint announcement by GAC and Denway pursuant to Rule 3.7 of Takeover Code.

3. SHAREHOLDINGS IN DENWAY SHARES

(a) As at the Latest Practicable Date:

(i) neither GAC nor any of the GAC Directors was interested in any Denway Shares and other relevant securities (as defined in Note 4 to Rule 22 of the Takeover Code) of Denway or had borrowed or lent any Denway Shares and other relevant securities (as defined in Note 4 to Rule 22 of the Takeover Code) of Denway; and

(ii) save as disclosed in the sections headed "8. Effects of the privatisation of the shareholding structures of GAC and Denway" and "9. Scheme Shares, Court Meeting and the Denway EGM" of the Explanatory Statement in this Scheme Document, none of the parties acting in concert with GAC owned or controlled any Denway Shares and other relevant securities (as defined in Note 4 to Rule 22 of the Takeover Code) of Denway or had borrowed or lent any Denway Shares and other relevant securities (as defined in Note 4 to Rule 22 of the Takeover Code) of Denway.

(b) As at the Latest Practicable Date, the shareholdings in Denway owned or controlled by the persons who, prior to the despatch of this Scheme Document, had given irrevocable undertakings to GAC to vote in favour of all of the resolutions to approve the Scheme and any related matters for the implementation of the Scheme to be proposed at the Court Meeting and the Denway EGM are as follows:

Denway Shareholder	Number of Denway Shares held	% of Shareholding
Platinum Asset Management, Ltd.	366,704,800	4.88%

As at the Latest Practicable Date, GAC Directors are not aware that any of the shareholdings in Denway owned or controlled by the persons who, prior to the despatch of this Scheme Document, had irrevocably committed to vote against of all of the resolutions to approve the Scheme and any related matters for the implementation of the Scheme to be proposed at the Court Meetings and the Denway EGM.

(c) As at the Latest Practicable Date, save as disclosed in this paragraph 3, none of GAC, the GAC Directors and parties acting in concert with it owned or controlled any Denway Shares, convertible securities, warrants, options, derivatives in respect of Denway Shares or any other security in respect of Denway Shares.

(d) As at the Latest Practicable Date, save as disclosed in this paragraph 3, no persons who owned or controlled Denway Shares or any other security in respect of Denway Shares, convertible securities, warrants, options, derivatives in respect of Denway Shares or any other security in respect of Denway Shares have irrevocably committed themselves to vote in favour of or, so far as GAC is aware, not to vote in favour of, all the resolutions to approve the Scheme and any related matters for the implementation of the Scheme to be proposed at the Court Meeting and the Denway EGM.

(e) Save as disclosed in this paragraph 3, during the Disclosure Period, there had been no holdings of Denway Shares or any other security in respect of Denway Shares, convertible securities, warrants, options, derivatives in respect of Denway Shares owned and controlled by any person with whom GAC or any person acting in concert with it or its associates has an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code.

4. DEALINGS IN DENWAY SHARES

(a) During the Disclosure Period, neither GAC nor any of the GAC Directors had dealt for value in any Denway Shares and other relevant securities (as defined in Note 4 to Rule 22 of the Takeover Code) of Denway.

(b) During the Disclosure Period, the following J.P. Morgan Entities, Morgan Stanley Entities and CICC Entities had dealt for value in Denway Shares. The following transactions took place during the Disclosure Period and are disclosed on a non-aggregated daily basis:

The following are the dealings in Denway Shares conducted by the J.P. Morgan Entities during the Disclosure Period, but excluding dealings on an agency or non-discretionary basis:

Name	Date	Type of Transaction	Number of Denway Shares	Price per share (HK$)
J.P. Morgan Securities Ltd ("**JPMSL**")	16 September 2009	Buy	500,000	3.55
JPMSL	16 September 2009	Sell	4,000	3.46
JPMSL	16 September 2009	Sell	10,000	3.46
JPMSL	16 September 2009	Sell	8,000	3.46
JPMSL	16 September 2009	Sell	22,000	3.46
JPMSL	16 September 2009	Sell	6,000	3.46
JPMSL	16 September 2009	Sell	10,000	3.46
JPMSL	16 September 2009	Sell	16,000	3.46
JPMSL	16 September 2009	Sell	2,000	3.46
JPMSL	16 September 2009	Sell	164,000	3.55
JPMSL	16 September 2009	Sell	6,000	3.46
JPMSL	16 September 2009	Sell	2,000	3.46
JPMSL	16 September 2009	Sell	100,000	3.46
JPMSL	16 September 2009	Sell	150,000	3.53
JPMSL	17 September 2009	Sell	500,000	3.56
JPMSL	17 September 2009	Buy	12,000	3.62
JPMSL	17 September 2009	Buy	20,000	3.67
JPMSL	17 September 2009	Buy	12,000	3.62
JPMSL	17 September 2009	Buy	34,000	3.62
JPMSL	17 September 2009	Buy	22,000	3.67
JPMSL	17 September 2009	Buy	10,000	3.67
JPMSL	17 September 2009	Buy	140,000	3.67
JPMSL	17 September 2009	Buy	14,000	3.62
JPMSL	17 September 2009	Buy	60,000	3.62
JPMSL	17 September 2009	Buy	24,000	3.67
JPMSL	17 September 2009	Buy	28,000	3.62
JPMSL	17 September 2009	Buy	6,000	3.67
JPMSL	17 September 2009	Buy	20,000	3.67
JPMSL	17 September 2009	Buy	2,000	3.62
JPMSL	17 September 2009	Buy	2,000	3.67
JPMSL	17 September 2009	Buy	20,000	3.67
JPMSL	17 September 2009	Buy	8,000	3.67
JPMSL	17 September 2009	Buy	10,000	3.67
JPMSL	17 September 2009	Buy	20,000	3.67
JPMSL	17 September 2009	Buy	24,000	3.67
JPMSL	17 September 2009	Buy	12,000	3.62
JPMSL	7 December 2009	Buy	200,000	5.31
JPMSL	8 December 2009	Buy	250,000	5.30

Name	Date	Type of Transaction	Number of Denway Shares	Price per share (HK$)
JPMSL	9 December 2009	Buy	100,000	5.14
JPMSL	10 December 2009	Buy	100,000	4.69
JPMSL	14 December 2009	Sell	150,000	4.77
JPMSL	5 January 2010	Sell	150,000	5.28
JPMSL	6 January 2010	Buy	50,000	5.14
JPMSL	8 January 2010	Buy	1,000,000	5.02
JPMSL	8 January 2010	Sell	20,000	5.02
JPMSL	8 January 2010	Sell	8,000	5.05
JPMSL	8 January 2010	Sell	10,000	5.05
JPMSL	8 January 2010	Sell	8,000	5.05
JPMSL	8 January 2010	Sell	6,000	5.03
JPMSL	8 January 2010	Sell	26,000	5.04
JPMSL	8 January 2010	Sell	50,000	5.02
JPMSL	8 January 2010	Sell	10,000	5.03
JPMSL	8 January 2010	Sell	6,000	5.05
JPMSL	8 January 2010	Sell	2,000	5.02
JPMSL	8 January 2010	Sell	10,000	5.03
JPMSL	8 January 2010	Sell	6,000	5.06
JPMSL	8 January 2010	Sell	6,000	5.05
JPMSL	8 January 2010	Sell	10,000	5.02
JPMSL	8 January 2010	Sell	10,000	5.02
JPMSL	8 January 2010	Sell	12,000	5.02
JPMSL	8 January 2010	Sell	6,000	5.05
JPMSL	8 January 2010	Sell	8,000	5.02
JPMSL	8 January 2010	Sell	12,000	5.07
JPMSL	8 January 2010	Sell	10,000	5.02
JPMSL	8 January 2010	Sell	10,000	5.02
JPMSL	8 January 2010	Sell	4,000	5.06
JPMSL	8 January 2010	Sell	4,000	5.02
JPMSL	8 January 2010	Sell	4,000	5.02
JPMSL	8 January 2010	Sell	18,000	5.02
JPMSL	8 January 2010	Sell	8,000	5.02
JPMSL	8 January 2010	Sell	36,000	5.02
JPMSL	8 January 2010	Sell	122,000	5.05
JPMSL	8 January 2010	Sell	50,000	5.04
JPMSL	8 January 2010	Sell	50,000	5.04
JPMSL	8 January 2010	Sell	14,000	5.05
JPMSL	8 January 2010	Sell	4,000	5.05
JPMSL	8 January 2010	Sell	14,000	5.05
JPMSL	8 January 2010	Sell	14,000	5.05
JPMSL	8 January 2010	Sell	10,000	5.04
JPMSL	8 January 2010	Sell	48,000	5.06
JPMSL	8 January 2010	Sell	20,000	5.02
JPMSL	8 January 2010	Sell	12,000	5.05
JPMSL	8 January 2010	Sell	8,000	5.04
JPMSL	8 January 2010	Sell	8,000	5.03
JPMSL	8 January 2010	Sell	2,000	5.02
JPMSL	8 January 2010	Sell	100,000	5.02
JPMSL	8 January 2010	Sell	2,000	5.05
JPMSL	8 January 2010	Sell	2,000	5.05
JPMSL	8 January 2010	Sell	6,000	5.05
JPMSL	8 January 2010	Sell	2,000	5.03
JPMSL	8 January 2010	Sell	2,000	5.02

Name	Date	Type of Transaction	Number of Denway Shares	Price per share (HK$)
JPMSL	8 January 2010	Sell	2,000	5.07
JPMSL	8 January 2010	Sell	2,000	5.06
JPMSL	8 January 2010	Sell	10,000	5.04
JPMSL	8 January 2010	Sell	6,000	5.02
JPMSL	8 January 2010	Sell	2,000	5.02
JPMSL	8 January 2010	Sell	10,000	5.03
JPMSL	8 January 2010	Sell	6,000	5.02
JPMSL	8 January 2010	Sell	20,000	5.05
JPMSL	8 January 2010	Sell	2,000	5.02
JPMSL	8 January 2010	Sell	2,000	5.03
JPMSL	8 January 2010	Sell	2,000	5.06
JPMSL	8 January 2010	Sell	2,000	5.05
JPMSL	8 January 2010	Sell	8,000	5.05
JPMSL	8 January 2010	Sell	10,000	5.02
JPMSL	8 January 2010	Sell	10,000	5.04
JPMSL	8 January 2010	Sell	10,000	5.02
JPMSL	8 January 2010	Sell	10,000	5.07
JPMSL	8 January 2010	Sell	8,000	5.05
JPMSL	8 January 2010	Sell	10,000	5.02
JPMSL	8 January 2010	Sell	50,000	5.03
JPMSL	8 January 2010	Sell	6,000	5.04
JPMSL	8 January 2010	Sell	2,000	5.07
JPMSL	21 January 2010	Sell	400,000	4.63
J.P. Morgan Securities (Asia Pacific) Ltd ("**JPMSAL**")	20 April 2010	Buy	16,000	4.17
JPMSAL	20 April 2010	Buy	36,000	4.17
JPMSAL	20 April 2010	Buy	10,000	4.18
JPMSAL	20 April 2010	Buy	28,000	4.17
JPMSAL	20 April 2010	Buy	36,000	4.18
JPMSAL	20 April 2010	Buy	150,000	4.17
JPMSAL	20 April 2010	Buy	2,000	4.17
JPMSAL	20 April 2010	Buy	4,000	4.17
JPMSAL	20 April 2010	Buy	54,000	4.18
JPMSAL	20 April 2010	Buy	6,000	4.17
JPMSAL	20 April 2010	Buy	12,000	4.17

The following are the dealings in American depository receipts ("**Denway ADRs**"), each representing ownership of 50 Denway Shares, conducted by the Morgan Stanley Entities during the Disclosure Period, but excluding dealings on an agency or non-discretionary basis:

Name	Date	Type of Transaction	Number of Denway ADRs	Price per Denway ADR (US$)
Morgan Stanley Smith Barney LLC ("**MSSB**")	14 August 2009	Sell	40	25.05
MSSB	1 September 2009	Sell	35	22.96
MSSB	30 September 2009	Sell	60	22.00

The following are the dealings in Denway Shares conducted by the CICC Entities during the Disclosure Period, but excluding dealings on an agency or non-discretionary basis:

Name	Date	Type of Transaction	Number of Denway Shares	Price per share (HK$)
China International Capital Corporation Hong Kong Asset Management Limited (**"CICCHKAM"**)	10 August 2009	Buy	900,000	4.45
CICCHKAM	17 August 2009	Sell	50,000	3.70
CICCHKAM	18 August 2009	Sell	80,000	3.62
CICCHKAM	27 August 2009	Buy	500,000	3.41
CICCHKAM	11 September 2009	Buy	800,000	3.62
CICCHKAM	18 September 2009	Sell	770,000	3.48
CICCHKAM	2 November 2009	Buy	2,000,000	4.00
CICCHKAM	2 November 2009	Buy	700,000	4.00
CICCHKAM	5 November 2009	Buy	180,000	4.28
CICCHKAM	12 November 2009	Sell	180,000	4.66
CICCHKAM	25 November 2009	Buy	700,000	4.49
CICCHKAM	26 November 2009	Buy	1,500,000	4.47
CICCHKAM	3 December 2009	Sell	1,000,000	4.96
CICCHKAM	4 December 2009	Sell	500,000	5.14
CICCHKAM	9 December 2009	Sell	500,000	5.08
CICCHKAM	9 December 2009	Sell	200,000	5.08
CICCHKAM	10 December 2009	Sell	310,000	4.76
China International Capital Corporation Hong Kong Securities Limited ("**CICCHKS**")	14 December 2009	Buy	44,000	4.51
CICCHKS	16 December 2009	Sell	44,000	4.89
CICCHKS	8 January 2010	Buy	36,000	4.93
CICCHKS	11 January 2010	Buy	6,000	4.81
CICCHKS	11 January 2010	Buy	20,000	4.85
CICCHKS	11 January 2010	Buy	10,000	4.86
CICCHKS	11 January 2010	Sell	36,000	4.82
CICCHKS	13 January 2010	Buy	74,000	4.80
CICCHKS	20 January 2010	Sell	110,000	4.69

(c) During the Disclosure Period:

(i) save as disclosed in paragraphs 4(a) and 4(b) of this Appendix D, none of the parties acting in concert with GAC had dealt for value in any Denway Shares and other relevant securities (as defined in Note 4 to Rule 22 of the Takeover Code) of Denway;

(ii) none of the persons referred to in paragraph 3(b) of this Appendix D had dealt for value in any Denway Shares and other relevant securities (as defined in Note 4 to Rule 22 of the Takeover Code) of Denway; and

(iii) no persons who had any arrangements of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with GAC or any of the parties acting in concert or its associates with GAC had dealt for value in any Denway Shares.

5. SHAREHOLDINGS IN GAC SHARES

(a) As at the Latest Practicable Date, the details of the shareholding in GAC by the GAC Directors' and parties acting in concert with GAC were as follows:

Name	No. of GAC Shares held	Approximately % of the existing share capital of GAC
GAIG	3,617,403,529	91.9346
Wanxiang	156,996,823	3.9900
CNMIC	145,227,963	3.6909
Guangzhou Iron & Steel	7,869,515	0.2000
Guangzhou Chime-Long	7,259,627	0.1845

(b) As at the Latest Practicable Date:

(i) there had been no holding of GAC shares owned and controlled by any person who prior to the posting of the Scheme Document, has irrevocably committed himself to accept or reject the offer.

(ii) there had been no holdings of GAC shares owned and controlled by any person with whom GAC or any person acting in concert with it has any arrangement of the kind referred to in Note 8 to rule 22 of the Takeovers Code.

(iii) save as disclosed in paragraph 5(a) of this Appendix D, none of GAC and the GAC Directors was interested in any GAC Shares or had borrowed or lent any GAC Shares;

(iv) save as disclosed in paragraph 5(a) of this Appendix D, none of GAC and the parties acting in concert with GAC owned or controlled any GAC Shares or had borrowed or lent any GAC Shares; and

(v) none of the persons referred to in paragraph 5(a) of this Appendix D owned or controlled any GAC Shares.

6. DEALINGS IN GAC SHARES

(a) During the Disclosure Period:

(i) none of the GAC Directors and any of the parties acting in concert with GAC had dealt for value in any GAC Shares;

(ii) none of the persons referred to in paragraph 3(b) of this Appendix D had dealt for value in any GAC Shares; and

(iii) no persons who had any arrangements of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with GAC or any of the parties acting in concert with GAC had dealt for value in any GAC Shares.

7. MATERIAL LITIGATION

As at the Latest Practicable Date, save as disclosed in the section headed "Business — Legal Proceedings" in the Listing Document set out in Appendix F of this Scheme Document, none of the members of the GAC Group was engaged in any litigation of material importance and there was no litigation or claim of material importance known to the GAC Directors to be pending or threatened by or against any member of the GAC Group.

8. ARRANGEMENTS IN CONNECTION WITH THE SCHEME

(a) Save for the Privatisation and save as disclosed in the section headed "4. Undertakings" in the Explanatory Statement, there is no agreement, arrangement or undertaking, including any compensation arrangement, between GAC or any party acting in concert with it on the one hand and any of the Denway Directors, recent Denway Directors, Denway Shareholders or recent Denway Shareholders on the other hand having any connection with or dependence upon the Scheme.

(b) There is no agreement or arrangement to which GAC is a party which relate to the circumstances in which it may or may not invoke or seek to invoke a condition to the Scheme.

(c) The emoluments of the GAC Directors will not be affected by the Scheme or by any associated transaction.

9. MATERIAL CONTRACTS

Please refer to the section headed "Appendix VIII — Statutory and General Information — V. Further Information about the Business — 6. Summary of material contracts" of the Listing Document set out in Appendix F of this Scheme Document for a summary of the contracts (being contracts not entered into in the ordinary course of business of the GAC Group) entered into by any member of the GAC Group within two years immediately preceding the Offer Period Start Date, and are or may be material.

10. EXPERTS

The names and qualifications of the professional advisers to GAC who have been named in this Scheme Document or given their opinion or advice which are contained in this document are set out below:

Name	Qualification
J.P. Morgan Securities (Asia Pacific) Limited	A corporation licensed to carry on type 1 regulated activity (dealing in securities), type 4 regulated activity (advising on securities) and type 6 regulated activity (advising on corporate finance)
Morgan Stanley Asia Limited	A corporation licensed to carry on type 1 regulated activity (dealing in securities), type 4 regulated activity (advising on securities), type 5 regulated activity (advising on futures contracts), type 6 regulated activity (advising on corporate finance), type 7 regulated activity (providing automated trading services) and type 9 regulated activity (asset management)
China International Capital Corporation Hong Kong Securities Limited	A corporation licensed to carry on type 1 regulated activity (dealing in securities), type 4 regulated activity (advising on securities) and type 6 regulated activity (advising on corporate finance)

Name	Qualification
PricewaterhouseCoopers	Certified Public Accountants
Anglo Chinese Corporate Finance, Limited	A corporation is licensed for Type 1 regulated activity (dealing in securities), Type 4 regulated activity (advising on securities), Type 6 regulated activity (advising on corporate finance) and Type 9 regulated activity (asset management)

11. CONSENTS

(a) Each of J.P. Morgan, Morgan Stanley and CICC has given and has not withdrawn its written consent to the issue of this Scheme Document with the inclusion of the text of their letter and references to their names in the form and context in which they respectively appear.

(b) PricewaterhouseCoopers has given and has not withdrawn its written consent to the issue of this Scheme Document with the inclusion of the text of its letter and references to its name in the form and context in which they respectively appear.

(c) Anglo Chinese has given and has not withdrawn its written consent to the issue of this Scheme Document with the inclusion of the text of its letter and references to its name in the form and context in which they respectively appear.

12. MISCELLANEOUS

(a) The principal members of GAC's concert group are (1) GAC, (2) China Lounge, (3) GAIG, (4) Wanxiang, (5) CNMIC, (6) Guangzhou Iron & Steel and (7) Guangzhou Chime-Long.

(b) China Lounge is a wholly-owned subsidiary of GAC as at the Latest Practicable Date. The China Lounge Directors are Mr. ZHANG Fangyou, Mr. ZENG Qinghong, Mr. YANG Dadong, Mr. FU Shoujie and Mr. TI Tun. The registered address of China Lounge is at Room 808, Citicorp Centre, 18 Whitfield Road, Causeway Bay, Hong Kong.

(c) GAIG is the ultimate holding company of GAC. GAIG holds approximately 91.9346% of the issued share capital of GAC as at the Latest Practicable Date. The GAIG Directors are Mr. ZHANG Fangyou, Mr. ZENG Qinghong, Mr. YUAN Zhongrong, Mr. FU Shoujie, Mr. LIU Huilian, Ms. HUA Xinfang, Mr. CHEN Zhongqian and Mr. LU Jun. The registered address of GAIG is at 19-21/F, Chengyue Building, 448-458 Dong Feng Zhong Road, Yuexiu District, Guangzhou.

(d) Wanxiang is one of the promoters of GAC. Wanxiang holds 3.99% of the issued share capital of GAC as at the Latest Practicable Date. The Wanxiang Directors are Mr. LU Guanqiu, Mr. SHEN Changshou, Mr. NI Pin, Mr. ZHOU Jianqun, Mr. FU Zhifang. The registered address of Wanxiang is at Economy and Technology Development District of Xiaoshan, Hangzhou, Zhejiang Province.

(e) CNMIC is one of the promoters of GAC. CNMIC holds 3.6909% of the issued share capital of GAC as at the Latest Practicable Date. The CNMIC Directors are Mr. REN Hongbin, Mr. XU Niansha, Mr. LI Yanjiang, Mr. XU Jian, Mr. HAN Xizheng, Mr. LIU Gaozhuo, Mr. AN Dewu, Mr. LIAN Weizeng, Mr. ZHANG Lailiang, Mr. TAO Jianxing and Mr. WEI Feng. The registered address of CNMIC is at 3 Danling Road, Haidian District, Beijing.

(f) Guangzhou Iron & Steel is one of the promoters of GAC. Guangzhou Iron & Steel holds 0.2% of the issued share capital of GAC as at the Latest Practicable Date. Guangzhou Iron & Steel Directors are Mr. ZHANG Ruosheng, KONG Xianming, Mr. YANG Yongquan, Mr. LIU Biaoqian, Mr. FENG Jin, Mr. SHU Yang and Mr. LAN Hailin. The registered address of Guangzhou Iron & Steel is at 1 Fangcun Avenue, Bai He Dong, Li Wan District, Guangzhou.

(g) Guangzhou Chime-Long is one of the promoters of GAC. Guangzhou Chime-Long holds 0.1845% of the issued share capital of GAC as at the Latest Practicable Date. Mr. SU Zhigang is the executive director of Guangzhou Chime-Long. The registered address of Guangzhou Chime-Long is at Hecun Street, Da Gong Road, Da Shi AvennueSouth, Panyu District, Guangzhou.

(h) The registered address of GAC is at 23/F, Chengyue Building, 448-458 Dong Feng Zhong Road, Yuexiu District, Guangzhou. The principal office of GAC in Hong Kong is Room 808 Citicorp Centre, 18 Whitfield Road, Causeway Bay, Hong Kong

(i) The GAC Directors are Mr. ZHANG Fangyou, Mr. ZENG Qinghong, Mr. YUAN Zhongrong, Mr. FU Shoujie, Ms. LU Sa, Mr. LIU Huilian, Mr. WEI Xiaoqin, Mr. LI Tun, Mr. WANG Songlin and Mr. LI Pingyi, Mr. WU Gaogui, Mr. MA Guohua, Mr. XIANG Bing, Mr. LAW Albert Yu Kwan and Mr. LI Zhengxi.

(e) J.P. Morgan, Morgan Stanley and CICC are the joint financial advisers to GAC. Their respective addresses are as follows:

Joint financial adviser	Address
J.P. Morgan Securities (Asia Pacific) Limited	28/F, Chater House, 8 Connaught Road, Central, Hong Kong
Morgan Stanley Asia Limited	46/F, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong
China International Capital Corporation Hong Kong Securities Limited	29/F, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong

(f) GAC does not have any intention to transfer, charge or pledge any Denway Shares it acquires pursuant to the Scheme to any other person.

(g) As at the Latest Practicable Date, there were no arrangements of the kind referred to in Note 8 to Rule 22 of the Takeovers Code which existed between GAC or any of the parties acting in concert with GAC and any other person.

Copies of the following documents are available for inspection (i) at the offices of the solicitors for Denway, Woo, Kwan, Lee & Lo at 26th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong and from 9:30 a.m. to 5:30 p.m., Monday to Friday (public holidays excepted); (ii) on the website of the Denway Group at http://www.denway-motors.com; and (iii) on the SFC's website at http://www.sfc.hk until the Effective Date or the date on which the Scheme lapses or is withdrawn, whichever is earlier:

(h) the memorandum of association and articles of association of Denway;

(i) the articles of association of GAC (in Chinese);

(j) the annual reports of Denway for each of the two financial years ended 31 December 2008 and 31 December 2009;

(k) the letter from the Denway IBC, the text of which is set out on pages 28 to 29 of this Scheme Document;

(l) the letter from the Independent Financial Adviser, the text of which is set out on pages 30 to 54 of this document;

(m) the valuation report from Anglo Chinese, the text of which is set out in Appendix B to this Scheme Document;

(n) the letters of consent referred to in Section 9 of Appendix C and Section 11 of Appendix D to this Scheme Document; and

(o) each of the material contracts referred to in paragraph 9 headed "Material Contracts" in Appendix D to this Scheme Document.

IMPORTANT

If you are in any doubt about any of the contents of this Listing Document, you should consult your licensed securities dealer or registered institution in securities, bank managers, solicitors, professional accountants or other independent professional advisers.

Guangzhou Automobile Group Co., Ltd.
廣州汽車集團股份有限公司

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

Stock Code: 2238

LISTING BY WAY OF INTRODUCTION
ON THE MAIN BOARD OF
THE STOCK EXCHANGE OF HONG KONG LIMITED

Nominal Value RMB1.00 each

Joint Sponsors

J.P.Morgan Morgan Stanley CICC 中金香港证券

This Listing Document is published in connection with the Introduction on the Main Board of the Stock Exchange and contains particulars given in compliance with the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules solely for the purpose of giving information with regard to the Company and its subsidiaries.

This Listing Document does not constitute an offer of, nor is it calculated to invite offers for, shares or other securities of the Company, nor have any such shares or other securities been allotted with a view to any of them being offered for sale to or subscription by the public. No new GAC Shares will be allotted and issued in connection with, or pursuant to, the publication of this Listing Document.

Your attention is drawn to the section headed "Risk Factors" of this Listing Document.

Our Company is incorporated, and substantially all of its businesses and assets are located, in the PRC. Potential investors should be aware of the differences in the legal, economic and financial systems between the PRC and Hong Kong and that there are different risk factors relating to making an investment in PRC-incorporated companies. Potential investors should also be aware that the regulatory framework in the PRC is different from the regulatory framework in Hong Kong and should take into consideration the different market nature of the GAC H Shares. Such differences and risk factors are set out in the sections headed "Risk Factors", "Appendix VI — Summary of Principal PRC Legal and Regulatory Provisions" and "Appendix VII — Summary of the Articles of Association" of this Listing Document.

Information regarding the proposed arrangements for the listing and registration of, and for dealings and settlement of dealings in, the GAC H Shares following the Introduction is set out in the section headed "Information about this Listing Document and the Introduction" of this Listing Document.

The GAC H Shares have not been and will not be registered under the U.S. Securities Act or any state securities laws of the United States and will be issued in reliance on the exemption from the registration requirements of the US Securities Act of 1933, as amended, provided by Section 3(a)(10) thereof based on the High Court's sanctioning of the Scheme, and in reliance on applicable exemptions under US state securities laws.

18 June 2010

EXPECTED TIMETABLE

	Hong Kong time[1]
Latest time for lodging transfers of Denway Shares in order to qualify for attending and voting at the Court Meeting and the Denway EGM	4:30 p.m. on Friday, 9 July 2010
Register of members of Denway closed for determination of entitlements of Disinterested Denway Shareholders to attend and vote at the Court Meeting and of Denway Shareholders to attend and vote at the Denway EGM[2]	Monday, 12 July 2010 to Friday, 16 July 2010 (both days inclusive)
Latest time for lodging forms of proxy in respect of:	
Court Meeting	10:00 a.m. on Wednesday, 14 July 2010
Denway EGM	10:30 a.m. on Wednesday, 14 July 2010
Suspension of dealing in Denway Shares	9:30 a.m. on Friday, 16 July 2010
Court Meeting	10:00 a.m. on Friday, 16 July 2010
Denway EGM	10:30 a.m. on Friday, 16 July 2010
Announcement of the results of the Court Meeting and the Denway EGM published on the Stock Exchange website and Denway's website	not later than 7:00 p.m. on Friday, 16 July 2010
Resumption of dealing in Denway Shares	9:30 a.m. on Monday, 19 July 2010
High Court hearing of the summons for directions in respect of capital reduction	9:30 a.m. on Tuesday, 27 July 2010
Last day for dealings in Denway Shares	Monday, 16 August 2010
Latest time for lodging transfers of the Denway Shares to qualify for entitlements under the Scheme	4:30 p.m. on Thursday, 19 August 2010
Closure of Register of members of Denway for determination of Scheme Shareholders	Friday, 20 August 2010 to Tuesday, 24 August 2010 (inclusive)
Court Hearing[3]	9:30 a.m. on Tuesday, 24 August 2010
Scheme Record Time	4:00 p.m. on Tuesday, 24 August 2010

EXPECTED TIMETABLE

	Hong Kong time (unless otherwise stated)
Announcement of (1) the results of the Court Hearing and (2) the expected withdrawal of the listing of the Denway Shares from the Stock Exchange on the Stock Exchange website and Denway's website	not later than 7:00 p.m. on Tuesday, 24 August 2010
Scheme Effective Date	Wednesday, 25 August 2010
Withdrawal of listing of the Denway Shares on the Stock Exchange	after close of business on Wednesday, 25 August 2010
Announcement of (1) Scheme Effective Date and (2) the withdrawal of the listing of the Denway Shares on the Stock Exchange published on the Stock Exchange website and Denway's website	Wednesday, 25 August 2010
Certificates for the GAC H Shares to be despatched on or before(5)	Friday, 27 August 2010
Dealings in the GAC H Shares on the Stock Exchange expected to commence at	9:30 a.m. on Monday, 30 August 2010

Notes:

(1) ***Denway Shareholders should note that the timetable is subject to change. Further announcement(s) will be made in the event that there is any change.***

(2) The closure of the register of members of Denway during this period is not for the purpose of determining entitlements under the Scheme. Instead, it is for the purpose of determining entitlements of Disinterested Denway Shareholders to attend and vote at the Court Meeting and the Denway Shareholders to attend and vote at the Denway EGM, respectively.

(3) ***The Court Hearing will be held at the High Court at the High Court Building, 38 Queensway, Hong Kong.***

(4) If the Listing Committee does not grant approval for the Listing on or prior to 25 August 2010, the Introduction will lapse. We will announce on the next Business Day that the Introduction has lapsed. In addition, we will make a separate announcement if there is any revision to the above timetable. The Scheme shall become effective upon all the conditions to the Privatisation being fulfilled and/or otherwise waived (as the case may be).

(5) The GAC H Share certificates are expected to be despatched to Scheme Shareholders on 27 August 2010 after the Stock Exchange grants its approval for the Listing. In the event that the approval for the Listing is not obtained on 25 August 2010, the GAC H Share certificates will not be despatched on 27 August 2010 and dealings in the GAC H Shares on the Stock Exchange will not commence on 30 August 2010. In such event, and before 9:00 a.m. on 30 August 2010, we will make an announcement of the above and of a revised timetable. Investors who trade in the GAC H Shares prior to the receipt of the GAC H Share certificates do so entirely at their own risk.

CONTENTS

We have not authorised any person to provide you with information that is different from what is contained in this Listing Document. You should therefore rely only on the information contained in this Listing Document, the Scheme Document and the public filings made by our Company and/or Denway in relation to the Introduction and the Privatisation to make your voting decisions of the Court Meeting and the Denway EGM and other related and investment decisions.

Any information or representation not included in this Listing Document, the Scheme Document and the public filings made by our Company and/or Denway in relation to the Introduction and the Privatisation must not be relied on by you as having been authorised by us, the Joint Sponsors, any of our or their respective directors, agents or advisers or any other person involved in the Introduction or the Privatisation.

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SUMMARY

This summary aims to give you an overview of the information contained in this Listing Document. As this is a summary, it does not contain all the information that may be important to you. You should read this Listing Document in its entirety, including the Appendices hereto, which constitute an integral part of this Listing Document.

OVERVIEW

We are a leading automobile manufacturer in China. We ranked sixth in terms of production volume among PRC automobile manufacturers in 2009. The Parent Group to which we contributed more than 95% of revenue ranked fourth in terms of revenue among all PRC automobile manufacturers during the Track Record Period. Based on a survey conducted by CAAM in 2010, the Parent Group ranked first in terms of Overall Industry Operational Efficiency Index[1] for the year ended 31 December 2009. We operate our automobile manufacturing businesses mainly through the JCEs with our joint venture partners. For the Track Record Period, we ranked first in the PRC mid-to-high-end sedan market in terms of sales and production volume.

We, together with our associated companies, produced 607,211 and sold 606,621 units of automobiles during the year ended 31 December 2009. Our main businesses consist of the manufacture and sale of passenger vehicles, commercial vehicles, engines and auto parts. We also engage in a broad range of automobile-related services and other businesses. The following sets out the key characteristics of our four business segments:

- **Passenger vehicles** — We produce a variety of passenger vehicles through GAC Toyota and Guangqi Honda under the following model families: GAC Toyota Camry, GAC Toyota Highlander, GAC Toyota Yaris, Guangqi Honda Accord, Guangqi Honda Odyssey, Guangqi Honda City, Guangqi Honda City (Fengfan) and Guangqi Honda Fit. We also participate in the production of Honda Jazz and GAC Changfeng SUVs through our associated companies, Honda (China) and GAC Changfeng, respectively. As at the Latest Practicable Date, we, together with our associated companies, had an annual production capacity of 890,000 units of passenger vehicles. The utilisation rates of our production capacity, together with that of our associated companies, were 83.5%, 78.2% and 76.4%[2] for the three years ended 31 December 2007, 2008 and 2009, respectively.

  For the three years ended 31 December 2007, 2008 and 2009, the revenue generated from sales of passenger vehicle amounted to approximately RMB41,285 million, RMB42,953 million and RMB49,370 million, respectively and the profits generated from such sales amounted to approximately RMB4,478 million, RMB3,317 million and RMB4,224 million, respectively. We, together with our associated companies, sold 508,717, 523,734 and 603,509 units of passenger vehicles for each of the three years ended 31 December 2007, 2008 and 2009, respectively.

Notes:

(1) Overall Industry Operational Efficiency Index was established according to the Implementation Measures on the Improvement of the Assessment and Evaluation Indicators of the Industrial Economy (《改進工業經濟評價考核指標實施方案》) promulgated by the National Bureau of Statistics of China in 1992 and this index has been implemented in China since 1998 and is widely recognised as the authoritative index of efficiency in the automobile industry in China.

(2) The production capacity and output of GAC Changfeng in 2009 were excluded in the calculation of our utilisation rates in 2009.

According to CAAM, for the three years ended 31 December 2007, 2008 and 2009, we commanded a market share of approximately 8.1%, 7.8% and 5.8%, respectively, in the PRC passenger vehicle market in terms of sales volume. In particular, we were the leading automobile manufacturer in the mid-to-high-end sedan segment, commanding a market share of approximately 32.5%, 35.6% and 29.5% for the three years ended 31 December 2007, 2008 and 2009, respectively.

We have developed first proprietary brand of passenger vehicles, Trumpchi, which we expect to commercially produce by September 2010. In addition, we established a new JCE, GAC Fiat, on 9 March 2010 through which we plan to commence production of the Fiat series of passenger vehicles by the first half of 2012.

- **Commercial vehicles** — During the Track Record Period, we produced trucks and buses mainly through GAC Bus and Yangcheng Auto. For the three years ended 31 December 2007, 2008 and 2009, we sold 4,778, 2,245 and 3,112 commercial vehicles, respectively. For the three years ended 31 December 2007, 2008 and 2009, our revenue generated from sales of commercial vehicles amounted to approximately RMB482 million, RMB257 million and RMB344 million, respectively, and the losses incurred by our commercial vehicle business amounted to approximately RMB198 million, RMB87 million and RMB112 million, respectively.

  To strengthen our commercial vehicle segment and to improve the utilisation of our commercial vehicle production facilities, we have carried out and completed the restructuring of commercial vehicle business during the Track Record Period. We transferred our bus manufacturing business originally in the form of Joint Venture to GAC Bus and established a new Jointly-controlled Entity GAC Hino to produce light and heavy trucks. GAC Hino commenced production of the GAC Hino 700-series trucks in September 2009. As at the Latest Practicable Date, our aggregate annual production capacity of commercial vehicles was approximately 19,000 units and our annual production capacity of chassis was 2,500 units.

  We will gradually expand our production capacity of commercial vehicles to meet the increasing demand for our products in the future. To promote sales of our GAC Hino products, we will establish sales and service centres so as to cover the major cities in China by the end of 2010.

- **Auto parts** — We produced auto parts mainly through GAC Components and its subsidiaries or associated companies and participated in the production of engines through GAC Toyota Engine and Shanghai Hino and transmissions through HAVECO. Our engine and auto-part products include, among others, engines, transmissions, seats, HVAC systems, auto lamps, shock absorbers and accessories. As most of our production and sales of auto parts are conducted through our associated companies, our share of profits from our associated companies in the auto parts sector amounted to approximately RMB758 million, RMB637 million and RMB906 million for the three years ended 31 December 2007, 2008 and 2009, respectively, while the revenue generated from our subsidiaries producing auto parts amounted to approximately RMB275 million, RMB268 million and RMB264 million for the three years ended 31 December 2007, 2008 and 2009, respectively, and we shared losses of approximately RMB24 million, RMB18 million and RMB21 million from our subsidiaries during the same period.

As at the Latest Practicable Date, the annual production capacity of GAC Toyota Engine and Shanghai Hino amounted to 500,000 and 30,000 units of engines, respectively, and the annual production capacity of HAVECO amounted to 200,000 units of transmissions, respectively. For the three years ended 31 December 2007, 2008 and 2009, GAC Toyota Engine sold 348,033, 308,460 and 355,591 units of engines, respectively. The production capacity utilisation rates for GAC Toyota Engine were 69.2%, 62.0% and 72.3% for the three years ended 31 December 2007, 2008 and 2009, respectively.

- **Others —** We provide a broad range of automobile-related services, including after-sales services, logistics services, auto insurance brokerage services, and other businesses. We have also obtained the approval from the PRC government to establish an automobile financial services company which we plan to launch in July 2010. For the three years ended 31 December 2007, 2008 and 2009, our revenue generated from the automobile-related services segment amounted to approximately RMB364 million, RMB292 million and RMB275 million, respectively and the profits generated thereof amounted to approximately RMB62 million and RMB3 million in 2007 and 2008, respectively. We incurred losses of approximately RMB8 million in 2009 from this segment.

For the year ended 31 December 2009, sales of our passenger vehicles, commercial vehicles, auto parts and our automobile-related services business accounted for approximately 98.2%, 0.7%, 0.5% and 0.6% of our total consolidated revenue, respectively. Our total consolidated revenue for the three years ended 31 December 2007, 2008 and 2009 amounted to approximately RMB42,407 million, RMB43,770 million and RMB50,254 million, respectively. Our total consolidated profit attributable to equity holders of our Company for the same periods were approximately RMB3,437 million, RMB1,567 million and RMB2,032 million, respectively.

Our consolidated net profit substantially declined in 2008 compared with 2007 due to the global financial crisis in 2008, which led to the decrease in consumer demand for automobile products and which in turn resulted in the decrease in sales of our products and the increase in our inventory, advertising and marketing costs. In particular, the inventory balances in 2008 increased to approximately RMB1,658 million from approximately RMB1,294 million in 2007, which is due to the decrease in sales of our products in the second half of 2008 as compared to the same period in 2007. Our advertising and marketing expenses increased from approximately RMB518 million in 2007 to approximately RMB889 million in 2008 as we faced increasing competition and tougher economic conditions and our substantial investments made to advertise a new model introduced by one of our major JCEs. For more details with respect to the increase in administrative expenses and other costs in 2008, please refer to the relevant disclosure in the section headed "Financial Information — 2008 compared with 2007" of the Listing Document.

Our major revenue contributors

The two major contributors to our revenue are GAC Toyota and Guangqi Honda. Each of GAC Toyota and Guangqi Honda is categorized as a Jointly-controlled Entity and is consolidated into our financial statements on a proportionate consolidation basis under HKFRS.

For the three years ended 31 December 2007, 2008 and 2009, GAC Toyota sold 170,294, 172,004 and 209,587 units of passenger vehicles, respectively and contributed approximately 38%, 34% and 38% to our consolidated revenue[1], respectively, and approximately 53%, 40% and 55% to our consolidated operating profit[1], respectively.

For the three years ended 31 December 2007, 2008 and 2009, Guangqi Honda sold 295,299, 306,230 and 365,623 units of passenger vehicles, respectively, and contributed approximately 48%, 53% and 51% to our consolidated revenue[1], respectively, and approximately 51%, 68% and 65% to our consolidated operating profit[1], respectively.

Further details of the history of our main operating entities are set out in the section headed "History, Reorganisation and Corporate Structure" of this Listing Document. Further details about the products manufactured by our main operating entities are set out in the section headed "Business — Our Products and Services" of this Listing Document.

COMPETITIVE STRENGTHS

- We are a leading automobile manufacturer in China with widespread brand recognition
- We produce quality passenger vehicles that are well received by our customers
- We closely cooperate with leading international automobile manufacturers
- We maintain high operational efficiency and cost effectiveness
- We have established an extensive effective sales and services network to provide quality services
- We have a highly regarded, experienced and motivated management team
- We have established a comprehensive R&D system

BUSINESS STRATEGIES

- Further expand our product portfolio and enhance our production capacity to increase our market share
- Further construct independent R&D facilities and collaborate with foreign entities to strengthen our R&D capabilities
- Further cooperate with leading international automobile manufacturers and institutions to establish ourselves as an international player
- Selectively pursue strategic acquisition opportunities to achieve rapid growth at low costs
- Explore new business opportunities in the automobile-related service areas to improve our services to our customers

PROCUREMENT OF AUTO PARTS AND RAW MATERIALS

We have a complete procurement system for autoparts and raw materials, thus we implement stringent controls in our selection of suppliers to ensure the quality of raw materials and auto parts supplied to us. These controls include, among others, introducing a quality assurance vetting system to

[1] *Consolidated revenue and operating profit are after intra-Group elimination.*

ensure that all raw materials and auto parts delivered to our operating entities conform to our specific quality control requirements; requiring our suppliers to pass various tests prior to mass supplies of raw materials or auto parts to us; and assisting and encouraging our suppliers to establish a response team to promptly resolve problems that may arise in their production process. Further details about our sourcing of auto parts and raw materials are set out in the section headed "Business — Procurement of Auto Parts and Raw Materials" of this Listing Document.

For the three years ended 31 December 2007, 2008 and 2009, purchases from our five largest suppliers in aggregate accounted for approximately 56%, 58% and 55% of our total purchases, respectively. In particular, the purchases from our designated suppliers for engines accounted for approximately 36%, 35% and 34% of our total purchases of engines for the three years ended 31 December 2007, 2008 and 2009, respectively.

SALES AND SERVICES

The sales and services network is independently managed by each of the manufacturing enterprises of passenger vehicles or commercial vehicles. As at 31 December 2009, GAC Toyota and Guangqi Honda operated 653 sales and service centres in 31 provinces in China. In particular, GAC Commercial, our wholly owned subsidiary, owns and operates 18 of our sales and service centres for passenger vehicles while the remaining sales and service centres are owned and operated by independent third party dealers. Sales and service centres for our commercial vehicles are all operated by independent third parties at present. Further details about our sales and services network are set out in the section headed "Business — Sales and Services" of this Listing Document.

We generally enter into agreements with the dealer of each sales and service center. The dealership agreement governs the operation of the sales and service centers, including the dealers' rights as an authorized dealer of our products in a specific region, geographic limitations of the dealer, prices of products offered for sale, services offered, information technology employed, reporting procedures, decoration of premises, sales and service policy and standard procedure for conducting business.

According to the dealership agreements, the term of the agreement are renewed automatically at the end of each year unless terminated by negotiation and mutual consent pursuant to applicable PRC laws. The sales target is determined annually by both parties according to the sales in the previous year, the forecast for market growth rate in the upcoming year as predicated by the State Information Center and the market share of each product in each region and results of sales. Each of the sales and service centers is required to submit a sales plan for the following year to respective manufacturing entities before the end of each financial year. The sales plan should include an annual forecast of total sales number and a monthly breakdown. Upon being approved by the respective manufacturing entity, the sales plan would be the basis of the sales target of each sales and service center.

Each sales and service center should strictly confine its sales within the geographic region specified by us. Any sales of products across regions is forbidden unless the sales and service centers obtain approvals from the respective JCEs. Appropriate awards will be granted to the sales and services centers who achieve the sales target, while any failure in achieving such targets may affect vehicle sales arrangement for the next year.

SUMMARY

The following tables set out the details of each of GAC Toyota's and Guangqi Honda's domestic sales and service networks for passenger vehicles as of 31 December 2007, 2008 and 2009, respectively.

GAC Toyota:

	As at 31 December		
	2007	2008	2009
Total number of sales and service centres	129	166	203

As of 31 December 2009, GAC Toyota operated its sales and service centres in a total of 25 provinces in the PRC.

Guangqi Honda:

	As at 31 December		
	2007	2008	2009
Total number of sales and service centres	341	416	450

As of 31 December 2009, Guangqi Honda operated its sales and service centres in a total of 31 provinces in the PRC.

OUR COMPANY'S CONTROLLING SHAREHOLDER

As a state-owned enterprise, GAIG is 100% owned by the Guangzhou government and was incorporated on 18 October 2000 under PRC law. Its principal business is investment holding. GAIG owns approximately 91.93% of the issued share capital of our Company immediately prior to the Introduction. Immediately following completion of the Introduction, GAIG will directly own and control approximately 58.8382% of the issued share capital of our Company, and will be the Controlling Shareholder of our Company.

The Company will have certain continuing connected transactions with GAIG and its associated companies after the Listing. However, all such transactions were and will be negotiated and concluded on an arm's length basis and the amounts involved are insignificant compared to the financial status of our Group. The Directors are of the view that the continuing connected transactions with GAIG are not crucial to the business of our Group. The continuing connected transactions between our Company with GAIG and its associated companies involves mainly the provision of vehicle products. All such vehicle products sold by us to, or purchased by us from GAIG and its associated companies were and will be negotiated and entered into on normal commercial terms.

THE INTRODUCTION AND THE PRIVATISATION

The Privatisation

Currently, our Company holds approximately 37.9% of the issued share capital of Denway through China Lounge, a wholly-owned subsidiary of our Company. Denway in turn holds a 50% equity interest in Guangqi Honda through its wholly-owned subsidiary, Guangzhou Auto. We believe that this indirect holding of Denway and Guangqi Honda has not proved efficient for us and has also deprived Scheme Shareholders an opportunity to participate in the growth of our Group as a whole during the Track Record Period as our Group has significant assets other than Guangqi Honda. In view of this, our Board has resolved to privatise Denway by way of the Scheme pursuant to which, the Scheme Shares will be cancelled and, in consideration thereof, all the Denway Qualifying Shareholders will be entitled to receive:

For every Scheme Share cancelled . . . . **0.474026 GAC H Shares**

It is expected that under the Privatisation, fractions of GAC H Shares will not be issued to the Scheme Shareholders.

Effect of the Privatisation

Upon the Scheme becoming effective, Scheme Shareholders will become GAC Shareholders and Denway will become our Company's wholly-owned subsidiary. Subsequently, our Company will indirectly hold 50% equity interest in Guangqi Honda. The profits from Denway will be 100% attributable to the equity holders of our Company.

The Privatisation will enable Scheme Shareholders to participate in the growth of our Company, which will not only hold a 50% equity interest in Guangqi Honda since 1993 when Denway was listed on the Main Board of the Stock Exchange, but has established Guangzhou Toyota, GAC Hino and more recently, GAC Fiat. Our Company has grown since 1993 from being a single brand passenger vehicle producer to a multi-brand passenger vehicle producer manufacturing a diverse portfolio of products that are widely recognised in the PRC as well as engaging in a broad range of automobile-related services and other businesses such as producing auto-parts, engaging in after-sales services, logistics services, auto insurance brokerage services and auto finance services. Our Company is also in the process of developing and producing its own proprietary brand of passenger vehicles which we believe will mark another key milestone in our Group's growth. If the Scheme is successful, Scheme Shareholders will immediately enjoy the benefits of our Company's larger and more diverse businesses. In addition, our Group will also benefit from a more streamlined corporate structure with all of its vehicle manufacturing and other auto-mobile related services businesses at the same subsidiary level. We believe that a streamlined corporate structure will enable our Group to more efficiently manage its resources and make effective decisions on the management and operations of each of the JCEs.

The Introduction

In connection with the Privatisation, our Company is simultaneously seeking a listing of the GAC H Shares by way of introduction on the Main Board of the Stock Exchange. The key purpose of the Listing is to add liquidity to the GAC H Shares and provide our Company with greater access to international capital through its listing platform, thereby increasing the attractiveness of the GAC H Shares as the consideration for the Denway Shares. Accordingly, it is a condition to the Introduction that the Scheme becomes effective and a condition to the Scheme that the Listing Committee of the Stock Exchange approves the listing of, and permission to deal in, the GAC H Shares on the Stock Exchange to be issued pursuant to the Introduction. The Introduction is also subject to CSRC's approval, which is expected to be obtained after the Scheme is approved by Scheme Shareholder in the Court Meeting.

The Listing Committee of the Stock Exchange has heard our Company's application for the Introduction and it is expected that when the Scheme and the Introduction becomes unconditional, all Denway Qualifying Shareholders will be entitled to receive GAC H Shares which will be listed on the Stock Exchange. Simultaneously, Denway's listing on the Stock Exchange will be withdrawn.

If the Privatisation fails

The listing of the Denway Shares on the Stock Exchange will not be withdrawn if the Scheme is not approved or the Privatisation otherwise lapse and Denway will continue with its existing business. In such event, our Company may consider making an application for an initial public offering which would not involve the Privatisation.

Please refer to the section headed "B. Unaudited Pro Forma Financial Information of the Enlarged Group" in Appendix II to this Listing Document which has been prepared for the purpose of illustrating the financial effects of the Privatization to us.

The following discusses the potential benefits of the Introduction and the Privatisation to Denway Shareholders and to our Company.

Benefits of the Introduction and the Privatisation

The Directors believe that the Introduction and the Privatisation benefit both Scheme Shareholders and our Company and mark a significant milestone in the development of our Group. The Introduction and the Privatisation represent an opportunity for Scheme Shareholders to exchange Denway Shares for GAC H Shares and benefit Scheme Shareholders and our Company in the following ways:

Scheme Shareholders will benefit from investments in our Company's larger and more diverse businesses

The Directors believe that, compared with Denway, our Company represents a compelling investment opportunity with its larger size, more diversified product portfolio and greater growth in production capacity during the Track Record Period. Upon the Scheme becoming effective, Scheme Shareholders will become GAC Shareholders and will form a part of a more attractive company, benefiting from the following.

- *Diversified product portfolio*. The operating results of Denway have been derived largely from the manufacture of automobile of Guangi Honda through its cooperation with Honda, the sales of which are influenced by the model cycles of a single joint venture partner. Upon the Scheme becoming effective, Scheme Shareholders will become shareholders of our Company and are expected to enjoy the benefits of our cooperation with three other world-renowned auto brands, namely, Toyota, Fiat and Hino with strong growth of production capacity. Furthermore, Scheme Shareholders may also potentially benefit from the greater development of our proprietary brand of passenger vehicles, our commercial vehicle segment and GAC Changfeng. Accordingly, by becoming GAC Shareholders, the Introduction and the Privatisation enable Scheme Shareholders to participate in our more diversified product portfolio.
- *Integrated Business Model*. We operate a more vertically integrated business model ranging from engine and auto parts businesses to auto insurance brokerage and auto finance businesses as well as logistics services. Upon the Scheme becoming effective, Scheme Shareholders are expected to share any benefits generated by us through the automotive industry value chain.

- *Growth of production capacity*. The production capacity of Guangqi Honda remained unchanged during each of the three years ended 31 December 2007, 2008 and 2009, while the production capacity of our Company and its associated companies increased from approximately 628,200 units to 909,000 units, representing a more than 45% growth during the same period. Furthermore, by completing the construction of GAMC in 2010 and the establishment of GAC Fiat in 2011, the production capacity of our Company and our associated companies is expected to achieve approximately 1,009,000 units in 2010 and approximately 1,269,000 units in 2011 as further detailed in the section headed "Business — Production" of this Listing Document. The increase in production capacity will potentially further expand our production and sales of our products as well as potentially enable us to increase our utilisation rate and lower the cost of our products. Accordingly, upon the Scheme becoming effective and Scheme Shareholders become GAC Shareholders, Scheme Shareholders are expected to benefit from the greater production capacity of our Company.

- *Government support*. As one of the eight major automobile corporations endorsed by the PRC government, our Company is supported by government policies which encourage further acquisitions and cooperation with international and domestic automobile manufacturers and we also benefit from PRC policies which encourage domestic financial institutions to provide financing to corporations such as our Company. Accordingly, by becoming GAC Shareholders, Scheme Shareholders will also benefit from such favourble policies.

- *Corporate governance*. The success of the Introduction and the Privatisation will eliminate any potential conflicts of interest of the directors and management team of our Company and Denway relating to Denway's listed company status. As at the Latest Practicable Date, four directors of our Board also sit on the Denway Board and all of the executive directors of Denway are either Directors or senior manager of our Company. Upon the Scheme becoming effective, these duplicated roles will be eliminated, enabling such members to focus on their management roles in our Company.

Benefits of the Introduction and the Privatisation to our Company

The Board believes that success of the Introduction may benefit our Company in the following ways and may in turn create greater value for Scheme Shareholders who will become GAC Shareholders upon the Scheme becoming effective.

- *Greater management efficiencies*. Upon the Scheme becoming effective, our Company will eliminate the multi-shareholding layers between our Company and Guangqi Honda and will become a direct shareholder of Guangqi Honda. We believe that our direct interest in Guangqi Honda will increase its management efficiency and will also enable our Company to establish closer cooperation with Honda, our joint venture partner, which we believe will encourage more efficient management of Guangqi Honda's resources and a greater efficiency in the decision making process at Guangqi Honda. In the long term, the Board and the Denway Board believe that this will benefit the development of Guangqi Honda in terms of production capacity expansion and the introduction of new models.

- *Increasing our Group's financing capacity*. Currently, we have access to international capital markets only through Denway. Issuances of new Denway Shares to raise equity financing would further dilute our Company's holding in Denway and in Guangqi Honda.

Following the success of the Introduction, GAC H Shares will be listed on the Stock Exchange and will enjoy the additional liquidity afforded by the Listing, whilst our Company (and accordingly, Scheme Shareholders who will become GAC Shareholders) will have direct access to the international capital markets, thereby strengthening our capacity to access international capital. Furthermore, the success of the Introduction will allow rating agencies, financial institutions and investors to focus on one investment vehicle which our Board believes would also benefit our Company in the sourcing of new capital in the future.

- *Enhancing our business profile*. Success of the Introduction and the Privatisation will enhance the profile of our Company amongst customers, suppliers and other business partners, as well as our ability to recruit talents.

OUR SELECTED OPERATING DATA

The following table sets out the passenger and commercial vehicles sales by unit for the periods indicated and the respective percentage share of the total vehicles sold for the same periods.

	Year ended 31 December					
	2007		2008		2009	
Category	Units(1)	%(2)	Units(1)	%(2)	Units(1)	%(2)
Passenger vehicles	508,717	99.1	523,734	99.6	603,509	99.5
— Mid-to-high-end sedan	288,318	56.1	323,351	61.5	331,590	54.7
GAC Toyota Camry	170,294	33.2	152,834	29.1	156,229	25.8
Guangqi Honda Accord	118,024	23.0	170,517	32.4	175,361	28.9
— Mid-end sedan	N/A	N/A	4,066	0.8	113,191	18.7
Guangqi Honda City (Fengfan)(3)	N/A	N/A	4,066	0.8	113,191	18.7
— Economy sedan	174,572	34.0	167,445	31.8	94,867	15.6
Guangqi Honda City(3)	68,128	13.3	52,889	10.1	36	0.0
Guangqi Honda Fit	63,320	12.3	49,886	9.5	48,640	8.0
Honda Jazz(4)	43,124	8.4	45,500	8.7	28,299	4.7
GAC Toyota Yaris	N/A	N/A	19,170	3.6	17,892	2.9
— MPV	45,827	8.9	28,872	5.5	28,395	4.7
Guangqi Honda Odyssey	45,827	8.9	28,872	5.5	28,395	4.7
— SUV	N/A	N/A	N/A	N/A	35,466	5.8
GAC Toyota Highlander	N/A	N/A	N/A	N/A	35,466	5.8
Commercial vehicles	4,778	0.9	2,245	0.4	3,112	0.5
— Buses	1,287	0.3	1,085	0.2	1,302	0.2
— Trucks	3,491	0.7	1,160	0.2	1,810	0.3
TOTAL	513,495	100.0	525,979	100.0	606,621	100.0
GAC Changfeng(5)	25,785		26,886		30,139	

Notes:

(1) *Sales data reflects the total units we sold to third party customers and within GAC and accounts for all vehicles sold by our Jointly-controlled Entities and associated companies.*

(2) *Discrepancies between total amounts stated and sums of amounts stated are due to rounding.*

(3) *Guangqi Honda City (Fengfan) was upgraded from the Guangqi Honda City model and is manufactured on the production line originally producing Guangqi Honda City. Upon the launching of Guangqi Honda City (Fengfan), we ceased producing Guangqi Honda City.*

(4) *Honda Jazz is an associated company of our Group and its revenue and operating profit are not consolidated into our Company's financial statements.*

(5) *The production capacity and output of GAC Changfeng were excluded in calculation of our utilisation rates during the Track Record Period.*

SUMMARY HISTORICAL FINANCIAL INFORMATION

The following tables summarize our consolidated financial information for the three years ended 31 December 2007, 2008 and 2009. We extracted the summary financial information from the accountant's report in Appendix I of this Listing Document and you should read the entire accountant's report included in Appendix I of this Listing Document for more details.

Selected Consolidated Statement of Comprehensive Income Items[(1)]

	Year ended 31 December		
	2007	2008	2009
	RMB million	RMB million	RMB million
Revenue	42,407	43,770	50,254
Cost of sales	(35,277)	(36,446)	(41,918)
Gross profit	7,130	7,324	8,336
Selling and distribution costs	(1,420)	(2,158)	(2,143)
Administrative expenses	(1,677)	(2,256)	(2,544)
Interest income	232	345	350
Other losses — net[(1)]	(29)	(6)	(429)
Operating profit	4,236	3,249	3,570
Finance costs	(152)	(219)	(345)
Interest income	31	31	39
Share of profit of associated companies	838	515	716
Impairment loss on goodwill	—	(116)	—
Profit before income tax	4,953	3,460	3,980
Income tax expense	(138)	(602)	(724)
Profit for the year	4,815	2,858	3,256
Profit attributable to:			
Equity holders of our Company	3,437	1,567	2,032
Minority interests	1,378	1,291	1,224
Earnings per share attributable to the equity holders of our Company (expressed in RMB per share)			
— basic and diluted	0.9820	0.4477	0.5413
Dividends	—	—	816
Adjusted EBITDA (unaudited)[(2)]	5,559	4,193	5,066

Notes:

(1) *Other losses-net mainly comprise net foreign exchange losses, gain/(loss) on disposal of property, plant and equipment and land use rights, donation, gain on waiver of liabilities and others.*

(2) *Please refer to the section headed "Financial Information" of this Listing Document for the detailed calculation of the adjusted EBITDA.*

The profit attributable to minority interests is primarily contributed by the profit of our Group shared by Denway Shareholders other than us. For the three years ended 31 December 2007, 2008 and 2009, the profit attributable to minority interests of Denway accounts for 101.1%, 99.9% and 96.3% of the profit attributable to minority interests of our Group. Denway is an investment holding company and, through its wholly-owned subsidiary, Guangzhou Auto, holds 50% equity interest in Guangqi Honda. As at the Latest Practicable Date, our Company holds 37.9% interest in Denway through China Lounge, a wholly-owned subsidiary of our Company, while the remaining 62.1% of outstanding Denway Shares are held by Denway Shareholders other than us. As a result, although Guangqi Honda is categorised as a Jointly-controlled Entity and is proportionately consolidated into our financial statements on a proportionate consolidation basis under HKFRS, only approximately 19.0% of the profit generated from Guangqi Honda, among other profits generated from Denway, is attributable to equity holders of our Company, while the remaining 31.0% of the profits of Guangqi Honda is attributable to Denway Shareholders other than us. Upon the Scheme becoming effective, Scheme Shareholders will become GAC Shareholders and Denway will become our Company's wholly-owned subsidiary. Subsequently, 100% of profits from Denway, including 50% of profits from Guangqi Honda, will be attributable to the equity holders of our Company.

Selected Consolidated Balance Sheet Items

	As of December 31		
	2007	2008	2009
	RMB million	RMB million	RMB million
ASSETS			
Non-current assets	9,845	12,172	15,250
Current assets	16,906	17,899	28,378
Total assets	26,751	30,071	43,628
EQUITY AND LIABILITIES			
Owners' equity	9,837	11,409	13,060
Minority interests	6,765	7,421	8,402
Total equity	16,602	18,830	21,462
Non-current liabilities	1,381	1,585	8,196
Current liabilities	8,768	9,656	13,970
Total equity and liabilities	26,751	30,071	43,628

Selected Consolidated Cash Flow Statement Items

	Year ended 31 December		
	2007	2008	2009
	RMB million	RMB million	RMB million
Net cash generated from operating activities	4,372	3,242	8,357
Net cash generated from/(used in) investing activities	679	(4,790)	(8,005)
Net cash (used in)/generated from financing activities	(434)	(349)	5,442

A substantial portion of our businesses are operated through our Joint Venture Companies, and our Jointly-controlled Entities have been consolidated into our Group on a proportionate consolidation basis as permitted under HKFRS. It is likely that amendments to the HKFRS will be made in the foreseeable future such that equity accounting is the only permitted method to account for Jointly-controlled Entities. It is not until this amendment to HKFRS becomes effective that the Company will change to equity accounting to account for its interests in Jointly-controlled Entities. Notwithstanding the potential change in accounting methods, the Group's business operations will remain unchanged and there will be no effect to the net assets and profit attributable to equity holders of our Company.

Under equity method, the balance sheet items, the income statement items and cash flow items of JCEs will not be consolidated into the Group's financial statements on a line-by-line basis. However, our net profit and net assets accounted for using equity accounting method have no material difference from those accounted for using proportionate consolidation method. The Directors confirm that (a) upon completion of the Listing and before the effective date of the amendments to HKFRS, the ongoing disclosure of the Group should be in line with the current disclosure in the Listing Document; and (b) upon the effectiveness of the amendment to HKFRS, our Company will endeavour to provide sufficient information to fulfil its ongoing disclosure obligation, enabling the investors to assess our operating results. For more details with respect to ongoing disclosure upon effectiveness of the amendments to HKFRS, please refer to the section headed "Financial Information — Ongoing disclosure upon effectiveness of the amendments to HKFRS" of this Listing Document.

PROFIT FORECAST

The profit forecast in the following table are based on our Company's current structure including our shareholding of 37.9% in Denway, which has not taken into account the increase in our Company's shareholding in Denway following the Privatisation, and a number of assumptions as set out in Appendix III of the Listing Document:

Forecast consolidated profit attributable to equity holders of our Company for the year ending 31 December 2010	not less than RMB3,760 million

PricewaterhouseCoopers, our reporting accountant, and the Joint Sponsors have each reported on the profit forecast as set out in Appendix III of this Listing Document which contains letters from each of them to our Board.

The profit forecast is prepared based on our Company's current structure including our shareholding of 37.9% in Denway. It has not taken into consideration of the increase in the Company's shareholding in Denway should the Privatisation of Denway be completed, as the Privatisation is subject to conditions beyond control of the Company. As a result, the Company will include in its annual report for the year ending 31 December 2010 the profit of the Group for the year without including 62.1% of the profit attributable to Denway, in order for the investors to compare the actual results with the forecast results of the Group prepared on the same basis.

Sensitivity Analysis

Sensitivity analysis on selling prices

The Directors have assumed that, after taking into consideration of sales discount and sales rebate, the weighted average unit selling prices of each product category offered by the Group in the ordinary course will not materially deviate from those of 2009. The following table illustrates the sensitivity of the forecast consolidated profit attributable to equity holders of our Company to the selling price for the year ending 31 December 2010 by applying such sensitivity analysis to the year ending 31 December 2010.

Percentage change in selling prices	**Forecast consolidated profit attributable to equity holders of our Company for the year ending 31 December 2010 (RMB million)**
-5%	1,896
-3%	2,641
-1%	3,387

Sensitivity analysis on sales volume

The Directors have used, in the forecast, planned sales volume as the basis to forecast the sales volume in the profit forecast. The Directors are of the view that this basis is appropriate as the actualisation rates of sales volume during the Track Record Period were close to 100% or above of the planned sales volume of passenger vehicles. The following table illustrates the sensitivity of the forecast consolidated profit attributable to equity holders of our Company to the sales volume for the year ending 31 December 2010 by applying such sensitivity analysis to the year ending 31 December 2010.

Percentage change in sales volume	Forecast consolidated profit attributable to equity holders of our Company for the year ending 31 December 2010 (RMB million)
-5%	3,441
-3%	3,568
-1%	3,696

Sensitivity analysis on cost of sales

The Directors have assumed that there will be no material increase in the cost of raw materials and labour in connection with the automobile industry in the PRC. The following table illustrates the sensitivity of the forecast consolidated profit attributable to equity holders of our Company to the cost of sales for the year ending 31 December 2010 by applying such sensitivity analysis to the year ending 31 December 2010.

Percentage change in cost of sales	Forecast consolidated profit attributable to equity holders of our Company for the year ending 31 December 2010 (RMB million)
+5%	2,215
+3%	2,833
+1%	3,451

The above illustrations are intended for reference only and any variation could exceed the ranges given. The above sensitivity analyses are not meant to be exhaustive. While we have considered for the purposes of the profit forecast what we believe is the best forecast of sales volume, selling price and cost of sales for the year ending 31 December 2010, the sales volume, selling price and cost of sales may differ materially from our forecast and are dependent on market conditions and other factors which are beyond our control.

DIVIDEND POLICY

After completion of the Introduction, our Company's shareholders will be entitled to receive dividends declared by our Company. The Board decides, at its discretion, whether or not to distribute any dividend by way of cash or by other means and the amount of any such dividend payment. Any proposed distribution of dividends formulated by the Board decision on whether or not to declare and pay any dividends in the future and the amount of any dividends, will depend on a number of factors, including our results of operation, cash flow, financial condition, future prospects, payments by our subsidiaries and our JCEs of cash dividends to us and other factors that the Board may consider relevant. Any decision by the Board to declare and pay dividends in the future and the amount of any dividends will be subject to approval by our Company's shareholders. Under the Company Law and our Articles of Association, all of our shareholders have equal rights to dividends and distributions.

We are a holding company and conduct our core business operations through our operating subsidiaries, Jointly-controlled Entities and associated companies in the PRC. As a result, our profits available for dividend distribution are dependent on the profits available for distribution from our subsidiaries, Jointly-controlled Entities and associated companies. The PRC laws permit payment of dividends only out of net income as determined in accordance with PRC accounting standards and regulations. Our subsidiaries, JCEs and associated companies in the PRC are required to set aside a portion of their net income each year to fund designated statutory reserve funds in connection with certain mandatory social welfare programs. These reserves are not distributable as cash dividends. As a result, our primary source of funds for dividend payments is subject to relevant PRC legal restrictions and uncertainties. The dividend declared by JCEs can only be made with the consent of the directors of each JCE. Our Company received dividend amounting to approximately RMB271 million, RMB2,516 million and RMB1,319 million for the three years ended 31 December 2007, 2008 and 2009 on accrual basis from our subsidiaries, JCEs and associated companies.

In 2007 and 2008, the Board did not declare or pay any dividends. In 2009, the Company distributed the profits of 2008 in cash of a total amount of RMB816 million. In accordance with the interests of our Company's shareholders, we expect to constantly distribute the profits to our Company's shareholders in the future.

TAXATION

The tax rates imposed on us during the Track Record Period have been duly approved by the competent tax authorities and were in compliance with the relevant rules and regulations. Accordingly, the applicable income tax rates for Guangqi Honda were 18% and 20%, respectively in 2008 and 2009. GAC Toyota enjoyed a tax holiday of "three-year half levy" in year 2008 and 2009. The applicable income tax rates were 9% and 10%, respectively in 2008 and 2009. Our effective tax rates for the three years ended 31 December 2007, 2008 and 2009 were 2.8%, 17.4% and 18.2%, respectively.

RISK FACTORS

We face certain risks, and these risks can be categorized into: (i) risks relating to our business; (ii) risks relating to the PRC automobile industry; (iii) risks relating to the PRC; (iv) risks relating to the GAC Shares; and (v) risks relating to statements made in this Listing Document. Additional risks and uncertainties not presently known to us, or not expressed or implied below, or that we currently deem to be immaterial, could also harm our business, financial condition and results of operations.

Risks relating to our business

- If our products are unable to gain market acceptance, our sales and profitability may be adversely affected, which will have a negative impact on our market position, financial condition and results of operations.

- If we fail to successfully market and distribute our products through the sales and service centres or protect and cultivate our brand image, our financial results and market position may be negatively affected.
- The operations of our principal Joint Venture Companies may be adversely affected if our Company and its subsidiaries fail to reach consensus on important decisions with our joint venture partners.
- Our operations and financial performance could be adversely affected if we fail to manage our purchase costs or obtain raw materials and auto parts on a timely basis or at reasonable prices.
- Sales of our mid-to-high-end passenger vehicles including the GAC Toyota Camry and the Guangqi Honda Accord, contribute significantly to our total revenue. Any decrease in demand in China for mid-to-high end passenger vehicles may adversely affect our results of operations and financial condition.
- Our expansion into new businesses such as the auto insurance brokerage business and auto financing business may not be successful, which may adversely affect our results of operations.
- Deterioration in the business performance of our principal JCEs could adversely affect our consolidated financial condition and results of operations.
- If we fail to obtain the necessary PRC government approvals and consents in respect of our future expansion projects or new sino-foreign joint venture companies, our financial condition and results of operations may be affected.
- Our Controlling Shareholder can exert significant influence on our Company and could cause our Company to act in a way that may not be in the best interests of our Company's minority shareholders.
- Our commercial vehicle business has incurred losses during the Track Record Period.
- Any negative impact to the transportation capacity of our products and raw materials could adversely affect our operations and our financial condition.
- Our historical dividends may not be indicative of our future dividend policy.
- Attracting and retaining senior management and key technical experts may be a challenge for us.
- We may be subject to fines, penalties or other actions resulting from future examinations by PRC regulatory authorities.
- Complaints or legal actions initiated by customers, employees and other third parties against us may have a negative impact on our reputation, the brand image of our products and our results of operations.
- Any incident of defective products could require us to recall our products from the market, which could jeopardise our reputation and our financial performance.
- We have limited insurance coverage.
- We do not possess valid title to certain properties that we occupy.
- We may not be able to obtain adequate financing for our business in the future.

- Prolonged disruptions to the global credit markets may adversely affect our liquidity, results of operations, financial condition and prospects.
- Defaults by counterparties that we do business with could adversely affect our financial position and results of operations.
- Our results of operations and manufacturing activities may be adversely affected if there are failures in or inefficient management of our information technology system.
- Foreign currency rate fluctuations may have an adverse impact upon our financial conditions and results of operations.
- Our effort to integrate the acquired business into our existing operation may not be successful.
- Our operating results may fluctuate as a result of some factors beyond our control. If our results fall below market expectations, the price of the GAC H Shares may decline.
- Any negative impact on the capacity of our designated suppliers may adversely affect our operations.

Risks relating to the PRC Automobile Industry

- Increasing competition in the PRC automobile market could have an adverse impact on our ability to maintain competitiveness.
- Volatility in demand in China for automobiles could adversely affect our results of operations.
- The production and profitability of PRC automobile manufacturers may be adversely affected by changes in the regulatory environment.
- Volatility in fuel prices may adversely affect demand for automobiles.

Risks relating to the PRC

- Changes in political or economic policies, and a slow down in the PRC's economy may have an adverse effect on our results of operations and financial conditions.
- Currency exchange restrictions may limit our ability to receive and use our revenues effectively.
- Payment of dividends is subject to restrictions under PRC law.
- Foreign individual holders of the GAC H Shares may become subject to PRC income tax and there are uncertainties as to the PRC tax obligations of foreign enterprises that are holders of the GAC H Shares.
- Changes to the PRC legal system and insufficient protection to intellectual property rights could have an adverse effect on us.
- It may be difficult to enforce a judgment obtained from non-PRC courts against our Company or our Directors, Supervisors or senior executive officers residing in China.
- Adverse changes in foreign relations between the PRC and the jurisdictions where the joint venture partners of our Company and its subsidiaries are incorporated could have a material adverse effect on our results of operations.

SUMMARY

Risks relating to the GAC Shares

- Future sales of the GAC H Shares or other securities relating to the GAC Shares could impact the prevailing market price of the GAC H Shares and our ability to raise capital in the future, and may result in dilution of your shareholdings.
- Shareholders may experience further dilution if our Company issue additional GAC Shares in the future.
- The trading price of the GAC H Shares may fluctuate after the Listing as the public offer price is not available for the GAC H Shares in the Introduction.
- The potential conversion of GAC Domestic Shares into GAC H Shares may result in an increase in the number of GAC H Shares available on the market and may affect the price of GAC H Shares.

Risks relating to statements made in this Listing Document

- The industry data and forecasts in this Listing Document obtained from various government publications have not been independently verified.
- You should read the entire Listing Document carefully and we strongly caution you not to place any reliance on any information contained in press articles or other media, including, in particular, any projections, valuations, and other forward-looking statements.
- Our historical records of financial results may not be indicative of our future performances.

DEFINITIONS

In this Listing Document, unless the context otherwise requires, the following words and expressions have the following meanings.

"Aioi Related Agreements"	the various agreements entered or to be entered into between (i) our Company, its subsidiaries and the principal JCEs, being GAC Toyota and Guangqi Honda and (ii) Aioi Insurance Company Limited and its associates as referred to in the section headed "Connected Transactions"
"Articles of Association" or "Articles"	the articles of association of our Company, adopted on 7 September 2007 and as amended from time to time, a summary of which is contained in Appendix VII of this Listing Document
"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
"CAAM"	China Association of Automobile Manufacturers, a PRC national association of manufacturers of cars, motorcycles and auto parts and related automobile. Its main functions consist of advising the relevant departments of the PRC government regarding automobile industry policy and collecting and distributing automobile industry market information, which are prepared based on the data provided periodically by its members according to the number of their annual productions and sales
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"China Lounge"	China Lounge Investments Limited (中隆投資有限公司), a company incorporated in Hong Kong on 27 August 1992, which is a wholly-owned subsidiary of the Company
"CNMIC"	China National Machinery Industry Corporation Limited (中國機械工業集團有限公司) (formerly known as China National Machinery Industry Corporation (中國機械裝備（集團）公司)), a company incorporated on 21 May 1988 under PRC law, one of our Company's Promoters which holds 3.6909% of our Company's

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	equity interest immediately prior to the Introduction. CNMIC is principally engaged in the construction and contracting of large scale integrated plants and Wang Songlin, a non-executive Director of our Company, is the deputy managing director of CNMIC as at the Latest Practicable Date
"Companies Ordinance"	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company Law"	The Company Law of the PRC (中華人民共和國公司法), as enacted by the Standing Committee of the Eighth NPC on 29 December 1993 and effective on 1 July 1994, as amended, supplemented or otherwise modified from time to time
"Controlling Shareholder"	GAIG
"Court Hearing"	the hearing of the petition by the High Court for the sanction of the Scheme and the confirmation of the capital reduction of Denway
"Court Meeting"	a meeting of the Disinterested Denway Shareholders to be convened at the direction of the High Court for the approval of the Scheme
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會)
"Denway"	Denway Motors Limited (駿威汽車有限公司), a company incorporated in Hong Kong on 23 June 1992 and listed on the Main Board of the Stock Exchange with stock code 203 and a subsidiary of our Company, in which our Company indirectly owns approximately 37.90% of its issued share capital as at the Latest Practicable Date. Denway is an investment holding company and Mr. Zhang Fangyou, our Director, was the chairman of Denway and Mr. Zeng Qinghong, Mr. Fu Shoujie and Mr. Li Tun, our Directors, were also the directors of Denway as at the Latest Practicable Date. Immediately following completion of the Introduction and the Privatisation, Denway will become a wholly-owned subsidiary of our Company.
"Denway Overseas Shareholders"	Denway Shareholders whose registered addresses on the registers of members of Denway are in jurisdictions outside Hong Kong on the Scheme Record Date and in relation to whom the applicable laws, rules or regulations require additional registrations or compliance with other procedures before the Scheme may be effected in relation to such Denway

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	Shareholders, which Denway determines to be unduly burdensome or onerous on it, or in relation to whom Denway determines, in its sole discretion, that there are other difficulties in effecting the Scheme; by reference to the registers of members of Denway as at the Latest Practicable Date, such jurisdictions shall exclude Canada, Macau, the Philippines and the United States of America
"Denway Qualifying Shareholders"	Scheme Shareholders whose names appear on the registers of members of Denway on the Scheme Record Date
"Denway Share(s)"	ordinary share(s) with a nominal value of HK$0.10 each in the share capital of Denway
"Denway Shareholder(s)"	registered holder(s) of the Denway Shares
"Director(s)"	the directors of our Company
"Disinterested Denway Shareholders"	Denway Shareholders other than our Company and those Denway Shareholders acting in concert with our Company (including China Lounge, members of J.P. Morgan Securities (Asia Pacific) Limited and entities which control or are controlled by or under the same control as J.P. Morgan Securities (Asia Pacific) Limited (other than Exempt Principal Traders and Exempt Fund Managers), members of Morgan Stanley Asia Limited and entities which control or are controlled by or under the same control as Morgan Stanley Asia Limited (other than Exempt Principal Traders and Exempt Fund Managers) and members of China International Capital Corporation Hong Kong Securities Limited and entities which control or are controlled by or under the same control as China International Capital Corporation Hong Kong Securities Limited, being presumed concert parties of GAC)
"Exempt Fund Managers"	has the meaning given to it in the Takeovers Code
"Exempt Principal Traders"	has the meaning given to it in the Takeovers Code
"Enlarged Group"	our Group immediately following completion of the Introduction and the Privatisation
"Euro"	the single currency of the member states of the European Communities that adopt or have adopted the euro as their lawful currency under the legislation of the European Community for Economic Monetary Union
"Fiat"	Fiat Group Automobiles S.p.A., an Italian automobile manufacturer, engine manufacturer, financial and

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	industrial group founded on 11 July 1899 in Turin, Italy, being our joint venture partner in GAC Fiat
"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. Its principal business includes manufacturing and sales of automobiles and automobile parts and components, providing after-sales services and installation services. Jiang Ping, a deputy general manager of our Company, is the chairman of GAC Bus
"GAC Changfeng"	GAC Changfeng Motor Co., Ltd. (廣汽長豐汽車股份有限公司) (formerly known as Hunan Changfeng Motor Co. Ltd. (湖南長豐汽車製造股份有限公司)) a company incorporated in November 1996 under PRC Law, in which we held 29% of its equity interest
"GAC Commercial"	Guangzhou Automobile Group Business Co., Ltd (廣州汽車集團商貿有限公司), a company incorporated on 21 March 2000 under PRC law which is a wholly owned subsidiary of our Company. Its principal business includes automobile-related businesses. Jiang Ping, a deputy general manager of our Company, is the chairman of GAC Commercial
"GAC Components"	Guangzhou Automobile Group Component Co., Ltd. (廣州汽車集團零部件有限公司), which is incorporated on 29 August 2000 under PRC law and which is directly owned as to 51% by our Company and is a subsidiary of our Company. Its main operations include the manufacture and sales of Automobile parts and components Yan Zhuangli, a deputy general manager of our Company, is the chairman of GAC Components
"GAC Domestic Shares"	ordinary shares in the capital of our Company, with a nominal value of RMB 1.00 each, which are subscribed for and credited as fully paid up in Renminbi by PRC nationals and/or PRC incorporated entities
"GACC-Johnson"	Guangzhou GACC-Johnson Controls Automotive Interiors Systems Co., Ltd. (廣州江森汽車內飾系統有限公司), a company incorporated on 28 November 2008 under PRC law between Johnson Controls and GAC Components, in which GAC Components holds a 48% equity interest. Its principal business includes manufacture and sale of interior auto parts

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"GAC Fiat"	GAC FIAT Automobiles Co., Ltd. (廣汽菲亞特汽車有限公司), a JCE incorporated on 9 March 2010 under PRC law between Fiat and our Company, in which our Company holds a 50% equity interest. Its principal business is automobile and automobile parts and components manufacturing. Zeng Qinghong, vice chairman of our Company, is the chairman of GAC Fiat, Fu Shoujie, non-executive director of our Company, Wu Song and Jiang Ping, deputy general managers of our Company are directors of GAC Fiat
"GAC H Shares"	overseas listed foreign shares in the ordinary share capital of our Company, with a nominal value of RMB1.00 each, which are subscribed for and traded in HK dollars and which are to be listed on the Stock Exchange pursuant to the Introduction
"GAC Hino"	GAC Hino Motors Co., Ltd. (廣汽日野汽車有限公司), a JCE incorporated on 28 November 2007 under PRC law established between Hino and our Company, in which our Company holds a 50% equity interest. Its principal business includes research, design and manufacturing of commercial vehicles. Yuan Zhongrong, our Director, is the chairman of GAC Hino
"GAC Hino (Shenyang)"	GAC Hino (Shenyang) Motors Co., Ltd. (廣汽日野(瀋陽)汽車有限公司), a JCE incorporated on 2 December 1993 under PRC law, owned as to 90.02% by GAC Hino, 5% by Shenyang Aircraft Corporation and 4.98% by Morville Assets Limited. Its principal business includes manufacture of vehicles and related auto parts.
"GAC Share(s)"	ordinary shares of our Company with a nominal value of RMB1.00 each, comprising both GAC Domestic Shares and GAC H Shares
"GAC Shareholder"	holder of GAC Share(s)
"GAC-SOFINCO"	GAC-SOFINCO Automobile Finance Co., Ltd. (廣汽匯理汽車金融有限公司), a joint venture company incorporated on 25 May 2010 under PRC law established by our Company and Société de Financement Industriel et Commercial (SOFINCO), in which each of our Company and SOFINCO holds a 50% equity interest, respectively. Its principle business is auto financing. Wang Dan, chief financial officer of our Company, is the chairman of GAC-SOFINCO.

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"GAC Toyota"	GAC Toyota Motor Co. Ltd (廣汽豐田汽車有限公司) (formerly known as Guangzhou Toyota Motor Co. Ltd (廣州豐田汽車有限公司)), a company incorporated on 1 September 2004 under PRC law which is a Joint Venture Company and a JCE held by our Company and Toyota. Our Company holds a 50% equity interest in GAC Toyota. Its principal business is automobile and automobile parts and components manufacturing. Yuan Zhongrong, our Director, is the chairman of GAC Toyota. Lu Sa, our Director and secretary of the Board, Huang Xiangdong and Feng Xinya, deputy general managers of our Company, are also directors of GAC Toyota
"GAC Toyota Engine"	GAC Toyota Engine Co., Ltd. (廣汽豐田發動機有限公司), a Joint Venture Company incorporated on 24 February 2004 under PRC law which is a sino-foreign joint venture between Toyota and our Company in which our Company holds a 30% equity interest. Its main businesses are the manufacture and sales of automobile engines or relevant parts and components. Yuan Zhongrong, being a Director of our Company, is also the deputy chairman of GAC Toyota Engine
"GAC-Ullitec"	Guangzhou GAC-ULLITEC Auto Interiors R&D Co., Ltd. (廣州廣汽優利得汽車內飾系統研發有限公司), a JCE incorporated on 7 October 2008 under PRC law between Ullitec Venture Capital and GAC Components, in which GAC Components holds a 50% equity interest. Its principal business includes research and development of automobile interior system and manufacture of interior auto parts
"GAEI"	Guangzhou Automobile Group Company Automotive Engineering Institute, an affiliate of our Company, established on 29 June 2006 for the purpose of conducting research and development of the products and technology in which our Company has proprietary right
"GAG"	Guangzhou Automobile Group Ltd. (廣州汽車集團有限公司), a company established on 6 June 1997 under PRC law, the predecessor of our Company before its conversion into a joint stock limited company
"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 which is one of our Company's Promoters and which directly

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	holds a 91.9346% equity interest in the registered capital of our Company immediately prior to the Introduction. Its principal business is the manufacture of automobiles and the operation and management of state-owned assets
"GAIG Related Agreements"	the various agreements entered or to be entered into between (i) our Company, its subsidiaries and the principal JCEs, being GAC Toyota and Guangqi Honda and (ii) Guangzhou Automobile Industry Group Company and its associates as referred to in the section headed "Connected Transactions"
"GAMC"	Guangzhou Automobile Group Motor Co. Ltd. (廣州汽車集團乘用車有限公司), a company incorporated on 21 July 2008 under PRC Law and a wholly-owned subsidiary of our Company. Its principal business includes manufacturing and sales of our Company's proprietary brand passenger vehicles
"GHRD"	Guangqi Honda Automobile Research & Development Co., Ltd. (廣汽本田汽車研究開發有限公司), a company incorporated under PRC law on 27 April 2007 for the purpose of conducting research and development of the products and technologies in which GHRD has proprietary rights, which is a wholly owned subsidiary of Guangqi Honda
"Guang'ai"	Guangzhou Guang Ai Insurance Brokers Limited (廣州廣愛保險經紀有限公司), a company incorporated on 7 June 2006 under PRC law which is a sino-foreign Joint Venture Company in which our Company, GAC Commercial and Aioi Insurance Company Limited own 50.2%, 24.9% and 24.9% equity interest, respectively. It is a subsidiary of our Company and its principal business is to provide insurance related-services. Yan Zhuangli, a deputy general manager of our Company, is the chairman of Guang'ai
"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 Jointly-controlled Entity which is held by Guangzhou Auto and Honda. Our Company indirectly holds 37.90% interest in Denway as at the Latest Practicable Date, whose subsidiary, Guangzhou Auto, holds 50% equity interest in Guangqi Honda. Its principal business is automobile

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	and automobile parts and components manufacturing. Fu Shoujie, our Director, is the chairman of Guangqi Honda and Li Tun, our Director, and Yao Yiming and Yan Zhuangli, the deputy general managers of our Company, are directors of Guangqi Honda
"Guangzhou Auto"	Guangzhou Auto Group Corporation (廣州汽車集團公司), a company incorporated on 17 December 1988 under PRC law and a wholly-owned subsidiary of Denway. Its principal business is automobiles-related businesses
"Guangzhou Chime-Long"	Guangzhou Chime-Long Hotel Co. Ltd. (廣州市長隆酒店有限公司), a company incorporated on 10 September 2001 under PRC law, one of our Company's Promoters which holds 0.1845% of our Company's equity interest immediately prior to the Introduction. Its principal business is tourism
"Guangzhou Iron & Steel"	Guangzhou Iron & Steel Enterprises Group (廣州鋼鐵企業集團有限公司), a company incorporated on 26 May 1978 under PRC law, one of our Company's Promoters which holds 0.2% of our Company's equity interests immediately prior to the Introduction. Its principal business includes metal smelting, rolling and press forging. Huang Zhiyong, the supervisor of our Company, is also a deputy general manager of Guangzhou Iron & Steel
"Guangzhou SASAC"	State-owned Assets Supervision and Administration Commission of Guangzhou Municipal Government (廣州市人民政府國有資產監督管理委員會)
"Guangzhou Yue Long" or "Guangzhou Isuzu"	Guangzhou Yue Long Bus Co. Ltd. (廣州粵隆客車有限公司) (formerly known as Guangzhou Isuzu Bus Co., Ltd. (廣州五十鈴客車有限公司)), formerly a sino-foreign Joint Venture Company incorporated on 1 February 2000 under PRC law which was owned as to 51% by our Company, 25% by Isuzu and 24% by Isuzu (China) Investment Co. Ltd.; as at the Latest Practicable Date, it is a wholly owned subsidiary of our Company
"HAVECO"	collectively, Hangzhou HAVECO Automotive Transmission Co., Ltd. (杭州依維柯汽車變速器有限公司) and Hangzhou IVECO Automobile Transmission Technology Co., Ltd. (杭州依維柯汽車傳動技術有限公司), Joint Venture Companies incorporated on 26 September 1996 and 6 June 2007, respectively under PRC Law, which are sino-foreign joint ventures equally held by Hangzhou Advance Gearbox Group Co., Ltd., GAC Components, a subsidiary of our Company, and IVECO Ltd.

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"High Court"	the High Court of Hong Kong
"Hino"	Hino Motors, Ltd., a company incorporated under the laws of Japan, being our Company's joint venture partner in GAC Hino and Shanghai Hino
"HK$" or "HK dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"HKFRS"	Hong Kong Financial Reporting Standards
"HKSCC"	Hong Kong Securities Clearing Company Limited
"HKSCC Nominees"	HKSCC Nominees Limited
"Honda"	Honda Motor Co., Ltd., a company incorporated under the laws of Japan, being Guangzhou Auto's joint venture partner in Guangqi Honda and our Company's joint venture partner in Honda (China)
"Honda (China)"	Honda Automobile (China) Co., Ltd. (本田汽車(中國)有限公司), a company incorporated on 8 September 2003 under PRC law of which our Company holds 25% of its equity interest and is one of our Company's associated companies
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hybrid Synergy Drive"	a set of hybrid car technologies developed by Toyota which combines an electric drive and a continuously variable transmission
"Introduction"	the proposed Listing of our Company by way of introduction on the Main Board of the Stock Exchange which includes the creation of listed equity consideration (in the form of GAC H Shares) for the Privatisation
"Isuzu"	Isuzu Automobile Co., Ltd., a company incorporated under the laws of Japan, which was our Company's joint venture partner in Guangzhou Isuzu prior to our acquisition of its equity interests in Guangzhou Isuzu. It is an independent third party as at the Latest Practicable Date
"Japanese Yen"	Japanese Yen, the lawful currency of Japan

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"Johnson Controls"	Johnson Controls Asia Holdings Co., Ltd., a company incorporated under the laws of Hong Kong, being the joint venture partner of GAC Components in GACC-Johnson
"Joint Sponsors"	the joint sponsors of the Listing on the Main Board of the Stock Exchange, being J.P. Morgan Securities (Asia Pacific) Limited, Morgan Stanley Asia Limited and China International Capital Corporation Hong Kong Securities Limited, who are also our Company's financial advisers in respect of the Privatisation
"Joint Venture Company"	a joint venture company is a company set up by a joint venture agreement, whereby the joint venture parties undertake an economic activity. A joint venture company operates as a separate entity in which each party has an interest whether direct or indirect. The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture company's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with terms of the joint venture agreement A joint venture company is treated by a joint venture party as: (a) a subsidiary, if the joint venture party has unilateral control, directly or indirectly, over the joint venture company; (b) a jointly-controlled entity, if the joint venture party does not have unilateral control, but has joint control, directly or indirectly, over the joint venture company; (c) an associated company, if the joint venture party does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture company's registered capital and is in a position to exercise significant influence over the joint venture company; or (d) an investment, if the joint venture party holds, directly or indirectly, less than 20% of the joint venture company's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture company

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"Jointly-controlled Entity" or "JCE"	a jointly-controlled entity is a Joint Venture Company which is subject to direct or indirect joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity. A joint venture party's investments in its Jointly-controlled Entities can be accounted for by proportionate consolidation, which involves recognising a proportionate share of the joint venture's assets, liabilities, income and expenses with similar items in the consolidated financial statements of the joint venture party on a line-by-line basis. When the profit sharing ratio is different to the joint venture party's equity interests in the Jointly-controlled Entities, the joint venture party's share of their assets, liabilities, income and expenses is determined based on the agreed profit sharing ratio. The results of Jointly-controlled Entities are included in the joint venture party's income statement to the extent which reflects the dividends received and receivable by such joint venture party. The joint venture party's investments in Jointly-controlled Entities are treated as long term assets and are stated at cost less impairment losses
"Latest Practicable Date"	14 June 2010, being the latest practicable date prior to the printing of this Listing Document for the purpose of ascertaining certain information contained in this Listing Document
"Listing"	the listing of and permission to deal in, the GAC H Shares on the Stock Exchange
"Listing Date"	the date on which the GAC H Shares to be issued are listed and dealings in the GAC H Shares first commence on the Stock Exchange
"Listing Document"	this listing document dated 18 June 2010 and issued by the Company pursuant to the Introduction
"Listing Document Date"	the date of this Listing Document
"Listing Rules"	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
"Macau"	the Macau Special Administrative Region of the PRC
"Related Agreements"	the Aioi Master Agreement, GAIG Master Agreement and Toyota Tsusho Related Agreements

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"Ministry of Commerce" or "MOFCOM"	the PRC Ministry of Commerce (中國商務部)
"Ministry of Finance" or "MOF"	the PRC Ministry of Finance (中國財政部)
"NDRC"	the National Development and Reform Commission of the PRC (國家發展和改革委員會)
"NPC" or "National People's Congress"	the National People's Congress (全國人民代表大會)
"our Company" or "GAC"	Guangzhou Automobile Group Co., Ltd. (廣州汽車集團股份有限公司), a joint stock limited company registered in the PRC on 28 June 2005 in accordance with the Company Law, or where the context refers to any time prior to the date of incorporation, those entities and businesses which were contributed to and conducted by our Company upon its establishment
"Parent Group"	GAIG and its subsidiaries (including our Group)
"PBOC"	the People's Bank of China (中國人民銀行), the central bank of the PRC
"PBOC Rate"	the exchange rate for foreign exchange transactions set daily by the PBOC based on the previous day's China interbank foreign exchange market rate and with reference to current exchange rates on the world financial markets
"PRC GAAP"	the PRC Accounting Standards and Accounting Regulations for Business Enterprises and its supplementary regulations
"PRC" or "China"	the People's Republic of China. Except where the context requires otherwise in this Listing Document, geographical references in this Listing Document to the PRC or China exclude Hong Kong, Macau and Taiwan
"Promoter(s)"	the initial promoters of our Company, being GAIG, Wanxiang, CNMIC, Guangzhou Iron & Steel and Guangzhou Chime-Long
"Privatisation"	the proposal for the privatisation of Denway by our Company by way of the Scheme
"Reorganisation"	the reorganisation of the assets and liabilities of GAC and GAIG and their respective subsidiaries and associated companies which is more particularly described in the section headed "Appendix VIII — Statutory and General Information — Further information about GAC — Corporate Reorganisation" of this Listing Document

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"RMB" or "Renminbi"	Renminbi yuan, the lawful currency of PRC
"SAFE"	the PRC State Administration of Foreign Exchange (中國國家外匯管理局)
"SASAC"	the PRC State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會)
"Scheme"	a scheme of arrangement under Section 166 of the Companies Ordinance involving the cancellation of all the Scheme Shares on the terms, and subject to the conditions, set out in the Scheme Document
"Scheme Document"	the document dated 18 June 2010 jointly issued by the Company and Denway in relation to the Scheme, including each of the letters, statements, appendices and notices in it
"Scheme Effective Date"	the date on which the Scheme becomes effective in accordance with the Companies Ordinance
"Scheme Record Date"	24 August 2010
"Scheme Record Time"	4:00 p.m. (Hong Kong time), on the Scheme Record Date for the purpose of determining the entitlements of the Scheme Shareholders under the Scheme
"Scheme Shareholders"	holders of the Scheme Shares
"Scheme Shares"	all the Denway Shares in issue (other than those Denway Shares held by our Company and parties acting in concert with it, including China Lounge) and such further Denway Shares as may be issued prior to the Scheme Record Time
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Shanghai Electric"	Shanghai Electric Group Company (上海電氣（集團）總公司), a state-owned enterprise incorporated under the laws of the PRC, being the joint venture partner of our Company and Hino in Shanghai Hino

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"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. Our Company has entered into an agreement in April 2010 to acquire 30% equity interest in Shanghai Hino. Its main businesses are the designing, research and development and manufacturing of the diesel engines. As at the Latest Practicable Date, the acquisition has been approved by the Shanghai Municipal Commission of Commerce and it is expected that the relevant business registration procedures will be completed in June 2010. Upon completion, Shanghai Hino will be held as to 50% by Hino, 30% by our Company and 20% by Shanghai Electric. Our Company has appointed Yuan Zhongrong, executive director of our Company as the vice chairman of Shanghai Hino and Li Shao, deputy general manager of our Company as a director of Shanghai Hino in April 2010
"Shanghai Stock Exchange"	the Shanghai Stock Exchange of China (上海證券交易所)
"SOFINCO"	Société de Financement Industriel et Commercial, a wholly-owned subsidiary of Crédit Agricole Group engaging in personal credit business in the field of professional financial services. It is our Company's joint venture partner in GAC-SOFINCO
"Special Regulations"	the Special Regulations of the State Council on the Overseas Offer and Listing of Shares by Joint Stock Limited Companies (國務院關於股份有限公司境外募集股份及上市的特別規定), promulgated by the State Council on 4th August, 1994, as amended, supplemented or otherwise modified from time to time
"State Council"	the State Council of the PRC (中國國務院)
"State," "state," or "PRC government"	the central government of the PRC including all political subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Takeovers Code"	The Code on Takeovers and Mergers issued by the SFC
"the Group", "our Group" or "we" or "us"	our Company and its subsidiaries and their respective jointly-controlled entities. All information given in this Listing Document with respect to our Group includes information of our Company and its subsidiaries and all

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	such companies collectively, without regard to the ownership level of our Company and its subsidiaries in such companies
"Toyota"	Toyota Motor Company, a company incorporated in Japan, being our Company's joint venture partner in GAC Toyota
"Toyota Tsusho Related Agreements"	the various agreements entered or to be entered into between (i) our Company, its subsidiaries and the Principal JCEs, being GAC Toyota and Guangqi Honda and (ii) Toyota Tsusho Corporation and its associates as referred to in the section headed "Connected Transactions" of this Listing Document
"Track Record Period"	the three years ended on 31 December 2009
"Ullitec Venture Capital"	Ullitec Venture Capital Inc., a company incorporated under the laws of Samoa, being the joint venture partner of GAC Components in GAC-Ullitec
"United States" or "U.S."	the United States of America
"US$" or "US dollars"	United States dollars, the lawful currency of the United States
"Wanxiang"	Wanxiang Group Corporation (萬向集團公司), a company incorporated on 24 December 1990 under PRC law, one of our Company's Promoters which holds 3.99% of our Company's issued share capital immediately prior to the Introduction. Its principal business includes the manufacture and sale of machinery and auto parts
"WTO"	World Trade Organization
"Yangcheng Auto"	Guangzhou Yangcheng Automobile Co., Ltd. (廣州羊城汽車有限公司), a company incorporated on 25 February 1993 under PRC law and was our Company's wholly owned subsidiary before we disposed of our interest in it in 2009. Its principal business was automobile manufacturing at the time when we disposed of our interest in it in 2009.

For the purpose of illustration only and unless otherwise specified in this Listing Document, amounts in Hong Kong dollars have been translated into US dollars (and vice versa) at the rate of US$l=HK$7.78, being the buying rate on 7 May 2010 published by Federal Reserve Statistical Release, Board of Governors of the Federal Reserve System and into Renminbi (and vice versa) at the rate of RMB1=HK$1.14, being the PBOC Rate prevailing on 7 May 2010. The Hong Kong dollar is freely convertible into the US dollar, and was linked to the US dollar at the rate of US$1=HK$7.78 from 30 June 1983 until May 2005 and has fluctuated between a rate of HK$7.75 to HK$7.83 per US

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dollar since May 2005. Translations of Renminbi into US dollars (and vice versa) have been made at the rate of US$1=RMB6.83, being the buying rate on 7 May 2010 published by Federal Reserve Statistical Release, Board of Governors of the Federal Reserve System. No representation is made that any of the above currencies could have been, or could be, converted into such other currencies at such rates or at any other rates on such date or on any other dates.

In this Listing Document, unless otherwise specified, all references to our revenue, profits and other financial information include our JCEs to the extent that such information has been proportionately consolidated or otherwise reflected in the accountant's report set out in Appendix I to this Listing Document. It should be noted that our Company and its subsidiaries only hold up to 50% of interest in the JCEs.

Unless expressly stated or the context requires, all data in this Listing Document are as at the Latest Practicable Date.

In this Listing Document, unless otherwise specified:

- the terms "associate", "connected person", "connected transaction", "subsidiary" and "substantial shareholder" shall have the meanings given to such terms in the Listing Rules; and
- the terms "acting in concert", "Exempt Principal Trader" and "Exempt Fund Manager" shall have the meanings given to such terms in the Takeovers Code.

GLOSSARY

"4S"	sales, service, spare parts and survey
"ABS"	Anti-lock Brake System
"CAGR"	Compound Annual Growth Rate
"C-NCAP"	China New Car Assessment Program
"CCTV"	China Central Television
"EBITDA"	Earnings before interest, tax, depreciation and amortization
"e-CRB"	Evolutionary Customer Relationship Building
"ECU"	electronic control module
"European emission standards"	European emission standards are sets of requirements defining the acceptable limits for exhaust emissions of new vehicles sold in European Union member states. The emission standards are defined in a series of European Union directives staging the progressive introduction of increasingly stringent standards namely, Euro I, Euro II, Euro III, and Euro IV.
"GBL"	Global Body Line, a standardised metalworking system created by Toyota in which vehicle bodies are built using the same equipment and, a mixture of robots and human labour, as required
"GPS"	Global Positioning System
"CUV"	Cross-over Utility Vehicle
"HVAC"	heating, ventilation and air-conditioning
"i-VTEC"	intelligent "Variable Valve Timing and Lift Electronic Control" valve train system developed by Honda to improve the volumetric efficiency of an internal combustion engine
"internal combustion engine"	an engine in which the combustion of fuel and an oxidizer (typically air) occurs in a confined space called a combustion chamber
"i-DSI"	Intelligent "Dual & Sequential Ignition" system for use in engines. The i-DSI system utilises two spark plugs per cylinder and fire at different intervals during the combustion process to achieve a more complete burn of the gasoline

GLOSSARY

"just-in-time"	an inventory strategy implemented to reduce in-process inventory and its associated costs
"L"	Litre
"MPV"	multi-purpose passenger vehicle
"National emission standards"	PRC National emissions standards, which are the emission control standards on automobiles and defined in a series of standards according to the equivalent European emission standards, namely, National I, National II, National III, and National IV
"Overall Industry Operational Efficiency Index"	a special relative number which is used to measure the overall level of industrial operational efficiency in all respects. It is a gross index reflecting the operating quality of industrial operation.
"R&D"	research and development
"set parts system"	part of the vehicle manufacturing system whereby all relevant autoparts for the manufacture of a vehicle are delivered through each section of the assembly line where the relevant vehicle is being manufactured
"sedan"	a body style of the modern automobile which at its most basic, is a car with two rows of seats and a separate trunk for luggage at the rear
"inventory financing"	a loan made to a manufacturer using its inventory as collateral
"SUV"	sports utility vehicle

FORWARD-LOOKING STATEMENTS

This Listing Document contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include, without limitation, statements relating to:

- our financial condition, performance and business prospects;
- our plans to develop our proprietary brand of passenger vehicles, including but not limited to, any difficulties or challenges in realising these plans;
- our future debt levels and capital needs;
- the future developments, trends and conditions in the PRC's automobile market;
- our strategy, plans, objectives and goals;
- the general economic conditions, including but not limited to macroeconomic measures taken by the PRC government to manage economic growth;
- exchange rate fluctuations and development of legal systems, particularly relating to the PRC;
- changes to regulatory and operating conditions in the markets in which we operate;
- our ability to reduce costs;
- changes to our expansion plans and use of capital expenditure;
- capital market developments;
- the actions and developments of our competitors;
- certain statements in "Financial Information" with respect to trends in prices, volumes, operations, margins, overall market trends, risk management and exchange rates; and
- other statements in this Listing Document that are not historical fact.

In some cases, words such as "aim," "anticipate", "envisage", "believe," "continue," "could," "expect," "intend", "may", "plan", "potential", "predict", "project", "seek", "should", "will", "would" and similar expressions are used to identify forward-looking statements. All statements other than statements of historical facts included in this Listing Document, including statements regarding our future financial position, strategy, projected costs and plans and objectives of management for future operations, are forward-looking statements. Although we believe that the expectations reflected in those forward-looking statements are reasonable, we can give no assurance that those expectations will prove to have been correct, and you are cautioned not to place undue reliance on such statements. Important factors that could cause actual events to differ materially from our expectations are disclosed in the section headed "Risk Factors" of this Listing Document, in conjunction with the forward-looking statements included in this Listing Document. We undertake no obligation to publicly update or revise any forward-looking statements contained in this Listing Document, whether as a result of new information, future events or otherwise, except as required by law and the Listing Rules. All forward-looking statements contained in this Listing Document are qualified by reference to this cautionary statement.

RISK FACTORS

In addition to other information in this Listing Document, you should carefully consider the risks and uncertainties described below, before making an investment in the GAC H Shares. You should pay particular attention to the fact that we are a PRC company governed by a legal and regulatory environment that may differ in some respects from that prevailing in other countries. Our business, financial condition or results of operations could be materially and adversely affected if any of these risks materialises. The trading price of the GAC H Shares could decline due to any of these risks, and you may lose all or part of your investment. For more information concerning the PRC and certain related matters discussed below, please refer to "Appendix VI — Summary of Principal PRC Legal and Regulatory Provisions" of this Listing Document.

RISKS RELATING TO OUR BUSINESS

If our products are unable to gain market acceptance, our sales and profitability may be adversely affected, which will have a negative impact on our market position, financial condition and results of operations.

Introducing products that appeal to customers is the key to our success. We must modify our existing products and develop new models which refer to our customers' preferences in a timely manner. We develop new products through upgrading and modifying our existing models, introducing new models. If any of our new products are not well received by the market, or if we are unable to develop and manufacture competitive products in a timely manner, our market position and financial situation would be significantly undermined. In particular, we plan to commercially produce the first model of our proprietary brand of mid-to-high end sedan by September 2010 and our first model of proprietary brand of hybrid gasoline-electric power bus by the end of 2010. Notwithstanding that these proprietary brand of vehicles have been selected by the Guangzhou government as the service vehicles for the 2010 Asian Games, we cannot assure you that they will gain general market acceptance when we commercially produce them. The development of a new brand is highly dependent on the success of our marketing strategies which we believe will require our consistent monitoring and of which we need to react with flexibility to accommodate changes to our customers preferences. The benefits of our efforts are likely to be realised only in the long term. If our proprietary brand of vehicles fail to achieve the sales as expected, we may be unable to recover our development, production and marketing costs, thereby leading to a decline in our profitability.

Our production capacity may not meet the market demand for our products. The expansion of our production capacity may exceed the demand for our products if the anticipated growth in the automobile markets fails to materialise or if our products do not achieve satisfactory sales. Conversely, our expansion of production capacity may fail to meet the increasing demand for our products, in which case, our market share may be eroded by other vehicle manufacturers who provide competitive products. In either situation, our market position and financial results will be adversely affected. If the demand for any of our products is lower than anticipated or if there are unforeseen changes to consumer preferences, our sales and profitability would suffer, we would not achieve satisfactory or sustainable returns from our investments in the expansion of production capacity and development of new products and we would likely incur higher production costs, all of which may have a material adverse effect on our market position, financial condition and results of operations.

If we fail to successfully market and distribute our products through our sales and service centres or protect and cultivate our brand image, our financial results and market position may be negatively affected.

Our success in selling automobiles depends on our ability to market and distribute our products effectively through our distribution networks. We have established a strong sales network with presence in every province in the PRC, each of which provides our customers with "one-stop shop" service. As at 31 December 2009, other than 18 sales and service centres owned and operated by our wholly owned subsidiary, GAC Commercial, all other sales and service centres were owned and operated by the 653 dealers that were independent third parties of our Company. Accordingly, we have no direct control over our dealers other than through our dealer selection process and through contractual obligations with these dealers. We cannot assure you that all of the sales and service centres will comply with our specifications and the contractual obligations imposed on them or whose staff will continued to be trained by us. The sales conducted through third party dealers contributed to more than 90% of the total sales of our passenger vehicles during the Track Record Period. Our ability to successfully market and sell our products may be affected if any of these sales and service centres fails to meet the requirements we imposed on them or provide quality services to our customers. Our sales also depend on our ability to maintain and further cultivate our brand image across the market. In particular, sales of products manufactured by GAC Toyota and Guangqi Honda benefit from the well established brand image of our joint venture partners. However, our joint venture partners' businesses involve extensive production and sales on a global basis and are therefore exposed to a wide range of product liability and other claims or disputes on a global basis of which we have no control. Any major claim or dispute against any of our joint venture partners or any significant adverse change to any of their operations or financial conditions may damage their brand and corporate image, which in turn may adversely affect the market acceptance, sales and profitability of our products.

If we are unable to generate and maintain a well-developed sales and distribution network or if our joint venture partners fail to protect their brand or corporate image or if we are unable to protect our own brand image, our market position, financial conditions and results of operations may be adversely affected.

The operations of our principal Joint Venture Companies may be adversely affected if our Company and its subsidiaries fail to reach consensus on important decisions with our joint venture partners.

We operate our business principally through a number of JCEs, such as Guangqi Honda and GAC Toyota as well as the newly established GAC Fiat. These JCEs were jointly established by our Company or its subsidiaries, and their respective joint venture partners who are not under our control.

Under the joint venture agreements governing our JCEs, the number of directors appointed by us and the relevant joint venture partner are proportionate to the respective equity interest held by each of them in the relevant Joint Venture Company. Important decisions, including those relating to production volume, the selection and introduction of new products and production capacity expansion, can only be made with the unanimous consent of the directors of each Joint Venture Company. We cannot assure you that the proposed future strategies, policies or objectives proposed by our Company and its subsidiaries will be adopted entirely by all of our JCEs. Moreover, in the event that our Company and its subsidiaries fail to resolve any differences with their respective joint venture partners in the decision-making process of the relevant JCEs, the business and results of operations of such

JCEs may suffer which may in turn delay the implementation of our business plan or adversely affect our market position. Although we have not had any material disputes with the joint venture partners of our Company and its subsidiaries since the establishment of our JCEs, we cannot assure you that material disputes will not arise with them in the future. Any material dispute could have an adverse effect on our financial condition and results of operations.

Our operations and financial performance could be adversely affected if we fail to manage our purchase costs or obtain raw materials and auto parts on a timely basis or at reasonable prices.

In order to remain competitive, automobile manufacturers must manage their costs efficiently with a view to produce their automobile products at the lowest costs possible. In general, we reduced our costs in purchasing auto parts and raw material through the implementation of our cost control policies such as streamlining the supply chain and localization of our production. We have also adopted certain cost control measures such as improving the technology and enhancing the production efficiency. As a result, we have generally been able to manage price fluctuations of raw material and auto parts without having to pass on any additional costs to our customers. Based on the weighted average unit cost, the impact from fluctuation of raw materials and auto parts on our average cost of sales of our vehicles amounted to approximately (2.5%), 0.9% and (0.3%), respectively for the three years ended 31 December 2007, 2008 and 2009. Although we have been able to maintain our profit margin through implementing our cost control policy, we cannot assure you that our cost reduction measures in connection with our operations, such as managing inventory and raw material, reducing waste, and implementing energy conservation policies will be successful or sustainable. In particular, our ability to maintain our cost efficiencies will depend on our ability to source raw materials and auto parts in a timely manner and at reasonable prices.

Raw materials and auto parts for our automobile manufacturing activities and operations are, and will continue to be, sourced from companies within our Group, our associated companies and third party suppliers. During the Track Record Period, approximately 75% of our purchases are from third party suppliers. Although we usually source our important raw materials or components from several suppliers for each raw material or component in order to achieve a stable supply, we cannot assure you that our suppliers can always adequately serve our needs in a timely manner or at reasonable prices. If there is any significant increases in the prices of raw materials or auto parts or if supply is disrupted, we may incur additional costs to maintain our production schedules, thereby decreasing our profitability. These factors could materially and adversely affect the results of our operations.

Sales of our mid-to-high-end passenger vehicles including the GAC Toyota Camry and the Guangqi Honda Accord, contribute significantly to our total revenue. Any decrease in demand for mid-to-high end passenger vehicles in China may adversely affect our results of operations and financial condition.

The sales of our mid-to-high-end passenger vehicles contributed more than 50% of our revenue during the Track Record Period. Generally, passenger vehicles in the mid-to-high-end segment enjoy higher profit margins than products in the economic or entry-level segment. Accordingly, our strength in the mid-to-high-end passenger vehicle segment enables us to achieve higher profitability among our peers in China. However, market demand in China for passenger vehicles is cyclical and volatile. We cannot assure you that the demand for mid-to-high-end passenger vehicles will maintain its momentum in the future. For example, PRC government policies which encourage the development and demand for economic passenger vehicles may have a negative impact on the demand for mid-to-high end passenger vehicles. Accordingly, if demand for mid-to-high end passenger vehicles decreases, our sales may be adversely affected.

Accordingly, a reduction in demand for mid-to-high end passenger vehicles in China or any material adverse news or developments regarding the Toyota Camry or the Honda Accord would likely give rise to a negative impact on our market position, results of operations and financial condition.

Our expansion into new businesses such as the auto insurance brokerage business and auto financing business may not be successful, which may adversely affect our results of operations.

To cater for the varying needs of our customers and as part of our expansion plans, we have made significant investments and will continue to invest substantial resources in the development of our auto insurance brokerage business and auto financing business which we hope to make available across our sales and distribution network on a gradual basis. Although the revenue and profit contributed by the auto insurance brokerage business was less than 0.1% of our revenue and net profit during the Track Record Period and our Company has not yet carried out any auto financing business, there are risks associated with the auto insurance brokerage business and auto financing business, in particular, increased risks relating to customer repayment defaults and increased costs for compliance with additional laws and regulations in the PRC insurance and finance industries. As we have no previous experience in these businesses, we cannot assure you that we will succeed in expanding into these businesses and realise profits or maintain sustainable profits in these businesses from these new businesses. If any of these new businesses and operations fail to meet our expectations, our financial condition and results of operations may be adversely affected.

Deterioration in the business performance of our principal JCEs could adversely affect our consolidated financial condition and results of operations.

Our main businesses are conducted primarily through two principal JCEs, GAC Toyota and Guangqi Honda. For the three years ended 31 December 2007, 2008 and 2009, GAC Toyota and Guangqi Honda together contributed approximately 86%, 87% and 89% to our consolidated revenue and approximately 104%, 108% and 120% to our consolidated operating profit, respectively. Poor performance by either of them would materially and adversely impact our consolidated financial performance. For financial information on our JCEs, please refer to the section headed “Business — Overview” of this Listing Document. If the business operations of any principal JCEs encounter serious problems, or cannot achieve expected goals, our consolidated financial condition and results of operation may be materially adversely affected.

In addition, our principal JCEs rely on our joint venture partners’ technical resources to upgrade our products. If our JCEs are unable to access the technical resources of our joint venture partners or if our joint venture partners provide such resources to our competitors, our JCEs’ ability to upgrade existing models and launch new models may be adversely affected. Failure to update our existing models or introduce new models could negatively affect our competitiveness and sales of our products.

If we fail to obtain the necessary PRC government approvals and consents in respect of our future expansion projects or new sino-foreign joint venture companies, our financial condition and results of operations may be affected.

Automobile companies in the PRC are required to obtain various permits, approvals and consents from PRC government authorities for establishing sino-foreign joint venture companies, launching new plants or increasing production capacity in existing plants. Any change to the business scope of any existing sino-foreign joint ventures must be approved by the relevant PRC government authorities. We cannot assure you that we will be able to obtain all relevant permits, approvals and consents for our future projects or our future plans for expanding our production capacity. If the required permits, approval or consents are not granted or are otherwise delayed, the establishment and operation of our new sino-foreign joint ventures or expansion of our existing businesses or production capacity may not materialise or may be delayed, which may adversely affect our future development, financial condition and results of operations.

Our Controlling Shareholder can exert significant influence on our Company and could cause our Company to act in a way that may not be in the best interests of our Company's minority shareholders.

GAIG will remain as our Controlling Shareholder following completion of the Introduction and the Privatisation. As the Controlling Shareholder of our Company, subject to our Articles of Association and applicable laws and regulations, GAIG could control or influence our Company's major policy decisions, including, but not limited to, those relating to our overall strategy and investment, such as:

- exerting undue influence over our Board regarding the selection of the senior management of our Company and our Company's major business decisions;
- approving or rejecting our Company's dividend distributions;
- approving or rejecting our Company's annual budgets and/or business plans;
- effecting corporate transactions without the approval of the minority shareholders of our Company; and
- approving our Company's notifiable and connected transactions relating to our Jointly-controlled Entities in lieu of holding a general meeting.

To the extent that GAIG has interests that conflict with those of our Company and the other GAC Shareholders, it may take actions in its capacity as the Controlling Shareholder that may not be in the best interest of the GAC Shareholders as a whole.

Our commercial vehicle business has incurred losses during the Track Record Period.

For the three years ended 31 December 2007, 2008 and 2009, our commercial vehicle segment suffered losses of approximately RMB198 million, RMB87 million and RMB112 million, respectively. The losses we suffered in the commercial vehicle segment were largely due to the on-going restructuring of our commercial vehicle business, which significantly disrupted the production of our commercial vehicles and hindered our ability to expand our production capacity of commercial vehicles. Our restructuring included the establishment of GAC Hino and the transfer of our bus manufacturing business to GAC Bus as well as the termination of our joint venture with Isuzu in 2008, as its performance failed to meet our expectation. If we fail to achieve commercial success with our

GAC Hino products, our commercial vehicle business will likely continue to suffer losses, which may adversely affect our financial condition and results of operation.

Any negative impact to the transportation of our products and raw materials could adversely affect our operations and our financial condition.

We depend on a combination of sea and land transportation to obtain our raw materials and deliver products to our customers. If we cannot secure sea and land transportation necessary for the delivery of raw materials to us and our products to our customers or if we are unable to secure economically-feasible alternative methods to transport our products and raw materials during disruptions of transportation systems which are beyond our control, our results of operations may be adversely affected. Any disruption of raw material supply may interrupt our production and could have a negative effect on the competitiveness of our products and our financial conditions.

Our historical dividends may not be indicative of our future dividend policy.

We may pay dividends to our GAC Shareholders in the future. However, such payments will depend upon a number of factors, including our results of operations, cash flow, financial condition, future prospects, payments by our subsidiaries and our JCEs of cash dividends to us and other factors that the Board may consider relevant. There can be no assurance that we will declare or distribute any dividend on the GAC Shares. In addition, our ability to service our debts and pay dividends may be further subject to restrictive covenants contained in indentures and/or loan agreements governing, in each case, indebtedness we may incur. We cannot guarantee whether and when any dividends will be paid in the future. The historical dividend distribution record of our Company in the past should not be used as an indicator or basis to determine the level of dividends that may be declared or paid by us in the future. Further details on our dividends policy are set out the section headed “Financial Information — Dividends” of this Listing Document.

In 2007 and 2008, the Board did not declare and pay any dividends. In 2009, our Company declared and paid dividends in cash of RMB816 million from distributable profits to the then shareholders of our Company. Under PRC law, dividends may be paid only out of distributable profits. Distributable profits means our net profit as determined under PRC GAAP or HKFRS, whichever is lower, less any accumulated losses and appropriations to the statutory surplus reserve any general reserve which we are required to make. Any distributable profits that are not distributed in a given year are retained and available for distribution in subsequent years. Please refer to the description on dividends contained in the section headed “Appendix VI — Summary of Principal Legal and Regulatory Provisions” and “Appendix VII — Summary of the Articles of Association” of this Listing Document.

Furthermore, our ability to distribute dividends largely depends on earnings from our operating entities including JCEs and their ability to pay dividends out of those earnings. We cannot assure you that our operating entities will generate sufficient earnings and cash flows to pay dividends or otherwise distribute sufficient funds to enable us to meet our obligations, pay interest and expenses or declare dividends.

Attracting and retaining senior management and key technical experts may be a challenge for us.

We rely on experienced and talented senior managers and highly skilled technical personnel to operate our businesses and to develop our new products, including our proprietary brand of products. We expect increased competition for senior managers and skilled technical personnel from other automobile companies in the future, driven partly by strong growth in the PRC automobile industry. We cannot assure you that we will be able to recruit suitable candidates or retain our existing senior managers and technical personnel. High turnover of senior management could adversely affect our existing customer relationships, our operations and our development as well as hinder our future recruiting efforts. In addition, we must successfully integrate any new management personnel in order to achieve our operating objectives. Changes in key management positions may temporarily affect our operations as new management will need time and further effort to become familiar with our businesses and our operations. We expect to increase our effort to recruit more industry and technical experts to fulfill our future business plans. If we are unable to recruit and retain experienced senior management and key technical experts in the future, our business operations will be adversely affected.

We may be subject to fines, penalties or other actions resulting from future examinations by PRC regulatory authorities.

We are subject to a wide range of inspections by PRC regulatory authorities from time to time. Accordingly, we may incur fines, penalties or other actions as a result of examinations by PRC regulatory authorities that could adversely affect our reputation, business, financial condition and results of operations. During the Track Record Period, our Group did not incur any fines or penalties and was not subject to any disciplinary actions or reprimands as a result of examination by PRC regulatory authorities which had a material adverse effect on our results of operations and financial condition. However, we cannot assure you that we will not incur any material fines or penalty or be subject to other disciplinary or similar actions in the future.

Complaints or legal actions initiated by customers, employees and other third parties against us may have a negative impact on our reputation, the brand image of our products and our results of operations.

Given the nature of our business, which typically attracts product liability and other claims, we may become the target of complaints or legal actions. Whether or not such claims or legal actions are substantiated or even if such disputes are resolved successfully and without adverse financial consequences, they could still have a negative impact on our reputation and the brand image, which in turn, would have negative impact on our operation results. If resolutions of those lawsuits and claims are unfavourable to us, our financial position and operating results may be adversely affected. For the details of our legal proceedings, please refer to the section headed "Business — Legal Proceedings" of this Listing Document.

Under PRC law, we may be subject to liability for losses and injury caused by any of our products if they are found to be defective. Under current PRC law, automobile manufacturers are not required to maintain product liability insurance coverage. Any serious incident or accident involving our products could result in financial losses to us.

Any incident of defective products could require us to recall our products from the market, which could jeopardise our reputation and our financial performance.

During the Track Record Period, each of GAC Toyota and Guangqi Honda has voluntarily recalled three batches of automobiles due to certain product and design defects. On 2 June 2010, Guangqi Honda announced the recall of 32,650 units of Guangqi Honda Odyssey due to loose oil return tube, which incurred during the manufacturing process and may result in leakage of the oil that may lead to potential safety hazard. When determining the recall of our products, we generally consider our compliance with relevant requirements under the Provisions on the Administration of Recall of Defective Automobiles of PRC effective from October 2004. Although there had been no claims against us as at the Latest Practicable Date and we believe that there was no immediate safety risk, we recalled the automobiles to ensure that the standards of our products meet or even exceed all applicable regulatory requirements. Furthermore, to ensure that all of our products would continue to satisfy high quality standards and comply with regulatory requirements, we voluntarily replaced all of the affected automobiles. Our auto parts suppliers were responsible for all expenses related to the recalls and accordingly, our Directors confirm that our Group incurred no losses from the recalls during the Track Record Period. For the recall of Guangqi Honda Odyssey, Guangqi Honda bore the cost of recall as it resulted from the error in manufacturing process. Guangqi Honda would carefully examine the recalled Guangqi Honda Odyssey and fix the oil return tube that is loose. The Directors confirm that, as this recall and repair involves only labour costs but no replacement of auto parts and vehicles, the costs and expenses is minimal and has no material impact on our financial condition and profit forecast for 2010. In addition, our Directors also confirm that our Group suffered no losses from product liability claims during the Track Record Period.

Since October 2009, as part of its safety campaign, Toyota initiated voluntary safety recalls of over 8 million vehicles as a result of problems arising from the genuine all weather-floor mats used in vehicles being sold in the U.S., assembly of accelerator pedals and programming of the ABS ECU system in some of its vehicles. On 9 February 2010, Honda also announced that it was recalling more than 400,000 vehicles globally due to airbag inflation problems. As at the Latest Practicable Date, none of the recalls initiated by Toyota or Honda involved our products. However, the recalls initiated by Toyota and Honda may still have a negative impact on the respective brand image of GAC Toyota and Guangqi Honda, which in turn would have a negative impact on our operations and financial results. Although we have proactively sought to manage potential product liability claims, we cannot assure you that the recent recalls of automobiles manufactured by Toyota and Honda would not affect our products in the future. In addition, we cannot assure you that we will not conduct additional recalls or that there will not be any material complaints or legal actions against us regarding our products in the future. Such events may materially and adversely affect our reputation, results of operations and financial condition.

We have limited insurance coverage.

The development of the PRC insurance industry remains premature. As such, insurance companies in China offer limited commercial insurance products. Under PRC law, we are not required to maintain business interruption insurance or litigation insurance. Accordingly, we have not maintained such types of insurance to cover our operations. Any uninsured loss or damage to property, litigation or business disruption may result in us incurring substantial costs or diverting our resources, which could have an adverse effect on our results of operations. The occurrence of certain incidents, including fire, severe weather, earthquake, war, flooding, power outages and the consequences resulting from them may not be covered adequately, or at all, by our insurance policies. If we incur substantial liabilities that are not covered by our insurance policies, or if our business operations are interrupted for a significant period of time, we could incur costs and losses that could materially and adversely affect our financial condition and results of operations.

We do not possess valid title to certain properties that we occupy.

For certain properties we occupy in the PRC, we have not yet obtained the necessary title certificates that allow us to use or transfer the properties freely. As of 31 March 2010, we have not obtained building ownership certificates for 76 buildings and 3 units together having a total gross floor area of approximately 411,568 square meters. Among these buildings, the titles of the buildings with the aggregate gross floor area of approximately 404,909 sq.m (or 98% of the aggregate gross floor area of the buildings without building ownership certificates) are under application and will be obtained without any material impediment. For our leased properties, as of 31 March 2010, our landlords had defects in the title certificates for 11 parcels of land with a total site area of approximately 193,662 square meters, and had not obtained or produced to us building ownership certificates or real estate title certificates for 93 buildings and units with a total gross floor area of approximately 90,680 square meters. These properties are used for various purposes, including offices and production facilities. We may be required to temporarily or permanently relocate our business operations conducted on properties that we do not have unassailable legal rights to use or occupy, and such relocation could adversely affect our operations. Please refer to the section headed "Business — Properties" of this Listing Document for further details.

We may not be able to obtain adequate financing for our business in the future.

Our business requires significant capital investment. We made consolidated capital expenditures of approximately RMB1,254 million, RMB2,833 million and RMB4,356 million in 2007, 2008 and 2009, respectively. As we will continue to expand our existing production facilities and construct new plants and R&D facilities, we expect that our capital expenditures for 2010 and 2011 will amount to approximately RMB4,921 million and RMB4,062 million, respectively. In the future, we may be unable to obtain necessary financing or obtain such financing on favourable terms due to various factors beyond our control. Such inability to obtain financing could hinder our expansion plans which could, in turn, adversely affect our results of operations and financial condition.

Prolonged disruptions to the global credit markets may adversely affect our liquidity, results of operations, financial condition and prospects.

The availability of credit to entities, such as ourselves, operating within emerging markets is significantly influenced by levels of investor confidence in such markets as a whole. Accordingly, any factors that impact market confidence (for example, a decrease in credit ratings or state or central bank intervention in one particular market) could affect the cost or availability of funding for entities within any of these markets, including ourselves. Since the second half of 2008, global credit markets, particularly in the United States and Europe, have experienced difficult conditions. These challenging market conditions have resulted in reduced liquidity, greater volatility, widening of credit spreads, lack of price transparency in credit markets and a reduction in available financing. Although the global financial markets have gradually recovered from the financial crisis in late 2008, there remains some uncertainties in the global credit markets, particularly given the recent financial crisis in Greece and in Dubai. It is difficult to predict the extent to which such uncertainties in the global credit market could affect us. Prolonged disruptions or uncertainties to the global credit markets could limit our ability to raise capital in the future, which could materially and adversely affect our liquidity, results of operations, financial condition and prospects.

Defaults by counterparties that we do business with could adversely affect our financial position and results of operations.

We do business and enter into a wide variety of contracts with different counterparties, including our raw material and auto part suppliers, our joint venture partners and our dealers. We may lose revenue and profits and incur additional operating expenses if our counterparties default. During the Track Record Period, our Group has not experienced any default by counterparties which had any material adverse effect on our Group's operations and financial condition. However, we cannot assure you that all our counterparties are reputable and creditworthy and will not default against us in the future. With the exception of our joint venture partners, there is limited financial or public information on our counterparties and as such, we are exposed to counterparty risks to the extent that our counterparties fail to fulfil their obligations under the contracts.

Furthermore, we provide credit to some of our commercial vehicle customers. Although we grade our counterparties' credit risk by conducting comprehensive annual assessments of their financial condition, we have experienced payment defaults by some of our customers in the commercial vehicle sector. Accordingly, our subsidiaries in the commercial vehicle sector provided for bad debts totaling RMB21 million during the Track Record Period. Our Company has fully provided for these default payments. Our Company has since implemented a more efficient and careful assessment of the credit of our commercial vehicle customers. We expect that such payment defaults will not occur in the future. If we fail to manage default risks properly, any significant default by our customers could adversely affect our financial position and results of operations.

Our results of operations and manufacturing activities may be adversely affected if there are failures in or inefficient management of our information technology system.

Our information technology system form a key part of our production, sales and marketing process and any disruptions to it will likely have a negative impact on our operations. During the Track Record Period, we have not experienced any malfunction of our information technology system that led to any material disruption to our operations. However, we cannot guarantee that we will not incur any damage or interruption caused by power outages, computer viruses, hardware and software failures, telecommunications failures, fires and other similar events to the information technology system in the future. If serious damage or significant interruption occurs, our operations may be disrupted and our financial condition and results of operations may be adversely affected. Furthermore, if our operations are disrupted by the introduction of a new information technology system, including migration from an existing system, our financial condition and results of operation may be similarly adversely affected.

Foreign currency rate fluctuations may have an adverse impact upon our financial conditions and results of operations.

While our revenue is denominated in RMB, certain raw materials and key auto parts used by us are imported from Japan and other foreign countries. Our Group has entered into purchase contracts with suppliers whereby all payments for such imports will be settled in US dollars. As a result, depreciation against the US dollar would increase our costs of raw materials and auto parts, which in turn would adversely affect our financial condition and results of operations. On the other hand, any appreciation of RMB would cause imported products which compete with our products to be relatively less expensive for Chinese consumers, which would impair our competitive advantage in the PRC automobile market. On 21 July 2005, the PRC government changed its policy of pegging the value of the RMB to the US dollar. Under the new policy, the RMB is permitted to fluctuate within a narrow and managed band, against a basket of certain foreign currencies. On 23 September 2005, the PRC government widened the daily trading band for RMB against non-US dollar currencies from 1.5% to 3.0% to improve the flexibility of the new exchange system. Between 21 July 2005 and 30 June 2009, the RMB appreciated approximately 18.7% against the US dollar. If RMB had strengthened/weakened by 5% against the basket of foreign currencies being used in our trading with all other variables held constant, post-tax profit for the year ended 31 December 2007, 2008 and 2009 would have been approximately RMB22,146,000 lower/higher, RMB24,000,000 lower/higher and RMB8,223,000 lower/higher, respectively, mainly as a result of foreign exchange gains/losses on translation of US$, HK$, Japanese Yen-denominated trade and other receivables, time deposit, cash and cash equivalents, trade and other payables and borrowings. Even though substantially all of our revenue and expenses are denominated in RMB, fluctuations in exchange rates may nonetheless in the future adversely affect the value of our net assets, earnings or any declared dividends. Also, any unfavourable movement in the exchange rate may lead to an increase in our costs or a decline in sales, which could materially and adversely affect our business, financial condition and results of operations.

Our effort to integrate the acquired businesses into our existing operation may not be successful.

We have recently acquired and we may, in the future, continue to acquire businesses that we believe would benefit us in terms of product diversification, brand enhancement, technology advances, geographical presence or expansion of sales and distribution network. Our ability to grow through acquisitions depends upon our ability to identify, negotiate, complete and integrate suitable targets and to obtain any necessary financing for such acquisitions. Even if we successfully complete an acquisition, we may experience difficulties in integrating the acquired business, its personnel or its products into our existing business. Examples of difficulties may include delays or failures in realising the benefits of the acquired business or its products, diversion of our management’s time and attention from other business concerns, higher costs of integration than we anticipated, or difficulties in retaining key employees who are necessary to manage the acquired business. If we fail to integrate these acquired business into our existing business or if we encounter serious difficulties in integrating future businesses we acquire with our existing operations, our business, financial condition and results of operations may be materially and adversely affected.

Our operating results may fluctuate as a result of some factors beyond our control. If our results fall below market expectations, the price of the GAC H Shares may decline.

Since the production, sale and marketing of our products take place in many regions within China and we also import some of our raw materials, components and auto parts from Europe and other countries in Asia, our operating results may fluctuate significantly as a result of some factors which are beyond our control. These factors include:

- disruptions to public infrastructure such as roads, railway systems, ports or power grids, including labor strikes;
- natural disasters, epidemics and other acts of God including earthquakes, floods and storms; and
- wars, terrorism, use of force by foreign countries and multinational conflicts.

Certain natural disasters, such as earthquakes and storms, may disrupt the delivery of raw materials, components and auto parts to us and the distribution of our products to our customers. Although the impact of the earthquake in Sichuan had no impact on our Group, we cannot assure you that we will not suffer any losses as a result of similar reasons beyond our control in the future. Similarly, epidemics such as the outbreak of avian flu and swine flu may have an adverse impact on the PRC economy and other parts of the world. For example, in April 2009, a swine influenza broke out in Mexico and spread globally, resulting in the loss of lives and widespread fear. Such factors beyond our control may adversely alter consumption patterns, our production schedules, the sales and distribution of our products and the provision of our service which will in turn have a negative impact on our business, operating results and financial condition. The potential for war or terrorist attacks may also cause uncertainty and cause our business to suffer in ways that we cannot predict. Our business, financial condition and results of operations may be materially and adversely affected as a result.

Any negative impact on the production capacity of our designated suppliers may adversely affect our operations.

Purchases from our designated suppliers accounted for approximately 36%, 35% and 34% of our total purchases for the three years ended 31 December 2007, 2008 and 2009. Our designated suppliers of engines and transmissions to GAC Toyota and Guangqi Honda are all controlled by our joint venture partners, forming parts of their global supply chains. So long as we and our joint venture partners continue to manufacture automobiles through GAC Toyota and Guangqi Honda, our designated suppliers will, in accordance with the terms of the joint venture agreements, provide the required transmissions and engines for our production. During May and June in 2010, our suppliers experienced several suspension of production due to labor dispute. In particular, from 24 May 2010 to 2 June 2010, Guangqi Honda experienced a temporary suspension of production due to the shortage of supply from one of its designated suppliers, which resulted from a labor dispute of a supplier to this designated supplier. This short suspension of production did not affect our annual output and our supply to customers, even though Guangqi Honda was expected to produce about 2% of its annual production during the suspension period, as Guangqi Honda is able to, and will, leverage holidays or extend working time from time to time to meet the annual target and satisfy the demand. The recent labour disputes in suppliers of Guangqi Honda's designated supplier have been resolved by increasing the salary of the employees. The Directors confirmed that this salary increase has not lead to price increase of the auto parts provided by the designated supplier to the Company. However, we cannot assure you that our procurement costs will not increase in the future, as a result of the disruption of production in our suppliers. Any negative impact on the production capacity of our designated suppliers may adversely affect our operations and potentially increase our procurement cost, which will in turn, negatively impact on our results of operations.

RISKS RELATING TO THE PRC AUTOMOBILE INDUSTRY

Increasing competition in the PRC automobile market could have an adverse impact on our ability to maintain competitiveness.

Increasing consumer purchasing power in China has resulted in significant growth in the demand for automobiles. Such growth in the automobile market has encouraged, and is likely to continue to encourage, foreign competitors, sino-foreign equity joint ventures established in the PRC and new domestic auto companies to further expand their production capacity. Our current market share and profit margin may be diluted or reduced if there are further price reductions caused by increased competition. The pricing, recognition and loyalty to our brand of products and the financial and technical resources allocated to our products may be materially and adversely affected if competing automobile products, domestic or foreign, gain a competitive advantage.

Volatility in demand in China for automobiles could adversely affect our results of operations.

Demand for automobiles in China and the rest of the world is cyclical in nature and is affected by various factors, including sales and financing incentives, costs of raw materials, parts and components, cost of fuel, environmental concerns and governmental regulations, including tariffs, import regulation and other taxes. Fluctuations in demand may lead to lower vehicle sales and increased inventory, which may result in further downward price pressure which will inevitably adversely affect our financial condition and results of operations.

Over the years, we have increased our production capacities in anticipation of a continuous increase in demand for automobiles in the PRC. Any slowdown in demand for automobiles in the PRC may lead to an inventory surplus and could result in a significant under-utilisation of our production capacity, which would in turn, result in diminished returns to the substantial resources invested in the expansion of our production capacities. If these events occur, our results of operations and financial condition could be materially and adversely affected.

The production and profitability of PRC automobile manufacturers may be adversely affected by changes in the regulatory environment.

We are subject to various laws, rules and regulations in the PRC imposed at both the national and regional levels that regulate or affect the PRC automobile manufacturing industry and automobile components and parts manufacturing industry, including: (i) crash test requirements and other safety compliance standards in relation to automobile, auto parts and components; (ii) emission standards; (iii) maximum fuel consumption standards; (iv) automobile recall requirements; (v) noise, waste, discharge and other pollution controls relating to manufacturing of automobiles; and (vi) market entry requirements and/or minimum production requirements for automobile and automobile components and parts manufacturers. All models of automobiles manufactured must be submitted to, approved and announced by the NDRC. This approval process can be lengthy and may adversely impact on our ability to introduce new products in a timely manner. Accordingly, any delay in the approval process can limit our flexibility to respond to market conditions or competition in a timely manner. In addition, the expenses of complying with the relevant policies and procedures in the approval process may increase our costs.

Furthermore, existing PRC automobile industry policies impose regulations on investment by foreign vehicle manufacturers in vehicle production projects in the PRC. Please refer to "Appendix VI — Summary of Principal PRC Legal and Regulatory Provisions" of this Listing Document. If these regulations were relaxed, there could be a higher level of participation by foreign vehicle manufacturers in the PRC automobile market, which in turn could increase the level of competition throughout the market. Increased competition could lead to lower vehicle prices and profits for vehicle manufacturers, which could have a material adverse effect on the financial condition and results of operations of PRC domestic automobile manufacturers like us.

Our operations are sensitive to changes in the PRC government's policies relating to all aspects of the automobile industry. The imposition of additional stringent requirements for product design may result in substantial increases in the cost to our automobile and/or automobile components and auto parts designs. In addition, our failure to comply with such laws and regulations may result in fines, penalties or lawsuits, which may have a material adverse effect on our financial condition and results of operations. Please refer to "Appendix VI — Summary of Principal PRC Legal and Regulatory Provisions" of this Listing Document for further details.

Volatility in fuel prices may adversely affect demand for automobiles.

Fuel prices are inherently volatile and cyclical. Increases in fuel prices may have an adverse impact on China's economy and thereby result in (i) a slowdown for automobile demand; (ii) an increase in our production costs due to the increase in costs of petrochemical products; (iii) a decrease in demand from customers for purchasing automobiles due to increased operating costs and (iv) change to our customers' preferences. If fuel prices increase or remain at high levels in the future, consumers may choose to use alternative means of transportation which may adversely affect the demand for our products and which may have a negative impact on our sales and profitability.

RISKS RELATING TO THE PRC

Changes in political or economic policies, and a slow down in the PRC's economy may have an adverse effect on our results of operations and financial conditions.

Substantially all of our business, assets and operations are located in China. A substantial part of our revenue is generated from products produced and sold in the PRC and we expect this situation to continue in the near future. Demand for our products correlates with the pace of economic growth in the PRC and as a result, our results of operations and prospects are and will continue to be subject to political, economic and legal developments in the PRC to a significant degree. The PRC economy differs from the economies of most developed countries in many respects, including the extent of government involvement, allocation of resources, capital reinvestment, levels of development, growth rate, and control of foreign exchange. Although the PRC has been one of the world's fastest growing economies, as measured by GDP, in recent years, such growth may not be sustainable in the future. The PRC government has implemented various measures to encourage economic growth and guide the allocation of resources but some of these measures, such as the introduction of measures to control inflation, deflation, or reduce growth, changes in the rates or methods of taxation, or the imposition of additional restrictions on currency conversions and remittances abroad, may lead to changes in market conditions and could materially and adversely affect our business, financial condition and results of operations. If the PRC economy experiences significant adverse changes due to any of the foregoing reasons, demand for our products and our ability to maintain our operations may suffer which will consequently have a material adverse effect on our financial condition, results of operations and our future prospects.

Currency exchange restrictions may limit our ability to receive and use our revenues effectively.

Our revenues are denominated in RMB and certain portions of our expenses are denominated in other currencies. We may need to convert a portion of our revenues into other currencies to meet our foreign currency obligations, including payment of dividends declared, if any. Under the PRC's existing foreign exchange regulations, our Company is able to pay dividends in foreign currencies without prior approval from SAFE, by complying with certain procedural requirements and payment of necessary withholding taxes. However, the PRC government could take further measures in the future to restrict access to foreign currencies for current account transactions.

Our foreign exchange transactions under capital accounts continue to be subject to significant foreign exchange controls and the approval of, or registration with, PRC governmental authorities. In particular, loans from foreign lenders must be registered with SAFE, and capital contributions from joint venture partners financing our Joint Venture Companies must be approved by certain government authorities, including the Ministry of Commerce or its local counterparts. These limitations could affect the ability of our Company to obtain foreign exchange through debt or equity financing.

Payment of dividends is subject to restrictions under PRC law.

Under PRC law, dividends may be paid only out of distributable profits. Distributable profits is defined as our net profits as determined under PRC GAAP or HKFRS, whichever is lower, less any recovery of accumulated losses and appropriations to statutory and other reserves that we are required to make. As a result, we may not have sufficient, if any, distributable profits to enable our Company to make dividend distributions to its shareholders in the future, including periods for which our Company's financial statements indicate that our operations have been profitable. Any distributable profits not distributed in a given year are retained and available for distribution in subsequent years.

Moreover, because the calculation of distributable profits under PRC GAAP is different from the calculation under HKFRS in certain respects, our operating subsidiaries, Jointly-controlled Entities and associated companies may not have distributable profits as determined under PRC GAAP, even if they have profits for that year as determined under HKFRS, or vice-versa. Accordingly, our Company may not receive sufficient distributions from our subsidiaries, Jointly-controlled Entities and associated companies which could have a negative impact on our Company's cash flow and ability to make dividend distributions to GAC Shareholders in the future, including those periods in which our Company's financial statements indicate that our operations have been profitable.

Foreign individual holders of the GAC H Shares may become subject to PRC income tax and there are uncertainties as to the PRC tax obligations of foreign enterprises that are holders of the GAC H Shares.

Foreign individuals who are not PRC residents are currently exempted from PRC individual income tax on dividends paid to them by us and gains realised by such individuals upon the sale or other disposition of the GAC H Shares. If the PRC government withdraws the exemption in the future, such foreign individuals may be required to pay PRC individual income tax or we may be required to withhold such tax from dividend payments, subject to applicable tax treaties between the PRC and the jurisdictions in which the foreign individuals reside that reduce or provide an exemption for the relevant tax obligations. For foreign enterprises that do not have establishments or premises in the PRC, or have establishments or premises in the PRC but their income is not related to such establishments or premises, under the new PRC Enterprise Income Tax Law, which became effective from 1 January 2008, dividends paid by us and the gains realised by such foreign enterprises upon the sale or other disposition of the GAC H Shares are ordinarily subject to PRC enterprise income tax at a rate of 20%. Pursuant to the implementation rules to the new PRC Enterprise Income Tax Law, such tax rate has been reduced to 10%, subject to a further reduction under a special arrangement or applicable treaty between the PRC and the jurisdiction of the relevant foreign enterprise's residence.

The PRC tax laws, rules and regulations may also change from time to time. If the tax rates stipulated in the new tax law and the related implementation rules are amended, the value of your investment in the GAC H Shares may be affected.

Changes to the PRC legal system and insufficient protection to intellectual property rights could have an adverse effect on us.

The PRC government has developed a comprehensive system of laws, rules and regulations in relation to economic matters, such as foreign investment, corporate organisation and governance, commerce, taxation and trade. However, China has not developed a fully integrated legal system and recently-enacted laws and regulations may not sufficiently cover all aspects of economic activities in China. As many of these laws, rules and regulations are relatively new, and because of the limited volume of published decisions, the interpretation and enforcement of these laws, rules and regulations involve uncertainties and may not be as consistent or predictable as in other more developed jurisdictions.

Intellectual property rights are critical to our success and we have obtained or applied for trademarks and patents on various products and technologies as set out in the section headed "Appendix VIII — Statutory and General Information" of this Listing Document for the purpose of protecting our intellectual property rights. Although we have not experienced any difficulties in exercising our rights against unauthorised use of intellectual property rights which had a material adverse effect to our results of operations and financial condition, we cannot assure you that we will be successful in all of our applications for trademarks and patents on our products or that we will successfully prevent all misappropriation or infringement of our intellectual property rights. Furthermore, we cannot assure you that in the future, we will not receive notice of any claims from any third party alleging infringement by us of any such third party's intellectual property rights, or that we will prevail in any proceedings arising from such a claim. In the event that any such claim is initiated or upheld, our business and financial condition could be adversely affected.

It may be difficult to enforce a judgment obtained from non-PRC courts against our Company or our Directors, Supervisors or senior executive officers residing in China.

The legal framework that applies to us is substantially different from the Companies Ordinance or corporate law in the United States and other jurisdictions with respect to certain areas, including the protection of minority shareholders. In addition, the mechanisms for enforcement of rights under the corporate governance framework that applies to us are also relatively undeveloped and untested.

Although we will be subject to the Listing Rules and the Takeovers Code upon Listing, the holders of the GAC H Shares will not be able to bring actions on the basis of any violations of the Listing Rules and must rely on the Stock Exchange to enforce its rules. The Takeovers Code does not have the force of law and only provides standards of acceptable commercial conduct for takeover and merger transactions and share repurchases in Hong Kong.

On 14 July 2006, the Supreme People's Court of the PRC and the Hong Kong government signed an Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned. Under this arrangement, where any designated People's Court of the Mainland in the PRC or any designated Hong Kong court has made an enforceable final judgment requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing by the parties, any party concerned may apply to the relevant People's Court of the Mainland or Hong Kong court for recognition and enforcement of the judgment. This arrangement came into effect on 1 August 2008. However, even if the arrangement is implemented, the outcome and effectiveness of any action brought under the arrangement may still be uncertain.

Our Articles of Association and the Listing Rules provide that most disputes between holders of GAC H Shares and our Company, our Directors, Supervisors or senior management arising out of the Articles of Association or the Company Law and related regulations concerning our Company's affairs, such as transfer of its GAC H Shares, are to be resolved through arbitration. On 21 June 1999, an arrangement was made between Hong Kong and the PRC for the reciprocal enforcement of arbitral awards. Under the arrangement, awards that are made by the PRC arbitral authorities pursuant to the Arbitration Law of the PRC are enforceable in Hong Kong, and awards made in Hong Kong pursuant to the Arbitration Ordinance of Hong Kong are also enforceable in the PRC. However, so far as we are aware, no action has been brought in the PRC by a holder of H shares to enforce an arbitral award made by the PRC arbitral authorities or Hong Kong arbitral authorities, and there are uncertainties as to the outcome of any action brought in the PRC to enforce an arbitral award made in favour of a holder of H shares. Accordingly, we are unable to predict the outcome of any such action. China is not a party to any treaties providing for the reciprocal recognition and enforcement of judgments of courts with foreign countries such as the United States, the United Kingdom and Japan, and therefore enforcement in the PRC of judgments of a court in these jurisdictions may be difficult or impossible.

Adverse changes in foreign relations between the PRC and the jurisdictions where the joint venture partners of our Company and its subsidiaries are incorporated could have a material adverse effect on our results of operations.

Our business may be affected by the foreign relations between the PRC and the jurisdictions in which the joint venture partners of our Company and its subsidiaries are incorporated. Customers' demand for our products can be affected by their sentiment towards jurisdictions in which the joint venture partners of our Company and its subsidiaries are incorporated. If there are adverse changes in foreign relations between the PRC and the jurisdictions where the joint venture partners of our Company and its subsidiaries are incorporated, our financial condition and results of operations can be adversely affected.

RISKS RELATING TO THE GAC SHARES

Future sales of the GAC H Shares or other securities relating to the GAC Shares could impact the prevailing market price of the GAC H Shares and our ability to raise capital in the future, and may result in dilution of your shareholdings.

The market price of the GAC H Shares could decline as a result of future sales of substantial amounts of the GAC H Shares or other securities relating to the GAC H Shares in the public market or the issuance of new GAC H Shares or other securities relating to the GAC Shares, or the perception that such sales or issuances may occur. Moreover, future sales, or perceived sales, of substantial amounts of the GAC H Shares or other securities relating to the GAC Shares could adversely affect our ability to raise capital in the future at a time and at a price which we deem appropriate. Shareholders may experience dilution in their holdings to the extent we issue additional securities in future offerings.

Shareholders may experience further dilution if our Company issue additional GAC Shares in the future.

In order to expand our business, our Company may consider offering and issuing additional GAC Shares or equity-linked securities in the future. GAC Shareholders may experience further dilution in the net tangible book value per GAC Share which they hold if our Company issue additional GAC Shares or equity-linked securities in the future. We currently do not have any definitive plan for any offering of additional GAC Shares or equity-linked securities, particularly in relation to the timing or size of such offering, and such offering may or may not happen.

The trading price of the GAC H Shares may fluctuate after the Listing as the public offer price is not available for the GAC H Shares in the Introduction.

Prior to the Listing, there is no public offer price for the GAC H Shares. The intrinsic value of the GAC H Shares may be derived from the disclosure in the Listing Document and by reference to (1) the trading price of Denway Share on its last trading day; and (2) the ratio of GAC H Shares to be issued in exchange for each Denway Share. This implied price may differ significantly from the market price for the GAC H Shares following the Listing. In addition, the price and trading volumes of the GAC H Shares may be volatile. Factors such as variations in our revenue, earnings and cash flows or any other developments of our Company may affect the volume and price at which the GAC H Shares will be traded.

The potential conversion of GAC Domestic Shares into GAC H Shares may result in an increase in the number of GAC H Shares available on the market and may affect the price of GAC H Shares.

Subject to the approval by the securities supervisory and administrative authorities of the State Council, holders of GAC Domestic Shares may transfer GAC Shares to overseas investors and such GAC Shares may be listed or traded on an overseas securities exchange. Any listing or trading of the above-mentioned GAC Shares on an overseas securities exchange shall also comply with the regulatory procedures, rules and requirements of the relevant overseas securities exchange. Unless otherwise required by the overseas securities exchange, there is no requirement for the listing and trading of the above-mentioned GAC Shares to be approved in a class meeting of our Company. Potential conversion of a substantial amount of GAC Domestic Shares into GAC H Shares could further increase the supply of GAC H Shares in the market and could negatively impact the market price of GAC H Shares.

RISKS RELATING TO STATEMENTS MADE IN THIS LISTING DOCUMENT

The industry data and forecasts in this Listing Document obtained from various government publications have not been independently verified.

This Listing Document includes industry data and forecasts that we obtained from various government publications. We cannot assure you of the accuracy or completeness of information obtained from such government publications. We have not independently verified any of the data from such sources, nor have we ascertained the underlying economic assumptions relied upon in those such sources. While we are not aware of any misstatements regarding our industry data presented in this Listing Document, our estimates involve risks and uncertainties and are subject to change based on various factors, including those discussed elsewhere in the section headed "Risk Factors" of this Listing Document.

RISK FACTORS

You should read the entire Listing Document carefully and we strongly caution you not to place any reliance on any information contained in press articles or other media, including, in particular, any projections, valuations, and other forward-looking statements.

Prior to the publication of this Listing Document, there has been press articles or other media coverage regarding us and the Introduction. We wish to emphasise to prospective investors that we do not accept any responsibility for the accuracy or completeness of such press articles or other media and that such press articles or other media were not prepared or approved by us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any of the projections, valuations, other forward-looking statements about us or information about our corporate investors, or of any assumptions underlying such projections, valuations, other forward looking statements or information about our corporate investors, referred to by such press articles or other media. To the extent that any such statements are inconsistent with, or conflict with, the information contained in this Listing Document, we disclaim them. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of the information contained in this Listing Document only and should not rely on any other information.

Our historical records of financial results may not be indicative of our future performances.

Under the new amendments to HKFRS which may be issued in the foreseeable future, we may be required to recognise our interests in JCEs using the equity method under which the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the investor's share of net assets of the investee. Under equity method, the balance sheet items, the income statement items and cash flow items of JCEs will not be consolidated in the Group's financial statements on a line-by-line basis. Although our net profit and net assets accounted for using equity method have no material difference from those accounted for using proportionate consolidation method, we cannot assure you that our historical records of financial results may be indicative of operating results of our future performances.

INFORMATION ABOUT THIS LISTING DOCUMENT AND THE INTRODUCTION

1. DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS LISTING DOCUMENT

This Listing Document includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to our Group. Our Directors collectively and individually accept full responsibility for the accuracy of the information contained in this Listing Document, and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts, the omission of which would make any statement in this Listing Document misleading.

2. RESTRICTIONS ON THE USE OF THIS LISTING DOCUMENT

This Listing Document is published solely in connection with the Introduction. It may not be used for any other purpose and, in particular, no person is authorised to use or reproduce this Listing Document or any part thereof in connection with any offering of shares or other securities of our Company. Accordingly, there is no, and will not be any, offer of or solicitation, or an invitation by or on behalf of our Company and/or the Joint Sponsors to subscribe for or purchase, any of the GAC Shares. Neither this Listing Document nor any other document or information (or any part thereof) delivered or supplied under or in relation to the Introduction may be used for the purpose of, and the delivery, distribution and availability of this Listing Document or such other document or information (or any part thereof) does not constitute, any offer of or solicitation or an invitation by or on behalf of our Company and/or the Joint Sponsors, to subscribe for or purchase any of the GAC Shares.

3. NO CHANGE IN BUSINESS

No change in the business of our Company is contemplated immediately following the Introduction.

4. PROFESSIONAL TAX ADVICE RECOMMENDED

Denway Shareholders, GAC Shareholders and potential GAC Shareholders should consult their professional advisers if they are in any doubt as to the taxation implications of holding and dealing in the GAC H Shares. It is emphasised that none of our Company, the Joint Sponsors, any of their respective directors, agents or advisers or any other person involved in the Introduction accepts responsibility for any tax effects on, or liabilities of, the Shareholders resulting from the holding or dealing in the GAC H Shares.

5. APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Application has been made to the Listing Committee for granting listing of, and permission to deal in, on the Main Board of the Stock Exchange, the GAC H Shares to be issued for the purpose of the Introduction. Dealings in GAC H Shares on the Stock Exchange are expected to commence on 30 August 2010. Save as disclosed herein, none of the GAC Shares are listed on or dealt in on any other stock exchange and no such listing or permission to list is being or is proposed to be sought in the near future.

6. REGISTERS OF MEMBERS

Our Company's register of members in Hong Kong will be maintained by Tricor Abacus Limited, the GAC H Share registrar in Hong Kong.

7. STAMP DUTY

Dealings in the GAC H Shares registered in our Company's Hong Kong register of members will be subject to Hong Kong stamp duty. The current rate of stamp duty in Hong Kong is HK$2 for every HK$1,000 (or part thereof) of the consideration or, if higher, the fair value of the GAC Shares being sold or transferred.

8. CONSEQUENCES OF HOLDING AN INTEREST IN GAC H SHARES

Holders and beneficial owners of GAC H Shares should be aware that they may be subject to certain legal requirements under Hong Kong law and the Listing Rules, including, for example, reporting obligations upon reaching certain specified ownership thresholds. You should consult your own legal adviser as to the Hong Kong legal consequences of investing in the GAC Shares.

9. ELIGIBILITY FOR CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the GAC H Shares on the Stock Exchange and we comply with the stock admission requirements of HKSCC, the GAC H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second trading day after any trading day. You should seek the advice of your stockbroker or other professional adviser for details of those settlement arrangements as such arrangements will affect your rights and interests. All necessary arrangements have been made for the GAC H Shares to be admitted into CCASS. All activities under CCASS are subject to the general rules of CCASS and CCASS operational procedures in effect from time to time.

12. STATEMENTS IN GAC SHARE CERTIFICATES

We are required to ensure that all our listing documents and share certificates include the statements stipulated below and to instruct and cause each of our share registrars not to register the subscription, purchase or transfer of any of the GAC H Shares in the name of any particular holder unless and until such holder delivers to the share registrar a signed form in respect of those GAC H Shares bearing statements to the following effect, that the acquirer of the GAC H Shares:

- agrees with our Company and each shareholder, and our Company agree with each shareholder, to observe and comply with the PRC Company Law, the Special Regulations and the Articles of Association;
- agrees with our Company, each GAC Shareholder, Director, Supervisor, manager and other officer and our Company acting both for ourselves and for each Director, Supervisor, manager and other officer, agree with each GAC Shareholder to refer all differences and claims arising from the Articles of Association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning our affairs to arbitration in accordance with the Articles of Association. Any reference to arbitration will be deemed to authorise the arbitration tribunal to conduct its hearing in open session and to publish its award. Such arbitration will be final and conclusive;

- agrees with our Company and each GAC Shareholder that GAC H Shares are freely transferable by the holder thereof; and
- authorises our Company to enter into a contract on his behalf with each Director and officer whereby such Directors and officers undertake to observe and comply with their obligations to shareholders as stipulated in the Articles of Association.

13. COMMENCEMENT OF DEALINGS IN THE GAC H SHARES

Dealings in the GAC H Shares on the Stock Exchange are expected to commence on 30 August 2010. The GAC H Shares will be traded in board lots of 2,000 each.

14. LANGUAGE

If there is any inconsistency between the Chinese names of the Chinese entities mentioned in this Listing Document and their English translations, the Chinese names shall prevail.

15. ROUNDING

Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

16. MARKET SHARE DATA CONVENTION

The statistical and market share information contained in this Listing Document has been derived from government and official sources. Unless otherwise indicated, we have not verified the information independently. This statistical information may not be consistent with other statistical information from other sources within or outside China.

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE INTRODUCTION

Name	Address	Nationality
Executive Directors		
Zhang Fangyou	Room 2503, Unit 2, No. 131, Ti Yu Xi Road, Tianhe District, Guangzhou	Chinese
Zeng Qinghong	3/F No. 16, Pei Zheng Er Heng Road, Yuexiu District, Guangzhou	Chinese
Yuan Zhongrong	Room 1102, Unit 4, 42 Yong Fu Road, Yuexiu District, Guangzhou	Chinese
Lu Sa	Room 1802, No. 75 Tao Jin Bei Road, Yuexiu District, Guangzhou	Chinese
Non-Executive Directors		
Fu Shoujie	Room 203, No. 13 Hong Yi Street, Tianhe District, Guangzhou	Chinese
Liu Huilian	Room 802, 7 Shen He Road, Haizhu District, Guangzhou	Chinese
Wei Xiaoqin	Room 806, No. 535 Ma Chang Road, Tianhe District, Guangzhou	Chinese
Li Tun	Flat D, 9/F, Nam Fung Court-Harbour Heights, 1 Fook Yam Road, North Point, Hong Kong	Chinese
Wang Songlin	No. 1804 304 Hui Zhong Bei Li, Chaoyang District, Beijing	Chinese
Li Pingyi	Gong Lian Village, Xi Xing Town, Binjiang District, Hangzhou	Chinese
Independent Non-Executive Directors		
Wu Gaogui	Room 601, Building 40, Nan Xiu Village, South China University of Technology, 381 Wu Shan Road, Tianhe District, Guangzhou	Chinese
Ma Guohua	No. 12, Unit 1, Building 15, Hu Jia Lou Bei Li, Chaoyang District, Beijing	Chinese

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE INTRODUCTION

Name	Address	Nationality
Xiang Bing	No. 26, Unit 2, Mei Lin Garden, 33 Zi Zhu Yuan Road, Haidian District, Beijing	Chinese
Law Albert Yu Kwan	Flat B, 15/F, Prosperous Heights, 62 Conduit Road, Mid-levels, Hong Kong	Australian
Li Zhengxi	Room 1301, No. 32 Shang Hu Street, Haizhu District Guangzhou	Chinese
Supervisors		
Gao Fusheng	Room 604, 638 Zhong Da Pu Yuan Qu, Haizhu District, Guangzhou	Chinese
Huang Zhiyong	Room 704, No. 32, He Ling Road, Fang Cun District, Guangzhou	Chinese
He Yuan	Room 304, No. 11, Lane 6, Si You Nan Er Jie, Yuexiu District, Guangzhou	Chinese
Ye Ruiqi	Room 102, 55 Tao Jin Keng, Dongshan District, Guangzhou	Chinese
He Jinpei	Room 802, 45 Tao Jin Dong Road, Dongshan District, Guangzhou	Chinese
Authorised Representatives		
Lu Sa	Room 1802, No. 75 Tao Jing Bei Road, Yuexiu District, Guangzhou	Chinese
Li Tun	Flat D, 9/F., Nam Fung Court-Harbour Heights, 1 Fook Yam Road, North Point, Hong Kong	Chinese

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE INTRODUCTION

PARTIES INVOLVED IN THE INTRODUCTION

Joint Sponsors	J.P. Morgan Securities (Asia Pacific) Limited 28/F, Chater House 8 Connaught Road Central Hong Kong Morgan Stanley Asia Limited 46/F, International Commerce Centre 1 Austin Road West Kowloon Hong Kong China International Capital Corporation Hong Kong Securities Limited 29/F, One International Finance Centre 1 Harbour View Street Central Hong Kong
Financial Advisors to our Company in respect of the Privatisation	J.P. Morgan Securities (Asia Pacific) Limited 28/F, Chater House 8 Connaught Road Central Hong Kong Morgan Stanley Asia Limited 46/F, International Commerce Centre 1 Austin Road West Kowloon Hong Kong China International Capital Corporation Hong Kong Securities Limited 29/F, One International Finance Centre 1 Harbour View Street Central Hong Kong
Reporting accountant	PricewaterhouseCoopers *Certified public accountants* 22/F, Prince's Building Central Hong Kong

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE INTRODUCTION

Legal advisers to our Company	*as to Hong Kong law:* Woo, Kwan, Lee & Lo 26/F, Jardine House 1 Connaught Place Central Hong Kong *as to PRC law:* Beijing Tianyin Law Firm 15/F, Zhong Kun Mansion No. 59, Gaoliangqiao Road Haidian District Beijing PRC
Legal advisers to the Joint Sponsors	*as to Hong Kong law:* Freshfields Bruckhaus Deringer 11/F Two Exchange Square Central Hong Kong *as to PRC law:* King and Wood 40/F, Office Tower A Beijing Fortune Plaza 7, Dongsanhuan Zhong Road Chaoyang District Beijing 100020 PRC
Property Valuer	Jones Lang LaSalle Sallmanns Limited 17/F Dorset House Taikoo Place 979 King's Road Quarry Bay Hong Kong

CORPORATE INFORMATION

Registered address and Headquarters	23/F, Chengyue Building, 448-458 Dong Feng Zhong Road, Yuexiu District, Guangzhou
Principal place of business in the PRC	23/F, Chengyue Building, 448-458 Dong Feng Zhong Road, Yuexiu District, Guangzhou
Principal place of business in Hong Kong	Room 808 Citicorp Centre, 18 Whitfield Road, Causeway Bay, Hong Kong
Joint company secretaries	Lu Sa Leung Chong Shun
Authorised representatives	Lu Sa Room 1802, No. 75 Tao Jin Bei Road, Yuexiu District, Guangzhou Li Tun Flat D, 9/F, Nam Fung Court-Harbour Heights, 1 Fook Yam Road, North Point, Hong Kong
Audit committee	Law Yu Kwan (chairman) Ma Guohua Xiang Bing
Remuneration committee	Li Zhengxi (chairman) Ma Guohua Li Pingyi
Nomination committee	Wu Gaogui (chairman) Li Zhengxi Wang Songlin
Compliance Adviser	China International Capital Corporation Hong Kong Securities Limited 29/F, One International Finance Centre 1 Harbour View Street Central Hong Kong
Hong Kong H Share registrar	Tricor Abacus Limited 26/F, Tesbury Centre 28 Queen's Road East, Hong Kong
Principal bankers	China Citic Bank, Branch of Haizhu District 134 Jiangnan Road, Haizhu District, Guangzhou, PRC China Development Bank 29 Fuchengmenwai Street, Xicheng District, Beijing, PRC

CORPORATE INFORMATION

Bank of China, Branch of Zhujiang
811 Binjiang East Road, Zhujiang District, Guangzhou, PRC

Bank of China, Branch of Panyu
338 Shiqiao Qinghe East Road, Panyu District, Guangzhou, PRC

China Merchants Bank, Branch of Huangpu Road
666 Huangpu Road West, Guangzhou, PRC

HISTORY AND DEVELOPMENT

Our History

Our Company was established in June 1997 as GAG, a limited liability company wholly owned by the State, with the Guangzhou State-Owned Assets Administration Bureau (the predecessor of Guangzhou SASAC) as its sole shareholder. The purpose of the establishment of GAG in 1997 was to consolidate all of the automobile-related assets in Guangzhou at the time under the ownership of the Guangzhou Municipal Government. These assets were primarily held by three companies, being, Guangzhou Junda Automobile Enterprise Group (廣州駿達汽車企業集團), Yangcheng Automobile Group Company (羊城汽車集團公司) and Guangzhou Guangke Automobile Enterprise Group Company Limited (廣州廣客汽車企業集團有限公司). The businesses of these companies formed the foundations for our subsequent development. Guangzhou Junda Automobile Enterprise Group (廣州駿達汽車企業集團) was a passenger and commercial vehicle and auto parts manufacturer, Yangcheng Automobile Group Company (羊城汽車集團公司) and Guangzhou Guangke Automobile Enterprise Group Company Limited (廣州廣客汽車企業集團有限公司) were commercial vehicle manufacturers specialising in light duty trucks, commercial buses and special purpose vehicles.

Following the establishment of GAG in 1997, Guangqi Honda was established in 1998. As at the Latest Practicable Date, our Company holds approximately 37.9% of the issued share capital of in Denway through China Lounge, and Denway, in turn, through its wholly-owned subsidiary Guangzhou Auto, holds 50% equity interest in Guangqi Honda. The remaining 50% equity interest of Guangqi Honda is held as to 40% by Honda and 10% by Honda Motor (China) Investment Corporation Limited. For Guangzhou Auto, the establishment of Guangqi Honda marked an important milestone for the development of its production of mid-to-high-end sedans and marked the beginning of its manufacture and sale of the Guangqi Honda Accord series of passenger vehicles.

On 25 May 2000, the Guangzhou State-Owned Assets Administration Bureau agreed to entrust the management and operation of GAG to a separate entity and GAIG was duly incorporated on 18 October 2000 to serve such purpose. In July 2004, the Guangzhou State-Owned Assets Administration Bureau transferred all of its equity interest in GAG to GAIG and GAIG became the sole shareholder of our Company.

Further, in 2000, in order to facilitate the continual development of our commercial vehicle business, our Company established Guangzhou Isuzu Bus Co., Ltd. (now known as Guangzhou Yue Long Bus Co., Ltd.) for the manufacture of high-end commercial vehicles and related auto parts. At the time of its establishment, Guangzhou Isuzu was respectively owned as to 51% by GAG, 25% by Isuzu and 24% by Isuzu (China) Investment Co. Ltd. The year 2000 saw the establishment of GAC Commercial which conducts automobile-related businesses. It was then a wholly-owned subsidiary of GAG. To comply with the relevant PRC law then in force which required each limited liability company to have at least two shareholders, GAG transferred 5% of its interest in GAC Commercial to Guangzhou Motors Group Company ("**Guangzhou Motors**") on 30 July 2004 at a consideration of RMB4,614,003.35 with reference to independent valuation. Guangzhou Motors is a wholly owned subsidiary of GAIG and is principally engaged in the manufacture of motorcycles and related parts and components. Such 5% interest was later transferred by Guangzhou Motors to our Company on 2 June 2008 at a consideration of RMB33,066,820 as a result of the change in the relevant PRC law which allows a company to take the form of a one-shareholder company. The transfer price was determined with reference to an independent valuation. GAC Commercial's core businesses include the importing and exporting of automobile-related products, vehicle sales services and logistics services which are supported by its vehicle leasing and recycling businesses.

In 2000, our Company established GAC Components as its wholly-owned subsidiary for the manufacture of auto parts. On 30 July 2004, our Company transferred 5% of its interest in GAC Components to Guangzhou Motors, a wholly owned subsidiary of GAIG, at a consideration of RMB15,132,083.81 to comply with the relevant PRC law then in force. The transfer price was determined with reference to an independent valuation. As an important step towards Denway's vertical integration of operations, we have undergone a series of reorganisation. On 28 September 2005, our Company transferred 44% of the interest in GAC Components to Steed Full Development Limited, which was then wholly-owned by China Lounge through its wholly-owned subsidiary Yue Lung Enterprise Limited (越隆企業有限公司), at a consideration of HK$478,412,000 and Guangzhou Motors transferred 5% of its interest in GAC Components to Steed Full Development Limited at a consideration of HK$54,365,000. Both transfer prices were determined with reference to independent valuations. On 7 November 2005, Yue Lung Enterprise Limited (越隆企業有限公司) transferred its 100% interest in Steed Full Development Limited to Denway at a consideration of HK$710,000,000. The transfer was negotiated and entered into on an arm's length basis and on normal commercial terms. Since the sole equity asset held by Steed Full Development Limited at the relevant time was the 49% equity interests in GAC Components, the consideration was determined based on the market comparable on price earnings multiples and the net asset value of the then JCEs of GAC Components.

Honda (China) was established in September 2003 by our Company, Honda and Dongfeng Motor Group Company Limited for the manufacture of the Honda Jazz series of passenger vehicles for exports. At the time of its establishment, Honda (China) was respectively owned as to 25% by GAG, 10% by Dongfeng Motor Group Company Limited and 65% by Honda. In November 2003, our Company and Ullitec Holdings Corporation established Foison Auto Co., Ltd. (廣州豐興汽車有限公司 "**Foison Auto**") for the manufacture and sale of special purpose vehicles and related auto parts and our Company and Ullitec Holdings Corporation each held 50% of the equity interest in Foison Auto. Ullitec Holdings Corporation is a wholly-owned subsidiary of GSK Group which manufactures auto, motorcycle and bicycle parts and is also an independent third party to us. However, the revenue of Foison Auto for the year ended 31 December 2006 was RMB5,847,000, and it generated losses of RMB1,896,000 for the same period. As the products of Foison Auto were not well accepted by the market, the board of directors of Foison Auto decided to terminate the joint venture agreement of Foison Auto. The termination was approved by Guangzhou Economic and Technological Development Zone Administrative Commission (廣州經濟技術開發區管理委員會) on 26 October 2007 and the liquidation process commenced on the same day. The liquidation was completed on 9 April 2008 and net losses arising from the liquidation amounted to RMB2,579,439. The registration of Foison Auto was cancelled on 27 June 2008. Our Company confirms that there is no contingent liability resulting from the termination and there is no liability or obligation imposed against any Directors or senior management of our Group resulting from the liquidation.

Our Company began its partnership with Toyota in 2004 when GAC Toyota Engine was established by our Company and Toyota for the manufacture of the Toyota brand engines for export to overseas and in preparation for supply to GAC Toyota. The products of GAC Toyota Engine are manufactured for incorporation into GAC Toyota Camry and for use in Toyota's products in other parts of the world. GAC Toyota was subsequently established in September 2004 by our Company and Toyota, which commenced production in 2006 and marked the beginning of the manufacture and sale of our Toyota Camry series of passenger vehicles and related auto parts.

As part of its restructuring and reorganisation, our Company transferred some non-operating assets to GAIG and its associated companies in 2004 and 2005 by way of open tender through Guangzhou Enterprises Mergers and Acquisitions Services (廣州產權交易所). Our Company transferred 60% of its interest in Guangzhou Guangyue Asset Administration Co., Ltd. (廣州廣悅資產管理有限公司 "**Guangzhou Guangyue**") for a consideration of RMB4,210,255.12 and the capital contribution of RMB5,000,000 in Guangzhou Motors for a consideration of RMB3,980,533.33 to GAIG, and 100% of its interest in Guangzhou Automobile Manufacturing Factory (廣州汽車製造廠) to Guangzhou Guangyue for a consideration of RMB9,673,943.56. Our Company also transferred 100% of its interest in Guangzhou Bus Factory (廣州客車廠), Guangzhou Yangcheng Automobile Factory (廣州羊城汽車廠), Guangdong Province Bus Factory (廣東省客車廠), Guangzhou Junda Automobile Enterprise Group (廣州駿達汽車企業集團) and 10% of its interest in Guangzhou Anxun Investment Co., Ltd. (廣州安迅投資有限公司) to Guangzhou Guangyue and 100% of its interest in Guangzhou Luxury Automotive Plastic Parts Factory (廣州市豪華汽車塑料件廠) to Guangzhou Junda Automobile Enterprise Group (廣州駿達汽車企業集團) and the transfer price for each of the abovementioned companies was RMB1. The transfer prices were determined with reference to independent valuations. Guangzhou Guangyue is owned as to 60% by GAIG and 40% by Guangzhou Motors, which in turn is wholly owned by GAIG. Guangzhou Guangyue is principally engaged in corporate asset management. Guangzhou Junda Automobile Enterprise Group (廣州駿達汽車企業有限公司) is wholly owned by Guangzhou Guangyue and therefore is also a wholly owned subsidiary of GAIG. Each of Guangzhou Automobile Manufacturing Factory (廣州汽車製造廠), Guangzhou Bus Factory (廣州客車廠), Guangzhou Yangcheng Automobile Factory (廣州羊城汽車廠), Guangdong Province Bus Factory (廣東省客車廠), Guangzhou Junda Automobile Enterprise Group (廣州駿達汽車企業集團), Guangzhou Anxun Investment Co., Ltd (廣州安迅投資有限公司) and Guangzhou Luxury Automotive Plastic Parts Factory (廣州市豪華汽車塑料件廠) had ceased operation at the time of the transfer and remains as non-operating companies as at the Latest Practicable Date.

In June 2005, our Company underwent further reorganisation, whereby our Company was converted into a joint stock limited company and its name was changed to Guangzhou Automobile Group Co., Ltd (廣州汽車集團股份有限公司). Pursuant to the relevant requirements under PRC law, our Company's sole shareholder at that time, GAIG, transferred 3.99%, 3.6909% 0.20% and 0.1845% of its equity interests to Wanxiang, CNMIC, Guangzhou Iron & Steel and Guangzhou Chime-Long, respectively. Wanxiang is principally engaged in the manufacture and sale of machinery and auto parts while CNMIC operates the construction and contracting of large scale integrated plant. Guangzhou Iron & Steel is principally engaged in metal smelting, rolling and press forging while Guangzhou Chime-Long mainly operates tourism-related business. Our PRC legal advisor has confirmed that our Company has received approval from all relevant authorities of the PRC with regards to our Company's conversion into a joint stock company with limited liability in 2005. Further details of our Company's reorganisation in 2005 are set out in the section headed "Appendix VIII — Statutory and General Information — Further information about GAC — Corporate Reorganisation" of this Listing Document.

On 29 May 2006, with the view to consolidate the non-automobile manufacturing businesses, Guangzhou Automobile Industrial Park Co., Ltd (廣州廣汽產業發展有限公司), our Company's indirect wholly-owned subsidiary, transferred 51% of its interest in Guangzhou Guangqi Toyotsu Service Co., Ltd (廣州廣汽豐通服務有限公司), 30% of its interest in GAC Toyota Tsusho Kaisha Logistics Equipment Co., Ltd. (廣州廣汽豐通物流器材有限公司), 40% of its interest in Guangzhou Guangqi Toyotsu Resource Management Co., Ltd. (廣州廣汽豐綠資源再生有限公司), 30% of its interest in Guangzhou Guangqi

Toyotsu Automobile Equipment Co., Ltd. (廣州廣汽豐通汽車設備有限公司) and 25% of its interest in Guangzhou Guangqi Kimura Jinhe Warehousing Co., Ltd. (廣州廣汽木村進和倉儲有限公司) to GAC Commercial at a total consideration of RMB40,423,500 which was determined with reference to an independent valuation.

In November 2007, our Company and Hino established GAC Hino for the manufacture and sale of GAC Hino commercial vehicles and related auto parts. GAC Hino acquired certain trademarks and automobile manufacturing technologies from Yangcheng Auto at a consideration of RMB19,400,000 and the consideration was determined with reference to an independent valuation. GAC Hino also entered into agreements in April and June 2008 to acquire 46%, 24%, 10% and 5% of the share capital of Shenyang Shenfei Hino Motors Co. Ltd. (沈陽沈飛日野汽車製造有限公司) (now known as GAC Hino (Shen Yang) Motors Co., Ltd.) from Shenyang Aircraft Corporation (沈陽飛機工業(集團)有限公司), Hino, China Aero-Fund (112) Limited (中國航空基金(112)有限公司) and Toyota Tsusho Corporation respectively, at a total consideration of RMB3 determined with reference to an independent valuation. The acquisition of equity interests in Shenyang Shenfei Hino Motors Co. Ltd. was completed in December 2008. Hino and Toyota Tsusho Corporation are connected persons of our Company by virtue of Hino's investment in GAC Hino and Toyota Tsusho Corporation's investments in Guangzhou Automobile Toyotsu Logistics Co., Ltd. and Guangzhou Guangqi Toyotsu Service Co., Ltd. Hino is also a connected person of Toyota Tsusho Corporation by being a wholly-owned subsidiary of Toyota, which is in turn a substantial shareholder of Toyota Tsusho Corporation. Unless otherwise disclosed in this Listing Document, Shenyang Aircraft Corporation (沈陽飛機工業(集團)有限公司), Hino, China Aero-Fund (112) Limited (中國航空基金(112)有限公司) and Toyota Tsusho Corporation have no relationship with each other or with our Group or our connected persons. GAC Hino (Shen Yang) mainly manufactures buses and the auto parts for buses. After the above acquisitions and preparations, GAC Hino commenced production in the third quarter of 2009.

In May 2008, our Company acquired from Isuzu and Isuzu (China) Investment Co., Ltd. their respective 38.02% and 10.98% interests in Guangzhou Isuzu for a consideration of US$1 which was determined. As at the Latest Practicable Date, Guangzhou Isuzu is a wholly owned subsidiary of our Company and its name has been changed to Guangzhou Yue Long Bus Co. Ltd. (廣州粵隆客車有限公司).

In July 2008, our Company established GAMC for the purpose of developing our proprietary brand of passenger vehicles and expanding our production capacity and portfolio of the passenger vehicles. We expect to commercially produce our first "proprietary" brand of passenger vehicle by September 2010 which has been selected as the official vehicle for the 16th Asian Games to be held in Guangzhou in October 2010.

In May 2009, to further expand our business along the automobile value-chain and enter into the sector of core automobile interior parts, GAC Components acquired from Nanjing Automobile (Group) Corporation (南京汽車集團有限公司) ("**Nanjing Automobile**"), an independent third party, 33.33% of the equity interest in Hangzhou HAVECO Automotive Transmission Co., Ltd. (杭州依維柯汽車變速器有限公司) for RMB76,864,383 and 33.33% of the equity interest in Hangzhou IVECO Automobile Transmission Technology Co., Ltd. (杭州依維柯汽車傳動技術有限公司) for RMB15,225,617. Both transfer prices were determined with reference to their respective appraised net asset values as at 31 December 2008 in the asset valuation reports prepared by an independent valuer.

Pursuant to a share transfer agreement dated 21 May 2009 entered into between our Company and Changfeng (Group) Co., Ltd. (長豐(集團)有限責任公司) ("**Changfeng Group**"), an independent third party, our Company purchased from Changfeng Group 151,052,703 state-owned floating shares of GAC Changfeng (which are subject to trading restrictions) representing approximately 29% of the total share capital of GAC Changfeng, at a total consideration of RMB1,053,592,605 (the "**Changfeng Acquisition**"). The transfer price was determined with reference to 90% of the average closing price of the shares of GAC Changfeng for the 30 trading days immediately preceding the signing of such share transfer agreement and based on the share price of GAC Changfeng being RMB6.975 per share as agreed between the parties. The Changfeng Acquisition was completed in December 2009 and the consideration was fully settled in cash. As all the applicable ratios for the Changfeng Acquisition are less than 5%, Rule 4.05A of the Listing Rules is not applicable to the Changfeng Acquisition. After the Changfeng Acquisition was completed, our Company became the largest shareholder of GAC Changfeng. The state-owned floating shares held by our Company following the completion of the Changfeng Acquisition shall not be disposed of through stock exchange at a price lower than RMB7 per share (subject to ex-right adjustments in cases of dividend distribution, share distribution, transfer of reserves into share capital or other events requiring ex-rights adjustments) until July 2011. The Changfeng Acquisition enabled us to produce SUVs and expand our product portfolio.

In September 2009, our Company and its wholly-owned subsidiary, China Lounge transferred each of their 50% equity interest in Yangcheng Auto by way of an open tender through Guangzhou Enterprises Mergers and Acquisitions Services (廣州產權交易所). On 17 September 2009, our Company, China Lounge and Guangzhou Guangyue, a wholly-owned subsidiary of GAIG, entered into an equity transfer agreement pursuant to which each of our Company and China Lounge transferred its 50% interest in Yangcheng Auto to Guangzhou Guangyue for a consideration of RMB1 each. The consideration was determined with reference to the fact that Yangcheng Auto was then in a net liability position. The transfer was completed in October 2009.

In April 2010, our Company entered into an agreement to acquire from Shanghai Electric, an independent third party, 30% of its equity interests in Shanghai Hino by way of open tender through Shanghai United Assets and Equity Exchange (上海聯合產權交易所) at a consideration of RMB105,756,000. The consideration was determined with reference to the value of the entire shareholders' equity of Shanghai Hino as at 30 June 2009 in the valuation report prepared by an independent valuer. The consideration for the acquisition was fully paid in April 2010. As at the Latest Practicable Date, the acquisition has been approved by the Shanghai Municipal Commission of Commerce. It is expected that the relevant business registration procedures will be completed in June 2010. Our Company has appointed Yuan Zhongrong, executive director of our Company, as the vice chairman of Shanghai Hino and Li Shao, deputy general manager of our Company, as a director of Shanghai Hino in April 2010. The principal business of Shanghai Hino includes development, manufacturing and sale of Hino diesel engines.

On 26 April 2010, our Company entered into a strategic co-operation framework agreement (the "**Framework Agreement**") with Zhejiang Gonow Investments Co., Ltd. (浙江吉奧投資有限公司, "**Zhejiang Gonow**") which is principally engaged in manufacturing pickup trucks and mini vehicles. Pursuant to the Framework Agreement, our Company intended to form a joint venture company with Zhejiang Gonow by way of capital injection (the "**Capital Injection**"). Upon completion of the Capital Injection under the Framework Agreement, our Company and Zhejiang Gonow will respectively hold 51% and 49% equity interests in the joint venture company which will engage in automobile-related businesses. The consideration for the Capital Injection shall be determined by way of an independent valuation. As at the Latest Practicable Date, the parties had not agreed on the amount of consideration nor the timeline for the completion of the Capital Injection and the Capital Injection may or may not materialize.

The reorganisation of our corporate structure and its businesses since 1997 and the establishment of our Joint Venture Companies established the foundation of our current businesses which are principally the manufacture and sale of passenger vehicles, commercial vehicles, engines and auto parts. Except payments for three subsidiaries which were made beyond due dates (which have already been fully paid up as at the Latest Practicable Date and our Company's PRC legal adviser confirmed that payments made beyond due dates did not have any material impact to the operation of our Group), our Company's PRC legal advisor confirmed that the registered capital as required under the respective articles of association of our Joint Venture Companies, subsidiaries and our associated companies have been fully paid up in the required manner and within the required timeframe and the relevant business registrations have been made. Our Company's PRC legal advisor has also confirmed that we have received approval from all relevant authorities of the PRC with regards to our Reorganisation including the steps of reorganisation disclosed above. The PRC legal advisor of our Company also confirmed that the completion of the Listing and the taking effect of the Scheme is subject to the approval from the relevant PRC authorities after the Privatization has been approved by the Disinterested Denway Shareholders at the Court Meeting.

The developments of our major Joint Venture Companies

Since the late 1990s, our Company and its subsidiaries has established the following Joint Venture Companies with major international car manufacturers. Our Company either directly holds interest in the Joint Venture Companies by itself or through its subsidiaries or Joint Venture Companies.

The following sets out the major Joint Venture Companies which are principally engaged in the manufacture of passenger vehicles.

GAC Toyota

In June 2004, our Company entered into a joint venture agreement with Toyota for the establishment of GAC Toyota which manufactures and sells passenger vehicles and related auto parts. GAC Toyota was incorporated on 1 September 2004. At the time of its incorporation, our Company and Toyota each held 50% of the equity interest in GAC Toyota. GAC Toyota is treated as a JCE of our Company.

In January 2005, Toyota transferred approximately 19.5% of its equity interests in GAC Toyota to Toyota Motor (China) Investment Co., Ltd., a wholly-owned subsidiary of Toyota. As at the Latest Practicable Date, GAC Toyota is owned as to 50% by our Company, 30.5% by Toyota and 19.5% by Toyota Motor (China) Investment Co., Ltd.

GAC Toyota manufactures our GAC Toyota Camry series of passenger vehicles, GAC Toyota Yaris series of passenger vehicles and the GAC Toyota Highlander series of passenger vehicles. It is also expected to introduce other series of Toyota passenger vehicles in the future.

Guangqi Honda

In April 1998, Guangzhou Auto, our Company's subsidiary entered into a joint venture agreement with Honda for the purpose of manufacturing passenger vehicles. Guangqi Honda was incorporated on 13 May 1998. At the time of its incorporation, Honda and our Company's subsidiary, Guangzhou Auto, each held 50% of the equity interest in Guangqi Honda.

In October 2004, Honda transferred 10% of its equity interest in Guangqi Honda to its wholly-owned subsidiary, Honda Motor (China) Investment Corporation Limited. As at the Latest Practicable Date, Guangqi Honda is owned as to 50% by Guangzhou Auto, 40% by Honda and 10% by Honda Motor (China) Investment Corporation Limited. Guangqi Honda is treated as a JCE of our Company.

Guangqi Honda manufactures Honda Accord, Odyssey, City, City (Fengfan) and Fit series of passenger vehicles.

GAC Fiat

In February 2010, our Company entered into a joint venture agreement with Fiat for the establishment of GAC Fiat which manufactures passenger vehicles and related auto parts. GAC Fiat was incorporated on 9 March 2010. At the time of its incorporation and as at the Latest Practicable Date, our Company and Fiat each held 50% of the equity interest in GAC Fiat. GAC Fiat is treated as a JCE of our Company.

Honda (China)

In March 2003, our Company entered into a joint venture agreement with Honda and Dongfeng Motor Corporation for the establishment of Honda (China) which manufactures and sells Honda passenger vehicles and related auto parts. Honda (China) was incorporated on 8 September 2003. At the time of its incorporation, 65% of the equity interest of Honda (China) was held by Honda, 25% of its equity interest was held by our Company, and 10% of its equity interest was held by Dongfeng Motor Corporation.

In June 2004, Honda transferred 10% of its equity interest in Honda (China) to its wholly-owned subsidiary, Honda Motor (China) Investment Co., Ltd. As at the Latest Practicable Date, Honda (China) is owned as to 55% by Honda, 10% by Honda Motor (China) Investment Co., Ltd., 25% by our Company and 10% by Dongfeng Motor Group Co., Ltd.. Honda (China) is treated as an associated company of our Company. Honda (China) manufactures the Honda Jazz series of passenger vehicles which are exported to Europe.

The following sets out the major Joint Venture Companies which are principally engaged in the manufacture of commercial vehicles.

GAC Hino

In August 2007, our Company entered into a joint venture agreement with Hino for the purpose of establishing GAC Hino for the manufacture and sale of GAC Hino commercial vehicles and related auto parts. GAC Hino was incorporated on 28 November 2007. At the time of its incorporation and as at the Latest Practicable Date, GAC Hino is owned as to 50% by each of our Company and Hino. GAC Hino is treated as a JCE of our Company.

GAC Hino (Shenyang)

Shenyang Shenfei Hino Motors Co., Ltd. (瀋陽瀋飛日野汽車製造有限公司) was incorporated on 2 December 1993. In 2000, Shenyang Shenfei Hino Motors Co., Ltd. was held as to 51%, 10%, 10%, 24% and 5% by Shenyang Aircraft Corporation (瀋陽飛機工業(集團)有限公司), China Aero-Fund (112) Limited (中國航空基金(112)有限公司), Morville Assets Limited, Hino and Toyota Tsusho Corporation respectively.

A foreign automobile manufacturer is not allowed to establish more than two joint ventures in the PRC pursuant to the automobile industry policy. Accordingly, in order to qualify to set up a further joint venture with Hino, our Group was required to acquire Shenyang Shenfei Hino Motors Co., Ltd.. In April and June 2008, GAC Hino, a JCE of our Company, entered into agreements to acquire 46% equity interests in Shenyang Shenfei Hino Motors Co., Ltd. held by Shenyang Aircraft Corporation and all equity interests in Shenyang Shenfei Hino Motors Co., Ltd. respectively held by each of China Aero-Fund (112) Limited, Hino and Toyota Tsusho Corporation, at a total consideration of RMB3 which was determined with reference to independent valuation.

In May 2008, GAC Hino entered into a joint venture agreement with Shenyang Aircraft Corporation and Morville Assets Limited at the same time renamed Shenyang Shenfei Hino Motors Co., Ltd. into GAC Hino (Shenyang) Motors Co., Ltd. and increased its registered capital. At the time of the acquisition, the principal business of GAC Hino (Shenyang) was the manufacture of vehicles and related auto parts. As at the Latest Practicable Date, GAC Hino (Shenyang) is owned as to 90.02% by GAC Hino, 5% by Shenyang Aircraft Corporation and 4.98% by Morville Assets Limited. GAC Hino (Shenyang) is treated as a JCE of our Company.

At the time when the acquisition was completed in December 2008, GAC Hino (Shenyang) had not commenced actual operations and had been in a seriously insolvent position in the initial stage after restructuring. Our company expected that GAC Hino (Shenyang) would not generate sufficient cashflow in future, and therefore considered that the goodwill of RMB116 million arising from the acquisition of Shenyang Shenfei Hino Motors Co., Ltd. had been fully impaired.

The following sets out the major Joint Venture Companies which are principally engaged in the manufacture of engines.

GAC Toyota Engine

In February 2004, our Company entered into a joint venture agreement with Toyota for the establishment of GAC Toyota Engine for the manufacture and sale of engines. GAC Toyota Engine was incorporated on 24 February 2004. As at the Latest Practicable Date, GAC Toyota Engine was held as to 57.6% by Toyota, 30% by our Company, and 12.4% by Toyota Motor (China) Investment Co., Ltd, a wholly-owned subsidiary of Toyota. GAC Toyota Engine is treated as an associated company of our Company.

Shanghai Hino

Shanghai Hino was established by Shanghai Diesel Engine Co., Ltd. in 2003 and incorporated on 8 October 2003. At the time of its incorporation, each of Hino and Shanghai Diesel Engine Co., Ltd. held 50% of the equity interest in Shanghai Hino. In March 2008, Shanghai Diesel Engine Co., Ltd. transferred its 50% equity interest in Shanghai Hino to Shanghai Electric. The principal business of Shanghai Hino includes the development, manufacturing and sale of Hino diesel engines.

In April 2010, our Company has entered into an agreement to acquire 30% equity interests in Shanghai Hino from Shanghai Electric at a consideration of RMB105,756,000, which was determined with reference to the value of the entire shareholders' equity as at 30 June 2009 in the asset valuation report prepared by an independent valuer. The consideration for the acquisition was fully paid in April 2010. As at the Latest Practicable Date, the acquisition has been approved by the Shanghai Municipal Commission of Commerce. It is expected that the relevant business registration procedures will be completed in June 2010. Upon completion of the acquisition, Shanghai Hino will be held as to 50% by Hino, 30% by our Company and 20% by Shanghai Electric and will be treated as an associated company of our Company.

The following sets out the major Joint Venture Companies which are principally engaged in the manufacture of auto parts.

Guangzhou Guangqi Ogihara Die & Stamping Co., Ltd. ("Guangqi Ogihara")

On 29 December 2008, GAC Components and China Lounge entered into a joint venture agreement with Ogiwara & Co., Ltd. (株式會社荻原) for the purpose of establishing Guangqi Ogihara for the manufacture of auto parts, sale of Guangqi Ogihara products and the provision of after-sale services. Guangqi Ogihara was incorporated on 26 February 2009. The registered capital of Guangqi Ogihara is US$36.6 million, among which 65% has been paid by GAC Components, 25% by China Lounge and 10% by Ogiwara & Co., Ltd.. At the time of its incorporation and as at the Latest Practicable Date, Guangqi Ogihara is owned by GAC Components, China Lounge and Ogiwara & Co., Ltd in accordance with their capital contribution. Guangqi Ogihara is treated as a subsidiary of our Company.

GAC-Ullitec

In May 2008, GAC Components, our Company's subsidiary, entered into a joint venture agreement with Ullitec Venture Capital for the purpose of establishing GAC-Ullitec for the research and development of automobile interior system and manufacture of interior auto parts. GAC-Ullitec was incorporated on 7 October 2008. At the time of its incorporation and as at the Latest Practicable Date, GAC-Ullitec is owned as to 50% by each of GAC Components and Ullitec Venture Capital. GAC-Ullitec is treated as a JCE of our Company.

GACC-Johnson

In November 2008, GAC Components, our Company's subsidiary, entered into a joint venture agreement with Johnson Controls for the purpose of establishing GACC-Johnson for the manufacture of interior auto parts. GACC-Johnson was incorporated on 28 November 2008. At the time of its incorporation and as at the Latest Practicable Date, GACC-Johnson is owned as to 48% by GAC Components and 52% by Johnson Controls. GACC-Johnson is treated as an associated company of our Company.

Hangzhou HAVECO Automotive Transmission Co., Ltd. (杭州依維柯汽車變速器有限公司) ("Hangzhou HAVECO")

On 2 June 1996, Nanjing Automobile entered into a joint venture agreement with Hangzhou Advance Gearbox Group Co., Ltd. (杭州前進齒輪箱集團股份有限公司) ("**Hangzhou Advance**") and IVECO Ltd (依維柯股份公司) for the purpose of establishing Hangzhou HAVECO for the manufacture and sale of transmission and related components. Hangzhou HAVECO was incorporated on 26 September 1996. At the time of its incorporation, each of the joint venture partners held one-third of equity interest in Hangzhou HAVECO.

In May 2009, Nanjing Automobile, an independent third party, transferred its entire 33.3% equity interest in Hangzhou HAVECO to GAC Components at a consideration of RMB76,864,383 determined with reference to its appraised net asset value as at 31 December 2008 in an asset valuation report prepared by an independent valuer. Each of GAC Components, Hangzhou Advance and IVECO Ltd has contributed RMB66.67 million as the capital of Hangzhou HAVECO and as at the Latest Practicable Date, each of the joint venture partners holds one-third of the equity interest in Hangzhou HAVECO. Hangzhou HAVECO is treated as a JCE of our Company.

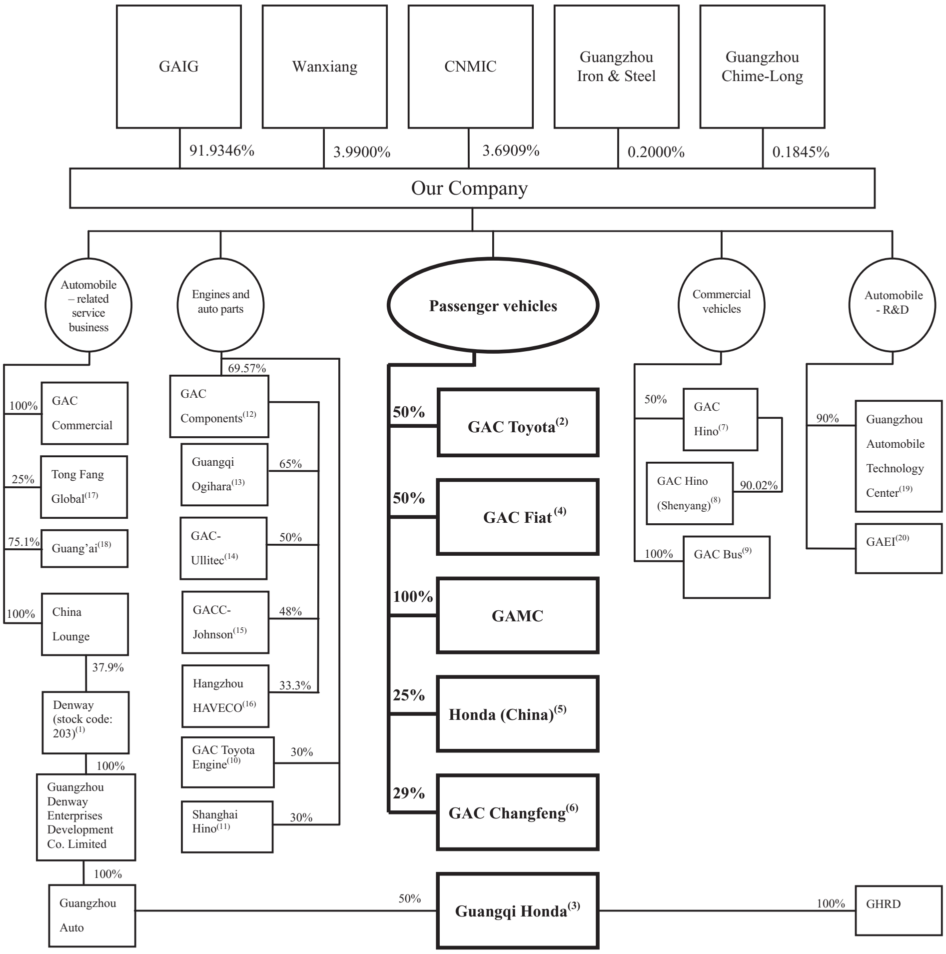
The following is a Joint Venture Company which is principally engaged in the provision of logistics services.

Tong Fang Global (Tianjin) Logistics Co., Ltd. (同方環球（天津）物流有限公司) (“Tong Fang Global”)

In March 2007, our Company entered into a joint venture agreement with China FAW Group Corporation and Toyota for the establishment of Tong Fang Global for the provision of logistic services to GAC Toyota. Tong Fang Global was incorporated on 16 July 2007. At the time of its incorporation and as at the Latest Practicable Date, Tong Fang Global is owned as to 40% by Toyota, 35% by China First Automobile Works Group Corporation and 25% by our Company. Tong Fong Global is treated as an associated company of our Company. By utilising the logistics knowledge of all three joint venture partners, Tong Fang Global is expected to provide unified logistics services for transportation of vehicles and other automobile-related products for China First Automobile Works Group Corporation, our Company and other Toyota-related businesses.

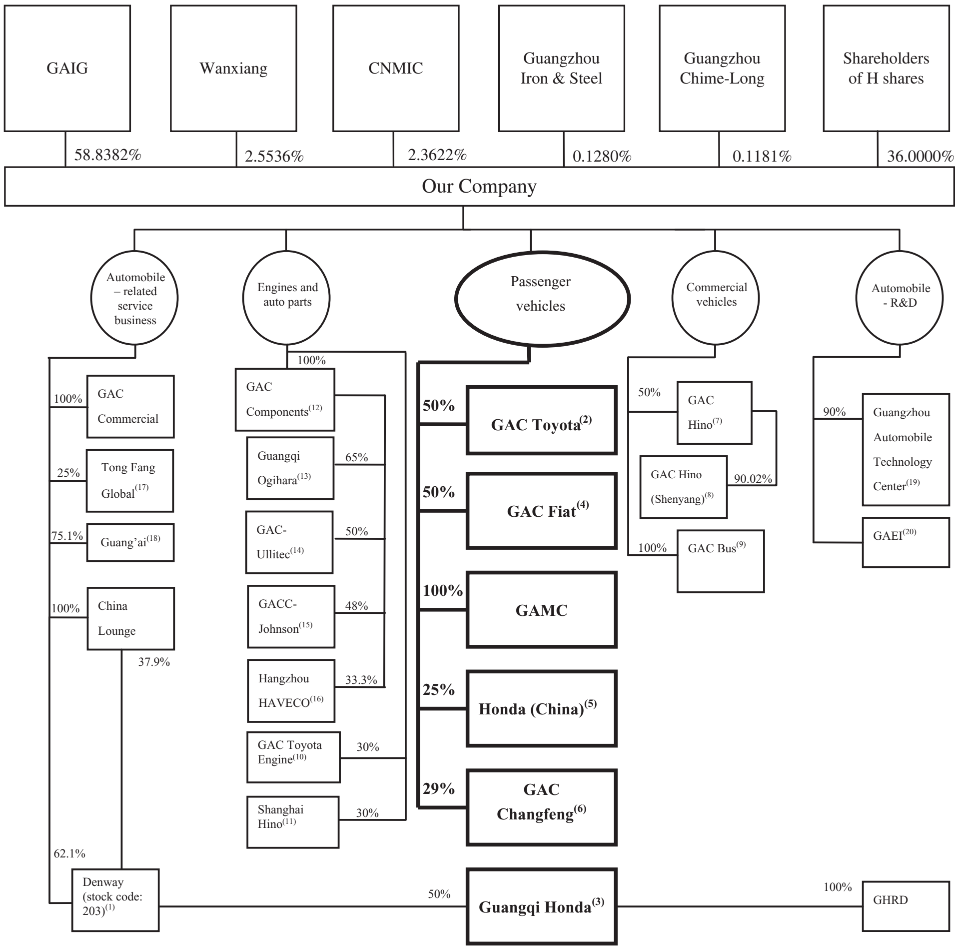
SIMPLIFIED SHAREHOLDING OF OUR COMPANY AND OUR CORPORATE STRUCTURE

The following chart sets out the major subsidiaries, Joint Venture Companies and Jointly-controlled Entities and the ownership structure of our Company immediately before the Introduction:



HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The following chart sets out the major subsidiaries, Joint Venture Companies and Jointly-controlled Entities and the ownership structure of our Company immediately following the Introduction:



Notes:

(1) *China Lounge, a wholly owned subsidiary of our Company, holds 37.9% interest in Denway. Apart from China Lounge, the shareholders of Denway are all public shareholders. As at the Latest Practicable Date, notwithstanding that our Company holds 37.9% interest in Denway through China Lounge, Denway is regarded as a subsidiary of our Company and consolidated to our Group's financial statements given that our Company has the power to govern the financial and operating policies of Denway. The Directors are of the opinion that our Company has the power to govern the financial and operating policies of Denway and it has de facto control over Denway after considering the following factors: (A) although our Company does not have the right to appoint the majority of the board members of Denway under its articles of association, all directors of Denway had been nominated by our Company since 2000 and all executive directors of Denway are Directors and senior management of our Company; (B) apart from China Lounge, so far as the Directors are aware, the second largest shareholder of Denway was Templeton Asset Management Limited which held approximately 15.47% of the issued shares in Denway as at the Latest Practicable Date. Templeton Asset Management Limited is a financial investor, which holds shares for investment and capital appreciation purpose and is not involved in Denway's daily operation management and decision making; and (C) the participation of the shareholders other than China Lounge at the general meetings of Denway had been relatively low historically. Further, the percentage of these shareholders that voted against the proposed resolutions in the shareholders' meetings had been very low historically. Taking into account the above consideration, Denway has been regarded as a subsidiary and consolidated to the financial statements of our Group. Denway is also considered as a subsidiary of our Company for Listing Rules purpose due to the above accounting treatment. Accordingly, Guangzhou Denway Enterprises Development Co., Limited and Guangzhou Auto, being wholly-owned subsidiaries of Denway, are also subsidiaries of our Company from the Listing Rules and accounting perspective. Immediately following the Introduction, Denway will become a wholly-owned subsidiary of our Company.*

(2) *GAC Toyota is owned as to 50% by our Company, 30.5% by Toyota and 19.5% by Toyota Motor (China) Investment Co., Ltd, a wholly-owned subsidiary of Toyota. Toyota is a connected person of our Company. Toyota also has investment in GAC Toyota Engine and Tong Fang Global.*

(3) Guangqi Honda is owned as to 50% by Denway through its wholly-owned subsidiary, Guangzhou Auto, 40% by Honda and 10% by Honda Motor (China) Investment Corporation Limited (a subsidiary of Honda). Our Company indirectly holds 37.9% of the interest in Denway. Honda is our connected person and also has investment in Honda (China).

(4) GAC Fiat is owned as to 50% by each of our Company and Fiat. Fiat has no other relationship with us apart from its investment in GAC Fiat.

(5) Honda (China) is owned as to 55% by Honda, 10% by Honda Motor (China) Investment Co., Ltd., a wholly-owned subsidiary of Honda, 25% by our Company and 10% by Dongfeng Motor Corporation. For details of the relationship between Honda and us, please refer to Note (3) above. Dongfeng Motor Corporation has no other relationship with us apart from its investment in Honda (China). Honda (China) is treated as an associated company of our Company.

(6) Our Company holds 151,052,703 state-owned floating shares, representing approximately 29% of the total share capital of GAC Changfeng. Please refer to the section headed "History, Reorganisation and Corporate Structure — History and Development" of this Listing Document for details of the acquisition of the shares of GAC Changfeng. GAC Changfeng is treated as an associated company of our Company.

(7) GAC Hino is owned as to 50% by each of Hino and our Company. Hino is a wholly-owned subsidiary of Toyota and therefore also a connected person of our Company. Hino also holds 50% equity interest in Shanghai Hino.

(8) GAC Hino (Shenyang) is owned as to 90.02% by GAC Hino, a JCE of our Company, 5% by Shenyang Aircraft Corporation and 4.98% by Morville Assets Limited. Shenyang Aircraft Corporation and Morville Assets Limited have no other relationship with us apart from their investment in GAC Hino (Shenyang).

(9) Our Company holds 50% of the equity interest in GAC Bus and the other 50% of the equity interest is held by China Lounge, a wholly-owned subsidiary of our Company. Our Company therefore holds a total of 100% direct and indirect equity interest in GAC Bus.

(10) GAC Toyota Engine is owned as to 57.6% by Toyota, 30% by our Company and 12.4% by Toyota Motor (China) Investment Co., Ltd, a wholly-owned subsidiary of Toyota. For details of the relationship between Toyota and us, please refer to Note (2) above. GAC Toyota Engine is treated as an associated company of our Company.

(11) In April 2010, our Company has entered into an agreement to acquire 30% equity interests in Shanghai Hino from Shanghai Electric. Upon completion of the acquisition, Shanghai Hino will be owned as to 50%, 30% and 20% by Hino, our Company and Shanghai Electric respectively. For details of the relationship between Hino and us, please refer to Note (7) above. Shanghai Electric has no other relationship with us apart from its investment in Shanghai Hino. By virtue of Hino's 50% equity interests in Shanghai Hino, Shanghai Hino is also a connected person of our Company. As at the Latest Practicable Date, there is no ongoing transaction between our Company and Shanghai Hino. Upon completion of the acquisition, Shanghai Hino will be treated as an associated company of our Company.

(12) As at the Latest Practicable Date, our Company holds 51% of the equity interest in GAC Components, and the other 49% of the equity interest is held by Steed Full Development Limited, a wholly owned subsidiary of Denway. Since 37.9% of the interest in Denway is held by China Lounge, our Company holds a total of approximately 69.57% direct and indirect equity interest in GAC Components. Immediately following the Introduction, Denway will become a wholly-owned subsidiary of our Company, and therefore our Company will hold a total of 100% direct and indirect equity interest in GAC Components.

(13) Guangqi Ogihara is owned as to 65% by GAC Components, 25% by China Lounge and 10% by Ogiwara & Co., Ltd. Ogiwara & Co., Ltd. has no other relationship with us apart from its investment in Guangqi Ogihara. Guangqi Ogihara is treated as a subsidiary of our Company.

(14) GAC-Ullitec is owned as to 50% by GAC Components and 50% by Ullitec Venture Capital. Ullitec Venture Capital has no other relationship with us apart from its investment in GAC-Ullitec.

(15) GACC-Johnson is owned as to 48% by GAC Components and 52% by Johnson Controls. Johnson Controls has no other relationship with us apart from its investment in GACC-Johnson. GACC-Johnson is treated as an associated company of our Company.

(16) GAC Components, Hangzhou Advance Gearbox Group Co., Ltd. and IVECO Ltd each holds one-third of the equity interest in Hangzhou HAVECO.

(17) Tong Fang Global is owned as to 40%, 35% and 25% by Toyota, China First Automobile Works Group Corporation and our Company respectively. China First Automobile Works Group Corporation has no other relationship with us apart from its investment in Tong Fang Global. Tong Fang Global is treated as an associated company of our Company.

(18) Guang'ai is owned as to 50.2% by our Company, 24.9% by GAC Commercial (a wholly-owned subsidiary of our Company) and 24.9% by Aioi Insurance Co., Ltd. (愛和誼保險公司). Aioi Insurance Co., Ltd. (愛和誼保險公司) has no other relationship with us apart from its investment in Guang'ai.

(19) Guangzhou Automobile Technology Centre is owned as to 90% by our Company and 10% by South China University of Technology Development Limited (華南理工大學科技開發公司). South China University of Technology Development Limited is a substantial shareholder of Guangzhou Automobile Technology Centre and a connected person of our Company.

(20) GAEI is an affiliate (分公司) of our Company. GAEI does not have a separate legal identity from our Company and is considered part of our Company.

(21) China Lounge, GAC Commercial, GAC Bus, GAC Components, Guangqi Ogihara, Guang'ai and Guangzhou Automobile Technology Centre are subsidiaries of our Company under the Listing Rules and accounting perspective by virtue of the fact that our Company controls more than half of the voting power therein.

(22) For accounting purpose, GAC Toyota, Guangqi Honda, GAC Fiat, GAC Hino, GAC Hino (Shenyang), GAC-Ullitec, Hangzhou HAVECO and GHRD are JCEs of our Company. For details of application of the Listing Rules to our JCEs, please refer to the section headed "Information Concerning the Listing Rules" in this Listing Document.

DETAILS OF MAJOR JOINT VENTURE COMPANIES

Further details of the major sino-foreign equity Joint Venture Companies set out in the simplified corporate structure chart above are as follows:

Name	Registered Capital	Shareholders and Shareholding ratio as at the Latest Practicable Date	Date of Incorporation	Term of joint venture	Directors	Registered Address
GAC Toyota	USD332,860,000	Our Company — 50% Toyota — 30.5% Toyota Motor (China) Investment Co., Ltd. — 19.5%	1 September 2004	30 years	10 (5 to be appointed by each of our Company and Toyota) *(Note 1)*	中國廣東省廣州市南沙區黃閣鎮市南大道8號
Guangqi Honda	USD283,290,000	Guangzhou Auto — 50% Honda — 40% Honda Motor (China) Investment Co., Ltd. — 10%	13 May 1998	30 years	8 (4 to be appointed by our Company and 4 by Honda together with Honda Motor (China) Investment Corporation Ltd.) *(Note 2)*	中國廣東省廣州市黃埔區廣本路1號
GAC Hino	RMB1,500,000,000	Our Company — 50% Hino — 50%	28 November 2007	30 years	6 (3 to be appointed by each joint venture partner)	中國廣東省廣州市從化明珠工業園區
GAC Hino (Shenyang)	RMB1,004,218,280.30	GAC Hino — 90.02% Shenyang Aircraft Corporation — 5% Morville Assets Limited — 4.98%	2 December 1993	30 years	6 (all to be appointed by GAC Hino)	中國遼寧省瀋陽市瀋陽經濟技術開發區開發大路2號
GAC Fiat	RMB1,800,000,000	Our Company — 50% Fiat — 50%	9 March 2010	30 years	8 (4 to be appointed by each joint venture partner)	中國湖南省長沙經濟技術開發區映霞路18號
Hangzhou HAVECO	RMB200,010,000	GAC Components — 33.3% Hangzhou Advance Gearbox Group Co., Ltd. — 33.3% IVECO Ltd. — 33.3%	26 September 1996	30 years	6 (2 to be appointed by each joint venture partner)	中國浙江省杭州市蕭山區湘湖路45號
GAC-Ullitec	RMB120,000,000	GAC Components — 50% Ullitec Venture Capital — 50%	7 October 2008	30 years	6 (3 to be appointed by each joint venture partner)	中國廣東省廣州市番禺區化龍鎮塘頭村"青梅崗"

Notes:

(1) Among the five directors of GAC Toyota appointed by our Company, as at the Latest Practicable Date, Yuan Zhongrong and Lu Sa, executive Directors of our Company, and Huang Xiangdong and Feng Xingya, senior management of our Company are appointed as directors of GAC Toyota.

(2) As at the Latest Practicable Date, the four directors of Guangqi Honda appointed by our Company are Fu Shoujie, Li Tun, non-executive Director of our Company, Yao Yiming and Yan Zhuangli, senior management of our Company.

Each of the joint venture agreements of the major sino-foreign equity Joint Venture Companies is of a term of 30 years from the date of incorporation of the relevant Joint Venture Company which may be extended upon approval by its board of directors, subject to approval by the relevant authorities. No joint venture partner may transfer all or any of its equity interests in the relevant Joint Venture Company without the consent of other joint venture partners and the approval by the relevant PRC authorities. When any joint venture partner intends to transfer its equity interests in the Joint Venture Company, the other joint venture partners shall have pre-emptive right of purchase.

Pursuant to the joint venture agreements of the major sino-foreign equity Joint Venture Companies, after offsetting losses of previous years and deducting the portion of profit to be allocated for applicable legal reserves as required under the PRC laws and regulations (including company reserve, company development, employee bonus and welfare), the board of directors of the Joint Venture Company may distribute profits in proportion to the respective capital contributions paid by each joint venture partner.

The joint venture agreements of and the knowledge obtained through GAC Toyota, Guangqi Honda, GAC Hino, GAC Hino (Shenyang), GAC Fiat and GAC-Ullitec are strictly confidential and none of the relevant joint venture partner shall disclose such information to any third party until the end of the specified number of years after the termination of the relevant joint venture agreement. Details of the licensed technology obtained and the trademarks, patents and copyrighted works registered or licensed to be used by our major Joint Venture Companies are set out in the section headed "Appendix VIII — Statutory and General Information — 8. Intellectual property rights" of this Listing Document.

Early termination of the joint venture agreements is possible by unanimous consent by all the joint venture partners under certain circumstances, including severe financial difficulty, force majeure events and so on. Upon termination of the joint venture agreement, the relevant Joint Venture Company will be liquidated in accordance with the PRC laws and its remaining assets, after paying costs, employees' outstanding salaries and benefits, tax and creditors, shall be paid to the joint venture partners in accordance with the respective capital contribution paid in by the joint venture partners. Any disputes arising out of or in connection with the joint venture agreements of the major sino-foreign equity Joint Venture Companies shall be determined by way of arbitration.

Please also refer to the section headed "Appendix VI — Summary of Principal PRC Legal and Regulatory Provisions — 3. Joint Ventures" of this Listing Document for an account of the main PRC legal requirements relating to the above Joint Venture Companies.

BENEFITS OF THE INTRODUCTION AND THE PRIVATISATION

The Directors believe that the Introduction and the Privatisation benefit both Scheme Shareholders and our Company and mark a significant milestone in the development of our Group. The Introduction and the Privatisation represent an opportunity for Scheme Shareholders to become GAC Shareholders and benefit Scheme Shareholders and our Company in the following ways:

Scheme Shareholders will benefit from investments in our Company's larger and more diverse businesses

The Directors believe that, compared with Denway, our Company represents a compelling investment opportunity with its larger size, more diversified product portfolio and greater growth in production capacity during the Track Record Period. Upon the Scheme becoming effective, Scheme Shareholders will become GAC Shareholders and will form a part of a more attractive company, benefiting from the following.

- *Diversified product portfolio*. The operating results of Denway have been derived largely from the manufacture of automobile by Guangi Honda through its cooperation with Honda, the sales of which are influenced by the model cycles of a single joint venture partner. Upon the Scheme becoming effective, Scheme Shareholders will become GAC Shareholders and are expected to enjoy the benefits of our cooperation with three other world-renowned auto brands, namely, Toyota, Fiat and Hino with strong growth in production capacity. Furthermore, Scheme Shareholders may also potentially benefit from the development of our proprietary brand of passenger vehicles, our commercial vehicle segment and GAC Changfeng. Accordingly, by becoming GAC Shareholders, the Introduction and the Privatisation enable Scheme Shareholders to participate in our more diversified product portfolio.
- *Integrated Business Model*. We operate a more vertically integrated business model ranging from engine and auto parts businesses to auto insurance brokerage and auto finance businesses as well as logistics services. Upon the Scheme becoming effective, Scheme Shareholders may expect to share the benefits generated by us through the automotive industry value chain.
- *Growth of production capacity*. The production capacity of Guangqi Honda remained unchanged during each of the three years ended 31 December 2007, 2008 and 2009, while the production capacity for vehicles of our Company and its associated companies increased from approximately 628,200 units to 909,000 units, representing at least 45% growth during the same period. Furthermore, by completing the construction of GAMC in 2010 and the establishment of GAC Fiat in 2011, the production capacity of our Company and our associated companies is expected to achieve approximately 1,009,000 units in 2010 and approximately 1,269,000 units in 2011 as further detailed in the section headed "Business — Production" of this Listing Document. The increase in production capacity will potentially further expand our production and sales of our products as well as potentially enable us to increase our utilisation rate and lower the cost of our products. Accordingly, upon the Scheme becoming effective and Scheme Shareholders become GAC Shareholders, Scheme Shareholders are expected to benefit from the greater production capacity of our Company.
- *Government support*. As one of the eight major automobile corporations endorsed by the PRC government, our Company is supported by government policies which encourage further acquisitions and cooperation with international and domestic automobile

manufacturers and we also benefit from PRC policies which encourage domestic financial institutions providing financing to corporations such as our Company. Accordingly, by becoming GAC Shareholders, Scheme Shareholders will also benefit from such favourble policies.

- *Corporate governance*. The success of the Introduction and the Privatisation will eliminate any potential conflicts of interest of the directors and management team of our Company and Denway relating to Denway's listed company status. As at the Latest Practicable Date, four directors of our Board also sit on the Denway Board and all of the executive directors of Denway are either Directors or senior manager of our Company. Upon the Scheme becoming effective, these duplicated roles will be eliminated, enabling such members to focus on their management roles in our Company.

Benefits of the Introduction and the Privatisation to our Company

The Board believes that success of the Introduction may benefit our Company in the following ways and may in turn create greater value for Scheme Shareholders who will become GAC Shareholders upon the Scheme becoming effective.

- *Greater management efficiencies*. Upon the Scheme becoming effective, our Company plans to eliminate the multi-shareholding layers between our Company and Guangqi Honda and become a direct shareholder of Guangqi Honda. We believe that our direct interest in Guangqi Honda will increase its management efficiency and will also enable our Company to establish closer cooperation with Honda, our joint venture partner, which we believe will encourage more efficient management of Guangqi Honda's resources and a greater efficiency in the decision making process at Guangqi Honda. In the long term, the Board and the Denway Board believe that this will benefit the development of Guangqi Honda in terms of production capacity expansion and the introduction of new models.

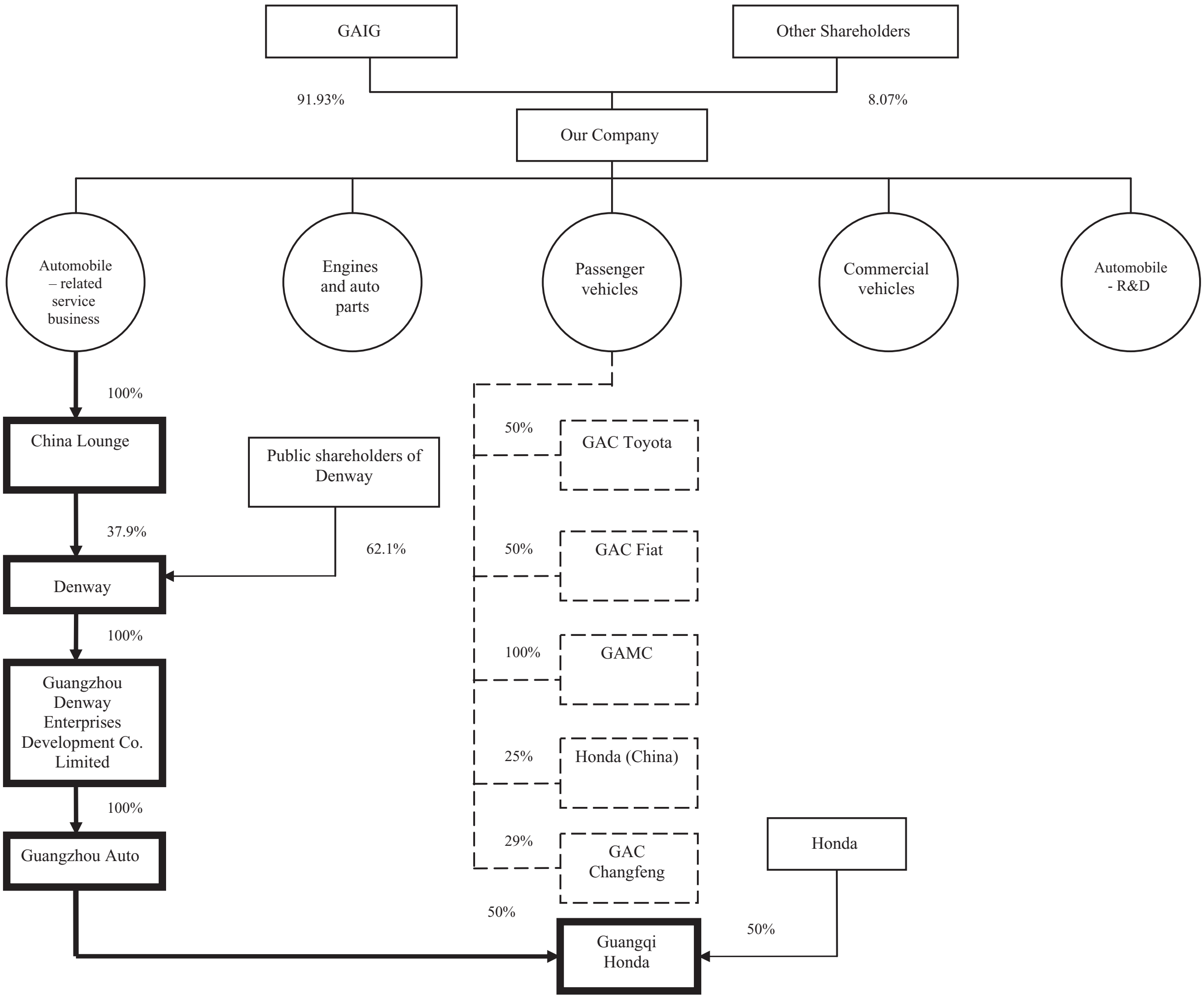
- *Increasing our group's financing capacity*. Currently, we have access to international capital markets only through Denway. Issuances of new Denway Shares to raise equity financing would further dilute our Company's holding in Denway and in Guangqi Honda. Following the success of the Introduction, GAC H Shares will be listed on the Stock Exchange and will enjoy from the additional liquidity afforded by the Listing, whilst our Company (and accordingly, Scheme Shareholders who will become GAC Shareholders) will have direct access to the international capital markets, thereby strengthening our capacity to access international capital. Furthermore, the success of the Introduction will allow rating agencies, financial institutions and investors to focus on one investment vehicle which the Board believes would also benefit our Company in the sourcing of new capital in the future.

- *Enhancing our business profile*. Success of the Introduction and the Privatisation will enhance the profile of our Company amongst customers, suppliers and other business partners, as well as our ability to recruit talent.

BENEFITS OF THE INTRODUCTION AND THE PRIVATISATION

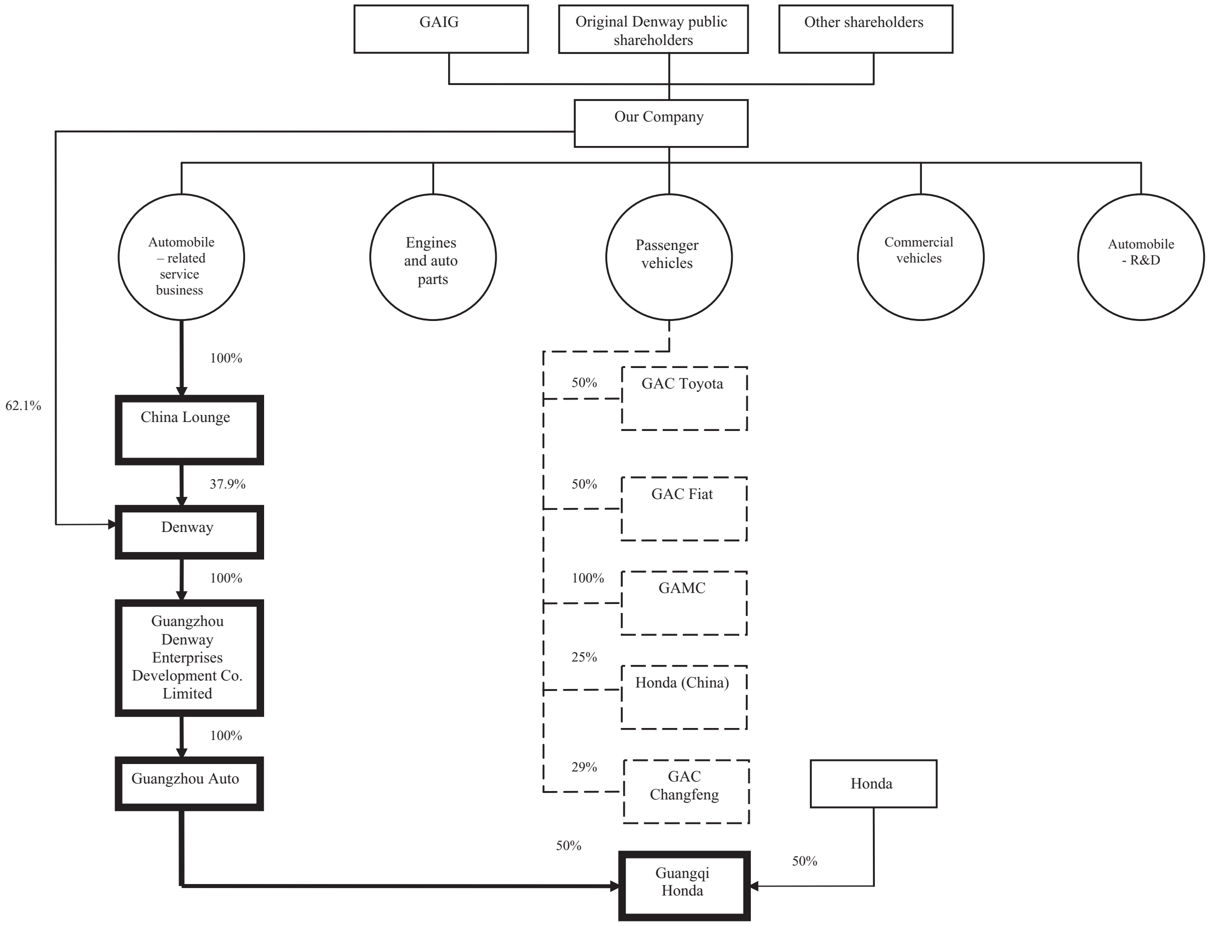
Simplified Shareholding of Our Company and Denway

The following chart sets out the simplified shareholding structure of our Company and Denway immediately before the Privatisation and the Introduction:



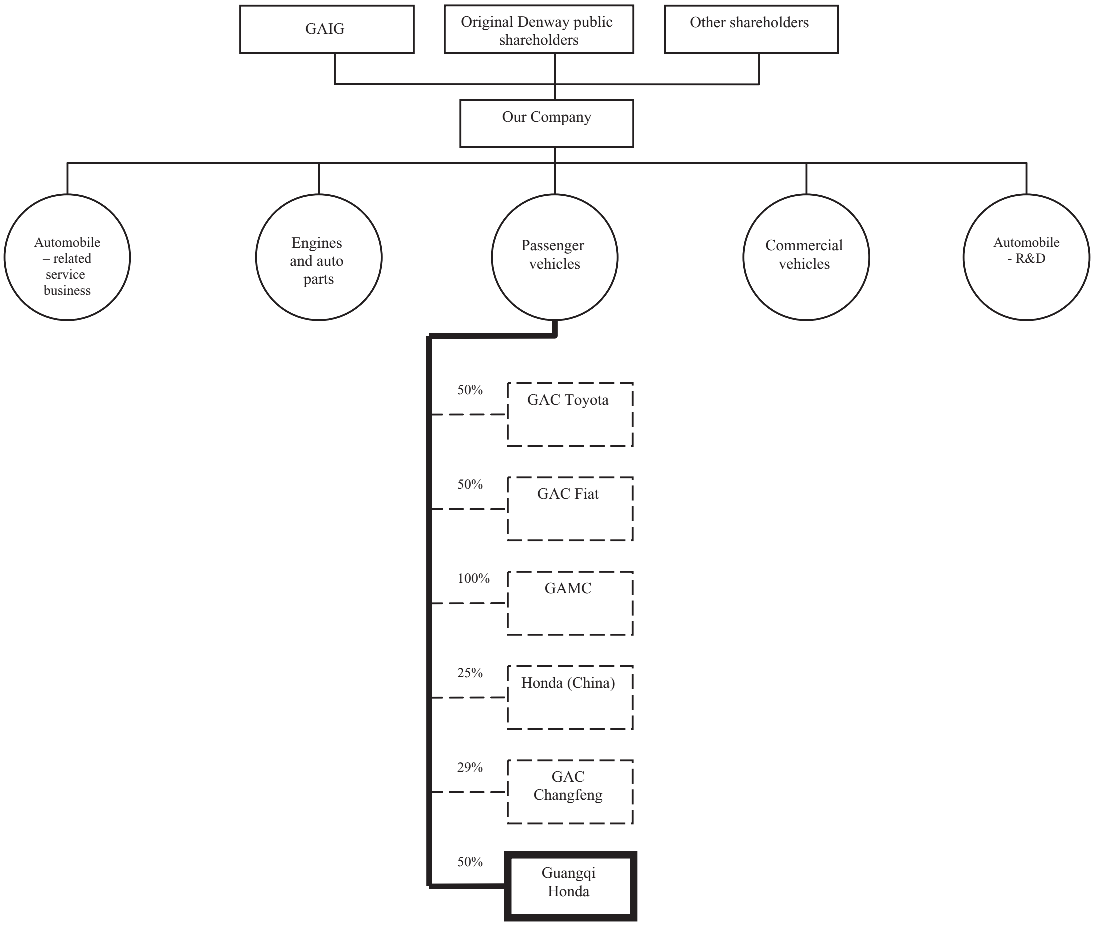
BENEFITS OF THE INTRODUCTION AND THE PRIVATISATION

The following chart sets out the simplified shareholding structure of our Company and Denway immediately after the Privatisation and the Introduction:



BENEFITS OF THE INTRODUCTION AND THE PRIVATISATION

The following chart sets out the simplified shareholding structure of our Group upon completion of our proposed internal restructuring after the Privatisation and the Introduction(1):



Note:

(1) Upon completion of the Privatisation and the Introduction, Denway will become a wholly-owned subsidiary of our Company. Subject to obtaining the necessary approvals from the relevant PRC regulatory authorities, our Company plans to rearrange the internal structure of our Group to eventually become the direct shareholder of Guangqi Honda.

Regulation of our JCEs

The JCEs of our Company and its subsidiaries are jointly controlled in each case by our Company or our subsidiaries and the relevant joint venture partner and do not constitute subsidiaries of our Company for legal or accounting purposes. The Listing Rules currently do not provide any provisions to regulate JCEs of a listed group. For the sole purpose of the Listing and applying the Listing Rules, however, our existing and future JCEs should in general be regulated in a manner consistent with the regulation of subsidiaries of a listed group (apart from Rules 13.12 to 13.19 of the Listing Rules and to the extent of waivers granted by the Stock Exchange on specific matters as referred to in this Listing Document). The JCE's activities would also need to fall within the listed group's sphere of activities, and as such subject to Rule 13.09(1) of the Listing Rules.

For the continuing connected transactions relating to the JCEs, our Company has applied for and the Stock Exchange has granted a waiver from compliance with written agreement, cap requirements, announcement and, where applicable, independent shareholders' approval requirements relating to continuing connected transactions under the Listing Rules for the duration of the terms of the respective transactions. Please see further in the section headed "Connected Transactions — Continuing Connected Transactions Relating to the Principal Jointly-controlled Entities" of this Listing Document.

For the purposes of Chapters 14 and 14A of the Listing Rules, the Stock Exchange has confirmed that the percentage ratio tests will be adjusted to include only the proportion of the transaction attributable to our Company and its subsidiaries in applying the percentage ratio tests. Transactions undertaken by the JCEs will be treated as transactions of our Company for purposes of the notifiable transaction rules in Chapter 14 of the Listing Rules. The JCEs will be considered part of our Company for purposes of applying the connected transaction requirements. Connected persons of our Company and its subsidiaries will include the directors and joint venture partners of the JCEs and their respective associates. As a result, transactions between our Company and its subsidiaries, together with the JCEs on the one hand, and (A) the joint venture partners and their associates; (B) the directors of the JCEs and their associates; and (C) the connected persons of our Company and its subsidiaries (e.g. the substantial shareholder and its associates), on the other hand, would be considered connected transactions. Further, the Stock Exchange may exercise discretion to deem transactions involving amendments to the terms of the joint venture to be connected transactions. Such decision would involve an assessment of materiality and minority shareholders' protection.

In addition, as part of the conditions to listing, (i) for Chapter 13 of the Listing Rules on continuing obligations, the JCEs will constitute "subsidiaries falling under Rule 13.25(2) of the Listing Rules"; (ii) provisions of Chapter 15 of the Listing Rules on the issuance of options, rights and warrants will apply to an issuance by the JCEs and their subsidiaries; (iii) Chapter 17 of the Listing Rules will apply to govern the share option schemes of our Company or any of its subsidiaries as well as the subsidiaries of the JCEs; and (iv) Practice Note 15 of the Listing Rules will apply to proposals to effect the separate listing on the Stock Exchange or elsewhere of assets or businesses wholly or partly within the existing group of our Company, including the operations conducted by the JCEs.

The jointly-controlled entity structure

The jointly-controlled entity structure is common in the PRC automobile industry. For example, the major passenger vehicle joint ventures of the top four PRC automobile manufacturers, namely, Shanghai Automobile Industry (Group) Corp., China FAW Group Corporation, Dongfeng Motor Corporation Group and China Changan Automobile Group, are all operating their automobile manufacturing businesses mainly through JCEs. This is a result of the PRC governmental policies and regulations which aim at encouraging cooperation between domestic and international automobile manufacturers by permitting a foreign automobile manufacturer to have no more than two sino-foreign joint ventures producing the same category of automobile and treating two foreign automobile manufacturers as one single entity if one foreign automobile manufacturer holds a controlling stake in the other. Please refer to the section headed "Industry Overview — Industry Policies Affecting the PRC Automobile Industry" of this Listing Document for further details on the PRC automobile industry policy.

Each of the major joint venture partners of our Company and its subsidiaries is a leading international automobile manufacturer. Each JCE is managed by its board of directors and senior management in which the representation of our Company (or its relevant subsidiary) and the relevant joint venture partners is proportionate to their respective shareholding in the relevant JCE. Through the co-management of the sino-foreign joint ventures, our Group is able to benefit from enhanced efficiency and advanced technology.

Control over our JCEs

Sufficient safeguards are built into the joint venture agreements and articles of association of our JCEs to ensure that our share in the economic interest of the JCEs cannot flow to entities other than our Group without our consent. The joint venture agreements or articles of association for each of the JCEs provide that the distribution of profits is in accordance with the capital contribution paid in by the joint venture partner in the relevant JCE and cannot be distributed without the approval of the directors of the relevant JCE. In addition, each of the joint venture agreements of the principal JCEs clearly sets out the distribution of the JCE's assets upon termination of the joint venture agreements such that each shareholder in a JCE is entitled to a share of the remaining assets of the JCE in proportion to its respective contribution to the registered capital of the relevant JCE.

Any amendments to the relevant joint venture agreements of the Joint Venture Companies of our Group are required to be approved by the shareholders and the board of directors of the relevant Joint Venture Company. Our Company and its subsidiaries, as shareholders of and through their representatives in the board of directors of the Joint Venture Companies, will be aware of any amendments or proposed amendments to the relevant joint venture agreements. Our Company will promptly inform its shareholders in case of any material change to the joint venture agreements of its Joint Venture Companies if and when required under the Listing Rules.

The board of each JCE in which our Company and its subsidiaries has a direct equity interest comprises directors from the joint venture partners and our Company or its subsidiaries in the same proportion as their respective equity holdings in the relevant JCE. Certain significant transactions and decisions including, among others, amendment of articles of association, alteration of registered capital and mergers or divestitures, require unanimous approval by all directors present at the directors meeting of the relevant JCE to ensure compliance of the JCEs with the continuing obligations of the Listing Rules. The principal JCEs have implemented internal control and reporting mechanisms which enable business developments and transactions that may be subject to continuing obligations under the Listing Rules to be reported to their respective boards and/or designated persons enabling both our Company and its relevant joint venture partners, through representatives on the board of the relevant

JCE and/or the designated persons, to decide whether to provide consent to such business developments and transactions.

Our Company has obtained consent to the Listing from the joint venture partners of the principal JCEs. The other joint venture partners have not raised any objections to the Listing. As each joint venture partner has representation in the board of directors of the JCE in proportion to its contribution to the registered capital of the relevant JCE, major decisions of the board of the JCEs will be subject to the approval of our Company or its relevant subsidiary (being the joint venture partner of the relevant JCE). As such and as confirmed by our PRC legal counsel, our Company is in a position to comply with the continuing obligations of the Listing Rules imposed on it, including the post-listing conditions to be imposed as part of the condition for listing (subject to any applicable waivers).

To enable investors to have the necessary information to make an informed judgment concerning our Company, information on the dividend policies of the JCEs are also set out in the section headed “Financial Information — Dividend Payment and Dividend Policies of JCEs” of this Listing Document. Our Company further confirms that it will disclose in its annual reports the aggregate dividends declared and paid by the JCEs to our Company or its relevant subsidiary (being the joint venture partner of the relevant JCE) after the Listing in the format of disclosure contained in this Listing Document.

Waiver for immaterial JCEs

As it would be unduly burdensome and would add unnecessary administrative burden and costs for our Company to comply with the requirements of Chapters 14 and 14A of the Listings Rules in respect of certain immaterial JCEs which are of insignificant contribution to our Group, our Company has applied and the Stock Exchange has granted a waiver from strict compliance with the requirements of Chapters 14 and 14A of the Listing Rules in respect of immaterial JCEs subject to the condition that such immaterial JCEs should not exceed 5% of the profits, revenue or asset percentage ratios of our Group for the relevant period (calculated on a proportionate basis), being the latest financial year before the date of the transaction in question. Where such 5% threshold (calculated on a proportional basis) is exceeded by an immaterial JCE, it would be required to re-comply with the continuing obligations under the Listing Rules as a deemed subsidiary. The test will be reviewed on a yearly basis. Where an immaterial JCE is not exempt in any financial year as a result of exceeding the 5% threshold in the preceding financial year, it would be deemed as a subsidiary in the following financial year and be subject to the notifiable and connected transaction requirements in the following financial year. In the case of continuing connected transactions entered into in a preceding financial year (where the immaterial JCEs was exempted), Rule 14A.41 of the Listing Rules would apply to require compliance in the following financial year if the 5% threshold is exceeded. For the purpose of this waiver, an immaterial JCE means a JCE where all of its assets, revenue and profits ratios are below 5%.

Our Company further confirms that it will continuously monitor the size of our JCEs and in the event that any immaterial JCE becomes a principal JCE (i.e. when any of its assets, revenue or profits ratios is 5% or above) or when a principal JCE ceases to be material to our Group (i.e. all of its assets, revenue and profits ratios are below 5%), we will notify the Exchange and disclose such information in the interim and annual reports of our Company for the relevant financial year.

INDUSTRY OVERVIEW

This section contains information and statistics relating to the industries that we operate in and certain related industry sectors. The information in the section below has been derived, in part, from various official government publications and the Directors and the Joint Sponsors have taken reasonable care in the reproduction of such information. This information has not been independently verified by our Company, or any of our affiliates or advisors, nor any of the Joint Sponsors or any of their respective affiliates or advisors. The information may not be consistent with other information complied within or outside the PRC. In addition, certain financial information and data contained in this section, including those relating to us, have been determined in accordance with PRC GAAP and differ from the financial information or data of our Company presented elsewhere in this Listing Document. We make no representation as to the completeness or accuracy of the information contained herein and accordingly such information should not be unduly relied on.

OVERVIEW OF THE PRC AUTOMOBILE INDUSTRY

The PRC automobile industry has experienced strong growth since 1990s. The rapid growth of the PRC economy created enormous market demand for both passenger and commercial vehicles in the PRC. The annual automobile production and sales volume in the PRC exceeded 2.0 million units for the first time in 2000. This number doubled to more than 4 million units in 2003 and quadrupled to more than 9 million units in 2008. After the relatively slower growth in sales volume during 2008 primarily affected by global financial crisis, the PRC automobile industry recovered and experienced double-digit growth in sales volume, reaching 13.6 million units in 2009. In addition, globalization, demand saturation in developed countries and increasing global competition among automobile manufacturers have also added pressure on the more mature automobile markets, which drove automobile production to areas with lower production costs and growing demand, such as the PRC.

The PRC has, as a result, become a major player in the global automobile market in terms of production output and sales volume. According to the Automotive Information Platform (Marklines), the PRC produced approximately 13.8 million vehicles in 2009. This was an increase of approximately 47.6% from 2008 and propelled the PRC to become the largest automaker in the world in 2009.

Global ranking of auto output in 2009

Rank	Country	Units produced in 2009 (millions)	% change from 2008
1	**PRC**	**13.8**	**47.6%**
2	Japan	7.9	-31.4%
3	United States	5.7	-34.3%
4	Germany	5.2	-13.8%
5	South Korea	3.5	-8.2%

Source: Automotive Information Platform (www.marklines.com)

From 2006 to 2008, the PRC was the world's second largest automobile market in terms of the number of vehicles sold, ranking only behind the United States. In 2009, the PRC became the world's largest automobile market with approximately 13.6 million units sold in 2009, representing a considerable increase of 45.5% from 2008.

Global ranking of auto sales in 2009

Rank	Country	Units sold in 2009 (millions)	% change from 2008
1	**PRC**	**13.6**	**45.5%**
2	United States	10.4	-21.3%
3	Japan	4.6	-9.2%
4	Germany	4.0	17.6%
5	Brazil	2.7	10.0%

Source: Automotive Information Platform (www.marklines.com)

The following table shows the annual production and sales volumes of vehicles in the PRC from 2005 to 2009:

	Unit '000					
	2005	2006	2007	2008	2009	CAGR
Production	5,718	7,280	8,882	9,345	13,791	24.6%
Sales	5,767	7,216	8,792	9,381	13,645	24.0%

Source: China Automobile Industry Newsletter of Production and Sales, 2005-2009 Issue 1 and Issue 7 of 2009

The annual revenue derived from sales of automobiles and automobile related products in the PRC increased notably from RMB913.4 billion in 2004 to RMB1,876.7 billion in 2008. The following table shows the revenue growth derived from sales of automobiles and automobile related products in the PRC from 2004 to 2008.

Annual revenue derived from sales of automobiles and automobile related products from 2004 to 2008

	RMB billion					
	2004	2005	2006	2007	2008	CAGR
Annual revenue	913.4	1,010.8	1,381.9	1,720.1	1,876.7	19.7%

Source: 2009 China Automobile Industry Yearbook

Increase in the production volumes of vehicles in China surpassed the worldwide increase in production volumes from 2004 to 2008. The PRC's automobile industry recorded a CAGR of 16.5% in production volumes from 2004 to 2008. While global production of automobiles grew from 64.1 million units in 2004 to 69.5 million units in 2008, representing only a CAGR of 2.1%. From 2004 to 2007, the increase in production volume of automobiles in the PRC contributed to approximately 42.7% of the increase in global production volume of automobiles. In 2008, despite the global financial crisis and the decrease in global production volumes by 4.8%, the production of automobile in the PRC achieved an annual growth of 5.2% in production volumes, and the PRC was the only country that realised growth in 2008 among the top five countries in terms of automobile production volumes.

According to the CAAM, from 2005 to 2009, the production of passenger vehicles showed much stronger growth than the production of commercial vehicles in the PRC. Passenger vehicles as a percentage of total vehicle production in the PRC increased from 68.9% in 2005 to 75.3% in 2009. The production of passenger vehicles grew from 3.9 million units in 2005 to 10.4 million units in 2009, achieving a CAGR of 27.4% over this period. During the same period, the production of commercial vehicles increased from 1.8 million units to 3.4 million units, representing a CAGR of 17.7%.

INDUSTRY POLICIES AFFECTING THE PRC AUTOMOBILE INDUSTRY

The PRC automobile industry is regulated by the PRC government and shaped by the relevant industry policies. On 21 May 2004, the NDRC promulgated the Automobile Industry Development Policy for the automobile sector aiming to strengthen the PRC automobile industry, enhance its international competitiveness, enable it to better prepare itself for the challenges resulting from the PRC's entry into the WTO and ensure its healthy and sustainable growth. According to this policy, the following goals are expected to be accomplished by 2010:

- the PRC is to become one of the major automobile manufacturing countries in the world. domestic automobile production should aim to meet domestic and international demand for automobiles and automobile related products in bulk.
- the PRC is to have its own domestically and internationally recognised brands of automobiles and automobile-related products.
- the PRC is to develop its own internationally competitive automobile manufacturing conglomerates which should rank among the top 500 companies globally.

The PRC Automobile Industry Policy sets out, among others, two key strategies: (1) encouraging international cooperation between domestic and international automobile manufacturers, with the aim of introducing the PRC to cutting edge technology and experience in the manufacture of automobile products and the management of automobile production and sale operations; (2) supporting the development of domestic proprietary brand products, developing independent technical innovation and proprietary brand products with the relevant intellectual property rights fully owned by domestic manufacturers.

Encouraging cooperation between domestic and international manufacturers

To encourage cooperation between domestic and international automobile manufacturers, the PRC government permits a foreign automobile manufacturer to have no more than two sino-foreign joint ventures producing the same category of automobile. The PRC government also treats two foreign automobile manufacturers as one single entity if one foreign automobile manufacturers holds a controlling stake in the other. Accordingly, such flexibility enables any joint venture partner of a domestic manufacturer to enter into multiple competing joint ventures if these conditions are met. Pursuant to the PRC Automobile Industry Development Policy, the shareholding percentage of the Chinese party in a Sino-foreign joint venture that manufactures finished vehicles, specialty vehicles, agricultural transport vehicles or motorcycles shall not be less than 50%. As a result, the manufacture of passenger vehicles in the PRC are mainly conducted through Sino-foreign joint ventures and accordingly, it became a common practice in the Chinese automobile industry for such joint ventures to be established as and operated through JCEs. For example, the major passenger vehicle joint ventures of the top four PRC automobile manufacturers, namely, Shanghai Automobile Industry (Group) Corp, China FAW Group Corporation, Dongfeng Motor Corporation Group, China Changan Automobile Group, are all operating their automobile manufacturing businesses mainly through JCEs. As a result, a substantial part of the incomes and profits of these top automobile manufacturer groups mentioned above are generated from JCEs.

Supporting the development of domestic proprietary brand of automobile products

The PRC government provides, among others, certain financial supports (such as tax benefits and subsidies) to PRC automobile manufacturers in respect of their R&D activities to develop the PRC's domestic proprietary brand of automobiles. For example, as disclosed by most of the PRC automobile manufacturers which produce their own proprietary brand of automobiles, they received additional government subsidies to compensate operating expenses relating to R&D and production of proprietary brand of automobiles in the past three years. This strategy stimulated the development and expansion of domestic automobile manufacturers which produce proprietary band of automobiles, resulting in the increase in total annual sales volumes of the proprietary brand of automobiles. For instance, in 2009 such manufacturers sold 2.2 million units of proprietary brand of sedans, representing 29.7% of total sales volume of sedan in 2009 and an increase of 69.5% compared with that in 2008.

By supporting the development of domestic proprietary brand of automobile products, this initiative has stimulated the development and expansion of manufacturers in the PRC which produce their own proprietary brand of automobiles. The Directors believe such government support and subsidy will continue and will further promote the development and sales of the PRC domestic proprietary brand of automobiles.

Automobile Industry Adjustment and Revival Plan of 2009

The automobile industry is considered a pillar industry of the PRC economy and critical to the modernization and urbanization in the PRC. In order to counter the adverse effect that the 2008 global financial crisis had on the global automobile industry, the State Council introduced Automobile Industry Adjustment and Revival Plan in the first quarter of 2009, with a view to encourage a sustainable automotive market and boost domestic consumer confidence through a series of measures.

This plan is valid from 2009 to 2011 and sets out 8 main tasks: (1) breeding the automobile consumer market; (2) promoting the restructuring of the automobile industry; (3) supporting the independent innovation of enterprises; (4) implementing the technological transformation of the industry; (5) implementing the strategy for new energy vehicles; (6) implementing the strategy for self-owned strategy; (7) implementing the strategy on export of automotive products; and (8) developing the modern automotive service industry.

In order to achieve the above tasks, the PRC government adopts 11 specific policy measures: (1) reducing passenger vehicle purchase tax; (2) implementing the strategy to encourage the sales of the automobiles in rural China; (3) accelerating the disposal and renovation of old cars; (4) eliminating unreasonable administrative provisions regarding car purchase; (5) promoting and regulating automobile consumption credit; (6) promoting and regulating the development of the second-hand car market; (7) accelerating the construction of urban road system; (8) perfecting the restructuring policy of PRC automobile enterprises; (9) increasing investment in technological advances and technological transformation; (10) promoting the energy-saving and new energy vehicles; and (11) implementing and improving the "Automobile Industry Development Policy".

Supporting the development of new energy vehicles

The PRC government provides, among others, certain industry policies to encourage the development of new energy vehicles which aim to stimulate the development and market growth of new energy vehicles in China.

The Ministry of Finance and the Ministry of Science and Technology jointly issued a "Notice on Promotion of Energy-Saving and New Energy Vehicle Model" on 23 January 2009, which stipulates specific promotion policies, including but not limited to, promoting and using energy-saving and new energy vehicles with the encouragement of financial policy for public service, such as bus and taxi in 13 major cities. Meanwhile, the "Automobile Industry Adjustment and Revival Plan" issued by State Council in 2009 which aims to encourage the expansion of the production capacity of new energy vehicles such as pure electric vehicles and hybrid electric vehicles amounted to 500,000 units by the end of 2011. It is expected that the sales volume of new energy vehicle will account for about 5% of the total sales volume of passenger vehicles by the end of 2011. It is also expected that a new policy to provide subsidy to purchasers of new energy vehicles will be issued in the second half of 2010, which will facilitate the sales and expansion of new energy vehicles in PRC automobile market. The Directors believe that such government support will benefit our Company to develop new energy vehicle business which will further promote our market position and sales revenue.

FACTORS PROMOTING PRC AUTOMOBILE DEMAND

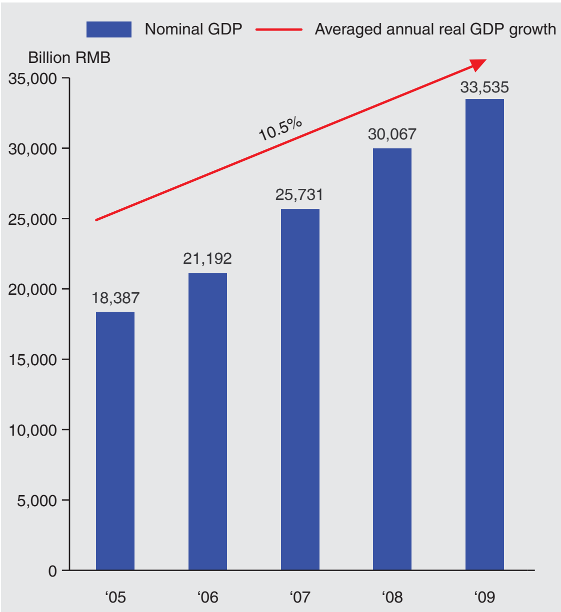
We believe that the following factors have contributed, and will continue to contribute to the development of the PRC automobile industry:

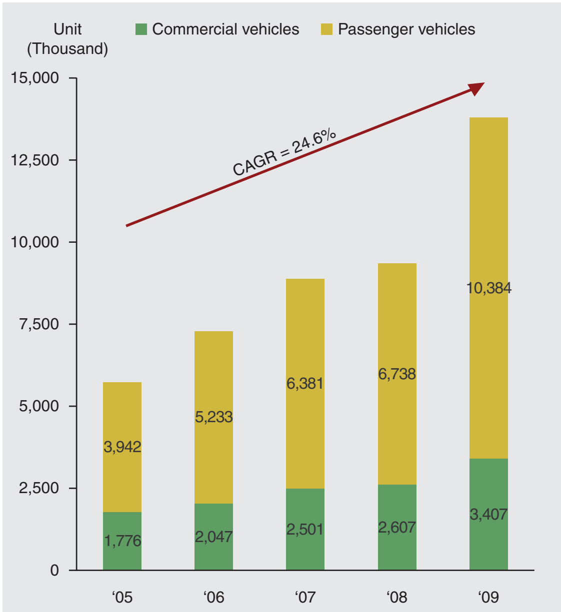
- The PRC's rapid economic growth driving urbanization and personal wealth growth
- Increased investment in improving transportation infrastructure
- Government policies encouraging the production and sales of automobiles

The PRC's rapid economic growth driving urbanization and fast personal wealth growth

The rapid growth of the PRC economy has, to a large extent, led to the rapid development of the PRC automobile industry. The PRC's growing GDP has resulted in urbanization and the improvement of the standards of living in the PRC, which generated a strong demand for automobiles. We believe that the continuing growth of the PRC economy will generate greater demand for automobiles and automobile related products, which will further accelerate the expansion of the PRC automobile industry.

2005 — 2009 Production Volume of Vehicles in the PRC





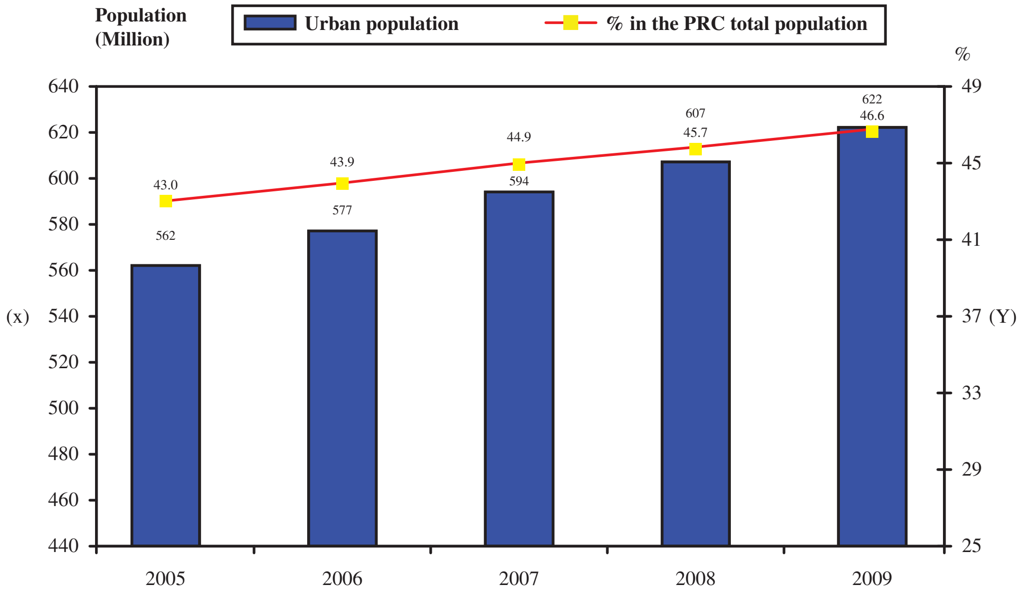
Source: National Bureau of Statistics of China

Source: China Automotive Industry Newsletter of Production and Sales, Issue 1 of 2006-2010

The rapid growth of the PRC economy has contributed to the accelerated growth of the PRC automobile industry. The PRC economy averaged a 10.5% annual real GDP growth between 2005 and 2009, which ranks among the fastest growing economies globally. In 2009, the PRC recorded a GDP of RMB33,535 billion, representing a year on year increase of 8.7%. In particular, the increased urbanization and the improved living standards in the PRC generated strong domestic demand for automobiles and automobile related products.

Urbanization in the PRC has created tremendous opportunities for the automobile industry as urban residents desire greater mobility and alternative modes of transportation. The PRC has become increasingly urbanized over the last 5 years. The following chart shows the growth in the urban population in the PRC between 2005 and 2009.

Urban population in the PRC between 2005 and 2009



Source: National Bureau of Statistics of China

According to the PRC National Statistics Bureau, the per capita disposable income of PRC's urban residents was approximately RMB10,493 in 2005. By 2009, this number had risen to approximately RMB17,175, representing a CAGR of approximately 13.1%. The high savings rate in the PRC also provides a solid base for the demand for automobiles and automobile related products. The saving deposits of PRC's residents increased from RMB14.1 trillion in 2005 to RMB26.1 trillion in 2009. The following table shows the increase of per capita disposable income of urban residents and total saving deposit of PRC's residents between 2005 and 2009:

Per capita disposable income & savings deposits in the PRC between 2005 and 2009

	RMB					
	2005	2006	2007	2008	2009	CAGR
Per capita disposable income of urban residents	10,493	11,759	13,786	15,781	17,175	13.1%
Saving Deposits in urban and rural areas	14.1 trillion	16.2 trillion	17.3 trillion	21.8 trillion	26.1 trillion	16.6%

Source: National Bureau of Statistics of China

Prior to the PRC's economic transition in the early 1980s, the majority of passenger vehicles in the PRC were purchased by the PRC government. Until 1998, only less than one-third of the total civil vehicles in the PRC are privately owned. In recent years, however, the rising per capita income and increasing wages in the PRC have led to increasing private purchases of motor vehicles. By 2009, the number of privately owned vehicles had risen to approximately 52.2 million units, and accounted for approximately 68.5% of the total number of civil vehicles in China.

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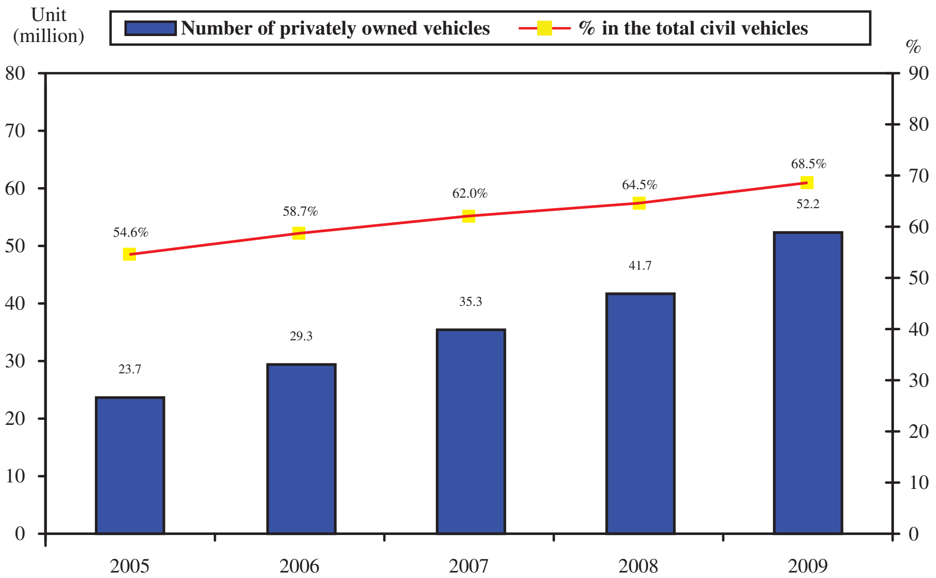
From 2005 to 2009, the total civil vehicles in the PRC increased from 43.3 millions units to approximately 76.2 million units, representing a 15.2% CAGR. During the same period, vehicles privately owned in the PRC increased from 23.7 million in 2005 to 52.2 millions in 2009, representing a CAGR of 21.9%. During this period, the increase in privately owned vehicles contributed to approximately 86.7% of the total increase of civil vehicles in China.

The following chart shows the increase in the number of privately owned vehicles in the PRC and the percentage such vehicles represent versus the total number of civil vehicles in China between 2005 and 2009:

Number of privately owned vehicles in China



Source: National Bureau of Statistics of China.

Private households, taxi operators and corporations are currently the three main sources of demand for passenger vehicles in the PRC. Most passenger vehicle purchasers are making their first purchase and private purchases are expected to be the major source of future passenger vehicle sales. As of 31 December 2009, the rate of vehicle ownership was 57 vehicles per 1,000 people in the PRC, as compared to the global average of approximately 140 vehicles per 1,000 people. We expect that with the continuing growth in disposable income per household, the passenger vehicle market in the PRC has significant potential for growth.

Increased investment in improving transportation and other infrastructure

The substantial input by the PRC government on the construction of transportation infrastructure has fueled the demand for automobiles in the PRC. The total length of PRC's highways has grown approximately 3.9% per annum from 2006 to 2008, from approximately 3.5 million kilometres in 2006 to approximately 3.7 million kilometres in 2008. Further highway extensions are expected to promote increased use of automobiles. Moreover, to facilitate and accelerate inter-city travel and transportation, the PRC government has focused on the construction of expressways. From 2006 to 2008, the total length of expressways increased from approximately 45,300 kilometres in 2006 to approximately 60,300 kilometres in 2008, representing a CAGR of 15.4%.

The following table shows the total length of highways and expressways in the PRC between 2006 and 2008.

	'000 km			
	2006	2007	2008	CAGR
Highways	3,457.0	3,583.7	3,730.2	3.9%
Expressways	45.3	53.9	60.3	15.4%

Source: China Transportation Statistical Information Website

The increase in the length of highways and expressways further facilitates inter-city travel and cargo transportation, which in turn has boosted automobile sales as the use of both passenger vehicles and commercial vehicles has increased accordingly. The PRC government has been putting enormous efforts into constructing inter-city highways. According to the PRC government's highway construction plan (《國家高速公路網規劃》), it is expected that 90% of PRC cities with a population of over 200,000 will be linked by highways by 2010. It is further expected that greater opportunities for inter-city travel will be created, leading to a corresponding increase in the demand for both commercial and passenger vehicles.

Government policies encouraging the production and sale of automobiles

It is the PRC government's aim that, by 2010, domestic demand for automobiles will be largely satisfied by domestically manufactured products. Please refer to the paragraph headed "Industry Overview — The Industry Policies Affecting the PRC Automobile Industry — Supporting the development of domestic proprietary brand of automobile products" of this Listing Document for more details.

In response to the impact brought by the global financial crisis, the Chinese government promulgated the "Automobile Industry Adjustment and Revival Plan" in the first quarter of 2009 and adopted a spate of measures to promote the development of the domestic automobile market. This large stimulus package includes supporting alternative fuel and electric vehicles, revoking regulations that restrained new car purchases and cutting vehicle purchase tax. The stimulus package has greatly boosted the domestic automobile market. Due to the promotion efforts of such policy, the automobile production and sale volumes of the PRC in 2009 reached 13.8 million units and 13.6 million units respectively, representing a 48.30% and 46.15% growth over 2008 respectively. This allow China to outpace the US to become the largest automobile manufacturer in the world in terms of production and sales volumes. As for the automobile production and sales volumes, those relating to passenger vehicles amounted to 10.4 million units and 10.3 million units respectively, representing a year-on-year increase of 54.11% and 52.93% respectively; those relating to commercial vehicles amounted to 3.4 million units and 3.3 million units respectively, representing a year-on-year increase of 33.02% and 28.39% respectively. Particularly, under the policy launched in 2009 to encourage the automobile consumption, there was a substantial cut in the purchase tax for the purchase of sedans with displacement of 1.6L or below, which resulted in a relatively considerable increase in the sales volume of sedans with displacement of 1.6L or below. Benefiting from such policy, the sale volume of the 1.5L models City (Fengfan) of the Company, a new product launched to the market, reached 101,956 units, and, by taking into account of the sales of the 1.8L model City (Fengfan), the total sales of City (Fengfan) amounted to 113,191 units in 2009.

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In addition, pursuant to the "Automobile Industry Adjustment and Revival Plan" of 2009, in order to facilitate the restructuring of the automobile industry, the State encouraged large scale automobile group companies, including our Group, to implement merger and restructuring initiatives either on a nation wide or regional basis. This has created favourable external policy environment for the Company to effect future expansion by way of merger and acquisition.

Furthermore, due to the speedy growth of the PRC automobile industry, the China Banking Regulatory Commission ("CBRC") issued a new "Administrative Rules Governing Auto Financing Companies" in January 2008, seeks to further develop the market for automobile financing, expanding opportunities for people to purchase automobiles. Compared with the "Administrative Rules Governing Auto Financing Companies" issued in 2003, the new Administrative Rules explored additional finance channels for auto financing companies, introduced six new businesses and extensively improved the development of auto financing companies. Specifically, the additional finance channels allow the auto financing companies to issue finance bonds, enjoy the benefits from the inter-bank borrowing business, and expand the range of accepting the deposits. The six new businesses include: (1) accepting the automobile distributors' loan guaranty for selling vehicles and the lessees' automobile lease guaranty; (2) issuing finance bonds after approval; (3) conducting inter-bank borrowing business; (4) providing automobile finance lease business (excluding the after-sale leaseback business); (5) conducting the sales and disposal business on the residual value of the leased automobiles; and (6) conducting the business on the investment in the equity of the financial institutions relating to auto financing business after approval. These rules successfully established the auto financing company ("AFC") in China and strengthened the management of auto financing services. As at the Latest Practicable Date, ten auto financing companies have been approved by the PRC government. As a result, these additional finance channels and six new businesses will extensively develop the auto financing companies in the PRC market.

Thus, the Company took its initiative to become well prepared for capping into the auto finance sector and to jointly establish GAC-SOFINCO Automobile Finance Co., Ltd. with SOFINCO. Such joint venture application was approved by the CBRC in November 2009 and was established on 25 May 2010. We expect that the new "Administrative Rules Governing Auto Financing Companies" will have a positive impact to our future financing business.

Please refer to the section headed "Appendix VI — Summary of Principal PRC Legal and Regulatory Provisions — 6. The Regulation of the PRC Automobile Industry — Automobile Financing" for further details of the PRC regulations relating to auto financing in the PRC.

DOMESTIC AUTOMOBILE MANUFACTURERS

The PRC government implemented (a) encouraging the international cooperation between domestic and international automobiles manufacturers, and (b) supporting the development of domestic proprietary brand products to shape new landscape of the PRC automobile industry. In 2008, the top ten automobile groups in the PRC accounted for approximately 83.4% of total sales volumes of automobile products in the PRC. The following table lists the top five PRC vehicle manufacturers in 2008 by revenue:

Automobile Manufacturer	Revenue 2008
	(RMB billion)
Shanghai Automobile Industry Corporation (Group)	227.1
China FAW Group Corporation	219.2
Dongfeng Motor Corporation	197.7
Guangzhou Automobile Industry Group	102.3
Beijing Automobile Industry Holding Co., Ltd	70.3

Source: 2009 China Automotive Industry Yearbook.

The following table lists the top ten PRC vehicle manufacturers in 2009 by sales volume:

Automobile Manufacturer	Sales Volume 2009
	(Units '000)
Shanghai Automobile Industry Corporation (Group)	2,706
China FAW Group Corporation	1,945
Dongfeng Motor Corporation	1,898
China Changan Automobile Co., Ltd.	1,870
Beijing Automobile Industry Holding Co., Ltd	1,243
Guangzhou Automobile Industry Group	**607**
Chery Automobile Co., Ltd	500
BYD Co., Ltd.	448
Huachen Automotive Group Holdings Company Limited	348
Zhejiang Geely Holding Group Co., Ltd	329

Source: China Automotive Industry Newsletter of production and sales, Issue 1 of 2010.

MAJOR MARKET SEGMENTS

According to the vehicle categorization standards implemented by CAAM in 2005, vehicles are divided into passenger vehicles and commercial vehicles. Passenger vehicles include sedans, MPVs, SUVs and CUVs. Commercial vehicles consist of trucks and buses (not including mini-buses or light buses with a passenger capacity of less than nine seats).

In 2009, the market share of passenger vehicles and commercial vehicles in terms of sales volume was approximately 75.7% and 24.3%, respectively. The most significant change in the PRC's automobile sales in recent years has been the rise in passenger vehicle sales as a result of reduced passenger vehicle prices and increased private wealth.

The following table shows the annual production of passenger vehicles and commercial vehicles in the PRC from 2007 to 2009:

	Units '000			
	2007	2008	2009	CAGR
Passenger vehicles	6,381	6,738	10,384	27.6%
Commercial vehicles	2,501	2,607	3,407	16.7%

Source: China Automotive Industry Newsletter of production and sales, Issue 1 of 2008-2010

Passenger vehicles

Sino-foreign joint ventures dominate the production of PRC's passenger vehicles which allowed PRC vehicle manufacturers to leverage on globally recognised brands and technologies from their international partners. At present, an international partner may only hold up to 50% of the equity interest in a vehicle producing joint venture. Domestic manufacturers producing their own proprietary brand automobile typically face competition from sino-foreign joint ventures in terms of product quality and technology, but are generally more competitive in terms of price and value-to-price ratios. Quality, technology, product variation, after-sale service and an international sales and marketing network are among the major challenges that domestic automobile manufacturers face.

The accelerated urbanization and the increased per capita income of urban residents in China contributed to a great demand for various passenger vehicles. For the year ended 31 December 2009, sedans, MPVs, SUVs and CUVs accounted for approximately 72.3%, 2.4%, 6.4%, 18.9%, respectively, of the total number of passenger vehicles sold in the PRC.

The following table shows the sales volume of sub-categories of passenger vehicles from 2007 to 2009.

	Units '000			
	2007	2008	2009	CAGR
Sedan	4,727	5,047	7,473	25.7%
MPV	226	197	249	5.0%
SUV	357	448	659	35.8%
CUV	988	1,064	1,950	40.5%

Source: China Automotive Industry Newsletter of production and sales, Issue 1 of 2008-2010

Sedan

Sedan represents the major part of passenger vehicles sales in the PRC, comprising 75.1%, 74.7% and 72.3% of the total sales volume of passenger vehicles in 2007, 2008 and 2009, respectively. At present, the PRC sedan market are mainly comprised of "self-owned brands" products and "joint venture brands" products. The joint venture brands commands a majority of the PRC market and can be divided into the categories as Japanese series, German series, American series, Korean series and French series based on the geographical origin, of which the Japanese series owns the highest sales volume in the PRC market which comprises 24.9% of the total sales volume in 2009. Our Japanese series sedans are also well-received by the customers in the PRC market. Benefiting from the stimulus policy of auto industry, especially the reduction of the purchase tax for the purchase of sedans with displacement of 1.6L or below, in 2009, the total sale volume of sedan is 7.5 million, representing a strong increase of 25.7% comparing to 2008.

INDUSTRY OVERVIEW

Company name	Sales volume (unit ’000)	
	2008	2009
Shanghai Automotive Industry (Group) Corporation	964	1,527
China FAW Group Corporation	1,237	1,490
Dongfeng Motor Corporation	689	1,050
China Changan Automobile (Group) Co., Ltd.	368	652
Beijing Automotive Industry Holding Co., Ltd.	276	541
Guangzhou Automobile Industry Group	**495**	**540**
Subtotal	4,029	5,800
Total market share	*79.8%*	*77.6%*

Source: China Automotive Industry Newsletter of Production and Sales, Issue 1 of 2010

Most automobile manufacturers are increasing their production, indicating optimism in the PRC automobile market’s long term growth potential. Over the past three years, the production of sedans has increased from approximately 4.8 million units in 2007 to 7.5 million units in 2009, with further capacity expansions in progress or being planned by most automobile manufacturers.

Sedan market can generally be divided into five segments, namely, mini sedan, economy sedan, mid-end sedan, mid-to-high-end sedan and high-end sedan.

Mid-to-high-end sedans have a wheelbase of 2.60 to 2.80 meters and displacements of 1.8L-2.5L, the market prices of which normally range from RMB180,000 to RMB250,000. As economy recovered, mid-to-high end sedans reached a sales volume of 1.1 million in 2009, representing an increase of 23.9% comparing to 2008. The following table sets out the market shares and the annual growth rates of mid-to-high-end sedan in the overall sedan market from 2007 to 2009.

	2007	2008	2009
Market share of mid-to-high-end sedan	18.7%	18.0%	15.1%
Annual growth rate	26.3%	2.5%	23.9%

Source: China Automotive Industry Newsletter of Production and Sales, Issue 1 of 2008-2010

The mid-to-high end sedan market accounts for 15.1% of the total sedan market in the PRC in 2009 in terms of sales volume. Besides us, the other major manufacturers of mid-to-high end sedans include Shanghai GM, FAW CAR and Shanghai VW. The top five best selling models in this market segment in 2009 are Guangqi Honda Accord, GAC Toyota Camry, Shanghai VW PASSAT Lingyu, Dongfeng Nissan New Teana, and FAW Mazda 6, and together they commanded a total market share of 56.3% in terms of sales volume, among which GAC Toyota Camry and Guangqi Honda Accord commanded a total market share of 29.5% in terms of sales volume.

Model name	Sales volume (unit ’000)		Market share (percentage)	
	2008	2009	2008	2009
Guangqi Honda Accord	170.5	175.4	18.8%	15.6%
GAC Toyota Camry	152.8	156.2	16.8%	13.9%
Shanghai VW PASSAT Lingyu	89.5	111.3	9.9%	9.9%
Dongfeng Nissan New Teana	43.5	108.5	4.8%	9.6%
FAW Mazda 6	69.8	81.6	7.7%	7.3%
Subtotal	526.1	633.0	58.0%	56.3%

Source: China Automotive Industry Newsletter of production and sales, Issue 1 of 2009-2010.

The mid-end sedans have a wheelbase of 2.45-2.65 meters and displacements of 1.6L-2.0L, the market prices of which are normally within the range from RMB80,000 to RMB180,000. In 2009, the sales volume of mid-end sedans amounted to 4.0 million units, representing a 54.8% increase from 2008. The following table sets out the market share and annual growth rate of mid-end sedans in the overall sedan market from 2007 to 2009:

	2007	2008	2009
Market share of mid-end sedan	49.3%	51.7%	54.1%
Annual growth rate	35.3%	12.0%	54.8%

Source: China Automotive Industry Newsletter of Production and Sales, Issue 1 of 2008-2010

The mid-end sedan segment occupies the largest market share in overall sedan market in the PRC, as commanding the market share of 54.1% in 2009 comparing to 51.7% in 2008.

Guangqi Honda City (Fengfan) is our first mid-end sedan model, which was upgraded from the model of Guangqi Honda City. The sales volume of Fengfan reached 113,191 units in 2009, which was an impressive record for a newly launched model. The major manufacturers of mid-end sedans in the PRC include FAW VW, Shanghai VW, Beijing Hyundai and Shanghai GM.

The top five best selling models in the mid-end sedans market segment in 2009 are BYD F3, Shanghai GM Excelle, Beijing Hyundai Elantra Yuedong, FAW VW Jetta and Shanghai VW Santana, and together they commanded a market share of 29.8% in terms of sales volume.

Model name	Sales volume (unit ’000)		Market share (percentage)	
	2008	2009	2008	2009
BYD F3	136.8	291.0	5.2%	7.2%
Shanghai GM Excelle	175.5	241.2	6.7%	6.0%
Beijing Hyundai Elantra Yuedong	86.0	239.4	3.3%	5.9%
FAW VW Jetta	202.3	224.9	7.7%	5.6%
Shanghai VW Santana	197.9	205.6	7.6%	5.1%
Subtotal	798.5	1202.1	30.5%	29.8%

Source: China Automotive Industry Newsletter of Production and Sales, Issue 1 of 2009 and 2010

Economy sedans have a wheelbase of 2.35 to 2.55 meters and displacements of 1.3L-1.6L, the market prices of which are normally within the range from RMB60,000 to RMB100,000. As a result of the consumption tax benefits for sedans with displacements of 1.6L or below, economy sedans achieved a highest growth rate of 59.1% among the five segments in 2009, and further increased its market share in the overall sedan market from 15.1% in 2008 to 16.2% in 2009. The sales volume of economy sedans amounted to 1.2 million units in 2009. The following table sets out the annual growth rates and the market shares of economy sedan in the overall sedan market from 2007 to 2009.

	2007	2008	2009
Market share of economy sedan	16.0%	15.1%	16.2%
Annual growth rate	15.8%	0.6%	59.1%

Source: China Automotive Industry Newsletter of Production and Sales, Issue 1 of 2008-2010

Economy sedans produced by our JCEs and associated companies include the GAC Toyota Yaris, the Guangqi Honda City, the Guangqi Honda Fit and the Honda Jazz which together commanded a total market share of 7.8% in terms of sales volume in 2009. In addition, other major economy sedan manufacturers in the PRC include: Geely Automobile, Shanghai VW, Shanghai GM and Dongfeng Motor. The top five best selling models in this market segment are Shanghai GM Lova, Geely Ziyoujian, Shanghai VW POLO, Dongfeng Motor Livian, and Chang'an Alsvin, and together they commanded a total market share of 41.2% in 2009 in terms of sales volume.

Model name	Sales volume (unit '000)		Market share (percentage)	
	2008	2009	2008	2009
Shanghai GM Lova	107.4	119.0	14.1%	9.8%
Geely Ziyoujian	81.1	113.7	10.7%	9.4%
Shanghai VW POLO	67.9	106.3	8.9%	8.8%
Dongfeng Motor Livian	70.0	98.7	9.2%	8.2%
Chang'an Alsvin	0.0	60.4	0.0%	5.0%
Subtotal	326.4	498.1	42.9%	41.2%

Source: China Automotive Industry Newsletter of Production and Sales, Issue 1 of 2009 and 2010

MPV

MPV is generally more spacious than sedan and used for business, recreation and other purposes. The demand for MPVs has been stable in recent years. The sales volume of MPVs increased from 225,745 units in 2007 to 248,943 units in 2009, representing a CAGR of 5.0%.

	2007	2008	2009
Market share of MPV in total Passenger Vehicles	3.6%	2.9%	2.4%
Annual growth rate	18.1%	-12.6%	26.1%

Source: China Automotive Industry Newsletter of Production and Sales, Issue 1 of 2008-2010

In general, the MPVs produced by joint ventures are characterised by high technology and luxury while those with proprietary brands are priced lower for similar specifications. We produce Guangqi Honda Odyssey through our JCE. Besides us, the other major manufacturers of MPVs in the PRC include Jianghuai Automobile and Shanghai GM. The top five best selling models in this market segment are Guangqi Honda Odyssey, Jianghuai Refine, Shanghai Buick GL-8, Shanghai VW Touran and Dongfeng Fengxing and together they commanded a total market share of 60.9% in 2009 in terms of sales volume.

Brand name	Sales volume (unit '000)		Market share (percentage)	
	2008	2009	2008	2009
Jianghuai Refine	36.3	46.0	18.4%	18.5%
Shanghai Buick GL-8	36.3	40.1	18.4%	16.1%
Guangqi Honda Odyssey	28.9	28.4	14.6%	11.4%
Shanghai VW Touran	12.0	20.1	6.1%	8.1%
Dongfeng Fengxing	14.1	16.9	7.1%	6.8%
Subtotal	127.7	151.5	64.7%	60.9%

Source: China Automotive Industry Newsletter of Production and Sales, Issue 1 of 2009 and 2010

SUV

SUV is a passenger vehicle with a higher chassis and is more suitable for outdoor driving. China's SUV market has presented a trend of developing at top speed in recent years. Particularly, the launch and development of city SUV and diesel fuel SUV better meet consumer demand for the fashion and energy efficiency, and have gradually become the dynamic of the development of SUV market. The sales of SUVs in China amounted to 658,821 units in 2009, representing 47.2% increase comparing to 2008.

INDUSTRY OVERVIEW

	2007	2008	2009
Market Share of SUV in total Passenger Vehicles	5.7%	6.6%	6.4%
Annual growth rate	50.1%	25.3%	47.2%

Source: China Automotive Industry Newsletter of Production and Sales, Issue 1 of 2008-2010

We produce GAC Toyota Highlander by our JCE and its sales amounted to 35,466 units from June 2009 till December 2009. Besides us, the major manufacturers include Dongfeng Honda, FAW Toyota and Great Wall Motor. The top five best selling models in the SUV market segment in 2009 are Dongfeng Honda CRV, Great Wall Hover, FAW Toyota RAV4, Beijing Hyundai Tucson, and Huatai Hyundai Santa Fe, together they commanded a total market share of 51.1% in terms of sales volume.

Model name	Sales volume (unit '000)		Market share (percentage)	
	2008	2009	2008	2009
Dongfeng Honda CRV	80.6	105.2	18.0%	16.0%
Great Wall Hover	56.7	71.5	12.7%	10.9%
FAW Toyota RAV4	0.0	68.2	0.0%	10.4%
Beijing Hyundai Tucson	41.2	49.3	9.2%	7.5%
Huatai Hyundai Santa Fe	12.3	46.7	2.7%	7.1%
Subtotal	190.8	340.9	42.6%	51.8%

Source: China Automotive Industry Newsletter of Production and Sales, Issue 1 of 2009 and 2010

Commercial vehicles

The commercial vehicle market in the PRC is less fragmented compared to the passenger vehicle market with the top five players accounting for the production of approximately half of all commercial vehicles sold in the PRC. While this sector is less reliant on foreign joint venture partners, international cooperation is commonly seen in key product technologies. Similar to the passenger vehicle market, international manufacturers are not allowed to operate in the PRC without a local partner. Imported vehicles are struggling to gain market share, hindered by their higher prices and lower flexibility in operations. Product quality and technology remain the key competing factors among domestic manufacturers. Fast response to new regulations that requires compliance with elevated emission standards is a key challenge to these domestic manufacturers.

Commercial vehicles are mainly divided into trucks and buses. Market demand for commercial vehicles correlate to the macroeconomics of the PRC. Given the continuous development of the PRC macro-economy, it is expected that the market for commercial vehicles will remain stable.

Trucks

The truck market in the PRC is generally categorized into four sectors — heavy trucks, medium trucks, light trucks and mini-trucks. In 2005, the demand for trucks, heavy trucks in particular, significantly decreased for the first time. This was due to various factors, such as austerity measures of the PRC government, industry rules and regulations, market supply and demand, prices of upstream products, and the international political and economic environment. Market demand for trucks recovered in 2006, with a total sales volume of 1.8 million units in 2006, representing an increase of 15.4% from 1.5 million units in 2005. Sales volume of trucks continued to increase to 2.3 million units in 2008 and 3.0 million units in 2009, representing a 17.5% CAGR from 2007 to 2009.

Buses

Buses are mainly divided into large, medium and light carriers. At present, the long-distance passenger carrier business is declining due to competitive pressure from the development of rail and air transport in the PRC. As a result of the economic development of the PRC's inland provinces and the subsequent increase of the PRC's regional economic activities, domestic customers increasingly demand short to medium distance bus transportation.

Under the Guidance of the Opinion of the Economic Policies on Developing Urban Public Transport on a Priority Basis (《關於優先發展城市公共交通的意見》), public transportation has been developing rapidly in various places in the recent years, particularly in developed cities such as Beijing, Tianjin, Shanghai, Shenzhen, Guangzhou and Hangzhou. This development has added considerable momentum to the strong development of large-scale public transportation businesses. Sales of buses increased from 269,152 units in 2005 to 354,054 units in 2009, representing a CAGR of 7.1%.

THE PRC AUTO PARTS INDUSTRY

The 2004 Automobile Industry Policy expresses the PRC government's aim to foster and develop a thriving auto parts manufacturing industry to satisfy demand from both domestic and overseas markets. The rapid growth of the PRC automobile industry has led to increased demand for auto parts in the PRC.

The growing PRC auto parts manufacturing industry has attracted many participants, resulting in a fragmented industry represented by affiliates of domestic automobile manufacturers who produce auto parts. As a result of the fragmented nature as well as the trend towards global procurement, the barrier of entry into this market is relatively low. However, entry barrier exists in the form of technical and quality standards which auto parts manufacturers are required to satisfy before they can be enlisted as qualified suppliers of automobile manufacturers. An increasing number of leading international auto parts manufacturers, including Visteon, Delphi, Bosch and Denso, have formed sino-foreign joint ventures with local auto parts manufacturers. International auto parts manufacturers and their Chinese joint ventures usually enjoy advantages in terms of technology and quality and focus on high-end, technically sophisticated auto parts which command higher profit margins. On the other hand, wholly domestically owned auto parts manufacturers usually enjoy costs advantages while maintaining product quality at acceptable levels.

The development of the PRC auto parts industry focuses on two major sources of demand — automobile manufacturers who sources supplies of automobile components and end-customers who require auto parts to satisfy their continuing repair, maintenance and other after-sales needs .

Driven by the PRC's relatively low labor costs and therefore less expensive products, overseas demand for PRC manufactured auto parts have increased rapidly and accordingly, export sales of domestically manufactured auto parts experienced tremendous growth in recent years. In 2008, revenue from auto parts exports increased to approximately US$32.9 billion, representing an increase of 10.3% from 2007 and approximately 69.2% of the entire export revenue of the PRC automobile industry in 2008 (including revenues from export sales of automobiles).

INDUSTRY OVERVIEW

THE PRC AUTO FINANCE INDUSTRY

After years of development, the PRC auto finance industry has entered into a new and fast-developing stage.

Before 2002, only commercial banks were permitted to engage in auto finance business. At the end of 2003, the balance of automobile expenditure credit reached 22.4% of the auto sales for the year. In October 2003, the CBRC promulgated the "Administrative Rules Governing Auto Financing Companies" (汽車金融公司管理辦法) and permitted non-bank financial institutions to engage in auto financing business. In August 2004, the first professional auto financing company, namely GMAC-SAIC (上海通用汽車金融有限責任公司), commenced business in Shanghai, marking the first move of professional auto financing companies to develop in the auto consumer credit market of China. As the systems of banks for auto credit monitoring were not sound enough before 2003, there was a substantial rise in auto financing bad debts. Between 2004 and 2005, the banks began a substantial tightening of automobile credit, and the proportion of automobile loans in the sales of the year had been falling since then. Between 2006 and 2007, the auto credit market was slow in development. From 2008 onwards, automobile loans started rebounding, and the proportion of vehicles bought on loans rose from approximately 7% to approximately 20% during the year. The auto credit balance increased by RMB47.6 billion, representing an increase of 43% as compared to 2007. The booming automobile industry in the PRC and the policy support provided tremendous room and momentum for the development of auto financing industry. The development prospect is good.

Professional auto financing companies are developing continually, with gradual rising status in the auto financing industry.

After several years of development, auto financing companies have gradually occupied a certain market share in the auto credit market. As at the end of 2008, the consumer credit balance of all auto financing companies across the PRC reached RMB31.8 billion, representing 23.2% of the auto consumer credit balance.

Auto financing regulatory policy leads the healthy development of the industry.

In 3 January 2008, the CBRC promulgated the "Notice on Prompting the Risks of Automobile Loans" (關於汽車貸款風險提示的通知), which contains specific warning of risks and requirements on precautionary measures regarding operation of auto credit business by commercial banks and auto financing companies.

In 24 January 2008, the CBRC promulgated a new set of "Administrative Rules Governing Auto Financing Companies" (汽車金融公司管理辦法) which is known as the "New Administrative Rules" for auto financing companies. Compared to the Administrative Rules Governing Auto Financing Companies promulgated in 2003, the New Administrative Rules expands the business scope of auto financing companies and specify the three core businesses, namely the automobile retail loans business, automobile whole loans business, and automobile finance lease business; adjust the entry threshold and the regulatory requirements; expand the financing channels; and expand significantly the room for the development of auto financing companies.

On 18 August 2009, the People's Bank of China and the CBRC jointly formulated and issued an announcement, permitting eligible finance lease companies and auto financing companies to issue finance bonds. The policy has widened the financing channel of professional auto financing companies, and may hopefully solve the problem of insufficient funds faced by auto financing companies in the course of development.

Changes in the structure of working population are expected to promote the rapid development of the auto financing industry.

After the post-1980s generation start working in the society, vehicle purchasers have become younger as they are more prone to consumer credit, the proportion of vehicles purchased on credit is expected to increase rapidly in the coming three to five years, providing a drive from the demand side for the rapid development of the auto financing industry.

THE PRC AUTO INSURANCE BROKERAGE INDUSTRY

The insurance brokerage industry is one of the insurance intermediary businesses. The expression "insurance brokerage institutions" refers to organizations which act in the interest of the insured to provide intermediary services for the entry into insurance contracts between the insured and the insurance company, and get commission payment as stipulated. To establish insurance brokerage institutions in the PRC, one shall meet the qualifications requirements of the China Insurance Regulatory Commission ("CIRC") and obtain a permit for operation of insurance brokerage business.

Auto insurance brokerage institutions are insurance brokerage institutions specially engaged in auto brokerage insurance business, and their conduct of business is regulated under the Provisions on the Supervision of Insurance Brokerage Institutions (保險經紀機構監管規定) promulgated by the CIRC on 25 September 2009.

In recent years, the PRC insurance brokerage business is developing in a steady pace. The number of insurance brokerage institutions increased from 303 as of the end of 2006 to 378 as of the end of 2009, representing 14.5% of all professional insurance intermediary organisations. In 2009, insurance brokerage institutions realised property premium income of RMB19.4 billion, representing 6.8% of the nationwide property premium income in the PRC in 2009.

In the PRC, auto insurance is an important constituent part of property insurance, with a premium income representing approximately 70% of the total property premium. Driven by the booming development of the PRC automobile market, the premium income has been increasing relatively fast in recent years, bringing good opportunities to the auto insurance brokerage industry.

REGULATION OF THE PRC AUTOMOBILE INDUSTRY

Please refer to the section headed "Appendix VI — Summary of Principal PRC Legal and Regulatory Provisions — 6. The Regulation of the PRC Automobile Industry" of this Listing Document for a summary of the key PRC regulations affecting the PRC automobile industry which are either currently in force or pending becoming effective.

Except as indicated otherwise, our business and operations as presented in this Listing Document include the relevant data for our Jointly-controlled Entities and our associated companies in full. The Jointly-controlled Entities are consolidated into our accounts on a proportionate consolidation basis and our associated companies are accounted for using the equity method, each based on our relevant percentage of our equity interests during the periods presented in accordance with HKFRSs.

OVERVIEW

We are a leading automobile manufacturer in China. We ranked sixth in terms of production volume among PRC automobile manufacturers in 2009. The Parent Group to which we contributed more than 95% of revenue ranked fourth in terms of revenue among all PRC automobile manufacturers during the Track Record Period. Based on a survey conducted by CAAM in 2010, the Parent Group ranked first in terms of Overall Industry Operational Efficiency Index(1) for the year ended 31 December 2009. We operate our automobile manufacturing businesses mainly through the JCEs with our joint venture partners. For the Track Record Period, we ranked first in the PRC mid-to-high-end sedan market in terms of sales and production volume.

We, together with our associated companies, produced 607,211 and sold 606,621 units of automobiles during the year ended 31 December 2009. Our main businesses consist of the manufacture and sale of passenger vehicles, commercial vehicles, engines and auto parts. We also engage in a broad range of automobile-related services and other businesses. The following sets out the key characteristics of our four business segments:

- **Passenger vehicles** — We produce a variety of passenger vehicles through GAC Toyota and Guangqi Honda under the following model families: GAC Toyota Camry, GAC Toyota Highlander, GAC Toyota Yaris, Guangqi Honda Accord, Guangqi Honda Odyssey, Guangqi Honda City, Guangqi Honda City (Fengfan) and Guangqi Honda Fit. We also participate in the production of Honda Jazz and GAC Changfeng SUVs through our associated companies, Honda (China) and GAC Changfeng, respectively. As at the Latest Practicable Date, we, together with our associated companies, had an annual production capacity of 890,000 units of passenger vehicles. The utilisation rates of our production capacity, together with that of our associated companies, were 83.5%, 78.9% and 76.4%(2) for the three years ended 31 December 2007, 2008 and 2009, respectively.

  For the three years ended 31 December 2007, 2008 and 2009, the revenue generated from sales of passenger vehicles amounted to approximately RMB41,285 million, RMB42,953 million and RMB49,370 million, respectively and the profits generated from such sales amounted to approximately RMB4,478 million, RMB3,317 million and RMB4,224 million, respectively. We, together with our associated companies, sold 508,717, 523,734 and 603,509 units of passenger vehicles for each of the three years ended 31 December 2007, 2008 and 2009, respectively.

Notes:

(1) Overall Industry Operational Efficiency Index was established according to the Implementation Measures on the Improvement of the Assessment and Evaluation Indicators of the Industrial Economy (《改進工業經濟評價考核指標實施方案》) promulgated by the National Bureau of Statistics of China in 1992 and this index has been implemented in China since 1998 and is widely recognised as the authoritative index of efficiency in the automobile industry in China.

(2) The production capacity and output of GAC Changfeng were excluded in the calculation of our utilisation rates during the Track Record Period.

According to CAAM, for the three years ended 31 December 2007, 2008 and 2009, we commanded a market share of approximately 8.1%, 7.8% and 5.8%, respectively, in the PRC passenger vehicle market in terms of sales volume. In particular, we were the leading automobile manufacturer in the mid-to-high-end sedan segment, commanding a market share of approximately 32.5%, 35.6% and 29.5% for the three years ended 31 December 2007, 2008 and 2009, respectively.

We have developed first proprietary brand of passenger vehicles, Trumpchi, which we expect to commercially produce by September 2010. In addition, we established a new JCE, GAC Fiat, on 9 March 2010 through which we plan to commence production of the Fiat series of passenger vehicles by the first half of 2012.

- **Commercial vehicles** — During the Track Record Period, we produced trucks and buses mainly through GAC Bus and Yangcheng Auto. For the three years ended 31 December 2007, 2008 and 2009, we sold 4,778, 2,245 and 3,112 commercial vehicles, respectively. For the three years ended 31 December 2007, 2008 and 2009, our revenue generated from sales of commercial vehicles amounted to approximately RMB482 million, RMB257 million and RMB344 million, respectively, and the losses incurred by our commercial vehicle business amounted to approximately RMB198 million, RMB87 million and RMB112 million, respectively.

  To strengthen our commercial vehicle segment and to improve the utilisation of our commercial vehicle production facilities, we have carried out and completed the restructuring of commercial vehicle business during the Track Record Period. We transferred our bus manufacturing business originally in the form of Joint Venture to GAC Bus and established a new Jointly-controlled Entity GAC Hino to produce light and heavy trucks. GAC Hino commenced production of the GAC Hino 700-series trucks in September 2009. As at the Latest Practicable Date, our aggregate annual production capacity of commercial vehicles was approximately 19,000 units and our annual production capacity of chassis was 2,500 units.

  We will gradually expand our production capacity of commercial vehicles to meet the increasing demand for our products in the future. To promote sales of our GAC Hino products, we will establish sales and service centres so as to cover the major cities in China by the end of 2010.

- **Auto parts** — We produced auto parts mainly through GAC Components and its subsidiaries or associated companies and participated in the production of engines through GAC Toyota Engine and Shanghai Hino and transmissions through HAVECO. Our engine and auto-part products include, among others, engines, transmissions, seats, HVAC systems, auto lamps, shock absorbers and accessories. As most of our production and sales of auto parts are conducted through our associated companies, our share of profits from our associated companies amounted to approximately RMB758 million, RMB637 million and RMB906 million for the three years ended 31 December 2007, 2008 and 2009, respectively, while the revenue generated from our subsidiaries producing auto parts amounted to approximately RMB275 million, RMB268 million and RMB264 million for the three years ended 31 December 2007, 2008 and 2009, respectively, and we shared losses of approximately RMB24 million, RMB18 million and RMB21 million from our subsidiaries during the same period.

As at the Latest Practicable Date, the annual production capacity of GAC Toyota Engine and Shanghai Hino amounted to 500,000 and 30,000 units of engines, respectively, and the annual production capacity of HAVECO amounted to 200,000 units of transmissions, respectively. For the three years ended 31 December 2007, 2008 and 2009, GAC Toyota Engine sold 348,033, 308,460 and 355,591 units of engines, respectively. The production capacity utilisation rates for GAC Toyota Engine were 69.2%, 62.0% and 72.3% for the three years ended 31 December 2007, 2008 and 2009, respectively.

- **Others —** We provide a broad range of automobile-related services, including after-sales services, logistics services, auto insurance brokerage services, and other businesses. We have also obtained the approval from the PRC government to establish an automobile financial services company which we plan to launch in July 2010. For the three years ended 31 December 2007, 2008 and 2009, our revenue generated from the automobile-related services segment amounted to approximately RMB364 million, RMB292 million and RMB275 million, respectively and the profits generated thereof amounted to approximately RMB62 million and RMB3 million in 2007 and 2008, respectively. We incurred losses of approximately RMB8 million in 2009 from this segment.

For the year ended 31 December 2009, sales of our passenger vehicles, commercial vehicles, auto parts and our automobile-related business accounted for approximately 98.2%, 0.7%, 0.5% and 0.6% of our total consolidated revenue, respectively. Our total consolidated revenue for the three years ended 31 December 2007, 2008 and 2009 amounted to approximately RMB42,407 million, RMB43,770 million and RMB50,254 million, respectively. Our total consolidated profit attributable to equity holders of our Company for the same periods were approximately RMB3,437 million, RMB1,567 million and RMB2,032 million, respectively. Our consolidated profit substantially declined in 2008 comparing to 2007 due to the global financial crisis in 2008, which resulted in sales decrease of our products and the increase in our inventory, advertising and marketing costs and other costs.

COMPETITIVE STRENGTHS

We believe our Company is well positioned to benefit from the continuing growth of the PRC automobile industry and favourable industry policies introduced by the PRC government. Our strong position in the PRC automobile industry is primarily attributable to our following competitive strengths:

We are a leading automobile manufacturer in the PRC with widespread brand recognition

"GAC" is a leading brand of automobile manufacturer in the PRC and we have successfully established our recognition since we commenced operations in 1997 as a small automobile manufacturer. We have since developed into a strong player in the PRC automobile market and ranked fourth in terms of revenue among all PRC automobile manufacturers during the Track Record Period. We have successfully become the leader in the mid-to-high-end sedan market in the PRC during the Track Record Period in terms of sales volume and commanded approximately 32.5%, 35.6% and 29.5% of the market share in the PRC mid-to-high end sedan market for the three years ended 31 December 2007, 2008 and 2009, respectively. We believe that our leading position in the mid-to-high-end sedan market will enable us to take advantage of, and benefit from, the continuing growth of the PRC economy and its increasing domestic consumption. We have established the "GAC" brand with our strong and diversified product portfolio and reinforced its brand image by introducing new products manufactured by us and our associated companies. In 2009, we further enriched the product portfolio by adding GAC Toyota Highlander, SUVs produced by GAC Changfeng and the 700-series heavy-duty trucks manufactured by GAC Hino. We have established a reputation as a provider of reliable, popular and reasonably priced passenger vehicles. We believe our success in the passenger vehicle market has provided a solid foundation for the development and marketing of our proprietary brand of passenger vehicle.

We produce quality passenger vehicle products that are well received by our customers

We are well-recognised in the PRC automobile market as a top manufacturer producing high quality products. Our products have been repeatedly granted the highest awards or ranked at or near the top by J.D. Power Asia Pacific. Please refer to the section headed "Business — Our Awards" of this Listing Document. Our high quality passenger vehicles are well-received by our target customers. In particular, Guangqi Honda Accord and GAC Toyota Camry are among the most popular models of passenger vehicles in the PRC and commanded the top two rankings in the PRC mid-to-high-end sedan market in terms of sales volume during the Track Record Period. In addition, Guangqi Honda Odyssey ranked first in 2007, third in 2008 and third in 2009 in terms of sales volume in the PRC MPV market. The high quality of our products is achieved by our efficient management and implementation of the production procedures we adopted from our joint venture partners. In particular, we implemented the renowned Toyota Production System in our production facilities, including, among others, (1) *Jidoka*, or "quality takes precedence," which requires every employee on the assembly line to stop the production process when a quality issue is identified and fix such defect in time; (2) *hansei* and *kaizen*, or "relentless reflection and continuous improvement," which encourages criticism of our management and production process which we believe enables continuous improvements initiated by our employees.

We closely cooperate with leading international automobile manufacturers

Our Company has established strong partnerships with leading international automobile manufacturers, such as Toyota and Honda, which respectively ranked first and sixth in 2009 in terms of sales volume among the automobile manufacturers in the world. In 2009, we further teamed up with Fiat, the 11th automobile manufacturer in the world in terms of sales volume in 2008 and established our new JCE, GAC Fiat, with Fiat on 9 March 2010 to produce passenger vehicles and engines in China.

Toyota and Honda are among the most efficient and profitable automobile manufacturers in the world. Accordingly, GAC Toyota and Guangqi Honda have adopted efficiency-enhancing measures such as the just-in-time production system and GBL to streamline their operation process. Our relationships with Toyota and Honda are important to our success and have equipped us with advanced technologies over the years. When GAC Toyota was established in 2004, Toyota contributed its advanced technologies which enabled GAC Toyota to establish its reputation as a 21st Century Model Factory of Toyota.

We believe that the success of GAC Toyota is instrumental in the development of GAC Hino, a new joint venture established in 2007 between our Company and Hino, a subsidiary of Toyota and a leading producer of medium and heavy-duty diesel trucks in Japan. We believe that this new partnership will allow us to revitalise and strengthen our commercial vehicle business.

We maintain high operational efficiency and cost effectiveness

Our competitive position in China is largely attributable to our focus on operational efficiency and cost effectiveness. According to the CAAM report, the Parent Group has ranked first in terms of Overall Industry Operational Efficiency since 2004 among automobile manufacturers in the PRC in terms of labour productivity and other key indicators of operational efficiency. We believe that our high operational efficiency is achieved through the implementation of the following key efficiency measures:

Procurement. We have made efforts to enhance our local procurement capabilities and established joint ventures with our international and domestic partners to produce and supply key auto parts to us, with an aim to reduce transportation and logistical costs and at the same time, ensure quality standards of our products through efficient management of our suppliers. For further details of our procurement process, please refer to the section headed “Business — Procurement of Auto Parts and Raw Materials” of this Listing Document.

Production. We implemented advanced production system in our production plants, including Toyota’s 5S concept — Sort: sort out unneeded items; Straighten: have a place for everything; Shine: keep the area clean; Standardise: create rules and standard operating procedures; Sustain: maintain the system and continue to improve it. This production system greatly improves the production efficiency in our manufacturing plants. We also embedded the “just in time” concept into our production process, which has allowed us to improve our costs control measures, minimise wastage and improve our efficiency by reducing in-process inventory and carrying costs. For further details on our production process, please refer to the section headed “Business — Production — Production Process” of this Listing Document.

Logistics. We have built a comprehensive transportation network to enable the delivery of our products in a timely, efficient and cost-effective manner. In particular, Guangzhou Railway Bureau constructed an exclusive railway connecting the manufacturing facility of Guangqi Honda and the Guangzhou railway station, one of the most comprehensive railway hubs in China. This exclusive railway enables us to timely distribute the products of Guangqi Honda all over China. We also participated in the operations of Guangzhou Ports and Nansha Automobile Harbour that offer us an exclusive automobile harbour to transport our products by sea.

Accordingly, we achieved relatively higher profit margin and return on total assets compared with our competitors. The Parent Group have been ranked top three by CAAM in terms of net profit margin and return on total assets among automobile manufacturers in China during the Track Record Period.

We have established an extensive and highly effective sales and services network to provide quality services

Our comprehensive sales and services network is a key to our success. We expand our nationwide sales and services network in consideration of the market demand and customer pools in each region and we tailor our marketing strategies to the demand and customer preferences in each region. During the Track Record Period, we had expanded the sales and service centres for our passenger vehicles from 470 centres to 653 centres covering 31 provinces in China.

We have implemented stringent standards to ensure the reliability and credibility of our sales and services network. The GAC Toyota e-CRB concept and Guangqi Honda "4S" concept were introduced by Toyota and Honda, respectively, into our sales and services network, through which we were able to (1) establish a reputable brand image; (2) cultivate long-term relationships with local dealers; (3) accumulate know-how and experience in sales and marketing; and (4) establish a strong sales and marketing team through well-designed training programs. We believe that our extensive sales and services network is crucial to the development and future marketing of our proprietary brand of passenger vehicles.

We have a highly regarded, experienced and motivated management team

Our management has a proven track record in the Chinese automobile industry. In particular, our chairman Zhang Fangyou, who has substantial experience in economic and business management, has led our management team since incorporation. He was elected as "the Annual Chinese Economic Elite in 2007" by China Central Television. Our general manager Zeng Qinghong has more than 20 years of experience in managing automobile manufacturing businesses. Our Company's senior management team has generally remained stable and cooperated seamlessly since our incorporation.

We have recruited management talents with diverse background and different expertise. Such diversity enables us to establish a dynamic and visionary management team. For example, deputy general manager Yuan Zhongrong has substantial engineering experience; non-executive director Fu Shoujie holds a master degree in business administration from the University of Illinois; and our executive director and joint company secretary Lu Sa acquired extensive administrative experience from her former positions including the secretary to the board of directors of GAIG, the company secretary of the Company, and the director of GAC Toyota. The chief of GAEI, Huang Xiangdong, holds a doctoral degree in automobile studies from the Polytechnic University of Turin, Italy.

Our management also has extensive experience in managing a Hong Kong listed company, Denway, which is among the first batch of companies with extensive PRC operations listed on the Stock Exchange. Through managing Denway, our management team has familiarized itself with the Hong Kong regulatory frameworks and the international capital markets. Such experience allows us to implement good corporate governance throughout our management and operations.

We have established a comprehensive R&D system

As at the Latest Practicable Date, through GAEI which operates as the hub of our R&D network, we have established a comprehensive R&D system covering all levels of our production segments. We have approximately 2,000 technical staff, of which 500 are stationed in GAEI. Meanwhile, as at the Latest Practicable Date, we have set up an integrated design system including overall automobile design, modelling design, vehicle structure, chassis, electrical appliance and powertrain. As a result, our comprehensive R&D system as well as our integrated design system provide the necessary technical support for the sustainable development of our Company.

BUSINESS STRATEGIES

Our goal is to further enhance our leading position in the PRC automobile market. We believe our future plans can be realised through the following key business development strategies:

Further expand our product portfolio and enhance our production capacity to increase our market share

We will continue to expand our product portfolio and increase our production capacity so as to meet the increasing and evolving domestic demand for quality passenger and commercial vehicles.

We plan to further expand our product portfolio in the passenger vehicle segment through introducing new models from our joint venture partners and developing our proprietary brand of vehicles. In June 2009, we successfully launched our first SUV, the GAC Toyota Highlander. From August 2009 to April 2010, the market share of the GAC Toyota Highlander in the domestic SUV market has consistently reached 7.5% or above every month. In future, we will further cooperate with our joint venture partners to introduce other popular models into China. Meanwhile, we plan to produce a variety of our proprietary brand of vehicles. We expect to commercially produce our first model of proprietary brand of passenger vehicle by September 2010 which has been selected as the official car for the 16th Asian Games to be held in Guangzhou in November 2010. We aim to introduce at least one new model of automobile each year. By the end of 2010, we expect to achieve an annual production capacity of more than one million vehicles, including an annual production capacity of 100,000 units of our proprietary brand of passenger vehicles.

We are developing GAC Hino products to capture the growth opportunities of the commercial vehicle segment in China. GAC Hino, with a current capacity of 10,000 light-duty trucks and 6,000 heady-duty trucks, commenced production of GAC Hino 700-series trucks in September 2009. In the future, we will focus on R&D of new commercial vehicle products to further expand our product portfolio. Furthermore, we aim to develop a sales and service network which covers the major cities of China by the end of 2010 to boost sales and support after-sales services. Further capacity expansion will be arranged in the future as needed to facilitate the expansion of our product portfolio.

Further construct independent R&D facilities and collaborate with foreign entities to strengthen our R&D capabilities

We plan to produce a variety of our proprietary brand of passenger and commercial vehicles. We will continue to deploy substantial resources to develop our R&D capacity and construct new production facilities to develop and produce a range of our proprietary brand of vehicles, which will be equipped with gasoline, electric or hybrid engines. We plan to commercially produce our first model of proprietary brand of mid-to-high end sedan by September 2010 and our first model of proprietary brand of hybrid gasoline-electric power bus by the end of 2010, both of which are selected by Guangzhou government as the service vehicles for the 16th Asian Games to be held in Guangzhou in November 2010. To develop and manufacture our proprietary brand of vehicles, we will need to continue attracting experienced engineers and technicians. We will also continue to collaborate with domestic and international research institutions to enhance our R&D capabilities, in particular, in developing our proprietary models, improving our existing technologies and successfully applying our proprietary technologies to commercial use.

Further cooperate with leading international automobile manufacturers and institutions to establish ourselves as an international player

We will continuously strengthen our collaboration with leading international automobile manufacturers and institutions. In addition to our efforts to strengthen our cooperation with Toyota and Honda, on 9 March 2010, we established GAC Fiat with Fiat to manufacture the Fiat series of passenger vehicles. We believe that such cooperation will enable us to improve our cost control measures and enhance our operational efficiency, and accelerate the development of our proprietary technologies and know-how. In particular, we believe that our own capability to design and produce core components of automobiles, such as engines and transmissions will benefit from such cooperation. In addition, through close cooperation with our international partners, we expect to gain an insight into the management of a multi-brand product portfolio which we believe will allow us to continue to implement our multi-brand and multi-model strategies.

Selectively pursue strategic acquisition opportunities to achieve rapid growth of low costs

In addition to organic growth, we endeavour to expand our operations through selective domestic and international acquisitions, which we believe will be key to the diversification of our product portfolio and the increase of our market share. During 2009, we successfully acquired 29% equity interest in Hunan Changfeng Motor Co. Ltd. and 33% equity interest in HAVECO, which enables us to enrich our product line-up with various series of GAC Changfeng SUVs and various transmissions produced by HAVECO. In April 2010, we also successfully acquired 30% equity interest in Shanghai Hino, which enables us to enrich our product line-up with Hino diesel engines. Our acquisition strategy is supported by the "Automobile Industry Adjustment and Revival Plan" issued by the State Council in 2009, which encouraged leading automobile manufacturers in China, such as us, to acquire and consolidate smaller rivals across the country or on a regional basis, with an aim to reduce fragmentation in the PRC automobile market and realise economies of scale. We will continue to carefully evaluate every potential acquisition and cooperation opportunity before making any decisions on acquisitions. In particular, we will analyze and assess the potential synergies from such acquisitions and the potential issues related to integration of the acquired business into our existing operational platforms. We believe that, given our extensive experience in the PRC automobile market, we will be able to capture potential acquisitions and cooperation opportunities.

Explore new business opportunities in the automobile-related service areas to improve our services to our customers

To cater for the long term development of our automobile businesses, we plan to explore new opportunities in automobile-related business, such as logistics services, auto insurance and auto finance, and hosting auto exhibitions. We expect to further strengthen and consolidate our logistics network and optimise the use of our current resources which we believe will assist us in cutting our fixed costs, improving the efficiency of our logistics services network and lowering our logistics expenses.

Our established sales and service network allows us to leverage on our existing customer base and offer existing customers with additional value-added services. We will gradually carry out our auto insurance and auto finance business upon receiving approval from relevant regulatory authorities. We believe our plans to expand our automobile-related services business and provide further value-added services to our customers will improve our services to our customers, enhance our brand recognition and further establish customer loyalty.

BUSINESS

MAIN OPERATING ENTITIES

We conduct our passenger vehicle manufacturing business through GAC Toyota, Guangqi Honda and GAMC and participate in the production of Honda Jazz and various GAC Changfeng SUVs through Honda (China) and GAC Changfeng, respectively. Our commercial vehicle manufacturing business is conducted through GAC Hino and GAC Bus. We are also involved in manufacturing engines and transmissions through GAC Toyota Engine, Shanghai Hino and HAVECO, respectively.

The following sets out the details of the main operating entities of our Group and our associated companies:

Main operating entities	Shareholders and percentage equity interests	%	Date of incorporation or completion of acquisition	Term	Major products
Passenger Vehicles					
GAC Toyota	Our Company Toyota	50.0 30.5	1 September 2004	30 years	GAC Toyota Camry GAC Toyota Highlander GAC Toyota Yaris
	Toyota Motor (China) Investment Co., Ltd.	19.5			
Guangqi Honda	Our Company Honda	50.0 40.0	13 May 1998	30 years	Guangqi Honda Accord Guangqi Honda Odyssey Guangqi Honda City (Fengfan) Guangqi Honda Fit
	Honda Motor (China) Investment Co., Ltd.	10.0			
GAMC	Our Company	100	21 July 2008	N/A	Trumpchi
Honda (China)	Our Company Honda	25.0 55.0	8 September 2003	30 years	Jazz (for export)
	Honda Motor (China) Investment Co., Ltd.	10.0			
	Dongfeng Motor Corporation	10.0			
GAC Changfeng	Our Company Changfeng (Group) Co., Ltd.	29.0 22.0	20 November 2009 (acquisition)	N/A	Mitsubishi Pajero GAC Changfeng Liebao
	Mitsubishi Motors Corp	14.6			
	Other public shareholders	34.4			
GAC Fiat	Our Company Fiat	50.0 50.0	9 March 2010	30 years	Fiat series (to be launched)

BUSINESS

Main operating entities	Shareholders and percentage equity interests	%	Date of incorporation or completion of acquisition	Term	Major products
Commercial Vehicles					
GAC Hino	Our Company Hino	50.0 50.0	28 November 2007	30 years	300J series (to be launched) 320D series (to be launched) 270Y series (to be launched) 700 series
GAC Bus	Our Company	100	16 September 2008	N/A	GZ series (to be launched)
Engines					
GAC Toyota Engine	Our Company Toyota	30.0 57.6	24 February 2004	30 years	AZ-FE series engines
	Toyota Motor (China) Investment Co	12.4			
GAC Fiat	Our Company Fiat	50.0 50.0	9 March 2010	30 years	Fiat series engines (to be launched)
Shanghai Hino	Our Company Hino	30.0 50.0	6 April 2010 (acquisition)	20 years	Hino diesel engines
	Shanghai Electric Group Company Limited	20.0			
Transmissions					
HAVECO	GAC Components Hangzhou Advance Gearbox Group Co., Ltd	33.3 33.3	3 June 2009 (acquisition)	30 years	HAVECO H series FIAT C series IVECO S series
	Fiat Powertrain Technologies S.p.A.	33.3			

In particular, GAC Toyota and Guangqi Honda are the two major contributors to our revenue and operating profit.

For the three years ended 31 December 2007, 2008 and 2009, GAC Toyota sold 170,294, 172,004 and 209,587 units of passenger vehicles, respectively. It contributed to approximately 38%, 34% and 38% of our consolidated revenue[1], and to approximately 53%, 40% and 55% of our consolidated operating profit[1] during each of the years ended 31 December 2007, 2008 and 2009, respectively.

For the three years ended 31 December 2007, 2008 and 2009, Guangqi Honda sold 295,299, 306,230 and 365,623 passenger vehicles, respectively. It contributed to approximately 48%, 53% and 51% of our consolidated revenue and to approximately 51%, 68% and 65% of our consolidated operating profit during each of the years ended 31 December 2007, 2008 and 2009, respectively.

1 *Consolidated revenue and operating profit are after intra-Group elimination.*

Further details of the history of our main operating entities are set out in the section headed "History, Reorganisation and Group Structure" of this Listing Document. Further details about the products manufactured by our main operating entities are set out in the section headed "Business — Our Products and Services" of this Listing Document.

OUR PRODUCTS AND SERVICES

The passenger vehicles we manufacture or plan to manufacture are categorized into five categories — mid-to-high-end sedan, mid-end sedan, economy sedan, SUV and MPV. As of 31 December 2009, we produce seven series of passenger vehicles — the GAC Toyota Camry, the GAC Toyota Highlander, the GAC Toyota Yaris, the Guangqi Honda Accord, the Guangqi Honda Odyssey, the Guangqi Honda City (Fengfan) and the Guangqi Honda Fit. We also participate in the production of the Honda Jazz through Honda (China) and the production of SUVs through GAC Changfeng and GAC Toyota. The commercial vehicles we produce include buses and trucks. During the Track Record Period, our commercial vehicles were mainly manufactured by GAC Bus, Yangcheng Auto and GAC Hino.

The following table sets out the passenger and commercial vehicles sales by unit for the periods indicated and the respective percentage share of the total vehicles sold for the same periods.

	Year ended 31 December					
	2007		2008		2009	
Category	Units(1)	%(2)	Units(1)	%(2)	Units(1)	%(2)
Passenger vehicles	508,717	99.1	523,734	99.6	603,509	99.5
— Mid-to-high-end sedan	288,318	56.1	323,351	61.5	331,590	54.7
GAC Toyota Camry	170,294	33.2	152,834	29.1	156,229	25.8
Guangqi Honda Accord	118,024	23.0	170,517	32.4	175,361	28.9
— Mid-end sedan	N/A	N/A	4,066	0.8	113,191	18.7
Guangqi Honda City (Fengfan)(3)	N/A	N/A	4,066	0.8	113,191	18.7
— Economy sedan	174,572	34.0	167,445	31.8	94,867	15.6
Guangqi Honda City(3)	68,128	13.3	52,889	10.1	36	0.0
Guangqi Honda Fit	63,320	12.3	49,886	9.5	48,640	8.0
Honda Jazz(4)	43,124	8.4	45,500	8.7	28,299	4.7
GAC Toyota Yaris	N/A	N/A	19,170	3.6	17,892	2.9
— MPV	45,827	8.9	28,872	5.5	28,395	4.7
Guangqi Honda Odyssey	45,827	8.9	28,872	5.5	28,395	4.7
— SUV	N/A	N/A	N/A	N/A	35,466	5.8
GAC Toyota Highlander	N/A	N/A	N/A	N/A	35,466	5.8
Commercial vehicles	4,778	0.9	2,245	0.4	3,112	0.5
— Buses	1,287	0.3	1,085	0.2	1,302	0.2
— Trucks	3,491	0.7	1,160	0.2	1,810	0.3
TOTAL	513,495	100.0	525,979	100.0	606,621	100.0
GAC Changfeng(5)	25,785		26,886		30,139	

Notes:

(1) *Sales data reflects the total units we sold to third party customers and within GAC and accounts for all vehicles sold by our Jointly-controlled Entities and associated companies.*

(2) *Discrepancies between total amounts stated and sums of amounts stated are due to rounding.*

(3) *Guangqi Honda City (Fengfan) had been upgraded from the Guangqi Honda City model and is manufactured on the production line originally producing Guangqi Honda City. Upon the launching of Guangqi Honda City (Fengfan), we ceased producing Guangqi Honda City.*

(4) Honda Jazz's revenue and operating profit are not consolidated into our Company's accounts.

(5) The production capacity and output of GAC Changfeng were excluded in calculation of our utilisation rates during the Track Record Period.

Current and Projected Models

Passenger Vehicles

- **Mid-to-high-end sedan**

Mid-to-high-end sedans produced by GAC Toyota and Guangqi Honda include the GAC Toyota Camry and the Guangqi Honda Accord. During the Track Record Period, the GAC Toyota Camry and the Guangqi Honda Accord dominated the mid-to-high-end sedan market and were consecutively ranked top two by CAAM in terms of sales volume. We will also add our first proprietary brand of passenger vehicle, the Trumpchi, to our portfolio of mid-to-high end sedans, which is expected to be commercially produced by the end of 2010.

GAC Toyota Camry

The GAC Toyota Camry was commercially launched by GAC Toyota in June 2006. The current model is the sixth generation of the Toyota Camry manufactured and sold globally. The GAC Toyota Camry is available in two different engine displacements — 2.0L and 2.4L and in 14 different specifications. The GAC Toyota Camry is one of the best-selling sedan series in China and commanded a market share of approximately 19.2%, 16.8% and 13.9% in the mid-to-high-end sedan market in China (in terms of domestic sedan sales volume) for the three years ended 31 December 2007, 2008 and 2009, respectively. During the Track Record Period, sales of the GAC Toyota Camry ranked first for 17 months in the mid-to-high-end sedan market in China in terms of monthly sales volume. In April 2010, a new GAC Toyota Camry model equipped with the hybrid gasoline-electric engine was commercially launched by GAC Toyota. The new model was designed under the concept of "Hybrid Synergy Drive" which is available in 2.4L engine displacement installed with the VVT-i engine technology.

Guangqi Honda Accord

The Guangqi Honda Accord was commercially launched by Guangqi Honda in China in 1999. The current model is the eighth generation of the Honda Accord manufactured and sold globally. Since 1999, we have manufactured and sold three generations of the Accord: the sixth generation, the seventh generation and the current eighth generation. The current Guangqi Honda Accord is available in three different engine displacements — 2.0L, 2.4L and 3.5L. Each of these engine displacements is installed with the i-VTEC "intelligent" valve train system technology. During the Track Record Period, Guangqi Honda Accord was the best selling mid-to-high-end sedan in the PRC automobile market for 19 months. For the year ended 31 December 2009, the Guangqi Honda Accord commanded a market share of approximately 15.6% (in terms of domestic sales volume of sedans) in the mid-to-high-end sedan market in China.

BUSINESS

GAC Trumpchi

The Trumpchi is the first product to be produced under our proprietary brand and we expect to commercially produce this product by September 2010. We expect the Trumpchi to be available in a number of engine displacements with 1.8L to 2.0L and in three models — basic, advanced and luxury. Each of these models is available with manual, automatic, or automated mechanical transmission to satisfy the different demand in the PRC market.

- **Mid-end sedan**

Guangqi Honda City (Fengfan)

The Guangqi Honda City (Fengfan) was commercially launched by Guangqi Honda in December 2008 which is the first generation of the Guangqi Honda City (Fengfan). It is an upgrade of the Guangqi Honda City and is manufactured on the same production line with similar technologies or the Guangqi Honda City. The Guangqi Honda City (Fengfan) is available in two different engine displacements, 1.5L and 1.8L, and is equipped with the i-VTEC "intelligent" valve train system technology.

- **Economy sedan**

Economy sedans produced by our JCEs and associated companies include the GAC Toyota Yaris, the Guangqi Honda City, the Guangqi Honda Fit and the Honda Jazz.

GAC Toyota Yaris

The GAC Toyota Yaris was commercially launched by GAC Toyota in June 2008. It is the second generation of Toyota Yaris manufactured and sold globally. The GAC Toyota Yaris is available in two different engine displacements — 1.3L and 1.6L.

Guangqi Honda City

The Guangqi Honda City was commercially launched by Guangqi Honda in April 2006 and was the first generation of Honda City manufactured and sold globally. The Guangqi Honda City was available in two engine displacements — 1.3L and 1.5L. The Guangqi Honda City is now upgraded to Guangqi Honda City (Fengfan) and its production has ceased since 2009.

Guangqi Honda Fit

The first generation of the Guangqi Honda Fit was commercially launched by Guangqi Honda in September 2004. The second generation of the Guangqi Honda Fit was launched in July 2008. The second generation of Guangqi Honda Fit is available in two different engine displacements — 1.3L and 1.5L.

Honda Jazz

The first generation of Honda Jazz produced by Honda (China) was commercially launched in August 2005. All Honda Jazz manufactured by Honda (China) are exported to Europe.

BUSINESS

- **MPV**

Guangqi Honda Odyssey

The Guangqi Honda Odyssey was commercially launched by Guangqi Honda in 2001. The current model is the third generation of Honda Odyssey manufactured and sold globally and available in a 2.4L engine displacement and equipped with the i-VTEC "intelligent" valve train system technology. According to CAAM, the Guangqi Honda Odyssey ranked first, third and third in terms of sales volume in MPV market for the years ended 31 December 2007, 2008 and 2009, respectively.

- **SUV**

GAC Toyota Highlander

The GAC Toyota Highlander was commercially launched by GAC Toyota in June 2009. It is the second generation of Highlander manufactured and sold globally. The GAC Toyota Highlander is available in two engine displacements — 2.7L and 3.5L. The 3.5L Highlander is equipped with double VVT-i engine. The 2.7L Highlander is equipped with the double overhead camshaft VVT-i engine. GAC Toyota Highlander is well-received by the market. Its monthly sales volume increased from 2,351 units in June 2009 to 7,729 units in January 2010.

GAC Changfeng SUV

The SUVs produced by GAC Changfeng are mainly series of the Mitsubishi Pajero and the GAC Changfeng Liebao.

Mitsubishi Pajero produced by Changfeng was commercially launched in December 2004. The forth generation of Mitsubishi Pajero manufactured and sold globally was launched by Changfeng in September 2009 with two models: GLX Limited AT and GLS Limited AT. Both models are equipped with 6G72 model of engine with displacement volume of 3.0L.

GAC Changfeng Liebao has five models: Black Giant, Liebao CS6, CS7, Liebao Feiteng and Liebao Qibing. GAC Changfeng Liebao adopted the super four-wheel drive system, which can adjust driving model according to different driving situations.

Commercial Vehicles

- **Bus**

GAC Bus mainly produces large-to-mid-sized buses, including deluxe and ordinary models, which are designed for public transportation, long distance transportation and other purposes. The buses are equipped with various kinds of engines including hybrid gas-electric engines and gasoline-electric engines.

- **Truck**

GAC Hino 700

GAC Hino 700-series heavy duty truck is developed together by Chinese and Japanese technical experts, nearly 80% of the auto parts and assembly are re-designed for the adaptability to the Chinese automobile market. Its performance is well-recognised by national level testing organisations. GAC Hino's 700-series heavy duty truck has tractor, concrete mixer and major pump chassis, equipped with 11L or 13L Hino engine and are available in 8 models. We began commercial production of the GAC Hino 700 series truck in September 2009.

Engines and Auto Parts

We also manufacture engines and auto parts for sale to our Company's subsidiaries, JCEs and associated companies and for sale to customers independent from us.

- **Engines**

GAC Toyota Engines

We conduct our engine manufacturing business mainly through our associated company, GAC Toyota Engine. GAC Toyota Engine began production of engines in November 2005. Its main products are the AZ-FE series engines. As at 31 December 2009, GAC Toyota Engine had an annual production capacity of approximately 500,000 engines. Currently, GAC Toyota sources more than 70% of its engines from GAC Toyota Engine. Nearly 50% of products manufactured by GAC Toyota Engine are exported to overseas markets, including Japan, Thailand and Taiwan.

The AZ-FE series engines are used in various Toyota vehicles, including the Camry, RAV4 and Previa. There are two models of the AZ-FE engines which are differentiated by their displacements.

Shanghai Hino Diesel Engines

Shanghai Hino mainly produces the Hino series diesel engines. Its main products are the Hino P11C series, J05E series and J08E series. The Hino series diesel engines are used in various heavy duty trucks, motor bus and excavators.

Transmissions

Our Company participates in production of transmissions through HAVECO. The main products of HAVECO are: IVECO "S" series, Fiat "C" series, Chery "QR" series and HAVECO self-developed "H" series, which mainly cater to NAVECO Ltd., Italy IVECO S.p.A, Brazil IVECO, Chery Automobile, Chongqing Lifan Passenger Vehicle Co., Ltd. and Great Wall Motor Company Limited. These products are also exported to Europe, South America and Mid-East.

Other Auto Parts

GAC Components, through its subsidiaries, JCEs and associated companies, manufactures various types of auto parts, including seats, headlights, carpets, HVAC systems, auto accessories, steering gear and shock absorbers.

Automobile-related Services

Our automobile-related services include the selling and leasing of vehicles, after-sales services, the import and export of automobile-related products (such as the import of vehicle manufacturing equipment, auto parts and steel products and the export of engines and auto parts), logistics services for transportation of vehicles, engines and auto parts as well as the provision of auto insurance brokerage services.

Together with our joint venture partners and local logistics providers, we have established a mature and comprehensive logistics network for our manufacturing entities to provide logistics services, including land and sea transportation, storage, packaging and distribution of automobiles or auto parts, for our manufacturing entities in different regions. In particular, we have established Tongfang Global (Tianjin) Logistics Co., Ltd (同方環球(天津)物流有限公司) with Toyota and China FAW Group Corporation and own 27.5% equity interest in Guangzhou Port Nansha Automobile Harbour Co., Ltd. (廣州港南沙汽車碼頭有限公司).

In June 2006, we invested RMB15 million to establish Guang'ai with Aioi Insurance Co. Ltd., the fourth largest property insurance company in Japan in terms of premiums, to provide automobile-related insurance brokerage services. Guang'ai has applied for and obtained the relevant approvals to conduct its insurance brokerage business. According to the joint venture agreement, our Company, GAC Commercial and Aioi Insurance Company Limited own 50.2%, 24.9% and 24.9% equity interest of Guang'ai, respectively. If Guang'ai fails to obtain loans from third party financial institutions and require guarantees by its joint venture partners, each joint venture partner will be required to undertake such guarantees in proportion to their capital contribution in Guang'ai. Our Company participates in the daily operation and administration of Guang'ai through its representatives on Guang'ai's board of directors and management team. Profit allocation and share of business risks are based on the capital contribution by each of the joint venture partners.

In addition, we plan to establish our auto insurance and auto finance business upon receiving approvals from relevant regulatory authorities. We obtained CBRC approval in November 2009 and established GAC-SOFINCO Automobile Finance Co., Ltd. on 25 May 2010 with SOFINCO, a wholly-owned subsidiary of Crédit Agricole Group engaging in personal credit business in the field of professional financial services. GAC SOFINCO is committed to provide financing to our dealers, which is expected to focus on inventory financing (庫存融資) and provide retail loans for end customers of our products. Each of SOFINCO and our Company contributed RMB250 million to GAC-SOFINCO and holds 50% of interest in the joint venture. The profit sharing in GAC-SOFINCO is in accordance with the equity holding of joint venture partners. Each of our Company and SOFINCO is allowed to appoint four directors to the board, which will duly appoint senior management team and monitor the daily operation of the GAC-SOFINCO. Our Company is responsible, among other things, for assisting GAC-SOFINCO in communicating with regulatory authorities and to comply with the relevant regulations. The main obligations of SOFINCO under the joint venture agreement include providing necessary advice and information to the operation of GAC-SOFINCO and provide proprietary technologies and expertises for GAC-SOFINCO to develop its own financial products. GAC SOFINCO is expected to carry out operation by the end of 2010.

During the Track Record Period, our Directors confirm that there is no loss or claim resulting from disruption in transportation capacity which may materially and adversely affect our operations and financial conditions. Further details about the risks of disruption in transportation is set out in the section headed "Risk Factors — Any negative impact to the transportation capacity of our products and raw materials could adversely affect our operations" of this Listing Document.

PRODUCTION

As at the Latest Practicable Date, our principal automobile manufacturing facilities are located in Guangzhou, Guangdong Province, PRC. We, together with our associated companies, also operate in Changsha, Hangzhou and Shenyang. As at the Latest Practicable Date, we had an aggregate annual production capacity (taking into account all production capacity of our JCEs and our associated companies) of approximately 909,000 vehicles, comprising of approximately 890,000 passenger vehicles and 19,000 commercial vehicles, 2,500 chassis and 530,000 units of engines. During the Track Record Period, we expanded our product portfolio and increased our production capacity to meet the increasing and evolving domestic demand for our products. Our capital expenditures amounted to RMB1,254 million, RMB2,833 million and RMB4,356 million for the three years ended 31 December 2007, 2008 and 2009, respectively. We expect that our capital expenditures for 2010 and 2011 will amount to RMB4,921 million and RMB4,062 million, respectively.

The annual production capacity, annual production output and utilisation rates of the principal production facilities for the periods indicated were as follows:

	2007			2008			2009		
Entities	Annual Production Capacity (units)	Annual Production (units)	Utilisation Rate (%)	Annual Production Capacity (units)	Annual Production (units)	Utilisation Rate (%)	Annual Production Capacity (units)	Annual Production (units)	Utilization Rate (%)
Guangqi Honda	360,000	295,462	82	360,000	308,376	86	360,000	365,997	101.7
GAC Toyota	200,000	170,277	85	260,000	175,870	68	380,000	209,613	55.2
Honda China	50,000	43,596	87	50,000	44,675	89	50,000	28,327	56.7
Yangcheng Auto(1)	15,000	3,931	26	N/A	N/A	N/A	N/A	N/A	N/A
GAC Bus(2)	2,000	642	32	2,000	1,124	56	2,000	1,284	64
Guangzhou Isuzu	1,200	104	9	N/A	N/A	N/A	N/A	N/A	N/A
GAC Hino(3)	N/A	N/A	N/A	N/A	522	N/A	N/A	1,990	N/A
GAC Toyota Engine	500,000	346,026	69	500,000	309,806	62	500,000	361,407	72.3

Notes:

(1) *We transferred the production facilities and parts of the assets of Yangcheng Auto to GAC Hino in 2008. Accordingly, the figures relating to annual production capacity and utilisation rate of Yangcheng Auto are no longer applicable since such transfer. Notwithstanding such transfer of production facilities and assets, Yangcheng Auto sold 534 units from its existing inventory in 2008.*

(2) *We conducted a restructuring of the commercial vehicle business in 2008 and transferred the production facilities and assets of Guangzhou Yue Long to GAC Bus. This includes the annual production capacity and volume of chassis.*

(3) *GAC Hino was established in late 2007 and it commenced production through its own production facilities in September 2009. Accordingly, the figures relating to annual production capacity and utilisation rate for GAC Hino are not applicable from 2006 to 2009. However, GAC Hino has utilised the original production facilities of Yangcheng Auto to produce 522 units in 2008 and 1990 units in 2009 after the transfer of production facilities and assets of Yangcheng Auto to GAC Hino in 2008.*

Production Facilities

Facilities in production

The following table sets out the principal production facilities and locations of our Group and our associated companies that have commenced production as at the Latest Practicable Date[(1)].

Product	Date of Commencement of Production or Completion of Acquisition	Location of Production	Entity	Annual Capacity as at the Latest Practicable Date (units)	Major Model
Passenger vehicles	1999	Huangpu, Guangzhou, Guangdong Province, PRC	Guangqi Honda	240,000	Guangqi Honda Accord, Guangqi Honda Odyssey, Guangqi Honda City (Fengfan) and Guangqi Honda Fit
	2006	Zengcheng, Guangzhou, Guangdong Province, PRC (Phase I)	Guangqi Honda	120,000	Guangqi Honda Accord, Guangqi Honda Odyssey
	2008	Nansha, Guangzhou, Guangdong Province, PRC (Phase I)	GAC Toyota	260,000	GAC Toyota Camry GAC Toyota Yaris
	2009	Nansha, Guangzhou, Guangdong Province, PRC (Phase II)	GAC Toyota	120,000	GAC Toyota Camry, GAC Toyota Highlander and GAC Toyota Yaris
	2005	Frontier and Technology Development Zone, Guangzhou, Guangdong Province, PRC	Honda (China)[(2)]	50,000	Honda Jazz[(2)]
	2009 (Acquisition)	Changsha and Yongzhou, Hunan Province, PRC	GAC Changfeng[(2)]	100,000	GAC Changfeng Liebao
Total				890,000	
Commercial vehicles	2009	Conghua, Guangzhou, Guangdong Province, PRC	GAC Hino	10,000	Light-duty truck
				6,000	Heavy-duty trucks
	2008 (Acquisition)	Shenyang, Liaoning Province	GAC Hino	1,000	Buses
				2,500	Chassis[(3)]
	1993	Baiyun, Guangzhou, Guangdong Province, PRC	GAC Bus	2,000	Buses such as highway buses, city buses and light buses, and special purpose vehicles such as construction vehicles, ambulance and electric commercial vehicles
Total				19,000	

Product	Date of Commencement of Production or Completion of Acquisition	Location of Production	Entity	Annual Capacity as at the Latest Practicable Date (units)	Major Model
Engines	2005	Nansha Guangzhou, Guangdong Province PRC	GAC Toyota Engine(2)	500,000	AZ-FE series
	2010	Shanghai	Shanghai Hino(2)	30,000	Hino diesel engines
Transmission	2009 (Acquisition)	Xiaoshan, Hangzhou, Zhejiang Province, PRC	HAVECO(2)	200,000	HAVECO H series, IVECO S series and Fiat C series

Notes:

(1) The figures above account for all of the production capacity of our Jointly-controlled Entities and associated companies.

(2) The revenue and operating profit of these entities are not consolidated into our Company's accounts.

(3) The figures of Chassis are not consolidated into the production capacity of commercial vehicles.

Facilities under construction

The following table sets out the principal production facilities and locations that are under construction as at the Latest Practicable Date(1)(2). As at the Latest Practicable Date, the total capital expenditure of the below facilities amounted to RMB1,859 million.

Product	Expected commencement of production	Location	Entity	Expected additional annual capacity (units)	Major model type
Passenger vehicles . . .	2010	Panyu, Guangzhou, Guangdong Province, PRC	GAMC	100,000	Trumpchi
	2012	Changsha, Hunan, PRC	GAC Fiat	140,000	Fiat
Total				240,000	
Engines	2010	Panyu, Guangzhou, Guangdong Province, PRC	GAMC	100,000	Engines
	2012	Changsha, Hunan, PRC	GAC Fiat	220,000	Engines
				320,000	

Notes:

(1) The figures below account for 100% the production capacity of our Jointly-controlled Entities and associated companies.

(2) As at the Latest Practicable Date, we have no other facilities under construction to expand the production capacity.

Facilities to be constructed

Following the announcement of the proposed Privatization on 19 May 2010 and in order to support the future development of Guangqi Honda, it was announced on 25 May 2010 that Honda and our Company will increase the production capacity of Guangqi Honda from 360,000 units to 480,000 units by the end of 2011 and new Honda models, i.e., Guangqi Honda Everus and Guangqi Honda

Crosstour, will be introduced to the market by Guangqi Honda. Subject to governmental approvals, the construction of the new facilities is expected to be completed by the end of 2011.

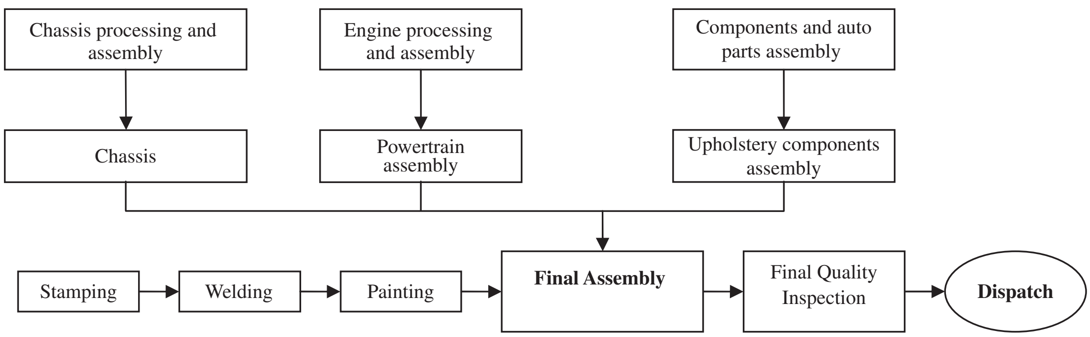
Product	Expected commencement of production	Location	Entity	Expected additional annual capacity (units)	Major model type
Passenger vehicles	2011	Zengcheng, Guangzhou, Guangdong Province, PRC (Phase II)	Guangqi Honda	120,000	Guangqi Honda Accord, Guangqi Honda Odyssey

During the Track Record Period, our Directors confirm that there is no loss or claim resulting from defaults by our joint venture partners regarding production facilities and relating projects which may materially and adversely affect our operations and financial conditions. Further details about the risks of defaults by our joint ventures is set out in the section headed "Risk Factors — Defaults by counterparties that we do business which could adversely affect our financial position and results of operations" of this Listing Document.

During the Track Record Period, our Directors also confirm that there is no loss or claim resulting from failure to obtain the necessary PRC government approvals and consents which may materially and adversely affect our future development, financial condition and results. Further details about the risks of failure to obtain the necessary PRC government approvals and consents is set out in the section headed "Risk Factors — If we fail to obtain the necessary PRC government approvals and consents in respect of our future expansion projects or new Sino-foreign joint venture companies, our financial conditions and results of operations may be affected" of this Listing Document.

Production Process

Our production processes vary among the different categories of vehicles and automobile-related products that we manufacture. The diagram below illustrates the principal steps in the production of our passenger and commercial vehicles:



The production of our passenger and commercial vehicles generally involve the following steps:

- *Chassis processing and assembly*: Chassis parts, including the front and rear axles and steering units, are processed and mounted onto the frame to form a complete chassis.
- *Engine processing and powertrain assembly*: Powertrain components, including the engine and the transmission, are processed and assembled into a complete powertrain.

- *Components and auto parts assembly*: Auto parts and components, including metre boards, batteries and headlights, are assembled into main parts for final assembly.
- *Upholstery components assembly*: Upholstery components, including seats, interior side boards and lights and air-conditioning equipment, are installed into the vehicles.
- *Stamping*: Steel plates are stamped onto body parts of vehicles. Most of the stamping operation is completed at our production facilities. The stamping workshops use advanced technology that are adopted from our strategic partners. The production lines are highly-mechanized and automated.
- *Welding*: Welding is a process whereby the vehicle bodies are formed by welding together the relevant vehicle body parts produced by our stamping workshops and other stamped parts and accessories procured from our suppliers.
- *Painting*: Painting involves mid electrophoresis painting, layer painting and surface coating to withstand corrosion. We have adopted all industrial waste treatment processes for our painting facilities.
- *Final assembly*: At final assembly, the complete chassis, engine unit and auto parts are assembled into a complete vehicle. A complete chassis is first assembled, which will be followed by the assembling of the motor and the transmission system. At the final stage of the assembling process, the complete chassis, the transmission system, the principal auxiliary system, glazing, tyres, and other parts and accessories are assembled together to form the complete vehicle.
- *Final quality inspection*: Final quality inspection involves road tests and final product inspections, including the inspections of exhaust emissions, steering, braking, engine, transmission and electrical appliances performance. It will also involve an inspection of the vehicle's interior and exterior, which will be followed by a performance check to inspect the emission levels, driving and braking functions of the vehicle.

Generally, our manufacturing entities operate eight hours per shift, two shifts per day and five days a week. Extra shifts may be added if market demand requires.

Repair and maintenance of our production line

General maintenance of our production equipment will usually take place during public holidays. In addition, during periods of intense production, additional maintenance work will be conducted to ensure the proper operation of our production equipment.

PROCUREMENT OF AUTO PARTS AND RAW MATERIALS

Selection of suppliers

In general, each of our operating entities procures its own auto parts, raw materials and other consumables separately and purchases from pre-selected suppliers. We have implemented stringent controls over our supplier selection process to ensure the quality of the raw materials and auto parts. The selection of our suppliers is generally determined with consideration of, among others, their quality, costs, delivery standards, development potential and management quality. We have also introduced a quality assurance vetting system to ensure that all raw materials and auto parts delivered to our operating entities conform to our specific quality control requirements. In addition, we also require our suppliers to pass a probation period prior to providing in mass quantities, raw materials or auto parts to us, as to ensure that they have the capacity to deliver the required products in a timely manner. We also assist and encourage our suppliers to establish a specific response team to promptly resolve any problems that may arise in their production process.

During May and June in 2010, our suppliers experienced several suspension of production due to labor dispute. In particular, from 24 May 2010 to 2 June 2010, Guangqi Honda experienced a temporary suspension of production due to the shortage of supply from one of its designated suppliers, which resulted from a labor dispute of a supplier to this designated supplier. This short suspension of production did not affect our annual output and our supply to customers, even though Guangqi Honda was expected to produce about 2% of its annual production during the suspension period, as Guangqi Honda is able to, and will leverage holidays or extend working time from time to time to meet the annual target and satisfy the demand. The recent labour disputes in suppliers of Guangqi Honda's designated supplier have been resolved by increasing the salary of the employees. The Directors confirmed that this salary increase has not lead to price increase of the auto parts provided by the designated supplier to the Company.

Relationship and cooperation with suppliers

We have established long-term relationships with our suppliers and negotiated supply agreements with favourable terms and stable pricing policies. We believe such long-term relationships with our suppliers will benefit us in ensuring a stable supply of auto parts and raw materials at reasonable prices. Generally, we notify the suppliers of our demand for the next three months at the beginning of each month to secure sufficient supply. The suppliers must report to us in advance if any of our requirements cannot be satisfied. Other than engines and transmissions that we are required to source from designated providers due to market practice and requirement of our joint venture partners, we source each raw material or component from more than one supplier in order to minimise reliance on a single supplier and maintain stability and flexibility of our supplies.

Our key suppliers during the Track Record Period are GAC Toyota Engine, Dongfeng Honda Engine Co., Ltd., Toyota Motor Corporation, Honda Trading Corporation, Guangzhou TS Automotive Interior Systems Co., Ltd., Guangzhou Intex Automotive Interior Parts Co., Ltd., and Guangzhou Denso Co., Ltd. We have been carrying out business relationships with these key suppliers for a period of five to eleven years. In particular, GAC Toyota Engine and Dongfeng Honda Engine Co., Ltd. are the designated providers of engines to GAC Toyota and Guangqi Honda, respectively, while Toyota Motor Corporation and Honda Trading Corporation are the designated providers of transmissions to GAC Toyota and Guangqi Honda, respectively. All of our designated suppliers are controlled by our joint venture partners and have entered into long-term supply agreements with us. The purchase from the designated suppliers accounted for approximately 36%, 35% and 34% of our total purchase for the three years ended 31 December 2007, 2008 and 2009. We also actively participate in the global sourcing system of our Company's joint venture partners. Our major strategies include (1) directly purchasing from our joint venture partners which have established manufacturing facilities in China; (2) persuading our domestic suppliers to establish their R&D centres with our joint venture partners; and (3) helping the local suppliers to improve the product quality which enables our local suppliers to join our joint venture partners' global sourcing system and further secure our supply.

The terms and conditions on products and services provided by these suppliers are based on arm's length negotiation and no less favourable to us than terms and conditions available to independent third parties. Our suppliers are responsible for ensuring that the products provided are in line with the standards set out in the agreements. The supply agreement would be automatically renewed at the end of each year and the pricing is subjected to further negotiation in each order. The credit and settlement term generally ranges from 45 to 60 days. The exclusivity and warranty terms vary with different suppliers and are agreed by parties separately.

We also implement stringent measures on our suppliers, such as requesting certain inventory retention rates and monitoring our suppliers' procurement processes, for the purpose of securing the availability and adequacy of supplies. The Directors confirm that, during the Track Record Period, the supply of key auto parts and raw materials to our Group remained stable and adequate.

Localisation

We endeavour to be more cost effective by encouraging further localisation of the supply of auto parts, raw materials and other supplies. The following sets out the raw material and auto part localisation rates our major models of passenger vehicles as at the Latest Practicable Date:

Passenger vehicle model	Localization rate (%)
GAC Toyota Camry	more than 70%
GAC Toyota Highlander	more than 60%
GAC Toyota Yaris	more than 80%
Guangqi Honda Accord	more than 90%
Guangqi Honda Odyssey	more than 90%
Guangqi Honda City (Fengfan)	more than 90%
Guangqi Honda Fit	more than 90%

For the three years ended 31 December 2007, 2008 and 2009, purchases from our five largest suppliers in aggregate accounted for approximately 56%, 58% and 55% of our total purchases, respectively. Purchases from our single largest supplier accounted for approximately 27%, 31% and 31% of our total purchases for each of the three years ended 31 December 2007, 2008 and 2009, respectively. Purchases from our joint venture partners and our associated companies accounted for approximately 60%, 61% and 56% of our total purchases for the three years ended 31 December 2007, 2008 and 2009, respectively.

As at the Latest Practicable Date, none of the Directors, their respective associates nor any shareholders of our Company holding more than 5% of the issued capital of our Company, to the knowledge of our Directors, held any interest in any of our five largest suppliers.

During the Track Record Period, our Directors confirm that there is no loss or claim resulting from defaults by our suppliers or disruption in supply of raw material and auto part which may materially and adversely affect our operations and financial conditions. Further details about the risks of defaults by our suppliers or disruption in supply of raw material and auto part are set out in the sections headed "Risk Factors — Our operations and financial performance could be adversely affected if we fail to manage our purchase costs or obtain raw materials and auto parts on a timely basis or at reasonable prices" and "Risk Factors — Defaults by counterparties that we do business which could adversely affect our financial position and results of operations" of this Listing Document.

RISKS MANAGEMENT SYSTEM

We have implemented a comprehensive risk management system which helps us to maintain the high-quality standards of our products and services, minimise any deviation from pre-approved budgets and identify and resolve potential problems as early as possible in the production development cycle. Such risk management system comprises a set of detailed policies and guidelines in relation to various issues, including but not limited to, repayment default and increased costs of compliance associated with the auto insurance brokerage business and auto financing business, failure in information technology system and failure to integrate acquired businesses. These policies benefit from the substantial input from, and constant monitoring and supervision by, various departments in each stage of our selection of suppliers, production development and sales and services. Our Directors are of the view that through our professional and comprehensive risk management system, which we have developed over the years, we can effectively control costs and minimise risks while maintaining the high-quality of our products and services.

Specifically, since we have just begun our auto insurance brokerage business through Guang'ai and we expect to start our auto financing business in the near future, there remains no current risk regarding customer repayment default and increased costs of compliance for us. However, we aim to utilise our existing comprehensive risks management system to minimise these potential risks.

For the risks associated with our information system, we utilised specific measures such as, among others, adopting effective firewall system, anti-virus system, anti-intrusion system, and relevant account clearance mechanism to control the internal and external risks of leaking confidential information, applying classified license configuration of accounts in information system as well as the backup and restoring mechanism of database to reduce the risks of false deletion of useful information by illegal users or legal users so as to ensure the completeness of our database to maintain our business operations.

QUALITY CONTROL

Quality control is an integral part of our procurement, production and distribution process. Benefiting from our close cooperation with major international automobile manufacturers, we have established and implemented quality assurance systems in compliance with domestic and international standards. The quality control procedures applied to our production process are formulated according to (1) the latest domestic and international automobile production standards; (2) specific requirements of individual products; and (3) feedback from our quality control staff and customers. We also introduce various quality control techniques into every stage of our operation, such as error correction equipment, as to avoid product defects. In particular, unfinished products that fail to meet our quality control requirements will not be processed into the next stage of the production. As at the Latest Practicable Date, we had 1,557 employees dedicated in the quality control process. Among them, 150 have master degrees, 625 have bachelor degrees and 782 have college degrees. All of our leading administrative staff have 5 to 10 years of working experience on quality control.

Assurance testing is an important part of our quality control process and we are equipped with testing devices in the testing lines. The finished products are subject to stringent quality control tests on the quality assurance test lines before they are granted with any quality certification. The finished products are tested in various aspects, including among others, mechanical performance, appearance, interior systems, wheel alignment, lighting and brake force emissions.

Qualification

All our Joint Venture Companies, subsidiaries and associated companies have been awarded or are in the process of applying for ISO series accreditation with respect to their quality management assurance systems, including ISO9000, ISO9001 and ISO9002 series accreditations.

The table below sets forth the quality recognition we have received.

Company	Year	Qualification	Awarded By	Expiry Date
GAC Toyota	2009	Accreditation of Quality Management System.	Tianjing Huacheng Accreditation Centre	15 October 2010
	2007	Environmental Management System Certificate GB/T 24001-2004/ISO 14001:2004	Huaxia Certification Centre Inc.	17 April 2010
Guangqi Honda	2009	Accreditation of Quality Management System	Tianjing Huacheng Accreditation Centre	17 June 2012
GAC Bus	2007	ISO9001-2000	Guangdong Zhongjian Certification Co., Ltd.	14 August 2010
Honda (China)	2009	GB/T 24001-2004/ ISO 14001:2004 Accreditation	SGS-CSTC Standards Technical Services Co., Ltd.	31 October 2012
	2009	Accreditation of Quality Management System ISO 9001:2008	Pengcheng International Certification	14 January 2012

We obtained China Compulsory Certificates and Energy-Saving and Environmentally friendly Automotive Products Certification for some of our passenger and commercial vehicles. Pursuant to the Regulations for Compulsory Product Certification of PRC, the PRC government promulgated a unified product catalogue under compulsory certification, as well as establishing unified national standards and implementing procedures. The products listed in the catalogue as required by such regulations are required to pass the relevant qualification tests before being despatched to customers. The compulsory qualifications imposed on our products are set out as follows:

Qualification	Year	Product	Awarded By	Expiry Date
Passenger Vehicle				
China Compulsory Certificate	2009	Guangqi Honda Accord Guangqi Honda City Guangqi Honda Fit Guangqi Honda Odyssey	China Quality Certification Centre	30 November 2014
Commercial Vehicle				
China Compulsory Certificate	2010	Hino Heavy Truck Hino Tractor Hino Bus GAC Bus	China Quality Certification Centre	6 January 2015

The Directors confirm that the Group has not experienced any material quality problems during the Track Record Period. Under the Provisions on the Administration of Recall of Defective Automobiles effective from October 2004, Guangqi Honda and GAC Toyota voluntarily recalled seven batches of automobiles that we did not face any product liability claims from such recalled products as at the Latest Practicable Date. GAC Toyota recalled three batches of its products due to problems with their auto parts including the automobile windows in certain GAC Toyota Camry and GAC Toyota Yaris vehicles, the brake vacuum boosters in certain GAC Toyota Camry vehicles and the defects on manually shifted transmission for certain GAC Toyota Yaris vehicles. Guangqi Honda voluntary recalled four batches of its products due to their auto parts problems including the loose oil return tube of certain Guangqi Honda Odyssey, the airbags problems of certain Guangqi Honda Accord vehicles, the rear- wheel problems of certain Guangqi Honda City vehicles and the defects on power steering system of certain Guangqi Honda Accord, Guangqi Honda Odyssey and Guangqi Honda Fit vehicles. In particular, Guangqi Honda announced on 2 June 2010 the recall of 32,650 units of Guangqi Honda Odyssey due to loose oil return tube, which incurred during the manufacturing process and may result in leakage of the oil that may lead to potential safety hazard. For the recall of Guangqi Honda Odyssey, Guangqi Honda bore the cost of recall as it resulted from the error in manufacturing process. Guangqi Honda would carefully examine the recalled Guangqi Honda Odyssey and fix the oil return tube that is loose. The Directors confirm that, as this recall and repair involves no replacement of auto parts and vehicles, the costs and expenses is minimal and has no material impact on our financial condition and profit forecast for 2010. When determining the recall of our products, we generally consider the compliance with relevant requirements under the Provisions on the Administration of Recall of Defective Automobiles of PRC effective from October 2004. We decided and initiated recalls in accordance with the most stringent definition of "defect" under Provisions on the administration of Recall of Defective Automobiles of PRC, which recognized defect of product when there has been no accident incurred but may be unreasonable danger under particular circumstances that may violate the people and/or property safety and commonly exist in a batch of vehicles in the same type or model due to design, manufacturing or other causes not conforming to the national automotive safety standards. Although we believed that there was no immediate safety risk in these products, we recalled these automobiles with a view to ensuring that the quality standards of our products meet or even exceed all applicable regulatory requirements. In addition, to ensure that all of our products would continue to meet high standards and comply with regulatory requirements, we voluntarily replaced all of the affected auto parts and conducted maintenance.

Since October 2009, as part of its safety campaign, Toyota initiated voluntary safety recalls of over 8 million vehicles as a result of problems arising from the genuine all weather-floor mats used in vehicles being sold in the US, assembly of accelerator pedals and programming of the ABS ECU system in some of its vehicles. On 9 February 2010, Honda also announced that it was recalling more than 400,000 vehicles globally over airbag inflation problems. As at the Latest Practicable Date, none of the recalls initiated by Toyota or Honda involved the products manufactured by GAC Toyota or Guangqi Honda. The sales of GAC Toyota and Guangqi Honda remained strong subsequent to the recent massive global recalls by Toyota and Honda. Sales of GAC Toyota vehicles amounted to 130,616 units for the second half of 2009 comparing to 78,971 units for the six months ended 30 June 2009. The price of our products remained stable after the global recall of Toyota and Honda and the voluntary recalls initiated by us. For the first four months of 2010, the sales of GAC Toyota vehicles and Guangqi Honda amounted to 91,647 units and 134,668 units comparing to 49,076 units and 98,677 units for the first four months of 2009, which represents an increase of 86.7% and 36.5%, respectively and is in line with the sales in the second half of 2009.

As our respective auto parts suppliers are responsible for all expenses related to the recalls, the Directors confirm that the Group incurred no losses from the recalls during the Track Record Period. In addition, our Directors also confirm that the Group suffered no losses from product liability claims during the Track Record Period and believe that there is no material adverse effect on our financial condition and results of operations.

Please refer to the section headed "Business - Procurement of Auto Parts and Raw Materials" of this Listing Document for further details of our quality control procedures with respect to procurement processes.

OUR AWARDS

We have received numerous awards for our products. The table below are some of the awards that we have received during the Track Record Period:

Products	Year	Awards	Awarded By
GAC Toyota Camry	2007	Ranked first in the upper premium midsize car segment according to the China Automotive Performance, Execution and Layout Study	J.D. Power Asia Pacific
		The Best Officer's Sedan Car in China of 2007 (2007年度中國最佳公務轎車)	2007 General Rank of Automobile (Shenzhen) (2007年(深圳)汽車總評榜)
		Vehicle of the Time in 2007 (2007年度風雲車)	Guangzhou Daily and China Mainstream Media Auto Union (廣州日報中國主流媒體汽車聯盟)
		The Best Officer's Sedan Car in China of 2007 (2007年度中國最佳公務轎車)	Chongqing Evening News (重慶晚報)
		The Most Valuable Model of Vehicle in 2007 (最具價值車型)	Dragon TV- Auto World (東方衛視-車世界)
		Enterprise Automobile of the Year (年度企業汽車) 2. The Most Popular Mid-to-high-end Sedan (最受公衆喜愛的中高級轎車)	Yancheng Evening News (羊城晚報)
		The Market Performance Award for Model of Vehicle (年度最佳市場表現車型)	New Express (新快報)
		The Best Business Sedan in 2007 (最佳商務車)	China.com (中華網)
		The Chief Model of Vehicle of the Year (年度領袖車型)	Shenzhen Economic Daily and auto.sohu.com (深圳商報和SOHU汽車)
		The Business Sedan of the Time (風雲商務轎車)	Chengdu Economic Daily (成都商報)
		The Best Mid-to-high-end Sedan in 2007 (2007年度最佳中高級轎車)	Huashang News (華商報社)
		The Best Joint-Venture Vehicle of the Year (年度最佳合資汽車)	2007 General Rank of Automobile (Pearl River Delta Region) (2007年度珠三角地區汽車總評榜)
	2008	The Most Selected Cost-effective Sedan Car for Millions of Middle Class Families (百萬中產家庭受選最高性價比轎車)	Nanfang Newspaper Media Group (南方報業傳媒集團)
		The Special Recommended Award by the Committee (評委會特別推薦獎)	2007 General Rank of Automobile (China) (2007中國(年度)汽車總評榜)
		The Popular Vehicle in 2007 (2007年度人氣車)	China CBN (第一財經日報)

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Products	Year	Awards	Awarded By
		The Chief Vehicle of the Year (年度領袖汽車)	Shenzhen Press Group (深圳報業集團)
		The Most Reliable Mid-to-high-end Sedan Car (最可靠中高級轎車)	New Express (新快報)
	2009	The Best Commercial and Officer's Sedan Car (最佳公商務轎車)	Nanjing Daily (南京日報)
		Shanghai Motor Show Award- The Most Advanced Technology Award (上海車展大獎-最佳領先科技獎)	Shanghai Motor Show Committee (上海車展組委會)
		The Most Desirable Vehicle Model for Consumers in 2008 (2008 消費者最期待車型)	Research Centre of State Council State-owned Assets Supervision and Administration Committee (國務院國資委研究中心)
		The Car of the Year	CCTV (中國中央電視台)
		The Car of the Year	China Auto Pictorial (中國汽車畫報)
		The Top 10 Most Popular Vehicle Brand for Officials (公務員最喜愛十大汽車品牌)	Nanfang Daily (南方日報)
		The Comfortable Vehicle Model of the Year (年度舒適車型)	Chengdu Economic Daily (成都商報)
		The Sixty Types of Vehicles Impacting the Life of Chinese People (影響中國人生活的六十款車)	Huashang News (華商報)
GAC Toyota Yaris	2008	The Top Ten Durable Vehicle Model of the World in 2007 (2007 年全球十大耐用車型)	Forbes
		The Champion of Safety Satisfaction (安全性滿意度冠軍)	Sohu.com (搜狐網)
		The Best Safety Economic Sedan Car (年度最佳安全經濟型轎車)	Chongqing Economic News (重慶商報)
		The most satisfactory Product Quality Award (最滿意產品性能質量獎)	Society of Automotive Engineers of China & SINOTRUST (中國汽車工程學會及新華信)
		The Award for Top Ten Product Quality of the Year (年度十大最佳品質獎)	STRATEGIC VISION
		The highest Safety Evaluation (最高安全評價)	Insurance Institute of Highway Safety
	2009	Ranked first in entry midsize segment according to China Initial Quality Study	J.D. Power Asia Pacific
		Ranked third in entry mid-size segment according to Automobile Performance, Execution and Layout Study	J.D. Power Asia Pacific
GAC Toyota Highlander	2009	The Design Award of 2009 (2009 年度設計大獎)	China Auto Pictorial (中國汽車畫報等)

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Products	Year	Awards	Awarded By
		The Excellent Achievement of Auto Industry in 2009-The Crossover of the Year (2009中國汽車工業傑出成就獎-年度 Crossover)	Auto Car (轎車情報)
		The Top Ten Vehicle Model of Middle-sized SUV (SUV 2009 年十大車型最佳中型 SUV)	Consumer Reports (消費者報告)
		The Top Ten Satisfaction Award for Consumers in 2008 (2008 年十大最令消費者滿意獎)	STRATEGIC VISION
		SUV of the Time (年度風雲 SUV)	Chengdu Economic Daily (成都商報)
		The Knight Crossover (騎士跨界車)	Auto Fashion News (汽車時尚報)
		The Sixty Types of Vehicles Impacting the Life of Chinese People (影響中國人生活的 60 款車)	Huashang News (華商報)
		The SUV of the Year	www.China.com
		The Car of the Year	CCTV (中國中央電視台)
Guangqi Honda Accord	2007	The Most Desirable Vehicle Model (最值得期待車型)	Guangzhou Daily (廣州日報)
		Top Ten Environmental Protection Vehicle Model in 2007 (十大環保車型)	Information Times (信息時報)
		The Most Popular Vehicle Model (最具人氣車型)	New Express, Sina Auto, (新快報, 新浪汽車) Guangzhou Net and Yahoo China (廣州視窗, 雅虎中國)
		The Most Attentive New Vehicle (最受關注新車)	Guangzhou Motor Show Committee (廣州車展組委會)
	2008	Ranked first in the upper premium midsize car segment according to the China Automotive Performance, Execution and Layout Study	J.D. Power Asia Pacific
		Ranked second in the upper premium midsize car segment from the China Initial Quality Study	J.D. Power Asia Pacific
		The Most Popular Domestic Model Vehicle of the Year (年度最具人氣國產車型)	Sina.com (新浪網)
		The Most Expectable Model Vehicle (最值得期待車型)	China Mainstream Media Auto Union (中國主流媒體汽車聯盟)
		The Most Desirable Model Vehicle (最有購買欲望車型)	Nanfang Newspaper Media Group (南方報業傳媒集團)

Products	Year	Awards	Awarded By
		The Vehicle of the Time Award in 2008 (2008 年度風雲車)	Nanfang Dushi Bao (南方都市報)
		The Vehicle of the Time Award in 2008 (2008 年度風雲車)	2008 General Rank of Automobile, Guangzhou Branch (2008 年中國年度汽車總評榜廣州分榜)
		Fashion Mid-to-high-end Sedan Car (魅力中高級轎車)	《汽車導購》
		The Chief Model Vehicle (最具王者風範精英座駕)	China CBN (第一財經日報)
		The Champion of Satisfaction of the Year (滿意度年度總冠軍)	Sohu.com (搜狐網)
		Annual Vehicle Model of 2008 (2008 年年度車型)	New Express (新快報)
		Sina Annual Vehicle Award of 2009 (新浪 2009 年度車大獎)	Sina.com (新浪網)
		Best Officer's Sedan Car of the Year (年度最佳公務車)	China Mainstream Media Auto Union (中國主流媒體汽車聯盟)
	2009	Rank third in the upper premium midsize segment according to China Initial Quality Study	J.D. Power Asia Pacific
		Annual Vehicle Award of 2009 (年度車 2009 大獎)	Drivers (《汽車駕駛員》)
Guangqi Honda Odyssey	2007-2008	Ranked first in the MPV segment according to China Initial Quality Study	J.D. Power Asia Pacific
	2007	The Best MPV of the Year (年度最佳)	Guangzhou Daily (廣州日報)
		Ranked second in the MPV segment according to the China Automotive Performance, Execution and Layout Study	J.D. Power Asia Pacific
	2008	Ranked first in the MPV segment according to the China Automotive Performance, Execution and Layout Study	J.D. Power Asia Pacific
		The Best MPV of the Year (年度最佳)	Information Times (信息時報)
		The Best Officer's Sedan Car (最佳公務車)	2008 General Rank of Automobile, Guangzhou Branch (2008 年中國年度汽車總評榜廣州分榜)
	2009	Ranked first in the MPV segment according to the China Automotive Performance, Execution and Layout Study	J.D. Power Asia Pacific
		Ranked second in the MPV segment according to the China Initial Quality Study	J.D. Power Asia Pacific

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Products	Year	Awards	Awarded By
Guangqi Honda City	2007	Ranked first in the entry midsize segment from the China Initial Quality Study	J.D. Power Asia Pacific
Guangqi Honda City Fengfan	2009	Rank third in the midsize segment according to China Initial Quality Study	J.D Power Asia Pacific
	2008	Ranked forth in the entry midsize car segment from the China Initial Quality Study (根據中國新車質量調研報告,在入門級中型汽車類別排名第四)	J.D. Power Asia Pacific
		The Most Expected Vehicle Model (最值得期待車型)	2008 General Rank of Automobile, Guangzhou Branch (2008年中國年度汽車總評榜廣州分榜)
Guangqi Honda Fit	2008	Ranked first in the entry midsize segment from the China Initial Quality Study	J.D. Power Asia Pacific
		The Most Desirable Vehicle Model (最有欲望購買車型)	北京國際車展南方報業傳媒集團 Beijing International Automotive Exhibition & South Newspaper and Media Group
		The Most Popular New Car of 2008 (2008年度最受歡迎新車)	China Annual General Rank of Automobile, Guangzhou Branch (2008年中國年度汽車總評榜廣州分榜)
		The Preferred Mini Vehicle among Web Users (網友首選小型車)	Sohu.com (搜狐網)
	2009	Ranked second in the entry midsize segment according to China Automotive Performance, Execution and Layout Study	J.D. Power Asia Pacific
		Ranked Second in the entry midsize segment according to China Initial Quality Study	J.D. Power Asia Pacific
		Energy Saving and Environmental Protection Award of 2009 (2009節能環保獎)	Drivers (《汽車駕駛員》)
		The Best Domestic Mini Vehicle Model of 2009 (2009年國產最佳小型車稱號)	AMS Vehicle Review (AMS車評)
		The Best Mini Vehicle (最佳小型車)	China Association for Quality and Users Committee (中國質量協會用戶委員會)

Products	Year	Awards	Awarded By
GAC Bus	2009	Chinese leading product and technology of China in energy conservation and emission reduction (中國節能減排領先產品、技術)	Chinese international summit of energy conservation, emission reduction and social responsibility (中國國際節能減排與社會責任高峰論壇)
		The Top Ten Energy Enterprises of China in Scientific and technological innovation (中國十大科技創新能源企業)	Chinese international summit of energy conservation, emission reduction and social responsibility (中國國際節能減排與社會責任高峰論壇)
GAC Mino 700	2009	The Heavy Duty Truck of the Year	Nanfang Daily (南方日報)
		The Best Heavy Duty Truck Model of the Year	Yanzhao Dushi Bao (燕趙都市報)

INVENTORY CONTROL

Raw materials and auto parts

We implement just-in-time inventory policy to minimise inventory costs in all of our manufacturing entities. Generally, the raw materials and auto parts are placed into the production process only when they are used. The volume of semi-manufactured products are minimised and kept at an appropriate level to facilitate the production process. Finished goods are retained only for examination purposes. Detailed data of inventory levels is timely updated into a central database and can be checked and monitored at all times. Under the just-in-time inventory system, raw materials and auto parts procured are delivered directly to the production lines or delivered to a centralized temporary storage area for further delivery to the relevant production lines. In addition to the just-in-time inventory policy, we issue detailed guidelines in order to conduct a proper review of the inventory levels.

For the three years ended 31 December 2007, 2008 and 2009, our provisions for write-down of inventory were approximately RMB105 million, RMB171 million and RMB128 million, respectively. Such impairments are mainly due to our subsidiaries and JCEs in the commercial vehicles section upgrading their respective automobile models to adapt to changes in market demand but which led to the overstocking of some of our inventories, including finished automobiles and parts. The book costs of such inventories were lower than their anticipated net realisable value. Accordingly, all these companies made provisions in line with the relevant accounting policies. The Directors confirm that the Group's inventory control policy has been effective during the Track Record Period. During the Track Record Period, the Group did not experience any material shortage of supply and/or overstock of inventory.

Finished products

In order to shorten the lead time for delivery of our products, each of our Joint Venture Companies, associated companies and subsidiaries adjusts its planned inventory levels according to its current inventory level and the estimates of demand for the coming month.

Our finished passenger vehicles inventory level is generally monitored and managed by our sales department. We also implement detailed guidelines on the recording of finished products. Generally, the sales and service centres of our passenger vehicles provide us with a proposal of the volume of vehicles that have been or are likely to be ordered on a monthly basis. Based on such proposal, we will adjust our production and finished vehicle products inventory level accordingly. We generally only commence manufacturing our commercial vehicles until we receive specific orders. The Directors confirm that the Group's inventory control measures are effective.

SALES AND SERVICES

Passenger Vehicles

Sales and service network

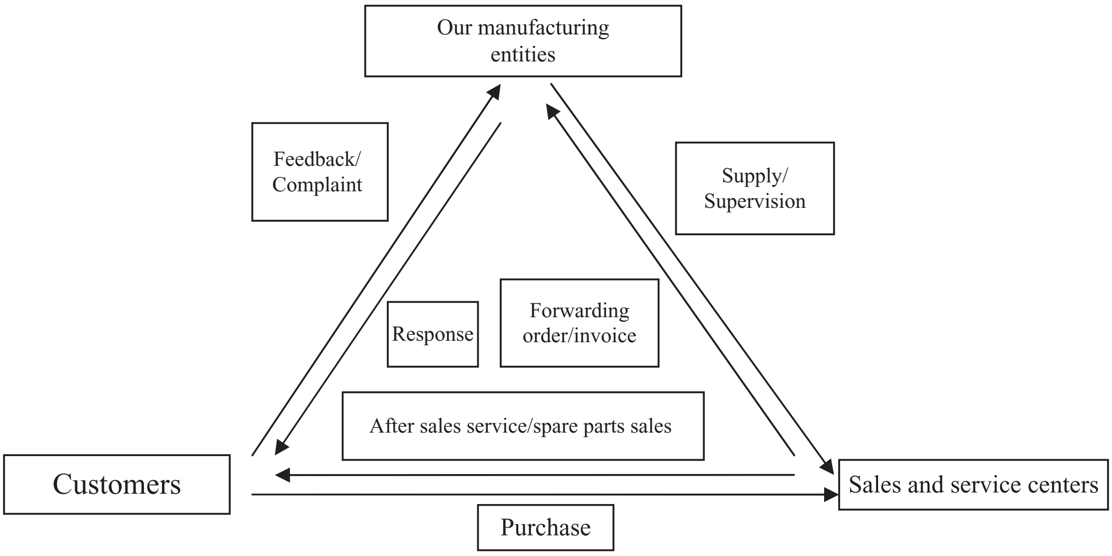
Our sales and services network is independently managed by GAC Toyota for the Toyota series of passenger vehicles and Guangqi Honda for the Honda series of passenger vehicles. As at 31 December 2009, GAC Toyota and Guangqi Honda operated 653 sales and service centres in 31 provinces in China. In particular, GAC Commercial, our wholly owned subsidiary, owns and operates nine sales and service centres for each of Guangqi Honda and GAC Toyota while the remaining sales and service centres are owned and operated by independent third party dealers selected by our JCEs.

We plan to further expand our sale and services network into the geographic areas convenient for our customers. The implementation of our expansion plans will depend on various market factors, including the growth rate of Chinese economy and the anticipated demand for our products in different geographic regions.

The marketing departments of JCEs are responsible for the selection of dealers. The selection process is transparent and open for application: (1) The plan to open new sales and service centres will be publicly announced; (2) the dealer candidates will submit applications before the announced deadline; (3) Our marketing department will interview the applicants onsite and assess the qualifications of each candidate; (4) The short-listed candidates are required to provide guarantees and submit construction plans; (5) The final decision is made taking into account the candidates' overall qualifications and commitment.

Our first sales and service center was established in 2000. Since then, we have carried out long term relationship with our dealers. During the Track Record Period, we terminated no dealership agreement. We believe the sales and service networks operated by GAC Toyota and Guangqi Honda are some of the most innovative, extensive and comprehensive passenger vehicle sales and services networks in China.

The following diagram shows the relationship between our major passenger vehicle entities, sales and service centres and end-customers:



The following tables set out the details of each of GAC Toyota's and Guangqi Honda's domestic sales and service networks for passenger vehicles as of 31 December 2007, 2008 and 2009, respectively.

GAC Toyota:

	As at 31 December		
	2007	**2008**	**2009**
Total number of sales and service centres	129	166	203

As of 31 December 2009, GAC Toyota operated its sales and service centres in a total of 25 provinces in the PRC.

Guangqi Honda:

	As at 31 December		
	2007	**2008**	**2009**
Total number of sales and service centres	341	416	450

As of 31 December 2009, Guangqi Honda operated its sales and service centres in a total of 31 provinces in the PRC.

Sales and service centres

The sales and service centres of our passenger vehicles provide convenient "one-step shop" full service to our customers and generally operate with either the e-CRB concept or the "4S" concept. The e-CRB concept was developed by GAC Toyota and is the foundation upon which GAC Toyota's sales and services centres were established. Through the e-CRB system, GAC Toyota's sales and services centres focus on building individual relationships with each customer, thereby obtaining important and constructive feedback from our customers and enabling us to enhance our ability to monitor the quality of our services and our customers' changing preferences and demands for our products and services.

The Guangqi Honda "4S" concept is widely adopted by automobile manufacturers in China. It enables our customers to experience a comprehensive range of services from purchasing vehicles to enjoying our after-sale services and buying spare parts and automobile-related consumables. The "4S" concept focuses on the "sales, service, spare parts and survey" process provided to the customers. The "e-CRB" concept emphasises on the process of building customer relationships. As of 31 December 2009, all of our 653 sales and service centers operates under either the GAC Toyota e-CRB concept or the Guangqi Honda "4S" concept.

Selecting and monitoring our dealers

We plan the establishment of new sales and service centres in each region (city or province as the case may be) annually. We will generally take into account the sales in each specific region, the development of our sales network and the capacity of the existing sales and service centers when we design the annual plan. An open application process will be carried out to allow all dealer candidates to apply for dealership in those regions seeking to establish new sales and services centres. When selecting dealers for our passenger vehicle sales and service centres, we consider various factors, including the experience, track record, financial strength and integrity of the candidates. We also take into account their ability to market products, establish and manage the sales and service centres as well as their commitment to comply with prescribed policies. We monitor the operations of the sales and service centres to ensure their compliance with our policies and operating requirements. We will terminate the operation rights of those dealers who fail to meet our standards and requirements. The employees of the Group and/or their family members may not apply for the dealership. The Directors confirm that none of our Company's Directors, employees and their family members (spouse, parents or children) operates sales and service centers as dealers during the Track Record Period.

We generally enter into dealership agreements with the dealer of each sales and service centre. The dealership agreement governs the operation of the sales and service centres, including the dealers' rights as an authorised dealer of our products in a specific region, geographic limitations of the dealer, prices of products offered for sale, services offered, information technology employed, reporting procedures, decoration of premises, sales and service policy and standard procedure for conducting business.

According to the dealership agreements, the term of the agreement should be renewed automatically at the end of each year unless terminated by negotiation and mutual consent pursuant to applicable PRC laws. The sales target is determined annually by both parties according to the sales in the previous year, the forecast for market growth rate in the upcoming year as predicted by the State Information Centre and the market share of each product in each region and sales results. Each of the sales and service centres is required to submit to the relevant manufacturer a sales plan for the following year before the end of each financial year. The sales plan should include an annual forecast of the total sales and a monthly breakdown. Upon being approved by the relevant manufacturer, the sales plan would be the basis of the sales target of each sales and service centre.

Each sales and service centre should strictly confine its sales within the geographic region specified by us. Any sales of products across regions are forbidden unless the sales and service centres obtain approvals from the respective JCEs. Appropriate awards will be granted to the sales and service centers who achieve their sales target, while any failure in achieving sales targets may affect vehicle sales arrangement for the next year.

We have access to the sales and inventory information of each sales and service centre through an online real-time feedback system. Accordingly, we set up a vehicle-order plan every two or three months in advance with each sales and service centre and decide the supply of vehicles to each sales and service centre.

We also evaluate our dealers from time to time by monitoring their performances through various indicators such as sales results and ability to adhere to our policies. We will reduce the number of passenger vehicles allocated to a dealer if such dealer fails to comply with our policies or is unable to meet its sales target. Dealers are rewarded based on our assessment of their performance through our appraisal system.

Services provided at the sales and service centres

The principal services provided at the sales and service centres include a 12-hour service, 24-hour urgent assistance, urgent repair service, consulting services and specific customer services for their products, and regular inspections. We have standardised our service and implemented stringent programs to ensure that our customers are provided with a set of high quality and comprehensive services. The distribution region of each sales and service centre is determined by its geographic location.

Sale process and policies

Sales of products are recognised when the significant risks and rewards of ownership of the products have been passed to the buyer and the amount of revenue can be measured reliably. Sales and service centres generally conduct a pre-delivery inspection upon delivery of the products. Title of goods is passed to dealers and revenue is recognised only when our products pass the inspection and are accepted by the sales and service centres. Other than quality issues, our products are sold under no return policy.

We closely monitor the sales and demand for our products in order to manage our production process and our supply, with a view to minimise our inventory.

To facilitate the supply of our products, we have in place an annual plan setting out our anticipated production levels. We visit our sales and service centres regularly to discuss with our dealers the relevant proposals. This proposal will form the basis for the sales and service centres to determine their sales and pricing strategies in accordance with the relevant policies we have in place.

The monthly inventory level in every sales and service centre is monitored by the regional supervisor. These regional supervisors identify sales and service centres with high inventory levels and assist with their sales. We supply less automobiles to the sales and service centres with the inventory levels exceeding a certain threshold until their inventory level decreases. We maintain close correspondence with the sales and service centres to ensure that if actual demand differs from projected demand, we are able to adjust our production levels, deliver our products on a timely basis to accommodate such changes. In addition, all of our sales and service centres are required to purchase spare parts from us in order to ensure the quality of spare parts provided to our customers.

Generally, the lead time from the day a sales and service centre accepts an order invoice to the day the required model is delivered to the customer within three months. If the required model is not within the Group's supply plan for the specific sales and service centre, the lead time may be two weeks longer than usual to allow the Group to adjust its distribution plan and meet the specific requirements.

Commercial vehicles

Customers for our commercial vehicles are mainly commercial entities and corporations rather than individuals, we sell our commercial vehicles on a made-to-order basis both directly to our end-users or through our dealers.

As of 31 December 2009, our commercial vehicles sales and service networks include 106 sales and service centres. The following table sets out the details of the major domestic sales and service networks for our commercial vehicles as at the Latest Practicable Date.

Name of Company	No. of sales and service centres
GAC Bus	46
GAC Hino	60

All of the 106 sales and service centres are operated by independent third parties. Our Company is obliged to advertise our products and provide sales and service training to the sales and service centres in accordance with the terms of the dealership agreements. The sales and service centres are obliged to engage in the marketing and sales of our products in accordance with the terms of the dealership agreements. The sales and service centres are not allowed to sell vehicles and auto parts from third parties without the Group's consent.

The sales and service agreement between us and the sales and service centres is renewed automatically at the end of each year. Generally, according to our arrangements with the sales and service centres, sales and service centres shall be operated by themselves in accordance with our requirements and subject to our inspection. Our Company has the right to examine the books and records of the sales and service centres and monitor their inventory through an information feedback system.

We will gradually expand our production capacity of commercial vehicles to meet the increasing demand for our products in the future. To promote the sales of GAC Hino series trucks, we will focus on research and development of new products and employ Hino's advanced technology in manufacturing our products. We will also concentrate on after-sales services for our commercial vehicles and aim to cover the major cities in China by the end of 2010.

Customers

A significant portion of our vehicle sales are conducted through our dealers who sell the vehicles to consumers through the sales and services networks described above. During the Track Record Period, our exports attributed to approximately 0.04%, 0.05% and 0.04%, of our revenue, respectively. Our export sales are all settled in US dollars.

We sell our engines and auto parts mainly to our subsidiaries and associated companies. As to our automobile-related business, GAC Commercial is set up to cater to the need of our manufacturing entities; Guang'ai shares a similar customer pool with our passenger vehicle entities as it leverages on the client base of our passenger vehicles to carry out its services.

Our five largest customers contributed in aggregate 5.2%, 6.2% and 4.5% of our total revenue for the three years ended 31 December 2007, 2008 and 2009.

Warranty periods

Warranty periods for our passenger vehicles are usually for up to three years or 100,000 kilometres, whichever occurs first. A shorter warranty period of two years or 50,000 kilometres, whichever occurs first, applies to GAC Toyota Yaris and Guangqi Honda Fit. Warranty periods for our commercial vehicles are generally 18 months or 40,000 kilometers, whichever occurs first.

In consideration of the above warranty services, we pay the costs of services to the relevant service centres or sales and service centres on a pre-determined fee basis, which can vary extensively in terms of models of vehicles, different labor costs in different regions and the types of parts and components to be replaced or repaired. The pre-determined fee is determined by referent to the fee provided for similar products and the market rate. The pre-determined fees for cost of warranty services paid to the sales and service centres varies from RMB200 to RMB500 per vehicle. For the three years ended 31 December 2007, 2008 and 2009, our total amounts of warranty provision charged to our other expenses amounted to approximately RMB99 million, RMB196 million and RMB373 million, respectively. For the three years ended 31 December 2007, 2008 and 2009, our provision for product warranties was 0.2%, 0.4% and 0.7% of our revenue, respectively, and is determined by reference to the sales volume and past levels of repairs and maintenance. The estimate is reviewed on an ongoing basis and subject to revision revised if necessary. Our Directors have confirmed that the provisions made in our consolidated financial statements during the Track Record Period are sufficient.

Pricing policy

The price for each model of our products automobiles is separately set and adjusted by respective manufacturing entities. Pricing is primarily determined by the cost of the product, price of competitive product and the market demand. The dealers should observe the suggested retail prices set by the respective JCEs but are allowed to make limited adjustment after consultation with the JCEs. By conducting monthly meetings with the sales and service centres and our dealers, we are able to closely monitor their pricing of our products. Our dealers can offer our products to the consumers according to the price suggested by relevant member of our Group. We will review and, if necessary, adjust the prices of our automobiles in a timely manner consistent with prevailing market conditions.

Payment terms

Passenger vehicles We adopt a cash on delivery policy for our passenger vehicles. Following selection of our passenger vehicles in the sales and service centres, our consumers are required to place a deposit. The sales and service centres then provide us with the relevant invoices detailing the requirements that enable us to supply our dealers the relevant product accordingly. Upon receiving the full payment, we will despatch the required products to the customers.

Commercial vehicles We provide different payment terms to individuals and institutions when they purchase our buses. Individual purchasers are required to make a 30% to 70% down payment when they order our products and pay the remaining portion at delivery; the institutional purchasers are required to pay 30% deposit while making order and pay installments period by period after the delivery of the products. We require purchasers of our light trucks to pay us in advance before we deliver the products. For purchasers of our heavy trucks, we require them to deposit RMB20,000 when they order our products. For commercial vehicles, the instalment period granted by us to the institutional purchasers generally ranges from two to three months.

Auto parts and others There are no specific credit terms implemented for our automobile-related services or our export sales. Generally, the payment for our automobile-related services will be settled within 30 days and by bank transfers. In respect of export sales, payments are usually settled by bank transfers or letters of credit. Generally a deposit will be paid upon placing an order and the full amount will be settled upon delivery of the finished product.

Most of our businesses conducted within the PRC are denominated and settled in RMB, with the exception that certain receivables and payables, cash and cash equivalents and borrowings incurred in import and export are denominated in US dollar, Hong Kong dollar and Japanese Yen.

During the Track Record Period, our Directors confirm that there is no loss or claim resulting from defaults by our dealers which may materially and adversely affect our operations and financial conditions. Further details about the risks of defaults by our dealers is set out in the section headed "Risk Factors—Defaults by counterparties that we do business which could adversely affect our financial position and results of operations" of this Listing Document.

MARKETING AND PROMOTION

We have placed great emphasis on promoting the recognition of our brand and products. Although the marketing and promotion of our different branded vehicles are managed independently by respective subsidiaries, JCEs and associated companies, decisions on such marketing activities are made after careful consultation with their respective joint venture partners. Our marketing measures include advertisement on different media, with an aim to attract potential customers and reaffirm our recognition.

Our multi-brand strategy has also greatly enabled us to avoid reliance on a single brand and achieve maximum exposure for our products. We have also, in recent years, focused on the development and recognition of our "GAC" brand. Through our participation in large domestic car exhibitions, car shows and sponsored events, we believe that we have created and promoted "GAC" as a well-established brand.

For the three years ended 31 December 2007, 2008 and 2009, our Group's advertising and marketing expenses from continuing operations totaled approximately RMB585 million, RMB923 million and RMB862 million, respectively, representing approximately 1.4%, 2.1% and 1.7% of our revenue, respectively. As part of our long-term marketing strategy, we intend to strengthen our marketing and promotion efforts continuously.

COMPETITION

We face increasing competition from sino-foreign joint ventures and local automobile manufacturers. Nevertheless, the local brands of vehicles have not, and are unlikely to, pose serious threat to our competitive position in the Chinese automobile market, as the consumers of their products are generally different from our target customers. Although there is competition between GAC Toyota and Guangqi Honda in terms of their respective products, the Directors believe that there is no material adverse effect on our business operations and financial conditions as the vehicles produced by GAC Toyota and Guangqi Honda differentiate from each other in appearance, product features and character. More importantly, as the growth of automobile demand remains strong in China and the PRC automobile market is expanding, the maximization of their respective interests by each of GAC Toyota and Guangqi Honda enables us to command a larger market share in the PRC automobile market against other manufacturers. We believe that the quality of our vehicles, together with our renowned brand names and costs control methods we have adopted from our strategic partners will enable us to compete effectively against our domestic and foreign competitors.

Accordingly, we believe that the benefits of our multi-brand strategy (which we believe include greater earnings stability and the ability to take advantage of different product cycles) outweigh our costs to pursue this strategy. In addition, we believe that competition between GAC Toyota and Guangqi Honda will encourage each company to further improve the quality of our products. Accordingly, we believe that the competition between the different brands of our products will have a positive effect on the quality of our products, which will in turn improve our financial performance and our future growth.

Our auto parts business faces competition from international auto parts manufacturers with advanced technologies, including those with operations in the PRC. We believe our stringent quality control and optimised cost structure enable us to compete effectively with global auto parts manufacturers. Our proximity to Honda's and Toyota's production bases in China serves to our natural advantage and raise the hurdle for our competitors.

Please refer to the section headed "Industry Overview" of this Listing Document for a more detailed discussion of the PRC automobile industry and the section headed "Risk Factors" of this Listing Document for a more detailed discussion of the intensified competition in the PRC automobile industry.

R&D

We believe that our R&D capabilities are indispensable to our future growth. Our R&D efforts stem from both the development of our independent R&D facilities and our strategic alliances with our strategic partners.

Our R&D expenses from continuing operations for the three years ended 31 December 2007, 2008 and 2009 were approximately RMB175 million, RMB410 million and RMB448 million, respectively. This continued increase in research costs indicates our strong dedication to R&D.

Research and development through our independent R&D facilities

We have strived to develop and manufacture our proprietary brand of passenger vehicle. In 1995, we established the Guangzhou Vehicular Engineering Research and Development Centre (廣州汽車重點工程技術研發中心) ("GVERDC") which was recognised as a provincial engineering R&D centre (省級重點工程技術研發中心) in 2005. For further development of technology and know how, we established GAEI in 2006 on the basis of GVERDC. Through GAEI, we have developed our own R&D strategies, know-how and R&D team. We aim to enhance our abilities in designing and developing our proprietary brand of engines and major auto parts, including gasoline engines, diesel engines, hybrid engines and transmission system.

The budget for every R&D project conducted by GAEI is subject to assessment and approval. GAEI would prepare an R&D plan annually and provide detailed budgets for every R&D project. Upon obtaining approval from the board of directors for a specific project, GAEI would carry out R&D work according to the budget. When the spending exceeds the budget limit, GAEI is required to refile an application to our Company and provide reasonable grounds for increasing the budget.

As at the Latest Practicable Date, we had 500 employees in the GAEI dedicated to research and development, of which 452 employees have bachelor degrees and 117 employees have master degrees and/or doctor degrees. In addition, we also hired 18 professionals from overseas and 6 senior experts for the relating areas. We aim to continue recruiting engineers, technicians and other automobile production talents both domestically and internationally with a view to further develop GAEI and establish a competitive R&D team. To facilitate the development of our independent R&D capacities, we have cooperative relationships with certain industrial design academies in the PRC. Such relationships involve the sharing of information and technical personnel to further enhance our R&D capabilities. In particular, we entered into a technology strategic cooperation agreement with Huanan Technology University (華南理工大學) on 9 July 2007 for a term of 50 years, pursuant to which Huanan Technology University will provide us with professional personnel to participate in our R&D efforts and management and other consultancy advice. This arrangement enables Huanan Technology University to provide us with technical support and to assist us in accelerating the growth of our R&D capabilities.

In deciding which R&D project to undertake and the appropriate allocation of the R&D budget, we have consulted internationally known R&D consulting firms. In particular, in the development of our proprietary brand of passenger vehicles, with the expertise and advice of our consultants and having considered the demands and preferences within the relevant markets for our products, our experience and the competition we face in such markets, we decided to focus on the development of mid-to-high end passenger vehicles and the relevant platform in the design and the type of technology to be available for our proprietary brand of passenger vehicle as our first step.

Research and development through our JCEs

Each of GAC Toyota and Guangqi Honda has their own R&D teams covering a wide range of R&D activities, such as product design, new technologies, product upgrade and innovation, inspection system and testing techniques.

ENVIRONMENTAL, OCCUPATIONAL HEALTH AND SAFETY

The wastes generated from our manufacturing process include, among others, solid waste, liquid waste, cyclooctadiene, dust, toluene and dimethylbenzene. All of our production facilities have adopted measures to control the emissions of wastes and pollutants and obtained required qualifications. Our major manufacturing entities conduct annual examinations of our suppliers and will assist our suppliers in replacing the hazardous material with proper substitutes if any raw materials and auto parts supplied to us contain any excessive hazardous material. Furthermore, we have adopted environmental friendly coating for our products and installed advanced dust removal equipment in the facilities.

We also pay particular attention to health and safety of our employees in our production facilities and have adopted various measures to ensure safe production processes, such as establishing health and safety management departments, implementing safe production guidelines, undertaking accountability systems and releasing various health and safety policies.

Our Directors confirm that we have fully complied with all the relevant laws and regulations applicable to us in relation to environmental protection and the social, health and safety matters. Please also see the section headed "Appendix VI — Summary of Principal PRC Legal and Regulatory Provisions — Environmental Protection and Health and Safety Regulation" of this Listing Document for further details on the extent of regulation in this respect that we are subject to.

PRC REGULATORY INSPECTIONS

We are supervised by relevant local government authorities, including but not limited to, the local industrial and commercial administrative department responsible for the annual inspection of our business license, the local taxation bureau for tax returns and other relevant issues, the local environmental protection authorities responsible for auditing and inspecting the company's environmental protection, the local quality supervision department conducting selective examination on auto products and others. Accordingly, the business license of our operating entities have to go through annual inspection by local industrial and commercial administrative department, and we are required to lodge tax returns and obtain approval from relevant taxation authorities. In addition, our new construction projects have to pass the assessment and inspection by relevant environmental protection departments, and pass relevant investigation by local quality supervision department. As a state-owned enterprise, we are also subject to audit supervision by local audit authorities according to relevant PRC laws and regulations.

PROPERTIES

Land and owned properties

As of 31 March 2010, we owned a total of 24 parcels of land in the PRC with an aggregate land area of approximately 7,061,585 sq.m. in the PRC. These parcels of land are used for the purposes of our operations and businesses. As of 31 March 2010, we owned a total of 272 buildings and 1,490 units in the PRC with an aggregate gross floor area of approximately 1,494,049 sq.m., a property in Macau and 30 properties (including 8 car parking lots) in Hong Kong with an aggregate gross floor area of approximately 4,401 sq.m. These properties owned by us are used for the purposes of our operations and businesses. Please refer to Appendix IV — Property Valuation for further details of properties that we occupy.

As disclosed in the Property Valuation report contained in Appendix IV of this Listing Document, certain of our properties do not have title documents, are considered defective in title and/or have not been provided with relevant title certificates (particulars of these properties can be further found in Appendix IV "Property Valuation" of this Listing Document). We confirm that the lack of proper title certificates for such properties, either individually or collectively as a whole or in part, will not adversely affect our business. These properties currently include 3 parcels of land with an aggregate land area of approximately 364,181 sq.m. owned by our Group, and their titles are under application and will be obtained without any material impediment. Approximately 411,568 square metres of buildings or units (or 28% of the aggregate gross floor area of properties we own) have not obtained title certificates. However, the titles of the properties with the aggregate gross floor area of approximately 404,909 sq.m (or 98% of the aggregate gross floor area of the properties without title certificates) are under application and will be obtained without any material impediment. For buildings that are with defects and we could not obtain title certificates due to historical reasons, such buildings have been occupied and used by us during the Track Record Period and there has been no occurrence of any dispute or litigation so far, and it is expected that the possibility to incur any dispute or litigation in the future is remote.

Leased properties

As at 31 March 2010, we leased 26 parcels of land with an aggregate land area of approximately 383,836 sq.m. and 121 buildings or units with an aggregate lettable area of approximately 135,070 sq.m. in the PRC.

As at the Latest Practicable Date, the lessors have duly performed their obligations under the leases. Pursuant to the relevant laws, all lease contracts executed by our Company, subsidiaries, Joint-controlled Entities and Joint Venture Companies are subject to registration. We have yet to complete the registration formalities for the building lease contracts executed by our Company, subsidiaries, Joint-controlled Entities and Joint Venture Companies, with the exception of 2 parcels of land with a total land area of approximately 17,885 sq.m. and 6 buildings and units with a total lettable area of approximate 4,188 sq.m. of 4 lease contracts. Pursuant to the Interpretation of the Supreme People's Court of the PRC on Contract Law of the People's Republic of China, the effectiveness of a lease agreement shall not be affected even if the filing and registration formalities in respect of the lease of a building have not been completed.

With respect to the lease contracts executed by the Group, 190,174 square meters of land and 44,390 square meters of buildings have legal, valid and duly registered lease contracts as legally binding for both parties. The other 193,662 square meters of land and 90,680 square meters of buildings have certain defects. However, these defective leased properties did not involve the main production and business place for the Group and its proportion to the Group's revenues and profit was quite small, it will not have a material adverse impacts on the listing of the Group. In addition, we have reasonable grounds to believe that the lessors are the owners of, or have the rights to, the relevant land and buildings on the grounds. We have inspected and examined the relevant documentary evidence or obtained warranties in respect of title from the lessors at the time we entered into the leases for the relevant land and buildings.

The purposes of properties with defects mainly include office, production and ancillary purposes. From 2007 to 2009, the revenue contributed by these properties with defects in aggregate amounts to 6.3%, 5.6% and 5.6% of total revenue of the Group, and the profit contributed by these properties with defects in aggregate amounts to 2.1%, 0.1% and 1.5% of total profit of the Group. We believe that the lack of proper title certificates of certain properties will not adversely affect our business in any material aspect. Our Directors and the Joint Sponsors confirm that the properties for which we have not been provided with the relevant title certificates are not crucial to our business and operation.

There is little possibility for relocation of these defective properties. If required, substitute properties can be easily acquired. If this occurs, the relevant companies will develop emergency plans to minimise associated losses. In addition, our leased land and buildings are mainly used for the 4S shops, car parking, offices or temporary production. The period of relocation for 4S shops is approximately 6 months. For other defective leased properties, the relocation period is even shorter. Due to the low costs of the relocation, the Directors confirm that there will be no material impact on our business operation and financial results. In order to control the risks, our Company will implement certain measures, such as strengthening the education and training of relevant personnel, handling the issues pursuant to the relevant regulations, and making more comprehensive assessment so as to avoid leasing defective properties in the future. We have made proper investigation and inspection of relevant certification documents, and have obtained guarantee from the lessors. We reasonably believe that the lessors have the property rights to lease the land and buildings or have the rights to lease relevant land and buildings. As at the Latest Practicable Date, the lessees and lessors have performed their obligations smoothly and there is no ongoing legal dispute or litigations.

INSURANCE

As our Company does not engage in production, the property insurance of our Company only comprise of motor vehicle insurance and mandatory liability insurance against motor vehicle traffic accidents. The scope of coverage of our subsidiaries and JCEs, includes property insurance, cargo transportation insurance, installation insurance, machine damage insurance etc. In addition, some of our subsidiaries, JCEs and associated companies have taken out public liability insurance, employer liability insurance and personal accident insurance. Our Directors confirm that our insurance coverage is in line with industry practice and is adequate to our businesses and operations. During the Track Record Period, our Directors also confirm that there is no loss or claim resulting from our insurance coverage which may materially and adversely affect our operations and financial conditions. Further details about the risks of our insurance coverage is set out in the section headed "Risk Factors—We have limited insurance coverage" in this Listing Document.

INTELLECTUAL PROPERTY RIGHTS

Our intellectual property rights are of fundamental importance to the operation of our business. As at 31 March 2010, we had registered 198 trademarks, 30 patents and 7 copyright works in the PRC and were licensed to use 31 trademarks. Our Company also possesses unregistered trade secrets, technologies, know-how, processes and other intellectually property rights. As at 31 March 2010, we also have applied for registration of 583 trademarks which are still pending on approval by the relevant governmental department. The trademarks required for our operation have all been obtained. Our operations is not dependent on the trademarks which are still pending on registration and approval. The Company's PRC legal adviser confirmed that the trademarks under application have no material impact on our operations and financial position. We expect that a majority of such applications will be approved in approximately three years from their respective application dates.

Among the 198 registered trademarks owned by our Company, 33 of them were transferred by GAIG to the Company together with the application right pursuant to the "GAC" trademark transfer agreement dated 22 December 2008. The transfer price of RMB25,316,940 is determined on the basis of valuation. The PRC legal adviser of the Company confirmed that the procedures for the transfer of the "GAC" trademarks and the application right have been completed. Details of our intellectual property rights are set out in "Appendix VIII—Statutory and General Information—Intellectual property rights" of this Listing Document.

Technology license agreements with joint venture partners

Our Company has also entered into technology license agreements with joint venture partners.

On 28 April 1998, Guangqi Honda entered into a Technology License Agreement with Honda, pursuant to which Honda grants us the rights to use technologies to manufacture and sell the products and parts provided in the contract to Guangqi Honda, and agrees to provide technical assistance and staff training for Guangqi Honda.

On 28 June 2004, 13 November 2006 and 1 February 2008, GAC Toyota entered into the Camry Technology License Agreement, Yaris Technology License Agreement and Highlander Technology License Agreement respectively with Toyota, pursuant to which GAC Toyota is allowed to use such technologies as set out in the licensed technology information provided during the respective contract period, to manufacture Camry, Yaris and Highlander vehicles and auto parts.

On 10 August 2007, GAC Hino entered into a Technology License Agreement with Hino, pursuant to which Hino allows GAC Hino to use licensed technologies to manufacture and distribute products provided in the agreement, and offers technical assistance and staff training upon the request by GAC Hino.

Our Directors confirm that as of the Latest Practicable Date, our Company is not involved in any proceedings in respect of, and we have not received notice of any claims of infringement of, any intellectual property rights that may be threatened or pending, in which our Company may be involved whether as claimant or respondent.

LEGAL PROCEEDINGS

As at the Latest Practicable Date, we were not involved in any litigation, arbitration or administrative proceedings that could have a material adverse effect on our financial conditions and results of operations, taken as a whole.

(1) We confirm, supported by an examination conducted by our PRC counsel, Beijing Tianyin Law Firm, that we and GAIG, a shareholder which owns more than 5% of our Company, currently are not involved in any unresolved or foreseeable significant litigation, arbitrations and administrative penalties whose claim (on a single claim basis) exceeds RMB20 million.

(2) We confirm, supported by an examination conducted by our PRC lawyers, Beijing Tianyin Law Firm, that our chairman and general manager of currently are not involved in any unresolved or foreseeable significant litigation, arbitrations and administrative penalties.

The Directors further confirm that we have not otherwise received notice of any other litigation or arbitration proceedings pending or administrative sanction pending or threatened against us or any of the Directors that could have a material adverse effect on our financial conditions or results of operation. Our Directors further confirm that save as disclosed in this Listing Document, we have, in all material circumstances, complied with all applicable laws and regulations in the jurisdiction in which we operate since the commencement of the Track Record Period. Currently, there is no outstanding claim against us and as a result, no provision is necessary to be made. During the Track Record Period, there is no material legal proceeding to which our Company is, or may become, a party and no legal proceeding which has a material adverse effect on our financial conditions and business operations.

During the Track Record Period, we have been issued such permits, certificates, licenses and other approval documents as necessary for our business operations.

FINANCIAL INFORMATION

The following discussion and analysis of our financial conditions and results of operation should be read in conjunction with our consolidated financial information for the three years ended 31 December 2007, 2008 and 2009 together with the accompanying notes included in the accountant's report as set out in Appendix I of this Listing Document. The following discussion contains forward-looking statements that involve risks and uncertainties. Factors that could cause or contribute to such differences include, without limitation, those discussed in the section headed "Risk Factors" of this Listing Document.

We have prepared our financial information in accordance with HKFRS. All new or revised HKFRS, which are effective for accounting periods commencing from 1 January 2009 and are relevant to us, have been applied for the three years ended 31 December 2007, 2008 and 2009. Our financial information has been prepared under the historical cost convention. Except as indicated otherwise, the businesses and operations for our Group as presented in this Listing Document include the relevant data for our Jointly-Controlled Entities and our associated companies in full. Our Jointly-Controlled Entities are consolidated into our financial statements on a proportionate consolidation basis and our associated companies are accounted for using the equity method, each based on the relevant percentage of our equity interests during the periods presented in accordance with HKFRS.

OVERVIEW

We are a leading PRC automobile manufacturer in terms of sales and revenue. Our main businesses consist of the manufacturing and sale of passenger vehicles, commercial vehicles, engines and auto parts and conducting automobile-related and other businesses. During the Track Record Period, we operate our automobile manufacturing businesses mainly through collaboration with our joint venture partners. For the three years ended 31 December 2007, 2008 and 2009, our total consolidated revenue was approximately RMB42,407 million, RMB43,770 million and RMB50,254 million, respectively, representing a CAGR of approximately 8.9%. The following table sets out the revenue contribution by each of our major business segments after inter-segment elimination and their respective percentage share of our total consolidated revenue for the periods indicated.

	Year ended 31 December					
	2007		2008		2009	
	RMB million	%	RMB million	%	RMB million	%
Passenger vehicles	41,285	97.4	42,953	98.1	49,370	98.2
Commercial vehicles	483	1.1	257	0.6	345	0.7
Auto parts	275	0.6	268	0.6	264	0.5
Others[1]	364	0.9	292	0.7	275	0.6
Total	42,407	100	43,770	100	50,254	100

Note:

(1) Others include vehicle sales services, logistics services, the provision of car insurance brokerage service etc.

IMPACT OF OUR PRINCIPAL JCEs ON OUR FINANCIAL RESULTS

Our businesses are primarily operated through our Joint Venture Companies, the majority of which are accounted for as Jointly-controlled Entities and consolidated into our financial statements on a proportionate consolidation basis in accordance with HKFRS. For the three years ended

FINANCIAL INFORMATION

31 December 2007, 2008 and 2009, our major Jointly-controlled Entities, namely GAC Toyota and Guangqi Honda, contributed 86%, 87% and 89% of our consolidated revenue[1] and 104%, 108% and 120% of our consolidated operating profit[1], respectively.

Please refer to the section of this Listing Document headed "Business — Main Operating Entities" of this Listing Document for further details on the relative importance of our principal JCEs as contributors to our results of operations during the Track Record Period. Other details of our principal JCEs are set out in the section of this Listing Document headed "History, Reorganisation and Group Structure".

SELECTED HISTORICAL FINANCIAL INFORMATION OF OUR GROUP

The following tables show the selected information from our consolidated statements of comprehensive income and other financial information for the three years ended 31 December 2007, 2008 and 2009, which are derived from the accountant's report in Appendix I of this Listing Document. The basis of presentation is set out in Note 2 to Section II "Notes to Financial Information" of the accountant's report in Appendix I of this Listing Document.

	Year ended 31 December		
	2007	2008	2009
	RMB million	RMB million	RMB million
Revenue(1)	42,407	43,770	50,254
Cost of sales	(35,277)	(36,446)	(41,918)
Gross profit	7,130	7,324	8,336
Selling and distribution costs	(1,420)	(2,158)	(2,143)
Administrative expenses	(1,677)	(2,256)	(2,544)
Interest income	232	345	350
Other losses — net(2)	(29)	(6)	(429)
Operating profit(1)	4,236	3,249	3,570
Finance costs	(152)	(219)	(345)
Interest income	31	31	39
Share of profit of associated companies	838	515	716
Impairment loss on goodwill	—	(116)	—
Profit before income tax	4,953	3,460	3,980
Income tax expense	(138)	(602)	(724)
Profit for the year	4,815	2,858	3,256
Profit attributable to:			
Equity holders of our Company	3,437	1,567	2,032
Minority interests	1,378	1,291	1,224
Earnings per share attributable to the equity holders of our Company (expressed in RMB per share)			
— basic and diluted	0.9820	0.4477	0.5413
Dividends	—	—	816

Notes:

(1) Consolidated revenue and operating profit are after intra-Group elimination.

(2) Other losses-net mainly comprise net foreign exchange losses, gain/(loss) on disposal of property, plant and equipment and land use rights, donation and gain on waiver of liabilities and others.

The following table sets forth a full quantitative reconciliation of EBITDA to its most direct comparable HKFRS measure, profit for the year. EBITDA is not a calculation based on HKFRS. The data included in the EBITDA calculation, however, is derived from data included in the consolidated statement of comprehensive income and cash flow statement.

	Year ended 31 December		
	2007	2008	2009
	RMB million	RMB million	RMB million
Profit for the year	4,815	2,858	3,256
Add:			
Income tax expense	138	602	724
Finance cost	152	219	345
Depreciation and amortization[1]	717	774	1,130
Impairment loss on goodwill	—	116	—
Less:			
Interest income	(263)	(376)	(389)
Share of profit of associated companies	(838)	(515)	(716)
EBITDA	**4,721**	**3,678**	**4,350**
Add:			
Share of profit of associated companies	838	515	716
Adjusted EBITDA	**5,559**	**4,193**	**5,066**
Revenue	42,407	43,770	50,254
Adjusted EBITDA Margin	**13.1%**	**9.6%**	**10.1%**

Note:

(1) Depreciation and amortization in EBITDA calculation includes impairment charges other than that of goodwill, inventories and receivables.

Selected Consolidated Balance Sheet Items

	As at 31 December		
	2007	2008	2009
	RMB million	RMB million	RMB million
ASSETS			
Non-current assets	9,845	12,172	15,250
Current assets	16,906	17,899	28,378
Total assets	26,751	30,071	43,628
EQUITY AND LIABILITIES			
Minority interests	6,765	7,421	8,401
Owners' equity	9,837	11,409	13,060
Total equity	16,602	18,830	21,461
Non-current liabilities	1,381	1,585	8,197
Current liabilities	8,768	9,656	13,970
Total equity and liabilities	26,751	30,071	43,628

Selected Consolidated Cash Flow Statement Items

	Year ended 31 December		
	2007	2008	2009
	RMB million	RMB million	RMB million
Net cash generated from operating activities	4,372	3,242	8,357
Net cash generated from/(used in) investing activities	679	(4,790)	(8,005)
Net cash (used in)/generated from financing activities	(434)	(349)	5,442
Net increase/(decrease) in cash and cash equivalents	4,617	(1,897)	5,794

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations and the period-to-period comparability of our financial results are affected by a number of factors, including:

Economic growth and increasing demand for vehicles in China

Our results of operations are affected by the growth of the PRC economy which in turn influences the demand for automobiles in China. China's GDP experienced significant growth in recent years and the standard of living in China has correspondingly increased. We believe that such growth in the Chinese economy has resulted in the rapid growth of automobile consumption in China in recent years. Furthermore, we believe that urbanization, the growth in personal wealth of China's urban residents and improvements in China's transportation infrastructure also contributed to the increasing demand for automobiles in China. Other factors, such as changes of the PRC government's macroeconomic policies may also have a substantial impact on the demand for automobiles in China. Any significant change in demand for automobiles in China will affect our results of operations. Please refer to the sections in this Listing Document headed "Industry and Regulatory Overview" and "Risk Factors — Risks relating to the PRC Automobile Industry" of this Listing Document for further details of factors which may affect demand for vehicles in China and the PRC automobile industry in general.

Government policies supporting the development of the automobile industry in the PRC

The PRC government has released a number of policies aiming to support the development of automobile industry in recent years. For example, the PRC government implemented policies to introduce automobile financing products to end-customers and strengthen the management of automobile financing services, which were aimed to encourage demand for automobiles manufactured by domestic manufacturers. Furthermore, due to the global financial crisis in late 2008 and its effects on the global automotive industry, the PRC government introduced Automobile Industry Adjustment and Revival Plan of 2009 with a view to maintain a sustainable automotive market and boost domestic consumer confidence. This plan aims to, among other things, increase production of vehicles, develop a sustainable market for environmentally friendly vehicles, encourage the consolidation of regional automotive manufacturers and develop key automotive technologies. Our Company established GAMC in 2008 with an aim to produce our proprietary brand of passenger vehicles. We received government grants of RMB183 million and RMB456 million in 2008 and 2009, respectively, from Guangzhou Municipality, among which, RMB358 million is used to compensate various expenses incurred by GAMC in 2010 upon commencement of production. The remaining RMB280 million will be used to purchase assets relating to R&D activities. The Directors expect that our Company will continue to receive government grants of similar nature and magnitude during 2011 and 2012. Whether we can continue to receive government grants of similar nature will depend on the PRC government's support of the automobile industry in the future.

Competition and pricing of our products

The automobile manufacturers in China face increasing competition from both domestic and international competitors. We face increasing competition from foreign automobile manufacturers which have expanded, or are expected to expand, their presence in the PRC automobile market through providing technology licenses and technical assistance and establishing joint ventures with local partners. The domestic automobile manufacturers which produce their proprietary brands have also been strengthening their positions over recent years and this had intensified the competition in the PRC automobile markets. Increasing competition may result in oversupply and cause downward pressure on the pricing of our products, which may adversely affect our results of operations. The prices of our products are determined independently by each of our respective manufacturing entities and are mainly based on our production costs, pricing of competitive products and overall market demand. We have granted discounts and concessions to our products from time to time, in response to the increasing downward pressure on price stemming from the increase competition in the PRC automobile market. Please refer to the section of this Listing Document headed "Risk Factors — Risks relating to the PRC Automobile Industry" of this Listing Document for further details on factors which may affect competition in China's automobile market.

Development and launch of new products

As we are operating in a highly competitive consumer sector, we must from time to time introduce new products appealing to customers, or improve our current products to cater to the demand of our customers in a timely manner. Our ability to quickly develop and launch new models in response to customers' changing tastes and preferences is critical for us in strengthening our market position. During the Track Record Period, the launch of new products and new models significantly contributed to our growth in sales.

The introduction of new products is not without risks. In particular, the introduction of a new product will likely divert demand for our existing products if such products target a similar pool of customers. The development and launch of new products also means investing substantial resources into R&D and to expand production capacities. Such investments will inevitably increase our risks, particularly if the products fail to generate enough demand. Please refer to the section of this Listing Document headed "Risk Factors — If we are unable to gain market acceptance for our products, our sales and profitability will be adversely affected, which will have a negative impact on our market position, financial condition and results of operation" of this Listing Document for further details.

Cost and supply of raw materials and auto parts

Costs of raw material and auto parts comprise the majority of our operating costs. As a result, fluctuations in the supply or price of raw materials or auto parts will have significant impact on our results of operations. We have sourced, and will continue to source, our raw materials and auto parts from our associated companies and independent third party suppliers. During the three years ended 31 December 2007, 2008 and 2009, our costs of raw materials, including powertrain, steel plates, chemical finishing and other auto parts used were approximately RMB31,238 million, RMB32,981 million and RMB37,003 million, respectively, representing approximately 88.6%, 90.5% and 88.3% of our costs of sales for the same periods respectively.

Income Tax Expenses

During the year ended 31 December 2007, enterprises incorporated in the PRC were subject to enterprise income tax ("EIT") at rate of 33%, while certain subsidiaries and jointly controlled entities enjoyed preferential Foreign Enterprise Income Tax ("FEIT") at a rate of 15% under approval of the relevant tax authorities as the companies were operated in designated areas with preferential FEIT policies. After enactment of the new Corporate Income Tax Law ("New CIT Law") effective from 1 January 2008, income tax rate for all PRC enterprises have been unified at 25%. For enterprises which were established before the publication of the new CIT Law on 16 March 2007 and were entitled to preferential treatments of reduced tax rates granted by relevant authorities, the new CIT rate will be gradually increased to 25% within 5 years from effectiveness of the New CIT Law. The tax holiday with a designated period will still be effective until it expires.

Guangqi Honda was a foreign investment production enterprise established in a technological economic development zone in old urban district. Accordingly, pursuant to the Implementation of PRC Income Tax Law for Enterprises with Foreign Investment and Foreign Enterprises ("FEIT Law"), the enterprise income tax rate applicable to Guangqi Honda is 15%. In addition, Guangqi Honda was entitled to a two-year exemption from income taxes followed by tax reductions of 50% for three years, commencing from the first cumulative profit-making year net of losses carried forward. Guangqi Honda's first cumulative profit-making year was 2000 and enjoyed a tax holiday of "two-year exempt, three-year half levy" from 2000 to 2004. Being qualified as an Advanced Technology enterprise, Guangqi Honda also enjoyed a 10% preferential tax rate for the three years ended 31 December 2007.

GAC Toyota was a foreign investment production enterprise established in a technological economic development zone. Pursuant to FEIT Law, the applicable enterprise income tax rate is 15%. In addition, GAC Toyota was entitled to a two-year exemption from income taxes followed by tax reductions of 50% for three years, commencing from the first cumulative profit-making year net of losses carried forward. GAC Toyota's first cumulative profit-making year was 2006 and still enjoyed tax exemption in 2007.

The tax rates imposed on us during the Track Record Period have been duly approved by the competent tax authorities and were in compliance with the relevant rules and regulations. Accordingly, the applicable income tax rates for Guangqi Honda were 18% and 20%, respectively in 2008 and 2009. GAC Toyota enjoyed a tax holiday of "three-year half levy" in year 2008 and 2009. The applicable income tax rates were 9% and 10%, respectively in 2008 and 2009. Our effective tax rates for the three years ended 31 December 2007, 2008 and 2009 were 2.8%, 17.4% and 18.2%, respectively.

The statutory tax rates imposed on our principal JCEs from 2007 to 2012 are as follow:

	2007	2008	2009	2010	2011	2012
	%	%	%	%	%	%
Guangqi Honda	10	18	20	22	24	25
GAC Toyota	0	9	10	11	24	25

During the Track Record Period, we have made all tax returns and fully paid up the tax payables. The Directors confirm that there is no dispute or potential dispute between our Group and relevant taxation authorities.

In addition, the dividend distribution from a Hong Kong subsidiary, China Lounge, to the Company is subject to PRC enterprise income tax. Those dividends arisen from profit earned before

1 January 2008 is taxable at 16.5% and those after 1 January 2008 is taxable at 25% if the Hong Kong subsidiary is not qualified as PRC tax resident. Up to the date of this report, the Hong Kong subsidiary of the Group is in the process of applying approval for recognition as PRC tax resident from State Administration of Taxation. The Group's Hong Kong subsidiary has no plan to declare any dividends. Accordingly, the Group has not made any provision for the relevant tax.

Please refer to Note 31 to Section II of the accountant's report in Appendix I of this Listing Document for further details.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of the financial information in conformity with HKFRS requires the use of some critical accounting policies and judgments. It also requires us to exercise judgement in the process of applying our Group's accounting policies. Areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial information are disclosed in Note 4 to Section II of the accountant's report in Appendix I of this Listing Document. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial information and the reported amounts of income and expenses during the Track Record Period. Although these estimates are based on management's best knowledge of event and actions, management makes estimates and assumptions concerning the future and the resulting accounting estimates will, by definition, seldom equal the related actual results.

The financial information as set out in the accountant's report in Appendix I of this Listing Document has been prepared in accordance with HKFRSs and adjustments have been made to the financial statements of our Company's subsidiaries and Jointly-controlled Entities so as to comply with our accounting policies under HKFRS. Our principal accounting policies are set forth in Note 2 to Section II of the accountant's report in Appendix I of this Listing Document.

We have identified below the accounting policies that we believe are most critical to our consolidated financial statements and that involve the most significant estimates and judgements.

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 Board.

Subsidiaries

Subsidiaries are all 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 or the Group has de facto control over it. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. When assessing whether the Group has de facto control over another entity, the Group will consider:

- the right to appoint and nominate the board members;
- the intention of the Group to further reduce or increase its shareholding in the entity;
- the dispersed passive shareholders and their action and participation in shareholders' meetings; and

- the historic shareholder activism in the past shareholders' meetings.

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.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated statement of comprehensive income.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group. In the Company's balance sheets, investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Jointly-controlled Entities

A Jointly-controlled Entity is a joint venture where we 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.

Our interests in Jointly-controlled Entities are accounted for by proportionate consolidation. We combine our share of the Jointly-controlled Entities' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in our financial statements. We recognise the portion of gains or losses on our sale of assets to the Jointly-controlled Entities that is attributable to the other joint-venture partner(s). We do not recognise our share of profits or losses from the Jointly-controlled Entities that result from our purchase of assets from the Jointly-controlled Entities until we resell the assets to an independent party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets, or an impairment loss.

In our Company's balance sheet, the investments in Jointly-controlled Entities are stated at cost less provision for impairment losses. The results of Jointly-controlled Entities are accounted for by our Company on the basis of dividend received and receivable.

Under the new amendments to HKFRS which may be issued in the foreseeable future, we are required to recognise our interests in JCEs by equity method.

Associated Companies

Associated companies are all entities over which we have significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associated companies are accounted for using the equity method of accounting and are initially recognised at cost. Our investment in our associated companies includes goodwill (net of any accumulated impairment loss) identified on acquisition. Our share of our associated companies' post-acquisition profits or losses is recognised in the consolidated statement of comprehensive income, and our share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When our Group's share of losses in an associated company equals or exceeds its interest in the associated company, including any other unsecured receivables, we do not recognise further losses, unless we have incurred obligations or made payments on behalf of the associated company. Unrealised gains on transactions between us and our associated companies are eliminated to the extent of our Group's interest in the associated companies. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associated companies have been changed where necessary to ensure consistency with the policies adopted by our Group.

Dilution gains and losses in associated companies are recognised in the consolidated statement of comprehensive income.

In our Company's balance sheet, investments in associated companies are stated at cost less provision for impairment losses. The results of associated companies are accounted for by our Company on the basis of dividend received and receivable. The Company's investment in associated companies amounted to RMB692 million, RMB695 million and RMB1,753 million as of 31 December 2007, 2008 and 2009, respectively.

Revenue recognition

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

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

(a) Sales of products

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

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

Sales Rebate

At the time of sale, the Group records the estimated impact of the sales rebate as a reduction of revenue. There may be numerous types of incentives available at any particular time. Factors used in determining the incentives include the actual sales volume of vehicles, estimated end customers satisfaction rates on dealers' services etc. During the Track Record Period, there was no significant difference between the estimated and actual sales rebate. The difference, if any, was charged to statement of comprehensive income upon the settlement of sales rebate. The amounts of sales rebate provided by the Group were approximately RMB2,105 million, RMB1,566 million and RMB1,521 million respectively for the year ended 31 December 2007, 2008 and 2009.

(b) Rendering of service

Management fee and labour services income are recognised on actual 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, we reduce the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

(d) Rental income

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

(e) Dividend income

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

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.

Trade and other receivables

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. A provision for impairment of trade and other receivables is established when there is objective evidence that we will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of comprehensive income within "administrative expenses". When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against "administrative expenses" in the consolidated statements of comprehensive income.

Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. 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 in the consolidated statements of comprehensive income during the financial period in which they are incurred.

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

	Useful lives	Residual rate
● Buildings	8-50 years	0%-10%
● Machinery	5-22 years	0%-10%
● Vehicles and vessels	5-15 years	0%-10%
● Mould	5-10 years	0%-10%
● Other equipment	3-19 years	0%-10%
● Leased hold improvements	2-20 years	0%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

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 losses — net", in the consolidated statements of comprehensive income.

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.

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 directly in equity. In this case, the tax is also recognised in equity.

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 our Company's subsidiaries, Jointly-controlled Entities and associated companies 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 and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial information. However, the deferred income tax, if it is not accounted for, 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 to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

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

Research and development costs

Research costs are expensed as incurred. An intangible asset arising from development expenditure on an individual project is recognised only when our 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 amortization and accumulated impairment losses. Any expenditure capitalised is amortised over the period of expected future sales from the related project.

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

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources embodying economic benefits will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in "finance costs" in the consolidated statements of comprehensive income.

Provision for product warranties granted by our Company 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.

GENERAL

The following discussion is based on our historical results of operations. As a result of the factors discussed above, such results of operations may not be indicative of our future operating performance.

Revenue

Revenue of our Group is mainly generated from the manufacturing and sale of passenger vehicles, commercial vehicles and auto parts. Our Group also generates its revenue from a broad range of automobile related services including vehicles sales, after-sales services, the importing and exporting of automobile-related products, logistics services for transportation of vehicles and other automobile-related products and the provision of auto insurance agency services. All revenue referenced in this Listing Document are after elimination of intra group sales. Most of our revenue and profits are derived from the production and sales of passenger vehicles.

Cost of Sales

Our cost of sales represents costs of goods sold. This consists mainly of costs of raw materials, costs of auto parts, sales tax ranging from 3% - 25%, labour costs, depreciation on property, plant and equipment, utilities, and other production cost incurred directly during the production process.

Gross Profit Margin

Gross profit means revenue less cost of sales of our Group. Gross profit margin is gross profit as a percentage of revenue.

Other losses — net

Other losses-net mainly comprise net foreign exchange losses, gain/(loss) on disposal of property, plant and equipment and land use rights, donation, gain on waiver of liabilities and others.

Selling and Distribution Costs

Selling and distribution costs mainly comprise salaries and welfare for sales personnel, advertising and marketing expenses, logistics expenses, after sales service and sales rewards costs, office expenses and other sales related costs.

Administrative Expenses

Administrative expenses mainly comprise salaries and welfare for administrative staff, technical support and development expenses, administration-related fixed assets depreciation and amortization expenses, office expenses and other administration-related expenses.

Finance Costs

Finance costs comprise interests on bank borrowings and other borrowings and gains/losses on foreign currency transactions on financing activities.

Share of Profit of associated companies

This represents share of profits and losses of associated companies of our Group.

Taxation

Our effective corporate income tax rate was 2.8%, 17.4% and 18.2% for the three years ended 31 December 2007, 2008 and 2009, respectively. The sales of vehicles are also subject to output valued-added tax at 17% normally which is included in the selling price.

We have duly paid tax liabilities to the relevant tax authorities during the Track Record Period and are not subject to any dispute or potential dispute with the tax authorities.

Minority Interests

Minority interests mainly refers to the portion of profit distributing to the minority shareholders of our Company's subsidiaries.

The profit attributable to minority interests is primarily contributed by the profit of our Group shared by minority shareholders of Denway. For the three years ended 31 December 2007, 2008 and 2009, the profit attributable to minority interests of Denway accounts for 101.1%, 99.9% and 96.3% of the profit attributable to minority interests of our Group. Denway is an investment holding company and, through its wholly-owned subsidiary, Guangzhou Auto, holds 50% equity interest in Guangqi Honda. As at the Latest Practicable Date, our Company holds 37.9% interest in Denway through China Lounge, a wholly-owned subsidiary of our Company, while the remaining 62.1% of outstanding Denway Shares are held by public shareholders. Upon the Scheme becoming effective, Scheme Shareholders will become GAC Shareholders and Denway will become our Company's wholly-owned subsidiary. Subsequently, the profits from Denway will be 100% attributable to the equity holders of our Company.

DISCUSSION OF OUR CONSOLIDATED RESULTS OF OPERATIONS

Consolidated Results of Operations

The following table summarises our historical consolidated results of operations as a percentage of total revenue for the periods shown:

	Year ended 31 December		
	2007	2008	2009
Revenue	100.0%	100.0%	100.0%
Cost of sales	(83.2%)	(83.3%)	(83.4%)
Gross profit	16.8%	16.7%	16.6%
Other losses — net	(0.1%)	0.0%	(0.9%)
Selling and distribution costs	(3.3%)	(4.9%)	(4.3%)
Administrative expenses	(4.0%)	(5.2%)	(5.0%)
Interest income	0.6%	0.8%	0.7%
Operating profit	10.0%	7.4%	7.1%
Finance costs	(0.4%)	(0.5%)	(0.7%)
Interest income	0.1%	0.1%	0.1%
Share of profit of associated companies	2.0%	1.2%	1.4%
Impairment loss of goodwill	—	(0.3%)	—
Profit before income tax	11.7%	7.9%	7.9%
Income tax expense	(0.3%)	(1.4%)	(1.4%)
Profit for the year	11.4%	6.5%	6.5%
Attributable to:			
Equity holders of our Company	8.1%	3.6%	4.0%
Minority interests	3.3%	2.9%	2.5%

2009 compared with 2008

Revenue

The table below sets out the analysis of our sales for the year ended 31 December 2008 and 2009:

	Year ended 31 December			
	2008		2009	
	Revenue(1) RMB million	Units Sold	Revenue(1) RMB million	Units Sold
Passenger vehicles	42,953	479,059	49,370	575,182
Commercial vehicles	257	2,245	345	3,112
Auto parts	268	—	264	—
Others	292	—	275	—
Total	43,770	481,304	50,254	578,294

Note:

(1) *Please note that while the revenue figures in the above table reflect the proportionately consolidated revenue of our Group, the figures relating to the number of vehicles sold by us in the above table represent the actual total number of vehicles sold by us during the period stated.*

Our sales and revenue gradually picked up in 2009 and revived from the setback incurred in the second half of 2008 due to the global financial crisis. Our total revenue in 2009 increased RMB6,484 million, or approximately 14.8% from RMB43,770 million in 2008 to RMB50,254 million in 2009. During the Track Record Period, the pricing of our products remained stable in the respective product cycle. The increase in revenue during the Track Record Period was in line with the increase in sales volume. In 2009, the revenue and sales volume generated from the passenger vehicle sector increased approximately 14.9% and 20.1% from 2008 respectively. Such increase was primarily due to the recovery of the global economy since the 2008 global financial crisis, the implementation of supporting policies by PRC government in 2009 which were aimed at stimulating demand for passenger vehicles and the increase in sales of our new passenger vehicle models. In particular, we successfully launched our first SUV, GAC Toyota Highlander, which contributed to 10% of our revenue in 2009. Due to the launch of a new model of mid-end sedan, Guangqi Honda City (Fengfan), at the end of 2008, the contribution from the sales of mid-end sedans to our revenue increased to approximately 12% in 2009 from approximately 1% in 2008. Accordingly, the revenue generated from mid-to-high-end sedans, economy sedans and MPVs decreased from approximately 79%, 14% and 7% in 2008 to approximately 67%, 6% and 6% in 2009, respectively.

Our revenue from sales of commercial vehicles increased by approximately 34.2% to RMB345 million in 2009 from approximately RMB257 million in 2008. The increase was due to the completion of the restructuring of our commercial vehicle business in the second half of 2009, which allowed our facilities to resume production and an upgrade to our commercial vehicles product portfolio. In particular, GAC Hino, the flagship of our commercial vehicle business, commenced production of GAC Hino series trucks since September 2009 and the transfer of our bus manufacturing business to GAC Bus. Subsequently, the revenue generated from the commercial vehicles segment increased more than 34% in 2009 from 2008. We expect the revenue and net profits from sales of our commercial vehicles will gradually increase in the future.

Our revenue from sales of auto parts in 2009 amounted to RMB264 million and remained consistent comparing to RMB268 million in 2008. Revenue from our other businesses slightly decreased to RMB275 million in 2009 from RMB292 million in 2008.

Cost of Sales and Gross Profit Margin

Our costs of sales increased by RMB5,472 million, or 15.0%, to RMB41,918 million in 2009 from RMB36,446 million in 2008, as a result of the increase in our sales in 2009.

Our gross profit margin reached 16.6% in 2009 and remained consistent compared with the profit margin of 16.7% in 2008. The gross profit margin of our passenger vehicles business decreased to 16.9% in 2009 from 17.0% in 2008, which is primarily due to the increase in sales of mid-end sedans which increased the proportion of sales of our mid-end sedans in our total sales and decreased the proportion of sales of our other products with higher profit margin in our total sales.

The gross loss margin of our commercial vehicles business decreased to 9.2% in 2009 from 10.7% in 2008 primarily due to the increase in production by GAC Bus and the production of GAC Hino's products, which decreased the amortisation of fixed costs per product.

The gross profit margin of our auto parts in 2009 increased to 27.2% from 18.9% in 2008.

Other losses — net

We incurred other losses of RMB 429 million in 2009, which represents an increase from other losses of RMB6 million in 2008. Such losses are primarily due to our donation of RMB451 million to the 16th Asian Games to be held in Guangzhou in November 2010.

Selling and Distribution Costs

Our selling and distribution costs slightly decreased RMB15 million, or 0.7%, from RMB2,158 million in 2008 to RMB2,143 million in 2009, which is primarily due to the decrease in advertising and marketing expenses which is partly offset by the increase in logistics expenses. This increase in logistics expenses was mainly due to our continuous expansion of sales coverage in China and the increase in sales of our products to customers in western China, which increased our transportation expenses. The advertising and marketing expenses decreased in 2009 as we reduced our advertising costs for new models and in general, also tightened our advertising expenses.

The following table sets out a breakdown of the key components of our selling and distribution costs for the two years ended 31 December 2008 and 2009, respectively.

	Year ended 31 December	
	2008	2009
Component	(RMB million)	
Salaries and welfare for sales personnel	70	84
Advertising and marketing expenses[(1)]	889	838
Logistics expenses	670	695
After sale service	251	253
Office expenses[(2)]	72	82
Others[(2)]	206	191
Total	2,158	2,143

Notes:

(1) During the Track Record Period, our advertising and marketing expenses includes, among others, advertising expenses, expenses arising from car exhibitions and car shows and expenses on conducting market surveys.

(2) "Office expenses" set out above includes office expenses, travel costs, communication expenses depreciation and amortisation, while "Others" include rent, water and electricity charges and tariffs.

Administrative Expenses

Our administrative expenses increased RMB288 million, or 12.8% from RMB2,256 million in 2008 to RMB2,544 million in 2009. The increase was primarily due to the increase in salaries and welfare for our employees, as we expanded our workforce and increased the salaries paid to our existing employees.

The following table sets out a breakdown of the key components of our administrative expenses for the year ended 31 December 2008 and 2009, respectively.

	Year ended 31 December	
	2008	2009
Component	(RMB million)	
Salaries and welfare	376	561
Technical support and development expenses	1,209	1,272
Office expenses(1)	332	342
Taxes	63	82
Depreciation and amortisation expenses for administration-related fixed assets	111	160
Others(2)	165	127
Total	2,256	2,544

Notes:

(1) "Office expenses" under administrative expenses mainly includes business entertainment expenses, office expenses and travel costs.

(2) "Others" mainly includes management fees, fuel costs, gas costs and property insurance premiums.

Finance Costs

Finance costs in 2009 were RMB345 million, which represented an increase of 57.5% from RMB219 million in 2008. The increase was primarily due to the increase in interest expense as a result of the issue of RMB6.7 billion of debentures in 2009.

Interest Income

Interest income was RMB350 million in 2009, which represented an increase of 1.4% from RMB345 million in 2008. The increase was primarily due to the increase in our bank deposits.

Share of Profit of Associated Companies

Share of profits of associated companies in 2009 was RMB716 million, which represented an increase of 39.0% from RMB515 million in 2008. This substantial increase was due to the increase in the share of profits from GAC Toyota Engine and our other associated auto parts manufacturing entities. In addition, we disposed our equity holdings in Guangzhou Zhujiang Steel Co., Ltd. in 2009, which enabled us to avoid further share of losses from Guangzhou Zhujiang Steel Co., Ltd.. In September 2009, the Group's interest in Guangzhou Zhujiang Steel Co., Ltd. was transferred to an entity controlled by GAIGC at a nominal consideration of HK$1. The disposal of Guangzhou Zhujiang Steel Co., Ltd. is in line with the Company's long term goal to focus on its core businesses.

Income Tax Expense

Income tax expenses increased from RMB602 million in 2008 to RMB724 million in 2009. This increase was the result of the increase of our profit before income tax and the increase in the tax rate imposed on our major JCEs.

Operating Profit and Profit for the Year

The table below sets out the operating profit margin and net profit margin for the year ended 2008 and 2009:

	Year ended 31 December	
	2008	**2009**
Operating profit margin	7.4%	7.1%
Net profit margin	6.5%	6.5%

Our operating profit for the year ended 31 December 2009 increased 9.9% or RMB321 million, from RMB3,249 million for the year ended 31 December 2008 to RMB3,570 million. This increase was primarily due to the increase in our sales. As a result of the foregoing, our profit for the year increased RMB398 million representing an approximately 13.9% increase from RMB2,858 million in 2008 to RMB3,256 million in 2009. Our operating margin drop from 7.4% in 2008 to 7.1% in 2009 notwithstanding the increase in operating profits primarily due to our RMB451 million donation in 2009 to the 16th Asian Games to be held in Guangzhou in November 2010.

Minority Interests

Minority interests in 2009 were RMB1,224 million, which represented an decrease of 5.2% from our minority interests of RMB1,291 million in the 2008 as net profit of Denway decreased in 2009.

Profit Attributable to Equity Holders of Our Company

Due to the aforementioned reasons, the profit attributable to equity holders of our Company increased by RMB465 million, or 29.7%, from RMB1,567 million in 2008 to RMB2,032 million in 2009.

2008 compared with 2007

Revenue

The table below sets out the analysis of our sales for the years ended 31 December 2007 and 2008:

	Year ended 31 December			
	2007		**2008**	
	Revenue[(1)] RMB million	**Units Sold**	**Revenue RMB million**	**Units Sold**
Passenger vehicles	41,285	465,739	42,953	479,059
Commercial vehicles	483	4,778	257	2,245
Auto parts	275	—	268	—
Others	364	—	292	—
Total	42,407	470,517	43,770	481,304

Note:

(1) Please note that while the revenue figures in the above table reflect the proportionately consolidated revenue of our Group, the figures relating to the number of vehicles sold by us in the above table represent the actual total number of vehicles sold by us during the period stated.

We faced a tough market in 2008, in which the PRC automobile industry experienced a growth rate of less than 10% for the first time in ten years. Our total revenue increased RMB1,363 million, or approximately 3.2% to RMB43,770 million in 2008 from RMB42,407 million in 2007. The revenue generated from our passenger vehicle sector increased approximately 4.0% in 2008, which is in line with the increase in our sales volume. This is an indication that our passenger vehicle sales remained resilient during the 2008 global financial crisis. Such increase was primarily the result of the introduction of a new model, the eighth generation of the Guangqi Honda Accord in March 2008, which was well received by the market and achieved sales of 170,517 units in 2008 representing more than 40% increase in sales from 2007 and contributed to the increase in the profit margin of our passengers vehicle business. The launch of the GAC Toyota Yaris in April 2008 also contributed to the sustainable revenue growth of our Group and 19,170 units of GAC Toyota Yaris were sold during 2008. Due to the launch of a new generation of mid-to-high end sedan, the contribution from the sales of mid-to-high-end sedans to our revenue increased to approximately 79% in 2008 from approximately 72% in 2007. Accordingly, the revenue generated from economy sedan and MPV decreased from approximately 16% and 12% to approximately 14% and 7% in 2008.

Our revenue from sales of commercial vehicles decreased 46.8% to RMB257 million in 2008 from RMB483 million in 2007. The decrease was a result of the continuation of the restructuring of our commercial vehicle business in 2008. During 2008, we commenced the construction of the plants of GAC Hino and acquired Shenyang Hino Motors Co. Ltd. In particular, we established GAC Hino with Hino and injected assets, facilities, trademark and production qualifications of Yangcheng Auto into GAC Hino in order to minimise start-up costs of GAC Hino. After the completion of integration and restructuring, we transferred 100% of the equity interest in Yangcheng Auto to Guangzhou Guangyue Asset Administration Co., Ltd for a nominal amount.

Our revenue from sales of auto parts in 2008 amounted to RMB268 million and remained consistent, compared with RMB275 million in 2007. Revenue from our sales of other services decreased 19.8% to RMB292 million in 2008 from RMB364 million in 2007.

Cost of Sales and Gross Profit Margin

Our costs of sales increased by RMB1,169 million, or 3.3%, to RMB36,446 million in 2008 from RMB35,277 million in 2007, as a result of the increase in sales of our passenger vehicles.

Our gross profit margin reached 16.7% in 2008, consistent with the profit margin of 16.8% in 2007. It was primarily due to the consistency of gross profit margin of our passenger vehicles business, which was 17.0% in both 2007 and 2008.

The gross loss margin of commercial vehicles increased from 0.7% in 2007 to 10.7% in 2008. The increase was primarily due to the reduction in our commercial vehicle sales volume, which is the result of the disruption in our commercial vehicle production due to the restructuring of our commercial vehicles business while the fixed costs remained unchanged.

The gross profit margin of our auto parts segment decreased to 18.9% in 2008 from 23.3% in 2007 as a result of the introduction of a new product, which has a lower profit margin, to our auto parts portfolio. The introduction of this product was to meet the specific requirement of one of our clients.

Other losses - net

We incurred RMB6 million other losses in 2008, which represents a decrease in net losses, comparing with RMB29 million net losses in 2007. Such decrease is primarily due to the gains from the disposal of certain property, plant and equipment and land use rights by our subsidiaries to the PRC government. As the local PRC government acquired the land use right of a parcel of land from our subsidiary, the ownership of the land use right was passed to the PRC government in 2008. Accordingly, a gain of RMB41 million was recognised as gains from the disposal of such land use right and property, plant and equipment located on the disposed land in 2008.

Selling and Distribution Costs

Our selling and distribution costs increased by RMB738 million, or 52.0%, from RMB1,420 million in 2007 to RMB2,158 million in 2008. This significant increase was mainly due to the increase in advertising and marketing expenses and after-sale services, which stepped up in 2008 as we faced increasing competition and tougher economic conditions and invested substantial amount to advertise a new model introduced by one of our major JCEs. The increase in selling and distribution costs can also be attributed to the increase in logistics expenses, as we expanded our sales coverage in China and increasingly sold our products to customers in western China which incurred more transportation expenses.

The following table sets out a breakdown of the key components of our selling and distribution costs for 2007 and 2008, respectively.

	Year ended 31 December	
	2007	2008
Component	(RMB million)	
Salaries and welfare for sales personnel	68	70
Advertising and marketing expenses[(1)]	518	889
Logistics expenses	443	670
After sale service	154	251
Office expenses[(2)]	61	72
Others[(2)]	176	206
Total	1,420	2,158

Notes:

(1) *During the Track Record Period, our advertising and marketing expenses include, among others, advertising expenses, expenses arising from car exhibitions and car shows and expenses on conducting market surveys.*

(2) *"Office expenses" set out above includes office expenses, travel costs, communication expenses depreciation and amortisation, while "Others" includes rent, water and electricity charges and tariffs.*

Administrative Expenses

Our administrative expenses increased RMB579 million, or 34.5%, from RMB1,677 million in 2007 to RMB2,256 million in 2008. The increase was primarily a result of an increase in technical support and development expenses, which rose from RMB683 million in 2007 to RMB1,209 million in 2008. Such increase was primarily due to the technical support fees we paid to Honda and Toyota for the launch of the eighth generation of Guangqi Honda Accord and the GAC Toyota Yaris. The increase was also due to the increase in our R&D expenses in GAEI and GAMC to develop our proprietary brand of vehicles.

The following table sets out a breakdown of the key components of our administrative expenses for 2007 and 2008, respectively.

	Year ended 31 December	
	2007	2008
Component	(RMB million)	
Salaries and welfare for administrative staff	431	376
Technical support and development expenses	683	1,209
Office expenses[(1)]	251	332
Taxes	44	63
Depreciation and amortisation expenses for administration-related fixed assets	104	111
Others[(2)]	164	165
Total	1,677	2,256

Notes:

(1) "Office expenses" under administrative expenses mainly includes business entertainment expenses, office expenses and travel costs.

(2) "Others" mainly includes management fees, fuel costs, gas costs and property insurance premiums.

Finance Costs

Finance costs in 2008 were RMB219 million, which represented an increase of 44.1% from RMB152 million in 2007. The increase was primarily due to the increase in interest expenses, which is the result of the issuance of our RMB600 million corporate bonds in December 2007 and the increase in short term loans borrowed by GAC Commercial. The RMB600 million guaranteed corporate bonds has been duly approved by NDRC and will be fully redeemed at par in November 2017. Such corporate bonds are guaranteed by China Development Bank, a state-owned financial institution, according to NDRC's approval.

Interest Income

Interest income was RMB345 million in 2008, which represented an increase of 48.7% from RMB232 million in 2007. The increase was primarily due to the increase in the amount of cash we place in time deposits with our banks.

Share of Profit of Associated Companies

Share of profit of associated companies in 2008 was RMB515 million, which represented a decrease of 38.5% from RMB838 million, our share of profits of associated companies in 2007. This substantial decrease was a result of a decrease in profits from GAC Toyota Engine due to the decrease of sales and net losses of foreign exchange in the export sales in the second half of 2008. In addition, the substantial decrease in our share of profit of associated companies was due to the net loss of RMB200 million incurred by Guangzhou Zhujiang Steel Co. Ltd., as the production costs of steel increased around 60% in 2008 while the sales price of steel decreased around 30% to 40% for the same period.

Income Tax Expense

Income tax expenses increased from RMB138 million in 2007 to RMB602 million in 2008. This significant increase was the result of the increase of our effective tax rate from 2.8% in 2007 to 17.4% in

2008. In particular, the statutory tax rate imposed on Guangqi Honda increased from 10% in 2007 to 18% in 2008, as the result of implementation of the new tax law in China and the effective tax rate imposed on GAC Toyota also increased from 0% in 2007 to 9% in 2008, as its tax exemptions expired in 2007.

Operating Profit and Profit for the Year

The table below sets out the operating profit margin and net profit margin for the years ended 31 December 2007 and 2008:

	Year ended 31 December	
	2007	**2008**
Operating profit margin	10.0%	7.4%
Net profit margin	11.4%	6.5%

Our operating profit in 2008 decreased 23.3% or RMB986 million, from RMB4,235 million in 2007 to RMB3,249 million. This decrease was attributable to the increase of our operating costs. As a result of the foregoing and the significant decrease in the share of profits of associated companies and the increase in our income tax rate, our profit for the year in 2008 decreased 40.6% or RMB1,957 million, from RMB4,815 million in 2007 to RMB2,858 million, which decreased our net profit margin from 11.4% in 2007 to 6.5% in 2008.

Minority Interests

Minority interests in 2008 were RMB1,291 million, which represented a decrease of 6.3% from our minority interests of RMB1,378 million in 2007. The decrease in minority interests was a result of the decrease in net profits in Guangqi Honda, which proportionally decreased the profits attributable to the minority shareholders in Denway.

Profit Attributable to Equity Holders of Our Company

The profit attributable to equity holders of our Company decreased by RMB1,870 million, or 54.4%, from RMB3,437 million in 2007 to RMB1,567 million in 2008, which was primarily due to the decrease in our operating profit and increase of the income tax. Our net profit was also affected by the impairment on loss of goodwill amounted to RMB116 million, arising from our acquisition of 90% equity interest in Shenyang Hino Motors Co. Ltd. for establishment of GAC Hino.

LIQUIDITY AND CAPITAL RESOURCES

To date our Group has funded its operations principally from internal funds, proceeds from the sale of our products, capital contribution from the shareholders of our subsidiaries and JCEs and bank borrowings. As a result, the liquidity of our Group would be affected to the extent there is a significant decrease in demand for or in pricing of the products of our subsidiaries and JCEs or a significant change in the availability of bank loans.

Cash Flow

Our Group

The following table presents selected cash flow data from our consolidated cash flow statements for 2007, 2008 and 2009.

	Year ended 31 December		
	2007	2008	2009
	RMB million	RMB million	RMB million
Net cash generated from operating activities	4,372	3,242	8,357
Net cash generated from/(used in) investing activities	679	(4,790)	(8,005)
Net cash (used in)/generated from financing activities	(434)	(349)	5,442
Net increase/(decrease) in cash and cash equivalents	4,617	(1,897)	5,794

Net cash generated from operating activities

Net cash generated from operating activities were RMB3,242 million and RMB8,357 million in 2008 and 2009, respectively, which represented an increase of 157.8%, or RMB5,115 million. This was primarily due to the sales increase in 2009 compared to 2008. Additionally, the sales increase in 2009 was concentrated in the second half of 2009, accompanied with increased production activities and purchase, resulting in an increase in trade and other payable and operating cash flow.

Net cash generated from operating activities were RMB4,372 million and RMB3,242 million in 2007 and 2008, respectively, which represented a decrease of 26%, or RMB1,130 million. This was primarily due to the decrease in our net profit to RMB2,858 million in 2008 from RMB4,815 million in 2007.

Net cash generated from/(used in) investing activities

Net cash used in investing activities in 2008 was RMB4,790 million and the net cash used in investing activities in 2009 was RMB8,005 million. The increase of RMB3,215 million is primarily due to (1) the increase in our purchase of fixed assets for establishing plants and facilities in GAC Toyota and GAMC; (2) our purchase of equity interests in GAC Changfeng; and (3) the increase in our bank deposits.

According to the audited financial statements of GAC Changfeng prepared under PRC GAAP, total assets and shareholders' equity of GAC Changfeng as at 31 December 2009 amounted to RMB6,252 million and RMB2,338 million respectively; whereas the revenue and net profit for the year ended 31 December 2009 amounted to RMB4,879 million and RMB30 million respectively. The acquisition of 29% equity interest in GAC Changfeng was completed in November 2009 and therefore GAC Changfeng was accounted for as an associated company using the equity method from November 2009. Accordingly, the acquisition of GAC Changfeng will not have any significant impact on our revenue, gross margin or working capital in the future.

Net cash generated from investing activities was RMB679 million in 2007 and net cash used in investing activities was RMB4,790 million in 2008. The increase of cash flows used in investing activities was primarily due to the substantial increase of our Group's investment in purchases of fixed assets for the construction of the second phase production facilities in our principal JCEs.

Net cash (used in)/generated from financing activities

Net cash used in financing activities were RMB349 million in 2008 and net cash flows generated from financing activities were RMB5,442 million in 2009. The increase of RMB5,791 million is primarily due to the net increase of proceeds from issuance of RMB6.7 billion debentures in April 2009 which more than offset our repayment of bank loans in 2009.

Net cash used in financing activities were RMB434 million and RMB349 million in 2007 and 2008, respectively. The decrease in net cash outflow of RMB85 million from 2007 to 2008 is due to the decrease in proceeds from borrowing more than offset by the decrease in our Group's repayment of borrowing in 2008.

Capital Expenditures

Our principal intention for making capital expenditures are to develop our R&D capacities, expand our production capacity, upgrade our existing plant and machines and develop our business of automobile related services business. Our Group made capital expenditures of RMB1,254 million, RMB2,833 and RMB4,356 million in 2007, 2008 and 2009, respectively, which were mainly for the development and expansion of our JCEs, additional investments in our subsidiaries and associated companies, as well as investments in GAMC and GAEI to develop our proprietary brand of passenger vehicle. We financed our capital expenditure primarily through retained earnings and bank borrowings.

Working Capital

Taking into account the Group's internal resources, including, among others, funds from the issuance of corporate bonds and debentures which are not repayable before 2014, our Directors confirm that our Group would have sufficient working capital for at least the next 12 months from the Listing Document Date.

Inventory analysis

The following table sets out a summary of our inventory balances as at the balance sheet dates indicated.

	As at 31 December		
	2007	2008	2009
	RMB million	RMB million	RMB million
Raw materials	661	747	915
Work in progress	120	138	206
Finished goods	618	944	1,249
Less: Provision for writedown of inventories	(105)	(171)	(128)
	1,294	1,658	2,242

The increase in 2008 from 2007 was primarily due to the financial crisis in the second half of 2008, which resulted in sales decrease of our products and the increase of the inventory. The increase of inventory in 2009 is the result of (1) the increase in raw materials due to the increase of sales in our directly-owned JCEs; and (2) the increase in finished goods, as a result of the snowstorm in December 2009, which delayed the despatch of our products from the ports. As at the Latest Practicable Date, all of undelivered products due to the snowstorm have been duly delivered to our customers.

FINANCIAL INFORMATION

The following table sets out the ageing analysis of our inventories over the Track Record Period:

Type of inventories	Total	Within 1-30 days	Within 31-60 days	Within 61-90 days	Within 91-120 days	Over 120 days
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
As at 31 December 2007						
Raw materials	661	429	12	12	15	193
Products (in process)	120	90	5	4	5	16
Products (finished)	618	533	36	14	10	25
	1,399	1,052	53	30	30	234
As at 31 December 2008						
Raw materials	747	515	33	22	22	155
Products (in process)	138	84	5	—	1	48
Products (finished)	944	851	23	28	14	28
	1,829	1,450	61	50	37	231
As at 31 December 2009						
Raw materials	915	702	43	27	26	117
Products (in progress)	206	176	22	1	1	6
Products (finished)	1,249	1,141	52	29	16	11
	2,370	2,019	117	57	43	134

The following table sets out our inventory turnover for the Track Record Period:

	Year ended 31 December		
	2007	2008	2009
		(days)	
Turnover of average inventory[(1)]	13.4	14.8	17.0

Note:

(1) *Average inventory equals inventory at the beginning of the period plus inventory at the end of the period divided by 2. Turnover of average inventory (in days) equals average inventory divided by cost of sales and multiplied by the number of days for the relevant period.*

During the Track Record Period, the number of days for our inventory turnover have generally remained stable. In order to increase our inventory turnover, our policy is to ensure that raw materials and auto parts are directly delivered to our production lines or temporarily stored nearby to our production lines to reduce delivery times. In addition, in order to better control our costs and reduce any inventory backlog, we closely monitor our sales and timely communicate with our inventory departments to enable them to adjust our inventory levels accordingly. In respect of our commercial vehicles, our inventory level will correspond with the orders which we receive.

Details of the inventory of our four business segments and the breakdown by operating entities during the Track Record Period are set as follows:

Net value of segment inventory	Passenger vehicles	Commercial vehicles	Others	Total
	RMB million	RMB million	RMB million	RMB million
As at 31 December 2009	2,011	117	114	2,242
As at 31 December 2008	1,469	75	114	1,658
As at 31 December 2007	975	124	195	1,294

Trade and other receivables

The following table sets out the turnover of our average trade and bills receivables:

	Year ended 31 December		
	2007	2008	2009
		(days)	
Turnover of average trade and bills receivables[(1)]	6.8	10.2	5.8

Note:

(1) Average trade and bills receivable equals trade and bills receivable net of provisions at the beginning of the period plus trade and bills receivable net of provisions at the end of the period divided by 2. Turnover of average trade and bills receivable (in days) equals average trade and bills receivable divided by revenue and multiplied by the number of days for the relevant period.

As at 31 December 2007, 2008 and 2009, trade receivables of approximately RMB22 million, RMB30 million and RMB9 million were past due but not impaired. These trade receivables relate to a number of independent customers with no recent history of default. Accordingly, it was assessed that such past due trade receivables can be recovered through subsequent settlement. As at the Latest Practicable Date, trade receivables of RMB5 million past due but not impaired as of 31 December 2009 has been fully paid.

As at 31 December 2007, 2008 and 2009, impaired trade receivables and their corresponding provisions are as follows:

	As at 31 December		
	2007	2008	2009
	RMB million	RMB million	RMB million
Impaired trade receivables	292	320	238
Provision for impairment	(290)	(237)	(162)
Net	2	83	76
% of provision	99.3%	74.1%	68.1%

As at 31 December 2009, individually impaired trade receivables amounted to RMB238 million. According to the assessment on the recoverability of these trade receivables based on the relevant debtors' financial position, current operations and historical repayment ability, it is estimated that the Group is able to recover a portion of the balances with these debtors. Accordingly, a provision of RMB162 million has been made. The Group will critically reassess the recoverability of these trade receivables and the sufficiency of provision for impairment.

The Directors confirm that, after considering our net exposure, the customer profile and past default rates of the relevant customers, we are of the view that the provision made is sufficient but not excessive.

We do not provide credit terms for our passenger vehicles customers. But customers who purchase our commercial vehicles and auto parts are generally required to pay down payment and granted with credit terms ranging from 2 to 170 days for the balance. The table below sets out an ageing analysis of trade receivables as at the balance sheet dates indicated.

	As at 31 December		
	2007	2008	2009
	(RMB million)		
Within 3 months	265	861	401
Less than 1 year	6	29	58
1 year to 2 years	8	17	10
2 years to 3 years	5	6	3
Over 3 years	293	231	159
	577	1,144	631

In respect of the trade receivables as at 31 December 2009, it is expected to be repaid on the dates as agreed with our customers in the form of banker's acceptance bills. For trade receivables which are aged over 3 years, an impairment provision of RMB159 million has been made, representing approximately 100% of the total amount of trade receivables that are aged for more than 3 years, which is primarily due to the long-term outstanding receivables we inherited from reorganization. In 2008, our trade receivables substantially increased to RMB1,144 million from RMB577 million in 2007. The substantial increase was due to the extension of payment policy in GAC Commercial from 80 to 170 days which was a common practice in the industry to increase the credit period for counterparties in 2008 due to the financial crisis. The decrease of trade receivable in 2009 is primarily due to the change of the payment policy in GAC commercial which shortened the credit period form 170 days to 80 days, accelerating the payment cycle and decreasing the trade receivable. The change in credit period is in compliance with the new policy promulgated by SAFE, which requires that the trading payment should be settled within 90 days. The subsequent settlement of the trade and bill receivable up to the Latest Practicable Date amounted to RMB490 million.

We are required to provide prepayment to some of our suppliers and the sales and service centres operated by GAC Commercial are also required to pay deposit before they ordered passenger vehicle from our JCEs.

The following table sets out a breakdown of our prepayments:

	As at 31 December		
	2007	2008	2009
	RMB million	RMB million	RMB million
Prepayments			
Prepayments for purchase of passenger vehicles	105	19	51
Prepayments for purchase of material	60	96	78
Prepayments for construction projects and purchase of equipments	22	112	129
Prepayments for labor services and sundry fees	87	56	60
Prepayments for research and development contract	65	56	35
	339	339	353

Our prepayments remained constant during the Track Record Period. As at 31 December 2009, the prepayments increase by approximately 4.1% to RMB353 million from RMB339 million as at 31 December 2008. Such increase is primarily due to the increase in prepayments for purchase of passenger vehicles and other prepayments which is largely offset by the decrease in prepayment for research and development contract.

During the Track Record Period, we provided advances to our staff and entrusted loans to our associated companies. Our PRC counsel, Beijing Tianyin Law Firm confirms that such practices are fully in compliance with the PRC law and regulations and it is estimated that such advances to staff will continue after the Listing. The advances to staff mainly represent cash borrowed by staff to carry out our routine business activities and are subject to internal approval and monitoring. The advances to staff are settled upon the completion of these activities by the relevant staff.

During the Track Record Period, we voluntarily recalled six batches of products. Although the suppliers or our joint venture partners were responsible for the costs and expenses relating to the recalls, we paid the recall expenses in advance. For the three years ended 31 December 2007, 2008 and 2009, repairs and maintenance cost to be reimbursed by our joint venture partners and suppliers for vehicle recall amounted to RMB125 million, RMB74 million and RMB71 million, respectively.

Trade and other payables

The following table sets out the trade and other payables over the Track Record Period:

	As at 31 December		
	2007	2008	2009
	RMB million	RMB million	RMB million
Trade payables	3,553	3,782	5,571
Bills payables	198	264	495
Advances from customers	720	672	1,476
Staff welfare benefits payable	510	609	685
Other taxes	796	518	1,094
Dividend payables	85	4	
Accrued sales rebate	648	502	409
Accrued royalties	382	541	583
Retention payables and deposits received	256	327	490
Commission fee payables	—	—	75
Government grants	—	—	358
Other payables	498	819	1,312
	7,646	8,038	12,548
Less: non-current portion of commission fee payables	—	—	(55)
Current portion	7,646	8,038	12,493

During the Track Record Period, trade and other payables remained stable in 2008 compared with 2007 and substantially increased in 2009. In particular, the accrued royalties, including the technical support fees, gradually increased with the increase of our sales volume. The advances from customers increased to RMB1,476 million in 2009 from RMB672 million in 2008 due to (1) the introduction of a popular SUV by one of our major JCEs in 2009 and the increase in sales of our major products in 2009; and (2) the snow storm in December 2009, which blocked the sea transportation in Northern China and delayed our delivery to our customers. As at the Latest Practicable Date, the undelivered products due to the bad weather have been duly despatch to the customers.

The credit terms granted by our major suppliers ranges from 45 to 90 days. The following table sets out the turnover of our average trade and bills payables for the periods indicated:

	Year ended 31 December		
	2007	2008	2009
		(days)	
Turnover of average trade and bills payables[(1)]	35.9	39.0	44.0

Note:

(1) Average trade and bills payable equals trade and bills payable at the beginning of the period plus trade and bills payable at the end of the period divided by 2. Turnover of average trade and bills payable (in days) equals average trade and bills payable divided by cost of sales and multiplied by the number of days for the relevant periods.

The following table sets out an ageing analysis of trade payables, based on the invoice date for the purchase of goods, as at the balance sheet dates indicated.

	As at 31 December		
	2007	2008	2009
		(RMB million)	
Less than 1 year	3,536	3,664	5,505
1 to 2 years	10	34	9
2 to 3 years	2	14	18
Over 3 years	5	70	39
	3,553	3,782	5,571

As at the Latest Practicable Date, our trade and other payables as at 31 December 2009 of RMB10,327 million have been repaid within the agreed payment period. In 2008, our trade payables increased RMB229 million from RMB3,553 million in 2007, which is the result of the change of payment policy in GAC Commercial and the acquisition of Shenyang Hino Motors Co. Ltd., from which we assumed RMB163 million of trade payables. The increase of our payables in 2009 is primarily due to the substantial increase of purchase of raw material in the second half of 2009.

The following table sets out a breakdown of our retention payables and deposits received:

	As at 31 December		
	2007	2008	2009
	RMB million	RMB million	RMB million
Retention payables and deposits received			
Deposits received for passenger vehicles products	193	303	309
Deposits received for construction of sales and service centres	56	24	181
Others	7	—	—
	256	327	490

Retention payables and deposits received include deposits received for passenger vehicles products, deposits received for construction of sales and service centres and others. Our JCEs require the sales and service centres to place a deposit to ensure that the JCEs receive the payment for passenger vehicle products in time. In the event that the payments by the sales and service centres are delayed, the JCEs have the right to draw down the deposits. The deposits will be returned after the payment is received. Our JCEs also require new sales and service centres candidates to place a deposit before the construction of their sales and service centres. The required deposit is determined by taking consideration of the relevant experience and the track record of the deals and by reference to the sales in respective region and the market rate, which ranges from 80% to 170% of the construction expense for different dealers. If the construction quality does not meet the JCEs' standards, they have the right to use the deposits to improve the quality of such sales and service centres. The unused deposits are refunded to the sales and service centres by installment.

Other payables include freight charges, accrued advertising and promotion expenses, utilities charges, flood prevention fee, education fee and others. The growth of our business led to the increase in other payables between 2007 and 2008. Other payables during the Track Record Period are set out as follows:

	As at 31 December		
	2007	2008	2009
	RMB million	RMB million	RMB million
Other payables			
Freight charges payables	56	57	29
Interest Payable	—	14	195
Accrued advertising and promotion expenses	58	52	94
Payable for research and development cost	—	102	219
Others	384	594	775
	498	819	1,312

Net current asset position

	As at 31 December			As at 30 April
	2007	2008	2009	2010
	RMB million	RMB million	RMB million	RMB million
Current assets				
Inventories	1,294	1,658	2,242	2,393
Trade and other receivables	2,297	2,219	1,666	2,124
Time deposits	5,797	8,422	12,809	9,719
Restricted cash	61	59	328	347
Cash and cash equivalents	7,457	5,540	11,333	14,501
	16,906	17,898	28,378	29,084
Current liabilities				
Trade and other payables	7,646	8,038	12,493	10,709
Current income tax liabilities	17	38	229	199
Borrowings	967	1,454	1,070	1,321
Provisions	138	126	178	191
	8,768	9,656	13,970	12,420
NET CURRENT ASSETS	8,138	8,242	14,408	16,664

INDEBTEDNESS

Borrowings

The Group

	As at 31 December			As at 30 April
	2007	2008	2009	2010
	RMB million	RMB million	RMB million	RMB million
Secured bank loans	309	308	208	242
Guaranteed corporate bonds	592	592	592	592
Unsecured bank loans	1,391	1,846	1,302	1,540
Unsecured debenture	—	—	6,618	6,618

We implement moderate financing policies and endeavour to avoid deficit spending and over-borrowing. We generally maintain adequate cash and cash equivalent to meet repayment requirements and avoid deficit spending. Our borrowings during the Track Record Period and for the four months ended 30 April 2010 bore interests at rates ranging from 2.0% to 6.4% per annum.

As at 31 December 2007, 2008 and 2009 and 30 April 2010, our Group's secured bank loans were secured by pledge of certain land use rights and property, plant and equipment of our Group totalling approximately RMB271 million, RMB278 million, RMB208 million and RMB198 million respectively.

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

The Group

	As at 31 December			As at 30 April
	2007	2008	2009	2010
	RMB'million	RMB'million	RMB'million	RMB'million
Within 1 year	967	1,454	1,071	1,321
Between 1 and 2 years	9	370	12	62
Between 2 and 5 years	624	330	7,045	7,018
Over 5 years	692	592	592	592
	2,292	2,746	8,720	8,993

The exposure of the Group'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			As at 30 April
	2007	2008	2009	2010
	RMB'million	RMB'million	RMB'million	RMB'million
Within 1 year	1,446	1,954	1,298	1,573
Between 1 and 5 years	254	200	6,830	6,828
Over 5 years	592	592	592	592
	2,292	2,746	8,720	8,993

The Company

	As at 31 December			As at 30 April
	2007	2008	2009	2010
	RMB'million	RMB'million	RMB'million	RMB'million
Within 1 year	200	200	—	—
Between 1 and 5 years	—	200	6,818	6,818
Over 5 years	592	592	592	592
	792	992	7,410	7,410

Gearing Ratio

Our gearing ratio which is calculated by dividing the sum of consolidated non-current and current borrowings by consolidated total assets for the same period, was 12.1%, 12.7% and 28.9% as at 31 December 2007, 2008 and 2009 respectively. The increase in our gearing ratio during the Track Record Period was mainly attributable to the expansion of our business with the establishment of, among others, GAC Toyota and GAC Toyota Engine which increased our total assets and total debt during the Track Record Period on a year-on-year basis. The increase of gearing ratio in 2009 is due to our issuance of RMB6.7 billion corporate bonds in April 2009 which was expected to finance our capital expenditure in the development of proprietary brand of vehicles.

On 10 April 2009 and 27 April 2009, our Company has issued two series of debentures with values of RMB3.3 billion and RMB3.4 billion, respectively. The debentures were marketed throughout PRC and have maturity periods of 5 years at nominal interest rates of 3.58% and 3.83% respectively. Interests are paid on a yearly basis and no guarantee terms are set for the mid-term notes issued by the Company. These corporate bonds are expected to be fully redeemed at par value in April 2014. Similar to the corporate bonds issued by our Company in 2007, there are no early redemption terms, material restrictive covenants or cross default provisions for debenture. As same as corporate bonds, any qualified domestic institutions can acquire the corporate bonds and debenture issued by the Company through China Government Securities Depository Trust & Clearing Co., Ltd. (中央國債登記結算有限責任公司), the administrator of the corporate bonds and debenture.

Current Ratio

Current ratio is calculated as current assets divided by current liabilities. As of 31 December 2007, 2008 and 2009, our current ratio was 1.93, 1.85 and 2.03, respectively. Our current ratio relatively remained stable in 2008 as compared to 2007. The 17.8% increase in current ratio is mainly due to the increase of cash, together with restricted cash and time deposit, attributable to a better sales performance and issuance of debentures of RMB6.7 billion by our Company in 2009.

The Directors confirm that there has been no material change in our indebtedness since 30 April 2010.

Contingent Liabilities

As certain third party customers of Group's commercial vehicle companies borrowed bank loans to finance their purchases of commercial vehicle companies' products, we provide guarantees for these customers in respect of the bank loans upon request from these customers in order to maintain the customer relationship. As at 31 December 2007, 2008 and 2009, our Group provided financial guarantees to external parties for an amount of RMB49 million, RMB21 million and RMB1 million, respectively.

We have maintained credit policies for selection of customers to ensure the creditworthiness of the customers before we provide any guarantees to them. Meanwhile, we would require these customers to provide counter-guarantees to us. After repayment of bank loans by our customers the guarantees will be released. The provision of guarantees is a practice adopted by us previously with our customers. Such arrangements are expected to continue after Listing, depending on business needs and market demand. Accordingly, we will closely monitor the financial position of its customers to which guarantees have been provided for risk management purpose. During the Track Record Period, we do not experience any material default from our customers.

As at 31 December 2007, 2008 and 2009, our Company provided financial guarantees to its subsidiaries for an amount of RMB485 million, RMB511 million and RMB222 million, respectively.

As at 31 December, 2007, 2008 2009, our JCEs have no material contingencies. It is not anticipated that any material liabilities will arise from the financial guarantees of the Company and the Group.

Capital Commitments

Capital commitments at the balance sheet date are as follows:

	As at 31 December		
	2007	2008	2009
	RMB million	RMB million	RMB million
Property, plant and equipment	770	1,496	936
Land use rights	—	195	136
Intangible assets	—	139	18
	770	1,830	1,090

The capital commitments are related to the purchases of property, plant and equipment, land use rights and intangible assets by our Group. Such purchases were contracted but not provided for or authorised but not contracted for. The funding of our capital commitment were sourced from our retained earnings and bank savings during the Track Record Period.

In particular, the capital commitment in 2008 for intangible assets represented the unpaid consideration for the purchase of proprietary technologies, which are used for development of vehicles of our self-owned brand and has been fully paid in 2009.

Operating Lease Commitments

Set forth below are the future aggregate minimum lease payments under non-cancellable operating leases at the balance sheet date:

	As at 31 December		
	2007	2008	2009
	RMB million	RMB million	RMB million
No later than 1 year	31	30	23
Later than 1 year and no later than 5 years	91	109	83
Later than 5 years	198	233	186
	320	372	292

The steady increase of our operating lease commitments between 2007 and 2008 is due to our new sales and service centres, which used operating leases to launch their business. We expanded our sales and service centres due to our increase in revenue and sales of our passenger vehicles. The recent decrease in 2009 is primarily due to the termination of an operating lease by one of our commercial subsidiaries.

Provisions

Our Group's Jointly-controlled Entities provide warranties for certain automobile products and undertake to repair or replace items that fail to perform satisfactorily. The amount of provision for production warranties is estimated based on the sales volume and past experience with the level of repairs and returns and is expected to be settled within two or three years. The estimate is reviewed on an ongoing basis and is revised when appropriate. During the Track Record Period, certain employee termination benefits of the subsidiaries of our Group were accrued and paid in accordance with the lay off and restructuring plans.

As at 31 December 2007, in view of the plans for restructuring of our Group's commercial vehicle business, our Group made a current provision of approximately RMB94 million for compensation provided in advance for the termination of staff and workers of our Group's commercial vehicle businesses. These termination costs will be paid following the formulation of the relevant employee termination plans and subject to the approvals of the board of directors of the relevant subsidiaries and the local labour administration departments. As at 31 December 2008, our Group provided RMB38 million current provision for severance payments to employees who worked in Shenyang Hino Motors Co. Ltd. and Yangcheng Auto. As at 31 December 2009, our Group provided RMB7 million current provision for severance payments to employees as a result of the past restructuring of the commercial vehicle segment.

RELATED PARTY TRANSACTIONS

The Directors are of the view that each of the related party transactions set out in note 39 to the accountant's report in Appendix I to this Listing Document was conducted in the ordinary and usual course of business, on normal commercial terms and at arm's length between the relevant parties.

DISCLOSURE OF CERTAIN ADVANCES AND FINANCIAL ASSISTANCE RELATED MATTERS

Our Directors have confirmed that as at the Latest Practicable Date there are no circumstances which, had they been required to comply with Rules 13.13 to 13.19 of the Listing Rules, would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative and unaudited pro forma statement of adjusted net tangible assets of our Group which has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Introduction as if it had taken place on 31 December 2009. This unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of our Group had the Introduction been completed as at 31 December 2009 or at any future date.

Audited consolidated net assets of our Group attributable to our equity holders as at 31 December 2009	Less: Intangible assets at 31 December 2009	Effect of the Introduction	Unaudited pro forma net tangible assets of our Group attributable to our equity holders
RMB'000 (Note 1)	**RMB'000 (Note 1)**	**RMB'000 (Note 2)**	**RMB'000 (Note 3)**
13,059,741	964,701	8,170,250	20,265,290

Notes:

(1) The audited consolidated net assets of our Group attributable to our equity holders and intangible assets of our Group are extracted from the financial information contained in the accountant's report set out in Appendix I to the Listing Document.

(2) The adjustment represents the decrease in minority interests in Denway, which will become a wholly-owned subsidiary upon the completion of the Introduction, and a corresponding increase in net assets of our Group attributable to our equity holders.

(3) As at 31 March 2010, our Group's property interests were revalued by Jones Lang LaSalle Sallmanns Limited, an independent property valuer, and the related property valuation report is set out in Appendix IV — Property Valuation. The net revaluation surplus, representing the excess of market value of the property interests over their book value is approximately RMB603 million. Such net revaluation surplus has not been included in our Group's consolidated financial information as at 31 December 2009. It is our Group's accounting policy to state its property, plant and equipment, leasehold land and land use rights at cost less accumulated depreciation or accumulated amortisation and any impairment losses rather than at revalued amounts. The above adjustment does not take into account the above revaluation surplus or the related additional depreciation or amortisation. Had the property interests been stated at such valuation, an additional depreciation and amortisation of RMB5 million and RMB10 million respectively per annum would be charged against the consolidated statement of comprehensive income.

(4) No adjustment has been made to the unaudited pro forma adjusted net tangible assets to reflect any trading results or other transactions of our Group entered into subsequent to 31 December 2009.

PROFIT FORECAST

The profit forecast in the following table are based on our Company's current shareholding of 37.9% in Denway, which has not taken into account the increase in our Company's shareholding in Denway following the Privatisation, and a number of assumptions as set out in Appendix III of the Listing Document:

Forecast consolidated profit attributable to equity holders of our Company for the year ending 31 December 2010	not less than RMB3,760 million

PricewaterhouseCoopers, our reporting accountant, and the Joint Sponsors, have each reported on the profit forecast as set out in Appendix III of this Listing Document which contains letters from each of them to our Board.

FINANCIAL INFORMATION

The profit forecast is prepared based on our Company's current shareholding of 37.9% in Denway. It has not taken into consideration of the increase in the Company's shareholding in Denway should the Privatisation of Denway be completed, as the Privatisation is subject to conditions beyond control of the Company. As a result, the Company will include in its annual report for the year ending 31 December 2010 the profit of the Group for the year without including 62.1% of the profit attributable to Denway, in order for the investors to compare the actual results with the forecast results of the Group prepared on the same basis.

Sensitivity Analysis

Sensitivity analysis on selling prices

The Directors have assumed that the weighted average unit selling prices of each product category, after taking into account sales discount and sales rebate offered by the Group in the ordinary course, will not deviate materially from those of 2009. The following table illustrates the sensitivity of the forecast consolidated profit attributable to equity holders of our Company to the selling price for the year ending 31 December 2010 by applying such sensitivity analysis to the year ending 31 December 2010.

Percentage change in selling prices	Forecast consolidated profit attributable to equity holders of our Company for the year ending 31 December 2010 (RMB million)
-5%	1,896
-3%	2,641
-1%	3,387

Sensitivity analysis on sales volume

The Directors have used, in the forecasts, planned sales volume as the basis of sales volume forecast in the profit forecast. The Directors are of the view that this is appropriate on the basis that the actualization rates of sales volume in the past years were close to 100% or above our Company's planned sales volume of passenger vehicles, therefore it is appropriate to take planned sales volume as the basis of sales volume forecast in the Profit Forecast. The following table illustrates the sensitivity of the forecast consolidated profit attributable to equity holders of our Company to the sales volume for the year ending 31 December 2010 by applying such sensitivity analysis to the year ending 31 December 2010.

Percentage change in sales volume	Forecast consolidated profit attributable to equity holders of our Company for the year ending 31 December 2010 (RMB million)
-5%	3,441
-3%	3,568
-1%	3,696

Sensitivity analysis on cost of sales

The Directors have assumed that there will be no material increases in the cost of raw materials and labor in connection with the automobile industry in the PRC. The following table illustrates the sensitivity of the forecast consolidated profit attributable to equity holders of our Company to the cost of sales for the year ending 31 December 2010 by applying such sensitivity analysis to the year ending 31 December 2010.

Percentage change in cost of sales	Forecast consolidated profit attributable to equity holders of our Company for the year ending 31 December 2010 (RMB million)
+5%	2,215
+3%	2,833
+1%	3,451

The above illustrations are intended for reference only and any variation could exceed the ranges given. The above sensitivity analyses are not meant to be exhaustive. While we have considered for the purposes of the profit forecast what we believe is the best forecast of the forecasted sales volume, selling price and cost of sales for the year ending 31 December 2010, the sales volume, selling price and cost of sales may differ materially from our forecast and is dependent on market conditions and other factors which are beyond our control.

For more information on profit forecast, please refer to "Appendix III — Profit Forecast" of this Listing Document.

DIVIDENDS

After completion of the Introduction, our Company's shareholders will be entitled to receive dividends declared by our Company. The Board decides, at its discretion, whether or not to distribute any dividend by way of cash or by other means and the amount of any such dividend payment. Any proposed distribution of dividends formulated by the Board decision on whether or not to declare and pay any dividends in the future and the amount of any dividends, will depend on a number of factors, including our results of operation, cash flow, financial condition, future prospects, payments by our subsidiaries and our JCEs of cash dividends to us and other factors that the Board may consider relevant. Any decision by the Board to declare and pay dividends in the future and the amount of any dividends will be subject to approval by our Company's shareholders. Under the Company Law and our Articles of Association, all of our shareholders have equal rights to dividends and distributions.

We are a holding company and conduct our core business operations through our operating subsidiaries, Jointly-controlled Entities and associated companies in the PRC. As a result, our profits available for dividend distribution are dependent on the profits available for distribution from our subsidiaries, Jointly-controlled Entities and associated companies. The PRC laws permit payment of dividends only out of net income as determined in accordance with PRC accounting standards and regulations. Our subsidiaries, JCEs and associated companies in the PRC are required to set aside a portion of their net income each year to fund designated statutory reserve funds in connection with certain mandatory social welfare programs. These reserves are not distributable as cash dividends. As a result, our primary source of funds for dividend payments is subject to these and other legal restrictions and uncertainties. The dividend declared by JCEs can only be made with the consent of the directors of each JCE. Our Company received approximately RMB271 million in 2007, RMB2,516 million in 2008 and RMB1,319 million in 2009 on accrual basis from our subsidiaries, JCEs and associated companies.

In 2007 and 2008, the Board did not declare or pay any dividends due to the global financial crisis. In 2009, the Company distributed the profits of 2008 in cash of a total amount of RMB816 million. In accordance with the interests of our Company's shareholders, we expects to constantly distribute the profits to our Company's shareholders in the future.

Dividend Payment and Dividend Policies of JCEs

In 2007, 2008 and 2009, the JCEs in total declared and paid aggregate dividends of approximately RMB2,569 million, RMB4,093 million and RMB5,655 million respectively to the Company or its relevant subsidiary (being the joint venture partner of the relevant JCE). As some of the 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 or memorandum and/or articles of association of the JCEs, dividends may be paid out of profit made by the JCE as determined by the directors or the shareholders of the relevant JCE after payment of relevant taxes in accordance with the relevant PRC laws. Before distribution of dividends, losses of previous years are required to be offset and legal reserves (including company reserve, employee bonus and welfare and funds relating to company development), as required under the PRC laws and regulations, are required to be deducted from the profit of the relevant JCE.

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 in by the joint venture partner in the relevant JCE as approved by the directors or shareholders of the relevant JCE.

None of the JCEs has any specific dividend policies other than those disclosed above. However, if all the joint venture partners agree, the JCEs may declare dividend when there is a distributable profit. Since dividend distribution is the primary channel for return of the investment to the Company (or its relevant subsidiary) and the relevant joint venture partner 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 legal reserves as required under the PRC laws and regulations (including company reserve, company development, employee bonus and welfare) and making allocations for company reserve (including but not limited to amounts 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 partner to continue to declare dividends when there is distributable profits for the relevant JCE, subject to agreement between the Company and the relevant joint venture partner on the appropriate dividend distribution based on the circumstances of each JCE and pursuant to the provisions of the relevant joint venture agreement and/or the articles of association of each JCE and applicable PRC laws and regulations.

DISTRIBUTABLE RESERVES

As at 31 December 2009, our Company had distributable profit amounting to RMB1,083 million, which was determined based on the lower of after-tax profit as determined under PRC GAAP and HKFRSs after deduction of the minimum transfers to the statutory surplus reserve as set out above.

PROPERTY VALUATION

Jones Lang LaSalle Sallmanns Limited, an independent property valuer, has valued our property interests as at 31 March 2010. The full text of the letter, summary of valuation and valuation certificates with regard to such property interests are set out in Appendix IV to this Listing Document.

The table below sets forth the reconciliation between the net book value of our Group's property interests as at 31 December 2009 and the valuation of such property interest as at 31 March 2010:

	(RMB'000)
Net book value of property interests of our Group as at 31 December 2009	
— Buildings, land use rights and construction in progress	5,808,403
Movements for the three months ended 31 March 2010	
Add: Net addition during the period	145,435
Less: Depreciation and amortization during the period	(228,999)
Net book value as at 31 March 2010	5,724,839
Valuation surplus	814,089
Valuation as at 31 March 2010(1)	6,538,928

Note:

(1) The property interests of our Group are valued by Jones Lang LaSalle Sallmanns Limited and described in Appendix IV to this listing document. The aggregate capital values (RMB5,444,652,000) in existing state as at 31 March 2010 plus the values (RMB1,094,276,000) for reference purposes as stated in notes of relevant valuation certificates in Appendix IV are in the amount of RMB6,538,928,000.

MARKET RISK

Foreign exchange risk

As at 31 December 2007, 2008 and 2009, if RMB had strengthened/weakened by 5% against US Dollar, HK dollar, Japanese Yen with all other variables held constant, post-tax profit for the year ended 31 December 2007, 2008 and 2009 would have been approximately RMB22,146,000 lower/higher, RMB24,000,000 lower/higher and RMB8,223,000 lower/higher respectively, mainly as a result of foreign exchange gains/losses on translation of US Dollar, HK dollar and Japanese Yen-denominated trade and other receivables, time deposit, cash and cash equivalents, trade and other payables and borrowings.

Cash flow and fair value interest rate risk

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

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

During the Track Record Period, our Group's borrowings at variable rates were denominated in US Dollar, HK Dollar and Japanese Yen. As at 31 December 2007, 2008 and 2009, if interest rates on bank borrowings had been 100 basis point higher/lower respectively with all other variables held constant, post-tax profit for the year ended 31 December 2007, 2008 and 2009 would have been

RMB9,218,000, RMB10,055,820 and RMB5,606,000 lower/higher respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

As at 31 December 2007, 2008 and 2009, approximately RMB1,380,386,000, RMB1,528,982,000 and RMB8,031,633,000 of our Group's borrowings respectively bore interests at fixed rates. The interest rates and terms of repayment of our Group's borrowings are disclosed in Note 23.

During the Track Record Period, our Group has not used any financial instrument to hedge its exposure to interest rate risk.

POST BALANCE SHEET DATE EVENTS

Please refer to Note 43 of the accountant's report set out in Appendix I of this Listing Document for details of certain events affecting our Group and its Jointly-controlled Entities which occurred after 31 December 2009.

NO MATERIAL ADVERSE CHANGE

The Directors have confirmed that there is no material adverse change in our financial or trading position since 31 December 2009 (being the date to which our latest consolidated financial statement were prepared).

FINANCIAL EFFECTS OF THE PRIVATISATION

Denway is an investment holding company which through its wholly-owned subsidiary, Guangzhou Auto, holds 50% equity interest in Guangqi Honda. As at the Latest Practicable Date, our Company holds 37.9% interest in Denway through China Lounge, a wholly-owned subsidiary of our Company, while the remaining 62.1% of outstanding Denway Shares are held by Denway Shareholders other than us. As a result, although Guangqi Honda is categorized as a Jointly-controlled Entity and is proportionately consolidated into our financial statements on a proportionate consolidation basis under HKFRS, only approximately 19.0% of the profit generated from Guangqi Honda, among other profits generated from Denway, is attributable to equity holders of our Company, while the remaining 31.0% of the profits of Guangqi Honda is attributable to Denway Shareholders other than us. Upon the Scheme becoming effective, Scheme Shareholders will become GAC Shareholders and Denway will become our Company's wholly-owned subsidiary. Subsequently, 100% of profits from Denway, including 50% of profits from Guangqi Honda will be attributable to the equity holders of our Company. Please refer to "Appendix II — Unaudited Pro Forma Financial Information" of this Listing Document which has been prepared for the purpose of illustrating the financial effects of the Privatisation.

ONGOING DISCLOSURE UPON EFFECTIVENESS OF THE AMENDMENTS TO HKFRS

The Company expects that HKFRS may be amended and the new HKFRS may become effective in the foreseeable future. Such amendments to HKFRS will require our Group to recognise its interest in JCEs on the basis of equity accounting. Under equity method, the balance sheet items, the income statement items and cash flow items of JCEs will not be consolidated into the Group's financial statements on a line-by-line basis. However, our net profit and net assets accounted for using equity method should have no material difference from those accounted for using proportionate consolidation method.

In order to provide information of our significant JCEs after adoption of equity accounting method for preparation of our financial statements, we consider to take the following actions:

(a) In the management discussion and analysis section of our annual or interim report, the analysis of financial results will be presented on similar level as what is presented in the section headed "Financial Information" of this Listing Document. The management discussion and analysis section in the annual report or interim report is expected to focus on the discussion of our key business drivers and the analysis of our performance by segment and by key financial figures, such as revenue, cost of sales and gross profit margin;

(b) Key financial information of JCEs will be disclosed in the notes to our consolidated financial statements according to HKFRS, which will include the current/non-current assets, current/non-current liabilities, total income and total expenses; and

(c) Certain key balance sheet items of our JCEs will be disclosed in aggregate in our annual report.

EVENT OCCURRED AFTER THE TRACK RECORD PERIOD

In April 2010, our Company entered into an agreement to acquire 30% equity interests in Shanghai Hino from Shanghai Electric at a consideration of RMB105,756,000, which was determined with reference to the value of the entire shareholders' equity of Shanghai Hino as at 30 June 2009 in the asset valuation report prepared by an independent valuer. Immediately before the abovementioned acquisition, Shanghai Hino is held as to 50% by Hino and 50% by Shanghai Electric. As at the Latest Practicable Date, the acquisition has been approved by the Shanghai Municipal Commission of Commerce and it is expected that the relevant business registration procedures will be completed in June 2010.

Given that the Company's interests in Shanghai Hino was immaterial to the Group and the Company had no control over the management of Shanghai Hino in order to ensure access to the accounting books and records of Shanghai Hino, our Company has applied to the Stock Exchange and the Stock Exchange has granted a waiver from strict compliance with the requirements of Rule 4.04(2) and 4.04(4)(a) of the Listing Rules in relation to our acquisition of 30% equity interests in Shanghai Hino. As an alternative disclosure, the key financial figures of Shanghai Hino for the three years ended 31 December 2007, 2008 and 2009 are set out below.

FINANCIAL INFORMATION

The following financial information of Shanghai Hino has been extracted from Shanghai Hino's statutory financial statements for each of the years ended 31 December 2007, 2008 and 2009 prepared in accordance with PRC GAAP and audited by Ernst & Young, the statutory auditors of Shanghai Hino registered in the PRC in accordance with China Standards on Auditing.

	For the year ended 31 December		
	2007	2008	2009
	(In RMB thousands)		
Revenue	311,247	681,079	968,146
Operating (loss)/profit	(21,723)	57,827	85,560
(Loss)/profit after tax	(21,730)	57,703	85,482

	As at 31 December		
	2007	2008	2009
	(In RMB thousands)		
Net assets	70,874	128,681	214,163

For the year ended 31 December 2007, Ernst & Young issued a qualified audit opinion to the board of directors of Shanghai Hino on the statutory financial statements for the year due to uncertainty of the results of an investigation conducted by the Shanghai customs. For the year ended 31 December 2008, Ernst & Young issued a qualified audit opinion to the board of directors of Shanghai Hino on the statutory financial statements for the year due to disagreement on the accounting treatment of the tax penalty in the sum of RMB12 million paid to the Shanghai customs. Ernst & Young were of the view that such penalty should be charged in the income statement for the year ended 31 December 2008 instead of adjusting retained earnings as at 1 January 2007. Our Company considered that such penalty had no impact on our acquisition of 30% equity interests in Shanghai Hino. For the year ended 31 December 2009, Ernst & Young issued an unqualified audit opinion to the board of directors of Shanghai Hino on the statutory financial statements for the year.

The Company's reporting accountant has not audited or reviewed the abovementioned statutory financial statements of Shanghai Hino. Adjustments may arise if these financial statements had been prepared in accordance with HKFRSs or if they had been audited in accordance with Hong Kong Standards on Auditing.

Upon completion of the transaction, the Group's investment in Shanghai Hino will be accounted for as an investment in an associated company in accordance with HKFRSs.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDER

OUR COMPANY'S CONTROLLING SHAREHOLDER

GAIG owns approximately 91.93% interest in our Company immediately prior to the Introduction. Immediately following completion of the Introduction, GAIG will directly own and control approximately 58.8382% of the issued share capital of our Company, and will be the Controlling Shareholder of our Company. GAIG is 100% owned by Guangzhou government.

REMAINING BUSINESSES

Following the Reorganisation, the major businesses continued to be conducted by GAIG (the "**Retained Businesses**") are:

- motorcycle manufacturing;
- manufacturing of parts and components principally for motorcycles;
- bicycle manufacturing;
- sewing machine manufacturing; and
- other minor non-core operations including real estate, asset management, common machinery, motorcycle repairing, a vocational school and the provision of certain tertiary industry services.

The Retained Businesses are principally conducted by GAIG through its wholly-owned subsidiary, Guangzhou Motors, which in turn owns various subsidiaries and associated companies. Of the Retained Businesses, the motorcycle manufacturing and motorcycle parts and components manufacturing businesses represent the core of the Retained Businesses.

We do not conduct any of the Retained Businesses. The businesses carried out by us and Guangzhou Motors are clearly delineated.

Motorcycle Manufacturing

GAIG directly and indirectly holds 100% interest in Guangzhou Motors, which (through its subsidiaries) will, after the Listing, continue to conduct the business of manufacturing traditional and step-through/ scooter type motorcycles.

We are not engaged in the business of manufacturing of motorcycles, nor do we possess, or could easily develop or acquire, the plant, equipment, infrastructure, expertise and know-how to start engaging in such business. Our target market segment comprises purchasers and users of commercial and passenger automobiles, which is clearly different to the target customers of the motorcycles market whether in terms of price tolerance, function requirements or lifestyle.

We are capable of conducting our businesses independently, and are independent of the motorcycle manufacturing business of Guangzhou Motors. The operational management of our Company, and our access to our suppliers and customers base, are independent of the motorcycle manufacturing business of Guangzhou Motors.

Accordingly, the Directors are of the view that the motorcycle manufacturing business of GAIG does not and is not likely to compete either directly or indirectly with, nor is it otherwise materially relevant to, our businesses.

Manufacturing of Parts and Components for Motorcycles

Guangzhou Motors (through one or more of its subsidiaries) conducts the business of manufacturing parts and components principally for motorcycles. We are not engaged in the manufacture of motorcycle parts and components, nor do we possess, or could easily develop or acquire, the plant, equipment, infrastructure, expertise and know-how to start engaging in such business.

We are capable of conducting, and have conducted, our businesses independently of the Guangzhou Motors's business of manufacturing parts and components. Our operational management and our access to our suppliers and customers base are independent of the parts and components manufacturing business of Guangzhou Motors.

Accordingly, the Directors are of the view that the parts and components manufacturing business of GAIG does not compete and is not likely to compete either directly or indirectly with, nor is it otherwise materially relevant to, our businesses.

Each of our businesses is distinctive and clearly delineated from the Retained Businesses of GAIG. We are capable of carrying on our businesses independently of and at arms length from the Retained Businesses of GAIG.

None of GAIG or the Directors of our Company has any interest in any other business which competes or is likely to compete with our core businesses.

NON-COMPETITION UNDERTAKING

Non-competition Undertaking

To avoid any actual or potential competition between the business of GAIG and us, GAIG undertakes to us on 17 May 2010 ("**Non-competition Undertaking**") that during its existence, GAIG shall not, and shall procure that its subsidiaries (other than our Group) shall not, directly or indirectly, whether on its own or jointly with any other person or company, own, invest in, participate in, develop, operate or engage in any business or company which directly or indirectly competes with the automobile manufacturing, automobile parts and components manufacturing, automobile related marketing and customer services, automobile trade and logistics and other related business carried on by the GAC Group in the PRC and Hong Kong ("**Restricted Business**"). GAIG further undertakes that during its existence, GAIG shall, and shall procure that its subsidiaries (other than our Group) to, negotiate and conclude transactions between our Group and GAIG or its subsidiaries (other than our Group) on an arm's length basis.

The Non-competition Undertaking does not, however, apply to: (i) the taking up of any New Opportunity (as defined below) in accordance with the procedures in the section headed "Right of First Refusal" below; and (ii) the holding of securities in any company engaged in the Restricted Business whose securities are listed on a recognised stock exchange provided that our Group is not in control of the board of the company concerned nor is it interested in more than 5% of the issued share capital.

Right of First Refusal

Pursuant to the Non-competition Undertaking, GAIG has also undertaken in our favour that during the term of the Non-competition Undertaking, if GAIG or any of its subsidiaries (other than our Group), identifies or is offered any business opportunity relating to the Restricted Business ("**New Opportunity**"), then:

(a) GAIG shall give written notice of the New Opportunity ("**Notice**") to us as soon as practicable identifying in reasonable detail the nature of the New Opportunity;

(b) after receipt of the Notice, the independent board committee of our Company shall consider the New Opportunity. The independent board committee of our Company may appoint an independent financial adviser or other professional advisers to advise it in respect of the New Opportunity. GAIG shall provide all information reasonably required by such independent board committee and/or independent financial or professional adviser to assist them in their assessment of the New Opportunity. The independent board committee of our Company shall have 28 days (or if an independent financial or professional adviser is appointed, 42 days) (or in each case, such longer period of time as may be reasonably requested by the independent board committee) since the date of the Notice to consider whether the New Opportunity should be pursued. The fees of such independent financial or professional adviser shall be borne by our Company. The independent board committee shall notify GAIG in writing of its decision to pursue or not pursue the New Opportunity;

(c) within 30 days (or such longer period of time as may be reasonably requested by the independent board committee) after notice having been given by the independent board committee, we shall negotiate with the third party the terms upon which we shall acquire the New Opportunity; and

(d) GAIG or any of its subsidiaries may pursue, transfer, licence or otherwise dispose of the New Opportunity if: (i) it has received a notice from the independent board committee of our Company declining the New Opportunity; (ii) we cannot reach agreement with the third party during the period specified in (c) above; or (iii) if a conditional agreement has been entered into by our Company to pursue the New Opportunity where independent Shareholders' approval is required but we are unable to obtain such approval within 120 days from the date of such agreement (or such longer period of time as may be reasonably requested by the independent board committee).

Pursuant to the Non-competition Undertaking and in order to facilitate our enforcement of the Non-competition Undertaking, GAIG has undertaken to provide our Company's independent non-executive Directors with all information necessary for our Company to determine whether GAIG's obligations under the Non-competition Undertaking have been complied with on the condition that our Company's independent non-executive Directors will be subject to any confidentiality obligations which may be reasonably imposed by GAIG. GAIG has also agreed to provide our Company with annual written confirmation in respect of its and its subsidiaries' (other than those which form part of our Group) compliance with its obligations under the Non-competition Undertaking and its agreement for the inclusion of such confirmation in our Company's annual reports.

The Non-competition Undertaking shall terminate when GAIG ceases to be a Controlling Shareholder of our Company or the GAC H Shares cease to be listed on the Stock Exchange, whichever is earlier.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDER

INDEPENDENCE FROM OUR COMPANY'S CONTROLLING SHAREHOLDER

Independence of Business

We are currently engaged in businesses that are independent from GAIG and its associated companies (the "**GAIG Group**"). We carry out, on an independent basis, our own sales, automobile manufacturing, automobile parts and components manufacturing, marketing and customer services, automobile trade and logistics and other related businesses. Given this clear delineation in businesses, the Directors believe that the businesses of the GAIG Group are not, directly or indirectly, in competition with or otherwise materially relevant to our businesses and our business operations do not rely on, nor will its independence be impacted upon by our relationship with the GAIG Group.

Management Independence

Our management is capable of managing our businesses independently from GAIG.

GAIG is a state-owned enterprise and all the directors of GAIG are designated by Guangzhou SASAC. For our Company, Directors are nominated by the Board and must be approved by GAC Shareholders by ordinary resolution.

Details of the roles and responsibilities of all overlapping directors in our Company, GAIG and Denway are disclosed in the following table. Most of our Directors and senior management have broad experience in managing automobile manufacturing business. Zhang Fangyou (張房有), who manages our Group, has long experience in automobile policy making and strategic planning. Zeng Qinghong (曾慶洪), Yuan Zhongrong (袁仲榮) and Fu Shoujie (付守傑) have broad knowledge in daily management of automobile manufacturing businesses. Zeng Qinghong (曾慶洪) is the vice chairman of Denway. Yuan Zhongrong (袁仲榮) is the chairman of GAC Toyota and GAC Hino. Fu Shoujie (付守傑) is the chairman of Guangqi Honda. They are all experts in managing automobile manufacturing facilities. Liu Huilian (劉輝聯) has broad experience in dealing with party affairs and labour union activities. For technical knowledge, expertise and experience of the overlapping Directors, please refer to the section headed "Directors, Supervisors, Senior Management and Employees" of this Listing Document for further details.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDER

	Director	GAIG	The Company	Denway
1	**Zhang Fangyou**	Chairman General Manager	Chairman	Chairman
	Responsibility	Attending board meetings, considering and approving significant decisions for GAIG and its subsidiaries	Strategic management and planning of our Group	Overseeing the daily management of Denway and its subsidiaries
	Time Allocation	10%	80%	10%
2	**Zeng Qinghong**	Vice Chairman	Deputy Chairman (Executive) General Manager	Vice Chairman
	Responsibility	Attending board meetings, considering and approving significant decisions for GAIG and its subsidiaries	In charge of the daily management of our Group	Attending board meetings, considering and approving significant decisions for Denway and its subsidiaries
	Time Allocation	10%	80%	10%
3	**Yuan Zhongrong**	Non-Executive Director	Executive Director Deputy General Manager	
	Responsibility	Attending board meetings, considering and approving significant decisions for GAIG and its subsidiaries	In charge of the daily management of our Group, considering and approving significant decisions for GAC Toyota and GAC Toyota Engine	
	Time Allocation	10%	90%	

Note: Yuan Zhongrong is also the chairman of GAC Toyota.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDER

	Director	GAIG	The Company	Denway
4	**Fu Shoujie**	Non-Executive Director	Non-Executive Director	Executive Director
	Responsibility	Attending board meetings, considering and approving significant decisions for GAIG and its subsidiaries	Attending board meetings, considering and approving significant decisions for our Company and its subsidiaries	In charge of the daily management, considering and approving significant decisions for Denway and its subsidiaries
	Time Allocation	10%	40%	50%
	Note: Fu Shoujie is also the chairman of Guangqi Honda.			
5	**Liu Huilian**	Non-Executive Director	Non-executive Director chairman of the labour union	
	Responsibility	Attending board meetings, considering and approving significant decisions for GAIG and its subsidiaries	In charge of the labour union of our Company	
	Time Allocation	50%	50%	
6	**Wei Xiaoqin**	Deputy Party Secretary	Non-Executive Director and Deputy Party Secretary	
	Responsibility	Managing party operations and functions	Attending board meetings, considering and approving significant decisions for the Company and its subsidiary	
	Time allocation	50%	50%	

The chairman of the Supervisory Committee of our Company, Gao Fusheng is also the chief accountant of GAIG. Save as disclosed in the Listing Document, no members of senior management or supervisors of the Group's members have any role in GAIG and its associated companies.

The Board comprises 15 members, comprising four executive Directors, six non-executive Directors and five independent non-executive Directors. With the exception of Zhang Fangyou and Zeng Qinghong, none of the executive Directors are executive directors of GAIG and all transactions between our Group and GAIG were and will be negotiated and concluded on an arm's length basis. Zhang Fangyou and Zeng Qinghong have devoted approximately 80% of their time to the overall operations and strategic management and planning of our Group throughout the Track Record Period and shall continue to do so after the Listing. Although Zhang Fangyou and Zeng Qinghong have overlapping positions, there is clear allocation of their time between our Company and GAIG and its subsidiaries (other than our Group). They will be closely involved in providing leadership to our Group, formulating our Group's corporate directions and business strategies by means of active participation in Board meetings and close communication with other members of the Board. As to Yuan Zhangrong, he is a non-executive director of GAIG and will not be involved in the daily management of GAIG. His major responsibilities in GAIG is to attend its board meetings and to make key strategic planning for GAIG, which only occupies approximately 10% of their time. The three executive Directors of our Company will spend not less than 80% of their working time in the management and operation of our Company after the Listing. Further, it is expected that each of our non-executive Director will spend not less than 20% of their working time in the operation of our Company after Listing.

Our Company also has its own management team and, other than Zeng Qinghong and Yuan Zhongrong as disclosed above, none of our Company's senior management staff has any role in GAIG and/or its subsidiaries (other than our Group). The Directors consider that, the Board can function independently from GAIG notwithstanding that some of the Directors have overlapping positions with GAIG and its subsidiaries (other than our Group) for the following reasons:

(a) nine out of fifteen members of the Board do not hold any position in GAIG. It is the Board as a whole, and not any individual Director, which make decisions for our Company pursuant to the Articles of Association;

(b) the day-to-day operation of our Group is not only managed by the executive Directors, but also by its senior management, who are all full time employees of our Group and are all independent of GAIG (other than Zeng Qinghong and Yuan Zhongrong who are non-executive directors of GAIG). The executive Directors together with the senior management are the core management team of our Company;

(c) Among the 5 independent non-executive Directors, Wu Gaogui is a veteran professor of the automobile industry. Graduated from Tsinghua University, Beijing with an undergraduate graduation qualification in Automobile and Motor Studies and having held positions such as deputy director and dean of Automobile Teaching and Research Team of South China University of Technology, he has extensive knowledge and experience in relation to the automobile industry of the Group.

    Both Ma Guohua, Xiang Bing and Li Zhengxi are/have been independent directors of numerous listed companies. Further, all independent non-executive Directors possess the appropriate professional qualifications or accounting or financial management expertise (e.g. Albert Law Yu Kwan is a member of the Hong Kong Institute of Certified Public Accountants and Li Zhengxi was recognised as an accountant by Guangzhou Financial Bureau). The Board is expected to benefit from the independent advice of the independent non-executive Directors on different aspects of our Group's operation; and

(d) the Board has put in place adequate arrangements to manage conflict of interest, which are set forth below, to ensure independent decision-making, to safeguard the protective measures of the non-competition undertaking under the Non-competition Undertaking, and ultimately, to protect the interests of the GAC Shareholders.

Corporate Governance

Our Company is committed to the view that the Board should include a balanced composition of executive, non-executive and independent non-executive Directors so that there is a strong independent element on the Board, which can effectively exercise independent judgment. The independent non-executive Directors, details of whom are set out in the section headed "Directors, Supervisors, Senior Management and Employees" of this Listing Document, together possess the requisite industry knowledge and experience for their views to carry weight. All of the independent non-executive Directors have experience as independent directors of other companies and will be able to provide impartial and professional advice to protect the interests of our minority shareholders.

In addition, our Company has adopted the following robust corporate governance measures to further strengthen protection of GAC Shareholders' interests:

(a) any conflicted Director, meaning any Director who is also a director or member of the senior management of GAIG or their respective subsidiaries (other than our Group), will abstain from participation in any board meeting or part thereof when matters relating to the exercise of any rights of first refusal granted in favour of our Company or any other connected transactions pursuant to connected arrangements with GAIG are discussed, unless his attendance is requested by a majority of the independent non-executive Directors. Notwithstanding his attendance, he shall not vote or be counted towards the quorum in respect of such matters;

(b) an independent board committee comprising all of the independent non-executive Directors will decide whether or not to pursue a New Opportunity. When considering whether or not to pursue a New Opportunity, the independent board committee of our Company will consider whether the relevant business opportunities are expected to present a sustainable level of profitability, accord with the then current development strategy of our Group, and in other respects would be in the best interests of GAC Shareholders as a whole. Notwithstanding that the conflicted Director (as defined in (a) above) shall abstain from voting on any resolution of the board relating to connected transactions pursuant to connected arrangements with GAIG, the conflicted Directors will provide useful information to assist the independent board committee or independent financial adviser or other professional advisers for them in assessing the New Opportunity. Such independent board committee may appoint an independent financial adviser or other professional advisers to give advice. GAIG shall provide all information reasonably required by such independent board committee and/or independent financial adviser to assist them in their assessment of the New Opportunity;

(c) any conflicted Director (as defined in (a) above) shall not hold any executive position in any other subsidiaries of GAIG which is engaged in the same or similar business as that of our Company save for any Director appointed to the board of a subsidiary of the Controlling Shareholder to represent our Company's minority interest in such subsidiary;

(d) the independent board committee of our Company will review, on a semi-annual basis, all decisions made in the relevant six-month period in relation to whether to pursue a New Opportunity, and the compliance and enforcement of the Non-Competition Undertaking by GAIG. Our Company will disclose such decisions and reasons for them in our Company's annual reports or interim reports or by way of public announcements;

(e) our Company has appointed China International Capital Corporation Hong Kong Securities Limited as our Company's compliance adviser which shall provide us with professional advice and guidance, in respect of compliance with the Listing Rules and applicable laws.

For details on the Directors and senior management's participation in the management of GAC Toyota and Guangqi Honda, please refer to the section headed "Directors, Supervisors, Senior Management and Employees" of this Listing Document.

Operational Independence

We hold all necessary licenses for the operation of our business, and we have sufficient capital, equipment and employees to operate our business independently from GAIG. Our operational expertise, equipment, facilities and infrastructure are all specific to our businesses and cannot be applied to conduct the Retained Businesses, or indeed any other uses. Our operational decisions are made independently by our executive Directors and management. Other than as disclosed in this Listing Document, the locations of our core business operations are also physically separate from the core business operations of GAIG and we have no common/shared facilities/resources with GAIG during the Track Record Period.

We have independent access to our suppliers and customers and can conduct our sales and marketing independently of GAIG. Our suppliers are appointed and selected by our members based on our own set of criteria without the involvement of GAIG. We have a team which is independent of GAIG to operate our sourcing and distribution network, and source from our suppliers and distribute to our customers independently.

The Company will have certain continuing connected transactions with GAIG and its associated companies after the Listing, but all such transactions were and will be negotiated and concluded on an arm's length basis and the amounts involved are insignificant compared to the financial status of our Group. The Directors are of the view that the continuing connected transactions with GAIG are not crucial to the business of our Group. The continuing connected transactions between our Company with GAIG and its associated companies involves mainly the provision of vehicle products. All such vehicle products sold by us to, or purchased by us from GAIG and its associated companies were and will be negotiated and entered into on normal commercial terms.

We have a set of internal controls in relation to customer selection, pricing, order management, account receivable management, supplier selection, payment management, financing, cash management and etc for our Company, GAC Toyota and Guangqi Honda.

Financial Independence

Our financial department, management and relevant personnels are independent of GAIG. We make our financial decisions independently and there are established financial management rules addressed to our financial matters. The bank account we hold is independent of the accounts held by GAIG and any of its associated companies. We have our own internal controls and accounting systems, accounting and finance department, independent treasury function for cash receipts and payments, and independent access to third party financing. During the Track Record Period until the Latest Practicable Date, there has been no loans or guarantees provided by GAIG or its associated company to us.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDER

Institutional Independence

Our Company has established its own Board, Supervisory Committee and its team of senior management, including general manager, deputy general managers and personnel in charge of financial matters all of whom, except as otherwise disclosed in this Listing Document, are independent of GAIG. Our Company has appointed company secretaries. Based on our Company's administrative needs, it has also established its own Office of the Board of Directors, Office of the General Manager, Department of Legal Affairs, Department of Finance, Department of Enterprise Administration, Department of Investment, Department of Human Resources, Department of Development, Department of Auditing, Department of Security and Automobile Research Institute, which are independent of GAIG.

Having considered the above factors, our Directors believe that we can conduct our business independently of GAIG Group from the Listing Document Date.

CONNECTED TRANSACTIONS

Prior to the Listing, we maintain certain relationships with certain parties which are connected persons of our Company under the Listing Rules. We set out below details of our relationships and our transactions with these connected persons which are expected to continue after the Listing.

For the purpose of our Company's connected transaction analysis, there are three types of connected persons with which our Company, its subsidiaries and the principal JCEs, being GAC Toyota and Guangqi Honda, have entered into or will enter into transactions (in addition to the principal JCE(s) which are mentioned in the section headed "Connected Transactions — Continuing Connected Transactions relating to the Principal Jointly-controlled Entities" of this Listing Document), and such transactions will become connected transactions of our Company upon Listing:

- GAIG, by virtue of it being the Controlling Shareholder, and its associates;
- Aioi Insurance Company Limited (愛和誼保險有限公司) ("**Aioi**"), by virtue of it being a substantial shareholder of Guang'ai (a subsidiary of our Company), and its associates; and
- Toyota Tsusho Corporation ("**Toyota Tsusho**"), by virtue of it being a substantial shareholder of Guangzhou Automobile Toyotsu Logistics Co., Ltd. ("**GAT Logistics**") and Guangzhou Guangqi Toyotsu Service Co., Ltd. ("**GTS Services**") (subsidiaries of our Company) and its associates.

Toyota Tsusho is interested in 45% and 49% of the equity interest in GAT Logistics and GTS Services, respectively, which are also non wholly-owned subsidiaries of the Company. Toyota Tsusho is a connected person at the level of the Company's subsidiaries only. Therefore, under Rule 14A.12A(1)(b), GAT Logistics and GTS Services will not be regarded as connected persons of the Company.

However, as far as the Company is aware, Toyota is interested in approximately 21.8% of the issued shares of Toyota Tsusho only. Toyota Tsusho is, therefore, not an associate of Toyota and/or Toyota Motor (China) Investment Co. Ltd. under the Listing Rules.

Types of connected transactions

The following connected transactions have been or will be entered into between the Company, its subsidiaries and the principal JCEs, being GAC Toyota and Guangqi Honda, and their respective connected persons:

A. Continuing connected transactions under existing agreements

1. GAC Lease
2. GAC Guanghua Lease
3. Guangyuan Lease

B. Continuing connected transactions under the Related Agreements

1. GAIG Related Agreements
2. Aioi Related Agreements
3. Toyota Tsusho Related Agreements

C. Transactions under the Group Accounts Management Scheme

Details of the connected transactions

A. Continuing connected transactions under subsisting agreements

1. *Leasing of premises from Guangzhou Yangcheng Automobile Factory (廣州羊城汽車廠) to GAC Commercial*

Guangzhou Yangcheng Automobile Factory (廣州羊城汽車廠), an indirect wholly-owned subsidiary of GAIG, and thus an associate of GAIG, a connected person of our Company under the Listing Rules, entered into a leasing agreement with our Company's subsidiary, GAC Commercial, on 29 August 2005 under which Guangzhou Yangcheng Automobile Factory (廣州羊城汽車廠) agreed to lease to GAC Commercial a land covering a site area of approximately 32,500 square meters located at He Chang Ling, Xin Shi, Baiyun District, Guangzhou for its production and business operation use (the "**GAC Lease**") at a monthly rental of RMB170,000. The GAC Lease commenced from 1 September 2005 and will end on 31 August 2025. According to the PRC legal adviser of the Company, the current use of the premises as automobile sale shop is in compliance with the usage as set out in the GAC Lease.

The monthly rental payable by GAC Commercial under the GAC Lease is determined with reference to the prevailing market price of the properties of comparable size and quality located in the locality. Under the terms of the GAC Lease, the monthly rental is a fixed one and there will not be any review of the rent throughout the term of the GAC Lease.

For the three years ended 31 December 2007, 2008 and 2009, the aggregate rentals received by Guangzhou Yangcheng Automobile Factory (廣州羊城汽車廠) amounted to approximately RMB 2,040,000, RMB 2,040,000 and RMB 2,040,000, respectively. According to the GAC Lease, the total rentals to be received by Guangzhou Yangcheng Automobile Factory (廣州羊城汽車廠) from GAC Commercial during the term of the GAC Lease, on an aggregate basis, will not exceed a maximum of approximately RMB 40,800,000.

2. *Leasing of premises from Guangzhou Motors Group Company (廣州摩托集團公司) to GAC Commercial*

Guangzhou Motors Group Company (廣州摩托集團公司) ("**Guangzhou Motors**"), a subsidiary of GAIG, and thus a connected person of our Company under the Listing Rules, entered into a leasing agreement with our Company's subsidiary, GAC Commercial, on 28 April 2008 (as amended by mutual agreement on 2 June 2010) under which Guangzhou Motors agreed to lease to GAC Commercial a land located at Nos. 933, 935, 937 and 939 of Guanghua 2nd Road, Guangzhou together with the building with a floor area of approximately 13,603 square meters erected thereon and the fixtures for use as factory (the "**GAC Guanghua Lease**") at a monthly rental of RMB111,000 for the first three years of the term of the GAC Guanghua Lease. The monthly rental will be increased by 3% each year thereafter. The GAC Guanghua Lease commenced from 1 May 2008 and will end on 30 April 2028. The premises was intended to be used as automobile sale shop but is currently vacant. The Group considers that it is very difficult to find a piece of land for the future need of the Group in Guangzhou. Therefore, it leased the land since 1 May 2008.

The monthly rental payable by GAC Commercial under the GAC Guanghua Lease is determined with reference to the prevailing market price of the properties of comparable size and quality located in the locality. Under the terms of the GAC Guanghua Lease, there will not be any review of the rent, however, the monthly rental will be increased by 3% each year after the first three years of the term of the GAC Guanghua Lease. With reference to the general practice of leasing in the PRC, rentals pursuant to a lease are usually subject to review throughout the term of the lease or an agreed increment of the rentals would be imposed periodically during the term of the lease. The annual 3% increment of monthly rental after the first three years of the term pursuant to the GAC Guanghua Lease is in line with the general practice of leasing in the PRC and is considered a normal commercial term by the Group.

For the two years ended 31 December 2008 and 2009, the aggregate rentals received by Guangzhou Motors amounted to approximately RMB555,000, RMB1,332,000 respectively. According to the GAC Guanghua Lease, the total rentals to be received by Guangzhou Motors from GAC Commercial for the whole term of the GAC Guanghua Lease, on an aggregate basis, will not exceed a maximum of approximately RMB 33,600,000.

3. Leasing of premises from Guangzhou Yangcheng Automobile Factory (廣州羊城汽車廠) and Yangcheng Auto to GAC Commercial

Guangzhou Yangcheng Automobile Factory (廣州羊城汽車廠) and Yangcheng Auto, both indirect wholly-owned subsidiaries of GAIG and thus associates of GAIG, connected persons of our Company under the Listing Rules, entered into a leasing agreement with our Company's subsidiary, GAC Commercial, on 1 September 2009 under which Guangzhou Yangcheng Automobile Factory (廣州羊城汽車廠) and Yangcheng Auto agreed to lease to GAC Commercial a land covering a floor area of approximately 11,000 square meters located at No. 333 of Guangyuan Zhong Road, Guangzhou City together with the factory premises with a floor area of approximately 9,140 square meters erected thereon and other ancillary facilities (the "**Guangyuan Lease**") at a monthly rental of RMB126,200. The Guangyuan Lease commenced from 1 September 2009 and will last until the completion of the transfer of the related land to GAC Commercial. The Guangyuan Lease did not specify the usage of the premises. The land is currently vacant, and as confirmed by the PRC legal adviser of the Group, no term under the related Certificate of Land Use Right is violated.

The monthly rental payable by GAC Commercial under the Guangyuan Lease is determined with reference to the prevailing market price of the properties of comparable size and quality located in the locality. Under the terms of the Guangyuan Lease, the monthly rental is a fixed one and there will not be any review of the rental throughout the term of the Guangyuan Lease.

For the year ended 31 December 2009, the aggregate rentals payable by GAC Commercial amounted to approximately RMB504,800. According to the Guangyuan Lease, the annual aggregate rentals to be paid by GAC Commercial will be RMB 1,514,400 throughout the term.

Both the GAC Lease and the GAC Guanghua Lease are for a term of 20 years. The Guangyuan Lease will last until the completion of the transfer of the ancillary facilities to GAC Commercial. The premises leased under the GAC Lease, the GAC Guanghua Lease and the Guangyuan Lease are used by or intended to be used by the Group as automobile sale shop (which would normally comprise of the showroom, area for backend office and factory workshop). It is the normal industry practice to have a relatively longer lease term for steadiness of sales location.

CONNECTED TRANSACTIONS

The relevant percentage ratios for the transactions contemplated under the GAC Lease, the GAC Guanghua Lease and the Guangyuan Lease are less than 0.1% on an aggregated and annual basis, the transactions are de minimis transactions and are exempt from all reporting, annual review, announcement and independent shareholders' approval requirements under the Listing Rules.

B. Details of continuing connected transactions under the Related Agreements

The Company, its subsidiaries and the principal JCEs, being GAC Toyota and Guangqi Honda have entered or will enter into agreements with the relevant connected persons as mentioned above and its associates. Below sets out details of the Related Agreements with the relevant connected persons in respect of certain continuing connected transactions which are expected to continue after the Listing of our Company:

	Title of Agreements	Contracting parties	Products and Services providers	Transaction type and nature
A	GAIG Related Agreements	(i) Our Company, its subsidiaries and the principal JCEs, being GAC Toyota and Guangqi Honda; and (ii) GAIG and its associates	Mutual provision between (i) the Company, its subsidiaries and the principal JCEs, being GAC Toyota and Guangqi Honda; and (ii) GAIG and its associates	• Sale of vehicle products, parts and components, production equipment and vehicles related products (including its after-sale services) (GAIG and its associates purchase a small number of vehicles produced by us for their own use on an arm's length basis and sell to us a small number of the parts and components we use in our vehicle manufacturing.) • Provision of factory premises, office, showrooms and other related real properties and provision of property management services (A small amount of our office premises is leased to us by GAIG's associates and we have also leased some office premises to GAIG's associates. All such transactions are entered into on an arm's length basis.) • Provision of labour hire services and technical skill training services for staff (We provide training to some of the staff of GAIG and its associates and also second some of our staff to GAIG and its associates for training purpose.) • Provision of vehicle hiring services (GAIG and its associates hire a small number of vehicles produced by us for its own use on an arm's length basis.)

CONNECTED TRANSACTIONS

Title of Agreements	Contracting parties	Products and Services providers	Transaction type and nature
			• Provision of non-vehicle products and equipment (including the provision of risk consultation management services by Guang'ai to GAIG and its associates and the sharing of pension payable to staff seconded to/from GAIG and its associates)
B Aioi Related Agreements	(i) our Company, its subsidiaries and the principal JCEs, being GAC Toyota and Guangqi Honda; and (ii) Aioi Insurance Company Limited and its associates	Mutual provision between (i) the Company, its subsidiaries and the principal JCEs, being GAC Toyota and Guangqi Honda; and (ii) Aioi and its associates	• Provision of technical skill training services for staff (To ensure the smooth operations of Guang'ai, Aioi would provide training for business knowledge and vocational training to the staff of Guang'ai.) • Provision of vehicle hiring services (To facilitate its business operation, Aioi and its associates would hire vehicles produced by us for its own use) • Provision of other services (including risk consultation management services and provision of labour)

Note: The relevant percentage ratios for the transactions contemplated under the GAIG Related Agreements and Aioi Related Agreements are less than 0.1% on an annual basis, the transactions are de minimis transactions and are exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under the Listing Rules.

CONNECTED TRANSACTIONS

Title of Agreements	Contracting parties	Products and Services providers	Transaction type and nature
C Toyota Tsusho Related Agreements	(i) our Company, its subsidiaries and the principal JCEs, being GAC Toyota and Guangqi Honda; and (ii) Toyota Tsusho and its associates	Mutual provision between (i) the Company, its subsidiaries and the principal JCEs, being GAC Toyota and Guangqi Honda; and (ii) Toyota Tsusho and its associates	● Provision of import and export agency services in respect of vehicles, parts and components and raw materials ● Provision of vehicle hiring services ● Sale of vehicle products, parts and components, production equipment and vehicles related products (including its after-sale services) ● 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) ● Provision of transport and logistic services in respect of vehicle products and vehicle parts and components ● Provision of recycling materials (including scrap metal) and recycling processing services (including waste water and waste paper) ● Provision of management services

Note: The continuing connected transactions under the Toyota Tsoshu Related Agreements are transactions with person connected at the level of subsidiaries and are exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under the Listing Rules.

CONNECTED TRANSACTIONS

The following tables set out the exempt continuing connected transactions discussed above.

(A) De minimis transactions exempt continuing connected transactions under Rule 14A.33(3) for which no waiver from the Stock Exchange is required (the relevant percentage ratios are less than 0.1% on an annual basis):

Transactions	Nature of transaction	Party providing services	Historical Figures (RMB '000)
1. Transactions under the GAC Lease	● Provision of premises	By Guangzhou Yangcheng Automobile Factory (廣州羊城汽車廠) to GAC Commercial	2007 2,040.00 2008 2,040.00 2009 2,040.00
2. Transactions under the GAC Guanghua Lease	● Provision of premises	By Guangzhou Motors Group Company (廣州摩托集團公司) to GAC Commercial	2008 555.00 2009 1,332.00
3. Transactions under the Guangyuan Lease	● Provision of premises	By Guangzhou Yangcheng Automobile Factory (廣州羊城汽車廠) and Yangcheng Auto to GAC Commercial	2009 504.80
4. Transactions under the GAIG Related Agreements	● Provision of labour hire services and technical skill training services for staff	By the Company, its subsidiaries and the principal JCEs to GAIG and its associates	2007 548.00 2008 0 2009 0
	● Provision of factory premises, office, showrooms and other related real properties and provision of property management services	By the Company, its subsidiaries and the principal JCEs to GAIG and its associates	2007 106.00 2008 54.00 2009 83.32
		By GAIG and its associates to the Company, its subsidiaries and the principal JCEs	2007 430.00 2008 0 2009 27.00
	● Provision of vehicle hiring services (GAIG and its associates will hire a small number of vehicles produced by us for its own use on an arm's length basis)	By the Company, its subsidiaries and the principal JCEs to GAIG and its associates	2007 646.30 2008 910.00 2009 1,149.00
	● Sale of vehicle products, parts and components, production equipment and vehicles related products (including its after-sale services)	By GAIG and its associates to the Company, its subsidiaries and the principal JCEs	2007 0 2008 0 2009 0
		By the Company, its subsidiaries and the principal JCEs to GAIG and its associates (mainly involved the provision of vehicle parts and components and vehicles related products by the Group to GAIG and its associates for use in their remaining business of motorcycle manufacturing. GAIG and its associates will also from time to time purchase vehicles from the Group for their own use.)	2007 6,642.94 2008 7,957.28 2009 6,408.29

CONNECTED TRANSACTIONS

Transactions	Nature of transaction	Party providing services	Historical Figures (RMB '000)
	● Provision of non-vehicle products and equipment (including the provision of risk consultation management services by Guang'ai to GAIG and its associates and the sharing of pension payable to staff seconded to/from GAIG and its associates)	By the Company, its subsidiaries and the principal JCEs to GAIG and its associates	2007 0 2008 0 2009 13.40
		By GAIG and its associates to the Company, its subsidiaries and the principal JCEs	2007 0 2008 430.00 2009 430.00
5. Transactions under the Aioi Related Agreements	● Provision of technical skill training services for staff	By Aioi and its associates to the Company, its subsidiaries and the principal JCEs	2007 454.73 2008 0 2009 0
	● Provision of vehicle hiring services (Aioi and its associates would hire vehicles produced by us for their own use)	By the Company, its subsidiaries and its principal JCEs to Aioi and its associates	2007 0 2008 321.00 2009 299.00
	● Provision of other services (including risk consultation management services and provision of labour)	By Aioi and its associates to the Company, its subsidiaries and the principal JCEs	2007 308.00 2008 336.00 2009 744.00

(B) Exempt continuing connected transactions under Rule 14A.33(4) for which no waiver is sought from the Stock Exchange:

Transactions	Nature of transaction	Party providing services	Historical Figures (RMB '000)
Transactions under the Toyota Tsusho Related Agreements	● Provision of import and export agency services in respect of vehicles, parts and components, raw materials and equipment (such as customs clearance)	By the Company, its subsidiaries and the principal JCEs to Toyota Tsusho and its associates (including GTS Services)	2007 81.00 2008 484.00 2009 159.00
	● Provision of vehicle hiring services	By the Company, its subsidiaries and the principal JCEs to Toyota Tsusho and its associates (including GAT Logistics and GST Services)	2007 6,328.05 2008 4,201.00 2009 3,435.50
	● 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)	By the Company, its subsidiaries (including GTS Services) and the principal JCEs to Toyota Tsusho and its associates (including GAT Logistics)	2007 5,233.47 2008 5,189.47 2009 4,269.47
	● Provision of recycling processing services (including waste water and waste paper)	By Toyota Tsusho and its associates to the Company, its subsidiaries (including GAT Logistics) and the principal JCEs	2007 0 2008 154.00 2009 129.00
	● Provision of management services	By the Company, its subsidiaries and the principal JCEs to Toyota Tsusho and its associates (including GAT Logistics and GTS Services)	2007 10,076.00 2008 9,348.00 2009 6,854.00
		By Toyota Tsusho and its associates to the Company, its subsidiaries (including GTS Services and GAT Logistics) and the principal JCEs	2007 3,320.00 2008 3,877.00 2009 3,779.00
	● Provision of import and export agency services in respect of vehicles, parts and components, raw materials and equipment (such as customs clearance)	By Toyota Tsusho and its associates to the Company, its subsidiaries and the principal JCEs	2007 33,033.80 2008 114,554.78 2009 131,104.84

CONNECTED TRANSACTIONS

Transactions	Nature of transaction	Party providing services	Historical Figures (RMB '000)
	● 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)	By Toyota Tsusho and its associates (including GTS Services and GAT Logistics) to the Company, its subsidiaries (including GAT Logistics) and the principal JCEs	2007 34,210.00 2008 56,676.42 2009 65,412.76
	● Provision of transport and logistic services in respect of vehicle products and vehicle parts and components	By Toyota Tsusho and its associates (including GAT Logistics) to the Company, its subsidiaries and the principal JCEs	2007 66,815.00 2008 4,510.70 2009 5,658.00
	● Provision of recycling materials (including scrap metal)	By the Company, its subsidiaries and the principal JCEs to Toyota Tsusho and its associates	2007 32,958.00 2008 46,919.26 2009 35,341.00
	Sale of vehicle products, parts and components, production equipment and vehicles related products (including its after-sales services)	By the Company, its subsidiaries and the principal JCEs to Toyota Tsusho and its associates (including GAT Logistics and GTS Services)	2007 551,520.00 2008 565,738.00 2009 569,262.38
		By Toyota Tsusho and its associates to the Company, its subsidiaries and the principal JCEs	2007 989,987.00 2008 1,068,287.00 2009 1,136,416.87

The Company, its subsidiaries and the principal JCEs engage Toyota Tsusho and its associates as business partners mainly due to proximity, terms of the relevant services, quality and reliability. First, the transactions are provided and received by companies in close proximity so as to ensure timely delivery of the services. Besides, each side offers no less favourable terms to the other in the ordinary course of business. Furthermore, the business relationships between the Company, its subsidiaries and the principal JCEs and Toyota Tsusho and its associates have been in existence for many years and therefore the quality and reliability of the services rendered is tested and entrusted. Therefore, the Group believes that Toyota Tsusho and its associates are the Group's long-term, close and reliable business partners and their services are important to the success of the Group.

IMPLICATION OF THE LISTING RULES

The continuing connected transactions in Table B above are continuing connected transactions only because Toyota Tsusho is a connected person of the Company by virtue of its relationships with the Company's subsidiaries, GAT Logistics and GTS Services, the aggregate value of whose total assets, profits and revenue represent less than 5% under the relevant percentage ratios as defined under Rule 14.04(9) for the financial year ended 31 December 2009. Further, the continuing connected transactions contemplated under the Toyota Tsusho Related Agreements are of revenue nature and in the Company's ordinary and usual course of business. Under Rule 14A.33(4), such transactions are transactions with person connected at the level of subsidiaries and are exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under the Listing Rules.

Confirmation from Directors

The Directors (including the independent non-executive Directors) consider that the continuing connected transactions described in tables A and B above are on normal commercial terms, have been and will be entered into in the ordinary and usual course of business of the Group, and are fair and reasonable and in the interests of the GAC Shareholders as a whole.

Confirmation from the Joint Sponsors

The Joint Sponsors are of the view that the transactions described above are entered into on normal commercial terms and in the ordinary and usual course of our Company's business and in the interests of the GAC Shareholders as a whole.

C. Transactions under the Group Accounts Management Scheme

GAC Commercial has from time to time entered into agreements with various companies in which GAC Commercial has a shareholding interest (including its subsidiaries, JCEs, associates and investments) (the "**Participants**"), pursuant to which the Participants will participate in the group accounts management scheme arranged by the China Citic Bank (the "**Bank**") and will, through the Bank, provide loans to GAC Commercial for daily account settlement purpose out of the credit standing to the accounts of the Participants opened with the Bank (the "**Fund Pool**") (the "**Group Accounts Management Scheme**") at an interest rate calculated by reference to a fixed formula that is no less favourable than the interest rate normally charged by banks in the PRC. Under the Group Accounts Management Scheme, the Bank will provide GAC Commercial with overdraft facilities and if GAC Commercial should have any overdraft as at the close of business of a business day, the Bank will arrange to use the credit standing to the accounts of the Participants to settle the overdraft of GAC Commercial. The exact amount to be drawn from the account of a Participant will be proportional to the amount constituted by such Participant to the Fund Pool. Out of the Participants, GAT Logistics and 廣汽豐田物流有限公司 (GAC Toyota Logistics Company Limited) ("**GT Logistics**") are connected person of the Company under Rule 14A.11(4) of the Listing Rules. The concept of the Group Accounts Management Scheme which is to coordinate the funds flow of different accounts within a group according to the specific needs of different companies within the group. Under the Group Accounts Management Scheme, the short-term loans are provided by the Participants to GAC Commercial unilaterally. The Participants could not obtain any loans or credit facility from GAC Commercial.

By participating and procuring the participation of the companies in which GAC Commercial has a shareholding interest in the Group Accounts Management Scheme, GAC Commercial will be able to obtain short-term loan facilities from the Participants at an interest rate that is more favourable than the interest rate normally charged by banks in the PRC whereas the Participants could earn interests out of the credit standing their accounts at an interest rate that is higher than the interest rate for bank deposit which in turn substantially lower GAC Commercial's finance cost while allowing the Participants to have a better source of interest income.

GAT Logistics is an associate of Toyota Tsusho as a company owned by Toyota Tsusho as to 45% and GT Logistics is an associate of Toyota as a company indirectly owned by Toyota as to 45%. Since the financial assistance is provided by associates of a connected person to our Group on normal commercial terms and no security over the assets of the Group has been granted in respect of the financial assistance, the transactions mentioned above which constitute continuing connected transactions are exempt from reporting, announcement and independent shareholders' approval requirements under Rule 14A.65(4) of the Listing Rules.

Similar arrangements are now popular in the PRC and as far as the Company is aware, a number of large-scale enterprises have already established their own group accounts management scheme. The scheme is actually a financial service designed and arranged by the Bank and the terms of which are standard for its customers and given the benefits available to the Group as mentioned above, the Directors consider that the transactions under the Group Accounts Management Scheme are on normal commercial terms and are in the interest of the Group and the GAC Shareholders as a whole.

According to the PRC legal adviser of the Company, the transactions under the Group Accounts Management Scheme is not in contravention of the laws promulgated by the National People's Congress and its Standing Committee and the prohibitive provisions of the administrative regulations promulgated by the State Council.

The Joint Sponsors are of the view that the transactions under the Group Accounts Management Scheme are on normal commercial terms.

CONTINUING CONNECTED TRANSACTIONS RELATING TO THE PRINCIPAL JOINTLY-CONTROLLED ENTITIES

The JCEs are jointly controlled in each case by our Company and its subsidiaries and the relevant joint venture partners, and do not constitute subsidiaries of our Company or Guangzhou Auto for legal or accounting purposes, and accordingly fall outside the ambit of the Listing Rules. For the sole purpose of application for Listing, however, the Stock Exchange has required that JCEs should in general be regulated in a manner consistent with the regulation of subsidiaries of a listed group for the purposes of applying the Listing Rules.

As it would be unduly burdensome and would add unnecessary administrative burden and costs for the Company to comply with the requirements of Chapters 14 and 14A of the Listing Rules in respect of immaterial JCEs which are of insignificant contribution to the Group, the Company has applied and the Stock Exchange has granted a waiver from strict compliance with the requirements of Chapters 14 and 14A of the Listing Rules in respect of immaterial JCEs subject to the condition that such immaterial JCEs should not exceed 5% of the profit, revenue or asset percentage ratios for the relevant period (calculated on a proportionate basis), being the latest financial year before the date of the transaction in question. Where the 5% threshold (calculated on a proportional basis) is exceeded by an immaterial JCE, it would be required to re-comply with the ongoing obligations as a deemed subsidiary and the test is reviewed on a yearly basis, where an immaterial JCE is not exempt in any financial year as a result of exceeding the 5% threshold in the preceding financial year, it would be deemed as a subsidiary in the following year and be subject to the notifiable and connected transaction requirements in the following year. In the case of ongoing connected transaction entered into in a preceding year (where the immaterial JCEs was exempt), Rule 14A.41 of the Listing Rules would apply to require compliance in the following year if the 5% threshold is exceeded. For the purpose of this waiver, an immaterial JCE would be one where all of the assets, revenue and profit ratios are below 5%. Principal JCEs, being JCEs where any of the assets, revenue and profit ratio is above 5%, (calculated on a proportionate basis), should in general be subject to the regulations or requirements of Chapters 13, 14 and 14A of the Listing Rules as if they were subsidiaries of a listed group. In other words, (1) transactions entered into by the principal JCEs are to be deemed as transactions of our Company or our Company and its subsidiaries; (2) transactions between the Company and its subsidiaries, together with the principal JCEs (including GAC Toyota and Guangqi Honda) on the one hand, and (A) the joint venture partners of the principal JCEs (including e.g. Toyota and Honda) and their associates; (B) the directors of principal JCEs and their associates; (C) other connected persons of our Company, on the other hand, would constitute connected transactions of our Company after Listing. The Stock Exchange has also confirmed that the percentage ratio tests applicable to connected transactions of the principal JCEs will be proportionately adjusted to the effect that only the proportion of the transaction attributable to the Company and its subsidiaries will be included.

Our Company currently operates our automobile manufacturing businesses mainly through GAC Toyota and Guangqi Honda, which are principal JCEs of our Company and Guangzhou Auto, respectively.

Set out below are the continuing connected transactions between the Company, its subsidiaries and the principal JCEs (including GAC Toyota and Guangqi Honda) and the joint venture partners of the principal JCEs:

	Nature of Transaction	Party providing services	Historical Figures (RMB)
1	Provision of import and export agency services in respect of vehicles, parts and components, raw materials and equipment (such as customs clearance)	By our 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	2007 11.18 million 2008 11.57 million 2009 19.84 million

Our Company, its subsidiaries and the principal JCEs will provide import and export agency services to the joint venture partners and their associates and would assist in such import and export processes. The increase in the historical figures is caused by the increase in the number of units of passenger vehicles produced by the principal JCEs during the relevant period.

	Nature of Transaction	Party providing services	Historical Figures (RMB)
2	Provision of vehicle hiring services	By our 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	2007 7.48 million 2008 1.62 million 2009 4.10 million

Our joint venture partners hire vehicles (mainly the products of our JCEs) from GAC Commercial and its subsidiaries. The increase in the historical figures is caused by the growth of business of the joint venture partners and their associates during the relevant period. The demand for vehicle hiring services, thus, also increased accordingly.

	Nature of Transaction	Party providing services	Historical Figures (RMB)
3A	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)	By our 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	2007 106.04 million 2008 120.83 million 2009 120.38 million

The increase in the historical figures is caused by the increase in the total number of staff of our joint venture partners and their associates during the relevant period. The demand for all kinds of backend services thus increased accordingly.

The annual caps under Rule 14A.35(2) for the three years ending 31 December 2012 of this type of transactions are RMB199,000,000, RMB224,000,000 and RMB245,000,000, respectively.

CONNECTED TRANSACTIONS

	Nature of Transaction	Party providing services	Historical Figures (RMB)

In calculating the cap amount for the year ending 31 December 2010, the Directors have considered the following: (1) the estimated increase in production volume and thus increase in demand for backend services; (2) certain manufacturing entities of the joint venture partners and their associates increased the total number of shifts in 2010, which the demand for extra meal, cleaning, staff shuttle bus and other related services is expected to increase; and (3) the increase in the number of labour staff due to increase in production volume.

In calculating the cap amounts for the two years ending 31 December 2011 and 2012, the Directors have considered the development plan provided by our users of the backend services (i.e. the joint venture partners and their associates).

3B	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)	By the joint venture partners of the principal JCEs (including Toyota and Honda) and their associates to our Company, its subsidiaries and the principal JCEs (including GAC Toyota and Guangqi Honda)	2007 57.87 million 2008 66.72 million 2009 64.17 million

The increase in the historical figures is caused by the increase in the total number of staff of our joint venture partners and their associates during the relevant period. The demand for all kinds of backend services thus increased accordingly.

The annual caps under Rule 14A.35(2) for the three years ending 31 December 2012 of this type of transactions are RMB83,000,000, RMB96,000,000 and RMB103,000,000, respectively.

In calculating the cap amount for the year ending 31 December 2010, the Directors have considered the following: (1) due to the expansion of production, the expected substantial increase in the number of staff of the Company, its subsidiaries and the principal JCEs; (2) the Group's first proprietary brand of passenger vehicles, Trumpchi is expected to be commercially produced in 2010; and (3) overtime work due to the increase in production is expected to incur more backend services.

In calculating the cap amounts for the two years ending 31 December 2011 and 2012, the Directors have taken into account the estimated increase in production volume and therefore the consequential demand for backend services.

4A	Provision of transport and logistic services in respect of vehicle products and vehicle parts and components	By our 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	2007 0 million 2008 129.12 million 2009 150.33 million

Our Company, its subsidiaries and the principal JCEs have been providing transport and logistic services to the joint venture partners and their associates since 2008. The significant increase in the historical figures is caused by the increase in the number of units of passenger vehicles produced and sold by the principal JCEs during the relevant period. The demand for transport and logistic services, thus, also increased accordingly.

4B	Provision of transport and logistic services in respect of vehicle products and vehicle parts and components	By the joint venture partners of the principal JCEs (including Toyota and Honda) and their associates to our Company, its subsidiaries and the principal JCEs (including GAC Toyota and Guangqi Honda)	2007 170.19 million 2008 521.95 million 2009 542.86 million

CONNECTED TRANSACTIONS

	Nature of Transaction	Party providing services	Historical Figures (RMB)

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. The significant increase in the historical figures is caused by the increase in the number of units of passenger vehicles produced and sold by the principal JCEs during the relevant period.

5A	Sale of vehicle products, parts and components, production equipment and vehicles related products (including its after-sales services)	By our 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	Not disclosed due to commercial sensitivity[note]

Our Company, its subsidiaries and the principal JCEs sell raw materials, parts and components and vehicles to the relevant joint venture partners.

5B	Sale of vehicle products, parts and components, production equipment and vehicles related products (including its after-sales services)	By the joint venture partners of the principal JCEs (including Toyota and Honda) and their associates to our Company, its subsidiaries and the principal JCEs (including GAC Toyota and Guangqi Honda	Not disclosed due to commercial sensitivity[note]

Our JCEs purchase raw materials, parts and components and production facilities from the relevant joint venture partners.

6A	Provision of recycling materials (including scrap metal)	By our 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	2007 56.54 million 2008 79.80 million 2009 66.98 million

This category includes the provision of recycling materials by the principal JCEs to the subsidiaries of the principal JCEs which may also be treated 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).

The increase in the historical figures is caused by the increase in the number of units of passenger vehicles produced and sold by the Company, its subsidiaries and the principal JCEs during the relevant period. The scrap metal generated in the course of manufacturing, thus, increase accordingly. The decrease of the transaction amount in 2009 is due to the drop of the market of recycling materials in the same year.

The annual caps under Rule 14A.35(2) for the three years ending 31 December 2012 of this type of transactions are RMB74,000,000, RMB82,000,000 and RMB90,000,000, respectively.

In calculating the annual cap, the Directors have taken into account the estimated increase in production volume and the amount of scrap metal to be generated in manufacturing activities.

6B	Provision of recycling processing services (including waste water and waste paper)	By the joint venture partners of the principal JCEs (including Toyota and Honda) and their associates to our Company and its subsidiaries and the principal JCEs (including GAC Toyota and Guangqi Honda)	2007 0.63 million 2008 0.46 million 2009 0.18 million

CONNECTED TRANSACTIONS

	Nature of Transaction	Party providing services	Historical Figures (RMB)
	Recycling processing services will be provided by the joint venture partners to the relevant principal JCEs for the waste generated by the relevant JCEs.		
	As the relevant JCEs have engaged other recycling companies, the provision of recycling materials by the joint venture partners and their associates to the Group, thus, decreased accordingly.		
7A	Provision of support, research and development support and information enquiry (including production preparation support, local support, advisory services, and provisions of software)	By our 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	Not disclosed due to commercial sensitivity
	Our Company, its subsidiaries and the principal JCEs provide technical support to our joint venture partners and their associates in the areas of our expertise.		
7B	Provision of technical support, research and development support and information enquiry (including production preparation support, local support, advisory services, and provisions of software)	By the joint venture partners of the principal JCEs (including Toyota and Honda) and their associates to our Company, its subsidiaries and the principal JCEs (including GAC Toyota and Guangqi Honda)	Not disclosed due to commercial sensitivity[note]
	Our joint venture partners are the proprietors of the technology involved in the production of vehicle models manufactured by the principal JCEs and they are primarily responsible for the research and development of all new models. The provision of technical support by the joint venture partners is to ensure that the latest technology is applied in the manufacturing process of the principal JCEs and to ensure the products remain competitive in the market.		
8	Provision of the use of intellectual property rights (in relation to production and sales of vehicles)	By the joint venture partners of the principal JCEs (including Toyota and Honda) and their associates to our Company, its subsidiaries and the principal JCEs (including GAC Toyota and Guangqi Honda)	Not disclosed due to commercial sensitivity[note]
	Provision of the use of intellectual property owed as technology licences by our joint venture partners to the principal JCEs are key to the long term profitability and competitiveness of the principal JCEs and their products. Our Group entered into several technology licence agreements and trademark licence agreements with our joint venture partners during the Track Record Period.		
9	Provision of management services	By our 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	2007 8.74 million 2008 19.18 million 2009 21.49 million
	Our Company, subsidiaries and principal JCEs will provide management services to the joint venture partners and their associates from time to time.		

Note: The Company has agreed with the Stock Exchange that the Company would comply with the annual reporting requirements set out in Rule14A.45 in respect of the transactions described in paragraphs 5A, 5B, 7B and 8 above to the extent that only disclosure of the nature of these transactions made each year would be made. This is because the information under Rule 14A.45 of the Listing Rules would constitute disclosure of commercial sensitive information relating to the operations of the principal JCEs and would not be in the interest of the Company or the relevant JCEs.

Pricing Terms

In relation to the transaction described in paragraph 5B above, 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 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.

In relation to the transactions described in paragraphs 7B and 8 above 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 licence with its joint venture partners. The relevant technology or 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 technology support and 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 licence, technological know-how or intellectual property right, which is very often, the joint venture partners.

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

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

Generally, the pricing for technology licence 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 licences 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 remain 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 licenses, 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.

In relation to the transactions described under paragraphs 3B, 4B and 6B, 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. 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.

In relation to the transactions described in paragraphs 1, 2, 3A, 4A, 5A, 6A, 7A and 9 above, 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.

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 9 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 9 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, as explained in the section headed "Information Concerning the Listing Rules" of this Listing Document, 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.

Waivers from the Stock Exchange

Upon Listing, the Company, its subsidiaries and the principal JCEs will continue to carry on the transactions described in paragraphs 1 to 9 above.

The Directors are of the view that compliance with the written agreement (where applicable), annual cap (where applicable), announcement and independent shareholders' approval (where applicable) requirements would be impractical and would add unnecessary administrative burden and costs to our Company. Since these continuing connected transactions have already been disclosed in this Listing Document, the announcement requirements would also be unnecessary.

Annual Caps Requirements

In relation to the transactions described in paragraphs 5A, 5B, 7B and 8, the Directors consider that the imposition of annual caps lessens the competitive edge of the principal JCEs which would not be in the interest of the principal JCE(s) since 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 products and services provided to or required by the Company, its subsidiaries and the principal JCEs. Such growth is outside the control of the Company and difficult to predict, the imposition of annual caps will therefore limit the Company, its subsidiaries and the principal JCEs' ability to conduct or expand its business in the ordinary course. Apart from that, annual caps are also easily exceeded as a result of increase of raw materials prices and fluctuating foreign exchange rates which will affect the cost of vehicle products, parts and components, production equipment and services and such volatile cost is not within the control of the Company and difficult to predict. Further, the Company, its subsidiaries and the principal JCEs will only purchase from the joint venture partners when no viable alternatives are available at better prices. The principal JCEs will not purchase vehicle products, parts and components and production equipment from the joint venture partners and their associates at any price other than the best price available to it.

In addition, for the transactions described in paragraphs 7B and 8 above, when deciding which pricing structure would be most beneficial to the Company, its subsidiaries and the principal JCEs, the Company would have to make a judgement on the expected demand for a particular vehicle model over its entire lifecycle. If the projected demand for a new vehicle model is not extremely high, the imposition of annual caps may result in a greater aggregated amount of consideration being paid for the technology licence and technical assistance which cannot be in the interests of the principal JCEs, the Company and its shareholders.

In relation to transactions described in paragraphs 4A and 4B, the Directors consider that the annual cap requirement under Rule 14A.35(2) shall not be imposed on such transactions. 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.

Effective management of the transportation of the raw materials, inventories and vehicle products is vital to the timely delivery of our products to meet the demand of the market. The existing logistics network has been in place and operated before the Listing. The Group also owns equity interest in some of the entities providing these services such as 同方環球(天津)物流有限公司 (our Group owns 25% of its issued share capital).

We implement just-in-time inventory policy to minimise inventory costs in all of our manufacturing entities. Generally, the raw materials and auto parts are placed into the production process only when they are used. The volume of semi-manufactured products are minimised and kept at an appropriate level to facilitate the production process. Finished goods are retained only for examination purposes.

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 the transactions described in paragraphs 4A and 4B is not in the interest of the Group.

Independent Shareholders Approval Requirements

In relation to transactions described in paragraphs 5A, 5B and 7B above (that are not exempt from the independent shareholders approval requirements under the Listing Rules), the Directors consider that it would not be appropriate to impose the shareholders' approval requirement as some of the vehicle products, parts and components and agreement relating to technical assistance are fundamental to the operation to these principal JCEs, it is not open to the principal JCEs to discontinue or terminate these transactions, otherwise it would have a crippling effect on the business of the principal JCEs and would also cause unnecessary delay to the provision of vehicle products, parts and components and production equipment, resulting in detriment to the business and operation of the Company, its subsidiaries and the principal JCEs. Additionally, there are existing established procedures and sufficient control mechanism to ensure that the transactions (including the pricing terms) will be negotiated on an arm's length basis and the terms of the transactions will be fair and reasonable and in the interest of the GAC Shareholders as a whole.

Written Agreement Requirements

In relation to transactions described in paragraphs 5A, 5B, 7B and 8 above, compliance with the requirement in respect of written agreement under Rule 14A.35(1) (such as not exceeding three years), would be impractical in the automobile industry in the PRC because a term beyond three years is normal business practice in the PRC automotive industry and necessary to the operation of the relevant principal JCEs and in line with the business of the relevant principal JCEs. In particular, it is the normal industry practice that the term of the transactions relating to purchase of vehicle products, parts and components and agreements relating to technology licence, technical assistance and intellectual property rights to be fixed with reference to the expected life cycle of vehicle models and the term of the JCEs which will be of a duration of longer than three years. The Joint Sponsors confirm that the longer duration is normal business practice for contracts of this type to be of such duration and the terms of these relevant transactions do not extend beyond the terms of the relevant principal JCEs.

In relation to the transactions described in paragraphs 3A, 3B, 4A, 4B and 6A, the Company, its subsidiaries and the principal JCEs have entered or will enter into agreements with the relevant joint venture partners and their associates in accordance with the requirement in respect of written agreement under Rule 14A.35(1).

Each of the continuing connected transactions described in paragraphs 1, 2, 6B, 7A and 9 is a de minimis transaction under Rule 14A.33(3) of the Listing Rules and is therefore exempt from reporting, annual review, announcement and independent shareholders' approval requirements under Rule 14A.35 of the Listing Rules.

Each of the relevant percentage ratios of the continuing connected transactions described in paragraphs 3A, 3B, 4A, 4B, 6A and 8 above is expected to be less than 5%. Under Rule 14A.34 of the Listing Rules, such transactions are exempt from the independent shareholders' approval requirements but are subject to the written agreement and annual cap requirements set out in Rules 14A.35 of the Listing Rules, the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules and the annual review requirements set out in Rules 14A.37 to 14A.40 of the Listing Rules.

Each of the transactions described in paragraphs 5A, 5B and 7B above is non-exempt continuing connected transactions under Rule 14A.35 of the Listing Rules and are subject to the written agreement and annual cap requirements set out in Rule 14A.35 of the Listing Rules, the reporting and announcements requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules, the independent shareholders' approval requirements set out in Rule 14A.48 of the Listing Rules and annual review requirements set out in Rules 14A.37 to 14A.40 of the Listing Rules.

Waivers in relation to transactions 3A, 3B, 4A, 4B and 6A

For the reason mentioned above, in relation to the transactions entered or to be entered into between the Company, its subsidiaries and the principal JCEs and the joint venture partners of the principal JCEs and their associates as described in paragraphs 3A, 3B, 4A, 4B and 6A above, our Company has applied for, and the Stock Exchange has granted a waiver from compliance with announcement requirements and for transactions as described under paragraphs 4A and 4B, annual cap requirements relating to the continuing connected transactions under the Listing Rules for the duration of the terms of the respective transactions.

Waivers in relation to transactions 5A, 5B, 7B and 8

In relation to the transactions entered or to be entered into between the Company, its subsidiaries and the principal JCEs and the joint venture partners of the principal JCEs and their associates as described in paragraphs 5A, 5B, 7B and 8 above, our Company has applied for, and the Stock Exchange has granted a waiver from compliance with written agreement, annual cap requirements, announcement requirements and, for the transactions as described under paragraphs 5A, 5B and 7B only, independent shareholders approval requirements relating to the continuing connected transactions under the Listing Rules for the duration of the terms of the respective transactions.

In relation to the transactions as described in paragraphs 3A, 3B, 4A, 4B, 5A, 5B, 6A, 7B and 8 above, our Company would comply with the requirements under Rules 14A.37 to 14A.41 of the Listing Rules (annual reviews and confirmation by independent non-executive Directors and auditors) on the basis that the independent non-executive Directors are provided with sufficient information to opine on the fairness and reasonableness of the terms of the continuing connected transactions pursuant to Rule 14A.37 of the Listing Rules. In order for independent non-executive Directors to opine on the fairness of the terms of the transactions, they will be provided with market information based on the management's knowledge of the industry and prior experience gained from similar negotiations and information, such as the range of profit margin for automobile manufacturing business based on relevant industry statistics published by the PRC authorities, so that the independent non-executive Directors will be in a position to assess whether the pricing is fair and reasonable to the Group and the GAC Shareholders as a whole. In relation to transactions described in paragraphs 3A, 3B and 6A, the Company will comply with Rules 14A.35(1), 14A.35(2) and 14A.36 to 14A.40.

If any terms of the continuing connected transactions are altered or if the Company enters into any new agreements with any connected persons (within the meaning of the Listing Rules) in the future, the Company must fully comply with the relevant requirements under Chapter 14A of the Listing Rules unless it applies for and obtains a separate waiver from the Stock Exchange.

Reporting Requirements

The Company has agreed with the Stock Exchange that the Company would comply with the annual reporting requirements set out in Rule 14A.45 in respect of the transactions described in paragraphs 3A to 6A, 7B and 8 above, to the extent that:-

(a) in the case of the transactions described in paragraphs 3A to 4B and 6A, 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; and

(b) in the case of the transactions described in paragraphs 5A, 5B, 7B and 8 above, only disclosure of the nature of the transactions made each year would be made. This is because the information under Rule 14A.45 of the Listing Rules 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.

Confirmation from the Directors

The Directors (including the independent non-executive Directors) are of the view that the transactions described in paragraphs 1 to 9 above have been or will be entered into, and will be carried out in the ordinary and usual course of business of the Company, its subsidiaries and the principal JCEs and on normal commercial terms which are fair and reasonable so far as the interests of our Company's Shareholders are concerned. The Directors (including the independent non-executive Directors) also consider that the proposed annual caps for the transactions set out above are fair and reasonable and in the interest of the shareholders of the Company as a whole.

Confirmation from Joint Sponsors

The Joint Sponsors are of the view that the transactions described in paragraphs 1 to 9 above are entered into on normal commercial terms and in the ordinary and usual course of our Company's business and in the interests of our Company and its shareholders as a whole. The Joint Sponsors also consider that the proposed annual caps for the transactions set out above are fair and reasonable and in the interest of the shareholders of the Company as a whole.

Management

Board of Directors

According to the Articles of Association, the Board of Directors consists of 15 Directors, 5 of whom are independent non-executive Directors. The Directors are elected at the shareholders' meeting of our Company for a term of 3 years, renewable upon re-election and re-appointment.

The duties and responsibilities conferred on the Board of Directors include: convening shareholders' meeting and reporting its work to the shareholders' meetings, implementing the resolutions of the shareholders' meetings, determining our Company's operation plans and investment projects, formulating plans for our Company's annual financial budget and final accounts, formulating our Company's proposals for profit distributions and for the making up of the losses, the plans to increase or reduction of registered capital as well as exercising other powers, duties and responsibilities as conferred by laws and regulations and the Articles of Association.

Supervisory Committee

The Company Law requires a joint stock limited company to establish a supervisory committee and this requirement is also contained in the Articles of Association. The supervisory committee is responsible for monitoring our Company's financial matters and monitoring the performance of the Directors and senior management of our Company. The supervisory committee consists of 5 supervisors, 3 of whom are elected as shareholders' representatives, 2 of whom are elected as employees' representatives of our Company. The term of office of the supervisors is three years. An elected supervisor cannot concurrently hold the position of a Director, senior management or financial controller.

The duties and responsibilities conferred on the supervisory committee include: examining financial affairs, examining the financial information such as financial report, business report and profit distribution plan, etc. which are to be submitted by the Board of Directors to the shareholders' meeting from time to time and overseeing the actions of the Board of Directors and other senior management personnels of our Company when carrying out their duties as well as other obligations prescribed by the Articles of Association. In the case that the behavior of Directors and senior executives would harm the benefit of our Company, supervisors shall request such Director or senior executive to take corrective action. Under certain situations set forth in the Articles of Association, supervisors could initiate proceedings against such Director and senior executive.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Directors

The following table sets out certain information relating to our Directors.

Name	Age	Position	Date of Appointment as Director
Zhang Fangyou	53	Executive Director, Chairman of the Board	28 June 2005, re-appointed on 12 August 2008
Zeng Qinghong	48	Executive Director, Vice Chairman of the Board	28 June 2005, re-appointed on 12 August 2008
Yuan Zhongrong	52	Executive Director	28 June 2005, re-appointed on 12 August 2008
Lu Sa	44	Executive Director	12 August 2008
Fu Shoujie	46	Non-executive Director	28 June 2005, re-appointed on 12 August 2008
Liu Huilian	55	Non-executive Director	28 June 2005, re-appointed on 12 August 2008
Wei Xiaoqin	55	Non-executive Director	3 November 2009
Li Tun	49	Non-executive Director	3 November 2009
Wang Songlin	58	Non-executive Director	28 June 2005, re-appointed on 12 August 2008
Li Pingyi	42	Non-executive Director	12 August 2008
Wu Gaogui	68	Independent non-executive Director	25 December 2007, re-appointed on 12 August 2008
Ma Guohua	49	Independent non-executive Director	25 December 2007, re-appointed on 12 August 2008
Xiang Bing	48	Independent non-executive Director	25 December 2007, re-appointed on 12 August 2008
Law Albert Yu Kwan	60	Independent non-executive Director	25 December 2007, re-appointed on 12 August 2008
Li Zhengxi	45	Independent non-executive Director	25 December 2007, re-appointed on 12 August 2008

Executive Directors

Zhang Fangyou (**張房有**), 53, is the chairman and party secretary of our Company. He joined GAG in 1997, served as the chairman of GAIG since 2000 and the chairman of our Company since June 2005. Currently, Mr. Zhang is the chairman and managing director of GAIG and the chairman of Denway, China Lounge and GAC Changfeng. He is also an independent director of Guangzhou Department Store Enterprises Group Co., Ltd. (廣州百貨企業集團有限公司). He is also a member of the 6th and 9th Guangzhou Municipal Party Committee. 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. With the previous and current positions held by Mr. Zhang in our Group, other companies and governmental bodies in relation to the automobile industry, Mr. Zhang has obtained over 10 years experience in automobile policy making and managing automobile manufacturing business which is relevant to the management, operation and development to our Group. 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 degree in business administration in December 2006.

Zeng Qinghong (**曾慶洪**), 48, is the vice chairman and general manager of our Company. He first joined GAG in 1997. He has served as a director of GAIG since 2004 and the deputy chairman and general manager of our Company since 2005. Currently, Mr. Zeng is the vice chairman of GAIG and Denway, chairman of GAMC, chairman of GAC Fiat, and a director of GAC Changfeng. Prior to this, he held positions as chairman of GAC Commercial from June 2005 to September 2008, GAC Components from June 2005 to September 2008 and GAC Hino from January 2006 to September 2008, director and deputy executive general manager of Guangqi Honda from December 1999 to January 2006 and deputy general manager of GAIG from April 2001 to June 2005. Mr. Zeng was elected by the provincial people's congress to be a delegate of the tenth and eleventh National People's Congress. With the previous and current positions held by Mr. Zeng in our Group and in other companies in relation to the automobile industry, Mr. Zeng has obtained more than 20 years experience in managing automobile manufacturing business which is relevant to the management, operation and development to our Group. Mr. Zeng graduated from the Guangdong Provincial Committee's Party Academy (majoring in Economic Management) with a graduate diploma in July 2000 and South China University of Technology with a Ph.D. in management science and engineering in December 2009.

Yuan Zhongrong (**袁仲榮**), 52, is a director and deputy general manager of our Company. He joined GAG 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 our Company since 2005. Currently, Mr. Yuan is a director of GAIG, chairman of GAC Toyota, deputy chairman of GAC Toyota Engine and Tong Fang Global, chairman of GAC Hino and director of GAMC. Mr. Yuan was also appointed as the vice chairman of Shanghai Hino in April 2010. Mr. Yuan is currently a delegate of the Guangzhou People's Congress. 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 Limited (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. With the previous and current positions held by Mr. Yuan in our Group and in other companies in relation to the automobile industry, Mr. Yuan has obtained more than 27 years experience in managing automobile manufacturing business which is relevant to the management, operation and development to our Group. 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 degree in mechanical manufacture and from Asia International Open University (Macau) with a master degree in business administration in September 2001. Mr. Yuan is currently earning a Ph.D. in management science and engineering at Harbin Institute of Technology.

Lu Sa (**盧颯**), 44, is a director, a joint company secretary and secretary of the Board of our Company. She joined GAG in March 2000 as secretary to the chairman, has served as the company secretary and office director of the Board of our Company since June 2005 and became an executive director of the Company in August 2008. Currently, Ms. Lu is a director of GAC Toyota. Prior to this, she held positions as secretary to the board of directors of GAIG from June 2000 to May 2006, office secretary and translator of the Board of Guangzhou Peugeot Automobile Company (廣州標致汽車公司) from October 1995 to May 1998 and secretary to the executive deputy general manager of Guangqi Honda from May 1998 to February 2000. With the previous and current positions held by Ms. Lu in our Group and in other companies in relation to the automobile industry, Ms. Lu has obtained extensive experience in managing automobile manufacturing business which is relevant to the management operation and development to our Group. Ms. Lu graduated from the Central South University Xiangya School of Medicine with a bachelor degree in medical English in July 1990 and the School of Business of Zhongshan University with an executive master degree in business administration in December 2005.

Non-executive Directors

Fu Shoujie (**付守傑**), 46, is a non-executive director of our Company. He first joined GAG in July 2004 and has served as a director since 2005. Currently, Mr. Fu is a director of GAIG, chairman of Guangqi Honda, director and general manager of GAC Changfeng and director of Denway, GAMC and GAC Fiat. Prior to this, he held positions as deputy general manager of our Company from 2005 to 2009, deputy head of the Sujiatun District of Shenyang City from November 2000 to November 2002 and from January 2003 to July 2004 and general manager of Songliao Automobile Co., Ltd. (松遼汽車股份有限公司), which is listed on the Shenzhen Stock Exchange from January 2003 to July 2004. With the previous and current positions held by Mr. Fu in our Group and in other companies in relation to the automobile industry, Mr. Fu has obtained extensive experience in managing automobile manufacturing business which is relevant to the management operation and development to our Group. 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 degree in business administration in May 2000.

Liu Huilian (**劉輝聯**), 55, is a non-executive director and chairman of the labor union of our Company. He joined GAG in April 2001 and has been a director of our Company 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 (廣州標致汽車公司) 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. With the previous and current positions held by Mr. Liu in our Group and in other companies in relation to the automobile industry, Mr. Liu has obtained over 10 years experience in managing automobile manufacturing business and labour union which is relevant to the management and development to our Group. Mr. Liu graduated from the South China Normal University with a college diploma in politics in June 1986.

Wei Xiaoqin (**魏筱琴**), 55, is a non-executive director and the deputy party secretary of our Company since November 2009. Mr. Wei joined GAIG in March 2000. He served as the division chief of division of personnel, director of the department of personnel, director of the department of human resources, assistant to general manager and director of the department of human resources, deputy general manager of GAG from March 2000 to October 2007. 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 and deputy director and deputy party secretary of Agriculture Office of Zengcheng City from July

1990 to August 1998, director of the Bureau of Water Resources of Guangzhou from September to November 1998 and party committee, 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 10^{th} National People's Congress of Zengcheng City. With the previous and current positions held by Mr. Wei in our Group and in other companies in relation to the automobile industry, Mr. Wei has obtained extensive experience in cadre management, human resources management and corporate manufacturing management which is relevant to the management and development to our Group. Mr. Wei graduated from the South China Normal University with a college diploma in politics in June 1988.

Li Tun (**黎暾**), 49, is a non-executive director of our Company. Mr. Li is also a director and general manager of Guangzhou Automobile Group (HK) Ltd (廣汽集團（香港）有限公司), director and general manager of China Lounge, director and general manager of Denway and director of Guangqi Honda. He joined our Group since 1999 except for the period from 2001 to 2007 during which he was the deputy general manager of the Sales Division of Guangqi Honda. He joined our Group again in 2007 as the deputy general manager of our Company as well as of China Lounge. With the previous and current positions held by Mr. Li in our Group and in other companies in relation to the automobile industry, Mr. Li has obtained extensive experience in management of automobile manufacturing and marketing which is relevant to the management and development to our Group. He graduated from Murdoch University of Australia (澳大利亞梅鐸大學) with a diploma in business administration in March 2002.

Wang Songlin (**王松林**), 58, has been a non-executive director of our Company since he first joined our Company in June 2005. He is currently the deputy managing director and party member of CNMIC, and the deputy president of the Society of Automobile Engineers of China (中國汽車工程學會) and China Auto Talents Society (中國汽車人才研究會). He is also the chairman of Beijing Zhongqi Jingtian Auto Trading Co., Ltd. (北京中汽京田汽車貿易有限公司), Beijing Guoji Longsheng Automobile Co., Ltd. (北京國機隆盛汽車有限公司), Beijing Guoji Fengsheng Automobile Co., Ltd. (北京國機豐盛汽車有限公司), Changsa Qidian Automobile Products Co. Ltd. (長沙汽電汽車零部件有限公司) and deputy chief executive officer and party committee of China National Automotive Industry Corporation (中國汽車工業總公司). Previously, he held positions as deputy general manager of China Machinery Import and Export Heilongjiang Company (中國機械設備進口黑龍江公司) from February 1982 to July 1988, party secretary and standing deputy general manager of China National Automotive Industry Import and Export Corporation from August 1998 to July 2000 and deputy general manager of China National Automotive Industry Corporation (中國汽車工業總公司) from July 2000 to June 2004. With the previous and current positions held by Mr. Wang in our Group and in other companies in relation to the automobile industry, Mr. Wang has obtained extensive experience in managing automobile manufacturing business which is relevant to the management and development to our Group. Mr. Wang graduated from Harbin Institute of Technology in casting in September 1978.

Li Pingyi (**李平一**), 42, has been a non-executive director of our Company since he first joined our Company in August 2008. He is currently the deputy general manager of Wanxiang Qianchao Co., Ltd. (萬向錢潮股份有限公司) which is listed on the Shenzhen Stock Exchange, deputy general manager of corporate development department of Wanxiang and chairman of Jiangsu Senwei Precision Forging Co., Ltd (江蘇森威精鍛有限公司). Prior to this, he served various positions including general manager of Wangxiang Group Enterprise Development Corporation (萬向集團企業發展總公司) from August 1994 to August 1998. With the previous and current positions held by Mr. Li in the Group and in other companies, Mr. Li has obtained extensive experience in management and marketing which is relevant to the management and development to the Group. Mr. Li graduated from Jilin Industry University with a bachelor degree in agricultural machinery engineering in December 1988 and obtained a postgraduate degree in business management from Zhejiang University in July 2002.

Independent Non-executive Directors

Wu Gaogui (吳誥珪), 68, has been an independent non-executive director of our Company since he first joined our Company in December 2007. Mr. Wu is a veteran professor of the automobile industry. He is also an independent director of CIPE Braking System (Guangzhou) Co., Ltd. (中博制動系統(廣州)有限公司). Prior to this, he held positions as Vice Dean of the School of Transportation from 1999 to 2003, administrative manager of Highway Society from March 1997 to March 2000 and other academic bodies and a member of the Academic Committee of the Key Laboratory of Guangdong Electronic Automobiles from January 2005 to December 2008. Mr. Wu was also an independent director of GAIG from April 2001 to April 2007. With his strong academic background in automobile and through his working experience with other academic bodies and corporations, Mr. Wu has provided our Group with valuable advice and assistance to our Group in the field of automobile and will continue to provide such advice and assistance to our Group. 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), 49, has been an independent non-executive director of our Company since he first joined our Company in December 2007. He is also a 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), Shandong Sanwei Shihua Engineering Company Limited (山東三維石化工程股份有限公司) and Wuxi Double Elephant Micro Fibre Material Ltd. (無錫雙象超纖材料股份有限公司). Mr. Ma has been the vice secretary general of Chinese National Attorney's Association since 1999. Mr. Ma has over 20 years working experience in China's judiciary system, having been the Attorney General of China's Ministry of Justice from January 1993 to June 1997, member of the Second Listing Approval Committee of the China Securities Regulatory Commission from 1999 to 2000, and a lawyer of Hong Kong Legal Service Company from June 1997 to June 1998. With his strong legal background and working experience with other legal bodies and corporations, Mr. Ma has provided our Group with valuable legal advice and assistance to our Group and will continue to provide such advice and assistance to our Group. Mr. Ma obtained a bachelor of law degree from China University of Political Science and Law in July 1984 and a master of law degree from Peking University in January 2006.

Xiang Bing (項兵), 48, has been an independent non-executive director of our Company since he first joined our Company in 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. With his strong academic background in finance and accounting, Mr. Xiang has provided our Group with valuable advice and assistance to our Group in the field of finance and accounting and will continue to provide such advice and assistance to our Group. Mr. Xiang holds a bachelor degree in engineering control from Xi'an Jiaotong University, a master degree in business administration and obtained a Ph.D. degree in accounting from Alberta University, Canada in November 1991.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Xiang is currently an independent director of the following listed companies:

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

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

— Lake Real Estate 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)

— Little Sheep Group Limited (小肥羊集團有限公司) (listed on the Stock Exchange)

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

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

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

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

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

Law Albert Yu Kwan (羅裕群), 60, has been an independent non-executive director of our Company since he first joined our Company in December 2007. Currently, Mr. Law is the managing director of A.A. and Associates Consulting International Limited (卓越管理顧問國際有限公司) and a director of the Institute of Accountants in Management Ltd. (專業管理會計師公會有限公司). Mr. Law is a Honorary Associate of the business school of Hong Kong Baptist University since 2006, 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 mainly including 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 aspects, 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 and business development and overseas consulting projects and assistant general manager (finance and administration) of Winning Management Company Limited (a Hong Kong real estate holding and investment group) from November 1990 to March 1995, responsible for the finance, accounting and administration. 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 2006-2007 and the former chairman of a enterprise governance committee under the Institute in 2003-2007. Mr. Law is a fellow member of the Chartered Institute of Management Accountants (英國特許管理會計師公會) since January 1997, an associate of the Institute of Chartered Accountants in England and Wales (英格蘭及威爾士特許會計師公會) since May 2006, a fellow member of the Association of International Accountants in England (英國國際會計師公會) since May 1995, a member of the Hong Kong Institute of Certified Public Accountants (香港會計師公會) since June 1979, a fellow member of Hong Kong Society of Registered Financial Planners (香港註冊財務策劃師協會) since October 2002, and a fellow member of the Taxation Institute of Hong Kong (香港稅務學會) since August 2007. With his strong qualification in accounting, Mr. Law has provided our Group with valuable advice and assistance to our Group in the field of accounting and will continue to provide such advice and assistance to our Group.

Li Zhengxi (李正希), 45, has been an independent non-executive director of our Company since he first joined our Company in 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). 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. With his strong qualification in accounting and management, Mr. Li has provided our Group with valuable advice and assistance to our Group in the field of accounting and management and will continue to provide such advice and assistance to our Group. 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 degree in public administration in February 2004.

In accordance with the opinion (關於進一步促進境外上市公司規範運作和深化改革的意見) issued by the CSRC in 1999 (the "**Opinion**"), independent non-executive directors of the Company are required to devote sufficient time to fulfil their responsibilities and obligations as independent non-executive directors. The independent non-executive directors are also required under the Articles of Association of the Company to comply with the laws, regulations, rules, the Listing Rules and other regulations when performing their duties as independent non-executive directors.

In the course of complying with the Opinion, the Listing Rules and the Articles of Association of the Company, the independent non-executive directors of the Company confirm that they understand their responsibilities and obligations as independent non-executive directors and will perform their duties accordingly. The independent non-executive directors further confirm that in discharging their responsibilities, they will arrange and manage their time effectively and will ensure that they will devote sufficient time to discharge their duties in view of their positions held in other companies and organizations.

In the event that any independent non-executive director is aware that he does not have sufficient time to discharge his duties, he will inform the Board of Directors promptly and make necessary arrangements to manage his duties as an independent non-executive director and his other obligations. The Board of Directors will from time to time review the performance of the independent non-executive directors and whether the independent non-executive directors have devoted enough time to fulfil their duties. In the event that the Board of Directors finds an independent non-executive director not devoting enough time, the Board of Directors will promptly inquire the independent non-executive director and try to assist the independent non-executive director in making necessary arrangements.

During the Track Record Period, the following persons have resigned as directors of the Company:

	Names	Reasons for resignation	Resignation Date
1.	Lu Zhifeng	Resigned due to rearrangement of working duties	August 2008
2.	Liu Wei	Resigned due to rearrangement of working duties	August 2008
3.	Zhang Baoqing	Resigned due to retirement	November 2009
4.	Yang Dadong	Resigned due to retirement	November 2009

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Lu Zhifeng no longer remained as our Group's employee subsequent to his resignation as director of the Company. After his resignation as director of our Company, Mr. Liu Wei became a deputy general manager of our Company in August 2008. Save as disclosed, the Directors confirm that there are no other matters which need to be drawn to the attention of the Shareholders and the Stock Exchange in connection with the resignation of the abovementioned persons as directors of our Company.

Our Directors who have overlapping roles in GAIG will continue to hold such roles after the Listing. Details of the roles and responsibilities of the Directors who have overlapping roles in GAIG and other companies are summarised in the following table:

	Director	Overlapping roles in GAIG	Roles in other companies
1.	**Zhang Fangyou**	chairman general manager	Denway (chairman) China Lounge (chairman) GAC Changfeng (chairman) Guangzhou Department Store Enterprises Group Co., Ltd. (廣州百貨企業集團有限公司) (independent director)
2.	**Zeng Qinghong**	vice chairman	Denway (vice chairman) GAMC (chairman) GAC Fiat (chairman) GAC Changfeng (director)
3.	**Yuan Zhongrong**	non-executive director	GAC Toyota (chairman) GAC Toyota Engine (deputy chairman) Tong Fang Global (deputy chairman) Shanghai Hino (deputy chairman) GAMC (director)
4.	**Fu Shoujie**	non-executive director	Denway (executive director) Guangqi Honda (chairman) GAMC (director) GAC Fiat (director) GAC Changfeng (director and general manager)
5.	**Liu Huilian**	non-executive director	
6.	**Wei Xiaoqin**	deputy party secretary	

Save as disclosed above, there are no other matters that need to be brought to the attention of the shareholders of the Company in connection with the appointment of our Directors and there is no other information relating to our Directors that should be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

Senior Management

The following table sets out certain information relating to our senior management.

Name	Age	Position	Date of Appointment as senior management
Zeng Qinghong	48	General manager	28 June 2005, re-appointed on 12 August 2008
Yuan Zhongrong	52	Deputy general manager	28 June 2005, re-appointed on 12 August 2008
Lu Sa	44	Company secretary, secretary of the Board	28 June 2005, re-appointed on 12 August 2008
Li Shao	47	Deputy general manager	27 March 2007, re-appointed on 12 August 2008
Huang Xiangdong	54	Deputy general manager	28 June 2005, re-appointed on 12 August 2008
Wang Dan	39	Chief Financial Officer	28 June 2005, re-appointed on 12 August 2008
Wu Song	47	Deputy general manager	27 March 2007, re-appointed on 12 August 2008
Jiang Ping	54	Deputy general manager	27 March 2007, re-appointed on 12 August 2008
Yao Yiming	52	Deputy general manager	23 June 2008, re-appointed on 12 August 2008
Feng Xinya	41	Deputy general manager	23 June 2008, re-appointed on 12 August 2008
Liu Wei	47	Deputy general manager	12 August 2008
Yan Zhuangli	41	Deputy general manager	12 August 2008

Zeng Qinghong, please refer to the section headed "Directors, supervisors, Senior Management and Employees — Directors" of this Listing Document.

Yuan Zhongrong, please refer to the section headed "Directors, supervisors, Senior Management and Employees —Directors" of this Listing Document.

Lu Sa, please refer to the section headed "Directors, supervisors, Senior Management and Employees — Directors" of this Listing Document.

Li Shao (李少), 47, is a deputy general manager of our Company. Mr. Li joined GAG in March 1998, and became the deputy general manager of our Company in 2007. Mr. Li is a director and executive deputy general manager of GAC Hino and he was also appointed as a director of Shanghai Hino in April 2010. Prior to this, Mr. Li has served as head of investment department and foreign economics, office director, assistant of general manager and deputy general manager of Guangzhou Automobile Group Co., Ltd. (廣州汽車集團有限公司) from March 1998 to February 1999, March 1999 to December 2000, June 2000 to May 2004 and from June 2004 to June 2005 respectively, party secretary and director of GAC Bus from January 2003 to July 2003, assistant of general manager and deputy general manager of GAIG from July 2001 to May 2004 June 2004 to April 2007 respectively, and director of GAC Toyota from September 2004 to December 2005. With the previous and current positions held by Mr. Li in our Group and in other companies in relation to the automobile industry, Mr. Li has obtained extensive experience in managing automobile manufacturing business which is relevant to the management, operation and development to our Group. Mr. Li graduated from South China University of Technology and obtained a bachelor degree in metal material and heat treatment in

July 1985 and he also obtained a degree of Master of Business Administration from the Open University of Hong Kong in December 2002.

Huang Xiangdong (黃向東), 54, is a deputy general manager of our Company. Mr. Huang joined GAIG in 2004, and became the deputy general manager of our Company in June 2005. Currently, Mr. Huang also serves as a director of GAC Toyota, 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. With his strong academic background and the previous and current positions held by Mr. Huang in our Group and in other companies and academic bodies in relation to the automobile industry, Mr. Huang has obtained extensive experience in managing automobile manufacturing business which is relevant to the management, operation and development to our Group. Mr. Huang obtained a bachelor 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), 39, is the chief financial officer of our Company. Ms. Wang joined GAG in March 1999, and became our Company's financial controller and manager of the finance department in 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 Guangzhou Automobile Group Co., Ltd., (廣州汽車集團有限公司) from March 1999 to March 2000. With the previous and current positions held by Ms. Wang in our Group and in other companies in relation to finance and accounting, Ms. Wang has obtained extensive experience in these areas which is relevant to the management, operation and development to our Group. Ms. Wang graduated from the Sun Yat-Sen University with a bachelor degree in July 1992 and the School of Management of Zhongshan University with an senior executive master degree in business administration in December 2005.

Wu Song (吳松), 47, is the deputy general manager of our Company. Mr. Wu first joined GAG in October 2003 and has served as the deputy general manager of our Company since 2007. Mr. Wu is now the director and general manager of GAMC and director of GAC Fiat. Prior to this, Mr. Wu served as director and general manager of Daye Steel Group Corporation (冶鋼集團有限公司) from December 1997 to October 2000, deputy managing director of Guangzhou Wuyang — Honda Company Limited (廣州五羊-本田有限公司) from May 2003 to October 2003, director of GAC Toyota from February 2004 to 2007 and director and deputy general manager of GAC Toyota Engine from February 2004 to April 2007. With the previous and current positions held by Mr. Wu in our Group and in other companies in relation to the automobile industry, Mr. Wu has obtained extensive experience in managing automobile manufacturing business which is relevant to the management, operation and development to our Group. 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 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), 54, is a deputy general manager of our Company. Mr. Jiang has served as the deputy general manager of our Company since April 2007. Mr. Jiang is now the chairman of GAC Commercial and GAC Bus and a director and deputy executive general manager of GAC Fiat. Prior to this, Mr. Jiang served as general manager of Guangzhou Peugeot Automobile Sales Company (廣州標致銷售公司) from February 1998 to August 2000, vice chairman and general manager of GAC Components from August 2000 to April 2001 and deputy general manager of Guangqi Honda from April 2001 to April 2007. With the previous and current positions held by Mr. Jiang in our Group and in other companies in relation to the automobile industry, Mr. Jiang has obtained extensive experience in managing automobile manufacturing business which is relevant to the management, operation and development to our Group. Mr. Jiang graduated from Hunan University with a bachelor degree in engineering in July 1982 and a master degree in engineering in December 1985.

Yao Yiming (姚一鳴), 52, is a deputy general manager of our Company. Mr. Yao joined our Group in 1996, and became the deputy general manager of our Company in July 2008. Mr. Yao is also a director of Denway and a director and executive deputy general manager of Guangqi Honda. Prior to this, Mr. Yao has served as a director and managing director of GAC Commercial from February 2002 to July 2008. With the previous and current positions held by Mr. Yao in our Group and in other companies in relation to the automobile industry, Mr. Yao has obtained extensive experience in managing automobile manufacturing business which is relevant to the management, operation and development to our Group. Mr. Yao graduated from Xinghai Conservatory of Music in management in July 1988 and Wuhan University with a master degree in information technology in December 1997.

Feng Xingya (馮興亞), 41, is a deputy general manager of our Company. Mr. Feng joined our Group in 2004, and became the deputy general manager of our Company in July 2008. Mr. Feng is also a director and executive deputy general manager of GAC Toyota. Prior to this, Mr. Feng served as a deputy managing director in Zhengzhou Nissan Automobile Company Limited (鄭州日產汽車有限公司) from June 1998 to December 2004. With the previous and current positions held by Mr. Feng in our Group and in other companies in relation to the automobile industry, Mr. Feng has obtained extensive experience in managing automobile manufacturing business which is relevant to the management, operation and development to our Group. Mr. Feng graduated from Xi'an Jiaotong University with a bachelor degree in engineering in July 1988 and a master degree in business administration in April 2001.

Liu Wei (劉偉), 47, is a deputy general manager of our Company. Mr. Liu joined our Group in June 2005, and became the deputy general manager of our Company in August 2008. 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. With his strong academic background and the previous and current positions held by Mr. Liu in our Group and in other companies in relation to the automobile industry, Mr. Liu has obtained extensive experience in managing automobile manufacturing business which is relevant to the management, operation and development to our Group. Mr. Liu graduated from Northeast Forestry University School of Mechanical Engineering with a bachelor 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.

Yan Zhuangli (嚴壯立), 41, is a deputy general manager of our Company. Mr. Yan joined our Group in 1999, and became the deputy general manager of our Company in August 2008. Mr. Yan is also the chairman of GAC Components and Guang'ai and a director of Guangqi Honda and GAC Hino. Prior to this, Mr. Yan had served as assistant to general manager and head of development department from April 2007 to August 2008 and head of foreign trade department, international cooperation department from June 2001 to December 2004, general manager of Guangzhou

Automobile Industrial Park Co., Ltd. (廣州廣汽產業發展有限公司) from December 2004 to March 2006 and party secretary of GAC Commercial from December 2006 to April 2007. With the previous and current positions held by Mr. Yan in the Group and in other companies in relation to the automobile industry, Mr. Yan has obtained extensive experience in managing automobile manufacturing business which is relevant to the management, operation and development to our Group. Mr. Yan graduated from Central South University of Technology (中南工業大學) (now known as Central South University (中南大學)) in July 1991, and obtained a master of business administration from College of Management National Sun Yat-Sen University (中山大學管理學院) in June 2003.

Supervisory Committee

Gao Fusheng (高符生), 53, is the chairman of the Supervisory Committee of our Company. She first joined our Company in March 1998 and became the chairman of the Supervisory Committee in August 2008. She is currently the chief accountant of GAIG. Prior to this, she served as head of the department of financial and auditing department of our Company and deputy general manager and financial controller of Denway. Ms. Gao graduated from Murdoch University, Australia with a master degree in Business Administration in March 2001.

Huang Zhiyong (黃志勇), 45, has been a supervisor of our Company since he first joined our Company in June 2005. Currently, Mr. Huang serves as the deputy general manager of Guangzhou Iron & Steel. He is also the chairman of Guangzhou JFE Steel Sheet Co., Ltd. (廣州JFE鋼板有限公司). Prior to this, Mr. Huang served as 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 degree 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), 48, has been a supervisor of our Company since she first joined our Company in August 2008. She is currently the deputy financial controller of Guangzhou Chime-Long Group Co., Ltd (廣州長隆集團有限公司). 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 IT department of Hotel Landmark Canton (廣州華廈大酒店), manager of the IT department, chief accountant and deputy financial controller of Ramada Pearl Hotel Guangzhou (廣州凱旋華美達大酒店), assistant financial controller of Holiday Inn City Centre Guangzhou (廣州文化假日酒店) and deputy financial controller and financial controller of Rosedale Hotel and Suites Guangzhou (廣州珀麗酒店). She graduated from Tsinghua University with a bachelor degree in computer engineering in July 1984.

Ye Ruiqi (葉瑞琦), 48, first joined our Company in November 1998 and became a supervisor in August 2008. He is currently the secretary to the disciplinary committee, the head of discipline and supervision department of our Company, Chairman of the supervisory committee of GAC Commercial and a supervisor of GAC Changfeng. Prior to this, Mr. Ye served as the head of company secretariat of factory director office of Guangzhou Heavy Machinery Plant (廣州重型機器廠), head of Guangzhou Municipal People's Government Auto Industry Office (廣州市人民政府汽車工業辦公室), deputy director of disciplinary office, deputy director of supervision office, head of discipline inspection department, head of human resources department and head of Party Committee of GAIG. Mr. Ye graduated from Party School of the Central Committee of C.P.C. with a master's degree in Public Administration in July 2003.

He Jinpei (**何錦培**), 46, first joined our Company in 2007 and became a supervisor of our Company in August 2008. He is currently the deputy chairman of labour union of our Company. Prior to this, he served as head of working unit of Party Committee, chairman of labour union and secretary to disciplinary committee of GAC Bus, and director of labour union office and head of human resources department of GAIG. Mr. He graduated from Guangzhou Workers Vocational College (廣州市職工業餘大學) with a college diploma in manufacturing of machinery in July 1990, and College of Administration and Management of Correspondence Institute of the Party School of C.C. of C.P.C. in December 2001.

Joint Company Secretaries

Lu Sa, please refer to the section headed "Directors, Supervisors, Senior Management and Employees — Directors" of this Listing Document.

Leung Chong Shun, 44, will be a joint company secretary of our Company from the Listing. Mr. Leung is a partner of Messrs. Woo, Kwan, Lee & Lo, the legal advisers to our Company as to Hong Kong law in relation to the Listing. Mr. Leung obtained the Bachelor Degree in Law in 1988 and the Postgraduate Certificate in Law in 1989 from the University of Hong Kong. Mr. Leung has been a partner of Messrs. Woo, Kwan, Lee & Lo for more than ten years.

Waiver from strict compliance with Rule 8.12 and Rule 19A.15 of the Listing Rules

According to Rules 8.12 and 19A.15 of the Listing Rules, an issuer must have sufficient management presence in Hong Kong and at least two of the issuer's executive directors must be ordinary residents in Hong Kong. Since our Company's headquarters and substantially all of our operations are in the PRC, we do not, and in the foreseeable future will not, have management presence in Hong Kong as required by the Listing Rules.

Accordingly, our Company has applied to the Stock Exchange and the Stock Exchange has granted our Company, a waiver from strict compliance with Rules 8.12 and 19A.15 of the Listing Rules. Our Company has the following arrangements to maintain effective communication between our Company and the Stock Exchange: (i) our Company's authorised representatives, Ms. Lu Sa and Mr. Li Tun will be readily contactable by the Stock Exchange and have means of contacting all our Directors promptly at all times and will be the principal communication channel between the Stock Exchange and our Company. Each Director will provide his mobile phone numbers, office phone numbers, email addresses and fax numbers to the authorised representatives and to the Stock Exchange and each Director will provide valid contact numbers or means of communication to the authorised representatives when he is travelling and out of office. Furthermore, Mr. Li Tun resides in Hong Kong and will be able to meet with the Stock Exchange within short notice to discuss matters in relation to our Company; (ii) our Directors who are not residents in Hong Kong will be able to apply valid travel documents to visit Hong Kong and meet with the Stock Exchange within a reasonable period of time; and (iii) our Company will retain a compliance adviser to act as a further channel of communication with the Stock Exchange for a period from the Listing Date to the date on which our Company has mailed the annual report to our Company's Shareholders for the first full financial year immediately after listing of the GAC H Shares in accordance with Rule 13.46 of the Listing Rules.

Waiver from strict compliance with Rule 8.17 and Rule 19A.16 of the Listing Rules

According to Rule 8.17 of the Listing Rules, the secretary of our Company must be a person who is ordinarily resident in Hong Kong and who has the requisite knowledge and experience to discharge the functions of a secretary of a listed company and who is (i) an ordinary member of The

Hong Kong Institute of Chartered Secretaries, a solicitor or barrister as defined in the Legal Practitioners Ordinance or a professional accountant; or (ii) an individual who, by virtue of his academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging those functions. Rule 19A.16 of the Listing Rules further provides that the secretary of a PRC issuer needs not be ordinarily resident in Hong Kong, provided that such person can meet other requirements under Rule 8.17 of the Listing Rules.

Ms. Lu Sa, the secretary of our Company, does not possess the specified qualifications required by Rule 8.17 of the Listing Rules. Ms. Lu, however, is capable of discharging the functions of the secretary of our Company on the basis of her experience with our Company and her qualifications. Our Company will further appoint Mr. Leung Chong Shun, a Hong Kong solicitor, who possesses the qualifications required by Rule 8.17 as a joint company secretary of the Company to assist Ms. Lu to discharge her duties as company secretary. Mr. Leung had briefed Ms. Lu on the Listing Rules and will constantly give Ms. Lu advice on matters relating to corporate governance and on the Hong Kong laws and the Listing Rules which are relevant to us and our other affairs on a request basis. Mr. Leung will also provide Ms. Lu with training on the latest changes to the applicable Hong Kong laws and regulations and the Listing Rules on a request basis after the Listing. Ms. Lu will also attend seminars organized by the Stock Exchange for PRC issuers from time to time.

Mr. Leung will be appointed as a joint company secretary of our Company and will assist Ms. Lu for an initial period of three years from the Listing and upon expiry of the three-year period, a further evaluation of the qualifications and experience of Ms. Lu and the need for on-going assistance would be made.

We have therefore applied to the Stock Exchange for, and have been granted, a waiver from strict compliance with the requirement for the company secretary of the Company to possess the qualifications required under Rules 8.17 and 19A.16 of the Listing Rules.

Strategy Committee

Our Company has established a strategy committee on 25 December 2007. The strategy committee comprises 6 members, namely, Wu Gaogui and Xiang Bing, who are our Company's independent non-executive Directors, and other directors namely Zhang Fangyou, Zeng Qinghong, Yuan Zhongrong and Fu Shoujie. The chairman of the strategy committee is Zhang Fangyou. The primary duties of the strategy committee are to conduct research regarding our long-term strategic planning (such as material investment financing proposal, capital operation and asset operation) and to make recommendations.

Audit Committee

Our Company has established an audit committee on 25 December 2007 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules. The audit committee comprises 3 members, namely, Law Yu Kwan, Xiang Bing and Ma Guohua, who are our Company's independent non-executive Directors. The chairman of the audit committee is Law Yu Kwan. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of our Company, nominate and monitor external auditors and provide advice and comments to our Company's Directors.

Nomination Committee

Our Company has established a nomination committee on 25 December 2007 with written terms of reference in compliance with the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules. The nomination committee comprises 3 members, namely Wu Gaogui and Li Zhengxi, who are our Company's independent non-executive Directors, and another director Wang Songlin. The chairman of the nomination committee is Wu Gaogui. The primary duties of the nomination committee are to review structure, size and composition of our Company's Board on a regular basis, and make recommendations to the Board regarding nomination of suitable candidates to fill vacancies on our Company's Board.

Remuneration Committee

Our Company has established a remuneration committee on 25 December 2007 with written terms of reference in compliance with the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules. The remuneration committee comprises 3 members, namely Li Zhengxi and Ma Guohua, who are our Company's independent non-executive Directors, and Li Pingyi, who is our Company's non-executive director. The chairman of the remuneration committee is Li Zhengxi. The primary duties of the remuneration committee are to evaluate the performance and determine the remuneration packages of our Company's Directors and senior management and evaluate and make recommendations on any other employee benefit arrangements.

Compensation of Directors, Supervisors and Senior Management

All Directors, Supervisors and senior management receive reimbursements from our Company for expenses which are necessarily and reasonably incurred for providing services to our Company or executing matters in relation to the operations of our Company. Except as otherwise disclosed in the Listing Document, the executive Directors, Supervisors and senior management, are also employees of our Company, and receive, in their capacity as employees of our Company, in the form of salaries, housing allowances, other allowances, benefits in kind and discretionary bonuses, including our Company's contribution to the pension scheme for its executive Directors, non-independent Supervisors and senior management in accordance with the relevant PRC law. The remuneration policies for Directors, Supervisors and senior management will remain the same after the Listing.

Details of remuneration of the Directors, Supervisors and senior management in office during the Track Record Period are as follows:

	Directors and Supervisors			Senior Management		
	For the year ended 31 December			For the year ended 31 December		
	2007	2008	2009	2007	2008	2009
	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000
— Salaries, housing allowances, other allowances and benefits-in-kind	3,195	3,053	4,935	3,341	2,996	5,682
— Bonuses	333	2,708	—	0	2,189	—
— Pension scheme costs	126	125	133	116	127	169
Total	3,654	5,886	5,068	3,457	5,312	5,851

No independent non-executive directors received any remuneration during the Track Record Period.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Save as disclosed above, no other payments have been paid or are payable, in respect of the three years ended 31 December 2009, by our Company or any of its subsidiaries to the Directors, Supervisors and senior management.

The aggregate remuneration for the Directors and Supervisors (only including those receiving emoluments from our Company) under the arrangement currently in force payable for the 12 months ended 31 December 2010 is estimated to be approximately RMB1,345,000 and RMB605,000 respectively. Both amounts exclude allowances and discretionary bonus which will be determined after the annual audit results of our Company for the year ended 31 December 2010 are released and after obtaining the approval from the Remuneration Committee.

At the Latest Practicable Date, Zhang Fangyou, Wei Xiaoqin and Gao Fusheng receive emoluments from GAIG and not from our Company. For details of such information, please refer to Note 36 to the section headed "Appendix I — Accountant Report" of this Listing Document. This practice will continue after the Listing. According to the Provisional Measures for the Administration of the Emoluments of the Managers of the Large-and-medium Sized State-owned Enterprises (廣州市國有大中型企業經營者薪酬管理暫行辦法) issued by Guangzhou SASAC on 7 April 2005, Zhang Fangyou, being the chairman of GAIG and our Company, Wei Xiaoqin, being the deputy party secretary of GAIG and our Company, and Gao Fusheng, being the chief accountant of GAIG and a supervisor of our Company, cannot receive emoluments from both the controlling large-and-medium sized state-owned enterprise and its subsidiaries. As such, it is against the policy of Guangzhou SASAC for Zhang Fangyou, Wei Xiaoqin and Gao Fusheng to receive emoluments from both the GAIG and our Company. For the years ended 31 December 2007, 2008 and 2009, Zhang Fangyou, Wei Xiaoqin and Gao Fusheng had collectively received an aggregate emolument of RMB2,843,118.29, RMB2,286,267.96 and RMB1,330,000 respectively. As Wei Xiaoqin only became the deputy party secretary of GAIG since January 2007 and Gao Fusheng only became the chief accountant of GAIG since June 2007, the aforesaid total emolument paid by GAIG for the year ended 31 December 2007 only included the remuneration of each of Wei Xiaoqin and Gao Fusheng as employee of GAIG since January 2007 and June 2007 respectively.

Liu Huilian, our Company's non-executive Director, is also appointed by GAIG, but since he is also the chairman of our labour union, he receives emoluments from our Company. Our Company will not share or reimburse GAIG for the emoluments paid to the above Directors.

Employees

As at 31 December 2009, GAC and its major subsidiaries and JCEs had a total of 25,830 full-time employees. An analysis by division as at 31 December 2009 is as follows:

Division	Employee	Percentage of Total %
Manufacturing	15,317	59.0
Engineering and Technology	2,839	11.0
Management	684	3.0
Marketing and Sales	1,296	5.0
Auditing	52	0.002
Information Technology	219	1.0
Others	5,423	21.0
Total	25,830	100

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

The remuneration package of our Group's employees includes salary, bonuses and allowances. In accordance with the relevant national and local labour and social welfare laws and regulations, each member of our Group is required to pay in respect of each of its relevant employees a monthly social insurance premium covering pension insurance, medical insurance, unemployment insurance, occupational injury insurance, insurance for maternity leave and housing provident fund. According to the currently applicable local regulations, the percentages of the pension insurance, medical insurance, unemployment insurance, occupational injury insurance, insurance for maternity leave and housing provident fund to be contributed by the relevant members of GAC are 20%, (12% for employees without a local household) 8%, 2%, 0.5%, 0.85% and 20% of their respective employees' average monthly salary of the earlier year, respectively.

The Directors confirm that our Group has complied with the relevant national and local labour and social welfare laws and regulations (including housing fund and medical benefits etc.), and that relevant contributions have been made by our Group in accordance with the aforesaid laws and regulations.

Pursuant to the injection of assets of Guangzhou Yue Long into GAC Bus, each of Guangzhou Yue Long and GAC Bus has terminated its employment contracts with 254 and 239 of its employees respectively and each of Guangzhou Yue Long and GAC Bus has paid a termination benefit of RMB19,723,400 and RMB22,460,000 to its respective terminated employees respectively. As a part of our internal reorganisation of our bus manufacturing entities, Yangcheng Auto also plans to transfer part of its employees to GAC Hino in due course and has terminated its employment contracts with 383 of its employees, who have received total termination benefit of RMB39,530,000. Our Company's PRC legal advisor confirms that the termination of employees by GAC Bus, Yangcheng Auto, Guangzhou Yue Long and Shenyang Hino Motors complies with the laws and regulations of the PRC. The implementation of the New Labour Contract Law in the PRC may increase our costs on employee benefits expense, but it does not have any material adverse effect on our business and operations.

Each of GAC Bus, Guangzhou Yue Long, Yangcheng Auto and Shenyang Hino Motors has fully paid the relevant termination benefits to their respective employees by the end of 2008 for employees terminated in 2008 and by the end of 2009 for employees terminated in 2009.

SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, the following persons (who are not Directors) will, immediately following the completion of the Introduction and the Privatisation, have beneficial interests or short positions in any GAC Shares or underlying GAC Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Shareholder	Number of GAC Domestic Shares directly or indirectly held after the Introduction and Privatisation	Approximate percentage of issued share capital (%)
GAIG	3,617,403,529	58.8382

Note: So far as the Directors are aware, Templeton Asset Management Limited held 1,162,841,027 Denway Shares representing approximately 15.47% of the issued share capital of Denway as at the Latest Practicable Date and may, immediately following the completion of the Introduction and the Privatisation, be interested in more than 5% of GAC Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO assuming that its shareholding in Denway remains unchanged.

None of our Directors or Supervisors is a legal or beneficial owner of any of the GAC Shares.

Save as disclosed herein, the Directors are not aware of any person who will, immediately following the completion of the Introduction, be directly or indirectly interested in 10% or more of our Company's share capital. The Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

SHARE CAPITAL

This section presents certain information regarding our Company's share capital following completion of the Introduction and the Privatisation.

Before Introduction

As of the Latest Practicable Date, our Company's registered share capital is RMB3,934,757,457 divided into 3,934,757,457 GAC Domestic Shares of nominal value of RMB1 each, all of which are held by GAIG (91.9346%), Wanxiang (3.9900%), CNMIC (3.6909%), Guangzhou Iron & Steel (0.2000%) and Guangzhou Chime-Long (0.1845%), respectively.

Upon Completion of Introduction and the Privatisation

Immediately after the completion of the Introduction and the Privatisation, the share capital of our Company will be RMB6,148,057,675 comprising 2,213,300,218 GAC H Shares and 3,934,757,457 GAC Domestic Shares, representing 36% and 64%, respectively, of the total share capital of our Company. Particulars of the share capital of our Company will be categorised as follows:

Shareholders	Nature	Number of GAC Shares	Approximate percentage of issued share capital %
GAIG	GAC Domestic Shares	3,617,403,529	58.8382
Wanxiang	GAC Domestic Shares	156,996,823	2.5536
CNMIC	GAC Domestic Shares	145,227,963	2.3622
Guangzhou Iron & Steel	GAC Domestic Shares	7,869,515	0.1280
Guangzhou Chime-Long	GAC Domestic Shares	7,259,627	0.1181
GAC H Shares issued and converted pursuant to the Introduction	GAC H Shares	2,213,300,218	36.0000
Total		6,148,057,675	100.0000

RANKING

GAC Domestic Shares and GAC H Shares are both ordinary shares in the share capital of our Company ranking *pari passu* with the same rights and benefits. GAC H Shares, however, may only be subscribed for by, and traded in Hong Kong dollars between, legal or natural persons of Hong Kong, Macau, Taiwan or any country or jurisdiction other than the PRC and qualified domestic institutional investors of China. GAC Domestic Shares, on the other hand, may only be subscribed for by, and traded between, legal or natural persons of the PRC or eligible foreign investors with the approval from CSRC and must be subscribed for and traded in Renminbi. All cash dividends in respect of the GAC H Shares are to be declared in Renminbi and paid by our Company in Hong Kong dollars whereas all cash dividends in respect of GAC Domestic Shares are to be paid by our Company in Renminbi.

TRANSFER OF THE DOMESTIC SHARES FOR LISTING AND TRADING ON THE HONG KONG STOCK EXCHANGE

According to the stipulations by the State Council securities regulatory authority and the Articles of Association, the holders of the GAC Domestic Shares may transfer the GAC Domestic Shares held by them to overseas investors, and such transferred shares may be listed or traded on an overseas stock exchange provided that the transfer and trading of such transferred shares shall have obtained the approval by the State Council securities regulatory authorities, including the CSRC. In addition, such transfer shall have completed any requisite internal approval process and complied with the regulations prescribed by the State Council securities regulatory authorities and the regulations, requirements and procedures prescribed by the relevant stock exchange. No approval by separate class meeting is required for the listing and trading of such transferred shares on an overseas stock exchange.

In this regard, if any holder of our Company's GAC Domestic Shares is to transfer its GAC Domestic Shares to overseas investors and for listing and trading on the Hong Kong Stock Exchange, such transfer and conversion will need to obtain the approval of the relevant PRC regulatory authorities, including the CSRC.

Based on the methodology and procedures for the transfer and conversion of the GAC Domestic Shares into GAC H Shares as disclosed below, our Company can apply for the listing of all or any portion of the GAC Domestic Shares on the Stock Exchange as GAC H Shares in advance of any proposed transfer to ensure that the transfer process can be completed promptly upon notice to the Stock Exchange and delivery of shares for entry on the H Share register. Any listing of additional H Shares after our Company's initial listing on the Stock Exchange is considered by the Stock Exchange to be a purely administrative matter. The relevant procedural requirements for the transfer and conversion of the GAC Domestic Shares to GAC H Shares are:

(1) The holder of GAC Domestic Shares is to obtain the requisite approval of CSRC or the authorised securities approval authorities of the State Council for the transfer of all or part of its GAC Domestic Shares into GAC H Shares.

(2) The holder of GAC Domestic Shares is to issue to our Company a removal request in respect of a specified number of the Shares attaching the relevant documents of title.

(3) Subject to obtaining the approval of the Board, our Company would then issue a notice to the GAC H Share registrar with instructions that, with effect from a specified date, the GAC H Share registrar of our Company is to issue the relevant holders with GAC H Share certificates for such specified number of GAC Shares.

(4) Such specified number of GAC Domestic Shares to be transferred to GAC H Shares are then re-registered on the GAC H Share register maintained in Hong Kong on the condition that:

    (a) the H Share registrar of our Company lodges with the Stock Exchange a letter confirming the proper entry of the relevant GAC H shares on the H Share register and the due despatch of GAC H share certificate; and

    (b) the admission of the GAC H Shares (converted from GAC Domestic Shares) to trade in Hong Kong will comply with the Listing Rules and the General Rules of CCASS and the CCASS Operational Procedures in force from time to time.

SHARE CAPITAL

(5) Upon completion of the transfer and conversion, the shareholding of the relevant holder of GAC Domestic Shares in the domestic share register of our Company will be reduced by such number of GAC Domestic Shares transferred and the number of GAC H Shares in the GAC H Share register will correspondingly be increased by the same number of GAC Shares.

(6) Our Company will comply with the Listing Rules to inform the shareholders of our Company and the public by way of an announcement of such fact not less than three days prior to the proposed effective date.

Upon completion of the Introduction and the Privatisation, GAIG will be subject to the following regulatory transfer restrictions:

- Under the PRC Company Law, GAC Shares which have been issued before our Company publicly issue GAC Shares are prevented from being transferred within one year from the date of listing on a stock exchange.
- Under the Listing Rules, GAIG as the Controlling Shareholder of our Company is prevented from, amongst others (i) disposing of or agreeing to dispose any of the GAC Shares for a period of six months from the date of listing on the Stock Exchange; and (ii) during a period of six months thereafter, disposing of or agreeing to dispose of any of the GAC Shares if, immediately after such disposition, they would respectively cease to be the Controlling Shareholder.

FUTURE PLANS AND PROSPECTS

During the Track Record Period, we have successfully diversified our product portfolio, expanded our business scope and extended our cooperation with international automobile manufacturers as well as established strong R&D force and developed proprietary brand vehicles.

Upon completion of the Privatisation and Introduction, we will leverage on the listing platform to access the international capital market and further strengthen our passenger vehicle businesses as well as our other businesses to maximise the long term return of the GAC Shareholders. With our strengthened financial capacity and the favourable business environment to Chinese domestic automobile manufacturers, we plan to enhance our production capacity and product portfolio through organic growth and acquisitions so as to increase our market shares and enhance our brand recognition in domestic and international markets.

With an aim to grow into a predominant and respectful international enterprise and a leading automobile manufacturer in the world, we are committed to improve our operation efficiency, strengthen our R&D capacity and enhance our brand awareness. We will continue and deepen our cooperation with international automobile manufacturers as well as focus on independent innovation. We plan to intensify our efforts in reinforcing our internal R&D team and increasing investment in order to develop our core proprietary technologies.

Further details of our future business strategies are set out in the section headed “Business — Business Strategies” of this Listing Document.

The following is the text of a report, prepared for the purpose of incorporation in this Listing Document, received from the reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong. It is prepared and addressed to Directors of the Company and to the Joint Sponsors pursuant to the requirements of Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants.

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22nd Floor, Prince's Building
Central, HongKong

18 June 2010

The Directors
Guangzhou Automobile Group Co., Ltd.

J.P. Morgan Securities (Asia Pacific) Limited
Morgan Stanley Asia Limited
China International Capital Corporation Hong Kong Securities Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") of Guangzhou Automobile Group Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") set out in Sections I to III below, for inclusion in the listing document of the Company dated 18 June 2010 (the "Listing Document") in connection with the introduction of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited. The Financial Information comprises the consolidated and company balance sheets as at 31 December 2007, 2008 and 2009, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements for each of the years ended 31 December 2007, 2008 and 2009 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory notes.

The Company was established in the People's Republic of China (the "PRC") on 6 June 1997 as a state owned limited liability company. On 28 June 2005, the Company was converted into a joint stock limited liability company.

As at the date of this report, the Company has direct and indirect interests in the subsidiaries, jointly-controlled entities and associates as set out in Note 5 of Section II below. All of these companies are private companies except for Denway Motors Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited and GAC Changfeng Motors Co., Ltd., a company listed on the Shanghai Stock Exchange of China. The Company and all of its subsidiaries, jointly-controlled entities and associates have adopted 31 December as their financial year end dates.

Details of the financial statements of the companies comprising the Group that are subject to statutory audit and the names of the respective auditors are set out in Note 5 of Section II below.

For the purpose of this report, the directors of the Company have prepared consolidated financial statements of the Company for the Relevant Periods, in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") (the "Underlying Financial Statements"). We have audited the Underlying Financial Statements for each of the years ended 31 December 2007, 2008 and 2009 in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information has been prepared based on the Underlying Financial Statements, with no adjustment made thereon.

Directors' responsibility

The directors of the Company are responsible for the preparation and the true and fair presentation of the Underlying Financial Statements in accordance with HKFRSs issued by the HKICPA.

The directors of the Company are responsible for the preparation and the true and fair presentation of the Financial Information in accordance with HKFRSs issued by the HKICPA. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the Financial Information that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Reporting accountant's responsibility

Our responsibility is to express an opinion on the Financial Information based on our examination and to report our opinion to you. We examined the Underlying Financial Statements for the Relevant Periods used in preparing the Financial Information, and carried out such additional procedures as we considered necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

Opinion

In our opinion, the Financial Information, for the purpose of this report, gives a true and fair view of the state of affairs of the Company as at 31 December 2007, 2008 and 2009 and of the state of affairs of the Group as at 31 December 2007, 2008 and 2009 and of the Group's results and cash flows for the Relevant Periods.

I. FINANCIAL INFORMATION

1. CONSOLIDATED BALANCE SHEETS

	Note	As at 31 December 2007	2008	2009
		RMB'000	RMB'000	RMB'000
ASSETS				
Non-current assets				
Property, plant and equipment	7	5,832,126	7,253,618	8,337,630
Land use rights	8	365,235	799,949	978,579
Investment properties	9	84,062	84,665	57,608
Intangible assets	10	217,261	517,825	964,701
Investment in associates	13	3,112,945	3,292,709	4,644,787
Deferred income tax assets	15	232,916	223,269	266,719
		9,844,545	12,172,035	15,250,024
Current assets				
Inventories	16	1,294,217	1,658,093	2,242,402
Trade and other receivables	17	2,296,835	2,219,522	1,665,908
Time deposits	18	5,796,570	8,422,013	12,808,717
Restricted cash	19	61,426	58,802	328,171
Cash and cash equivalents	20	7,457,007	5,540,239	11,332,940
		16,906,055	17,898,669	28,378,138
Total assets		26,750,600	30,070,704	43,628,162
EQUITY				
Share capital	21	3,499,666	3,499,666	3,934,757
Other reserves	22	590,827	662,521	814,186
Retained earnings	22	5,747,086	7,246,463	8,310,798
Owners' equity		9,837,579	11,408,650	13,059,741
Minority interests		6,764,662	7,421,358	8,401,607
Total equity		16,602,241	18,830,008	21,461,348
LIABILITIES				
Non-current liabilities				
Trade and other payables	26	—	—	55,760
Borrowings	23	1,325,174	1,292,189	7,649,398
Deferred income tax liabilities	15	964	1,383	10,131
Provisions	24	54,312	108,091	201,542
Government grants	25	—	182,862	279,846
		1,380,450	1,584,525	8,196,677
Current liabilities				
Trade and other payables	26	7,646,006	8,037,850	12,492,887
Current income tax liabilities		16,958	38,039	228,963
Borrowings	23	966,659	1,454,148	1,070,369
Provisions	24	138,286	126,134	177,918
		8,767,909	9,656,171	13,970,137
Total liabilities		10,148,359	11,240,696	22,166,814
Total equity and liabilities		26,750,600	30,070,704	43,628,162
Net current assets		8,138,146	8,242,498	14,408,001
Total assets less current liabilities		17,982,691	20,414,533	29,658,025

2. COMPANY BALANCE SHEETS

	Note	As at 31 December 2007	2008	2009
		RMB'000	RMB'000	RMB'000
ASSETS				
Non-current assets				
Property, plant and equipment	7	17,112	40,893	66,154
Intangible assets	10	5,453	294,104	557,197
Investment in subsidiaries	11	986,457	1,507,126	2,207,004
Investment in jointly-controlled entities	12	764,954	1,558,023	2,254,537
Investment in associates	13	692,208	695,208	1,753,080
		2,466,184	4,095,354	6,837,972
Current assets				
Inventories	16	—	1,994	7,176
Trade and other receivables	17	164,524	191,662	619,069
Time deposits	18	—	500,000	400,000
Cash and cash equivalents	20	300,095	98,935	4,215,575
		464,619	792,591	5,241,820
Total assets		2,930,803	4,887,945	12,079,792
EQUITY				
Share capital	21	3,499,666	3,499,666	3,934,757
Other reserves	22	(1,073,315)	(1,005,878)	(854,213)
(Accumulated losses)/retained earnings	22	(426,641)	1,289,335	1,083,098
Total equity		1,999,710	3,783,123	4,163,642
LIABILITIES				
Non-current liabilities				
Trade and other payables	26	—	—	55,760
Borrowings	23	791,598	792,229	7,410,212
Government grants	25	—	—	109,846
		791,598	792,229	7,575,818
Current liabilities				
Trade and other payables	26	139,495	112,593	340,332
Borrowings	23	—	200,000	—
		139,495	312,593	340,332
Total liabilities		931,093	1,104,822	7,916,150
Total equity and liabilities		2,930,803	4,887,945	12,079,792
Net current assets		325,124	479,998	4,901,488
Total assets less current liabilities		2,791,308	4,575,352	11,739,460

3. CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Year ended 31 December 2007	2008	2009
		RMB'000	RMB'000	RMB'000
Revenue		42,406,679	43,769,713	50,253,552
Cost of sales	27	(35,276,972)	(36,446,193)	(41,917,779)
Gross profit		7,129,707	7,323,520	8,335,773
Selling and distribution costs	27	(1,420,416)	(2,157,725)	(2,142,898)
Administrative expenses	27	(1,677,354)	(2,255,913)	(2,544,169)
Interest income	32	232,000	345,000	350,200
Other losses — net	29	(28,877)	(6,245)	(428,954)
Operating profit		4,235,060	3,248,637	3,569,952
Finance costs	30	(151,565)	(219,165)	(344,421)
Interest income	32	31,219	30,954	38,845
Share of profit of associates	13(a)	838,196	515,253	715,674
Impairment loss on goodwill	10(c)	—	(115,902)	—
Profit before income tax		4,952,910	3,459,777	3,980,050
Income tax expense	31	(138,403)	(601,868)	(724,010)
Profit for the year		4,814,507	2,857,909	3,256,040
Other comprehensive income for the year, net of tax		172	—	—
Total comprehensive income for the year		4,814,679	2,857,909	3,256,040
Profit attributable to:				
Equity holders of the Company		3,436,785	1,566,814	2,031,800
Minority interests		1,377,722	1,291,095	1,224,240
		4,814,507	2,857,909	3,256,040
Total comprehensive income attributable to:				
Equity holders of the Company		3,437,055	1,566,814	2,031,800
Minority interests		1,377,624	1,291,095	1,224,240
		4,814,679	2,857,909	3,256,040
Earnings per share attributable to the equity holders of the Company (expressed in RMB per share)				
— basic and diluted	34	0.9820	0.4477	0.5413
Dividends	35	—	—	815,800

4. CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Company					
	Share capital	Other reserves	Retained earnings	Total	Minority interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance as at 1 January 2007	3,499,666	350,884	2,549,974	6,400,524	5,807,872	12,208,396
Profit for the year	—	—	3,436,785	3,436,785	1,377,722	4,814,507
Other comprehensive income	—	270	—	270	(98)	172
Total comprehensive income	—	270	3,436,785	3,437,055	1,377,624	4,814,679
Contribution from minority shareholders of subsidiaries	—	—	—	—	82,520	82,520
Appropriation to reserve fund	—	239,673	(239,673)	—	—	—
Dividend declared by subsidiaries	—	—	—	—	(503,204)	(503,204)
Disposals of subsidiaries	—	—	—	—	(150)	(150)
	—	239,943	3,197,112	3,437,055	956,790	4,393,845
Balance as at 31 December 2007	3,499,666	590,827	5,747,086	9,837,579	6,764,662	16,602,241
Profit for the year and total comprehensive income	—	—	1,566,814	1,566,814	1,291,095	2,857,909
Contribution from minority shareholders of subsidiaries	—	—	—	—	47,126	47,126
Appropriation to reserve fund	—	67,437	(67,437)	—	—	—
Dividend declared by subsidiaries	—	—	—	—	(655,959)	(655,959)
Acquisition of additional interest in subsidiaries from minority shareholders	—	—	—	—	(21,309)	(21,309)
Others	—	4,257	—	4,257	(4,257)	—
	—	71,694	1,499,377	1,571,071	656,696	2,227,767
Balance as at 31 December 2008	3,499,666	662,521	7,246,463	11,408,650	7,421,358	18,830,008
Profit for the year and total comprehensive income	—	—	2,031,800	2,031,800	1,224,240	3,256,040
Contribution from shareholders of the Company and minority shareholders of subsidiaries	435,091	—	—	435,091	9,000	444,091
Appropriation to reserve fund	—	151,665	(151,665)	—	—	—
Dividend declared by the Company and subsidiaries	—	—	(815,800)	(815,800)	(252,991)	(1,068,791)
Balance as at 31 December 2009	3,934,757	814,186	8,310,798	13,059,741	8,401,607	21,461,348

5. CONSOLIDATED CASH FLOW STATEMENTS

	Note	Year ended 31 December 2007	2008	2009
		RMB'000	RMB'000	RMB'000
Cash flows from operating activities				
Cash generated from operations	37	4,672,059	3,603,197	8,700,502
Interest received		263,219	381,490	397,407
Interest paid		(151,695)	(172,089)	(173,439)
Income tax paid		(411,201)	(570,722)	(567,788)
Net cash generated from operating activities		4,372,382	3,241,876	8,356,682
Cash flows from investing activities				
Purchases of property, plant and equipment, land use rights, investment properties and intangible assets		(1,163,868)	(2,678,579)	(3,206,278)
Proceeds from sales of property, plant and equipment and land use rights	37	55,567	114,022	406,928
Additional capital injection in associates and purchase of additional interest in subsidiaries		(90,555)	(154,245)	(18,682)
Acquisition of jointly-controlled entities		—	—	(73,042)
Acquisition of associates		—	—	(1,057,872)
Disposal of subsidiaries		—	—	(10,141)
Proceeds from disposal of interests in associates		12,449	—	1,781
Issue of entrusted loans		(200,000)	(182,817)	(260,000)
Proceeds from repayment of entrusted loan		180,000	105,000	127,817
(Deposit)/refund of deposit for prepayment of investment		(194,523)	194,523	—
Receipt of government grant		—	—	280,500
Dividends received		158,222	434,658	459,807
Decrease/(increase) of time deposits		1,885,396	(2,625,443)	(4,386,704)
Decrease/(increase) of restricted cash		36,715	2,624	(269,369)
Net cash generated from/(used in) investing activities		679,403	(4,790,257)	(8,005,255)
Cash flows from financing activities				
Contribution from shareholders of the Company and minority shareholders of subsidiaries		82,520	47,126	444,091
Distribution to shareholders of the Company and minority shareholders of subsidiaries		(650,717)	(737,177)	(1,072,984)
Proceeds from borrowings		2,770,943	2,324,566	8,768,385
Repayments of borrowings		(2,636,876)	(1,983,946)	(2,697,605)
Net cash (used in)/generated from financing activities		(434,130)	(349,431)	5,441,887
Net increase/(decrease) in cash and cash equivalents		4,617,655	(1,897,812)	5,793,314
Cash and cash equivalents at beginning of the year		2,843,285	7,457,007	5,540,239
Exchange losses on cash and cash equivalents		(3,933)	(18,956)	(613)
Cash and cash equivalents at end of the year		7,457,007	5,540,239	11,332,940

II. NOTES TO THE FINANCIAL INFORMATION

1. PRINCIPAL ACTIVITIES AND GROUP REORGANISATION

1.1 General information

The Group is principally engaged in the manufacturing and sales of passenger vehicles, commercial vehicles, engines and auto parts.

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

1.2 Group reorganisation

The Company was established in June 1997 as a limited liability company in the PRC under the name of Guangzhou Automobile Group Co. Ltd. (廣州汽車集團有限公司). Its former sole shareholder was Guangzhou Automobile Industry Group Co. Ltd., ("GAIGC", 廣州汽車工業集團有限公司), a company also established in the PRC and ultimately owned and controlled by Guangzhou State-owned Asset Administration Commission (廣州市國有資產監督管理委員會).

In 2005, the Group underwent the following transactions to convert itself into a joint stock limited liability company:

(i) In May 2005, GAIGC transferred an aggregate of 8.07% equity interest in the Company to four new shareholders, all being companies incorporated in the PRC at an aggregate consideration of RMB 437,042,000. Since then, GAIGC holds 91.93% equity interest in the Company.

(ii) In June 2005, the Company was converted into a joint stock limited liability company by issuance of an aggregate of 3,499,666,000 shares at RMB 1 each to GAIGC and the other shareholders in lieu of their original equity interests in the limited liability company. The Company's name was changed to the present one.

2. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Financial Information are set out below. These policies have been consistently applied to the Relevant Periods. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and the Hong Kong Companies Ordinance.

2.1 Basis of preparation of Financial Information

The Financial Information has been prepared in accordance with HKFRS under the historical cost convention.

The preparation of the Financial Information 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 Financial Information are disclosed in Note 4 of this section.

2.2 Application of new and revised accounting standards

The following standards, amendments to existing standards and interpretations, which are relevant to the Group, have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2010 or later periods, but the Group has not early adopted them.

HKAS 27 (Revised), 'Consolidated and separate financial statements' (effective from 1 July 2009). The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value and a gain or loss is recognised in profit or loss. The Group will apply HKAS 27 (Revised) prospectively to transactions with non-controlling interests from 1 January 2010.

HKFRS 1 (Amendment), 'First time adoption of HKFRS' and HKAS 27 'Consolidated and separate financial statements' (effective from 1 July 2009). The amended standard allows first-time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly-controlled entities and associates in the separate financial statements. The amendment also removes the definition of the cost method from HKAS 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor. The Group will apply HKAS 27 (Amendment) prospectively from 1 January 2010 in its separate financial statements. This amendment is not relevant to the Group.

HKFRS 3 (Revised), 'Business combinations' (effective from 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the consolidated statements of comprehensive income. There is a choice on an acquisition by acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply HKFRS 3 (Revised) prospectively to all business combinations from 1 January 2010.

HKFRS 5 (Amendment), 'Non-current assets held for sale and discontinued operations' (and consequential amendment to HKFRS 1, 'First-time adoption') (effective from 1 July 2009). The amendment clarifies that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control, and relevant disclosure should be made for this subsidiary if the definition of a discontinued operation is met. A consequential amendment to HKFRS 1 states that these amendments are applied prospectively from the date of transition to HKFRSs. The Group will apply HKFRS 5 (Amendment) prospectively to all partial disposals of subsidiaries from 1 January 2010.

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

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

In May 2009, HKICPA has published certain other improvements to the HKFRS which will be effective for accounting period beginning on or after 1 January 2010. These improvements have not been early adopted by the Group. Amendments have been made to the following standards according to the improvement:

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

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

2.3 Summary of significant accounting policies

Consolidation

(a) Subsidiaries

Subsidiaries are all 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 or the Group has de facto control over it. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. When assessing whether the Group has de facto control over another entity, the Group will consider:

- the right to appoint and nominate the board members;
- the intention of the Group to further reduce or increase its shareholding in the entity;
- the dispersed passive shareholders and their action and participation in shareholders' meetings; and
- the historic shareholder activism in the past shareholders' meetings.

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.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated statements of comprehensive income.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheets, investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(b) Transactions with minority interests

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests resulting in gains and losses for the Group are recorded in the consolidated statements of comprehensive income. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

(c) 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 and are initially recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognised in the consolidated statements of comprehensive income, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against 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 obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also 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 in associates are recognised in the consolidated statements of comprehensive income.

In the Company's balance sheets, investments in associates are stated at cost less provision for impairment losses. The results of associates are accounted for by the Company on the basis of dividend received and receivable.

(d) 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.

The Group's interests in jointly-controlled entities are accounted for by proportionate consolidation. The Group combines its share of the jointly-controlled entities' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the Group's Financial Information. The Group recognises the portion of gains or losses on the sale of assets by the Group to the jointly-controlled entities that it is attributable to the other venturers. The Group does not recognise its share of profits or losses from the jointly-controlled entities that result from the Group's purchase of assets from the jointly-controlled entities until it resells the assets to an independent party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets, or an impairment loss.

In the Company's balance sheets, investments in jointly-controlled entities are stated at cost less provision for impairment losses. The results of jointly-controlled entities are accounted for by the Company on the basis of dividend received and receivable.

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 Board of Directors ("BOD") of the Company.

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 Financial Information is 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. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statements of comprehensive income.

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

(c) Group companies

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

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement 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 dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, are taken to owners' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the consolidated statements of comprehensive income as part of the gain or loss on sale.

Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. 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 in the consolidated statements of comprehensive income during the financial period in which they are incurred.

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

	Useful lives	Residual rate
— Buildings	8-50 years	0%-10%
— Machinery	5-22 years	0%-10%
— Vehicles and vessels	5-15 years	0%-10%
— Mould	5-10 years	0%-10%
— Other equipment	3-19 years	0%-10%
— Leasehold improvement	2-20 years	0%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

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 losses — net" in the consolidated statements of comprehensive income.

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.

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.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

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.

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%.

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 statements of comprehensive income during the financial period in which they are incurred.

Land use rights

Land use rights represent upfront payments made for the use of land use rights and is amortised over the unexpired terms of the lease on a straight-line basis. Amortisation of land use rights are expensed in the consolidated statements of comprehensive income.

Intangible assets (other than goodwill)

(a) Patent and proprietary technology

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

(b) 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.

(c) Research and development costs

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

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

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary, jointly-controlled entity and associate at the date of acquisition. Goodwill on acquisitions of subsidiaries and jointly-controlled entities is included in intangible assets. Goodwill on acquisitions of associates is included in investment in associates and is tested for impairment as part of the overall balance. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Where the initial accounting for a business combination can be determined only provisionally by the end of the period in which the combination is effected because either the fair values to be assigned to the acquiree's identifiable assets, liabilities or contingent liabilities or the cost of the combination can be determined only provisionally, the Company will account for the combination using those provisional values. The Company will recognise any adjustments to those provisional values as a result of completing the initial accounting within twelve months of the acquisition date and from the acquisition date.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

Impairment of investment in subsidiaries, jointly-controlled entities, associates and non-financial assets

Assets that have an indefinite useful life or are not yet available for use are not subject to amortisation and are tested annually for impairment or are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. 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).

Financial assets

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. The classification depends on the purpose for which the financial assets were acquired. Management determine 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.

(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 maturities greater than 12 months after the balance sheet date. 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 sheets.

(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 management intends to dispose of the investment within 12 months from the balance sheet date.

(d) Held-to-maturity financial assets

Held-to-maturity financial assets 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 financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the balance sheet date; which are classified as current assets.

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 statements 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 are carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the consolidated statements of comprehensive income within "other losses — 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 statements of comprehensive income as part of other income when the Group's right to receive payments is established.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in profit or loss; translation differences on non-monetary securities are recognised in equity. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in equity.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated statements of comprehensive income as 'gains and losses from investment securities'.

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

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group established fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets in impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. 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 the consolidated statements of comprehensive income. Impairment losses recognised in the consolidated statements of comprehensive income on available-for-sale equity instruments are not reversed through the consolidated statements of comprehensive income.

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.

Trade and other receivables

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. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated statements of comprehensive income within "administrative expenses". When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against "administrative expenses" in the consolidated statements of comprehensive income.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and deposits held at call with banks.

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.

Trade payables

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

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statements 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 balance sheet date.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending for their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

Current and deferred income tax

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

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, jointly-controlled entities and associates 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 and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Information. However, the deferred income tax, if it is not accounted for, 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 to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, jointly-controlled entities and associates, except 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.

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.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources embodying economic benefits will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in "finance costs" in the consolidated statements of comprehensive income.

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.

Revenue recognition

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

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

(a) Sales of products

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

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

(b) Rendering of service

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

(c) Interest income

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

(d) Rental income

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

(e) Dividend income

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

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 statements 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 sheets. 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.

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 statements 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 statements of comprehensive income on a straight-line basis over the expected lives of the related assets.

Dividend distribution

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

Financial guarantee liabilities

Financial guarantee liabilities are recognised initially at fair value plus transaction costs that are directly attributable to the issue of the financial guarantee contract. After the initial recognition, such contracts are measured at higher of the present value of the best estimate of the expenditure required to settle the present obligation and the amount initially recognised less cumulative amortisation.

3. FINANCIAL RISK MANAGEMENT

Financial risk factors

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

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

(a) Market risk

(i) Foreign exchange risk

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

As at 31 December 2007, 2008 and 2009, if RMB had strengthened/weakened by 5% against USD, HKD, JPY with all other variables held constant, post-tax profit for the year ended 31 December 2007, 2008 and 2009 would have been approximately RMB 22,146,000 lower/higher, RMB 24,000,000 lower/higher and RMB 8,223,000 lower/higher respectively, mainly as a result of foreign exchange gains/losses on translation of USD, HKD and JPY-denominated trade and other receivables, time deposit, cash and cash equivalents, trade and other payables and borrowings.

(ii) Cash flow and fair value interest rate risk

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

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

During the Relevant Periods, the Group's borrowings at variable rates were denominated in USD, HKD and JPY. As at 31 December 2007, 2008 and 2009, if interest rates on bank borrowings had been 100 basis point higher/lower respectively with all other variables held constant, post-tax profit for the year ended 31 December 2007, 2008 and 2009 would have been RMB 9,218,000, RMB 10,055,820 and RMB 5,606,000 lower/higher respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

As at 31 December 2007, 2008 and 2009, approximately RMB 1,380,386,000, RMB 1,528,982,000 and RMB 8,031,633,000 of the Group's borrowings respectively bore interests at fixed rates. The interest rates and terms of repayment of the Group's borrowings are disclosed in Note 23.

During the Relevant Periods, 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 Financial Information represent the Group's maximum exposure to credit risk in relation to its financial risk.

As at 31 December 2007, 2008 and 2009, most of the time deposits, restricted cash and bank balances 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.

(c) Liquidity risk

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

Management monitors the Group's undrawn borrowing facilities (Note 23), time deposits (Note 18) and cash and cash equivalents (Note 20) 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 to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

The Group

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2007				
Borrowings	1,071,476	91,338	788,666	885,151
Trade and other payables (exclude advances from customers)	6,925,990	—	—	—
At 31 December 2008				
Borrowings	1,592,748	432,208	470,106	742,501
Trade and other payables (exclude advances from customers)	7,365,922	—	—	—
At 31 December 2009				
Borrowings	1,426,176	316,647	7,827,757	706,381
Trade and other payables (exclude advances from customers and government grants)	10,604,079	20,100	40,200	—

The Company

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2007				
Borrowings	43,320	43,320	329,447	778,621
Trade and other payables	139,495	—	—	—
At 31 December 2008				
Borrowings	243,504	43,320	322,247	742,501
Trade and other payables	112,593	—	—	—
At 31 December 2009				
Borrowings	284,480	284,480	7,585,915	706,381
Trade and other payables	285,148	20,100	40,200	—

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 sheets. Total capital is calculated as equity attributable to the equity holders of the Company, as shown in the consolidated balance sheets, plus total borrowings.

The gearing ratios as at 31 December 2007, 2008 and 2009 were as follows:

	As at 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Total borrowings (Note 23)	2,291,833	2,746,337	8,719,767
Total equity attributable to the equity holders of the Company	9,837,579	11,408,650	13,059,741
Total capital	12,129,412	14,154,987	21,779,508
Gearing ratio	19%	19%	40%

Fair value estimation

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 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.

4. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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 discussed below.

(a) De facto control over Denway Motors Limited ("Denway")

The Company's directors and the Group's management are of the view that the Group has the power to govern the financial and operating policies of Denway and therefore treated Denway as a subsidiary although it has held less than 50% of its equity interest during the Relevant Periods, after consideration of (1) the Company has been the single largest shareholder of Denway; (2) the shareholding in Denway was dispersed and the other top ten shareholders held less than 14% and the 32% equity interests individually or in aggregate: (3) the participation of the other shareholders at the shareholders' meetings has been relatively low and passive; and (4) all directors of Denway were nominated by the Company and all executive directors of Denway are Directors and senior management of the Company.

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

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

(c) Current and deferred income taxes

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

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

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

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

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

(e) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated above. The recoverable amounts of cash-generated units have been determined based on value-in-use calculations. These calculations require the use of estimates (See note 10).

(f) Warranty provisions

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

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

Particulars of principal subsidiaries, jointly-controlled entities and associates are as follows:

Name of company	Place and date of establishment and operations	Paid-up/registered capital as at 31 December 2009		Percentage of equity interests attributable to the Company as at 31 December 2007	2008	2009	Principal activities
Subsidiaries							
China Lounge Investments Limited 中隆投資有限公司(3)(i)	Hong Kong 27 August 1992	HK$10,000,000	Direct: Indirect:	100.0 —	100.0 —	100.0 —	Investment holding
Guangzhou Denway Enterprises Development Co., Ltd. 廣州駿威企業發展有限公司(2)(3)(ii)	PRC 27 November 1992	US$87,272,700	Direct: Indirect:	— 37.9	— 37.9	— 37.9	Investment holding
Guangzhou Auto Group Corporation 廣州汽車集團公司(2)(3)(ii)	PRC 17 December 1988	RMB468,200,000	Direct: Indirect:	— 37.9	— 37.9	— 37.9	Investment holding
Guangzhou Yue Long Bus Co., Ltd. (Originally Guangzhou Isuzu Bus Co., Ltd.) 廣州粵隆客車有限公司(原廣州五十鈴客車有限公司)(3)(ii)	PRC 1 February 2000	RMB529,682,898	Direct: Indirect:	51.0 —	100.0 —	100.0 —	Manufacture and sale of automobiles
Guangzhou Automobile Group Autobus Co., Ltd. (Originally Guangzhou Denway Bus Co., Ltd.) 廣州汽車集團客車有限公司(原廣州駿威客車有限公司)(3)(ii)	PRC 18 January 1993	US$49,900,000	Direct: Indirect:	50.0 50.0	50.0 50.0	50.0 50.0	Manufacture and sale of automobiles
Guangzhou Automobile Group Business Co., Ltd. 廣州汽車集團商貿有限公司(3)(ii)	PRC 21 June 2000	RMB611,000,000	Direct: Indirect:	95.0 —	100.0 —	100.0 —	Trading of automobiles, automotive parts and steel
Guangqi Honda Automobile First Sales Co., Ltd. 廣州本田汽車第一銷售有限公司(2)(3)(ii)	PRC 3 November 1998	RMB18,000,000	Direct: Indirect:	— 65.9	— 68.3	— 68.3	Trading of automobiles, automotive parts and provision of after-sales service
Guangzhou Changrun Auto Sales Co., Ltd. 廣州長潤汽車銷售有限公司(3)(ii)	PRC 2 November 2005	RMB15,000,000	Direct: Indirect:	— 95.0	— 100.0	— 100.0	Trading of automobiles, automotive parts and provision of after-sales service
Guangzhou Automobile industrial Park Co., Ltd. 廣州廣汽產業發展有限公司(3)(ii)	PRC 28 October 2004	RMB200,000,000	Direct: Indirect:	— 99.0	— 100.0	— 100.0	Investment consultation and service
Guangzhou Automobile Group Component Co., Ltd. 廣州汽車集團零部件有限公司(3)(ii)	PRC 29 August 2000	RMB185,680,000	Direct: Indirect:	51.0 18.6	51.0 18.6	51.0 18.6	Manufacture and sale of automotive parts
Guangzhou Hua De Automobile Spring Co., Ltd. 廣州華德汽車彈簧有限公司(3)(ii)	PRC 27 December 1993	US$7,061,224	Direct: Indirect:	— 54.1	— 54.1	— 54.1	Manufacture and sale of automotive parts
Denway Motors Limited 駿威汽車有限公司(1)(3)(iii)	Hong Kong 22 February 1993	HK$751,869,853	Direct: Indirect:	— 37.9	— 37.9	— 37.9	Investment holding
Classic Tech Development Limited 雅迪發展有限公司(2)(3)(iii)	Hong Kong 20 April 1993	HK$ 35,010,000	Direct: Indirect:	— 24.1	— 24.1	— 24.1	Sale of audio equipment and property investment

Name of company	Place and date of establishment and operations	Paid-up/registered capital as at 31 December 2009		Percentage of equity interests attributable to the Company as at 31 December 2007	2008	2009	Principal activities
Urt-Art Precise Products Limited 環雅五金製品有限公司(2)(3)(iii)	Hong Kong 28 February 1978	HK$ 400,000	Direct: Indirect:	— 24.1	— 24.1	— 24.1	Manufacture and sale of audio equipment and property investment
Guangzhou Automobile Group Moto Co. Ltd. 廣州汽車集團乘用車有限公司(3)(ix)	PRC 24 July 2008	RMB1,200,000,000	Direct: Indirect:	— —	100.0 —	100.0 —	Manufacture and sale of automobiles
Jointly-controlled entities							
Guangqi Honda Automobile Co., Ltd. 廣汽本田汽車有限公司(2)(3)(ii)	PRC 13 May 1998	US$283,290,000	Direct: Indirect:	— 19.0	— 19.0	— 19.0	Manufacture and sale of automobile and automotive parts
GAC Toyota Motor Co., Ltd. 廣汽豐田汽車有限公司(3)(v)	PRC 1 September 2004	US$332,860,000	Direct: Indirect:	50.0 —	50.0 —	50.0 —	Manufacture and sale of automobile and automotive parts
GAC Hino Motors Co., Ltd. 廣汽日野汽車有限公司(3)(vi)	PRC 28 November 2007	RMB1,500,000,000	Direct: Indirect:	50.0 —	50.0 —	50.0 —	Manufacture and sale of automobile and automotive parts
GAC Hino (ShenYang) motors Co., Ltd. 廣汽日野（瀋陽）汽車有限公司(3)(viii)	PRC 15 December 2008	RMB1,004,218,280	Direct: Indirect:	— —	— 44.5	— 45.0	Manufacture and sale of automobile and automotive parts
Associates							
GAC Toyota Engine Co. Ltd. 廣汽豐田發動機有限公司(3)(v)	PRC 24 February 2004	US$208,600,000	Direct: Indirect:	30.0 —	30.0 —	30.0 —	Manufacture and sale of automotive parts
Honda Automobile (China) Co., Ltd. 本田汽車（中國）有限公司(3)(vi)	PRC 8 September 2003	US$82,000,000	Direct: Indirect:	25.0 —	25.0 —	25.0 —	Manufacture and sale of automobile and automotive parts
Guangzhou Zhujiang Steel Co., Ltd. 廣州珠江鋼鐵公司(3)(vii)	PRC 25 May 1993	US$166,630,000	Direct: Indirect:	— 20.1	— 20.1	— —	Manufacture and sale of steels
Guangqi Toyotsu Steel Processing Co., Ltd. 廣汽豐通鋼業有限公司(3)(ii)	PRC 19 November 2004	US$30,000,000	Direct: Indirect:	— 20.9	— 20.9	— 20.9	Manufacture and sale of automotive parts
Guangzhou TS Automotive Interior Systems Co., Ltd. 廣州提愛思汽車內飾系統有限公司(2)(3)(ii)	PRC 3 July 2001	US$3,860,000	Direct: Indirect:	— 33.4	— 33.4	— 33.4	Manufacture and sale of automotive parts
Guangzhou Intex Automotive Interior Parts Co., Ltd. 廣州櫻泰汽車飾件有限公司(2)(3)(iv)	PRC 9 September 2004	US$22,500,000	Direct: Indirect:	— 17.4	— 17.4	— 17.4	Manufacture and sale of automotive parts
Guangzhou Stanley Electric Company Limited 廣州斯坦雷電氣有限公司(2)(3)(iv)	PRC 29 September 2002	US$44,700,000	Direct: Indirect:	— 20.9	— 20.9	— 20.9	Manufacture and sale of automotive parts
Guangzhou Denso Co., Ltd. 廣州電裝有限公司(2)(3)(ii)	PRC 12 May 2003	US$23,022,409	Direct: Indirect:	— 27.8	— 27.8	— 27.8	Manufacture and sale of automotive parts
GAC Changfeng Motors Co. Ltd. 廣汽長豐汽車股份有限公司(3)(x)	PRC 13 November 1996	RMB520,871,390	Direct: Indirect:	— —	— —	29.0 —	Manufacture and sale of automobile and automotive parts

Notes:

(1) Pursuant to the composition of the board of directors of Denway, and taking into consideration its articles of association, dispersed passive shareholders and historic shareholders activism in the past shareholders' meetings, the Directors are of the opinion that the Company has de facto control over Denway and therefore Denway is considered as a subsidiary of the Group (Note 4(a)).

(2) These entities are the subsidiaries, jointly-controlled entities and associates of Denway.

(3) The financial statements of these companies for the three years ended 31 December 2009 were audited by the respective certified public accountants as follows:

(i) The financial statements of this company for the years ended 31 December 2007, 2008 and 2009 were audited by K.M. Choi & Au Yeung Limited, registered in Hong Kong.

(ii) The financial statements of these entities for the years ended 31 December 2007, 2008 and 2009 were audited by 立信羊城會計師事務所有限公司*, registered in the PRC.*

(iii) *The financial statements of these entities for the years ended 31 December 2007, 2008 and 2009 were audited by PricewaterhouseCoopers Hong Kong.*

(iv) *The financial statements of these entities for the years ended 31 December 2007, 2008 and 2009 were audited by PricewaterhouseCoopers Zhong Tian CPAs Company Limited Guangzhou Branch.*

(v) *The financial statements of this company from the date of incorporation to 31 December 2007 were audited by* 廣州嶺南會計師事務所有限公司*, registered in the PRC and the financial statements for the years ended 31 December 2008 and 2009 were audited by PricewaterhouseCoopers Zhong Tian CPAs Company Limited Guangzhou Branch.*

(vi) *The financial statements of this company for the years ended 31 December 2007, 2008 and 2009 were audited by Deloitte Touche Tohmatsu CPA Ltd. Guangzhou Branch.*

(vii) *The financial statements of this company for the years ended 31 December 2007, 2008 and 2009 were audited by* 廣州市永正有限責任會計師事務所*, registered in the PRC.*

(viii) *The financial statements of this company from the date of incorporation to 31 December 2008 and for the year ended 31 December 2009 were audited by PricewaterhouseCoopers Zhong Tian CPAs Company Limited Guangzhou Branch.*

(ix) *The financial statements of this company from the date of incorporation to 31 December 2008 and for the year ended 31 December 2009 were audited by* 立信羊城會計師事務所有限公司*, registered in the PRC.*

(x) *The financial statements of this company for the years ended 31 December 2007, 2008 and 2009 were audited by* 中瑞岳華會計師事務所有限公司*, registered in PRC.*

6. SEGMENT INFORMATION

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

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

(i) Passenger vehicles — production and sale of a variety of passenger vehicles.

(ii) Commercial vehicles — production and sale of commercial vehicles including truck and buses, and

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

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

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

(a) As at and for the year ended 31 December 2007

The segment results for the year ended 31 December 2007 and other segment items included in the consolidated statements of comprehensive income are as follows:

	Passenger vehicles	Commercial vehicles	Auto parts	Others	Eliminations	Unallocated	Consolidated
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total gross segment revenue	41,291,721	485,913	276,617	442,799	(90,371)	—	42,406,679
Inter-segment revenue	(6,487)	(3,439)	(1,597)	(78,848)	90,371	—	—
Revenue	41,285,234	482,474	275,020	363,951	—	—	42,406,679
Segment results	4,477,870	(198,306)	(24,064)	61,579	(3,057)		4,314,022
Unallocated income — Headquarter interest income						101,152	101,152
Unallocated costs — Headquarter expenditure						(180,114)	(180,114)
Operating profit							4,235,060
Finance costs	(14,685)	(24,035)	(12,134)	(62,929)	—	(37,782)	(151,565)
Interest income	1,586	1,187	196	2,980	—	25,270	31,219
Share of profit of associates	59,956	—	758,207	20,033	—	—	838,196
Profit before income tax							4,952,910
Income tax expense	(102,810)	—	(1,877)	(20,272)	—	(13,444)	(138,403)
Profit for the year							4,814,507
Other segment items							
Depreciation and amortisation	644,300	32,925	9,316	17,975	—	—	704,516
(Reversal of impairment)/ impairment of trade and other receivables	(4,650)	(5,131)	(370)	1,622	—	—	(8,529)
Impairment of inventories	6	40,157	—	392	—	—	40,555
Impairment/(reversal of impairment) of property, plant and equipment	24,113	(3,334)	3,501	—	—	—	24,280
Reversal of impairment of land use rights	—	(12,196)	—	—	—	—	(12,196)

The segment assets and liabilities as at 31 December 2007 and additions to non-current assets (other than deferred tax assets) for the year then ended are as follows:

	Passenger vehicles	Commercial vehicles	Auto parts	Others	Eliminations	Unallocated	Consolidated
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	17,746,314	749,782	2,431,127	1,490,969	(279,454)	4,611,862	26,750,600
Total assets include:							
Investment in associates	464,981	—	2,190,076	457,888	—	—	3,112,945
Total liabilities	7,918,996	687,403	302,528	622,820	(260,296)	876,908	10,148,359
Additions to non-current assets (other than deferred tax assets)	1,049,087	3,276	97,664	17,970	—	—	1,167,997

(b) As at and for the year ended 31 December 2008

The segment results for the year ended 31 December 2008 and other segment items included in the consolidated statements of comprehensive income are as follows:

	Passenger vehicles	Commercial vehicles	Auto parts	Others	Eliminations	Unallocated	Consolidated
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total gross segment revenue	42,978,403	258,518	270,768	323,790	(61,766)	—	43,769,713
Inter-segment revenue	(25,831)	(1,836)	(2,573)	(31,526)	61,766	—	—
Revenue	42,952,572	256,682	268,195	292,264	—	—	43,769,713
Segment results	3,317,136	(86,912)	(18,001)	3,336	26,987		3,242,546
Unallocated income — Headquarter interest income						178,279	178,279
Unallocated costs — Headquarter expenditure						(172,188)	(172,188)
Operating profit							3,248,637
Finance costs	(29,287)	(21,369)	(10,094)	(92,782)	—	(65,633)	(219,165)
Interest income	1,330	14,015	253	1,536	—	13,820	30,954
Share of profit/(loss) of associates	74,209	—	636,735	(195,691)	—	—	515,253
Impairment loss on goodwill	—	(115,902)	—	—	—	—	(115,902)
Profit before income tax							3,459,777
Income tax expense	(569,074)	—	(3,091)	(660)	—	(29,043)	(601,868)
Profit for the year							2,857,909
Other segment items							
Depreciation and amortisation	642,342	43,034	9,433	26,096	—	—	720,905
Impairment/(reversal of impairment) of trade and other receivables	1,490	2,498	(4)	—	—	—	3,984
Impairment of inventories	16,104	15,897	—	—	—	—	32,001
Impairment of property, plant and equipment	38,420	14,281	—	—	—	—	52,701
Impairment of intangible assets	—	115,902	—	—	—	—	115,902

The segment assets and liabilities as at 31 December 2008 and additions to non-current assets (other than deferred tax assets) for the year then ended are as follows:

	Passenger vehicles	Commercial vehicles	Auto parts	Others	Eliminations	Unallocated	Consolidated
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	19,555,021	1,219,321	2,782,381	872,772	(196,726)	5,837,935	30,070,704
Total assets include:							
Investment in associates	485,651	—	2,520,974	286,084	—	—	3,292,709
Total liabilities	8,647,285	774,284	305,597	697,919	(176,618)	992,229	11,240,696
Additions to non-current assets (other than deferred tax assets)	2,349,974	484,210	129,577	43,824	—	—	3,007,585

(c) As at and for the year ended 31 December 2009

The segment results for the year ended 31 December 2009 and other segment items included in the consolidated statements of comprehensive income are as follows:

	Passenger vehicles	Commercial vehicles	Auto parts	Others	Eliminations	Unallocated	Consolidated
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total gross segment revenue	49,379,934	345,586	269,419	280,121	(21,508)	—	50,253,552
Inter-segment revenue	(9,887)	(1,260)	(5,351)	(5,010)	21,508	—	—
Revenue	49,370,047	344,326	264,068	275,111	—	—	50,253,552
Segment results	4,223,854	(111,687)	(20,995)	(7,569)	8,283	—	4,091,886
Unallocated income							
Headquarter interest income						147,597	147,597
Unallocated costs							
Headquarter expenditure						(669,531)	(669,531)
Operating profit							3,569,952
Finance costs	(42,257)	(16,374)	(9,079)	(21,822)	—	(254,889)	(344,421)
Interest income	32,446	659	506	552	—	4,682	38,845
Share of profit/(loss) of associates	60,512	—	905,798	(250,636)	—	—	715,674
Profit before income tax							3,980,050
Income tax expense	(730,801)	28,082	(612)	(72)	—	(20,607)	(724,010)
Profit for the year							3,256,040
Other segment items							
Depreciation and amortisation	784,750	35,426	61,406	84,810	—	3,337	969,729
Impairment/(reversal of impairment) of trade and other receivables	24,957	(1,381)	204	1	—	—	23,781
Impairment of inventories	2,592	35,824	—	—	—	—	38,416
Impairment of property, plant and equipment	155,103	5,538	—	—	—	—	160,641

The segment assets and liabilities as at 31 December 2009 and additions to non-current assets (other than deferred tax assets) for the year then ended are as follows:

	Passenger vehicles	Commercial vehicles	Auto parts	Others	Eliminations	Unallocated	Consolidated
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	25,641,808	1,407,679	2,745,099	1,904,890	(943,899)	12,872,585	43,628,162
Total assets include:							
Investment in associates	1,619,068	—	3,005,144	20,575	—	—	4,644,787
Total liabilities	16,453,062	894,362	382,540	1,324,524	(4,342,217)	7,454,543	22,166,814
Additions to non-current assets (other than deferred tax assets)	3,881,818	321,895	131,653	34,871	—	—	4,370,237

(d) Reportable segments' assets are reconciled to total assets as follows:

	As at 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Total segment assets	22,138,738	24,232,769	30,755,577
Unallocated assets:			
— Term deposit and cash and cash equivalents of headquarter	4,611,862	5,837,935	12,872,585
Total assets	26,750,600	30,070,704	43,628,162

(e) Reportable segments' liabilities are reconciled to total liabilities as follows:

	As at 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Total segment liabilities	9,271,451	10,248,467	14,712,271
Unallocated liabilities:			
— Borrowings of headquarter	793,633	992,229	7,410,843
— Dividend payables	83,275	—	43,700
Total liabilities	10,148,359	11,240,696	22,166,814

(f) Revenue from external customers by geographical location are as follows:

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

	Year ended 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Mainland China	42,107,178	43,532,638	50,037,780
Hong Kong	299,501	237,075	215,772
	42,406,679	43,769,713	50,253,552

(g) Non-current assets (other than deferred tax assets) located by geographical location are as follows:

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

	As at 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Mainland China	9,467,799	11,830,344	14,841,794
Hong Kong	143,830	118,422	141,511
	9,611,629	11,948,766	14,983,305

(h) *Analysis of revenue by category:*

	Year ended 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Sales of products	42,278,990	43,650,265	50,031,035
Rendering of services	93,431	49,631	138,668
Others	34,258	69,817	83,849
	42,406,679	43,769,713	50,253,552

7. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings	Machinery	Vehicles and vessels	Mould	Other equipment	Leasehold improvement	Construction -in-progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2007								
Cost	2,126,394	3,909,288	269,765	561,627	112,573	37,932	355,181	7,372,760
Accumulated depreciation and impairment	(301,775)	(1,048,191)	(89,985)	(346,207)	(44,878)	(6,415)	(486)	(1,837,937)
Net book amount	1,824,619	2,861,097	179,780	215,420	67,695	31,517	354,695	5,534,823
Year ended 31 December 2007								
Opening net book amount	1,824,619	2,861,097	179,780	215,420	67,695	31,517	354,695	5,534,823
Additions	41,118	25,976	46,995	902	11,966	20,212	880,307	1,027,476
Disposals	(18,057)	(1,702)	(19,624)	(25)	(2,957)	—	—	(42,365)
Transfers	199,366	30,539	4,978	226,995	2,731	—	(464,609)	—
Depreciation charge (Note 27)	(101,864)	(372,792)	(37,955)	(128,275)	(18,018)	(4,113)	—	(663,017)
Reversal of impairment/ (impairment charge)	16,891	(30,838)	(9,786)	—	(91)	—	(456)	(24,280)
Disposal of subsidiaries	—	(266)	(227)	—	(18)	—	—	(511)
Closing net book amount	1,962,073	2,512,014	164,161	315,017	61,308	47,616	769,937	5,832,126
At 31 December 2007								
Cost	2,337,342	3,951,091	293,993	784,839	121,389	55,300	770,879	8,314,833
Accumulated depreciation and impairment	(375,269)	(1,439,077)	(129,832)	(469,822)	(60,081)	(7,684)	(942)	(2,482,707)
Net book amount	1,962,073	2,512,014	164,161	315,017	61,308	47,616	769,937	5,832,126
Year ended 31 December 2008								
Opening net book amount	1,962,073	2,512,014	164,161	315,017	61,308	47,616	769,937	5,832,126
Additions	3,321	42,883	103,078	69,008	126,080	52,467	1,784,373	2,181,210
Acquisition of a subsidiary by a jointly-controlled entity (Note 10(c))	75,037	22,857	292	—	199	—	—	98,385
Disposals	(118,740)	(1,470)	(7,223)	(459)	(333)	(366)	—	(128,591)
Transfers	92,074	334,156	7,131	489,702	37,121	—	(960,184)	—
Depreciation charge (Note 27)	(87,685)	(348,734)	(47,532)	(127,399)	(51,090)	(14,371)	—	(676,811)
Impairment charge	—	(11,389)	(1,062)	(40,181)	(69)	—	—	(52,701)
Closing net book amount	1,926,080	2,550,317	218,845	705,688	173,216	85,346	1,594,126	7,253,618

	Buildings	Machinery	Vehicles and vessels	Mould	Other equipment	Leasehold improvement	Construction -in-progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2008								
Cost	2,397,224	3,797,588	392,335	1,796,958	396,792	103,493	1,594,433	10,478,823
Accumulated depreciation and impairment	(471,144)	(1,247,271)	(173,490)	(1,091,270)	(223,576)	(18,147)	(307)	(3,225,205)
Net book amount	1,926,080	2,550,317	218,845	705,688	173,216	85,346	1,594,126	7,253,618
Year ended 31 December 2009								
Opening net book amount	1,926,080	2,550,317	218,845	705,688	173,216	85,346	1,594,126	7,253,618
Additions	75,320	171,077	150,162	800	33,423	40,931	2,049,774	2,521,487
Disposals	(321,296)	(21,124)	(28,243)	(4,870)	(1,102)	—	—	(376,635)
Transfers	724,957	1,226,680	11,290	130,139	25,947	—	(2,119,013)	—
Transfer from investment properties (Note 9)	22,500	—	—	—	—	—	—	22,500
Depreciation charge (Note 27)	(99,397)	(449,226)	(64,546)	(158,148)	(54,317)	(47,855)	—	(873,489)
Impairment charge	—	(156,838)	(3,698)	—	(105)	—	—	(160,641)
Disposal of subsidiaries	(30,734)	(13,650)	(1,557)	(2,961)	(308)	—	—	(49,210)
Closing net book amount	2,297,430	3,307,236	282,253	670,648	176,754	78,422	1,524,887	8,337,630
At 31 December 2009								
Cost	2,789,277	5,073,981	494,707	1,870,977	441,757	144,424	1,525,194	12,340,317
Accumulated depreciation and impairment	(491,847)	(1,766,745)	(212,454)	(1,200,329)	(265,003)	(66,002)	(307)	(4,002,687)
Net book amount	2,297,430	3,307,236	282,253	670,648	176,754	78,422	1,524,887	8,337,630

The Company

	Buildings	Vehicles and vessels	Other equipment	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2007				
Cost	5,802	10,265	7,916	23,983
Accumulated depreciation	(1,191)	(7,229)	(2,859)	(11,279)
Net book amount	4,611	3,036	5,057	12,704
Year ended 31 December 2007				
Opening net book amount	4,611	3,036	5,057	12,704
Additions	—	5,172	2,359	7,531
Depreciation charge	(163)	(1,652)	(1,308)	(3,123)
Closing net book amount	4,448	6,556	6,108	17,112
At 31 December 2007				
Cost	5,802	15,437	10,083	31,322
Accumulated depreciation	(1,354)	(8,881)	(3,975)	(14,210)
Net book amount	4,448	6,556	6,108	17,112
Year ended 31 December 2008				
Opening net book amount	4,448	6,556	6,108	17,112
Additions	—	16,246	14,879	31,125
Disposals	(537)	(1,392)	(241)	(2,170)
Depreciation charge	(164)	(3,034)	(1,976)	(5,174)
Closing net book amount	3,747	18,376	18,770	40,893

	Buildings	Vehicles and vessels	Other equipment	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2008				
Cost	5,101	30,268	24,164	59,533
Accumulated depreciation	(1,354)	(11,892)	(5,394)	(18,640)
Net book amount	3,747	18,376	18,770	40,893
Year ended 31 December 2009				
Opening net book amount	3,747	18,376	18,770	40,893
Additions	—	3,752	30,859	34,611
Disposals	(501)	(16)	(593)	(1,110)
Depreciation charge	(155)	(4,848)	(3,237)	(8,240)
Closing net book amount	3,091	17,264	45,799	66,154
At 31 December 2009				
Cost	4,400	33,716	54,409	92,525
Accumulated depreciation	(1,309)	(16,452)	(8,610)	(26,371)
Net book amount	3,091	17,264	45,799	66,154

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

	Year ended 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Cost of sales	570,272	583,114	716,700
Selling and distribution costs	22,057	19,994	21,094
Administrative expenses	70,688	73,703	135,695
	663,017	676,811	873,489

(b) *Certain bank borrowings were secured by property, plant and equipment with an aggregate carrying value of approximately RMB 142,261,000, RMB 114,600,000 and RMB 191,233,000 as at 31 December 2007, 2008 and 2009, respectively (Note 23(a)).*

(c) *During the year ended 31 December 2007 and 2008, impairment losses on obsolete vehicle production facilities, machinery and mould amounting to RMB 41,171,000 and RMB 52,701,000 respectively were recognised. In addition, the Group had signed contracts to dispose of certain buildings during the year ended 31 December 2007 at prices higher than the carrying value of these buildings, and accordingly, the provision for impairment associated with such buildings was reversed to the extent of RMB 16,891,000.*

During the year ended 31 December 2009, the production capacity in a jointly-controlled entity has been continuously below the budgeted designed level and suffered significant loss from its operation. The management has performed an assessment on the recoverable amount of such production facility and an impairment charge of RMB 123,448,000 has been provided. In addition, an impairment charge of RMB 37,193,000 was provided on other property, plant and equipment of the Group for the year ended 31 December 2009.

(d) *The Group is in the process of applying for the title certificates of certain of its properties with an aggregate carrying value of approximately RMB 514,439,000, RMB 144,640,000 and RMB 409,462,000 as at 31 December 2007, 2008 and 2009 respectively. The Directors consider that the Group is entitled to lawfully and validly occupy or use these properties.*

8. 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 during the Relevant Periods are as follows:

The Group

	Year ended 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
At beginning of the year			
Cost	454,604	474,855	925,978
Accumulated amortisation and impairment	(107,635)	(109,620)	(126,029)
Net book amount	346,969	365,235	799,949
For the year ended			
Opening net book amount	346,969	365,235	799,949
Additions	20,251	379,841	247,134
Acquisition of subsidiary by a jointly-controlled entity (Note 10(c))	—	80,710	—
Disposals	—	(8,127)	(47,281)
Amortisation charge (Note 27)	(14,181)	(17,710)	(21,223)
Reversal of impairment charge	12,196	—	—
Closing net book amount	365,235	799,949	978,579
At end of the year			
Cost	474,855	925,978	1,123,061
Accumulated amortisation and impairment	(109,620)	(126,029)	(144,482)
Net book amount	365,235	799,949	978,579

(a) *Amortisation of the Group's land use rights has been charged to the cost of sales in the consolidated statements of comprehensive income.*

(b) *Certain bank borrowings were secured by land use rights with an aggregate carrying value of approximately RMB RMB 40,946,000, RMB 34,398,000 and 19,992,000 as at 31 December 2007 and 2008 and 2009 respectively (Note 23(a)).*

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

	As at 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
In Mainland China, held on:			
Leases of between 10 and 50 years	338,468	769,373	942,986
In Hong Kong, held on:			
Leases of between 10 and 50 years	26,767	30,576	35,593
	365,235	799,949	978,579

9. INVESTMENT PROPERTIES

The Group

	Year ended 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
At beginning of the year			
Cost	91,948	91,036	94,758
Accumulated depreciation	(4,695)	(6,974)	(10,093)
Net book amount	87,253	84,062	84,665
For the year ended			
Opening net book amount	87,253	84,062	84,665
Subsequent expenditure	—	3,722	—
Transfer to property, plant and equipment (Note 7)	—	—	(22,500)
Disposals	(912)	—	(2,282)
Depreciation charge (Note 27)	(2,279)	(3,119)	(2,275)
Closing net book amount	84,062	84,665	57,608
At end of the year			
Cost	91,036	94,758	69,976
Accumulated depreciation	(6,974)	(10,093)	(12,368)
Net book amount	84,062	84,665	57,608
Fair value at end of the year	144,235	158,987	160,737

(a) *The fair value of the Group's investment properties, including land use rights, which have been classified in "land use rights" in the consolidated balance sheet, and the building portions, which have been classified as "investment properties" in the consolidated balance sheet, was estimated by the directors of the Company with reference to the valuation performed by an independent and professionally qualified valuer. Valuations are based on current prices in an active market for all properties except for some of the properties located in the PRC because information of current price is not available in these areas. For properties situated in these areas, the Group has used discounted cash flow projections in assessing the fair value of the investment properties.*

(b) *Depreciation of the Group's investment properties has been charged to administrative expenses in the consolidated statements of comprehensive income.*

10. INTANGIBLE ASSETS

Intangible assets mainly represent the cost of acquiring patent, proprietary technology, computer software, and goodwill. The movements are as follows:

The Group

	Patent and proprietary technologies	Computer software	Goodwill	Development costs	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2007					
Cost	180,607	64,794	114,201	—	359,602
Accumulated amortisation and impairment	(138,761)	(7,760)	—	—	(146,521)
Net book amount	41,846	57,034	114,201	—	213,081
Year ended 31 December 2007					
Opening net book amount	41,846	57,034	114,201	—	213,081
Additions	—	29,219	—	—	29,219
Amortisation charge (Note 27)	(15,610)	(9,429)	—	—	(25,039)
Closing net book amount	26,236	76,824	114,201	—	217,261
At 31 December 2007					
Cost	180,607	94,013	114,201	—	388,821
Accumulated amortisation and impairment	(154,371)	(17,189)	—	—	(171,560)
Net book amount	26,236	76,824	114,201	—	217,261
Year ended 31 December 2008					
Opening net book amount	26,236	76,824	114,201	—	217,261
Additions	288,369	23,702	11,758	—	323,829
Acquisition of a subsidiary by a jointly-controlled entity (Note 10(c))	—	—	115,902	—	115,902
Amortisation charge (Note 27)	(10,150)	(13,115)	—	—	(23,265)
Impairment charge (Note 10(c))	—	—	(115,902)	—	(115,902)
Closing net book amount	304,455	87,411	125,959	—	517,825
At 31 December 2008					
Cost	468,976	117,715	241,861	—	828,552
Accumulated amortisation and impairment	(164,521)	(30,304)	(115,902)	—	(310,727)
Net book amount	304,455	87,411	125,959	—	517,825
Year ended 31 December 2009					
Opening net book amount	304,455	87,411	125,959	—	517,825
Additions	392,274	41,791	—	85,553	519,618
Amortisation charge (Note 27)	(53,561)	(19,181)	—	—	(72,742)
Closing net book amount	643,168	110,021	125,959	85,553	964,701
At 31 December 2009					
Cost	861,250	159,506	241,861	85,553	1,348,170
Accumulated amortisation and impairment	(218,082)	(49,485)	(115,902)	—	(383,469)
Net book amount	643,168	110,021	125,959	85,553	964,701

The Company

	Patent and proprietary technologies	Computer software	Development costs	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2007				
Opening net book amount	—	4,375	—	4,375
Additions	—	1,606	—	1,606
Amortisation charge	—	(528)	—	(528)
Closing net book amount	—	5,453	—	5,453
At 31 December 2007				
Cost	—	6,266	—	6,266
Accumulated amortisation	—	(813)	—	(813)
Net book amount	—	5,453	—	5,453
Year ended 31 December 2008				
Opening net book amount	—	5,453	—	5,453
Additions	288,369	1,243	—	289,612
Amortisation charge	—	(961)	—	(961)
Closing net book amount	288,369	5,735	—	294,104
At 31 December 2008				
Cost	288,369	7,509	—	295,878
Accumulated amortisation	—	(1,774)	—	(1,774)
Net book amount	288,369	5,735	—	294,104
Year ended 31 December 2009				
Opening net book amount	288,369	5,735	—	294,104
Additions	168,203	12,565	85,553	266,321
Amortisation charge	(424)	(2,804)	—	(3,228)
Closing net book amount	456,148	15,496	85,553	557,197
At 31 December 2009				
Cost	456,572	20,074	85,553	562,199
Accumulated amortisation	(424)	(4,578)	—	(5,002)
Net book amount	456,148	15,496	85,553	557,197

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

	Year ended 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Cost of sales	15,610	10,150	53,561
Administrative expenses	9,429	13,115	19,181
	25,039	23,265	72,742

(b) Goodwill arose from acquisition of additional equity interests in the following entities:

	As at 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Denway (Note (i))	90,299	90,299	90,299
GAC Hino (ShenYang) Motors Co., Ltd. (Note 10(c))	—	115,902	115,902
Impairment on goodwill of GAC Hino (ShenYang) Motors Co., Ltd. (Note 10(c))	—	(115,902)	(115,902)
Others	23,902	35,660	35,660
	114,201	125,959	125,959

(i) In 2005, Denway issued 73,800,000 new ordinary shares solely to the Group, which represented approximately 1% of Denway's then equity interests. Goodwill on the acquisition amounting to RMB 90,299,000 was recognised by the Group. The consideration for the purchase of these additional interests was RMB 217,618,000, which was based on the number of shares purchased and the average closing price per share of Denway for the last 30 trading days prior to the date of acquisition agreement up to and including 31 December 2004.

(c) Acquisition of Shenyang Hino Motors Co., Ltd

On 15 December 2008, GAC Hino Motors Co., Ltd, a jointly-controlled entity of the Group, acquired 85% of the equity interest in Shenyang Hino Motors Co., Ltd, a company incorporated in the PRC, at a consideration of RMB 3. The excess of consideration over its share of net assets amounting to RMB115,902,000 represents a goodwill arising on such acquisition.

The net profit contributed by the acquired business to the Group for the period from 15 December 2008 to 31 December 2008 approximate to nil. If the acquisition had occurred on 1 January 2008, Group revenue would have been RMB 43,773 million and profit for the year ended 31 December 2008 would have been RMB 2,855 million. These amounts have been calculated using the Group's accounting policies and by adjusting the results of Shenyang Hino Motors Co., Ltd. to reflect the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to land use rights and property, plant and equipment had applied from 1 January 2008, together with the consequential tax effects.

The assets and liabilities of Shenyang Hino Motors Co., Ltd. as of 15 December 2008 are as follows:

	Fair value	Acquiree's carrying amount
	RMB'000	RMB'000
Property, plant and equipment (Note 7)	98,385	77,455
Land use rights (Note 8)	80,710	11,735
Inventories	11,820	11,820
Cash and cash equivalents	50	50
Trade and other receivables	13,346	13,346
Trade and other payables	(206,963)	(206,963)
Borrowings	(113,250)	(113,250)
Fair value of net liabilities	(115,902)	(205,807)
Goodwill	115,902	
Total purchase consideration	0.003	
Purchase consideration settled in cash		0.003
Cash and cash equivalents in the jointly-controlled entity acquired		50
Net cash inflow on acquisition		50

Upon completion of this acquisition, Shenyang Hino Motors Co., Ltd. changed its name to GAC Hino (ShenYang) Motors Co., Ltd. and was thereafter accounted for as a jointly controlled entity of the Group.

The directors have assessed the recoverable amounts of the goodwill in GAC Hino (Shenyang) Motors Co., Ltd. It did not have active operations and was in the startup stage, and the Directors considered that the goodwill arising from acquisition of GAC Hino (Shenyang) Motors Co., Ltd. has been fully impaired.

11. INVESTMENT IN SUBSIDIARIES

The Company

	As at 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Unlisted investment, at cost	986,457	1,950,508	2,477,275
Less: Provision for impairment	—	(443,382)	(270,271)
	986,457	1,507,126	2,207,004

(a) *In 2008, the investments in the Group's subsidiaries had been assessed for impairment and the recoverable amounts of two of the Group's subsidiaries were lower than their respective carrying value and accordingly, a full impairment charge of RMB 443,382,000 was provided for these subsidiaries. During 2009, the equity interest in one of the impaired subsidiaries was transferred to an entity controlled by GAIGC at a nominal consideration of RMB1.*

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

12. INVESTMENT IN JOINTLY-CONTROLLED ENTITIES

The Company

	As at 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Unlisted investment, at cost	764,954	1,558,023	2,254,537

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

The Company

	Year ended 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Beginning of the year	664,954	764,954	1,558,023
Additions (Note (i))	100,000	808,069	696,514
Disposals (Note (ii))	—	(15,000)	—
End of the year	764,954	1,558,023	2,254,537

(i) The additions of investment in jointly-controlled entities for the year ended 31 December 2007, 2008 and 2009 mainly represented capital contribution to set up GAC Hino Motors Co., Ltd. and GAC-SOFINCO Automobile Finance Co., Ltd. and additional capital contribution to GAC Toyota Co., Ltd. and GAC Hino Motors Co., Ltd.

(ii) The disposals of investment in jointly-controlled entities for the year ended 31 December 2008 represented the liquidation of Guangzhou Fengxing Automobile Co., Ltd.

(b) The following amounts represent the Group's share of the assets and liabilities, and income and expenses of the jointly-controlled entities. They are included in the consolidated balance sheets and statements of comprehensive income:

The Group

	As at 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Assets			
Non-current assets	5,110,675	6,522,060	6,924,678
Current assets	10,324,591	9,048,792	12,684,495
	15,435,266	15,570,852	19,609,173
Liabilities			
Non-current liabilities	(101,588)	(201,765)	(377,952)
Current liabilities	(6,917,481)	(7,325,127)	(12,708,241)
	(7,019,069)	(7,526,892)	(13,086,193)
Net assets	8,416,197	8,043,960	6,522,980

	Year ended 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Income	36,816,188	38,170,406	45,163,049
Expenses	(32,512,165)	(35,344,838)	(41,511,563)
Profit after income tax	4,304,023	2,825,568	3,651,486
Proportionate interest in jointly-controlled entities' commitments	761,473	1,495,143	383,402

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

13. INVESTMENT IN ASSOCIATES

The Group

	As at 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Share listed in Mainland China	—	—	1,057,872
Unlisted shares	3,112,945	3,292,709	3,586,915
	3,112,945	3,292,709	4,644,787
Market value of listed shares	—	—	1,712,938

The Company

	As at 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Share listed in Mainland China	—	—	1,057,872
Unlisted shares	692,208	695,208	695,208
	692,208	695,208	1,753,080

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

The Group

	Year ended 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Beginning of the year	2,306,639	3,112,945	3,292,709
Additions (note (i))	91,051	122,705	1,081,998
Disposal	—	—	(4,228)
Share of profit (note (ii))	838,196	515,253	715,674
Dividend received	(122,941)	(458,194)	(441,366)
End of the year	3,112,945	3,292,709	4,644,787

Notes:

(i) *On 21 May 2009, the Company entered into an agreement with Hunan Chang Feng Group to acquire 29% interest in Hunan Chang Feng Motors Joint Stock Limited ("Chang Feng Motors"), a company incorporated in the PRC and listed on the Shanghai Stock Exchange, at a total consideration of approximately RMB 1,053.6 million. The acquisition was completed on 19 November 2009, and accordingly, the name of Chang Feng Motors was changed to GAC Changfeng Motor Co., Ltd.*

(ii) One of the Group's significant associates, Guangzhou Zhujiang Steel Co., Ltd., contributed a profit of RMB 19,171,000 and a loss of RMB 200,311,000 for the year ended 31 December 2007 and 2008 and a loss of RMB 251,564,000 in the nine months ended 30 September 2009, respectively. In September 2009, the Group's entire interest in this associate was transferred to an entity controlled by GAIGC at a nominal consideration of HKD1. The carrying amount of the investment was nil upon disposal.

The Company

	Year ended 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Beginning of the year	682,754	692,208	695,208
Additions	9,454	3,000	1,057,872
End of the year	692,208	695,208	1,753,080

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

	As at 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Total assets	22,026,912	24,291,209	21,784,792
Total liabilities	(11,823,550)	(14,027,321)	(9,050,831)
Net assets	10,203,362	10,263,888	12,733,961

	Year ended 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Revenue	31,657,898	34,359,461	28,424,203
Profit for the year	2,605,557	1,142,356	2,341,340

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

14. FINANCIAL INSTRUMENTS BY CATEGORY

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

The Group

	Loans and receivables		
	As at 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Trade and other receivables (exclude prepayment) (Note 17)	1,958,053	1,880,649	1,313,306
Time deposits (Note 18)	5,796,570	8,422,013	12,808,717
Restricted cash (Note 19)	61,426	58,802	328,171
Cash and cash equivalents (Note 20)	7,457,007	5,540,239	11,332,940
Total	15,273,056	15,901,703	25,783,134

	Financial liabilities at amortised cost		
	As at 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Trade and other payables (exclude advances from customers and government grants) (Note 26)	6,925,990	7,365,922	10,715,023
Borrowings (Note 23)	2,291,833	2,746,337	8,719,767
Total	9,217,823	10,112,259	19,434,790

The Company

	Loans and receivables		
	As at 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Trade and other receivables (exclude prepayment) (Note 17)	97,812	127,313	532,279
Time deposit (Note 18)	—	500,000	400,000
Cash and cash equivalents (Note 20)	300,095	98,935	4,215,575
Total	397,907	726,248	5,147,854

	Financial liabilities at amortised cost		
	As at 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Trade and other payables (Note 26)	139,495	112,593	396,092
Borrowings (Note 23)	791,598	992,229	7,410,212
Total	931,093	1,104,822	7,806,304

15. DEFERRED INCOME TAX

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

The Group

	As at 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Deferred tax assets:			
— to be recovered after more than 12 months	71,327	55,550	107,111
— to be recovered within 12 months	161,589	167,719	159,608
	232,916	223,269	266,719
Deferred tax liabilities:			
— to be settled after more than 12 months	(964)	(1,383)	(816)
— to be settled within 12 months	—	—	(9,315)
	(964)	(1,383)	(10,131)
Deferred tax assets-net	231,952	221,886	256,588

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

	Year ended 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Beginning of the year	108,752	231,952	221,886
Recognised in the consolidated statements of comprehensive income (Note 31)	123,200	(10,066)	34,702
End of the year	231,952	221,886	256,588

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

Deferred tax assets	Impairment provision	Amortisation of pre-operating expenses	Accrued expenses	Tax Loss	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2007	11,943	20,814	77,030	—	109,787
Recognised in the consolidated statements of comprehensive income	23,577	8,145	91,407	—	123,129
As at 31 December 2007	35,520	28,959	168,437	—	232,916
Recognised in the consolidated statements of comprehensive income	(20,998)	(4,004)	15,355	—	(9,647)
As at 31 December 2008	14,522	24,955	183,792	—	223,269
Recognised in the consolidated statements of comprehensive income	20,160	21,062	(44,364)	46,592	43,450
As at 31 December 2009	34,682	46,017	139,428	46,592	266,719

Deferred tax liabilities	Accrued bank interest income	Accelerated depreciation	Total
	RMB'000	RMB'000	RMB'000
As at 1 January 2007	—	(1,035)	(1,035)
Recognised in the consolidated statements of comprehensive income	—	71	71
As at 31 December 2007	—	(964)	(964)
Recognised in the consolidated statements of comprehensive income	—	(419)	(419)
As at 31 December 2008	—	(1,383)	(1,383)
Recognised in the consolidated statements of comprehensive income	(9,315)	567	(8,748)
As at 31 December 2009	(9,315)	(816)	(10,131)

(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 RMB 202,700,000, RMB 272,393,000 and RMB 447,094,000 as at 31 December 2007, 2008 and 2009 respectively, as it is uncertain that future taxable profit will be available against which the tax losses can be utilized. These tax losses will expire between 2010 and 2014.

16. INVENTORIES

The Group

	As at 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Raw materials and consumables	660,571	746,986	915,096
Work-in-progress	120,264	137,551	206,220
Finished goods	618,320	944,523	1,248,918
	1,399,155	1,829,060	2,370,234
Less: provision for impairment	(104,938)	(170,967)	(127,832)
	1,294,217	1,658,093	2,242,402

The Company

	As at 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Consumables	—	1,994	7,176

The cost of inventories recognised as expenses and included in cost of sales amounted to RMB 31,171 million, RMB 30,572 million and RMB 37,684 million for each of the years ended 31 December 2007, 2008 and 2009 respectively.

17. TRADE AND OTHER RECEIVABLES

The Group

	As at 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Trade receivables	576,757	1,144,230	630,526
Less: Provision for impairment	(290,484)	(236,500)	(161,950)
Trade receivables — net	286,273	907,730	468,576
Bills receivables (Note (g))	1,036,961	207,337	25,713
Prepayments	338,782	338,873	352,602
Dividend receivables	16,385	40,322	21,881
Deposits (Note (h))	237,841	239,933	192,776
Entrusted loans (Note (i))	50,000	127,817	260,000
Other receivables (Note (f))	330,593	357,510	344,360
	2,296,835	2,219,522	1,665,908

The Company

	As at 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Trade receivables — gross	127,308	70,322	70,322
Less: Provision for impairment of receivables	(127,308)	(70,322)	(70,322)
Trade receivables — net	—	—	—
Prepayments	66,712	64,349	86,790
Other receivables	13,272	49,513	42,761
Receivables from subsidiaries	84,540	77,800	489,518
	164,524	191,662	619,069

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

The Group

	As at 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Within 3 months	264,848	861,162	400,686
Between 3 months and 1 year	6,187	29,424	57,700
Between 1 and 2 years	7,904	17,373	9,592
Between 2 and 3 years	5,112	5,711	3,124
Over 3 years	292,706	230,560	159,424
	576,757	1,144,230	630,526

As at 31 December 2007, 2008 and 2009, most of the trade receivables overdue by more than 1 year were impaired and provided. The individually impaired receivables were mainly related to customers of the Group with long outstanding balances which arose prior to the conversion of the Company into a joint stock limited liability company.

(b) *As at 31 December 2007, 2008 and 2009, trade receivables of RMB 21,649,000, RMB 30,261,000 and RMB 8,905,000 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		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Within 1 year	7,199	29,172	7,441
Between 1 and 2 years	3,078	705	1,280
Between 2 and 3 years	3,180	247	1
Over 3 years	8,192	137	183
	21,649	30,261	8,905

(c) *As at 31 December 2007, 2008 and 2009, trade receivables of RMB 291,581,000, RMB 320,435,000 and RMB 237,589,000 were impaired. The amount of the provision was RMB 290,484,000, RMB 236,500,000 and RMB 161,950,000. The individually impaired receivables were mainly related to previous customers, which were in unexpected difficult economic situations. It was assessed that a portion of these receivables is expected to be recovered. The ageing of these trade receivables is as follows:*

	As at 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Within 1 year	309	67,880	66,913
Between 1 and 2 years	4,826	16,668	8,312
Between 2 and 3 years	1,932	5,464	3,123
Over 3 years	284,514	230,423	159,241
	291,581	320,435	237,589

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

	Year ended 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Beginning of the year	303,059	290,484	236,500
(Reversal of impairment)/impairment loss for trade receivables	(10,151)	3,579	2,015
Receivables written off as uncollectible	(2,424)	(57,563)	(920)
Disposal of subsidiaries	—	—	(75,645)
End of the year	290,484	236,500	161,950

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

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

	As at 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
RMB	1,911,173	2,112,856	1,566,413
USD	128,773	74,036	25,263
HKD	256,681	32,623	74,125
JPY	208	—	107
Euro	—	7	—
	2,296,835	2,219,522	1,665,908

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

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

(f) *Details of other receivables are analysed as follows:*

	As at 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Other receivables			
Repairs and maintenance cost to be reimbursed by jointly-controlled entities' Japanese shareholders and a supplier for vehicle recall	125,446	74,042	71,052
Advances to staff (i)	62,666	96,427	108,387
Others (ii)	142,481	187,041	164,921
	330,593	357,510	344,360

(i) *Balances of advances to staff mainly represent cash borrowed by staff for them to carry out routine business activities in respect of jointly-controlled entities of the Group. These balances are settled upon the completion of these activities by the relevant staff. It is estimated that such advancing activities will continue after the listing of the Company's shares in the Main Board of The Stock Exchange of Hong Kong Limited.*

(ii) *Others mainly represent interest receivable for bank deposits and sundry receivables.*

(g) *The maturity of bills receivable ranges from one to six months since the bills issuance date.*

(h) *Details of deposits are analysed as follows:*

	As at 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Deposits			
Bidding deposits for acquisition of equity interest	194,523	—	—
Deposits paid for Land use right	—	179,665	179,665
Deposits paid for material purchases and other deposits	43,318	60,268	13,111
	237,841	239,933	192,776

(i) *Entrusted loans were provided by a subsidiary of the Group to an independent third party through China Minsheng Bank Guangzhou Branch, with maturity within one year.*

18. TIME DEPOSITS

The Group

	As at 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Denominated in:			
— RMB	5,158,194	8,323,831	12,634,012
— HKD	512,371	5,291	22,093
— USD	126,005	92,891	152,612
Total	5,796,570	8,422,013	12,808,717

The initial term of time deposits was over three months, and the weighted average effective interest rates were from 1.99% to 3.62% per annum for the years ended 31 December 2007, 2008 and 2009.

The Company

	As at 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Denominated in RMB	—	500,000	400,000

19. RESTRICTED CASH

All restricted cash was denominated in RMB as at 31 December 2007, 2008 and 2009.

RMB 61,426,000, RMB 58,802,000 and RMB 78,171,000 were pledged for the issuance of bank notes as at 31 December 2007, 2008 and 2009. In addition, RMB 250,000,000 was deposited into a designated bank account for the formation of a new jointly-controlled entity of the Group as at 31 December 2009.

20. CASH AND CASH EQUIVALENTS

The Group

	As at 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Denominated in:			
— RMB	7,279,848	4,314,418	10,225,814
— HKD	75,488	961,154	957,400
— USD	91,363	255,528	137,385
— JPY	9,278	2,023	4,809
— Others	1,030	7,116	7,532
	7,457,007	5,540,239	11,332,940

The Company

	As at 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Denominated in RMB	300,095	98,935	4,215,575

(a) *The Group's cash and cash equivalents denominated in RMB were mainly deposited with banks in the PRC. The conversion of these RMB denominated balances into foreign currencies and the remittance of such foreign currencies out of the PRC were subject to the rules and regulations of foreign exchange control promulgated by the PRC government.*

(b) *At 31 December 2007, 2008 and 2009, the Group's cash and cash equivalents, restricted cash (Note 19) and time deposits (Note 18) 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		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
A+	1,343,231	277,751	1,636,304
A-	7,153,497	6,082,355	8,942,614
A--	696,699	1,122,145	—
BBB	640,688	590,148	4,068,830
BBB-	3,189,301	5,313,244	4,438,075
Others and cash on hand	291,587	635,411	5,384,005
Total	13,315,003	14,021,054	24,469,828
Representing			
— Time deposits	5,796,570	8,422,013	12,808,717
— Restricted cash	61,426	58,802	328,171
— Cash and cash equivalents	7,457,007	5,540,239	11,332,940
	13,315,003	14,021,054	24,469,828

21. SHARE CAPITAL

(a) *Share capital of the Company*

	Domestic shares of RMB 1 each
	RMB'000
As at 1 January 2007, 31 December 2007 and 2008	3,499,666
Capital injection	435,091
As at 31 December 2009	3,934,757

(i) The Company was incorporated in the PRC on 6 June 1997 as a limited liability company under the Company Law of the PRC. The registered and paid-in capital of the Company upon incorporation was RMB 468,200,000.

(ii) In June 2005, the Company was transformed into a joint stock limited liability company under the PRC Company Law by converting its registered share capital and reserves as of 30 June 2004 into 3,499,665,555 shares of RMB 1 each.

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

(b) *Share option scheme of a subsidiary*

On 6 June 2002, the share option scheme of Denway, a subsidiary of the Company whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited, was approved at its extraordinary general meeting, under which the directors of Denway may, at their discretion, invite any participant who has rendered services or will render services to Denway to take up the share options for subscription of new shares of Denway. Movements in the number of share options outstanding and their related weighted average exercise prices during the Relevant Periods are as follows:

	Average exercise price in HK$ per share	Equivalent to RMB	Number of options ('000)
As at 1 January 2007	2.15	2.16	41,032
Exercised	2.15	2.09	(1,340)
As at 31 December 2007	2.15	2.01	39,692
Forfeited	2.15	1.95	(13,348)
As at 31 December 2008 and 31 December 2009	2.15	1.90	26,344

All of the above outstanding options were exercisable. No option was exercised in the year ended 31 December 2008 and 2009. Options exercised in the year ended 31 December 2007 resulted in 1,340,000 shares of Denway being issued at the average exercise price of HKD2.15 (equivalent to RMB 2.09) each. The related weighted average share price at the time of exercise was HKD3.92 (equivalent to RMB 3.81) per share.

Share options outstanding at the end of each of the years have the following expiry dates and exercise prices:

Expiry date	Exercise price in HK$ per share	Equivalent to RMB	As at 31 December 2007	2008	2009
			Options ('000)	Options ('000)	Options ('000)
5 June 2012	2.15	2.44	39,692	26,344	26,344

22. RESERVES

The Group

	Capital reserve	Statutory surplus reserve fund	Total other reserves	Retained earnings	Total reserves
	RMB'000 Note (b)	RMB'000 Note (a)	RMB'000	RMB'000	RMB'000
As at 1 January 2007	48,820	302,064	350,884	2,549,974	2,900,858
Profit for the year	—	—	—	3,436,785	3,436,785
Appropriation to reserve fund	—	239,673	239,673	(239,673)	—
Others	270	—	270	—	270
As at 31 December 2007	49,090	541,737	590,827	5,747,086	6,337,913
Profit for the year	—	—	—	1,566,814	1,566,814
Appropriation to reserve fund	—	67,437	67,437	(67,437)	—
Others	4,257	—	4,257	—	4,257
As at 31 December 2008	53,347	609,174	662,521	7,246,463	7,908,984
Profit for the year	—	—	—	2,031,800	2,031,800
Appropriation to reserve fund	—	151,665	151,665	(151,665)	—
Dividend declared by the Company	—	—	—	(815,800)	(815,800)
As at 31 December 2009	53,347	760,839	814,186	8,310,798	9,124,984

The Company

	Capital reserve	Statutory surplus reserve fund	Total other reserves	(Accumulated losses)/ retained earnings	Total reserves
	RMB'000 Note (c)	RMB'000 Note (a)	RMB'000	RMB'000	RMB'000
As at 1 January 2007	(1,615,052)	302,064	(1,312,988)	(318,683)	(1,631,671)
Profit for the year	—	—	—	131,715	131,715
Appropriation to reserve fund	—	239,673	239,673	(239,673)	—
As at 31 December 2007	(1,615,052)	541,737	(1,073,315)	(426,641)	(1,499,956)
Profit for the year	—	—	—	1,783,413	1,783,413
Appropriation to reserve fund	—	67,437	67,437	(67,437)	—
As at 31 December 2008	(1,615,052)	609,174	(1,005,878)	1,289,335	283,457
Profit for the year	—	—	—	761,228	761,228
Appropriation to reserve fund	—	151,665	151,665	(151,665)	—
Dividend declared by the Company	—	—	—	(815,800)	(815,800)
As at 31 December 2009	(1,615,052)	760,839	(854,213)	1,083,098	228,885

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

(b) *Capital reserve of the Group mainly represented government grants or donation to the subsidiaries or associates which had been appropriated from retained earnings of the respective entities in prior years.*

(c) *As of the date of reorganisation and formation of the joint stock holding company, retained earnings of the company-only financial statements prepared under PRC GAAP amounted to approximately RMB 1.6 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 RMB 1.6 billion under PRC GAAP was converted into share capital. Under HKFRS, the results in these investee companies were accounted for using cost method in the company-only financial statements. Accordingly, there was no such RMB 1.6 billion in retained earnings in the company-only financial statements to be utilised. Such amount was therefore charged to the capital reserve account of the company.*

(d) *As at 31 December 2007, 2008 and 2009, consolidated retained earnings included subsidiaries' surplus reserve attributable to the Company, which amounted to RMB 752,149,000, RMB 862,867,000 and RMB 913,796,000 respectively.*

23. BORROWINGS

The Group

	As at 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Non-current			
Bank borrowings			
— secured (Note (a))	2,246	—	30,330
— unsecured	731,330	699,960	408,856
	733,576	699,960	439,186
Corporate bonds			
— secured (Notes (a) and (h))	591,598	592,229	592,268
Debentures			
— unsecured (Note (i))	—	—	6,617,944
Total non-current borrowings	1,325,174	1,292,189	7,649,398
Current			
Bank borrowings			
— secured (Note (a))	307,221	308,636	177,699
— unsecured	659,438	1,145,512	892,670
Total current borrowings	966,659	1,454,148	1,070,369
Total borrowings	2,291,833	2,746,337	8,719,767

The Company

	As at 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Non-current			
Bank borrowings			
— unsecured	200,000	200,000	200,000
Corporate bonds			
— secured (Notes (a) and (h))	591,598	592,229	592,268
Debentures			
— unsecured (Note (i))	—	—	6,617,944
Total non-current borrowings	791,598	792,229	7,410,212
Current			
Bank borrowings			
— unsecured	—	200,000	—
Total borrowings	791,598	992,229	7,410,212

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

The Group

	As at 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Secured by assets of the Group	270,943	277,886	208,029
Guarantees given by minority shareholders	38,524	30,750	—
Guarantees given by a state-owned financial institution	591,598	592,229	592,268
Total borrowings	901,065	900,865	800,297

The Company

	As at 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Guarantees given by a state-owned financial institution	591,598	592,229	592,268

(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		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Within 1 year	1,445,836	1,954,108	1,297,577
Between 1 and 5 years	254,399	200,000	6,829,922
Over 5 years	591,598	592,229	592,268
	2,291,833	2,746,337	8,719,767

The Company

	As at 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Within 1 year	200,000	200,000	—
Between 1 and 5 years	—	200,000	6,817,944
Over 5 years	591,598	592,229	592,268
	791,598	992,229	7,410,212

(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		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Within 1 year	966,659	1,454,148	1,070,369
Between 1 and 2 years	9,447	369,960	11,979
Between 2 and 5 years	624,129	330,000	7,045,151
Over 5 years	691,598	592,229	592,268
	2,291,833	2,746,337	8,719,767

The Company

	As at 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Within 1 year	—	200,000	—
Between 1 and 5 years	200,000	200,000	6,817,944
Over 5 years	591,598	592,229	592,268
	791,598	992,229	7,410,212

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

The Group

	As at 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
RMB	2,006,670	2,744,227	8,630,172
HKD	4,309	2,110	—
USD	233,137	—	89,595
JPY	47,717	—	—
	2,291,833	2,746,337	8,719,767

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		
	2007	2008	2009
Bank borrowings			
RMB	6.39%	5.93%	4.95%
HKD	4.10%	4.10%	—
USD	5.76%	—	2.04%
JPY	2.22%	—	—
Corporate bonds and debentures			
RMB	6.21%	6.21%	4.20%

The Company

	As at 31 December		
	2007	2008	2009
Bank borrowings	3.60%	5.16%	3.60%
Corporate bond and debentures	6.21%	6.21%	4.20%

(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		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Carrying amount	1,325,174	1,292,189	7,649,398
Fair value	1,277,622	1,288,946	7,637,437

The Company

	As at 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Carrying amount	791,598	792,229	7,410,212
Fair value	758,310	790,986	7,399,098

The fair values of non-current borrowings are estimated based on discounted cash flow approach using the prevailing market rates of interest available to the Group for financial instruments with substantially the same terms and characteristics at the respective balance sheet dates, which were 7.74%, 5.94% and 5.76% as at 31 December 2007, 2008 and 2009, respectively.

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

The Group

	As at 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Floating rate			
— Expiring within 1 year	4,236,789	2,325,897	5,840,438
— Expiring beyond 1 year	5,474,500	342,450	3,071,723
	9,711,289	2,668,347	8,912,161

The Company

	As at 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Floating rate			
— Expiring within 1 year	1,020,000	1,500,000	2,300,000
— Expiring beyond 1 year	5,100,000	—	—
	6,120,000	1,500,000	2,300,000

(h) *In December 2007, the Company issued corporate bonds with par value of RMB 600,000,000 at an interest rate of 6.02% per annum. The related interest is payable on an annual basis. These corporate bonds will be fully redeemed at par in November 2017, and are guaranteed by China Development Bank, a state-owned financial institution and will be used to finance projects related to passenger vehicles. The guarantee provided by China Development Bank will not be released until the full redemption of corporate bonds.*

(i) *On 10 April 2009 and 27 April 2009, the Company issued debentures with principals of RMB 3.3 billion and RMB 3.4 billion which bear interest rate of 3.58% per annum and 3.83% per annum respectively. The related interest is payable on an annual basis. These debentures will be fully redeemed at par in April 2014.*

24. PROVISIONS

The Group

	Warranty provision		
	Year ended 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Beginning of the year	59,799	98,588	196,208
Additions (Note (a))	153,126	250,555	353,343
Utilised during the year	(114,337)	(152,935)	(177,005)
End of the year	98,588	196,208	372,546

	Employee termination benefits		
	Year ended 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Beginning of the year	—	94,010	38,017
Additions (Note (b))	94,010	34,064	—
Utilised during the year	—	(90,057)	(20,150)
Disposal of subsidiaries	—	—	(10,953)
End of the year	94,010	38,017	6,914

Analysis of total provisions

	As at 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Non-current			
Warranty provision	54,312	108,091	201,542
Current			
Warranty provision	44,276	88,117	171,004
Employee termination benefits	94,010	38,017	6,914
	138,286	126,134	177,918
Total	192,598	234,225	379,460

(a) *The Group provides warranties for certain automobile products and undertakes to repair or replace items that fail to perform satisfactorily. The amount of provision for warranties is estimated based on the sales volume and past experience of the level of repairs and returns and is expected to be settled within two to three years. The estimation is reviewed on an ongoing basis and is revised when appropriate.*

(b) *During the Relevant Periods, employee termination benefits were accrued and paid in accordance with the lay-off and restructuring plans of certain subsidiaries of the Group.*

25. GOVERNMENT GRANTS

The Group

	Year ended 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Beginning of the year	—	—	182,862
Additions (note a)	—	182,862	455,500
Amortisation	—	—	(654)
Reclassification to current liabilities (note b)	—	—	(357,862)
End of the year	—	182,862	279,846

(a) *The Company established a wholly-owned subsidiary to produce propriety brand passenger vehicles in 2008 and to develop a research and development division in the Company. In 2008 and 2009, the Group received government grants of RMB 183 million and RMB 456 million respectively, which were granted to support the developments of propriety GAC brand of passenger vehicles, including the additions of assets relating to research and development activities and compensation for the operating expenditures incurred in the production of propriety GAC brand of passenger vehicles.*

(b) *Included in the Group's government grants was an amount of RMB 358 million which will be used to compensate operating expenses incurred by the subsidiary in 2010 upon commencement of production. Such operating expenditures will include manufacturing overheads, selling expenses and general administrative expenses to be incurred after 1 January 2010. Accordingly, government grants to the extent of RMB 358 million were classified as current portion of trade and other payables as at 31 December 2009.*

The Company

	As at 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Beginning of the year	—	—	—
Additions	—	—	110,500
Amortisation	—	—	(654)
End of the year	—	—	109,846

26. TRADE AND OTHER PAYABLES

The Group

	As at 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Trade payables (Note (a))	3,552,583	3,782,094	5,570,694
Bills payables	197,783	263,510	495,364
Advances from customers	720,016	671,928	1,475,762
Staff welfare benefits payable	510,248	608,529	685,312
Other taxes (Note (c))	796,370	517,417	1,093,680
Dividend payables	85,412	4,193	—
Accrued sales rebate	648,059	502,178	409,046
Accrued royalties	381,921	541,347	583,228
Retention payables and deposits received (Note (d))	255,994	327,250	489,940
Commission fee payables (Note (e))	—	—	75,284
Government grants (Note 25)	—	—	357,862
Other payables (Note (f))	497,620	819,404	1,312,475
	7,646,006	8,037,850	12,548,647
Less: non-current portion of commission fee payables	—	—	(55,760)
Current portion	7,646,006	8,037,850	12,492,887

The Company

	As at 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Trade payables	—	1,760	17,702
Staff welfare benefits payable	—	660	19,559
Other taxes	1,925	2,253	3,914
Dividend payables	83,275	—	—
Commission fee payable	—	—	75,284
Other payables	28,644	82,933	254,646
Amounts due to subsidiaries	25,651	24,987	24,987
	139,495	112,593	396,092
Less: non-current portion of commission fee payables	—	—	(55,760)
Current portion	139,495	112,593	340,332

(a) *As at 31 December 2007, 2008 and 2009, the ageing analysis of the Group's trade payables is as follows:*

The Group

	As at 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Within 1 year	3,535,217	3,663,772	5,505,136
Between 1 and 2 years	10,167	33,951	8,530
Between 2 and 3 years	2,331	13,844	18,459
Over 3 years	4,868	70,527	38,569
	3,552,583	3,782,094	5,570,694

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

The Group

	As at 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
RMB	6,920,181	7,123,460	11,204,445
HKD	130,686	92,124	143,971
USD	488,458	644,185	851,675
JPY	105,733	178,081	292,796
Others	948	—	—
	7,646,006	8,037,850	12,492,887

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) *Balances of retention payables and deposits received mainly represent sales deposits received from sales and service centres relating to passenger vehicles products.*

(e) *Balances of commission fee payables represent amounts due to Bank of China, the underwriter of the Group's debentures issued in 2009, for the services rendered to the Group in connection with the issuance of the debentures, which is charged at 0.3% per annum on the outstanding balance of the debenture and are settled annually.*

(f) *Balances of other payables include freight charges payables, accrued advertising and promotion expenses and other sundry payables.*

27. EXPENSES BY NATURE

	Year ended 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Auditors' remuneration	5,412	11,103	9,782
Depreciation and amortisation charges (Notes 7, 8, 9 and 10)	704,516	720,905	969,729
Impairment charges (Notes 7, 8 and 10)	12,084	52,701	160,641
Impairment of inventories	40,555	32,001	38,416
(Reversal of impairment)/impairment loss for trade receivables	(10,151)	3,579	2,015
Impairment loss for other receivables	1,622	405	21,766
Staff costs (Note 28)	1,060,407	1,104,554	1,414,949
Changes in inventories of finished goods and work-in-progress	(65,679)	(343,490)	(401,075)
Raw materials, goods and consumables used	31,237,540	32,981,417	37,003,123
Sales tax and levies	2,676,594	2,653,469	3,304,871
Transportation	495,912	588,833	745,770
Advertising and promotion	585,463	922,902	862,106
Warranty expense (Note 24)	153,126	250,555	353,343
Research costs	175,436	409,759	447,623
Royalty expenses	452,227	772,473	824,831
Other expenses	849,678	698,665	846,956
Total cost of sales, selling and distribution costs and administrative expenses	38,374,742	40,859,831	46,604,846

28. STAFF COSTS

	Year ended 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Wages and Salaries	568,842	741,606	964,364
Pension scheme costs (Note (a))	74,428	138,526	184,205
Housing benefits (Note (b))	44,552	82,878	119,929
Termination benefits (Note 24(b))	94,010	34,064	—
Welfare, medical and other expenses	278,575	107,480	146,451
	1,060,407	1,104,554	1,414,949

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

29. OTHER LOSSES — NET

	Year ended 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Net foreign exchange losses	41,524	41,734	18,182
(Gain)/loss on disposal of property, plant and equipment and land use rights	(13,202)	(41,163)	19,270
Donation (note (a))	—	—	451,257
Gain on waiver of liabilities	—	—	(40,689)
Others	555	5,674	(19,066)
	28,877	6,245	428,954

(a) In 2008, the Group entered into an agreement with Guangzhou Asian Games Organizing Committee and committed to sponsor these activities to the extent of RMB 600 million. In the year ended 31 December 2009, RMB 451 million has been paid and charged to the consolidated statement of comprehensive income. The remaining balances of RMB 149 million will be paid gradually in 2010 and 2011.

30. FINANCE COSTS

	Year ended 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Interest expense:			
— Bank borrowings	125,126	171,703	304,077
— Others	29,135	44,753	40,424
	154,261	216,456	344,501
Net foreign exchange (gains)/losses on financing activities	(2,696)	2,709	(80)
	151,565	219,165	344,421

31. TAXATION

(a) Income tax expense

	Year ended 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Current income tax:			
— Hong Kong profits tax	2,383	(35)	6
— PRC enterprise income tax	259,220	591,837	758,706
	261,603	591,802	758,712
Deferred tax (Note 15)	(123,200)	10,066	(34,702)
	138,403	601,868	724,010

The difference between the actual income tax charge in the consolidated statements 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		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Profit before income tax	4,952,910	3,459,777	3,980,050
Tax calculated at domestic tax rates applicable to profits in the respective countries	691,520	670,343	823,607
Effect of change in tax rate	(101,049)	—	—
Effect of tax holiday (Note (i))	(349,054)	(117,984)	(200,783)
Income not subject to tax (Note (ii))	(237,066)	(123,752)	(185,552)
Expenses not deductible for tax purposes (Note (iii))	67,916	106,247	107,851
Withholding tax	1,449	—	—
Utilisation of previously unrecognised tax losses	(9,061)	(4,211)	(10,224)
Tax losses for which no deferred income tax asset was recognised	73,748	71,225	189,111
Income tax expense	138,403	601,868	724,010

(i) During the year ended 31 December 2007, enterprises incorporated in the PRC were subject to enterprise income tax ("EIT") at a rate of 33%, while certain subsidiaries and jointly-controlled entities enjoyed preferential Foreign Enterprise Income Tax ("FEIT") at a rate of 15% under approval of the relevant tax authorities as these companies operated in designated areas with preferential FEIT policies.

After enactment of the new Corporate Income Tax Law ("New CIT Law") effective from 1 January 2008, the income tax rate for all PRC enterprises has been unified at 25%. For enterprises which were established before the publication of the New CIT Law on 16 March 2007 and were entitled to preferential treatments of reduced tax rates granted by relevant authorities, the new corporate income tax rate will gradually increase to 25% within 5 years. For enterprises that enjoyed a reduced income tax rate of 15%, the tax rate was 18% for 2008, 20% for 2009 and will be 22% for 2010, 24% for 2011 and 25% for 2012. Enterprises that were entitled to exemptions or reductions from the standard income tax rate for a fixed term may continue to enjoy such treatment until the fixed term expires.

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

	2007	2008	2009	2010
The Company	33%	25%	25%	25%
Guangqi Honda Automobile Co., Ltd.	10%	18%	20%	22%
GAC Toyota Motor Co., Ltd.	—	9%	10%	11%

Certain subsidiaries are subject to Hong Kong profits tax, which has been provided at the rate of 17.5% for the year ended 31 December 2007, and 16.5% for the years ended 31 December 2008 and 2009, on the estimated assessable profit of each of these companies during the Relevant Periods.

(ii) Income not subject to tax during the Relevant Periods mainly represented the Group's share of profit of associates.

(iii) Expenses not deductible for tax purposes during the Relevant Periods mainly comprised staff welfare fund and impairment loss on goodwill.

(iv) Under the New CIT Law, corporate withholding income tax will be levied on the foreign investors for dividend remitted out of China which arises from profit of foreign investment enterprises earned after 1 January 2008, at tax rates ranging from 5% to 10%.

In addition, the dividend distribution from a Hong Kong subsidiary, China Lounge Investments Limited, to the Company is subject to PRC enterprise income tax. Those dividends arisen from profit earned before 1 January 2008 is taxable at 16.5% and those after 1 January 2008 is taxable at 25% if the Hong Kong subsidiary is not qualified as PRC tax resident. Up to the date of this report, the Hong Kong subsidiary of the Group is in the process of applying approval for recognition as PRC tax resident from State Administration of Taxation. The Group's Hong Kong subsidiary has no plan to declare any dividends. Accordingly, the Group has not made any provision for the relevant tax.

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

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

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

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

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

32. INTEREST INCOME

Interest income recognised in the consolidated statements of comprehensive income are included as follows:

	Year ended 31 December		
	2007	**2008**	**2009**
	RMB'000	**RMB'000**	**RMB'000**
Interest income from time deposits	232,000	345,000	350,200
Interest income from restricted cash and cash and cash equivalents	31,219	30,954	38,845
	263,219	375,954	389,045

33. 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 RMB131,715,000, RMB1,783,413,000 and RMB761,228,000 for the years ended 31 December 2007, 2008 and 2009.

34. EARNINGS PER SHARE

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

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

35. DIVIDENDS

	Year ended 31 December		
	2007	**2008**	**2009**
	RMB'000	**RMB'000**	**RMB'000**
Dividends (Note (a))	—	—	815,800

(a) *Pursuant to a resolution approved by the Board of Directors on 30 June 2009, dividends in the amount of RMB 815,800,000 (RMB 0.213 per share) were declared to the then shareholders of the Company.*

36. DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) *Directors', supervisors' and senior management's emoluments*

	Year ended 31 December		
	2007	**2008**	**2009**
	RMB'000	**RMB'000**	**RMB'000**
Directors and supervisors			
— Fees	—	—	—
— Basic salaries, housing allowances, other allowances and benefits-in-kind	3,195	3,053	4,935
— Contributions to pension plans	126	125	133
— Discretionary bonuses	333	2,708	—
	3,654	5,886	5,068
Senior management			
— Basic salaries, housing allowances, other allowances and benefits-in-kind	3,341	2,996	5,682
— Contributions to pension plans	116	127	169
— Discretionary bonuses	—	2,189	—
	3,457	5,312	5,851

The emoluments received by individual directors and supervisors during the Relevant Periods are as follows:

(i) For the year ended 31 December 2007:

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	—	—	—	—	—
Lu Zhifeng	—	—	—	—	—
Zeng Qinghong	—	590	18	—	608
Yang Dadong	—	—	—	—	—
Zhang Baoqing	—	—	—	—	—
Liu Huilian	—	523	18	—	541
Yuan Zhongrong	—	526	18	62	606
Fu Shoujie	—	522	18	63	603
Liu Wei	—	—	—	—	—
Wang Songlin	—	—	—	—	—
Name of supervisor:					
Wu Yukang	—	523	18	—	541
Wu Jingkun	—	276	18	112	406
Chen Xiaomu	—	235	18	96	349
Huang Zhiyong	—	—	—	—	—
Liu Haoyu	—	—	—	—	—

(ii) For the year ended 31 December 2008:

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	—	—	—	—	—
Lu Zhifeng (Note(a))	—	—	—	—	—
Zeng Qinghong	—	486	17	626	1,129
Yang Dadong	—	—	—	—	—
Zhang Baoqing	—	—	—	—	—
Liu Huilian	—	429	17	529	975
Yuan Zhongrong	—	458	17	395	870
Fu Shoujie	—	454	17	318	789
Liu Wei (Note(a))	—	—	—	—	—
Wang Songlin	—	—	—	—	—
Lu Sa	—	382	17	132	531
Li Pingyi	—	—	—	—	—
Name of supervisor:					
Wu Yukang	—	344	12	529	885
Wu Jingkun	—	171	9	56	236
Chen Xiaomu	—	164	11	48	223
Huang Zhiyong	—	—	—	—	—
Liu Haoyu	—	—	—	—	—
He Jinpei	—	68	4	29	101
Ye Ruiqi	—	97	4	46	147
Gao Fusheng	—	—	—	—	—
He Yuan	—	—	—	—	—

(iii) For the year ended 31 December 2009:

Name	Fees	Basic salaries, housing allowances, other allowances and benefits-in-kind	Contributions to pension plans	Discretionary bonuses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Name of director:					
Zhang Fangyou	—	—	—	—	—
Zeng Qinghong	—	801	19	—	820
Yang Dadong (Note(a))	—	—	—	—	—
Zhang Baoqing (Note(a))	—	—	—	—	—
Liu Huilian	—	691	19	—	710
Yuan Zhongrong	—	764	19	—	783
Fu Shoujie	—	805	19	—	824
Wang Songlin	—	—	—	—	—
Lu Sa	—	745	19	—	764
Li Pingyi	—	—	—	—	—
Name of supervisor:					
Gao Fusheng	—	—	—	—	—
Huang Zhiyong	—	—	—	—	—
He Yuan	—	—	—	—	—
He Jinpei	—	457	19	—	476
Ye Ruiqi	—	672	19	—	691

Notes:

(a) Lu Zhifeng and Liu Wei resigned in August 2008. Yang Dadong and Zhang Baoqing resigned in November 2009.

(b) In addition to the directors' emoluments disclosed above, the Directors and supervisors of the Company also received emoluments from GAIGC, the immediate holding company, part of which is in respect of their services to the Group. No apportionment has been made as the Directors consider that it is impracticable to apportion the amount between the portion for their services to the Group and the portion for their services to the Company's parent company.

(c) During the Relevant Periods, no Directors, supervisors or senior management of the Company waived any emoluments and no emoluments were paid by the Company to any of the Directors, supervisors or senior management as an inducement to join or upon joining the Group or as compensation for loss of office.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the years ended 31 December 2007, 2008 and 2009, include 4, 5 and 5 Directors and supervisors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining 1 individual during the year ended 31 December 2007 are as follows:

	Year ended 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Fees	—	—	—
Basic salaries, housing allowances, other allowances and benefits-in-kind	541	—	—
Contributions to pension plans	18	—	—
Discretionary bonuses	—	—	—
	559	—	—

The emoluments fall within the following bands:

	Year ended 31 December		
	2007	2008	2009
Senior management			
— Nil to HKD1,000,000	1	—	—

37. NOTES TO CONSOLIDATED CASH FLOW STATEMENTS

	Year ended 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Profit for the year	4,814,507	2,857,909	3,256,040
Adjustments for:			
— Income tax expense (Note 31)	138,403	601,868	724,010
— Depreciation (Notes 7 and 9)	665,296	679,930	875,764
— Amortisation (Notes 8 and 10)	39,220	40,975	93,965
— Amortisation of government grants	—	—	(654)
— Impairment provision	44,110	216,391	160,641
— (Gain)/loss on disposal of property, plant and equipment and land use rights (Note 29)	(13,202)	(41,163)	19,270
— Interest income (Note 32)	(263,219)	(375,954)	(389,045)
— Dividend income	(340)	—	—
— Finance costs (Note 30)	151,565	219,165	344,421
— Loss/ (gain) on disposal of investment in associates and subsidiaries	—	1,458	(42,991)
— Foreign exchange loss on cash and cash equivalents	3,933	18,955	613
— Share of profit of associates (Note 13(a))	(838,196)	(515,253)	(715,674)
	4,742,077	3,704,281	4,326,360
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation):			
— Inventories	(47,484)	(384,057)	(566,333)
— Trade and other receivables	(1,376,219)	224,012	685,664
— Trade and other payables	1,220,886	(38,659)	4,098,623
— Provisions	132,799	97,620	156,188
Cash generated from operations	4,672,059	3,603,197	8,700,502

(a) *Proceeds from disposal of property, plant and equipment and land use rights*

In the consolidated cash flow statements, proceeds from disposal of property, plant and equipment, land use rights and investment properties comprise:

	Year ended 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Net book amount (Note 7, 8 and 9)	42,365	136,718	426,198
Gain/(loss) on disposal of property, plant and equipment and land use rights (Note 29)	13,202	41,163	(19,270)
Changes in receivables arising from disposal of property, plant and equipment and land use rights	—	(63,859)	—
Proceeds from disposal of property, plant and equipment and land use rights	55,567	114,022	406,928

38. COMMITMENTS

(a) Capital commitments

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

	As at 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Property, plant and equipment			
— Contracted but not provided for	501,312	749,531	542,187
— Authorised but not contracted for	268,656	746,612	393,691
	769,968	1,496,143	935,878
Land use rights			
— Contracted but not provided for	—	195,167	108,570
— Authorised but not contracted for	—	—	27,422
	—	195,167	135,992
Intangible assets			
— Contracted but not provided for	—	139,011	18,419
Investments			
— Contracted but not provided for (Note (i))	—	—	900,000
	769,968	1,830,321	1,990,289

(i) According to the board resolutions dated 28 February 2009 and 19 May 2009, the Company has entered into an agreement with FIAT Automobiles S.p.A. ("FIAT Group") to set up a joint venture in the PRC for manufacturing of passenger vehicles. Total share capital of the joint venture is RMB 1.8 billion of which the Company and FIAT Group will contribute on equal basis. The formation of the joint venture was approved subsequently by the relevant government authorities in March 2010 (Note 43(a)). According to joint venture agreement, 20% of the share capital should be injected by the shareholders within three months from the set-up of the joint venture. The remaining capital should be injected within two years from the set-up of the joint venture.

(b) Operating lease commitments

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

	As at 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Within 1 year	30,998	30,176	23,595
Between 1 and 5 years	90,888	108,759	82,716
Over 5 years	197,822	233,441	186,075
	319,708	372,376	292,386

39. 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 Financial Information, the following is a summary of significant related party transactions entered into in the ordinary and usual course of business and balances between the Group and its related parties, including other State-owned Enterprises, during the Relevant Periods.

During the Relevant Periods, the Group had the following significant transactions with related parties, which will continue after the listing of shares of the Company on the Main Board of the Stock Exchange of Hong Kong Limited, except for the provision of entrusted loans, transfer of receivables and disposals of a subsidiary and an associate to related parties as detailed below.

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

(a) Significant related party transactions

	Year ended 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Sales of goods			
Sales of auto parts and materials			
— Jointly-controlled entities	201,439	113,167	3,481
— Associates	706,602	780,902	749,725
	908,041	894,069	753,206
Sales of passenger vehicles			
— Associates	290,864	279,021	257,567
	1,198,905	1,173,090	1,010,773
Rendering of labor services			
— Jointly-controlled entities	75,554	69,617	91,964
— Associates	72,966	71,399	90,909
	148,520	141,016	182,873

Labour services represent management services provided by the personnel of the Group who were assigned to its associates and jointly-controlled entities to monitor their daily operations.

	Year ended 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Purchases of goods			
Purchases of engines, auto parts and materials			
— Jointly-controlled entities	21,223	30,173	43,580
— Associates	5,608,946	5,961,027	6,296,864
	5,630,169	5,991,200	6,340,444
Purchases of passenger vehicles			
— Jointly-controlled entities	1,743,617	1,398,657	1,681,567
	7,373,786	7,389,857	8,022,011
Payment of logistics services			
— Associates	94,336	341,082	274,047
Purchases of trademarks			
— GAIGC	—	—	25,317
Provision of entrusted loans to related parties			
— Associates	150,000	55,000	—

Transfer of receivable

In 2008, the Group transferred trade and other receivables with a original value of RMB 36,641,000 and RMB 74,876,000 respectively to an entity controlled by GAIGC, the immediate holding company, at a total consideration of RMB 7,899,000. Full provision for impairment for such receivables had been made in prior years, and accordingly, a gain of RMB 7,899,000 representing the reversal of such impairment was recorded in the consolidated statement of comprehensive income for the year ended 31 December 2008.

Disposals of a subsidiary and an associate

In 2009, the Group transferred the interests in a subsidiary and an associate to entities controlled by GAIGC at nominal consideration of RMB1 and HKD1 respectively (Note 11(a) and Note 13(a)(ii)).

(b) Balances with related parties

	As at 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Trade and other receivables			
Trade receivables due from			
— Jointly-controlled entities	—	2,842	4,000
— Associates	30,376	31,930	54,064
	30,376	34,772	58,064
Dividend and other receivables due from			
— Jointly-controlled entities	—	8,884	7,864
— Associates	70,061	105,615	95,322
	70,061	114,499	103,186
	100,437	149,271	161,250

	As at 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Trade and other payables			
Trade payables due to			
— Associates	516,909	666,040	1,125,066
Advances from customers, dividend payables and other payables due to			
— Parent company	83,275	—	—
— Fellow subsidiaries	7,400	4,471	—
— Jointly-controlled entities	71,553	—	—
— Associates	61,413	45,636	123,418
	223,641	50,107	123,418
	740,550	716,147	1,248,484

(i) For the year ended 31 December 2007, 2008 and 2009, there was no provision for impairment of receivables from related parties.

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

(iii) As at 31 December 2009, non-trade balances with related parties mainly represented dividends receivable from associates and labour services fee receivables. All these balances will be settled before listing.

(c) Key management compensation

	Year ended 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Salaries and other short-term employee benefits	6,869	10,946	10,616
Post-employment benefits	242	252	300
	7,111	11,198	10,916

(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 Relevant Periods, the Group had transactions with State-owned Enterprises including, but not limited to, sales of automobiles and other automotive components and purchases of raw materials and automotive parts and components.

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 2007, 2008 and 2009, majority part of the Group's bank balances and borrowings were deposited in or financed from various state-owned financial institutions. The Directors are of opinion that such transactions were conducted in the ordinary course of business and in accordance with normal commercial terms.

(ii) Guarantees given by State-owned Enterprises

As at 31 December 2007, 2008 and 2009, information of borrowings secured by guarantees given by a state-owned financial institution is presented in note 23(a).

40. SIGNIFICANT CONTRACTS

During the Relevant Periods, the Group had the following significant transactions with the foreign shareholders of jointly-controlled entities and their subsidiaries.

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

(a) Purchase of goods

	Year ended 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Purchases of engines and auto parts			
— Entities controlled by foreign shareholders of jointly-controlled entities	6,218,189	6,937,863	7,867,047
Purchases of auto parts and materials			
— Foreign shareholders of jointly-controlled entities	3,421,275	3,018,231	3,522,253
Purchases of steel			
— Entities controlled by foreign shareholders of jointly-controlled entities	1,216,053	2,265,508	1,718,986
	10,855,517	12,221,602	13,108,286

(b) Royalty fee and other expenses

	Year ended 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
— Foreign shareholders of jointly-controlled entities	600,011	943,364	1,052,335

(c) Purchases of equipment and patent and proprietary technologies

	Year ended 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
— Foreign shareholders of jointly-controlled entities	108,946	160,136	302,984

(d) Sales of steel

	Year ended 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
— An entity controlled by foreign shareholders of jointly-controlled entities	922,151	1,580,286	1,030,139

(e) At respective balance sheet date, the balances with the foreign shareholders of jointly-controlled entities and their subsidiaries resulting from the aforementioned significant contracts were as follows:

	As at 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Trade receivables			
— Entities controlled by foreign shareholders of jointly-controlled entities	20,258	605,029	56,435
Prepayment			
— Foreign shareholders of jointly-controlled entities	58,540	77,162	75,369
Other receivables			
— Foreign shareholders of jointly-controlled entities	125,446	74,042	26,369
Trade payables			
— Foreign shareholders of jointly-controlled entities	359,581	925,027	650,603
— Entities controlled by foreign shareholders of jointly-controlled entities	175,842	271,574	304,712
Advances from customers and other payables			
— Foreign shareholders of jointly-controlled entities	381,921	552,299	835,672

41. CONTINGENT LIABILITIES

As at 31 December 2007, 2008 and 2009, the Group had provided financial guarantees to external parties for an amount of RMB 48,754,000, RMB 21,431,000 and RMB 1,022,000 respectively.

As at 31 December 2007, 2008 and 2009, the Company had provided financial guarantees to its subsidiaries for an amount of RMB 484,820,000, RMB 510,640,000 and RMB 222,440,000 respectively.

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

42. ULTIMATE HOLDING COMPANY

The Directors regard Guangzhou Automobile Industrial Group Company Limited, a company established in the PRC, as being the ultimate holding company of the Company.

43. SUBSEQUENT EVENTS

(a) On 1 March 2010, the formation of the joint venture with FIAT Group (note 38 (a)(i)) was approved by the Ministry of Commerce.

(b) In April 2010, the Company entered into an agreement to acquire 30% equity interests in Shanghai Hino Engine Co., Ltd. from Shanghai Electric Group Company, an independent third party, at a consideration of RMB106 million. The acquisition was approved by the relevant government authorities in May 2010 and it is expected that the relevant business registration procedures will be completed before the end of June 2010.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any subsidiaries of the Group in respect of any period subsequent to 31 December 2009. Save as disclosed in this report, no dividend has been declared, made or paid by the Company or any of the subsidiaries of the Group in respect of any period subsequent to 31 December 2009.

Yours faithfully,

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" of this Listing Document and the accountant's report set out in Appendix I of this Listing Document.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative and unaudited pro forma statement of adjusted net tangible assets of our Group which has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Introduction as if it had taken place on 31 December 2009. This unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of our Group had the Introduction been completed as at 31 December 2009 or at any future date.

Audited consolidated net assets of our Group attributable to our equity holders as at 31 December 2009	Less: Intangible assets at 31 December 2009	Effect of the Introduction	Unaudited pro forma net tangible assets of our Group attributable to our equity holders
RMB'000 (Note 1)	RMB'000 (Note 1)	RMB'000 (Note 2)	RMB'000 (Note 3)
13,059,741	964,701	8,170,250	20,265,290

Notes:

(1) *The audited consolidated net assets of our Group attributable to our equity holders and intangible assets of our Group are extracted from the financial information contained in the accountant's report set out in Appendix I to the Listing Document.*

(2) *The adjustment represents the decrease in minority interests in Denway, which will become a wholly-owned subsidiary upon the completion of the Introduction, and a corresponding increase in net assets of our Group attributable to our equity holders.*

(3) *As at 31 March 2010, our Group's property interests were revalued by Jones Lang LaSalle Sallmanns Limited, an independent property valuer, and the related property valuation report is set out in Appendix IV — Property Valuation. The net revaluation surplus, representing the excess of market value of the property interests over their book value is approximately RMB814 million. Such net revaluation surplus has not been included in our Group's consolidated financial information as at 31 December 2009. It is our Group's accounting policy to state its property, plant and equipment, leasehold land and land use rights at cost less accumulated depreciation or accumulated amortisation and any impairment losses rather than at revalued amounts. The above adjustment does not take into account the above revaluation surplus or the related additional depreciation or amortisation. Had the property interests been stated at such valuation, an additional depreciation and amortisation of RMB5 million and RMB10 million respectively per annum would be charged against the consolidated statement of comprehensive income for the year ending 31 December 2010.*

(4) *No adjustment has been made to the unaudited pro forma adjusted net tangible assets to reflect any trading results or other transactions of our Group entered into subsequent to 31 December 2009.*

B. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is an illustrative and unaudited pro forma consolidated balance sheet and pro forma consolidated income statement of the Enlarged Group which has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Introduction as if it had taken place on 31 December 2009 for the pro forma consolidated balance sheet and as if it had taken place on 1 January 2009 for the pro forma consolidated income statement. It has been prepared on the basis of the notes set out below and in accordance with the accounting policies adopted by our Group.

The unaudited pro forma financial information has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position and financial results of the Enlarged Group had the Introduction been completed as at 1 January 2009 or 31 December 2009 or any future date.

(a) Unaudited pro forma consolidated balance sheet of the Enlarged Group

	Audited consolidated balance sheet of our Group as at 31 December 2009	Pro forma adjustment	Unaudited pro forma consolidated balance sheet of the Enlarged Group
	RMB'000	RMB'000	RMB'000
	Note 1	*Note 2*	
ASSETS			
Non-current assets			
Property, plant and equipment	8,337,630		8,337,630
Land use rights	978,579		978,579
Investment properties	57,608		57,608
Intangible assets	964,701		964,701
Investment in associated companies	4,644,787		4,644,787
Deferred income tax assets	266,719		266,719
	15,250,024		15,250,024
Current assets			
Inventories	2,242,402		2,242,402
Trade and other receivables	1,665,908		1,665,908
Time deposits	12,808,717		12,808,717
Restricted cash	328,171		328,171
Cash and cash equivalents	11,332,940		11,332,940
	28,378,138		28,378,138
Total assets	43,628,162		43,628,162
EQUITY			
Owners' equity	13,059,741	8,170,250	21,229,991
Minority interests	8,401,607	(8,170,250)	231,357
Total equity	21,461,348		21,461,348
LIABILITIES			
Non-current liabilities			
Trade and other payables	55,760		55,760
Borrowings	7,649,398		7,649,398
Deferred income tax liabilities	10,131		10,131
Provisions	201,542		201,542
Government grants	279,846		279,846
	8,196,677		8,196,677
Current liabilities			
Trade and other payables	12,492,887		12,492,887
Current income tax liabilities	228,963		228,963
Borrowings	1,070,369		1,070,369
Provisions	177,918		177,918
	13,970,137		13,970,137
Total liabilities	22,166,814		22,166,814
Total equity and liabilities	43,628,162		43,628,162

(b) Unaudited pro forma consolidated income statement of the Enlarged Group

	Audited consolidated income statement of our Group for the year ended 31 December 2009	Pro forma adjustment	Unaudited pro forma consolidated income statement of the Enlarged Group
	RMB'000 *Note 1*	RMB'000 *Note 2*	RMB'000
Revenue	50,253,552		50,253,552
Cost of sales	(41,917,779)		(41,917,779)
Gross profit	8,335,773		8,335,773
Selling and distribution costs	(2,142,898)		(2,142,898)
Administrative expenses	(2,544,169)		(2,544,169)
Interest income	350,200		350,200
Other losses — net	(428,954)		(428,954)
Operating profit	3,569,952		3,569,952
Finance costs	(344,421)		(344,421)
Interest income	38,845		38,845
Share of profit of associated companies	715,674		715,674
Profit before income tax	3,980,050		3,980,050
Income tax expense	(724,010)		(724,010)
Profit for the year	3,256,040		3,256,040
Profit attributable to:			
Equity holders of the Company	2,031,800	1,178,629	3,210,429
Minority interests	1,224,240	(1,178,629)	45,611
	3,256,040		3,256,040

(c) Notes to unaudited pro forma financial information of the Enlarged Group

1. These amounts are extracted from the audited consolidated balance sheet of our Group as at 31 December 2009 and the audited consolidated statement of comprehensive income of our Group for the year ended 31 December 2009.
2. The adjustment represents the issuance of GAC H Shares to Scheme Shareholders as consideration for the Scheme Shares, and a corresponding decrease in minority interests' share of net assets and profit for the year attributable to Denway.
3. No adjustment has been made to reflect any trading results or other transactions of our Group and Denway which were entered into subsequent to 31 December 2009.

C. REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report on the unaudited pro forma financial information received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this Listing Document.

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22nd Floor, Prince's Building
Central, HongKong

ACCOUNTANT'S REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION TO THE DIRECTORS OF GUANGZHOU AUTOMOBILE GROUP CO., LTD.

We report on the unaudited pro forma financial information of Guangzhou Automobile Group Co., Ltd. (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages F-II-1 to F-II-5 under the headings of "Unaudited Pro Forma Statement of Adjusted Net Tangible Assets" and "Unaudited Pro Forma Financial Information of the Enlarged Group" (the "Unaudited Pro Forma Financial Information") in Appendix II of the Company's listing document dated 18 June 2010 (the "Listing Document"), in connection with the listing of the shares of the Company by way of introduction by privatization of Denway Motors Limited (the "Introduction"). The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company, for illustrative purposes only, to provide information about how the Introduction might have affected the relevant financial information of the Group. The basis of preparation of the Unaudited Pro Forma Financial Information is set out on pages F-II-1 to F-II-5 of the Listing Document.

Respective Responsibilities of Directors of the Company and the Reporting Accountant

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the audited consolidated net assets of the Group attributable to equity holders of the Company as at 31 December 2009, the audited consolidated balance sheet of the Group as at 31 December 2009 and the audited consolidated income statement of the Group for the year ended 31 December 2009 with the accountant's report of the Company as set out in Appendix I of the Listing Document, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

— the financial position of the Group as at 31 December 2009 or any future date, or

— the results of the Group for the year ended 31 December 2009 or any future periods.

Opinion

In our opinion:

a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

b) such basis is consistent with the accounting policies of the Group; and

c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 18 June 2010

A. OVERVIEW

Our forecast consolidated profit attributable to equity holders of the Company for the year ending 31 December 2010 is set out in the section headed "Financial Information — Profit Forecast" of this Listing Document.

B. BASIS OF PREPARATION

Our forecast of the consolidated profit attributable to equity holders of the Company for the year ending 31 December 2010 (the "Profit Forecast") has been prepared based on the unaudited management accounts of the Group for the three months ended 31 March 2010 and the forecast results for the nine months ending 31 December 2010.

The Profit Forecast is prepared based on the Company's current shareholding of 37.9% in Denway. It has not taken into consideration of the increase in the Company's shareholding in Denway should the Privatisation of Denway be completed, as the Privatisation is subject to conditions beyond control of the Company. As the completion of the Privatisation cannot be ascertained with reasonable certainty, the potential changes in share of profit/loss of Denway as a result of the increase in shareholding should the Privatisation be completed has not been considered in the Profit Forecast.

The principal accounting policies adopted in the preparation of the Profit Forecast are consistent in all material respects with those adopted by the Group as set out in the accountant's report of the Company included in Appendix I of this Listing Document and are in conformity with HKFRS.

C. GENERAL ASSUMPTIONS

- There will be no material changes in the existing political, legal, fiscal, market or economic conditions in the PRC, Hong Kong or any other countries or territories in which the Group currently operates or which are otherwise material to our business;
- There will be no changes in legislation, regulations or rules in the PRC, Hong Kong or any other countries or territories in which the Group operates or with which the Group has arrangements or agreements, which may materially and adversely affect the Group's business or operations;
- There will be no material changes in the landscape of the industries in which the Company and the Group operate in and the conditions of the markets in which the Company and the Group sell its products or provide services;
- There will be no material delays to the production schedules, operation plans and production expansion plans of the Company and the Group as set out in the Listing Document;
- Operating activities of the Company and the Group will not be adversely affected by critical shortage in raw materials used by the Company and the Group in their production processes occurrences such as labor shortages and disputes, or any other factors outside the control of its management such as government act;
- There will be no material increases in the cost of raw materials and labor in connection with the automobile industry in the PRC;
- The ultimate shareholding of the Company in Guangqi Honda of 19.0% and GAC Toyota of 50.0% will remain unchanged;

- There will be no material changes in inflation rates, interest rates, or foreign exchange rates from those currently prevailing in the context of the Group's operations;
- There will be no material changes in the taxation system and relevant tax bases or tax rates or duties applied to the Company and the Group in the PRC, Hong Kong or any of the countries or territories in which the Company and the Group operate;
- The operations of the Company and the Group will not be materially affected or interrupted by any force majeure events or unforeseeable factors or any unforeseeable reasons that are beyond the control of the Directors;
- There will be no material impact as a result of Toyota's recent global recall on the sales of GAC Toyota;
- The weighted average unit selling prices of each product category, after taking into account sales discount and sales rebate offered by the Group in the ordinary course, will not deviate materially from those of 2009; and
- The Company expects that the government grant of RMB368 million will be recognized as other income to compensate operating expenses incurred by GAMC in 2010 upon commencement of production of the first proprietary "Guangqi" branded vehicle. This government grant is related to the Chinese government's new industry policies to support the development of proprietary brand of vehicles produced by domestic manufacturers.

D. SENSITIVITY ANALYSIS

Sensitivity analysis on selling prices

The Directors have assumed that, after taking into consideration of sales discount and sales rebate, the weighted average unit selling prices of each product category offered by the Group in the ordinary course will not materially deviate from those of 2009. The following table illustrates the sensitivity of the forecast consolidated profit attributable to equity holders of our Company to the selling price for the year ending 31 December 2010 by applying such sensitivity analysis to the year ending 31 December 2010.

Percentage change in selling prices	Forecast consolidated profit attributable to equity holders of our Company for the year ending 31 December 2010 (RMB million)
-5%	1,896
-3%	2,641
-1%	3,387

Sensitivity analysis on sales volume

The Directors have used, in the forecast, planned sales volume as the basis to forecast the sales volume forecast in the Profit Forecast. The Directors are of the view that this basis is appropriate as the actualization rates of sales volume during the Track Record Period were close to 100% or above of the planned sales volume of passenger vehicles. The following table illustrates the sensitivity of the forecast consolidated profit attributable to equity holders of our Company to the sales volume for the year ending 31 December 2010 by applying such sensitivity analysis to the year ending 31 December 2010.

Percentage change in sales volume	Forecast consolidated profit attributable to equity holders of our Company for the year ending 31 December 2010 (RMB million)
-5%	3,441
-3%	3,568
-1%	3,696

Sensitivity analysis on cost of sales

The Directors have assumed that there will be no material increase in the cost of raw materials and labor in connection with the automobile industry in the PRC. The following table illustrates the sensitivity of the forecast consolidated profit attributable to equity holders of our Company to the cost of sales for the year ending 31 December 2010 by applying such sensitivity analysis to the year ending 31 December 2010.

Percentage change in cost of sales	Forecast consolidated profit attributable to equity holders of our Company for the year ending 31 December 2010 (RMB million)
+5%	2,215
+3%	2,833
+1%	3,451

The above illustrations are intended for reference only and any variation could exceed the ranges given. The above sensitivity analyses are not meant to be exhaustive. While we have considered for the purposes of the Profit Forecast what we believe is the best forecast of the forecasted sales volume, selling price and cost of sales for the year ending 31 December 2010, the sales volume, selling price and cost of sales may differ materially from our forecast and is dependent on market conditions and other factors which are beyond our control.

E. LETTER FROM THE REPORTING ACCOUNTANT

The following is the text of a letter received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this Listing Document. This letter is addressed to the Company and the Sponsors, pursuant to the guidance set out in Auditing Guideline 3.341 issued by the Hong Kong Institute of Certified Public Accountants.

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22nd Floor, Prince's Building
Central, HongKong

18 June 2010

The Directors
Guangzhou Automobile Group Co., Ltd.

J.P. Morgan Securities (Asia Pacific) Limited
Morgan Stanley Asia Limited
China International Capital Corporation Hong Kong Securities Limited

Dear Sirs,

We have reviewed the calculations of and accounting policies adopted in arriving at the forecast of the consolidated profit attributable to equity holders of Guangzhou Automobile Group Co., Ltd. (the "Company") for the year ending 31 December 2010 (the "Profit Forecast") as set out in the subsection headed "Profit Forecast" in the section headed "Financial Information" in the listing document of the Company dated 18 June 2010 (the "Listing Document").

We conducted our work in accordance with Auditing Guideline 3.341 "Accountants' report on profit forecasts" issued by the Hong Kong Institute of Certified Public Accountants.

The Profit Forecast, for which the directors of the Company are solely responsible, has been prepared by them based on the unaudited consolidated results of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") based on management accounts for the three months ended 31 March 2010 and a forecast of the consolidated results of the Group for the remaining nine months ending 31 December 2010.

In our opinion, the Profit Forecast, so far as the calculations and accounting policies are concerned, has been properly compiled in accordance with the bases and assumptions made by the directors of the Company as set out on pages F-III-1 to F-III-3 of the Listing Document, and is presented on a basis consistent in all material respects with the accounting policies adopted by the Group as set out in Note 2 of section II of the Financial Information section in Appendix I of the Listing Document.

Without qualifying our opinion above, we draw attention to the section headed "Basis of Preparation" on page F-III-1 of the Listing Document which sets out the basis of presentation adopted by the directors of the Company regarding the proposed privatisation of Denway Motors Limited (the

"Privatisation"). In preparing the Profit Forecast, the directors have not taken into account the impact of the Privatisation on the results of operations of the Group for the year ending 31 December 2010, as the completion of the Privatisation depends on a number of factors that are beyond the Group's control. Should this be taken into account, the profit attributable to the equity holders of the Company for the year ending 31 December 2010 would increase or decrease mainly as a result of the additional share of profit or loss from Denway Motors Limited and its subsidiaries subsequent to the Privatisation.

Yours faithfully,

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

F. LETTER FROM THE JOINT SPONSORS ON THE PROFIT FORECAST

The following is the text of a letter, prepared for inclusion in this Listing Document, received by our directors from the Sponsors, J.P. Morgan Securities (Asia Pacific) Limited, Morgan Stanley Asia Limited and China International Capital Corporation Hong Kong Securities Limited, in connection with the forecast of the combined profit attributable to our equity holders for the year ending 31 December 2010.

J.P.Morgan Morgan Stanley CICC 中金香港证券

28/F, Chater House 8 Connaught Road Central Hong Kong	46/F, International Commerce Centre 1 Austin Road West Kowloon Hong Kong	29/F, One International Finance Center 1 Harbour View Street Central Hong Kong

18 June 2010

The Board of Directors
Guangzhou Automobile Group Co., Ltd.

Dear Sirs,

We refer to the forecast of the net profit attributable to equity holders of Guangzhou Automobile Group Co., Ltd. (the "***Company***") and their consolidated subsidiary (collectively the "***Group***") for the year ending 31 December 2010 (the "***Forecast***") as set out in this listing document issued by the Company dated 18 June 2010 (the "***Listing Document***").

The Forecast, for which the directors of the Company are solely responsible, has been prepared by them based on the audited consolidated financial information of the Company for the year ended 31 December 2009, management accounts of the Group for the three months ended 31 March 2010 and the forecast of the Group for the nine months ending 31 December 2010.

We have discussed with you the assumptions made by the directors of the Company as set out in Appendix III of this Listing Document upon which the Forecast has been made. We have also considered the letter dated 18 June 2010 addressed to yourselves and ourselves from PricewaterhouseCoopers regarding the accounting policies and calculations upon which the Forecast has been made.

On the basis of the information comprising the Forecast and on the bases of the accounting policies and calculations adopted by you and reviewed by PricewaterhouseCoopers, we are of the opinion that the Forecast, for which you as Directors of the Company are solely responsible, has been made after due and careful enquiry and consideration.

Yours faithfully,

For and on behalf of

J.P. Morgan Securities (Asia Pacific) Limited	**Morgan Stanley Asia Limited**	**China International Capital Corporation Hong Kong Securities Limited**
David Lau	George Taylor	Zhaohui Huang
Executive Director	*Managing Director*	*Managing Director*

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this Listing Document received from Jones Lang LaSalle Sallmanns Limited, an independent valuer, in connection with its valuation as at 31 March 2010 of the property interests of the Group. As described in section headed "Appendix IX — Documents Available for Inspection" of this Listing Document, a copy of the full valuation report will be made available for public inspection.

JONES LANG LASALLE® SALLMANNS

Jones Lang LaSalle Sallmanns Limited
17/F Dorset House Taikoo Place
979 King's Road Quarry Bay Hong Kong
tel +852 2169 6000 fax +852 2169 6001
Licence No: C-030171

18 June 2010

The Board of Directors
Guangzhou Automobile Group Co., Ltd.
23/F, Chengyue Building
448-458 Dong Feng Zhong Road
Yuexiu District
Guangzhou City
Guangdong Province
The People's Republic of China

Dear Sirs,

In accordance with your instructions to value the properties in which Guangzhou Automobile Group Co., Ltd. (the "Company"), its subsidiaries and jointly-controlled entities (hereinafter together referred to as the "Group") have interests in the People's Republic of China (the "PRC"), Hong Kong and Macau, we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the capital values of the property interests as at 31 March 2010 (the "date of valuation").

Our valuation of the property interests represents the market value which we would define as intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion".

We have valued the property interests of property nos. 1, 4, 8, 14 to 16, 19 and 21 in Group I, property no. 27 in Group II, Group III, Group IV and Group V by the direct comparison approach assuming sales of the property interests in their existing state with the benefit of immediate vacant possession and by making reference to comparable sale transactions as available in the relevant market.

Where, due to the nature of the buildings and structures of property nos. 2, 3, 5 to 7, 9 to 13, 17, 18, 20 and 22 to 25 in Group I, property no. 26 in Group II and the particular locations in which they are situated, there are unlikely to be relevant market comparable sales readily available, the property interests have therefore been valued on the basis of their depreciated replacement cost.

Depreciated replacement cost is defined as "the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimisation." It is based on an estimate of the market value for the existing use of the land, plus the current cost of replacing the improvements, less deductions for physical deterioration and all relevant forms of obsolescence and optimisation. The depreciated replacement costs of the property interests are subject to adequate potential profitability of the concerned business.

In valuing the property interests of portions of property nos. 6 and 17 in Group I and Group VI which were under development as at the date of valuation, we have assumed that they will be developed and completed in accordance with the latest development proposals provided to us by the Group. In arriving at our opinion of values, we have taken into account the construction costs and professional fees relevant to the stage of construction as at the date of valuation and the remainder of the costs and fees to be expended to complete the development.

We have attributed no commercial value to the property interests in Group VII, which are leased by the Group, due either to the short-term nature of the lease or the prohibition against assignment or sub-letting or otherwise due to the lack of substantial profit rent.

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interests valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

In valuing the property interests, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the RICS Valuation Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards on Properties published by the Hong Kong Institute of Surveyors; and the International Valuation Standards published by the International Valuation Standards Council.

As the Group is in compliance with paragraph 3(b) of Practice Note 16 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited and section 6 of Companies Ordinance (Exemption of Companies and Listing Document from Compliance with Provisions) Notice, the full details of the individual leased properties under operating lease have been excluded from the valuation certificates in our valuation report to this Listing Document, of which a summary is included in the Summary of Values and the certificates for leased properties.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have been provided with copies of title documents relating to the property interests and have caused searches to be made at the Hong Kong Land Registry and Macau Conservation do Registo Predial. However, we have not searched the original documents to verify the ownership or to ascertain any amendment.

We have been shown copies of various title documents including State-owned Land Use Rights Certificates, Building Ownership Certificates, Real Estate Title Certificates and official plans relating to the property interests in the PRC and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interests and any material encumbrance that might be attached to the property interests or any tenancy amendment. We have relied considerably on the advice given by the Company's PRC legal advisers — Beijing Tianyin Law Firm, concerning the validity of the property interests in the PRC.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory and that no unexpected cost and delay will be incurred during construction. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB). The exchange rates adopted in our valuations are HKD1=RMB0.88 and MOP1=RMB0.85 which were approximately the prevailing exchange rates as at the date of valuation.

Our valuation is summarised below and the valuation certificates are attached.

Yours faithfully,
for and on behalf of
Jones Lang LaSalle Sallmanns Limited
Paul L. Brown
B.Sc. FRICS FHKIS
Director

Note: Paul L. Brown is a Chartered Surveyor who has 27 years' experience in the valuation of properties in the PRC and 30 years of property valuation experience in Hong Kong, the United Kingdom and the Asia-Pacific region.

SUMMARY OF VALUES

GROUP I — PROPERTY INTERESTS HELD AND OCCUPIED BY THE GROUP IN THE PRC

No.	Property	Capital value in existing state as at 31 March 2010	Interest attributable to the Group	Capital value attributable to the Group as at 31 March 2010
		RMB		RMB
1.	Units 201, 208, 207 and 1106 of Jinhui Building No. 54 Yongtai Road Tianhe District Guangzhou City Guangdong Province The PRC	2,758,000	100%	2,758,000
2.	A parcel of land, various buildings and structures No. 451 Shisha Road Baiyun District Guangzhou City Guangdong Province The PRC	133,828,000	100%	133,828,000
3.	A parcel of land, various buildings and structures No. 2 Anyuan Road Jiekou Street Conghua City Guangdong Province The PRC	17,047,000	69.57%	11,860,000
4.	Units 2801 to 2808 of Yuehai Building No. 555 East Dongfeng Road Yuexiu District Guangzhou City Guangdong Province The PRC	16,954,000	69.57%	17,795,000
5.	A parcel of land, various buildings and structures No.68 Shaheyuangang Road Tianhe District Guangzhou City Guangdong Province The PRC	65,856,000	100%	65,856,000
6.	A parcel of land, various buildings and structures No. 8 Shinan Boulevard Nansha Economic and Technical Development Zone Guangzhou City Guangdong Province The PRC	1,323,498,000	50%	661,749,000

No.	Property	Capital value in existing state as at 31 March 2010	Interest attributable to the Group	Capital value attributable to the Group as at 31 March 2010
		RMB		RMB
7.	A parcel of land, various buildings and structures located at Guangzhou Automobile Fittings Town Yonghe Town Zengcheng City Guangdong Province The PRC	25,525,000	54.05%	13,796,000
8.	2 residential units No. 3 Shaxijinziliwu Street Haizhu District Guangzhou City Guangdong Province The PRC	No commercial value	54.05%	No commercial value
9.	A parcel of land, various buildings and structures located at Linjiang Village Xijieban Shuangliu County Chengdu City Sichuan Province The PRC	No commercial value	55%	No commercial value
10.	A parcel of land, various buildings and structures No. 7 Yiheng Road Huangge Town Nansha Economic and Technological Development area Guangzhou City Guangdong Province The PRC	72,505,000	55%	39,878,000
11.	A parcel of land, a buildings and structures No. 88-4 Jinyu Boulevard Jingkai Park New North Zone Chongqing The PRC	40,336,000	60%	24,202,000
12.	A parcel of land and various buildings, A3 block of Toyota Automobile Park Huangge Town Nansha Economic and Technical Development Zone Guangzhou City Guangdong Province The PRC	No commercial value	51%	No commercial value

No.	Property	Capital value in existing state as at 31 March 2010	Interest attributable to the Group	Capital value attributable to the Group as at 31 March 2010
		RMB		RMB
13.	A parcel of land, 2 buildings and various units located at the eastern side of Huandao Road Bantou Village Nansha Economic and Technical Development Zone Guangzhou City Guangdong Province The PRC	267,790,000	100%	267,790,000
14.	2 units and 12 car parking spaces of Jinhui Building No. 54 Yongtai Road Tianhe District Guangzhou City Guangdong Province The PRC	19,900,000	37.90%	7,542,000
15.	Units E, F and G on Level 25 of HengCheng Building Nos. 53-55 Huangpu Boulevard Tianhe District Guangzhou City Guangdong Province The PRC	No commercial value	37.90%	No commercial value
16.	A parcel of land and an office building No. 42-1 Dongshajiao Road Dongshan District Guangzhou City Guangdong Province The PRC	10,335,000	37.90%	3,917,000
17.	2 parcels of land, various buildings and structures No. 2 Shapulixin 11 Road Xintang Town Zengcheng City Guangdong Province The PRC	763,992,000	18.95%	144,776,000
18.	3 parcels of land, various buildings and structures located at the northern side of East Guangyuan Road and the western side of North Fengle Road Huangpu District Guangzhou City Guangdong Province The PRC	1,036,862,000	18.95%	196,485,000
19.	A portion of Levels 2 to 9 of a 9-storey building Nos. 110 and 112 Wushan Road Tianhe District Guangzhou City Guangdong Province The PRC	No commercial value	18.95%	No commercial value

No.	Property	Capital value in existing state as at 31 March 2010	Interest attributable to the Group	Capital value attributable to the Group as at 31 March 2010
		RMB		RMB
20.	A parcel of land and a building No. 1 Beixin Area Economic and Technological Development Zone Urumchi City Xinjiang Uygur Autonomous Regions The PRC	26,807,000	60%	16,084,000
21.	Units 13-C, 20-C and 3C of Block 160 and Units 3-D, 4-D and 16-C of Block 63B of Hepan Garden No. 215 Qingnian street Shenhe District Shenyang City Liaoning Province The PRC	5,292,000	45%	2,381,000
22.	A parcel of land, various buildings and structures No. 2 Kaifa Road Economic and Technical Development Area Shenyang City Liaoning Province The PRC	243,161,000	45%	109,422,000
23.	A parcel of land and 15 buildings located at Industrial Park Aotou Town Conghua City Guangdong Province The PRC	228,794,000	50%	114,397,000
24.	A parcel of land and a building Jingkai Park No. 2 Jintong Road New North Zone Chongqing The PRC	24,150,000	60%	14,490,000
25.	2 parcels of land and 9 buildings locate at Hongxing Road Economic and Technical Development Zone Xiaoshan District Hangzhou City Zhejiang Province The PRC	7,940,000	33.33%	2,646,000
	Sub-total:	**4,333,330,000**		**1,845,652,000**

GROUP II — PROPERTY INTEREST HELD FOR INVESTMENT BY THE GROUP IN THE PRC

No.	Property	Capital value in existing state as at 31 March 2010	Interest attributable to the Group	Capital value attributable to the Group as at 31 March 2010
		RMB		RMB
26.	A parcel of land, various buildings and structures No. 1 East Yongheguanghua Road Xintang Town Zengcheng City Guangdong Province The PRC	31,878,000	69.57%	22,178,000
	Sub-total:	**31,878,000**		**22,178,000**

GROUP III — PROPERTY INTERESTS OWNED AND OCCUPIED BY THE GROUP IN HONG KONG

No.	Property	Capital value in existing state as at 31 March 2010	Interest attributable to the Group	Capital value attributable to the Group as at 31 March 2010
		RMB		RMB
27.	Unit D on the 21st Floor Seabright Plaza Nos. 9, 11, 13, 15, 17, 19, 21 and 23 Shell Street Hong Kong	2,240,000	100%	2,240,000
28.	Unit 02 on the 19th Floor of Tower A Fortress Metro Tower No. 238 King's Road Hong Kong	4,270,000	100%	4,270,000
29.	Flat B on the 24th Floor Chuang's-on-the-Park No. 162 Tung Lo Wan Road Hong Kong	3,590,000	100%	3,590,000
30.	Flat A on the 32nd Floor Chuang's-on-the-Park No. 162 Tung Lo Wan Road Hong Kong	5,570,000	100%	5,570,000
31.	8 Units on the 8th Floor of Citicorp Centre 18 Whitfield Road Hong Kong	56,970,000	37.90%	21,590,000
32.	Car Parking Space Nos. 30-32 on the 2nd Floor Citicorp Centre 18 Whitfield Road Hong Kong	1,580,000	37.90%	600,000

No.	Property	Capital value in existing state as at 31 March 2010	Interest attributable to the Group	Capital value attributable to the Group as at 31 March 2010
		RMB		RMB
33.	Car Parking Space No. C5 on Ground Floor Yue Xiu Industrial Building No. 87 Hung To Road Kowloon Hong Kong	350,000	37.90%	130,000
34.	Car Parking Space No. L2 on Ground Floor Yue Xiu Industrial Building No. 87 Hung To Road Kowloon Hong Kong	440,000	37.90%	170,000
35.	11th & 12th Floors Yue Xiu Industrial Building No. 87 Hung To Road Kowloon Hong Kong	11,620,000	37.90%	4,400,000
36.	Flat D on the 11th Floor Block 2 Finery Park No. 7 Yuk Nga Lane Tseung Kwan O Sai Kung New Territories Hong Kong	1,800,000	37.90%	680,000
37.	Flat C on the 8th Floor of Block 22 No. 13 Laguna Street Laguna City Kowloon Hong Kong	2,380,000	37.90%	900,000
38.	Flat 706 on the 7th Floor of Block I Telford Gardens No. 33 Wai Yip Street Kowloon Hong Kong	2,420,000	37.90%	920,000
39.	Flat D on the 16th Floor of Block 7 Sceneway Garden No. 8 Sceneway Road Kowloon Hong Kong	2,870,000	37.90%	1,090,000
40.	Flat A on the 25th Floor Merlin Garden No. 160 Electric Road Hong Kong	3,360,000	37.90%	1,270,000
	Sub-total :	**95,870,000**		**43,830,000**

GROUP IV — PROPERTY INTERESTS OWNED FOR INVESTMENT BY THE GROUP IN HONG KONG

No.	Property	Capital value in existing state as at 31 March 2010	Interest attributable to the Group	Capital value attributable to the Group as at 31 March 2010
		RMB		RMB
41.	Flat No. 21 on the 9th Floor Cosmopolitan Centre 760 Nathan Road Kowloon Hong Kong	1,720,000	100%	1,720,000
42.	Unit 1 on the 15th Yue Xiu Building 160-174 Lockhart Road Hong Kong	7,440,000	100%	7,440,000
43.	Flat D2 on the 7th Floor King's View Court Nos. 901-907 King's Road Hong Kong	3,960,000	100%	3,960,000
44.	Flat A (including the flat roof thereof) on the 25th Floor Hollywood Court No. 28 Hei Wo Street Hong Kong	2,050,000	100%	2,050,000
45.	Flat D on the 9th Floor Nam Fung Court Harbour Heights No. 1 Fook Yum Road Hong Kong	3,960,000	100%	3,960,000
46.	Flat A on the 23rd Floor of Block B Cornwall Court No. 54 King's Road Hong Kong	6,860,000	100%	6,860,000
47.	Flat D on the 22nd Floor Kailey Court Nos. 67, 69 & 71 King's Road Hong Kong	2,270,000	37.90%	860,000
48.	Car Parking Spaces Nos. 51-52 on the 2nd Floor Citicorp Centre 18 Whitfield Road Hong Kong	1,060,000	37.90%	400,000
49.	Office 08 on the 7th Floor Empress Plaza Nos. 17-19 Chatham Road South Kowloon Hong Kong	3,560,000	37.90%	1,350,000

No.	Property	Capital value in existing state as at 31 March 2010	Interest attributable to the Group	Capital value attributable to the Group as at 31 March 2010
		RMB		RMB
50.	Unit A on the 15th Floor Eu Yan Sang Tower Nos. 11/15 Chatham Road South Hong Kong	3,070,000	37.90%	1,160,000
51.	Offices 1-5 on the 23rd Floor Shun Feng International Centre No. 182 Queen's Road East Hong Kong	7,690,000	37.90%	2,910,000
52.	Unit 6 on the 23rd Floor No.118 Connaught Road West Hong Kong	5,190,000	37.90%	1,970,000
53.	Car Park No. 592A (Being a Unit of Twin Car Park Nos. 592A & 592B) on B/F No. 10 Laguna Street Laguna City Kowloon Hong Kong	350,000	37.90%	130,000
54.	Duplex Unit C on the 8th and 9th Floors (together with the flat roof on 8th Floor) Block 16 Classical Gardens No. 10 Ma Wo Road Tai Po New Territories Hong Kong	6,050,000	37.90%	2,290,000
55.	Flat E, on the 10th Floor Tower 1 (Sau Ming Court) Yue Xiu Plaza No. 9 Ning Yuen Street Kowloon Hong Kong	2,570,000	37.90%	970,000
56.	Flat No. 4 on the 5th Floor of Block A Wah Hoi Mansion 254-280 Electric Road Hong Kong	2,770,000	37.90%	1,050,000
	Sub-total:	**64,160,000**		**42,670,000**

GROUP V — PROPERTY INTEREST OWNED FOR INVESTMENT BY THE GROUP IN MACAU

No.	Property	Capital Value in existing state as at 31 March 2010	Interest Attributable to the Group	Capital value attributable to the Group as at 31 March 2010
		RMB		RMB
57.	Units N3 & M3 on the 3rd Floor Edf. Dynasty Plaza Nos. 411-417 Alameda Dr. Carlos D'Assumpcao Macau	3,540,000	100%	3,540,000
	Sub-total:	**3,540,000**		**3,540,000**

GROUP VI — PROPERTY INTEREST HELD UNDER DEVELOPMENT BY THE GROUP IN THE PRC

No.	Property	Capital value in existing state as at 31 March 2010	Interest attributable to the Group	Capital value attributable to the Group as at 31 March 2010
		RMB		RMB
58.	A parcel of land, various buildings and a road under construction No. 633 Jinshan East Road Fanyu District Guangzhou City Guangdong Province The PRC	915,874,000	100%	915,874,000
	Sub-total:	**915,874,000**		**915,874,000**

GROUP VII — PROPERTY INTERESTS LEASED AND OCCUPIED BY THE GROUP IN THE PRC

No.	Property			Capital value in existing state as at 31 March 2010
				RMB
59.	18 parcels of land, 120 buildings or units located in the PRC			No commercial value
60.	8 parcels of land and 25 buildings erected thereon located in the PRC			No commercial value
	Sub-total:			**Nil**
	Total:	**5,444,652,000**		**2,873,744,000**

VALUATION CERTIFICATE

GROUP I — PROPERTY INTERESTS HELD AND OCCUPIED BY THE GROUP IN THE PRC

No	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2010
				RMB
1.	Units 201, 208, 207 and 1106 of Jinhui Building No. 54 Yongtai Road Tianhe District Guangzhou City Guangdong Province The PRC	The property comprises 4 units on Levels 2 and 11 of a 20-storey residential building completed in about 1996. The units have a total gross floor area of approximately 390.6204 sq.m. The land use rights of the property were granted for a term of 70 years commencing from 30 September 1992 for residential use.	The property is currently occupied by the Group for residential purpose.	2,758,000 100% interest attributable to the Group RMB2,758,000

Notes:

1. Pursuant to 3 Real Estate Title Certificates – Sui Fang Di Zheng Zi Nos. 6602229, 6602230 and 6602233, 4 units with a total gross floor area of approximately 390.6204 sq.m. are owned by the Company and the apportioned land use rights regarding the units were granted to the Company for a term of 70 years commencing from 30 September 1992 for residential use.

2. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers that the building ownership rights of the property are legally owned by the Company and the property can be transferred, leased, mortgaged or otherwise disposed of by the Company.

VALUATION CERTIFICATE

No	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2010
				RMB
2.	A parcel of land, various buildings and structures No. 451 Shisha Road Baiyun District Guangzhou City Guangdong Province The PRC	The property comprises a parcel of land with a site area of approximately 138,484.42 sq.m. and 40 buildings and various ancillary structures erected thereon which were completed in various stages between 1975 and 2003. The buildings have a total gross floor area of approximately 49,318.71 sq.m. The buildings mainly include industrial buildings, office buildings, canteens and guardhouses. The structures mainly include boundary fences, roads and gates. The land use rights of the property were granted for a term of 50 years commencing from 13 March 2003 for industrial use.	The property is currently occupied by the Group for production, office and ancillary purposes.	133,828,000 100% interest attributable to the Group RMB133,828,000

Notes:

1. Pursuant to 34 Real Estate Title Certificates, the land use rights of a parcel of land with a site area of approximately 138,484.42 sq.m. were granted to Guangzhou Denway Bus Co., Ltd. (“Denway Bus”, a wholly-owned subsidiary of the Company) for a term of 50 years commencing from 13 March 2003 for industrial use, and 34 buildings with a total gross floor area of approximately 48,243.33 sq.m. are owned by Denway Bus, the predecessor of Guangzhou Automobile Group Autobus Co., Ltd. (“GAC Bus”).

2. In the valuation of this property, we have attributed no commercial value to the remaining 6 buildings with a total gross floor area of approximately 1,075.38 sq.m. without any proper title certificate. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the 6 buildings (excluding the land) as at the date of valuation would be RMB756,000 assuming all relevant title certificates have been obtained and the 6 buildings could be freely transferred.

3. Pursuant to a Mortgage Contract of Maximum Amount, a building with a gross floor area of approximately 26,163.05 sq.m. and the relevant land use rights under the Real Estate Title Certificate – Yue Fang Di Zheng Zi Di No. C4025165 are subject to a mortgage in favour of Guangzhou Huangpu Branch of Bank of Communications (the “Bank”), as security to guarantee the principal obligation under a series of contracts entered into between the Bank and GAC Bus for a maximum amount of RMB72,000,000 with the security term from 4 August 2009 to 4 August 2010.

4. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, inter alia, the following:

    i) the land use rights of the property are legally and validly obtained by GAC Bus and can be occupied, used, transferred, leased, mortgaged or otherwise disposed of in accordance with the valid term stipulated by the real estate title certificates;

ii) the building ownership rights of 34 buildings are legally owned by GAC Bus and these buildings can be transferred, leased, mortgaged or otherwise disposed of by GAC Bus;

iii) the Real Estate Title Certificates are still under the name of Denway Bus; there is no material legal impediment for GAC Bus to obtain relevant title certificates under its name; and

iv) for the remaining 6 building without proper title certificates mentioned in note 3, there is possibility that GAC Bus may be subject to penalty or be asked to terminated the use of the buildings; if the title defects of these buildings lead to the incapable use of the buildings, GAC Bus is able to find substitute buildings in relevant areas and the relocation shall not have any material adverse effect on GAC Bus's operation and financial status or the listing activities.

VALUATION CERTIFICATE

No	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2010
				RMB
3.	A parcel of land, various buildings and structures No. 2 Anyuan Road Jiekou Street Conghua City Guangdong Province The PRC	The property comprises a parcel of land with a site area of approximately 31,368 sq.m. and 6 buildings and various ancillary structures erected thereon which were completed in various stages between 1991 and 1994. The buildings have a total gross floor area of approximately 10,333.12 sq.m. The buildings mainly include an industrial building, an office building, a dormitory and a guardhouse. The structures mainly include boundary fences, roads and gates. The land use rights of the property were granted for a term of 50 years expiring on 25 April 2055 for industrial use.	The property is currently occupied by the Group for production purpose except for a portion of the property which is currently occupied by 2 tenants for production use (refer to notes 3 and 4).	17,047,000 69.57% interest attributable to the Group RMB11,860,000

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate – Cong Fu Guo Yong (2005) No. 00237, the land use rights of a parcel of land with a site area of approximately 31,368 sq.m. were granted to Guangzhou Automobile Group Component Co., Ltd. ("GAC Components", a 69.57% owned subsidiary of the Company) for a term of 50 years expiring on 25 April 2055 for industrial use.

2. Pursuant to 6 Real Estate Title Certificates – Yue Fang Di Zheng Zi Nos. 3411794 to 3411799, 6 buildings with a total gross floor area of approximately 10,333.12 sq.m. are owned by GAC Components.

3. Pursuant to a Tenancy Agreement, a portion of the parcel of land mentioned in note 1 with a site area of approximately 531 sq.m., a portion of a dormitory building with a gross floor area of approximately 174.08 sq.m. and a structure are leased to a third party for a term of 2 years expiring on 30 September 2010 at a total annual rental of RMB168,660, exclusive of management fees, water and electricity charges.

4. Pursuant to a Tenancy Agreement, a portion of the parcel of land mentioned in note 1 with a site area of approximately 8,931 sq.m., 2 buildings with a total gross floor area of approximately 6,554 sq.m. and a structure are leased to a third party for a term of 2 years expiring on 30 September 2010 at a total annual rental of RMB1,063,656, exclusive of management fees, water and electricity charges.

5. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:

   i) the land use rights of the property are legally and validly obtained by GAC Components and can be occupied, used, transferred, leased, mortgaged or otherwise disposed of in accordance with the valid term stipulated by the state-owned land use rights certificate;

   ii) the building ownership rights of the property are legally owned by GAC Components and the buildings can be transferred, leased, mortgaged or any otherwise disposed of by GAC Components;

VALUATION CERTIFICATE

No	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2010
				RMB
4.	Units 2801 to 2808 of Yuehai Building No. 555 East Dongfeng Road Yuexiu District Guangzhou City Guangdong Province The PRC	The property comprises 8 units on Level 28 of a 32-storey office building completed in about 1995. The units have a total gross floor area of approximately 1,412.76 sq.m. The land use rights of the property were granted for a term of 50 years commencing from 13 January 1994 for composite use.	The property is currently occupied by the Group for office purpose.	16,954,000 69.57% interest attributable to the Group RMB11,795,000

Notes:

1. Pursuant to 8 Real Estate Title Certificates – Sui Fang Di Zheng Zi Nos. 0695613 to 0695620, 8 units with a total gross floor area of approximately 1,412.76 sq.m. are owned by Guangzhou Automobile Group Component Co., Ltd. ("GAC Components", a 69.57% owned subsidiary of the Company) and the apportioned land use rights regarding the units were granted to GAC Components for a term of 50 years commencing from 13 January 1994.

2. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers that the building ownership rights of the property are legally owned by GAC Components and the property can be transferred, leased, mortgaged or otherwise disposed of by GAC Components.

VALUATION CERTIFICATE

No	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2010
				RMB
5.	A parcel of land, various buildings and structures No. 68 Shaheyuangang Road Tianhe District Guangzhou City Guangdong Province The PRC	The property comprises a parcel of land with a site area of approximately 94,196.1 sq.m. and 19 buildings and various ancillary structures erected thereon which were completed in various stages between 1992 and 2001. The buildings have a total gross floor area of approximately 35,577.31 sq.m. The buildings mainly include various industrial buildings, office buildings and a guardhouse. The structures mainly include boundary fences, gates and roads. The land use rights of the property were granted for a term of 20 years expiring on 9 August 2021 for industrial use.	The property is currently occupied by the Group for production office and ancillary purposes.	65,856,000 100% interest attributable to the Group RMB65,856,000

Notes:

1. Pursuant to 7 Real Estate Title Certificates – Sui Fang Di Zheng Zi Nos. 0892557 to 0892559 and C2135329 to C2135332, the land use rights of a parcel of land with a site area of approximately 94,196.1 sq.m. were granted to Guangzhou Isuzu Bus Co., Ltd. ("Guangzhou Isuzu", a wholly-owned subsidiary of the Company), the predecessor of Guangzhou Yue Long Bus Co., Ltd. ("Guangzhou Yue Long"), for a term of 20 years expiring on 9 August 2021 for industrial use, and 23 buildings with a total gross floor area of approximately 36,364.38 sq.m. are owned by Guangzhou Isuzu. As advised by Guangzhou Isuzu, 4 buildings of the aforesaid 23 buildings with a total gross floor area of approximately 787.07 sq.m. had been demolished as at the date of valuation and are excluded from our valuation.

2. Pursuant to 2 Tenancy Agreements, a portion of the parcel of land mentioned in note 1 with a site area of approximately 71,644.55 sq.m. and 2 buildings with a total gross floor area of approximately 40,921.23 sq.m. are leased to Guangqi Passenger Vehicle Company Limited and Guangzhou Automobile Group Company Automotive Engineering Institute for terms with the expiry date on 30 June 2010 at a total annual rental of RMB9,745,490.04, exclusive of management fees, water and electricity charges.

3. Pursuant to 2 Mortgage Contracts of Maximum Amount, 17 building with a gross floor area of approximately 35,465.68 sq.m. and the relevant land use rights under the 7 Real Estate Title Certificates – Sui Fang Di Zheng Zi Nos. 0892557 to 0892559 and C2135329 to C2135332 are subject to a mortgage in favour of Guangzhou Municipal Huancheng Branch of Industrial and Commercial Bank of China (the "Bank"), as security to guarantee the principal obligation under a series of contracts entered into between the Bank and Guangzhou Isuzu for a maximum amount of RMB112,000,000 with the security term from 15 June 2006 to 14 June 2011.

4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:

   i) the land use rights of the property are legally and validly obtained by Guangzhou Yue Long and can be occupied, used, transferred, leased, mortgaged or otherwise disposed of in accordance with the valid term stipulated by the real estate title certificates;

ii) the building ownership rights of the property are legally owned by Guangzhou Yue Long and the buildings can be transferred, leased, mortgaged or otherwise disposed of by Guangzhou Yue Long;

iii) the Real Estate Title Certificates are still under the name of Guangzhou Isuzu; there is no material legal impediment for Guangzhou Yue Long to obtain relevant title certificates under its name; and

iv) the mortgage mentioned in note 3 has been registered with relevant authority and it is real, legal and valid.

VALUATION CERTIFICATE

No	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2010
				RMB
6.	A parcel of land, various buildings and structures No. 8 Shinan Boulevard Nansha Economic and Technical Development Zone Guangzhou City Guangdong Province The PRC	The property comprises a parcel of land with a site area of approximately 1,877,331.96 sq.m. and 41 buildings and various ancillary structures erected thereon which were completed in various stages between 2005 and 2009. (the "Completed Property"). The buildings have a total gross floor area of approximately 425,118.58 sq.m. The buildings mainly include various industrial buildings, office buildings, canteens and guardhouses. The structures mainly include boundary fences, roads and gates. The property also comprises 2 buildings under construction as at the date of valuation (the "CIP") which are scheduled to be completed in October 2010. The total construction cost is estimated to be approximately RMB27,977,679, of which RMB8,013,037 had been paid up to the date of valuation. The total gross floor area of the buildings upon completion will be approximately 6,676 sq.m. The land use rights of the property were granted for a term of 50 years expiring on 14 April 2055 for industrial use.	The property is currently occupied by the Group for production, office and ancillary purposes except for the CIP which is currently under construction.	1,323,498,000 50% interest attributable to the Group RMB661,749,000

Notes:

1. Pursuant to a Real Estate Title Certificate – Yue Fang Di Zheng Zi No. 0440000313, the land use rights of a parcel of land with a site area of approximately 1,877,331.96 sq.m. were granted to Guangzhou Toyota Automobile Co., Ltd. ("Guangzhou Toyota", a 50% owned jointly-controlled entity of the Company), the predecessor of GAC Toyota Motor Co. Ltd ("GAC Toyota"), for a term of 50 years expiring on 14 April 2055 for industrial use, and 20 buildings of the Completed Property with a total gross floor area of approximately 226,851.24 sq.m. are owned by Guangzhou Toyota.
2. As advised by GAC Toyota, the building ownership certificates of the remaining 21 buildings of the Completed Property with a total gross floor area of approximately 198,267.34 sq.m. are under application.
3. Pursuant to 2 Construction Work Planning Permits – Sui Gui Nan Jian Zheng (2009) 110 and 111 in favour of GAC Toyota, 3 buildings with a total planned gross floor area of approximately 7,456 sq.m. have been approved for construction, including the CIP with a total gross floor area of approximately 6,676 sq.m. and a building with a planned gross floor area of approximately 780 sq.m. which has not commenced the construction.

4. Pursuant to 2 Construction Work Commencement Permits – 440199200912010101 and 440199201003230101 in favour of GAC Toyota, permission by the relevant local authority was given to commence the construction works of the CIP.

5. In the valuation of this property, we have attributed no commercial value to the remaining 21 buildings of the Completed Property mentioned in note 2. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the 21 buildings (excluding the land) as at the date of valuation would be RMB539,841,000 assuming all relevant title certificates have been obtained and the buildings could be freely transferred.

6. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:

   i) the land use rights of the property are legally and validly obtained by GAC Toyota and can be occupied, used, transferred, leased, mortgaged or otherwise disposed of in accordance with the valid term stipulated by the real estate title certificates;

   ii) for the Completed Property:

      a) the building ownership rights of 20 buildings mentioned in note 1 with a total gross floor area of approximately 226,851.24 sq.m. are legally owned by GAC Toyota and these buildings can be transferred, leased, mortgaged or any other disposed of by GAC Toyota;

      b) the Real Estate Title Certificate is still under the name of Guangzhou Toyota; there is no material legal impediment for GAC Toyota to obtain relevant title certificate under its name.

      c) for a building with a gross floor area of approximately 7,000 sq.m., the relevant Construction Work Planning Permit and Construction Commencement Permit have been obtained; there will be no material legal impediment for GAC Toyota to obtain relevant title certificate after the building has passed the completion and acceptance inspection;

      d) for 17 buildings with a total gross floor area of approximately 190,384.5 sq.m., the Construction Work Planning Permits have been obtained but the Construction Commencement Permits are still under application. Among these 17 buildings, GAC Toyota has obtained the acceptance inspection consent of construction quality and completion of 15 buildings with a total gross floor area of approximately 185,969.5 sq.m., there will be no material legal impediment for GAC Toyota to obtain relevant title certificates after these 15 buildings have passed the completion and acceptance inspection; and for the remaining 2 buildings with a total gross floor area of approximately 4,415 sq.m., there will be no material legal impediment for GAC Toyota to obtain relevant title certificates after all construction permits have been obtained and the buildings have passed the completion and acceptance inspection;

      e) for 3 buildings with a total gross floor area of approximately 882.84 sq.m., relevant Construction Work Planning Permits and Construction Commencement Permits are still under application; there will be no material legal impediment for GAC Toyota to obtain relevant title certificates after all construction permits are obtained and the buildings have passed the completion and acceptance inspection;

   iii) for the CIP mentioned in notes 3 and 4 with a total gross floor area of approximately 6,676 sq.m., the Construction Work Planning Permits and the Construction Commencement Permits have been obtained. There will be no material legal impediment for GAC Toyota to obtain relevant title certificates after the buildings have passed the completion and acceptance inspection;

   iv) the profits of GAC Toyota will be shared by each party's equity share. GAC Toyota has obtained all necessary licenses to operate in the location where the property is situated.

VALUATION CERTIFICATE

No	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2010
				RMB
7.	A parcel of land, various buildings and structures located at Guangzhou Automobile Fittings Town Yonghe Town Zengcheng City Guangdong Province The PRC	The property comprises a parcel of land with a site area of approximately 39,552 sq.m. and 5 buildings and various ancillary structures erected thereon which were completed in various stages between 2005 and 2009. The buildings have a total gross floor area of approximately 15,740.23 sq.m. The buildings mainly include an industrial building, an office building and dormitory buildings. The structures mainly include boundary fences, roads, gates and sheds. The land use rights of the property were granted for a term of 50 years expiring on 21 November 2043 for industrial use.	The property is currently occupied by the Group for production, office and dormitory purposes.	25,525,000 54.05% interest attributable to the Group RMB13,796,000

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate – Zeng Guo Yong (1997) Zi Te No. 006, the land use rights of a parcel of land with a site area of approximately 39,552 sq.m. were granted to Guangzhou Huade Automobile Spring Co., Ltd. ("Guangzhou Huade", a 54.05% owned subsidiary of the Company) for a term of 50 years expiring on 21 November 2043 for industrial use.
2. Pursuant to 3 Real Estate Title Certificates – Yue Fang Zi Di Nos. 1644246, 4018584 and 1643348, 3 buildings with a total gross floor area of approximately 13,735.23 sq.m. are owned by Guangzhou Huade.
3. Pursuant to a Construction Work Planning Permit – Zeng Gui Jian Zheng No. (2007) 636 in favour of Guangzhou Huade, a building with a gross floor area of approximately 1,440 sq.m. has been approved for construction.
4. Pursuant to a Construction Work Commencement Permit – 440125200804030101 in favour of Guangzhou Huade, permission by the relevant local authority was given to commence the construction work of the building mentioned in note 3.
5. As advised by Guangzhou Huade, the Real Estate Title Certificate of the building mentioned in notes 3 and 4 is under application.
6. For the remaining one building with a gross floor area of approximately 565 sq.m., we have not been provided with any approval or title certificate.
7. In the valuation of this property, we have attributed no commercial value to the 2 buildings mentioned in notes 5 and 6 with a total gross floor area of approximately 2,005 sq.m. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the buildings (excluding the land) as at the date of valuation would be RMB2,541,000 assuming all relevant title certificates have been obtained and the buildings could be freely transferred.
8. Pursuant to a Mortgage Contract of Maximum Amount, a parcel of land and 3 buildings with title certificates mentioned in notes 1 and 2 are subject to a mortgage in favour of Guangzhou Development Zone

Branch of Bank of China (the "Bank"), as security to guarantee the principal obligation under a series of contracts entered into between the Bank and Guangzhou Huade for a maximum amount of RMB47,410,000 with the security term from 1 January 2008 to 31 December 2020.

9. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:

   i) the land use rights of the property are legally and validly obtained by Guangzhou Huade and can be occupied, used, transferred, leased, mortgaged or otherwise disposed of in accordance with the valid term stipulated by the real estate title certificates;

   ii) the building ownership rights of the 3 buildings mentioned in note 2 are legally owned by Guangzhou Huade and these buildings can be transferred, leased, mortgaged or otherwise disposed of by Guangzhou Huade;

   iii) for the building mentioned in notes 3, 4 and 5, the Construction Work Planning Permit and the Construction Commencement Permit have been obtained by Guangzhou Huade. There will be no material legal impediment for Guangzhou Huade to obtain the relevant title certificates after the building has passed the completion and acceptance inspection;

   iv) for the remaining one building mentioned in note 6, there is possibility that Guangzhou Huade may be subject to penalty or be asked to terminate the use of the buildings; if the title defects of these buildings lead to the incapable use of the buildings, Guangzhou Huade is able to find substitute buildings in relevant areas and the relocation shall not have any material adverse effect on Guangzhou Huade's operation and financial status or the listing activities; and

   v) the mortgage mentioned in note 8 has been registered with relevant authority and it is real, legal and valid.

VALUATION CERTIFICATE

No	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2010
				RMB
8.	2 residential units No. 3 Shaxijinzilidawu Street Haizhu District Guangzhou City Guangdong Province The PRC	The property comprises 2 residential units on Levels 3 and 4 of a 5-storey residential building completed in about 1988. The units have a total gross floor area of approximately 96.06 sq.m.	The property is currently occupied by the Group for residential purpose.	No commercial value

Notes:

1. Guangzhou Huade Automobile Spring Co., Ltd. ("Guangzhou Huade") is a 54.05% owned subsidiary of the Company

2. In the valuation of this property, we have attributed no commercial value to the units with a total gross floor area of approximately 96.06 sq.m. without any proper title certificate. However, for reference purpose, we are of the opinion that the capital value of the units as at the date of valuation would be RMB288,000 assuming all relevant title certificates have been obtained and the units could be freely transferred.

3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers that there is possibility that Guangzhou Huade may be subject to penalty or be asked to terminate the use of the property; if the title defects of these units lead to the incapable use of the property, Guangzhou Huade is able to find substitute units in relevant areas and the relocation shall not have any material adverse effect on Guangzhou Huade's operation and financial status or the listing activities.

VALUATION CERTIFICATE

No	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2010
				RMB
9.	A parcel of land, various buildings and structures located at Linjiang Village Xijieban Shuangliu County Chengdu City Sichuan Province The PRC	The property comprises a parcel of land with a site area of approximately 39,293.53 sq.m. and 5 buildings and various ancillary structures erected thereon which were completed in about 2007. The buildings have a total gross floor area of approximately 11,546.03 sq.m. The buildings comprise a storehouse, an office building, a guardhouse and 2 ancillary buildings. The structures mainly include boundary fences and roads. The land use rights of the property were contracted to be granted for industrial use.	The property is currently occupied by the Group for office, storage and ancillary purposes.	No commercial value

Notes:

1. Pursuant to a Construction Land Agreement, the land use rights of a parcel of land with a site area of approximately 39,293.53 sq.m. were contracted to be granted to Chengdu Guangxin Logistics Co., Ltd. ("Chengdu Guangxin", a 55% owned subsidiary of the Company). The land premium was RMB11,335,600. As advised by Chengdu Guangxin, RMB 8,978,000 of the land premium has been paid.

2. Pursuant to a Construction Land Planning Permit – (2006) No. 093 in favour of Chengdu Guangxin, permission towards the planning of the subject land with a site area of approximately 39,293.53 sq.m. has been granted to Chengdu Guangxin.

3. Pursuant to a Construction Work Planning Permit – (2006) No. 013 in favour of Chengdu Guangxin, 5 buildings with a total gross floor area of approximately 11,546.03 sq.m. have been approved for construction.

4. Pursuant to a Construction Work Commencement Permit – 011 in favour of Chengdu Guangxin, permission by the relevant local authority was given to commence the construction work of the 5 buildings mentioned in note 3.

5. As advised by Chengdu Guangxin, relevant title certificates of the property are under application.

6. In the valuation of this property, we have attributed no commercial value to the property without any proper title certificate. However, for reference purpose, we are of the opinion that the capital value of the property as at the date of valuation would be RMB40,608,000 assuming all relevant title certificates have been obtained and the property could be freely transferred.

7. Pursuant to a Tenancy Agreement, the land use rights of the parcel of land with a site area of approximately 32,809 sq.m. and various buildings with a total gross floor area of approximately 10,624 sq.m. are leased to Guangqi Honda Automobile Co., Ltd., an 18.96% owned jointly-controlled entity of the Company, for a term of 10 years expiring on 10 March 2017 at an annual rental of RMB5,214,400, exclusive of management fees, water and electricity charges.

8. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:

    i) there will be no material legal impediment for Chengdu Guangxin to obtain the land use rights certificate of the property after the land premium has been fully paid; and

    ii) the Construction Work Planning Permits and Construction Commencement Permits of the 5 buildings mentioned in notes 3 and 4 have been obtained by Chengdu Guangxin; there will be no material legal impediment for Chengdu Guangxin to obtain relevant title certificates after the buildings have passed the completion and acceptance inspection.

VALUATION CERTIFICATE

No	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2010
				RMB
10.	A parcel of land, various buildings and structures No. 7 Yiheng Road Huangge Town Nansha Economic and Technological Development Zone Guangzhou City Guangdong Province The PRC	The property comprises a parcel of land with a site area of approximately 71,935.97 sq.m. and 4 buildings and various ancillary structures erected thereon which were completed in various stages between 2007 and 2009. The buildings have a total gross floor area of approximately 34,899.79 sq.m. The buildings comprise 2 storehouses, an office building and an ancillary building. The structures mainly include boundary fences and roads. The land use rights of the property were granted for a term of 50 years expiring on 24 August 2056 for industrial use.	The property is currently occupied by the Group for storage, office and ancillary purposes.	72,505,000 55% interest attributable to the Group RMB39,878,000

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract – No. 440115-2006-000010, the land use rights of a parcel of land with a site area of approximately 71,936 sq.m. were granted to Guangzhou Automobile Toyotsu Logistics Co., Ltd. ("Toyotsu Logistics", a 55% owned subsidiary of the Company) for a term of 50 years. The land premium was RMB10,790,400. As advised by Toyotsu Logistics, the land premium has been fully paid.

2. Pursuant to a Real Estate Title Certificate – Yue Fang Di Quan Zheng Sui Zi Di No. 0440001751, the land use rights of a parcel of land with a site area of approximately 71,935.97 sq.m. have been granted to Toyotsu Logistics for a term of 50 years expiring on 24 August 2056 for industrial use, and 3 buildings with a total gross floor area of approximately 18,823.79 sq.m. are owned by Toyotsu Logistics.

3. Pursuant to a Construction Work Planning Permit – Sui Gui Nan Jian Zheng (2008) 112 in favour of Toyotsu Logistics, a building with a planned gross floor area of approximately 16,076 sq.m. has been approved for construction.

4. Pursuant to a Construction Work Commencement Permit – 440199200903040101 in favour of Toyotsu Logistics, permission by the relevant local authority was given to commence the construction work of the building mentioned in note 3.

5. As advised by Toyotsu Logistics, the Real Estate Title Certificate of the building mentioned in notes 3 and 4 is under application.

6. In the valuation of this property, we have attributed no commercial value to the building mentioned in notes 3 and 4. However, for reference purposes, we are of the opinion that the depreciated replacement cost of the building (excluding the land) as at the date of valuation would be RMB30,223,000 assuming all relevant title certificate has been obtained and the building could be freely transferred.

7. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:

   i) the land use rights of the property are legally and validly obtained by Toyotsu Logistics and can be occupied, used, transferred, leased, mortgaged or otherwise disposed of in accordance with the valid term stipulated by the real estate title certificate;

   ii) the building ownership rights of the buildings mentioned in note 2 are legally owned by Toyotsu Logistics and these buildings can be transferred, leased, mortgaged or otherwise disposed of by Toyotsu Logistics; and

   iii) the Construction Work Planning Permit and the Construction Commencement Permit of the building mentioned in notes 3 and 4 have been obtained by Toyotsu Logistics, there will be no material legal impediment for Toyotsu Logistics to obtain relevant title certificates after the building has passed the completion and acceptance inspection.

VALUATION CERTIFICATE

No	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2010
				RMB
11.	A parcel of land, a buildings and structures No. 88-4 Jinyu Boulevard Jingkai Park New North Zone Chongqing The PRC	The property comprises a parcel of land with a site area of approximately 11,100.7 sq.m. and a commercial building and various ancillary structures erected thereon which were completed in about 2006. The building has a gross floor area of approximately 5,966.65 sq.m. The structures mainly include boundary fences and sheds. The land use rights of the property were granted for a term of 40 years expiring on 15 June 2045 for commercial use.	The property is currently occupied by the Group as 4S shops.	40,336,000 60% interest attributable to the Group RMB24,202,000

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract – Yu Di He Bian (2006) (Jin Kai Yuan) No. 14, the land use rights of a parcel of land with a site area of approximately 11,100.7 sq.m. were contracted to be granted to Chongqing Changjun Automobile Sales and Service Co., Ltd. ("Chongqing Changjun", a 60% owned subsidiary of the Company) for a term of 40 years expiring on 15 June 2045 for commercial use.

2. Pursuant to a Real Estate Title Certificate – 113 Fang Di Zheng 2006 Zi No. 04747, the land use rights of a parcel of land with a site area of approximately 11,100.7 sq.m. were granted to Chongqing Changjun for a term of 40 years expiring on 15 June 2045 for commercial use, and a building with a gross floor area of approximately 5,966.65 sq.m. is owned by Chongqing Changjun.

3. Pursuant to a Mortgage Agreement dated 18 February 2009 entered into between Chongqing Municipal Jiangbei Branch of China Merchants Bank Co., Ltd. and Chongqing Changjun, the land use rights of a parcel of land with a site area of approximately 11,100.7 sq.m. and a building with a gross floor area of approximately 5,966.65 sq.m. are subject to a mortgage for a total amount of RMB47,733,200 in favour of the said bank for a term of one year commencing from 18 February 2009 and expiring on 19 February 2010.

4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:

   i) the land use rights of the property are legally and validly obtained by Chongqing Changjun and can be occupied, used, transferred, leased, mortgaged or otherwise disposed of in accordance with the valid term stipulated by the real estate title certificate; and

   ii) the building ownership rights of the property are legally owned by Chongqing Changjun and the building can be transferred, leased, mortgaged or otherwise disposed of by Chongqing Changjun.

VALUATION CERTIFICATE

No	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2010
				RMB
12.	A parcel of land and various buildings A3 block of Toyota Automobile Park Huangge Town Nansha Economic and Technical Development Zone Guangzhou City Guangdong Province The PRC	The property comprises a parcel of land with a site area of approximately 2,808 sq.m. and 3 buildings erected thereon which were completed in about 2005. The buildings have a total gross floor area of approximately 2,997 sq.m. The buildings comprise a industrial building, a storehouse and a guardhouse. The land use rights of the property were contracted to be granted for a term of 50 years for industrial use.	The property is currently occupied by the Group for production purpose.	No commercial value

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract – Sui Guo Di Chu He (2005) No. 127, the land use rights of the property with a site area of approximately 2,808 sq.m. were contracted to be granted to Guangzhou Automobile Toyotsu Service Co., Ltd. ("Toyotsu Service", a 51% owned subsidiary of the Company) for a term of 50 years. The land premium was RMB421,200 and as advised by Toyotsu Service, the land premium has been fully paid.

2. Pursuant to a Construction Work Planning Permit – Sui Nan Gui Jian Zheng (2006) No. 2 in favour of Toyotsu Service, 3 buildings with a total gross floor area of approximately 2,997 sq.m. have been approved for construction.

3. Pursuant to a Construction Work Commencement Permit – 440115200604260201 in favour of Toyotsu Service, permission by the relevant local authority was given to commence the construction work of the 3 buildings mentioned in note 2.

4. As advised by Toyotsu Service, the Land Use Rights Certificate and Building Ownership Certificates of the property are under application.

5. In the valuation of this property, we have attributed no commercial value to the property without any proper title certificate. However, for reference purpose, we are of the opinion that the capital value of the property as at the date of valuation would be RMB4,905,000 assuming all relevant title certificates have been obtained and the property could be freely transferred.

6. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:

   i) there is no material legal impediment for Toyotsu Service to obtain the land use rights certificate; and

   ii) the Construction Work Planning Permits and Construction Commencement Permits have been obtained by Toyotsu Service, there will be no material legal impediment for Toyotsu Service to obtain relevant title certificates after the buildings have passed the completion and acceptance inspection.

VALUATION CERTIFICATE

No	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2010
				RMB
13.	A parcel of land, 2 buildings and various units located at the eastern side of Huandao Road Bantou Village Nansha Economic and Technical Development Zone Guangzhou City Guangdong Province The PRC	The property comprises a parcel of land with a site area of approximately 136,718 sq.m. and 2 ancillary buildings and 1,454 unsold residential units erected thereon which were completed in about 2005. The units and buildings have a total gross floor area of approximately 76,014.38 sq.m. The buildings comprise a kindergarten and a clubhouse. The land use rights of the property were granted for a term of 70 years expiring on 24 July 2075 for residential use.	The property is currently occupied by the Group for residential and ancillary purposes.	267,790,000 100% interest attributable to the Group RMB267,790,000

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract – Sui Nan Guo Di Chu He (2005) No. 8, the land use rights of a parcel of land with a site area of approximately 136,718 sq.m. were contracted to be granted to Guangzhou Automobile Industrial Park Co., Ltd. ("Guangqi Park", a wholly-owned subsidiary of the Company) for a term of 70 years expiring on 24 July 2075 for residential use. The land premium was RMB51,105,188.

2. Pursuant to a State-owned Land Use Rights Certificate – Sui Nan Guo Yong (2005) Di No. 000065, the land use rights of a parcel of land with a site area of approximately 136,718 sq.m. were granted to Guangqi Park for a term of 70 years expiring on 24 July 2075 for residential use.

3. Pursuant to 2 Real Estate Title Certificates – Yue Fang Di Zheng Zi Nos. C4053101 and C4053153 dated 15 March 2007, 2 buildings with a total gross floor area of approximately 5,974.9 sq.m. are owned by Guangqi Park.

4. Pursuant to 10 Real Estate Title Proofs, 1,454 residential units with a total gross floor area of approximately 70,039.48 sq.m. are owned by Guangqi Park.

5. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:

   i) the land use rights of the property are legally and validly obtained by Guangqi Park and can be occupied, used, transferred, leased, mortgaged or otherwise disposed of in accordance with the valid term stipulated by the state-owned land use rights certificate;

   ii) the building ownership rights of the 2 buildings mentioned in note 3 are legally owned by Guangqi Park, but the buildings are only planned to be used as club house and kindergarten; and

   iii) the building ownership rights of the 1,454 units are legally owned by the Company, pursuant to a official letter- Sui Zhu Bao Ji No. (2009)2, Guangqi Park has been authorised to sell the unsold units as stock of public owned houses (存量公房).

VALUATION CERTIFICATE

No	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2010
				RMB
14.	2 units and 12 car parking spaces of Jinhui Building No. 54 Yongtai Road Tianhe District Guangzhou City Guangdong Province The PRC	The property comprises 2 units on Levels 1 and 2 and 12 car parking spaces of a 20-storey composite building completed in about 1996. The units and car parking spaces have a total gross floor area of approximately 1,733.9813 sq.m. The land use rights of the property were granted for terms of 40 and 70 years with the expiry dates between 30 September 2032 and 30 September 2062 for commercial and residential uses respectively.	The property is currently occupied by the Group for commercial, office and car park purposes.	19,900,000 37.90% interest attributable to the Group RMB7,542,000

Notes:

1. Pursuant to 14 Real Estate Title Certificates – Yue Fang Di Zheng Zi Nos. C5218824 and C5218825, Yue Fang Di Quan Zheng Sui Zi Di Nos. 0140052147, 0140052158, 0140052566, 0140052568, 0140052570, 0140052588, 0140052596, 0140052603, 0140052606, 0140052610, 0140052613 and 0140052617, 2 units and 12 car parking spaces with a total gross floor area of approximately 1,733.9813 sq.m. are owned by Denway Motors Limited, a 37.90% owned subsidiary of the Company.

2. Pursuant to 12 Commodity Property Sale & Purchase Contracts dated 16 September 2008, 12 car parking spaces with a total gross floor area of approximately 176.05 sq.m. of the property was contracted to be sold to Denway Motors Limited at a total consideration of RMB2,400,000.

3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers that the property is legally owned by Denway Motors Limited and can be transferred, leased, mortgaged or otherwise disposed of by Denway Motors Limited.

VALUATION CERTIFICATE

No	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2010
				RMB
15.	Units E, F and G on Level 25 of HengCheng Building Nos. 53-55 Huanpu Boulevard Tianhe District Guangzhou City Guangdong Province The PRC	The property comprises 3 residential units on Level 25 of a 30-storey composite building completed in about 1995. The units have a total gross floor area of approximately 285.3 sq.m.	The property is currently occupied by the Group for residential purpose	No commercial value

Notes:

1. Pursuant to 3 Real Estate Pre-sale Contracts dated 6 December 1996, 3 units with a total gross floor area of approximately 285.3 sq.m. were contracted to be purchased by Qicheng Development Co., Ltd. ("Qicheng Development, a 37.90% owned subsidiary of the Company) at a total consideration of HKD2,282,400.
2. As advised by Qicheng Development, the Real Estate title certificates of the property are under application.
3. In the valuation of this property, we have attributed no commercial value to the property without any proper title certificate. However, for reference purpose, we are of the opinion that the capital value of the units as at the date of valuation would be RMB3,139,000 assuming all relevant title certificates have been obtained and the units could be freely transferred.
4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers that Qicheng Development has fully paid the consideration of the units; the Real Estate Pre-sale Contracts mentioned in note 1 comply with relevant regulations in the PRC; and there is no material legal impediment for Qicheng Development to obtain the title certificates of the property;

VALUATION CERTIFICATE

No	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2010
				RMB
16.	A parcel of land and an office building No. 42-1 Dongshajiao Road Dongshan District Guangzhou City Guangdong Province The PRC	The property comprises a parcel of land with a site area of approximately 590.55 sq.m. and an office building erected thereon which was completed in about 2002. The building has a total gross floor area of approximately 2,952.74 sq.m. The land use rights of the property were granted for a term of 50 years commencing from 26 November 2004 for industrial use.	The property is currently occupied by the Group for office purpose.	10,335,000 37.90% interest attributable to the Group RMB 3,917,000

Notes:

1. Pursuant to a Real Estate Title Certificate – Yue Fang Di Zheng Zi No. C2841862, the land use rights of a parcel of land with a site area of approximately 590.55 sq.m. were granted to Guangzhou Denway Enterprises Development Co., Ltd. ("Denway Enterprises", a 37.90% owned subsidiary of the Company) for 50 years commencing from 26 November 2004 for industrial use, and a building with a total gross floor area of approximately 2,952.74 sq.m. is owned by Denway Enterprises.

2. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:

   i) the land use rights of the property are legally and validly obtained by Denway Enterprises and can be occupied, used, transferred, leased, mortgaged or otherwise disposed of in accordance with the valid term stipulated by the real estate title certificate; and

   ii) the building ownership rights of the property are legally owned by Denway Enterprises and the building can be transferred, leased, mortgaged or otherwise disposed of by Denway Enterprises.

VALUATION CERTIFICATE

No	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2010
				RMB
17.	2 parcels of land, various buildings and structures No. 2 Shapulixin 11 Road Xintang Town Zengcheng City Guangdong Province The PRC	The property comprises 2 parcels of land with a total site area of approximately 1,322,079.79 sq.m. and 24 buildings and various ancillary structures erected thereon which were completed in various stages between 2005 and 2009 (the "Completed Property"). The buildings have a total gross floor area of approximately 278,189.73 sq.m. The buildings mainly include industrial buildings, office buildings, canteens and guardhouses. The structures mainly include boundary fences, roads and gates. The property also comprises a building under construction as at the date of valuation (the "CIP") which is scheduled to be completed in October 2010. The total construction cost is estimated to be approximately RMB48,402,197, of which RMB10,489,234 had been paid up to the date of valuation. The gross floor area of the building upon completion will be approximately 23,178 sq.m. The land use rights of the property were granted for a term of 50 years expiring on 23 November 2055 for industrial use.	The property is currently occupied by the Group for production, office and ancillary purposes except for the CIP which is currently under construction.	763,992,000 18.95% interest attributable to the Group RMB144,776,000

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate – Zeng Guo Yong (2007) No. C0400240, the land use rights of a parcel of land with a site area of approximately 1,000,000 sq.m. were granted to Guangzhou Honda Automobile Co., Ltd. ("Guangzhou Honda"), the predecessor of Guangqi Honda Automobile Co., Ltd. ("Guangqi Honda"), an 18.95% owned jointly-controlled entity of the Company, for a term of 50 years expiring on 23 November 2055 for industrial use.

2. Pursuant to a State-owned Land Use Rights Grant Contract – 440183-2008-000029, the land use rights of a parcel of land with a site area of approximately 322,079.79 sq.m. were contracted to be granted to Guangqi Honda for a term of 50 years for industrial use. The land premium was RMB81,170,000.

3. Pursuant to 22 Real Estate Title Certificates – Yue Fang Di Zheng Zi Di Nos. C6637376 to C6637395, Yue Fang Di Quan Zheng Zi Zi Di Nos. 661847 and 661848, 22 buildings with a total gross floor area of approximately 248,846.35 sq.m. are owned by Guangzhou Honda.

4. As advised by Guangzhou Honda, the Real Estate Title Certificates of the remaining 2 buildings with a total gross floor area of approximately 29,343.38 sq.m. and a parcel of land with a site area of approximately 322,079.79 sq.m. are under application.

5. Pursuant to a Construction Land Planning Permit – Di Zi Di No. 440183200900006 in favour of Guangzhou Honda, permission towards the planning of the subject land mentioned in note 4 with a site area of approximately 322,079.79 sq.m. has been granted to Guangzhou Honda.

6. Pursuant to 4 Construction Work Planning Permits – Zeng Gui Jian Zheng (2007) No. 320, Jian Zi Di Nos. 44183200900107, 44183200900106 and 440183200900567 in favour of Guangzhou Honda, 3 buildings with a total gross floor area of approximately 51,840 sq.m. have been approved for construction, including 2 buildings of the Completed Property mentioned in note 4 and the CIP.

7. Pursuant to 2 Construction Work Commencement Permits – 440125200805080301 and 440125200905190101 in favour of Guangzhou Honda, permission by the relevant local authority was given to commence the construction work of 2 buildings mentioned in note 4.

8. In the valuation of this property, we have attributed no commercial value to the 2 buildings and the parcel of land mentioned in note 4 and the CIP. However, for reference purpose, we are of the opinion that the capital value of them as at the date of valuation would be RMB179,291,000 assuming all relevant title certificates have been obtained and they could be freely transferred.

9. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:

   i) the land use rights of the parcel of land mentioned in note 1 are legally and validly obtained by Guangqi Honda and can be occupied, used, transferred, leased, mortgaged or otherwise disposed of in accordance with the valid term stipulated by the real estate title certificate;

   ii) there is no material legal impediment for Guangqi Honda to obtain the land use rights certificate of the parcel of land mentioned in note 4;

   iii) the buildings ownership rights of 22 buildings mentioned in note 3 are legally owned by Guangqi Honda and can be transferred, leased and mortgaged or otherwise disposed of by Guangqi Honda;

   iv) for the remaining 2 buildings mentioned in note 4, the Construction Work Planning Permits and the Construction Commencement Permits have been obtained by Guangqi Honda; there is no material legal impediment for Guangqi Honda to obtain relevant title certificates;

   v) the land use rights certificate and building ownership certificates are still under the name of Guangzhou Honda; there is no material legal impediment for Guangqi Honda to obtain the title certificates under its name;

   vi) for the CIP, the Construction Work Planning Permit has been obtained but the Construction Commencement Permit is still under application; there will be no material legal impediment for Guangqi Honda to obtain the relevant title certificate after all construction permits have been obtained and the building has passed the completing and acceptance inspection; and

   vii) the profits of Guangqi Honda will be shared by each party's equity share. Guangqi Honda has obtained all necessary licenses to operate in the location where the property is situated.

VALUATION CERTIFICATE

No	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2010
				RMB
18.	3 parcels of land, various buildings and structures located at the northern side of East Guangyuan Road and the western side of North Fengle Road Huangpu District Guangzhou City Guangdong Province The PRC	The property comprises 3 parcels of land with a total site area of approximately 541,691.8396 sq.m. and 68 buildings and various ancillary structures erected thereon which were completed in various stages between 1998 and 2006. The buildings have a total gross floor area of approximately 299,393.84 sq.m. The buildings mainly include industrial buildings, office buildings, an electricity transformation room, an air-compressor plant, canteens and guardhouses. The structures mainly include boundary fences, roads and sheds. The land use rights of the property were granted for terms of 50 years commencing from 2 December 1998 and 23 September 2002 respectively for industrial use.	The property is currently occupied by the Group for production, office and ancillary purposes except for a portion of land parcels which is currently occupied by a tenant.	1,036,862,000 18.95% interest attributable to the Group RMB196,485,000

Notes:

1. Pursuant to 3 Real Estate Title Certificates – Yue Fang Di Zheng Zi Nos. C5931234 to C5931236, the land use rights of 3 parcels of land with a total site area of approximately 541,691.8396 sq.m. were granted to Guangqi Honda Automobile Co., Ltd. ("Guangqi Honda", an 18.95% owned jointly-controlled entity of the Company) for various terms of 50 years commencing from 2 December 1998 and 23 September 2002 respectively for industrial use, and 59 buildings with a total gross floor area of approximately 294,433.44 sq.m. are owned by Guangqi Honda.
2. In the valuation of this property, we have attributed no commercial value to the remaining 9 buildings with a total gross floor area of approximately 4,960.4 sq.m. without any proper title certificate. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the buildings (excluding the land) as at the date of valuation would be RMB9,052,000 assuming all relevant title certificates have been obtained and the buildings could be freely transferred.
3. Pursuant to a Tenancy Agreement, a portion of land parcels of the property with a site area of approximately 1,900 sq.m. is leased to China Petroleum and Chemical Corporation Guangdong Guangzhou Petroleum Company for a term commencing from 19 January 2008 and expiring on 18 January 2011 at an annual rental of RMB570,000, exclusive of management fees, water and electricity charges.
4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
   i) the land use rights of the property are legally and validly obtained by Guangqi Honda and can be occupied, used, transferred, leased, mortgaged or otherwise disposed of in accordance with the valid term stipulated by the real estate title certificates;
   ii) the building ownership certificates of the 59 buildings mentioned in note 1 are legally owned by Guangqi Honda these buildings and can be transferred, leased, mortgaged or otherwise disposed of by Guangqi Honda;

iii) for the remaining 9 buildings without proper title certificates, there is possibility that Guangqi Honda may be subject to penalty or be asked to terminate the use of the buildings; if the title defects of these buildings lead to the incapable use of the buildings, Guangqi Honda is able to find substitute buildings in relevant areas and the relocation shall not have any material adverse effect on Guangqi Honda's operation and financial status or the listing activities; and

iv) the profits of Guangqi Honda will be shared by each party's equity share. Guangqi Honda has obtained all necessary licenses to operate in the location where the property is situated.

VALUATION CERTIFICATE

No	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2010
				RMB
19.	A portion of Levels 2 to 9 of a 9-storey residential building Nos. 110 and 112 Wushan Road Tianhe District Guangzhou City Guangdong Province The PRC	The property comprises a portion of Levels 2 to 9 of a 9-storey residential building with a total gross floor area of approximately 1,694.43 sq.m., which were completed in about 1998.	The property is currently occupied by the Group for residential purpose.	No commercial value

Notes:

1. Guangqi Honda Automobile Co., Ltd. ("Guangqi Honda") is an 18.95% owned jointly-controlled entity of the Company

2. As advised by Guangqi Honda, the Building Ownership Certificate of the property with a gross floor area of approximately 1,694.43 sq.m. is under application.

3. In the valuation of this property, we have attributed no commercial value to the property mentioned in note 2. However, for reference purpose, we are of the opinion that the capital value of the property as at the date of valuation would be RMB8,472,000 assuming all relevant title certificates had been obtained and the units could be freely transferred.

4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:

   i) Guangqi Honda has not obtained proper title certificate of the property;

   ii) there is possibility that Guangqi Honda may be subject to penalty or be asked to terminate the use of the property; if the title defects of the unit lead to the incapable use of the building, Guangqi Honda is able to find substitute property in relevant area and the relocation shall not have any material adverse effect on Guangqi Honda's operation and financial status or the listing activities; and

   iii) the profits of Guangqi Honda will be shared by each party's equity share. Guangqi Honda has obtained all necessary licenses to operate in the location where the property is situated.

VALUATION CERTIFICATE

No	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2010
				RMB
20.	A parcel of land and a building No. 1 Beixin Area Economic and Technological Development Zone Urumchi City Xinjiang Uygur Autonomous Regions The PRC	The property comprises a parcel of land with a site area of approximately 9,571.74 sq.m. and a building erected thereon which was completed in about 2008. The building has a gross floor area of approximately 5,732.92 sq.m. The land use rights of the property were granted for a term of 40 years expiring on 29 June 2044 for commercial use.	The property is currently occupied by the Group as 4S shops.	26,807,000 60% interest attributable to the Group RMB16,084,000

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate – Wu Guo Yong (2007) No. 0022560, the land use rights of a parcel of land with a site area of approximately 9,571.74 sq.m. were granted to Xinjiang Changxin Automobile Sales Co., Ltd. ("Xinjiang Changxin", a 60% owned subsidiary of the Company) for a term of 40 years expiring on 29 June 2044 for commercial use.

2. Pursuant to a Building Ownership Certificate – Wu Fang Quan Zheng Jing Ji Ji Shu Kai Fa Qu Zi Di No.2009367929, a building with a gross floor area of approximately 5,732.92 sq.m. are owned by Xinjiang Changxin.

3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:

   i) the land use rights of the property are legally and validly obtained by Xinjiang Changxin and can be occupied, used, transferred, leased, mortgaged or otherwise disposed of in accordance with the valid term stipulated by the state-owned land use rights certificate; and

   ii) the building ownership certificate of a building mentioned in note 2 is legally owned by Xinjiang Changxin and the building can be transferred, leased, mortgaged or otherwise disposed of by Xinjiang Changxin.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2010
				RMB
21.	Units 13-C, 20-C and 3-C of Block 160 and Units 3-D, 4-D and 16-C of Block 63B Hepan Garden No. 215 Qingnian street Shenhe District Shenyang City Liaoning Province The PRC	The property comprises 7 units on Levels 3, 4, 13, 16 and 20 of 2 residential buildings completed in about 2001. The units have a total gross floor area of approximately 814.47 sq.m. The land use rights of the property have been granted for terms expiring on 28 December 2042.	The property is currently occupied by the Group for residential purpose.	5,292,000 45% interest attributable to the Group RMB2,381,000

Notes:

1. Pursuant to 7 Building Ownership Certificates – Shen Fang Quan Zheng Zhong Xin Zi Di Nos. N060141371, N060141387, N060141401, N060141392, N060141406, N060141412 and N060141381, 7 units with a total gross floor area of approximately 814.47 sq.m. are owned by GAC Hino (Shenyang) Motors Co., Ltd. ("GAC Hino (Shenyang)"), a 45% owned jointly-controlled entity of the Company.

2. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   i) the building ownership rights of the property are legally owned by GAC Hino (Shenyang) and these units can be transferred, leased, mortgaged or otherwise disposed of by GAC Hino (Shenyang); and

   ii) the profits of GAC Hino (Shenyang) will be shared by each party's equity share. GAC Hino (Shenyang) has obtained all necessary licenses to operate in the location where the property is situated.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2010
				RMB
22.	A parcel of land, various buildings and structures No. 2 Kaifa Road Economic and Technical Development Area Shenyang City Liaoning Province The PRC	The property comprises a parcel of land with a site area of approximately 334,678.1 sq.m. and 16 building and various ancillary structures erected thereon which were completed in about 2003. The buildings have a total gross floor area of approximately 76,706.95 sq.m. The buildings mainly include industrial buildings and an office building. The structures mainly include boundary fences and roads. The land use rights of the property were granted for a term of 30 years expiring on 12 April 2031 for industrial use.	The property is currently occupied by the Group for production office purposes except for the CIP which is currently under construction.	243,161,000 45% interest attributable to the Group RMB109,422,000

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate – Shen Kai Guo Yong (2009) Di No. 0000070, the land use rights of a parcel of land with a site area of approximately 334,678.1 sq.m. were granted to Shenyang Hino Motors Co. Ltd. ("Shenyang Hino"), the predecessor of GAC Hino (Shenyang) Motors Co., Ltd. ("GAC Hino (Shenyang)"), a 45% owned jointly-controlled entity of the Company, for a term of 30 years expiring on 12 April 2031 for industrial use.

2. Pursuant to 16 Building Ownership Certificates – Shen Fang Quan Zheng Jing Ji Ji Shu Kai Fa Zi Di Nos. 011528 to 011543, 16 buildings with a total gross floor area of approximately 76,706.95 sq.m. are owned by GAC Hino (Shenyang).

3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   i) the land use rights of the property are legally and validly obtained GAC Hino (Shenyang) and can be occupied, used, transferred, leased, mortgaged or otherwise disposed of in accordance with the valid term stipulated by the state-owned land use rights certificate;

   ii) the land use rights certificate is still under the name of Shenyang Hino; there is no material legal impediment for GAC Hino (Shenyang) to obtain the title certificate under its name;

   iii) the building ownership rights of the property are legally owned by GAC Hino Shen Yang and the buildings can be transferred, leased, mortgaged or otherwise disposed of by GAC Hino (Shenyang); and

   iv) the profits of GAC Hino Shen Yang will be shared by each party's equity share. GAC Hino (Shenyang) has obtained all necessary licenses to operate in the location where the property is situated.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2010
				RMB
23.	A parcel of land and 15 buildings located at Industrial Park Aotou Town Conghua City Guangdong Province The PRC	The property comprises a parcel of land with a site area of approximately 1,064,000 sq.m. and 15 buildings erected thereon which were completed in September 2009 (the "Completed Property"). The buildings have a total gross floor area of approximately 80,156.80 sq.m. The buildings comprise 7 industrial buildings, an office building 7 ancillary buildings. The property also comprise 3 buildings under construction as at the date of valuation (the "CIP") which are scheduled to be completed by the end of June 2010. The total construction cost is estimated to be approximately RMB6,049,100, of which RMB1,814,700 had been paid up to the date of valuation. The gross floor area of the building upon completion will be approximately 3,838.40 sq.m. The land use rights of the property were granted for a term of 50 years expiring on 5 March 2058 for industrial use.	The property is currently occupied by the Group for production, office and ancillary purposes except for the CIP which is currently under construction.	228,794,000 50% interest attributable to the Group RMB114,397,000

Notes:

1. Pursuant to a State-owned Land Use Rights Transfer Contract – No. 440184-2007-000181 dated 29 December 2007, the land use rights of a parcel of land with a site area of approximately 1,064,000 sq.m. were granted to GAC Hino Automobile Co., Ltd. ("GAC Hino", a 50% owned jointly-controlled entity of the Company) for a term of 50 years for industrial use at a consideration of RMB217,100,000.
2. Pursuant to a State-owned Land Use Rights Certificate – Cong Guo Yong (2008) Di No. 00166, the land use rights of a parcel of land with a site area of approximately 1,064,000 sq.m. were granted to GAC Hino for a term of 50 years expiring on 5 March 2058 for industrial use.
3. Pursuant to 6 Construction Work Planning Permits – Ming Zhu Gui Jian Zheng Nos. (2008)007 to (2008)008, (2008)011 to (2008)013 and (2009)003 in favour of GAC Hino, 18 buildings with a total planned gross floor area of approximately 83,995.2 sq.m. have been approved for construction, including 15 buildings of the Completed Property and 3 building of the CIP.
4. Pursuant to 6 Construction Work Commencement Permits – 440112200811280085, 440112200812020087, 440112200911200094, 440112200911200095, 440112200912170112 and 440112200812020088 in favour of GAC Hino, permission by the relevant local authority was given to commence the construction work of the buildings mentioned in note 3.
5. As advised by GAC Hino, the Building Ownership Certificates of the Completed Property are under application.

6. In the valuation of this property, we have attributed no commercial value to the Completed Property without any Building Ownership Certificate. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these buildings (excluding the land) as at the date of valuation would be RMB114,945,000 assuming all title certificates have been obtained and the buildings could be freely transferred.

7. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   i) the land use rights of the property are legally and validly obtained by GAC Hino and can be occupied, used, transferred, leased, mortgaged or otherwise disposed of in accordance with the valid term stipulated by the state-owned land use rights certificate;

   ii) the Construction Work Planning Permits and the Construction Commencement Permits have been obtained by GAC Hino, there will be no material impediment for GAC Hino to obtain the relevant title certificates after the buildings have passed the completion and acceptance inspection; and

   iii) the profits of GAC Hino will be shared by each party's equity share. GAC Hino has obtained all necessary licenses to operate in the location where the property is situated.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2010
				RMB
24.	A parcel of land and a commercial building Jingkai Park No. 2 Jintong Road New North Zone Chongqing The PRC	The property comprises a parcel of land with a site area of approximately 7,546.8 sq.m. and a commercial building erected thereon which were completed in September 2009. The building has a gross floor area of approximately 6,954.64 sq.m. The land use rights of the property have been granted for a term of 40 years expiring on 15 February 2047 for commercial use.	The property is currently occupied by the Group as 4S shops.	24,150,000 60% interest attributable to the Group RMB14,490,000

Notes:

1. Pursuant to a Real Estate Title Certificate – 113 Fang Di Zheng 2008 No. 04881, the land use rights of a parcel of land with a site area of approximately 7,546.80 sq.m. were granted to Chongqing Changjie Automobile Sales and Service Co., Ltd. ("Chongqing Changjie", a 60% owned subsidiary of the Company) for a term of 40 years expiring on 15 February 2047 for commercial use.
2. Pursuant to a Construction Work Planning Permit – 500139200900009 in favour of Chongqing Changjie, a building with a planned gross floor area of approximately 6,954.64 sq.m. has been approved for construction.
3. Pursuant to a Construction Work Commencement Permit – Bei Bu Xin Qu 2009069 in favour of Chongqing Changjie, permission by the relevant local authority was given to commence the construction work of the building mentioned in note 2.
4. As advised by Chongqing Changjie, the Building Ownership Certificate of the building mentioned in notes 2 and 3 is under application.
5. In the valuation of this property, we have attributed no commercial value to the building of the property without any Building Ownership Certificate. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the building (excluding the land) as at the date of valuation would be RMB14,167,000 assuming relevant title certificate has been obtained and the building could be freely transferred.
6. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   i) the land use rights of the property are legally and validly obtained by Chongqing Changjie and can be occupied, used, transferred, leased, mortgaged or otherwise disposed of in accordance with the valid term stipulated by the real estate title certificate; and

   ii) the Construction Work Planning Permit and the Construction Commencement Permit of the building have been obtained by Chongqing Changjie, there will be no material legal impediment for Chongqing Changjie to obtain the building ownership rights certificate after the building has passed the completion and acceptance inspection.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2010
				RMB
25.	2 parcels of land and 9 buildings locate at Hongxing Road Economic and Technical Development Zone Xiaoshan District Hangzhou City Zhejiang Province The PRC	The property comprises 2 parcels of land with a total site area of approximately 91,334 sq.m. and 9 industrial buildings erected thereon which were completed in October 2009. The buildings have a gross floor area of approximately 56,147.62 sq.m. The land use rights of the property have been granted for terms expiring on 31 December 2048 and 5 June 2057 respectively for industrial use.	The property is currently occupied by the Group for production purpose.	7,940,000 33.33% interest attributable to the Group RMB2,646,000

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract dated 8 March 2007, the land use rights of a parcel of land with a site area of approximately 66,667 sq.m. were contracted to be granted to Hangzhou IVECO Automobile Transmission Technology Co., Ltd. ("Hangzhou IVECO", a 33.33% owned jointly-controlled entity of the Company) for a term of 50 years expiring on 5 June 2057 for industrial use. The land premium was RMB19,200,096.

2. Pursuant to a Land Use Rights Transfer Contract dated 6 June 2007, the land use rights of a parcel of land with a site area of approximately 24,667 sq.m. were contracted to be transferred to Hangzhou IVECO at a consideration of RMB7,030,095.

3. Pursuant to a State-owned Land Use Rights Certificate – Hang Xiao Kai Guo Yong (2009) No. Geng 11, the land use rights of the parcel of land with a site area of approximately 24,667 sq.m. were granted to Hangzhou IVECO for a term expiring on 31 December 2048 for industrial use.

4. For the remaining one parcel of land mentioned in note 1, the land use rights certificate was obtained on 19 July 2007 but has expired on 18 July 2009 according to the note of a State-owned Land Use Rights Certificate – Hang Xiao Kai Guo Yong (2007) No. 19.

5. Pursuant to 2 Construction Work Planning Permits – Zhe Gui Zheng (2007) Bian Hao 0110052 and Zhe Gui Zheng (2009) Bian Hao 0110004 in favour of Hangzhou IVECO, 9 buildings with a total planned gross floor area of approximately 66,549.7 sq.m. have been approved for construction.

6. Pursuant to a Construction Work Commencement Permit – 330181200804070201 in favour of Hangzhou IVECO, permission of 7 buildings with a total planned gross floor area of approximately 55,675.22 sq.m. by the relevant local authority was given to commence the construction work.

7. As advised by Hangzhou IVECO, the Building Ownership Certificates of the 9 buildings and the Land Use Rights Certificate of the parcel of land mentioned in notes 1 and 4 are under application.

8. In the valuation of this property, we have attributed no commercial value to the 9 buildings and the parcel of land mentioned in note 7. However, for reference purpose, we are of the opinion that the capital value of them as at the date of valuation would be RMB75,385,000 assuming all title certificates have been obtained and they could be freely transferred.

9. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   i) the land use rights of the parcel of land mentioned in note 3 are legally and validly obtained by Hangzhou IVECO and can be occupied, used, transferred, leased, mortgaged or otherwise disposed of in accordance with the valid term stipulated by the state-owned land use rights certificate;

   ii) for the parcel of land mentioned in notes 1, 4 and 7, there is no material legal impediment for Hangzhou IVECO to obtain the land use rights certificate.

   iii) for 7 buildings with a total planned floor area of approximately 55,675.22 sq.m., the Construction Work Planning Permits and the Construction Commencement Permits have been obtained. There will be no material legal impediment for Hangzhou IVECO to obtain the relevant title certificate after the buildings have passed the completion and acceptance inspection;

   iv) for 2 buildings with a total planned floor area of approximately 472.4 sq.m., the Construction Work Planning Permits have been obtained but the Construction Commencement Permits are still under application. There will be no material legal impediment for Hangzhou IVECO to obtain the relevant title certificates after all the construction permits are obtained and the buildings have passed the completion and acceptance inspection; and

   v) the profits of Hangzhou IVECO will be shared by each party's equity share. Hangzhou IVECO has obtained all necessary licenses to operate in the location where the property is situated.

VALUATION CERTIFICATE

GROUP II – PROPERTY INTEREST HELD FOR INVESTMENT BY THE GROUP IN THE PRC

No	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2010
				RMB
26.	A parcel of land, various buildings and structures No. 1 East Yongheguanghua Road Xintang Town Zengcheng City Guangdong Province The PRC	The property comprises a parcel of land with a site area of approximately 68,561 sq.m. and 9 buildings and various ancillary structures erected thereon which were completed in various stages between 1994 and 1996. The buildings have a total gross floor area of approximately 13,911.17 sq.m. The buildings mainly include an industrial building, an office building, storehouses, a dormitory building and a guardhouse. The structures mainly include boundary fences and roads. The land use rights of the property were granted for a term expiring on 21 November 2043 for industrial use.	The property is occupied by a tenant for production, office, staff dormitory and ancillary purposes.	31,878,000 69.57% interest attributable to the Group RMB22,178,000

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate – Zeng Guo Yong (2005) No. B0400458, the land use rights of a parcel of land with a site area of approximately 68,561 sq.m. were granted to Guangzhou Automobile Group Component Co., Ltd. ("GAC Components", a 69.57% owned subsidiary of the Company) for a term expiring on 21 November 2043 for industrial use.

2. Pursuant to 9 Real Estate Title Certificates – Yue Fang Zi Nos. 4014605 to 4014610 and 4014614 to 4014616, 9 buildings with a total gross floor area of approximately 13,911.17 sq.m. are owned by GAC Components.

3. Pursuant to a Tenancy Agreement, the property is leased to an third party commencing from 1 February 2005 and expiring on 1 October 2011 at a total annual rental of RMB4,778,398, exclusive of management fees, water and electricity charges.

4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:

   i) the land use rights of the property are legally and validly obtained by GAC Components and can be occupied, used, transferred, leased, mortgaged or otherwise disposed of in accordance with the valid term stipulated by the state-owned land use rights certificate; and

   ii) the building ownership rights of the property are legally owned by GAC Components and these buildings can be transferred, leased, mortgaged or otherwise disposed of by GAC components.

VALUATION CERTIFICATE

GROUP III — PROPERTY INTERESTS OWNED AND OCCUPIED BY THE GROUP IN HONG KONG

No	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2010
				RMB
27.	Unit D on the 21st Floor Seabright Plaza Nos. 9, 11, 13, 15, 17, 19, 21 and 23 Shell Street Hong Kong 64/15,000th shares of and in the Remaining Portions of Section C, Section R and Section S of Inland Lot No. 2273, the Remaining Portion of Sub-Section 1 of Section C of Inland Lot No. 2273, the Remaining Portions of Sub-Section 1, Sub-Section 2 and Sub-Section 3 of Section R of Inland Lot No. 2273 and the Remaining Portion of Sub-Section 1 of Section S of Inland Lot No. 2273.	The property comprises a unit on the 21st Floor of a 29-storey commercial building completed in about 1992. The unit has a gross floor area of approximately 715 sq.ft. The property is held under Government Leases for terms of 75 years and renewable for 75 years commencing from 25 August 1919.	The property is currently occupied by the Group for office purpose.	2,240,000 (equivalent to HKD2,540,000) 100% interest attributable to the Group RMB2,240,000 (equivalent to HKD2,540,000)

Notes:

1. The registered owner of the property is Faithful Sun Industries Limited vide Memorial No. UB7667027 dated 6 January 1999.
2. Faithful Sun Industries Limited is an indirectly wholly owned subsidiary of the Company.
3. The property is subject to a Deed of Mutual Covenant and Grant & Management Agreement vide Memorial No. UB4713630 dated 1 February 1991.
4. The property is subject to an Occupation Permit vide Memorial No. UB5245505 dated 13 April 1992.
5. The exchange rate adopted in our valuation for the property is HKD1=RMB0.88 which was approximately the prevailing exchange rate as at the date of valuation.

VALUATION CERTIFICATE

No	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2010
				RMB
28.	Unit 02 on the 19th Floor of Tower A Fortress Metro Tower No. 238 King's Road Hong Kong 71/54,700th shares of and in Inland Lot No. 8557.	The property comprises a unit on the 19th Floor of a 35-storey residential building completed in about 1987. The unit has a gross floor area of approximately 822 sq.ft. The property is held under Conditions of Grant No. 11803 for a term of 75 years and renewable for 75 years commencing from 17 May 1985.	The property is currently occupied by the Group as staff quarters.	4,270,000 (equivalent to HKD4,850,000) 100% interest attributable to the Group RMB4,270,000 (equivalent to HKD4,850,000)

Notes:

1. The registered owner of the property is Faithful Sun Industries Limited vide Memorial No. UB7768224 dated 10 May 1999.
2. Faithful Sun Industries Limited is an indirectly wholly owned subsidiary of the Company.
3. The property is subject to a Deed of Mutual Covenant vide Memorial No. UB3396558 dated 16 May 1987.
4. The property is subject to an Occupation Permit No. H48/87 (MTR) vide Memorial No. UB3367128 dated 1 May 1987.
5. The exchange rate adopted in our valuation for the property is HKD1=RMB0.88 which was approximately the prevailing exchange rate as at the date of valuation.

VALUATION CERTIFICATE

No	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2010
				RMB
29.	Flat B on the 24th Floor Chuang's-on-the-Park No. 162 Tung Lo Wan Road Hong Kong 15/2,133 shares of and in Inland Lot No. 5963.	The property comprises a unit on the 24th Floor of a 33-storey residential building completed in about 1992. The unit has a gross floor area of approximately 544 sq.ft. The property is held under a Government Lease for a term of 75 years and renewable for 75 years commencing from 22 May 1922.	The property is currently occupied by the Group as staff quarters.	3,590,000 (equivalent to HKD4,080,000) 100% interest attributable to the Group RMB3,590,000 (equivalent to HKD4,080,000)

Notes:

1. The registered owner of the property is Faithful Sun Industries Limited vide Memorial No. UB7501570 dated 20 May 1998.
2. Faithful Sun Industries Limited is an indirectly wholly owned subsidiary of the Company.
3. The property is subject to a Deed of Mutual Covenant and Management Agreement vide Memorial Nos. UB5489871 and UB5489872 both dated 27 October 1992.
4. The property is subject to an Occupation Permit No. H126/92 vide Memorial No. UB5504084 dated 12 October 1992.
5. The exchange rate adopted in our valuation for the property is HKD1=RMB0.88 which was approximately the prevailing exchange rate as at the date of valuation.

VALUATION CERTIFICATE

No	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2010
				RMB
30.	Flat A on the 32nd Floor Chuang's-on-the-Park No. 162 Tung Lo Wan Road Hong Kong 25/2,133th shares of and in Inland Lot No. 5963.	The property comprises a unit on the 32nd Floor of a 33-storey residential building completed in about 1992. The unit has a gross floor area of approximately 844 sq.ft. The property is held under a Government Lease for a term of 75 years and renewable for 75 years.	The property is currently occupied by the Group as staff quarters.	5,570,000 (equivalent to HKD6,330,000) 100% interest attributable to the Group RMB5,570,000 (equivalent to HKD6,330,000)

Notes:

1. The registered owner of the property is Faithful Sun Industries Limited vide Memorial No. UB7505615 dated 29 May 1998.
2. Faithful Sun Industries Limited is an indirectly wholly owned subsidiary of the Company.
3. The property is subject to a Deed of Mutual Covenant and a Management Agreement vide Memorial Nos. UB5489871 and UB5489872 both dated 27 October 1992.
4. The property is subject to an Occupation Permit No. H126/92 vide Memorial No. UB5504084 dated 12 October 1992.
5. The exchange rate adopted in our valuation for the property is HKD1=RMB0.88 which was approximately the prevailing exchange rate as at the date of valuation.

VALUATION CERTIFICATE

No	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2010
				RMB
31.	8 Units on the 8th Floor of Citicorp Centre 18 Whitfield Road Hong Kong 260/10,080th shares of and in the Remaining Portion of Inland Lot No. 2227 and the Remaining Portion of Inland Lot No. 1936.	The property comprises 8 units on the 8th Floor of an 18-storey office building completed in about 1983. The units have a total gross floor area of approximately 14,074 sq.ft. The property is held under Government Leases for terms of 75 years and renewable for 75 years commencing from 21 March 1904.	The property is currently occupied by the Group for office purpose except for Office 808 which is currently leased to China Lounge Investments Limited, for office purpose.	56,970,000 (equivalent to HKD64,740,000) 37.90% interest attributable to the Group RMB21,590,000 (equivalent to HKD24,540,000)

Notes:

1. The registered owner of the property is Easeco Enterprises Limited vide Memorial No. UB6085965 dated 16 July 1994.

2. Easeco Enterprises Limited is a 37.90% owned subsidiary of the Company.

3. The property is subject to a Deed of Mutual Covenant vide Memorial No. UB2462844 dated 4 August 1983 and a Supplemental Deed of Mutual Covenant vide Memorial No. UB2476944 dated 30 September 1983.

4. Pursuant to a Tenancy Agreement, Office 808 is leased to China Lounge Investments Limited for a term of one year commencing from 1 May 2010 and expiring on 30 April 2011 at a monthly rental of HK$ 35,620, inclusive of rates and government rent but exclusive of management fees, water and electricity charges and other outgoings.

5. The exchange rate adopted in our valuation for the property is HKD1=RMB0.88 which was approximately the prevailing exchange rate as at the date of valuation.

VALUATION CERTIFICATE

No	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2010
				RMB
32.	Car Parking Space Nos. 30-32 on the 2nd Floor, Citicorp Centre 18 Whitfield Road Hong Kong 6/10,080 shares of and in the Remaining Portion of Inland Lot No. 2227 and the Remaining Portion of Inland Lot No. 1936.	The property comprises 3 car parking spaces on the 2nd Floor of an 18-storey commercial building completed in about 1983. The property is held under Government Leases for terms of 75 years and renewable for 75 years commencing from 21 March 1904.	The property is currently occupied by the Group for car parking purpose.	1,580,000 (equivalent to HKD1,800,000) 37.90% interest attributable to the Group RMB600,000 (equivalent to HKD680,000)

Notes:

1. The registered owner of the property is Easeco Enterprises Limited vide Memorial No. UB6085965 dated 16 July 1994.
2. Easeco Enterprises Limited is a 37.90% owned subsidiary of the Company.
3. The property is subject to a Deed of Mutual Covenant vide Memorial No. UB2462844 dated 4 August 1983 and a Supplemental Deed of Mutual Covenant vide Memorial No. UB2476944 dated 30 September 1983.
4. The exchange rate adopted in our valuation for the property is HKD1=RMB0.88 which was approximately the prevailing exchange rate as at the date of valuation.

VALUATION CERTIFICATE

No	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2010
				RMB
33.	Car Parking Space No. C5 on Ground Floor Yue Xiu Industrial Building No. 87 Hung To Road Kowloon Hong Kong 3/8,550th shares of and in Kwun Tong Inland Lot No. 176.	The property comprises a car parking space on the ground floor of a 13-storey industrial building completed in about 1996. The property is held under Conditions of Sale No. 6438 for a term of 21 years and renewable for 21 years commencing from 1 July 1955 and was statutorily renewed for a term expiring on 30 June 2047 at a Government Rent of 3% of the ratable value of the lot per annum.	The property is currently occupied by the Group for car parking purpose.	350,000 (equivalent to HKD400,000) 37.90% interest attributable to the Group RMB130,000 (equivalent to HKD150,000)

Notes:

1. The registered owner of the property is Arkon Industrial Limited vide Memorial No. UB4113405 dated 15 May 1989.
2. Arkon Industrial Limited is a 37.90% owned subsidiary of the Company.
3. The property is subject to a Deed of Mutual Covenant vide Memorial No. UB4104268 dated 2 May 1989.
4. The property is subject to a Mortgage in favour of The HongKong and Shanghai Banking Corporation Limited vide Memorial No. UB8575404 dated 14 December 2001.
5. The exchange rate adopted in our valuation for the property is HKD1=RMB0.88 which was approximately the prevailing exchange rate as at the date of valuation.

VALUATION CERTIFICATE

No	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2010
				RMB
34.	Car Parking Space No. L2 on G/F Yue Xiu Industrial Building, No. 87 Hung To Road Kowloon Hong Kong 4/8,550th shares of and in Kwun Tong Inland Lot No. 176.	The property comprises a car parking space on the ground floor of a 13-storey industrial building completed in about 1989. The property is held under Conditions of Sale No. 6438 for a term of 21 years and renewable for 21 years commencing from 1 July 1955 and was statutorily renewed for a term expiring on 30 June 2047 at a Government Rent of 3% of the ratable value of the lot per annum.	The property is currently occupied by the Group for car parking purpose.	440,000 (equivalent to HKD500,000) 37.90% interest attributable to the Group RMB170,000 (equivalent to HKD190,000)

Notes:

1. The registered owner of the property is Arkon Industrial Limited vide Memorial No. UB4113405 dated 15 May 1989.

2. Arkon Industrial Limited is a 37.90% owned subsidiary of the Company.

3. The property is subject to a Deed of Mutual Covenant vide Memorial No. UB4104268 dated 2 May 1989.

4. The property is subject to a Mortgage in favour of The HongKong and Shanghai Banking Corporation Limited vide Memorial No. UB8575404 dated 14 December 2001.

5. The exchange rate adopted in our valuation for the property is HKD1=RMB0.88 which was approximately the prevailing exchange rate as at the date of valuation.

VALUATION CERTIFICATE

No	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2010
				RMB
35.	11th & 12th Floors Yue Xiu Industrial Building No. 87 Hung To Road Kowloon Hong Kong 1082/8,550th shares of and in Kwun Tong Inland Lot No. 176.	The property comprises the 11th & 12th Floor of a 13-storey industrial building completed in about 1989. The units have a total gross floor area of approximately 12,000 sq.ft. The property is held under Conditions of Sale No. 6438 for a term of 21 years and renewable for 21 years commencing from 1 July 1955 and was statutorily renewed for a term expiring on 30 June 2047 at a Government Rent of 3% of the ratable value of the lot per annum.	The property is currently occupied by the Group for ancillary office, show room and storage purposes.	11,620,000 (equivalent to HKD13,200,000) 37.90% interest attributable to the Group RMB4,400,000 (equivalent to HKD5,000,000)

Notes:

1. The registered owner of the property is Arkon Industrial Limited vide Memorial No. UB4113405 dated 15 May 1989.
2. Arkon Industrial Limited is a 37.90% owned subsidiary of the Company.
3. The property is subject to a Deed of Mutual Covenant vide Memorial No. UB4104268 dated 2 May 1989.
4. The property is subject to a Mortgage in favour of The HongKong and Shanghai Banking Corporation Limited vide Memorial No. UB8575404 dated 14 December 2001.
5. The exchange rate adopted in our valuation for the property is HKD1=RMB0.88 which was approximately the prevailing exchange rate as at the date of valuation.

VALUATION CERTIFICATE

No	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2010
				RMB
36.	Flat D on the 11th Floor of Block 2 Finery Park No. 7 Yuk Nga Lane Tseung Kwan O Sai Kung New Territories Hong Kong 144/123,800th shares of and in Tseung Kwan O Town Lot No. 19.	The property comprises a unit on the 11th Floor of a 44-storey residential building completed in about 1994. The unit has a gross floor area of approximately 567 sq.ft. The property is held under a New Grant No. 7937 for a term commencing from 11 October 1991 to 30 June 2047 at a Government Rent of HK$1,000 per annum until 30 June 1997 and thereafter 3% of the ratable value of the lot per annum.	The property is currently occupied by the Group as staff quarters.	1,800,000 (equivalent to HKD2,040,000) 37.90% interest attributable to the Group RMB680,000 (equivalent to HKD770,000)

Notes:

1. The registered owner of the property is Classic Tech Development Limited vide Memorial No. SK273088 dated 26 February 1997.

2. Classic Tech Development Limited is a 37.90% owned subsidiary of the Company.

3. The property is subject to a Deed of Mutual Covenant and Management Agreement vide Memorial No. SK229682 dated 30 December 1994.

4. The property is subject to an Occupation Permit No. NT115/94 vide Memorial No. SK226281 dated 13 September 1994.

5. The property is subject to a Legal Charge in favour of Hua Chiao Commercial Bank Limited vide Memorial No. SK273089 dated 26 February 1997.

6. The exchange rate adopted in our valuation for the property is HKD1=RMB0.88 which was approximately the prevailing exchange rate as at the date of valuation.

VALUATION CERTIFICATE

No	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2010
				RMB
37.	Flat C on the 8th Floor of Block 22 No.13 Laguna Street Laguna City Kowloon Hong Kong 6/52,361th shares of and in New Kowloon Inland Lot No. 6055.	The property comprises a unit on the 8th Floor of a 26-storey residential building completed in about 1994. The unit has a gross floor area of approximately 644 sq.ft. The property is held under Conditions of Exchange No. UB12004 for a term of 99 years less 3 days commencing from 1 July 1898 and was statutorily renewed for a term expiring on 30 June 2047 at a Government Rent of 3% of the ratable value of the lot per annum.	The property is currently occupied by the Group as staff quarters.	2,380,000 (equivalent to HKD2,700,000) 37.90% interest attributable to the Group RMB900,000 (equivalent to HKD1,020,000)

Notes:

1. The registered owner of the property is Uni-Art Precise Products Limited vide Memorial No. UB6340158 dated 14 June 1995.
2. Uni-Art Precise Products Limited is a 37.90% owned subsidiary of the Company.
3. The property is subject to a Deed of Mutual Covenant vide Memorial No. UB4798833 dated 18 April 1991.
4. The property is subject to an Occupation Permit No. NK43/94 vide Memorial No. UB6292589 dated 9 December 1994.
5. The property is subject to a Mortgage in favour of The HongKong and Shanghai Banking Corporation Limited vide Memorial No. UB8575402 dated 14 December 2001.
6. The exchange rate adopted in our valuation for the property is HKD1=RMB0.88 which was approximately the prevailing exchange rate as at the date of valuation.

VALUATION CERTIFICATE

No	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2010
				RMB
38.	Flat 706 on the 7th Floor of Block I Telford Gardens No.33 Wai Yip Street Kowloon Hong Kong 100/2,105,300th shares of and in New Kowloon Inland Lot No. 5744.	The property comprises a unit on the 7th Floor of a 12-storey residential building completed in about 1981. The unit has a gross floor area of approximately 598 sq.ft. The property is held under Conditions of Grant No. 11083 for a term of 99 years commencing from 1 July 1898 and was statutorily renewed for a term expiring on 30 June 2047 at a Government Rent of 3% of the ratable value of the lot per annum.	The property is currently occupied by the Group as staff quarters.	2,420,000 (equivalent to HKD2,750,000) 37.90% interest attributable to the Group RMB920,000 (equivalent to HKD1,040,000)

Notes:

1. The registered owner of the property is Uni-Art Precise Products Limited vide Memorial No. UB5592289 dated 25 February 1993.
2. Uni-Art Precise Products Limited is a 37.90% owned subsidiary of the Company.
3. The property is subject to a Deed of Mutual Covenant vide Memorial No. UB1926174 dated 12 August 1980 which was then re-registered vide Memorial No.UB1978062 dated 12 August 1980.
4. The property is subject to an Occupation Permit No. NK19/81 vide Memorial No. UB2037859 dated 24 February 1981.
5. The property is subject to a Mortgage in favour of First Pacific Bank Limited vide Memorial No. UB8053772 dated 24 March 2000.
6. The exchange rate adopted in our valuation for the property is HKD1=RMB0.88 which was approximately the prevailing exchange rate as at the date of valuation.

VALUATION CERTIFICATE

No	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2010
				RMB
39.	Flat D on the 16th Floor of Block 7 Sceneway Garden No. 8 Sceneway Road Kowloon Hong Kong 100/611,133rd of 80,000/100,000th shares of and in New Kowloon Inland Lot No. 6046.	The property comprises a unit on the 16th Floor of a 33-storey residential building completed in about 1991. The unit has a gross floor area of approximately 680 sq.ft. The property is held under Conditions of Grant No. UB12034 for a term commencing from 24 January 1989 until 30 June 2047.	The property is currently occupied by the Group as staff quarters.	2,870,000 (equivalent to HKD3,260,000) 37.90% interest attributable to the Group RMB1,090,000 (equivalent to HKD1,240,000)

Notes:

1. The registered owner of the property is Uni-Art Precise Products Limited vide Memorial No. UB6107426 dated 15 August 1994.
2. Uni-Art Precise Products Limited is a 37.90% owned subsidiary of the Company.
3. The property is subject to a Deed of Mutual Covenant vide Memorial No. UB5316526 dated 1 June 1992.
4. The property is subject to an Occupation Permit No. NT179/91 vide Memorial No. UB5289957 dated 20 December 1991.
5. The property is subject to a Mortgage in favour of The Hongkong and Shanghai Banking Corporation Limited vide Memorial No. UB8575402 dated 14 December 2001.
6. The exchange rate adopted in our valuation for the property is HKD1=RMB0.88 which was approximately the prevailing exchange rate as at the date of valuation.

VALUATION CERTIFICATE

No	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2010
				RMB
40.	Flat A on the 25th Floor Merlin Garden No. 160 Electric Road Hong Kong 174/18,000 shares of and in the Remaining Portions of Sub-Section 1, Sub-Section 2 and Sub-Section 3 of Section D of Inland Lot No. 1367, Sub-Section 1 and Sub-Section 2 of Section N of Inland Lot No. 2273, the Remaining Portion of Sub-Section 3 of Section N of Inland Lot No. 2273, the Remaining Portion of Section Z of Inland Lot No. 2273, the Remaining Portion of Section D of Inland Lot No. 2273 and the Remaining Portion of Sub-Section 1 of Section D of Inland Lot No. 2273.	The property comprises a unit on the 25th Floor of a 26-storey residential building completed in about 1992. The unit has a gross floor area of approximately 683 sq.ft. The property is held under Government Leases for terms of 999 years commencing from 24 February 1896 and for terms of 75 years and renewable for 75 years commencing from 25 August 1919.	The property is currently occupied by the Group as staff quarters.	3,360,000 (equivalent to HKD3,820,000) 37.90% interest attributable to the Group RMB1,270,000 (equivalent to HKD1,450,000)

Notes:

1. The registered owner of the property is National Grade Limited vide Memorial No. UB6053400 dated 29 April 1994.
2. National Grade Limited is a 37.90% owned subsidiary of the Company.
3. The property is subject to a Deed of Mutual Covenant and Management Agreement vide Memorial Nos. UB5543172 and UB5543173 both dated 22 December 1992.
4. The exchange rate adopted in our valuation for the property is HKD1=RMB0.88 which was approximately the prevailing exchange rate as at the date of valuation.

VALUATION CERTIFICATE

GROUP IV — PROPERTY INTERESTS OWNED FOR INVESTMENT BY THE GROUP IN HONG KONG

No	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2010
				RMB
41.	Flat No. 21 on the 9th Floor Cosmopolitan Centre 760 Nathan Road Kowloon Hong Kong 1/520th shares of and in the Remaining Portion of Kowloon Inland Lot No. 9279.	The property comprises a unit on the 9th Floor of an 11-storey residential building completed in about 1973. The unit has a saleable area of approximately 545 sq.ft. The property is held under Conditions of Regrant No. 8933 for a term of 150 years commencing from 26 June 1899.	The property is currently vacant.	1,720,000 (equivalent to HKD1,960,000) 100% interest attributable to the Group RMB1,720,000 (equivalent to HKD1,960,000)

Notes:

1. The registered owner of the property is Faithful Sun Industries Limited vide Memorial No. UB4133190 dated 25 May 1989.
2. Faithful Sun Industries Limited is an indirectly wholly owned subsidiary of the Company.
3. The property is subject to a Deed of Mutual Covenant and Management Agreement vide Memorial Nos. UB1014472 and UB3971640 dated 1 August 1973 and 23 January 1989 respectively.
4. The property is subject to an Occupation Permit No. K69/73 vide Memorial No. UB1007467 dated 18 July 1973.
5. The exchange rate adopted in our valuation for the property is HKD1=RMB0.88 which was approximately the prevailing exchange rate as at the date of valuation.

VALUATION CERTIFICATE

No	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2010
				RMB
42.	Unit 1 on the 15th Floor Yue Xiu Building 160-174 Lockhart Road Hong Kong 18/1294th shares of and in the Remaining Portions of Section A, Section B and Section C of Inland Lot No. 2794, the Remaining Portion of Inland Lot No. 2793, the Remaining Portion of Inland Lot No. 5685, the Remaining Portion of Inland Lot No. 5686 and the Remaining Portion of Inland Lot No. 5687.	The property comprises a unit on the 15th Floor of a 29-storey office building completed in about 1985. The unit has a gross floor area of approximately 1,798 sq.ft. The property is held under Government Leases for terms of 99 years and renewable for 99 years commencing from 6 March 1929.	The property is currently leased to an independent third party for a term commencing from 1 December 2009 and expiring on 30 November 2010 at a monthly rent of HK$35,960, exclusive of rates, government rent, management fees, water and electricity charges and other outgoings.	7,440,000 (equivalent to HKD8,450,000) 100% interest attributable to the Group RMB7,440,000 (equivalent to HKD8,450,000)

Notes:

1. The registered owner of the property is Faithful Sun Industries Limited vide Memorial No. 05080202080044 dated 14 July 2005.
2. Faithful Sun Industries Limited is an indirectly wholly owned subsidiary of the Company.
3. The property is subject to a Deed of Mutual Covenant and Management Agreement vide Memorial No. UB3321663 which was registered vide Memorial No. UB4395115 both dated 2 March 1987.
4. Pursuant to a Tenancy Agreement, the property is leased to an independent third party for a term of one year and 11 months commencing from 1 December 2009 and expiring on 30 November 2010 at a monthly rental of HK$35,960, exclusive of rates, government rent, management fees, water and electricity charges and other outgoings.
5. The exchange rate adopted in our valuation for the property is HKD1=RMB0.88 which was approximately the prevailing exchange rate as at the date of valuation.

VALUATION CERTIFICATE

No	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2010
				RMB
43.	Flat D2 on the 7th Floor King's View Court Nos. 901-907 King's Road Hong Kong 235/65,953 shares of and in the Remaining Portion of Section A of Quarry Bay Marine Lot No.4 and the Remaining Portion of Section B of Quarry Bay Marine Lot No. 4.	The property comprises a unit on the 7th Floor of a 28-storey residential building completed in about 1976. The unit has a gross floor area of approximately 865 sq.ft. The property is held under Government Leases for terms of 75 years and renewable for 75 years commencing from 27 April 1931.	The property is currently leased to two staffs both for a term of one year commencing from 1 June 2009 and respectively at a total monthly rent of HK$8,000, exclusive of water and electricity charges.	3,960,000 (equivalent to HKD4,500,000) 100% interest attributable to the Group RMB3,960,000 (equivalent to HKD4,500,000)

Notes:

1. The registered owner of the property is Faithful Sun Industries Limited vide Memorial No. UB3899885 dated 1 November 1988.

2. Faithful Sun Industries Limited is an indirectly wholly owned subsidiary of the Company.

3. The property is subject to a Deed of Mutual Covenant vide Memorial No. UB1370618 dated 8 March 1977.

4. The property is subject to a Building Order No. C1770/91/HK under Sec. 24(1) of the Buildings Ordinance vide Memorial No. UB5289434 dated 20 September 1991.

5. Pursuant to two Licence Agreements, the property is leased to two staffs both for a term of one year commencing from 1 June 2009 and expiring on 31 May 2010 respectively at a monthly rental of HK$4,000 each, exclusive of water and electricity charges. We have been advised by the Group that the Licence Agreements were being renewed as at the date of report.

6. The exchange rate adopted in our valuation for the property is HKD1=RMB0.88 which was approximately the prevailing exchange rate as at the date of valuation.

VALUATION CERTIFICATE

No	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2010
				RMB
44.	Flat A (including the roof thereof) on the 25th Floor Hollywood Court No. 28 Hei Wo Street Hong Kong 3/106th shares of and in Inland Lot No. 7539, Inland Lot No. 7538, Inland Lot No. 7537 and Inland Lot No. 7536.	The property comprises a unit on the 25th Floor of a 26-storey residential building completed in about 1988. The unit has a gross floor area of approximately 629 sq.ft. The property is held under Government Leases for terms of 75 years and renewable for 75 years commencing from 5 September 1921.	The property is currently leased to two staffs for a term of one year commencing from 1 May 2009 and 26 September 2009 respectively at a total monthly rent of HK$8,000, exclusive of water and electricity charges.	2,050,000 (equivalent to HKD2,330,000) 100% interest attributable to the Group RMB2,050,000 (equivalent to HKD2,330,000)

Notes:

1. The registered owner of the property is Faithful Sun Industries Limited vide Memorial No. UB5559556 dated 28 December 1992.
2. Faithful Sun Industries Limited is an indirectly wholly owned subsidiary of the Company.
3. The property is subject to a Deed of Mutual Covenant vide Memorial No. UB3804350 dated 21 July 1988.
4. Pursuant to 2 Licence Agreements, the property is leased to two staffs for a term of one year commencing from 1 May 2009 and 26 September 2009 at a monthly rent of HK$4,000 each, exclusive of water and electricity charges. As at the date of report, one of the Licences Agreements has expired, we have been advised by the Group that this Licence Agreement was being renewed.
5. The exchange rate adopted in our valuation for the property is HKD1=RMB0.88 which was approximately the prevailing exchange rate as at the date of valuation.

VALUATION CERTIFICATE

No	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2010
				RMB
45.	Flat D on the 9th Floor Nam Fung Court Harbour Heights No. 1 Fook Yum Road Hong Kong 30/55,000th shares of and in Section C of Marine Lot No. 277, Section F of Marine Lot No. 277 and the Extension thereto, Section A of Marine Lot No. 281 and the Extension thereto and the Remaining Portion of Inland Lot No. 1395.	The property comprises a unit on the 9th Floor of a 41-storey residential building completed in about 1988. The unit has a gross floor area of approximately 744 sq.ft. The property is held under Government Leases for terms of 999 years commencing from 24 February 1896 and 75 years renewable 75 years from 31 August 1903.	The property is currently leased to a staff for a term of one year commencing from 1 June 2009 at a monthly rent of HK$4,000, exclusive of water and electricity charges.	3,960,000 (equivalent to HKD4,500,000) 100% interest attributable to the Group RMB3,960,000 (equivalent to HKD4,500,000)

Notes:

1. The registered owner of the property is Faithful Sun Industries Limited vide Memorial No. UB7494757 dated 15 May 1998.
2. Faithful Sun Industries Limited is an indirectly wholly owned subsidiary of the Company.
3. The property is subject to a Deed of Mutual Covenant and Management Agreement vide Memorial No. UB3881361 dated 10 October 1988.
4. The property is subject to an Occupation Permit No. H100/88 vide Memorial No. UB3828978 dated 31 August 1988.
5. Pursuant to a Licence Agreement, the property is leased to a staff for a term of one year commencing from 1 June 2008 and expiring on 31 May 2010 at a monthly rent of HK$4,000 each, exclusive of water and electricity charges. We have been advised by the Group that the Licence Agreement was being renewed as at the date of report.
6. The exchange rate adopted in our valuation for the property is HKD1=RMB0.88 which was approximately the prevailing exchange rate as at the date of valuation.

VALUATION CERTIFICATE

No	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2010
				RMB
46.	Flat A on the 23rd Floor of Block B Cornwall Court No. 54 King's Road Hong Kong 125/31,500th shares of and in the Remaining Portion of Inland Lot No. 8488.	The property comprises a unit on the 23rd Floor of a 25-storey residential building completed in about 1984. The unit has a gross floor area of approximately 1,163 sq.ft. The property is held under Conditions of Exchange No. UB11327 for a term of 75 years and renewable for 75 years commencing from 10 January 1938.	The property is currently leased to two staffs both for a term of one year expiring on 31 August 2010 and 31 March 2011 respectively at a total monthly rent of HK$8,000, exclusive of water and electricity charges.	6,860,000 (equivalent to HKD7,790,000) 100% interest attributable to the Group RMB6,860,000 (equivalent to HKD7,790,000)

Notes:

1. The registered owner of the property is Faithful Sun Industries Limited vide Memorial No. 05061302160025 dated 19 May 2005.
2. Faithful Sun Industries Limited is an indirectly wholly owned subsidiary of the Company.
3. The property is subject to a Deed of Mutual Covenant vide Memorial No. UB2663617 dated 17 October 1984.
4. The property is subject to an Occupation Permit No. H159/84 vide Memorial No. UB2693433 dated 31 December 1984.
6. Pursuant to two Licence Agreements, the property is leased to two staffs both for a term of one year and expiring on 31 August 2010 and 31 March 2011 respectively at a monthly rent of HK$4,000 each, exclusive of water and electricity charges.
7. The exchange rate adopted in our valuation for the property is HKD1=RMB0.88 which was approximately the prevailing exchange rate as at the date of valuation.

VALUATION CERTIFICATE

No	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2010
				RMB
47.	Flat D on the 22nd Floor Kailey Court Nos. 67, 69 & 71 King's Road Hong Kong 1/120th shares of and in Sub-Section 1 of Section N of Inland Lot No. 1366 and the Remaining Portion of Section N and Section A of Inland Lot No. 1366.	The property comprises a unit on the 22nd Floor of a 23-storey residential building completed in about 1993. The unit has a gross floor area of approximately 515 sq.ft. The property is held under Government Leases for terms of 999 years commencing from 24 February 1896.	The property is currently vacant.	2,270,000 (equivalent to HKD2,580,000) 37.90% interest attributable to the Group RMB860,000 (equivalent to HKD980,000)

Notes:

1. The registered owner of the property is Gardex Development Limited vide Memorial No. UB6032501 dated 6 May 1994.
2. Gardex Development Limited is a 37.90% owned subsidiary of the Company.
3. The property is subject to a Deed of Mutual Covenant vide Memorial No. UB5644527 dated 11 May 1993.
4. The property is subject to an Occupation Permit No. H50/93 vide Memorial No. UB5637855 dated 30 April 1993.
5. The exchange rate adopted in our valuation for the property is HKD1=RMB0.88 which was approximately the prevailing exchange rate as at the date of valuation.

VALUATION CERTIFICATE

No	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2010
				RMB
48.	Car Parking Spaces Nos. 51-52 on the 2nd Floor Citicorp Centre 18 Whitfield Road Hong Kong 4/10,080th shares of and in the Remaining Portion of Inland Lot No. 2227 and the Remaining Portion of Inland Lot No. 1936.	The property comprises 2 car parking spaces on the 2nd Floor of an 18-storey office building completed in about 1983. The property is held under Government Leases for terms of 75 years and renewable for 75 years commencing from 21 March 1904.	The property is currently leased to China Lounge Investments Limited for a term of one year commencing from 1 February 2010 at a monthly rent of HK$3,000 for Car Parking No. 51 and HK$1,500 for Car Parking No. 52.	1,060,000 (equivalent to HKD1,200,000) 37.90% interest attributable to the Group RMB400,000 (equivalent to HKD450,000)

Notes:

1. The registered owner of the property is Easeco Enterprises Limited vide Memorial No. UB6085965 dated 16 July 1994.
2. Easeco Enterprises Limited is a 37.90% owned subsidiary of the Company.
3. The property is subject to a Deed of Mutual Covenant and a Supplemental Deed of Mutual Covenant vide Memorial Nos. UB2462844 and UB2476944 dated 4 August 1983 and 30 September 1983 respectively.
4. Pursuant to a Tenancy Agreement, Car Parking Space No. 51 of the property is leased to China Lounge Investments Limited, a connected party, for a term of one year commencing from 1 February 2009 and expiring on 31 January 2010 at a monthly rental of HK$3,000.
5. Pursuant to a Tenancy Agreement, Car Parking Space No. 52 of the property is leased to China Lounge Investments Limited, to a connected party, for a term of one year commencing from 1 February 2010 and expiring on 31 January 2011 at a monthly rent of HK$1,500.
6. The exchange rate adopted in our valuation for the property is HKD1=RMB0.88 which was approximately the prevailing exchange rate as at the date of valuation.

VALUATION CERTIFICATE

No	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2010
				RMB
49.	Office 08 on the 7th Floor Empress Plaza Nos. 17-19 Chatham Road South Kowloon Hong Kong 420/80,347th shares of and in Kowloon Inland Lot No. 9168.	The property comprises a unit on the 7th Floor of a 24-storey office building completed in about 1993. The unit has a gross floor area of approximately 765 sq.ft. The property is held under a Government Lease for a term of 150 years commencing from 24 June 1889.	The property is currently leased to an independent third party for a term of two years commencing from 1 May 2009 at a monthly rent of HK$12,800, inclusive of rates, government rent and management fees but exclusive of water and electricity charges and other outgoings.	3,560,000 (equivalent to HKD4,050,000) 37.90% interest attributable to the Group RMB1,350,000 (equivalent to HKD1,530,000)

Notes:

1. The registered owner of the property is Classic Tech Development Limited vide Memorial No. UB5996280 dated 23 March 1994.
2. Classic Tech Development Limited is a 37.90% owned subsidiary of the Company.
3. The property is subject to a Deed of Mutual Covenant vide Memorial No. UB5973812 dated 16 March 1994.
4. The property is subject to an Occupation Permit No. K8/94 vide Memorial No. UB5942400 dated 1 March 1994.
5. The property is subject to a Legal Charge in favour of The KwangTung Provincial Bank vide Memorial No. UB5996281 dated 23 March 1994.
6. Pursuant to a Tenancy Agreement, the property is leased to an independent third party for a term of two years commencing from 1 May 2009 and expiring on 30 April 2011 at a monthly rent of HK$12,800, inclusive of rates, government rent and management fees but exclusive of water and electricity charges and other outgoings.
7. The exchange rate adopted in our valuation for the property is HKD1=RMB0.88 which was approximately the prevailing exchange rate as at the date of valuation.

VALUATION CERTIFICATE

No	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2010
				RMB
50.	Unit A on the 15th Floor Eu Yan Sang Tower Nos. 11/15 Chatham Road South Kowloon Hong Kong 40/2,671st shares of and in Kowloon Inland Lot No. 9704.	The property comprises a unit on the 15th Floor of a 21-storey office building completed in about 1993. The unit has a gross floor area of approximately 658 sq.ft. The property is held under Conditions of Regrant No. 9816 for a term of 150 years commencing from 27 March 1899.	The property is currently leased to an independent third party for a term of one year commencing from 1 September 2009 at a monthly rent of HK$8,800, inclusive of rates, government rent and management fees but exclusive of water and electricity charges and all other outgoings.	3,070,000 (equivalent to HKD3,490,000) 37.90% interest attributable to the Group RMB1,160,000 (equivalent to HKD1,320,000)

Notes:

1. The registered owner of the property is Classic Tech Development Limited vide Memorial No. UB5970310 dated 1 March 1994.
2. Classic Tech Development Limited is a 37.90% owned subsidiary of the Company.
3. The property is subject to a Deed of Mutual Covenant and Grant and Management Agreement vide Memorial No. UB5734171 dated 8 July 1993 and another Management Agreement vide Memorial No. UB7603613 dated 14 October 1998.
4. The property is subject to an Occupation Permit vide Memorial No. UB5734167 dated 19 June 1993.
5. The property is subject to a Mortgage in favour of Hang Seng Bank Limited vide Memorial No. UB8612268 dated 29 January 2002.
6. Pursuant to a Tenancy Agreement, the property is leased to an independent third party for a term of one year commencing from 1 September 2009 and expiring on 31 August 2011 at a monthly rent of HK$8,800, inclusive of rates, government rent and management fees but exclusive of water and electricity charges and all other outgoings.
7. The exchange rate adopted in our valuation for the property is HKD1=RMB0.88 which was approximately the prevailing exchange rate as at the date of valuation.

VALUATION CERTIFICATE

No	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2010
				RMB
51.	Unit 2301-2305 on the 23rd Floor Shun Feng International Centre No. 182 Queen's Road East Hong Kong 223/5,616 shares of and in Inland Lot No. 7693, the Remaining Portion of Inland Lot No. 4359, the Remaining Portion of Inland Lot No. 4360 and the Remaining Portion of Inland Lot No. 4361.	The property comprises 5 units on the 23rd Floor of a 24-storey office building completed in about 1994. The units have a total saleable area of approximately 1,286 sq.ft. The property is held under Conditions of Exchange No. 6407 for a term of 75 years and renewable for 75 years commencing from 16 June 1960 and under Government Leases for terms of 979 years commencing from 25 June 1863.	3 units of the property comprising a total saleable area of approximately 818 sq.ft. are leased to 2 independent third parties whilst the remaining units are vacant.	7,690,000 (equivalent to HKD8,740,000) 37.90% interest attributable to the Group RMB2,910,000 (equivalent to HKD3,310,000)

Notes:

1. The registered owner of the property is Classic Tech Development Limited vide Memorial No. UB6063145 dated 27 May 1994.
2. Classic Tech Development Limited is a 37.90% owned subsidiary of the Company.
3. The property is subject to a Deed of Mutual Covenant vide Memorial No. UB6044200 dated 27 May 1994.
4. The property is subject to a Charge in favour of The KwangTung Provincial Bank vide Memorial No. UB6100341 dated 2 August 1994.
5. The property is subject to a Second Legal Charge in favour of Bank of China (Hong Kong) Limited vide Memorial No. 09121501220164 dated 18 November 2009. Mortgage Bank consent has been obtained for the Landlord's entering into the Tenancy Agreement.
6. Pursuant to a Tenancy Agreement, Unit 2303 of the property with a saleable area of approximately 310 sq.ft. is leased to an third party for a term of 2 year commencing from 1 August 2008 and expiring on 31 July 2010 at a monthly rent of HK$5,500, exclusive of rates, management fees and water and electricity charges.
7. Pursuant to a Tenancy Agreement, Units 2304 and 2305 of the property with a total saleable area of approximately 508 sq.ft. is leased to an independent third party for a term of 2 years commencing from 1 May 2009 and expiring on 30 April 2011 at a monthly rent of HK$7,000, inclusive of rates and government rent but exclusive of management fees, water and electricity charges and other outgoings.
8. The exchange rate adopted in our valuation for the property is HKD1=RMB0.88 which was approximately the prevailing exchange rate as at the date of valuation.

VALUATION CERTIFICATE

No	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2010
				RMB
52.	Unit 6 on the 23rd Floor No.118 Connaught Road West Hong Kong 17/5,674 parts shares of and in the Remaining Portion of Marine Lot Nos.528 & 533, Section A of Marine Lot Nos. 529, 530, 531, 532 & 534, Marine Lot Nos. 472, 473, 474, 475 & 527, Inland Lot No. 2866 and the Remaining Portion of Inland Lot Nos. 2860, 2861, 2870 & 2871.	The property comprises a unit on the 23rd Floor of a 40-storey commercial building completed in about 1994. The unit has a gross floor area of approximately 1,474 sq.ft. The property is held under Government Leases for terms of 999 years commencing from 5 October 1889, 23 May 1895, 11 June 1895, 24 July 1895, 14 September 1895, 10 March 1896, 25 June 1897, 31 March 1898 and 27 July 1898.	The property is currently leased to an independent third party for a term of two years commencing from 1 June 2009 at a monthly rent of HK$10,800, exclusive of rates, government rent, management fees, water and electricity charges and other outgoings.	5,190,000 (equivalent to HKD5,900,000) 37.90% interest attributable to the Group RMB1,970,000 (equivalent to HKD2,240,000)

Notes:

1. The registered owner of the property is Uni-Art Precise Products Limited vide Memorial No. UB6092652 dated 15 July 1994.
2. Uni-Art Precise Products Limited is a 37.90% owned subsidiary of the Company.
3. The property is subject to a Deed of Mutual Covenant and Management Agreement vide Memorial No. UB6085112 dated 15 July 1994.
4. The property is subject to a Permit to Occupy a New Building vide Memorial No. UB6075462 dated 30 June 1994.
5. The property is subject to a Mortgage in favour of First Pacific Bank Limited vide Memorial No. UB8374685 dated 9 April 2001.
6. Pursuant to a Tenancy Agreement, the property is leased to an independent third party for a term of two years commencing from 1 June 2009 and expiring on 31 May 2011 at a monthly rent of HK$10,800, exclusive of rates, government rent, management fees, water and electricity charges and other outgoings.
7. The exchange rate adopted in our valuation for the property is HKD1=RMB0.88 which was approximately the prevailing exchange rate as at the date of valuation.

VALUATION CERTIFICATE

No	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2010
				RMB
53.	Car Park No. 592A (Being a Unit of Twin Car Park Nos. 592A & 592B) on B/F No. 10 Laguna Street Laguna City Kowloon Hong Kong 1/2 of 1/52,361th shares of and in New Kowloon Inland Lot No. 6055.	The property comprises a car parking space on the basement floor of a 27 storey residential building completed in about 1995. The property is held under Conditions of Exchange No. UB12004 for a term residue of 99 years less 3 days commencing from 1 July 1898 and was statutorily renewed for a term expiring on 30 June 2047.	The property is currently leased to an independent third party for a term of two years commencing from 1 September 2008 at a monthly rent of HK$1,600, inclusive of rates and management fees.	350,000 (equivalent to HKD400,000) 37.90% interest attributable to the Group RMB130,000 (equivalent to HKD150,000)

Notes:

1. The registered owner of the property is Uni-Art Precise Products Limited vide Memorial No. UB6340137 dated 14 June 1995.
2. Uni-Art Precise Products Limited is a 37.90% owned subsidiary of the Company.
3. The property is subject to a Deed of Mutual Covenant and a Sub-Deed (Supplementary to Deed of Mutual Covenant M/N UB4798833) vide Memorial Nos. UB4798833, UB5997923 re-registered, vide Memorial UB6284658 dated 18 April 1991 and 15 April 1994.
4. The property is subject to an Occupation Permit No. NK44/94 vide Memorial No. UB6292590 dated 9 December 1994.
5. Pursuant to a Tenancy Agreement, the property is leased to an independent third party for a term of two years commencing from 1 September 2008 and expiring on 31 August 2010 at a monthly rent of HK$1,600, inclusive of rates and management fees.
6. The exchange rate adopted in our valuation for the property is HKD1=RMB0.88 which was approximately the prevailing exchange rate as at the date of valuation.

VALUATION CERTIFICATE

No	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2010
				RMB
54.	Duplex Unit C on the 8th and 9th Floors (together with the flat roof on 8th Floor) of Block 16 Classical Gardens No. 10 Ma Wo Road Tai Po New Territories Hong Kong 13/2,808th shares of and in Tai Po Town Lot No. 112.	The property comprises a unit on the 8th and 9th Floor of a 9-storey residential building completed in about 1994. The unit has a total gross floor area of approximately 1,563 sq.ft. The property is held under New Grant No.12510 for a term commencing from 11 December 1990 to 30 June 2047.	The property is currently leased to an independent third party for a term of two years commencing from 1 August 2009 at a monthly rent of HK$14,000, inclusive of rates, government rent and management fee but exclusive of water and electricity charges and other outgoings.	6,050,000 (equivalent to HKD6,880,000) 37.90% interest attributable to the Group RMB2,290,000 (equivalent to HKD2,610,000)

Notes:

1. The registered owner of the property is Uni-Art Precise Products Limited vide Memorial No. TP619330 dated 27 November 1999.
2. Uni-Art Precise Products Limited is a 37.90% owned subsidiary of the Company.
3. The property is subject to a Deed of Mutual Covenant and Management Agreement vide Memorial No. TP454276 dated 11 October 1994.
4. The property is subject to a Permit to Occupy a New Building (Permit No. NT90/94) vide Memorial No. TP450460 dated 26 July 1994.
5. The property is subject to a Mortgage in favour of First Pacific Bank Limited vide Memorial No. TP662853 dated 9 April 2001.
6. Pursuant to a Tenancy Agreement, the property is leased to an independent third party for a term of two years commencing from 1 August 2009 and expiring on 31 July 2011 at a monthly rent of HK$16,000, inclusive of rates, government rent and management fees but exclusive of water and electricity charges and other outgoings.
7. The exchange rate adopted in our valuation for the property is HKD1=RMB0.88 which was approximately the prevailing exchange rate as at the date of valuation.

VALUATION CERTIFICATE

No	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2010
				RMB
55.	Flat E on the 10th Floor Tower 1 (Sau Ming Court) Yue Xiu Plaza No. 9 Ning Yuen Street Kowloon Hong Kong 15/8,928th shares of and in New Kowloon Inland Lot No. 6184.	The property comprises a unit on the 25th Floor of a 25-storey residential building completed in about 1992. The unit has a gross floor area of approximately 749 sq.ft. The property is held under Conditions of Exchange for a term commencing from 20 February 1992 to 30 June 2047.	The property is currently leased to an independent third party for a term of two years commencing from 1 July 2008 at a monthly rent of HK$8,600, inclusive of rates, government rent and management fees but exclusive of water and electricity charges and other outgoings.	2,570,000 (equivalent to HKD2,920,000) 37.90% interest attributable to the Group RMB970,000 (equivalent to HKD1,110,000)

Notes:

1. The registered owner of the property is Uni-Art Precise Products Limited vide Memorial No. UB7940884 dated 27 November 1999.
2. Uni-Art Precise Products Limited is a 37.90% owned subsidiary of the Company.
3. The property is subject to a Deed of Mutual Covenant and Management Agreement vide Memorial No. UB6419482 dated 25 September 1995.
4. The property is subject to an Occupation Permit No. NK29/95 vide Memorial No. UB6413495 dated 12 September 1995.
5. The property is subject to a Mortgage in favour of First Pacific Bank Limited vide Memorial No. UB8374685 dated 9 April 2001. Mortgage Bank consent has been obtained for the Landlord's entering into the Tenancy Agreement.
6. Pursuant to a Tenancy Agreement, the property is leased to an independent third party for a term of two years commencing from 1 July 2008 and expiring on 30 June 2010 at a monthly rent of HK$8,600, inclusive of rates, government rent and management fees but exclusive of water and electricity charges and other outgoings.
7. The exchange rate adopted in our valuation for the property is HKD1=RMB0.88 which was approximately the prevailing exchange rate as at the date of valuation.

VALUATION CERTIFICATE

No	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2010
				RMB
56.	Flat No. 4 on the 5th Floor of Block A Wah Hoi Mansion 254-280 Electric Road Hong Kong 1/226th shares of and in Inland Lot No. 8333.	The property comprises a unit on the 5th Floor of a 23-storey residential building completed in about 1975. The unit has a gross floor area of approximately 850 sq.ft. The property is held under Conditions of Exchange No. 10430 for a term of 150 years commencing from 15 October 1900.	The property is currently leased to an independent third party for a term of two years commencing from 1 September 2009 at a monthly rent of HK$4,000, inclusive of rates and government rent but exclusive of management fees, water and electricity charges and other outgoings.	2,770,000 (equivalent to HKD3,150,000) 37.90% interest attributable to the Group RMB1,050,000 (equivalent to HKD1,190,000)

Notes:

1. The registered owner of the property is Gardex Development Limited vide Memorial No. UB6287164 dated 1 May 1995.
2. Gardex Development Limited is a 37.90% owned subsidiary of the Company.
3. The property is subject to a Deed of Mutual Covenant and a Management Agreement vide Memorial Nos. UB1155986 and UB1148469 both dated 3 March 1975.
4. Pursuant to a Tenancy Agreement, the property is leased to an independent third party for a term of two years commencing from 1 September 2009 and expiring on 31 August 2011 at a monthly rent of HK$4,000, inclusive of rates and government rent but exclusive of management fees, water and electricity charges and other outgoings.
5. The exchange rate adopted in our valuation for the property is HKD1=RMB0.88 which was approximately the prevailing exchange rate as at the date of valuation.

VALUATION CERTIFICATE

GROUP V — PROPERTY INTEREST OWNED FOR INVESTMENT BY THE GROUP IN MACAU

No	Property	Description and tenure	Particulars of occupancy	Capital Value in existing state as at 31 March 2010
				RMB
57.	Units N3 & M3 on the 3rd Floor Edf. Dynasty Plaza Nos. 411-417 Alameda Dr. Carlos D'Assumpcao Macau	The property comprises 2 units with a total saleable area of approximately 1,602.44 sq.ft. on the 3rd Floor of a 23-storey commercial building completed in about 1995. The property is held under Government Lease for a term 25 years commencing from 15 June 1992.	The property is currently leased to an independent third party for a term commencing from 31 December 2009 and expiring on 31 December 2010 at a monthly rent of HK$23,094.76 inclusive of management fees.	3,540,000 (equivalent to MOP4,170,000) 100% interest attributable to the Group RMB3,540,000 (equivalent to MOP4,170,000)

Notes:

1. The registered owner of the property is Faithful Sun Industries Limited vide agreement on 3 January 2006 dated 1 May 1995.
2. Faithful Sun Industries Limited is an indirect wholly owned subsidiary of the Company.
3. Pursuant to a Tenancy Agreement, the property is leased to an independent third party for a term of one year commencing from 31 December 2009 and expiring on 31 December 2010 at a monthly rent of HK$23,094.76.
4. The exchange rate adopted in our valuation for the property is MOP1=RMB0.85 which was approximately the prevailing exchange rate as at the date of valuation.

VALUATION CERTIFICATE

GROUP VI — PROPERTY INTEREST HELD UNDER DEVELOPMENT BY THE GROUP IN THE PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2010
				RMB
58.	A parcel of land, various buildings and a road under construction No. 633 Jinshan East Road Fanyu District Guangzhou City Guangdong Province The PRC	The property comprises a parcel of land with a site area of approximately 1,178,743 sq.m. and 22 buildings and a road erected thereon which were being constructed as at the date of valuation. The property is scheduled to be completed in October 2010. Upon completion, the buildings of the property will have a total planned gross floor area of approximately 220,702 sq.m. The total construction cost is estimated to be approximately RMB739,366,000, of which RMB563,367,103 had been paid up to the date of valuation. The land use rights of the property were granted for a term of 50 years expiring on 27 June 2059 for industrial use.	The property is currently under construction.	915,874,000 100% interest attributable to the Group RMB915,874,000

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract dated 2 December 2008, the land use rights of the property were contracted to be granted to Guangzhou Automobile Group Motor Co. Ltd. ("GAMC"), a wholly owned subsidiary of the Company) for a term of 50 years commencing from 2 March 2009 for industrial use. The land premium was RMB396,060,000 and GAMC has fully paid the land premium.

2. Pursuant to a State-owned Land Use Rights Certificate – G07-000182, the land use rights of a parcel of land with a site area of approximately 1,178,743 sq.m. were granted to GAMC for a term of 50 years expiring on 27 June 2059 for industrial use.

3. Pursuant to 6 Construction Work Planning Permits – Sui Gui Jian Zheng (2010) Nos. 247, 841, 882 to 884 and 1115 in favour of GAMC, 22 buildings with a total gross floor area of approximately 222,122 sq.m. have been approved for construction.

4. Pursuant to 5 Construction Work Commencement Permits – 440126201004140101, 440126201004130301, 440126201004130201, 440126201004130401 and 440126201004230101 in favour of GAMC, permission of 8 buildings with a total gross floor area of approximately 201,063 sq.m. of the 22 buildings mentioned in note 3 by the relevant local authority was given to commence the construction work.

5. As advised by GAMC, relevant Construction Work Commencement Permits of the remaining 14 buildings with a total gross floor area of approximately 19,639 sq.m. are under application.

6. In the valuation of this property, we have attributed no commercial value to the 14 buildings mentioned in note 5. However, for reference purpose, we are of the opinion that the capital value of the buildings (excluding the land) as at the date of valuation would be RMB70,663,000 assuming all relevant title certificates and construction permits have been obtained and the buildings could be freely transferred.

7. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   i) the land use rights of the property are legally and validly obtained by GAMC and can be occupied, used, transferred, leased, mortgaged or otherwise disposed of in accordance with the valid term stipulated by the state-owned land use rights certificate;

   ii) for 8 building with a gross floor area of approximately 201,063 sq.m., relevant Construction Work Planning Permits and Construction Commencement Permits have been obtained; there will be no material legal impediment for GAMC to obtain the relevant title certificates after the buildings have passed the completion and acceptance inspection; and

   iii) for 14 buildings with a total gross floor area of approximately 19,639 sq.m., the Construction Work Planning Permits have been obtained but the Construction Commencement Permits are still under application; there will be no material legal impediment for GAMC to obtain the relevant title certificates after all construction permits have been obtained and the buildings have passed the completion and acceptance inspection.

VALUATION CERTIFICATE

GROUP VII — PROPERTY INTERESTS LEASED AND OCCUPIED BY THE GROUP IN THE PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2010
				RMB
59.	18 parcels of land, 120 buildings or units located in the PRC	The properties comprise 18 parcels of land and 120 buildings or units which were completed in various stages between 1970 and 2009. The 18 parcels of land have a total site area of approximately 282,782.3 sq.m. The buildings or units have a total lettable area of approximately 131,275.94 sq.m. The properties are leased to the Group for various terms with the expiry dates between 9 May 2010 and 30 April 2027.	The properties are currently occupied by the Group for production, commercial, office, storage and residential purposes.	No commercial value

Notes:

1. Pursuant to various Tenancy Agreements, 16 parcels of land with a total site area of approximately 262,782.30 sq.m. and 66 buildings or units with a total lettable area of approximately 108,532.94 sq.m. are leased to the Group from various third parties for various terms with the expiry dates between 9 May 2010 and 30 April 2027 at a total annul rent of RMB65,194,334.20 for production, commercial, office, storage and residential uses. As at the date of report, a Tenancy Agreement in respect of 17 units with a total gross floor area of approximately 4,392.77 sq.m. has expired and we have been advised by the Group that this Tenancy Agreement has been terminated.
2. Pursuant to 2 Tenancy Agreements, 2 parcel of land with a total site area of approximately 20,000 sq.m. and 54 buildings with a total lettable area of approximately 22,743 sq.m. are leased to the Group from Guangzhou Yangcheng Automobile Factory, Yangcheng Automobile Co., Ltd., and Guangdong Motors Group Company, the connected parties of the Company, for terms with the latest expiry date on 30 April 2028 at an annual rent of RMB2,846,400 for commercial and storage uses.
3. We have been provided with a legal opinion on the legality of the Tenancy Agreements to the properties issued by the Company's PRC legal advisers, which contains, *inter alia*, the following:
   i) the lessors have provided various Building Ownership Certificates in respect of 27 buildings or units with a total lettable area of approximately 40,596.27 sq.m. and various Land Use Rights Certificates in respect of 13 parcels of land with a total site area of approximately 168,449.30 sq.m., the Tenancy Agreements are therefore legally binding and enforceable.
   ii) for the remaining 93 buildings or units with a total lettable area of approximately 90,679.67 sq.m. and 5 parcels of land with a total site area of approximately 114,333 sq.m., the lessors have not provided relevant title certificates. It cannot be confirmed whether the lessors have the rights to lease the properties.
   iii) as confirmed by the Group, it is able to relocate their operation places in respect of those buildings, units and land use rights leased from various independent third parties once the title defects lead to the early termination of the Tenancy Agreements and there will be no substantial adverse effect on the business and finance status of the Group.
   iv) 3 Tenancy Agreements in respect of 6 buildings or units with a total lettable area of approximately 4,187.94 sq.m. and a parcel of land with a site area of approximately 6,433 sq.m. have been registered in accordance with the PRC laws. For the remaining Tenancy Agreements, the lack of lease registration would not affect the validity of the Tenancy Agreements.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2010
				RMB
60.	8 parcels of land and 25 buildings erected thereon located in the PRC	The properties comprise 8 parcels of land with a total site area of approximately 101,053.64 sq.m. and a building with a lettable area of approximately 3,793.6 sq.m. erected thereon which was completed in 1995. (the "Leased Properties") There are also 24 buildings erected on the aforesaid 8 parcels of land with a total gross floor area approximately 43,217.11 sq.m. which were constructed by the Group in various stages between 2006 and 2009. The Leased Properties are leased to the Group from various parties for various terms with the expiry dates between 20 May 2011 and 31 January 2028.	The properties are currently occupied by the Group for production, commercial, office, storage and residential purposes.	No commercial value

Notes:

1. Pursuant to various Tenancy Agreements, the land uses rights of 7 parcels of land with a total site area of approximately 68,553.64 sq.m. and a building with a lettable area of approximately 3,793.6 sq.m. are leased to the Group from various third parties for various terms with the expiry dates between 20 May 2011 and 30 January 2028 at a total annul rent of RMB13,853,989.20 for production, commercial, office, storage and residential uses.
2. As at the date of valuation, 19 buildings constructed by the Group with a total gross floor area of approximately 37,625.31 sq.m. were erected on the land mentioned in note 1.
3. Pursuant to a Tenancy Agreement, the land uses rights of a parcel of land with a site area of approximately 32,500 sq.m. are leased to Guangzhou Automobile Group Business Co., Ltd., a wholly owned subsidiary of the Company, from a connected party for a term expiring on 31 August 2025 at an annual rent of RMB2,040,000 exclusive of management fees, water and electricity charges for commercial use.
4. As at the date of valuation, 5 buildings constructed by the Group with a total gross floor area of approximately 5,591.8 sq.m. were erected on the land mentioned in note 3.
5. We have been provided with a legal opinion on the legality of the Tenancy Agreements to the properties issued by the Company's PRC legal advisers, which contains, *inter alia*, the following:
   i) the lessors have provided a Building Ownership Certificate in respect of a building with a lettable area of approximately 3,793.6 sq.m. and 2 Land Use Rights Certificates in respect of 2 parcels of land with a total site area of approximately 21,724.84 sq.m., the Tenancy Agreements are therefore legally binding and enforceable;
   ii) for the remaining 6 parcels of land with a total site area of approximately 79,328.8 sq.m., the lessors have not provided relevant title certificates. It cannot be confirmed whether the lessors have the rights to lease the properties.
   iii) as confirmed by the Group, it is able to relocate their operation places in respect of those land use rights and the building leased from various parties once the title defects lead to the early termination

of the Tenancy Agreements and there will be no substantial adverse effect on the business and finance status of the Group.

iv) a Tenancy Agreement in respect of a parcel of land with a site area of approximately 11,452.24 sq.m. has been registered in accordance with the PRC laws. For the remaining Tenancy Agreements, the lack of lease registration would not affect the validity of the Tenancy Agreements.

This appendix contains a summary of laws and regulations in respect of taxation and foreign exchange in Hong Kong and the PRC.

A. TAXATION IN THE PRC

Taxes Applicable to Joint-Stock Limited Companies

Enterprise Income Tax

The State Council promulgated *Provisional Regulations of The People's Republic Of China On Enterprises Income Tax* (hereinafter referred to as "Income Tax Ordinance") on 13 December 1993, which was brought into effect on 1 January 1994. Pursuant to the Income Tax Ordinance, state-owned, collective and private enterprises, jointly-run ventures, joint-stock enterprises, and other organisations with income from production, business activities and other sources of income shall pay enterprise income tax. The amount of tax payable shall be calculated based on taxable income at the rate of 33%, with exception to certain types of enterprises entitled to tax exemption and reduction preference according to current prevailing laws and administrative regulations.

Enterprise Income Tax Law of the People's Republic of China ("Income Tax Law") was promulgated on 16 March 2007, effective from 1 January 2008 with the Income Tax Ordinance expired. The Income Tax Law regulates the rate of enterprise income tax at 25%. Enterprises approved to be established before promulgation of the Income Tax Law and entitled to benefit from a preferential tax rate as per the tax laws and administrative regulations then prevailing may gradually shift to the tax rate defined by the Income Tax Law within five years after effectiveness of the Income Tax Law according to requirements of the State Council. Those entitled to the preference of fixed tax holiday or fixed-term tax reductions may continue to benefit in the same manner according to the requirements of the State Council until expiration of the tax holiday or the term of the preference. For those who have not benefited from such a preference due to the failure to realise profit, the term of preferential treatment will be counted as of the year when the Income Tax Law comes into force.

Business Tax

According to the *Provisional Regulations of The People's Republic of China on Business Tax* and *Detailed Rules for the Implementation of the Interim Regulations of The People's Republic of China on Business Taxes*, both of which were brought into force on 1 January, 1994 and revised on 5 November 2008, all institutions and individuals providing taxable services, transferring intangible assets or selling real estate within the People's Republic of China shall pay business tax. As per the List of Items and Rates of Business Tax, the business tax rate applicable to the service industry is 5%.

Value-added Tax (VAT)

According to the *Provisional Regulations of the People's Republic of China on Value-added Tax* in effect since 1 January 1994 and *Detailed Rules for the Implementation of the Interim Regulations of the People's Republic of China on Value-added Tax*, both of which were brought into force on 1 January 1994 and revised on 5 November 2008, all institutions and individuals selling goods or providing processing, repairing and replacement services and importing goods within the People's Republic of China shall pay VAT. The tax rate of 13% shall be levied on general taxpayers selling or importing grain, edible vegetable oil, tap water, heating, air-conditioning, gas, hot water, liquefied petroleum gas, natural gas, marsh gas, coal products for civil use, books, newspapers, magazines, feedstuff, chemical fertilizer, pesticide, farming machines, films for agricultural use and other goods specified by the State Council; the rate applicable to goods exported by taxpayers shall be zero unless otherwise prescribed by the State Council. The rate of 17% shall be levied on taxpayers selling or importing goods other than the abovementioned items, and to taxpayers providing processing, repair and replacement services. The rate applicable to goods sold or for taxable services provided by small-scale taxpayers is 3%. A small-scale taxpayer is defined as a taxpayer engaged in the manufacturing of goods or supply of taxable services, or those who not only engaged in the two but also take the wholesale or retail of goods as a second operation, amount which the manufacturing of goods or supply of taxable services claims more than 50% of the taxable scale, and has annual taxable scale (hereinafter referred to as "taxable scale") of less than RMB500 thousand; or other kind of a taxpayer who has an annual taxable scale of less than RMB800 thousand. Individuals who have a taxable scale volume beyond the figure set for small-scale taxpayer shall, and non-enterprise institutions or enterprises not frequently incurring taxable activities can, be deemed as be deemed as small-scale taxpayers for the purpose of VAT payment.

Stamp Tax

According to the *Provisional Rules of the People's Republic of China on Stamp Duty and Detailed Rules for Implementation of Provisional Regulations of the People's Republic of China on Stamp Tax* as brought into effect on 1 October 1988, all institutions and individuals creating and obtaining taxable documents within the People's Republic of China shall pay stamp tax. The list of taxable document includes purchase and sale contracts, processing contracts, construction project contracts, property lease contracts, cargo freight contracts, warehousing and storage contracts, loan contracts, property insurance contracts, technical contracts, other documents that resemble a contract in nature, title transfer deeds, business account books, certificates of rights, licenses and other taxable documents specified by the Ministry of Finance. According to the List of Items and Rates of Stamp Tax, the stamp tax rate applicable to sale and purchase contracts is 0.03% of the sale and purchase value.

Taxes Applicable to Shareholders of Companies

Dividend-related Tax

According to the Law of the *People's Republic of China on Individual Income Tax* brought into effect on 10 September 1980 and the first amendment on 31 October 1993, second amendment on 30 August 1999, third amendment on 27 October 2005, fourth amendment on 29 June 2007 and latest amendment on 29 December 2007, individual income tax at the rate of 20% shall be levied on dividends of H shares received by any and all foreign individuals that are non-Chinese residents.

Pursuant to the "Notice on the Issues concerning Withholding the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprises to H-share Holders Which Are Overseas Non-resident Enterprises" issued by the State Administration of Taxation on 6 November 2008, where a Chinese resident enterprise pays dividends for the year of 2008 or any year thereafter to its H-share holders which are overseas non-resident enterprises, it shall withhold the enterprise income tax thereon at the uniform rate of 10%. After obtaining dividends, non-resident enterprises may submit application for enjoying the tax agreement (arrangement) treatment to taxation authority by themselves or by entrusted agents or withholding obligators and provide the information which can certify themselves as the actual beneficial owners complying with the requirements of the tax agreement (arrangement).

Taxation authority shall refund the difference between imposed tax amount and payable tax amount calculated at the tax rate subscribed in the tax agreement (arrangement).

Share transfer-related tax

According to the prevailing Law of the People's Republic of China on Individual Income Tax as brought into effect on 10 September 1980 and amended five times on 31 October 1993, 30 August 1999, 27 October 2005, 29 June 2007 and 29 December 2007, respectively, proceeds received from sale of capital securities by any non-Chinese resident individual shall be levied an individual income tax of 20%. According to the Taxation Notice, income tax is temporarily exempted for net income obtained by foreign enterprises through transferring B shares and overseas shares (including H shares) issued by Chinese enterprises and not held by the foreign enterprises' organisations or related business entities within the territory of China, and for income received by foreign individuals from transfers of their B shares and overseas shares (including H shares) issued by Chinese enterprises. Pursuant to the "Notice of the State Administration of Taxation on Issues Concerning the Implementation of Protocol II to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income" issued by the State Administration of Taxation on 19 July 2008, while implementing the "Arrangement between the Mainland of China and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income", if a Hong Kong resident transfers its shares or gains from other interests in resident enterprises of mainland and the beneficiary has ever owned over 25% of the shares of above-mentioned resident enterprises of mainland directly or indirectly, the mainland authority is entitled to impose tax according to requirements of relevant taxation laws and regulations.

Estate duty or inheritance tax

There is no estate duty or inheritance tax levied in China at present.

Stamp Tax

According to the *Provisional Rules of the People's Republic of China on Stamp Duty* which was brought into force on 1 October 1988, the applicable stamp tax of the PRC on transfers of shares of PRC public companies shall not apply to purchases and dispositions of H shares that take place outside PRC. The Provisional Rules provide that PRC stamp tax shall be only levied on all the types of documents executed or received and legally bound within the territory of PRC and protected under the PRC laws.

PRC LAWS AND REGULATIONS CONCERNING FOREIGN EXCHANGE CONTROL

The foreign exchange control system of China has experienced a number of reforms and the current system contains three major regulatory laws and regulations since 1993.

The People's Bank of China ("PBC"), as authorised by the State Council, promulgated the *Announcement Concerning Further Reforming the Foreign Exchange Control System* on 1 October 1993, which aimed at pushing the reform of the foreign exchange control system further from 1 January 1994. The *Regulations of the People's Republic of China on the Management of Foreign Exchanges* promulgated by the State Council, implemented on 1 April 1996 and amended on

14 January 1997 and 5 August 2008, applies to the receipts, payments or business activities in China that are transacted in foreign currencies by domestic institutions, individuals, foreign institutions and individuals visiting China. The *Regulation on Control of Foreign Exchange Settlements, Sales and Payments* issued by PBC on 20 June 1996 and implemented on 1 July 1996 governs the foreign exchange settlements, purchases, foreign exchange account openings and payments to foreign countries that are incurred in China by domestic institutions, individual residents, foreign organisations' institutions in China and individuals visiting China.

PBC publicizes the exchange rates between RMB and other major foreign currencies on each business day. The exchange rates are determined by reference to the preceding day's trading prices of RMB against major foreign currencies on the inter-bank foreign exchange market. Exchange income arising from loans from foreign institutions or from issuance of shares or bonds valued in foreign currencies need not be sold to designated banks but shall be deposited in designated foreign exchange accounts with designated banks. Capital foreign exchange must be deposited in foreign exchange accounts opened with designated banks.

At present, the PRC government is gradually loosening its control over foreign exchange purchases. Any Chinese enterprise in need of foreign currencies in their day-to-day business activities, trade and non-trade operations, import business and payment of foreign debts may purchase foreign currencies from designated banks, provided that they submit the required appropriate supporting documents.

In addition, if foreign-funded enterprises are in need of foreign currencies for distributing dividends, capital bonuses or profits to foreign investors, the amount so needed after payment of the appropriate dividend tax may be drawn from the enterprises' foreign exchange accounts maintained with designated banks. If the foreign currency in such an account is insufficient the foreign-funded enterprise may apply to the government authority in charge for purchasing the necessary amount of foreign currency from a designated bank to cover the deficiency.

Although the foreign exchange control over transactions under current accounts has decreased, enterprises shall obtain approval from the State Administration of Foreign Exchange before they accept foreign-currency loans, provide foreign-currency guarantees, make investments in foreign countries or carry out any other capital account transactions involving the purchase of foreign currencies.

In foreign exchange transactions, designated banks may freely determine applicable exchange rates based on the rates publicized by PBC and subject to certain governmental restrictions.

The *Notice Concerning Foreign Exchange Control of Overseas-listed Enterprises*, as jointly promulgated by China Securities Regulatory Commission ("CSRC") and the State Administration of Foreign Exchange ("SAFE"), came into effect on 13 January 1994, and provides that:

- Funds raised by domestic enterprises through issuing shares in foreign countries shall be categorized as income from capital projects, and may be deposited in foreign exchange accounts opened in China as approved by the SAFE to retain as the spot exchange.
- A domestic enterprise issuing shares in foreign countries shall, within ten days after the foreign funds raised through the issuance of the shares have become available, transfer the full amount of the funds into China and deposit the amount in a foreign exchange account opened with approval.

- Foreign currencies needed by domestic enterprises issuing shares in foreign countries for the purpose of distributing dividends and capital bonuses to overseas shareholders may be paid and remitted by the enterprises' banks from their foreign exchange accounts with approval of the SAFE. The enterprises' foreign currency uses for other purposes shall be handled according to applicable regulations.

- If the sum of foreign-currency funds raised by a domestic enterprise through the issuance of shares in foreign countries reaches 25% or more of the enterprise's total amount of net assets, it may apply to the Ministry of Commerce of the PRC (previously called the Ministry of Foreign Trade and Economic Cooperation of China) or its authorised department to establish a Sino-foreign joint venture according to the Law on Sino-foreign Equity Joint Ventures. If it is granted the status of a Sino-foreign joint venture, its foreign-currency income and expenses shall be handled pursuant to the foreign exchange control regulation governing foreign-invested enterprises.

The *Notice Concerning Further Improving Foreign Exchange Control of Overseas listing* jointly issued by CSRC and SAFE, took effect on 1 September 2002, and provides that:

- Domestic equity holders of companies with foreign shares listed overseas and of overseas listed companies controlled by Chinese investors shall, within 30 days after obtaining CSRC's approval for issuing and listing shares in foreign countries, fulfill the procedure with SAFE for foreign exchange registration of overseas-listed shares.

- Companies with foreign shares listed overseas shall, within 30 days after the funds raised have become ready, transfer into China the amount of the funds remaining after deduction of associated costs and expenses, and shall not retain the funds in foreign countries without permission of SAFE. The funds transferred back into China shall be subject to control as if they were funds directly injected by foreign investors and may be kept in earmarked accounts or be used for foreign exchange settlement if approved by SAFE.

- Foreign-currency funds, obtained by domestic equity holders of companies with foreign shares listed overseas and of overseas listed companies controlled by Chinese investors through reducing holdings of shares in listed companies or through the listed companies' sale of their assets (or equity), shall be transferred back into China within 30 days after the funds become available and after deduction of associated costs and expenses, which may not be detained in foreign countries without approval of SAFE. Foreign exchange settlement shall be made for such funds as approved by SAFE after they are transferred back into China.

- If overseas accounts are to be opened to temporarily keep the abovementioned foreign-currency funds before they are transferred back into China, application may be made to SAFE for opening such earmarked foreign exchange accounts, of which the maximum term shall be 3 months from the date of account opening.

- Overseas listed companies controlled by Chinese investors who have injected funds raised in China as investment or foreign debts shall fulfill appropriate procedures according to current regulations governing investments, foreign debts and foreign exchange control.

- The procedure for foreign exchange registration of overseas investment shall be carried out according to regulations for overseas investments of domestic equity holders of overseas listed companies controlled by Chinese investors who inject assets or equity in foreign countries. The asset or equity to be so injected shall be appraised, the amount of the overseas investment shall not be less than the appraised value of the asset or equity to be injected, and the asset appraisal and confirmation procedure prescribed by the state-owned assets administration shall be fulfilled if the investment involves state-owned assets.

- Companies with foreign shares listed overseas needing to repurchase their own shares listed and circulated in foreign countries shall, after approval from CSRC, follow procedures set by SAFE for changing foreign exchange registration of their overseas-listed shares and for approval of opening an overseas account and remittance of funds to foreign countries.

On 9 September 2003, SAFE issued the *Notice Concerning Improving Foreign Exchange Control of Overseas Listings*, clarifying relevant issues in the *Notice Concerning Further Improving Foreign Exchange Control of Overseas Listings*. On 1 February 2005, SAFE issued the *Notice Concerning Foreign Exchange Control of Overseas Listings*, further revising and supplementing the abovementioned notices as follows:

- The time limit for domestic equity holders of companies with foreign shares listed overseas and of overseas listed companies controlled by Chinese investors to transfer funds back into China has been extended to "within 6 months after the funds so raised have become ready", and for earmarked overseas foreign exchange accounts, the time period has been extended to "2 years from the date of account opening".

B. TAXATION IN HONG KONG

Hong Kong

Tax on Dividends

Under the current practice of the Hong Kong Inland Revenue Department, no tax is payable in Hong Kong in respect of dividends paid by us.

Taxation on gains from sale

No tax is imposed in Hong Kong in respect of capital gains from the sale of property such as the GAC H Shares. However, trading gains from the sale of property by persons carrying on a trade, profession or business in Hong Kong where such gains are derived from or arise in Hong Kong from such trade, profession or business will be chargeable to Hong Kong profits tax, which is currently imposed at the rate of 17.5% on corporations and at a maximum rate on individuals of 16%. Certain categories of taxpayers are likely to be regarded as deriving trading gains rather than capital gains (for examples, financial institutions, insurance companies and securities dealers) unless these taxpayers can prove that the investment securities are held for long-term investment. Trading gains from sales of GAC H Shares effected on the Stock Exchange will be considered to be derived from or arising in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from sales of GAC H Shares effected on the Stock Exchange realised by persons carrying on a business of trading or dealing in securities in Hong Kong.

Stamp Duty

Hong Kong stamp duty, currently charged at the ad valorem rate of 0.1% on the higher of the consideration for, or the market value of, the GAC H shares, will be payable by the purchaser on every purchase and by the seller on every sale of GAC H shares (in other words, a total of 0.2% is currently payable on a typical sale and purchase transaction involving GAC H shares). In addition, a fixed duty of HK$5 is currently payable on any instrument of transfer of GAC H shares. Where one of the parties to a transfer is resident outside Hong Kong and does not pay the ad valorem duty due by it, the duty not paid will be assessed on the instrument of transfer (if any) and will be payable by the transferee. If stamp duty is not paid on or before the due date, a penalty of up to ten times the duty payable may be imposed.

Estate Duty

The Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect on 11 February 2006 in Hong Kong, pursuant to which estate duty ceased to be chargeable in Hong Kong in respect of the estates of persons dying on or after that date. No Hong Kong estate duty is payable and no estate duty clearance papers are needed for an application for a grant of representation in respect of holders of H shares whose deaths occur on or after 11 February 2006.

This appendix sets out summaries of certain aspects of PRC law and regulations, which are relevant to Group's operations and business. These include laws relating to the automobile industry in the PRC, Sino-foreign equity joint ventures and foreign exchange control. Laws and regulations relating to taxation in the PRC are discussed separately in Appendix V of this Listing Document. This appendix also contains a summary of certain Hong Kong legal and regulatory provisions, including summaries of certain of the material differences between PRC and Hong Kong company law, certain requirements of the Listing Rules and additional provisions required by the Stock Exchange for inclusion in the articles of association of the PRC issuers.

1. THE COMPANY LAW OF THE PRC

Set out below is a summary of the major provisions of the Company Law of the PRC, the Special Regulations of the State Council on the Overseas Offer and Listing of Shares by Joint Stock Limited Companies (the "Special Regulations") and the Mandatory Provisions for Articles of Association of Companies to be Listed Overseas (the "Mandatory Provisions") References to a "company" are to a joint stock limited company established under our Company Law of the PRC with overseas listed foreign invested shares.

General

A joint stock limited company is a corporate legal person incorporated under our Company Law, whose registered capital is divided into shares of equal par value. The liability of its shareholders to our Company is limited to the extent of the shares held by them, and the liability of our Company is limited to all of its assets.

A company may invest in other limited liability companies and joint stock limited companies, and its liability to our Company is limited to the amount of contribution.

Incorporation

A company may be incorporated by promotion or public subscription.

To be incorporated by promotion means the entire registered capital of our Company is subscribed for by the promoters at incorporation. To be incorporated by public subscription means not less than 35% of the total shares of a company must be subscribed for by the promoters at incorporation and the remainder of their shares shall be offered.

A joint stock limited company shall be incorporated by 2 to 200 promoters, with more than half of the promoters residing in the PRC.

The registered capital of companies incorporated by promotion is the subscription amount of its total capital from all promoters as registered with the companies' registration authority. The registered capital of companies incorporated by public subscription is the amount of its total paid up capital as registered with the companies' registration authority. The minimum registered capital of a joint stock limited company is RMB5 million.

The promoters shall convene an inaugural meeting within 30 days after the shares have been fully paid up. The inaugural meeting shall be comprised of promoters and subscribers and promoters shall give notice to all subscribers or make an announcement of the date of the inaugural meeting 15 days before the meeting. The inaugural meeting may be convened only with the presence of promoters and subscribers holding more than 50% of the total shares.

Within 30 days after the conclusion of the inaugural meeting, the board of directors shall submit the relevant documents and apply to the registration authority for registration of its establishment. A company is formally established and has the status of a legal person after the approval of registration has been given by the relevant administration bureau for industry and commerce and a business license has been issued.

Share capital

The issuer may make capital contribution in currencies, assets, intellectual property rights, land use rights or other assets which may be valued based on their currencies and lawfully transferred. The amount of currency contribution by all shareholders shall not be less than 30% of the registered capital of the company.

If a capital contribution is made other than in cash, a valuation and verification of the property contributed must be carried out and converted into shares.

A company may issue registered or bearer share certificates. However, shares issued to promoters and legal persons shall be in the form of registered share certificates. The Special Regulations and the Mandatory Provisions provide that shares issued to foreign investors and listed overseas be issued in the form of registered share certificates and shall be denominated in Renminbi and subscribed for in foreign currency.

Under the Special Regulations and the Mandatory Provisions, shares issued to foreign investors and investors from the territories of Hong Kong, Macau and Taiwan and listed overseas are classified as overseas listed foreign shares, and those shares issued to investors within the PRC other than the territories specified above are known as domestic shares.

A company may offer its shares to the public overseas with approval by the securities administration department of the State Council. Special measures shall be specifically formulated by the State Council. Under the Special Regulations, upon approval of the CSRC, a company may agree, in the underwriting agreement in respect of an issue of overseas listed foreign invested shares, that the underwriters retain not more than 15% of the aggregate number of overseas listed foreign invested shares proposed to be issued after accounting for the number of underwritten shares.

The share offering price is equal to or greater than the par value, but may not be less than the par value.

The transfer by a shareholder of its shares must be carried out through a lawfully established stock exchange or other means prescribed by the State Council.

Increase in capital

Under our Company Law of the PRC, an increase in capital in a company by means of an public issue of new shares must be approved in the general meeting and meet the following conditions stipulated under the Securities Law of the PRC:

(1) a sound and good organisation;

(2) sustainable profitability and stable financial condition;

(3) no false reporting in our Company's financial and accounting documents during the last 3 years and no other material breach of law;

(4) other conditions required by the securities administration department of the State Council and approved by the State Council.

Upon approval of the resolution regarding the issue of new shares in the general meeting, the approval of the public offer of new shares by the securities administration department of the State Council shall be obtained.

Reduction of share capital

Subject to the minimum registered capital requirements, a company may reduce its registered capital in accordance with the following procedures prescribed by our Company Law of the PRC:

(1) our Company shall prepare a balance sheet and financial statement;

(2) the reduction of registered capital must be approved by shareholders in general meeting;

(3) our Company shall inform its creditors of the reduction in capital within 10 days and publish an announcement of the reduction in the newspaper within 30 days after the resolution approving the reduction has been passed;

(4) the creditors of our Company may within the statutory prescribed time limit require our Company to pay its debts or provide guarantees covering the debts; and

(5) our Company must apply to the relevant administration bureau for industry and commence for registration of the reduction in registered capital.

Repurchase of shares

A Company may not purchase its own shares other than for one of the following purposes:

(1) to reduce its registered share capital;

(2) to merge with another company that holds its shares;

(3) to grant shares to its employees as incentives; and

(4) to purchase its own shares from its shareholders who vote against the resolution on regarding the merger and demerger with other company in a general meeting.

The Mandatory Provisions provide that upon obtaining approvals in accordance with the articles of association of our Company and from the relevant supervisory authorities, our Company may repurchase its issued shares for the foregoing purposes by way of a general offer to the shareholders of our Company or purchase on the stock exchange or an off-market agreement.

The acquisition of our Company's shares by a company according to (1) to (3) described above should be determined at the shareholders' general meeting. Shares of our Company acquired according to (1) described above by a company shall be cancelled within ten days from the date of acquisition, and those acquired according to (2) and (4) described above shall be transferred or cancelled within six months.

Shares of our Company acquired according to (3) described above by a company shall not exceed 5% of the total issued shares of our Company. Funds for the purpose of acquisition shall be charged to our Company's profit after tax and the acquired shares shall be transferred to staff within one year.

In addition, our Company shall not accept our Company's shares as a pledge right object.

Transfer of shares

Shares may be transferred in accordance with the relevant laws and regulations.

A shareholder may only effect a transfer of its shares on a stock exchange established in accordance with law or by other way as required by the State Council. Registered shares may be transferred after the shareholders endorse their signatures on the back of the share certificates or in any other manner specified by laws and regulations. Bearer share certificates may be transferred by delivery of the certificates to the transferee.

Shares held by a promoter may not be transferred within 1 year after our Company's establishment. Shares of a company issued before the public offering may not be transferred within 1 year from the date of the listing of our Company's shares on the stock exchange. Directors, supervisors and the senior management of our Company shall report to our Company the number and changes to our Company's shares they hold, and shall not, in each year, transfer more than 25% of the shares they hold in our Company during their term of office and such shares of our Company shall not be transferred within 1 year from the date of our Company's listing. Our Company's shares held by the above said person shall not be transferred within six months after their end of employment. The articles of association may have other restrictions on the transfer of shares held by the directors, supervisors and senior managers.

There is no restriction under our Company Law of the PRC as to the percentage shareholding of a single shareholder of a company.

No change in the register of members as a result of the transfer of shares may be made within 20 days before the date of a shareholders' general meeting or within 5 days before the record date for our Company's distribution of dividends. However, if it is otherwise provided for by any law, such law or regulation shall prevail.

Shareholders

Shareholders have such rights and obligations as set forth in the articles of association of our Company. The articles of association of a company are binding on each shareholder.

Under our Company Law of the PRC as well as the Mandatory Provisions, the rights of a shareholder include:

(1) to attend in person or appoint a proxy to attend shareholders' general meetings, and to vote in respect of the number of shares held;

(2) to transfer his shares at a legally established stock exchange in accordance with our Company Law and the articles of association of our Company or through other ways prescribed by the State Council;

(3) to inspect the company's articles of association, minutes of shareholders' general meetings and financial and accounting reports and to make proposals or enquiries in respect of the company's operations;

(4) If the convening procedure of a shareholder's general meeting and board meeting or method of voting is not in compliance with laws, administrative regulations and the Articles of Association, shareholders may claim for revocation from the People's Court within 60 days from the date when the resolution is made;

(5) to receive dividends in respect of the number of shares held;

(6) to receive surplus assets of the company upon its dissolution in proportion to his or her shareholding; and

(7) any other shareholders' rights specified in the company's articles of association.

The obligations of a shareholder include the obligation to abide by the company's articles of association, to pay the subscription moneys in respect of the shares subscribed for, to be liable for the company's debts and liabilities to the extent of the number of subscribed shares and any other obligations specified in the company's articles of association.

General meetings

The shareholders' general meeting is the organ of authority of the company, which exercises the following powers in accordance with our Company Law of the PRC:

(1) to decide on the company's operational policies and investment plans;

(2) to elect or remove the directors and supervisors, non-representatives of the employees and decide on matters relating to the remuneration of directors and supervisors;

(3) to examine and approve reports of the board of directors;

(4) to examine and approve reports of the supervisory committee;

(5) to examine and approve the company's proposed annual financial budget and final accounts;

(6) to examine and approve the company's proposals for profit distribution plans and recovery of losses;

(7) to decide on any increase or reduction of the company's registered capital;

(8) to decide on the issue of bonds by the company;

(9) to decide on issues such as merger, division, dissolution, liquidation of the company or change of company form;

(10) to amend the company's articles of association; and

(11) other powers specified in the company's articles of association.

Shareholders' general meetings shall be convened by the board of directors, and presided over by the chairman of the board of directors. In the case that the chairman of the Board is incapable or fails to perform his duty, a vice-chairman of the Board shall preside; if the vice-chairman of the Board is incapable or fails to perform his duty, a director shall be elected by more than half of the Directors to preside.

In the case that the Board is incapable or fails to perform its duty to convene shareholder's general meeting, then the supervisory committee shall convene and preside it timely; if supervisory committee fails to convene and preside, shareholders of more than ninety (90) days individually or jointly holding over one tenth of the company's shares can convene and preside on their own.

As required by our Company Law, notice of the meeting shall be given to all shareholders 20 days before the meeting, while notice of extraordinary general meeting shall be given to all shareholders 15 days before convene the meeting, under our Company Law and 45 days under the Special Regulations and the Mandatory Provisions, stating the matters to be considered at the meeting as well as the time and place of the meeting. Under the Special Regulations and the Mandatory Provisions, shareholders wishing to attend are required to give to our Company written confirmation of their attendance 20 days prior to the meeting. Under the Mandatory Provisions, at an annual general meeting of a company, shareholders individually or jointly holding 5% or more of the voting rights in our Company are entitled to propose to our Company in writing new resolutions to be considered at that meeting, which if within the powers of a shareholders' general meeting, are required to be added to the agenda of that meeting.

A temporary proposal may be submitted in written form by shareholders alone or jointly holding 3% or more of the company's shares to the Board of Directors ten days before the convening of a shareholder's general meeting; the Board of Directors shall notify other shareholders two days after receiving the proposal and submit it to the shareholder's general meeting for discussion. The contents of the temporary proposal shall fall within the powers of a shareholder's general meeting and provide a clear subject matter and specific issues for discussion.

No resolution shall be made regarding any issue unspecified in the notice in the shareholder's general meeting.

Holders of bearer share certificates who are present at the shareholder's general meeting shall lodge their shares to our Company from five days before the convening of the meeting to the closing of shareholder's general meeting.

Shareholders present at a shareholders' general meeting have 1 vote for each share they hold. However, the company has no voting right for its own shares it holds.

Resolutions of the shareholders' general meeting must be adopted by more than half of the voting rights held by shareholders present in person (including those represented by proxies) at the meeting, with the exception of matters relating to the merger, division, dissolution of a company or other matters, which must be adopted by more than two-thirds of the voting rights held by shareholders present, including those represented by proxies at the meeting.

According to the Mandatory Provisions, the increase or reduction of share capital, the issue of bonds, debenture, any kind of stocks, warrants or other similar of our Company, and matters relating to the division, merger, dissolution and liquidation of our Company and amendments to the articles of association as well as other matters which are reckoned by the ordinary resolution passed at the general meeting to have major impact on the company and therefore need to be discussed through the special resolutions, must be approved through special resolutions by more than two-thirds of the voting rights held by shareholders present in general meeting.

Shareholders may appoint representatives to attend shareholders' general meetings by a written appointment document stating the scope of the exercise of rights.

There is no specific provision in our Company Law regarding the number of shareholders constituting a quorum in a shareholders' meeting. However, the Special Regulations and the Mandatory Provisions provide that a company's annual general meeting may be convened when replies to the notice of that meeting from shareholders holding shares representing 50% of the voting rights in our Company have been received 20 days before the proposed date, or if that 50% level is not achieved, our Company shall within 5 days of the last day for receipt of the written replies notify shareholders by public announcement of the matters to be considered at the meeting and the date and place of the meeting and the annual general meeting may be held thereafter. The Mandatory Provisions require class meetings to be held must be approved through special resolution passed at the general meeting and by classes of shareholders influenced in the event of a variation or derogation of the class rights of a class. Holders of domestic invested shares and holder of overseas listed foreign invested shares are deemed to be different classes of shareholders for this purpose.

Shareholders' general meetings are required to be held once every year. An extraordinary shareholders' general meeting is required to be held within 2 months after the occurrence of any of the following circumstances:

(1) the number of directors is less than the number provided for in the law or less than two-thirds of the number specified in the company's articles of association;

(2) the aggregate losses of our Company which are not made up reach one-third of the company's total share capital;

(3) when shareholders holding 10% or more of the company's shares so request;

(4) whenever the board of directors deems necessary;

(5) the supervisory committee so requests; or

(6) other circumstances as required by the articles of associations.

Notice of the extraordinary shareholders' general meeting shall be given to all shareholders 15 days before the meeting; Our Company shall make a public announcement of the matters to be considered at the meeting and the date and place of the meeting 30 days before the issuance of the bearer share certificates.

Directors

A company shall have a board of directors, which shall consist of 5 to 19 members. Under our Company Law of the PRC, each term of office of a director shall not exceed 3 years. A director may serve consecutive terms if re-elected.

Meetings of the board of directors shall be convened at least twice a year. Notice of meeting shall be given to all directors and supervisors 10 days before the meeting. The board of directors may provide for a different method of giving notice and notice period for convening an extraordinary meeting of the board of directors.

Under our Company Law of the PRC, the board of directors exercises the following powers:

(1) to convene the shareholders' general meetings and report on its work to the shareholders' general meetings;

(2) to implement the resolutions passed by the shareholders in general meetings;

(3) to decide on the company's business plans and investment proposals;

(4) to formulate the company's proposed annual financial budget and final accounts;

(5) to formulate the company's profit distribution proposals and for recovery of losses;

(6) to formulate proposals for the increase or reduction of the company's registered capital and the issuance of the corporate bonds;

(7) to prepare plans for the merger, division dissolution or the change of the form of our Company;

(8) to decide on the establishment of the company's internal management structure;

(9) to appoint or dismiss the company's manager and decide on his/her remuneration and, based on the general manager's recommendation, appoint or dismiss the deputy managers and financial officers of our Company and to decide on their remuneration;

(10) to formulate the company's basic management system; and

(11) other powers specified in the company's articles of association.

In addition, the Mandatory Provisions provide that the board is also responsible for formulating the proposals for amendment to the articles of association of a company.

Meetings of the board of directors shall be held only if half or more of the directors are present. Resolutions of the board of directors require the approval of more than half of all directors.

If a director is unable to attend a board meeting, he may appoint another director by a written power of attorney specifying the scope of the authorisation to attend the meeting on his behalf.

When voting on the resolutions of the board of directors, each person represents one vote.

If a resolution of the board of directors violates the law, administrative regulations, the company's articles of association or the resolutions of the general meeting as a result of which our Company sustains serious losses, the directors participating in the resolution are liable to compensate our Company. However, if it can be proven that a director expressly objected to the resolution when the resolution was voted on, and that such objections were recorded in the minutes of the meeting, such director may be relieved from that liability.

Under our Company Law of the PRC, the following persons may not serve as a director of a company:

(1) persons without civil capacity or with restricted civil capacity;

(2) persons who have committed the offence of corruption, bribery, taking of property, misappropriation of property or destruction of the social economic order, and have been sentenced to criminal punishment, where less than 5 years have elapsed since the date of completion of the sentence; or persons who have been deprived of their political rights due to an offence, where less than 5 years have elapsed since the date of the completion of implementation of this deprivation;

(3) persons who are former directors, factory managers or managers of a company or enterprise which has become bankrupt and been liquidated and who are personally liable for the bankruptcy of such company or enterprise, where less than 3 years have elapsed since the date of the completion of the bankruptcy and liquidation of the company or enterprise;

(4) persons who were legal representatives of a company or enterprise which had its business license revoked and its operation suspended due to violation of the law and who are personally liable, where less than 3 years have elapsed since the date of the revocation of the business license; or

(5) persons who have a relatively large amount of debts due and outstanding.

Other circumstances under which a person is disqualified from acting as a director of a company are set out in the Mandatory Provisions which have been incorporated in the Articles of Association, a summary of which is set out in Appendix VII.

The board of directors shall appoint a chairman, who is elected with approval of more than half of all the directors. The chairman of the board of directors exercises, amongst others, the following powers:

(1) to preside over shareholders' general meetings and convene and preside over meetings of the board of directors;

(2) to check on the implementation of the resolutions of the board of directors; and

(3) to sign the company's share certificates and bonds.

(4) other rights entitled by the board.

Supervisors

A company shall have a supervisory committee composed of not less than 3 members. Each term of office of a supervisor is 3 years and he or she may serve consecutive terms if re-elected.

The supervisory committee is made up of representatives of the shareholders and an appropriate proportion of representatives of the company's staff and workers. Directors and the senior management may not act concurrently as supervisors.

The supervisory committee exercises the following powers:

(1) to review the company's financial position;

(2) to supervise the directors and senior management in their performance of their duties and to propose the removal of the directors and senior management who have violated laws, administrative regulations or the articles of association of the company;

(3) when the acts of the directors and senior management are in harm to the company's interests, to require correction of these acts;

(4) to propose the convening of the extraordinary shareholders' general meetings and, in the event that the board of directors fails to perform the duties of convening and presiding shareholders' meetings as required by the Law, to convene and preside over shareholders' meetings;

(5) to propose resolutions in a general meeting;

(6) to initiate proceedings against directors and the senior management as required under Rule 152 of our Company Law; and

(7) other powers specified in the company's articles of association.

The circumstances under which a person is disqualified from being a director of a company described above apply to supervisors of a company.

Managers and other senior management officers

A company shall have a manager who shall be appointed or removed by the board of directors. The manager is accountable to the board of directors and may exercise the following powers:

(1) supervise the production, business and administration of our Company and arrange for the implementation of resolutions of the board of directors;

(2) arrange for the implementation of the company's annual business and investment plans;

(3) formulate plans for the establishment of the company's internal management structure;

(4) formulate the basic administration system of our Company;

(5) formulate the company's specific rules;

(6) recommend the appointment or dismissal of deputy managers and financial officers of our Company;

(7) appoint or dismiss other administration officers (other than those required to be appointed or dismissed by the board of directors); and

(8) other powers conferred by the board of directors.

The Special Regulations and Mandatory Provisions provide that the senior management of a company includes the financial controller (financial officer), secretary to the board of directors and other executives as specified in the articles of association of our Company.

The circumstances under which a person is disqualified from being a director of a company described above apply to managers and other senior management officers of our Company.

The articles of association of a company shall have binding effect on the shareholders, directors, supervisors, managers and other senior management officers of our Company. Such persons shall be entitled to exercise their rights, apply for arbitration and issue legal proceedings according to the articles of association of our Company. The provisions of the Mandatory Provisions regarding the senior management of a company have been incorporated into the Articles of Association (a summary of which is set out in Appendix VII to this Listing Document).

Duties of directors, supervisors, managers and other senior management officers

Directors, supervisors, managers and other senior management officers of a company are required under our Company Law of the PRC to comply with the relevant laws, regulations and the company's articles of association, carry out their duties honestly and protect the interests of our Company. Directors, supervisors, managers and other senior management officers of a company are also under a duty of confidentiality to our Company and are prohibited from divulging the secret information of our Company save as permitted by the relevant laws and regulations or by the shareholders.

A director, supervisor, manager or senior management officer who contravenes any law, regulation or the company's articles of association in the performance of his duties which results in any loss to our Company shall be personally liable to our Company.

The Special Regulations and the Mandatory Provisions provide that directors, supervisors, managers and other management officers of a company owe fiduciary duties to our Company and are required to perform their duties faithfully and to protect the interests of our Company and not to make use of their positions in our Company for their own benefit. Such duties have been set out in the Articles of Association (a summary of which is set out in Appendix VII to this Listing Document) according to the Mandatory Provisions.

Finance and Accounting

A company shall at the end of each financial year prepare a financial report which shall be audited by an accounting firm as provided by law.

A company shall deposit its financial statements at our Company for inspection by the shareholders at least 20 days before the convening of an annual general meeting of shareholders. A company established by way of public issue of shares must publish its financial statements.

When distributing each year's after-tax profits, our Company shall set aside 10% of its after-tax profits for the company's statutory common reserve fund (except where the fund has reached 50% of the company's registered capital).

When the company's statutory common reserve fund is not sufficient to make up for the company's losses of the previous year, current year profits shall be used to make good the losses before allocations are set aside for the statutory common reserve fund.

After our Company has made good its losses and made allocations to its statutory common reserve fund, the remaining profits are distributed in proportion to the number of shares held by the shareholders.

The common reserve of a company comprises the statutory common reserve, discretionary common reserve and the capital common reserve.

The capital common reserve of a company is made up of the premium over the nominal value of the shares of our Company on issue and other amounts required by the relevant governmental authority to be treated as the capital common reserve.

The common reserve of a company shall be applied for the following purposes:

(1) to make up the company's losses; (the capital reserve shall not be used to make up the company's losses)

(2) to expand the operations of our Company; and

(3) to increase the company's capital provided that if the statutory common reserve is converted into registered capital, the balance of the statutory common reserve before such increment shall not be less than 25% of the registered capital of our Company.

Appointment and retirement of auditors

The Special Regulations require a company to employ independent PRC qualified accountants to audit the company's annual report and review and check other financial reports.

The auditors are to be appointed for a term commencing from the date of appointment at the annual general meeting and ending at the close of the next following annual general meeting.

If a company removes or ceases to continue to appoint the auditors, it is required by the Special Regulations to give prior notice to the auditors and the auditors are entitled to make representations before the shareholders in general meeting. The appointment, removal or non re-appointment of auditors shall be decided by the shareholders at the annual general meeting and shall be registered with the CSRC.

Distribution of profits

The Special Regulations provide that the dividends and other distributions to be paid to holders of overseas listed foreign invested shares shall be declared and calculated in Renminbi and paid in foreign currency. Under the Mandatory Provisions, the payment of foreign currency to shareholders shall be made through a receiving agent.

Amendment of the articles of association

Any amendments to the company's articles of association must be made in accordance with the procedures set forth in the company's articles of association. Any amendment of provisions incorporated in the articles of association in accordance with the Mandatory Provisions will only be effective after approval by the companies approval department authorised by the State Council and the CSRC. In relation to matters involving the company's registration, its registration with the companies' registration authority must also be changed.

Termination and liquidation

The Mandatory Provisions provide that a company may apply for the declaration of insolvency by reason of its inability to pay debts as they fall due. After the People's Court has made a declaration of the company's insolvency, the shareholders, the relevant authorities and the relevant professionals shall form a liquidation committee to conduct the liquidation of our Company.

Under our Company Law of the PRC, a company shall be dissolved in any of the following events:

(1) the term of its operations set down in the company's articles of association has expired or events of dissolution specified in the company's articles of association have occurred;

(2) the shareholders in the general meeting have resolved to dissolve our Company;

(3) our Company is dissolved by reason of its merger or demerger;

(4) the business licence is invalidated; the operation is suspended, or our Company is dissolved by law; or

(5) where a company meets certain serious difficulty during its operation or management that the interests of the shareholders will be subject to heavy loss if it continues to exist and such difficulty cannot be resolved by any other means, shareholders who hold ten percent or more of the voting rights of all shareholders of our Company may plead with the People's Court to dissolve our Company.

Where the company is dissolved in the circumstances described in (1), (2), (4) or (5) above, a liquidation committee must be established within 15 days from the date of the occurrence of the events of dissolution to start the liquidation. If a liquidation committee is not in place within the stipulated period, the company's creditors may apply to the People's Court for designating the members of the liquidation committee. The People's Court will accept the relevant application and form a liquidation committee to carry out liquidation appropriately.

According to the creditors' notification procedure, the liquidation committee shall be responsible for handling the company's assets and settling the company's claims.

If the liquidation committee becomes aware that the company does not have sufficient assets to meet its liabilities, it must apply to the People's Court for a declaration of bankruptcy according to the law. Following such declaration of bankruptcy by the People's Court , the liquidation committee shall hand over all affairs related to the liquidation to the People's Court.

Upon completion of the liquidation, the liquidation committee shall submit a liquidation report to the shareholders' general meeting or the relevant supervisory department for verification. Thereafter, the report shall be submitted to the companies' registration authority in order to cancel the company's registration, and a public notice of its termination shall be issued.

Overseas listing

The shares of a company shall only be listed overseas after obtaining approval from the securities regulatory authority of the State Council and the listing must be arranged in accordance with procedures specified by the State Council.

According to the Special Regulations, a company's plan to issue overseas listed foreign invested shares and domestic invested shares which has been approved by the CSRC may be implemented by the board of directors of the company by way of separate issues, within 15 months after approval is obtained from the CSRC.

Loss of share certificates

A shareholder may apply, in accordance with the relevant provisions set out in the PRC Civil Procedure Law, to a People's Court in the event that share certificates in registered form are either stolen or lost, for a declaration that such certificates will no longer be valid. After such a declaration has been obtained, the shareholder may apply to the company for the issuance of replacement certificates.

The Mandatory Provisions provide for another procedure regarding the loss of H share certificates (such provisions have been incorporated into the Articles of Association).

Suspension and termination of listing

The trading of shares of a company on a stock exchange may be suspended if so decided by the stock exchange under one of the following circumstances:

(1) the registered capital or share holding distribution no longer comply with the necessary requirements for a listed company;

(2) the company failed to make public its financial position in accordance with the requirements or there is false information in the company's financial report;

(3) the company has committed a major breach of the law;

(4) the company has incurred losses for each of the preceding 3 years; or

(5) other circumstances specified in the listing rules on the stock exchange.

The stock exchange may also terminate the listing of a company's shares in the event that the company resolves to cease operation or is so instructed by its government supervisory body, or the company is declared bankrupt.

Merger and demerger

The merger or demerger of a company is to be resolved by shareholders representing two-thirds or more of the voting rights in general meetings.

Companies may merge through merger by absorption or through the establishment of a newly merged entity. In the case of merger by absorption, the company which is absorbed shall be dissolved. In the case of merger by forming a new entity, both companies will be dissolved.

A merger agreement must be signed in the case of a merging of companies and the relevant companies shall draw up their respective balance sheets and inventory of property. The companies should within 10 days of the resolution of the merger inform their respective creditors and publish a notice to the creditors in newspapers, within 30 days of the resolution to merge. Those creditors who had not received written notice may within 45 days of the notice, or within 30 days after receiving written notice, request the company to satisfy any unpaid debts or provide equivalent guarantees in cases of guarantees. The surviving company after the merger or the newly established company shall be responsible for the debts and obligations of the companies merged.

When a company demerges into 2 or more companies, their respective assets must be separated and separate financial accounts must be drawn up.

When a company's shareholders approve the demerger of the company, the company should notify all its creditors within 10 days of such resolution being passed and publish the same in newspapers within 30 days. Those creditors may request the company to repay any outstanding debts or provide guarantees within 30 days after receiving a written notice, or within 45 days after the public notice if they had not received a written notice. Unless otherwise agreed with a creditor, obligations in respect of the liabilities before the demerger of the company shall be jointly and severally borne by the demerged companies.

2. SECURITIES LAW AND SUPERVISION

The PRC has promulgated a number of regulations in relation to the issue of and trading in securities and disclosure of information.

The CSRC is a securities regulatory authority and is responsible for formulating securities-related policies, drafting securities regulations, governing securities markets, market intermediaries and participants, regulating public offers of securities by PRC companies in the PRC or overseas, and regulating the trading in securities.

On 22 April 1993, the State Council promulgated the Provisional Regulations Concerning the Issue and Trading of Shares. These regulations deal with the application and approval procedures for public offerings of equity securities, trading in equity securities, the acquisition of listed companies, deposit, settlement, and transfer of listed equity securities, the disclosure of information with respect to a listed company, enforcement, penalties and dispute settlement.

On 12 June 1993, pursuant to the Provisional Regulations Concerning the Issue and Trading of Shares, the CSRC promulgated the Implementation Measures (Provisional) on Disclosure of Information (the regulation has been abolished by the Administrative Measures on Information

Disclosure by Listed Companies issued on 30 January 2007). Pursuant to these measures, the CSRC is responsible for supervising the disclosure of information by companies which have offered shares to the public both in the PRC and overseas. These measures contain provisions regarding the Listing Document and listing reports to be issued in connection with a public offering of shares in the PRC, publication of interim and final reports and announcement of material transactions or matters by companies which have offered shares to the public. Material transactions or matters are those the occurrence of which may have a material effect on the share price of a company. They include changes to a company's articles of association or registered capital, removal of auditors, revocation by a court of any resolution passed by the shareholders or the supervisors of a company, and the merger or demerger of a company. These measures also contain disclosure provisions in relation to acquisition of listed companies which supplement the requirements contained in the Provisional Regulations Concerning the Issue and Trading of Shares.

On 25 December 1995, the State Council promulgated the Regulations of the State Council Concerning the Domestic Listed Shares of Joint Stock Limited Companies. Such regulations deal mainly with the issue, subscription and trading of, and declaration of dividends and other distributions or domestic listed foreign shares and disclosure of information of joint stock limited companies having domestic listed foreign shares.

On 29 December 1998, the Securities Law of the PRC was passed by the Standing Committee of the National People's Congress and was amended on 28 August 2004 and 27 October 2005 respectively. This is the first national securities law in the PRC and is the fundamental law regulating activities such as the issuance and trading of securities in the PRC securities market. The Securities Law is applicable to the issuance and trading in the PRC of shares, company bonds and other securities designated by the State Council according to law. Where the Securities Law does not regulate, our Company Law and other applicable laws and administrative regulations regarding securities will apply.

On 26 March 1999, the State Economic and Trade Commission and the CSRC jointly promulgated the Opinion on the Further Promotion of the Regular Operation and In-Depth Reform of Companies Listed Overseas which is aimed at regulating the internal operation and management of PRC companies listed overseas. Our Company will be subject to the opinion upon listing of the H Shares on the Hong Kong Stock Exchange. The Opinion regulates the appointments and functions of external directors and independent directors in the board of directors; and the appointment and functions of external supervisors in the supervisory committee.

On 14 July 1999, the CSRC promulgated the Notice on issues regarding the Application for Overseas Listing by Enterprises which sets out the requirements to be satisfied by Chinese enterprises seeking overseas listing, and matters including the approval procedure and the submission of documents.

3. JOINT VENTURES

Joint ventures in the PRC between domestic and foreign entities may take 2 forms: equity joint ventures and cooperative joint ventures. Equity joint ventures and are governed by the Sino-foreign Equity Joint Ventures Law of the PRC adopted on 1 July 1979 and amended on 15 March 2001 by the NPC and the Implementing Regulations of the Sino-foreign Equity Joint Ventures Law of the PRC promulgated on 20 September 1983 and amended on 22 July 2001 by the State Council. Cooperative joint ventures are governed by the Sino-foreign Cooperative Joint Ventures Law of the PRC promulgated on 13 April 1988 and amended on 31st October, 2000 and the Implementing Rules of the Sino-foreign Cooperative Joint Ventures Law of the PRC promulgated by MOFTEC on 4 September 1995.

Procedures for the establishment of a joint venture

The establishment of a joint venture requires the approval of the Ministry of Commerce of the PRC (or its delegated authorities). Certain documents including a feasibility study report, joint venture contract and articles of association of joint venture are required to be submitted to the Ministry of Commerce or its delegated authorities for approval. Within 30 days after the issue of the approval certificate by the Ministry of Commerce, the applicant is required to apply to the State Administration Bureau for Industry and Commerce (or its local bureau) for the issue of a business license. A joint venture entity is formally established on the date its business license is issued.

Sino-foreign equity joint venture

Under the Equity Joint Ventures Law and its Implementing Regulations, an equity joint venture takes the form of a limited liability company. It is an independent legal person which may enjoy civil rights and independently assume civil obligations. The liability of the joint venture partners is limited to the amount of the registered capital they have respectively agreed to contribute under the joint venture contract. The registered capital must be paid in accordance with the terms and conditions of the joint venture contract and may take the form of cash, goods, land use rights, industrial property and other properties. Any transfer of all or part of equity interest in a joint venture by one party to a third party is subject to the consent of the joint venture partner, the approval of the relevant examination and approval authorities and the transaction of change of the registration procedures of the registration administrative authorities.

The total amount of investment (including loans) of a joint venture refers to the sum of capital construction funds and the circulating funds needed for the joint venture's production scale as stipulated in the contract and the articles of association of the joint venture. The proportion of the investment contributed by a foreign joint venture partner in the registered capital of the joint venture in general shall not be less than 25%.

The profit, risks and losses of an equity joint venture are shared by the joint venture parties in proportion to their contributions to the registered capital.

According to the Equity Joint Venture Law and its Implementing Regulations, an equity joint venture does not have a shareholders' meeting. The board of directors of the equity joint venture is its highest authority and responsible for the corporate governance. The composition of the board of directors shall be stipulated in the contract and the articles of association after consultation between the parties to the venture; each director shall be appointed and replaced by his own side. The chairman and the vice-chairmen shall be chosen through consultation by the parties to the venture or elected by the board of directors. If the Chinese side or the foreign side assumes the office of the chairman, the other side shall assume the office of vice-chairman. The board of directors shall decide on important problems concerning the equity joint venture on the principle of equality and mutual benefit. The

Implementing Regulations require that the following issues be determined by a unanimous resolution of the board:

(1) amendment of the articles of association;

(2) suspension and dissolution of the joint venture;

(3) increase or decrease in the registered capital; and

(4) merger or demerger of the joint venture.

Sino-foreign cooperative joint ventures

A co-operative joint venture may or may not be registered as an independent legal entity. If a co-operative joint venture is registered as an independent legal person, the joint venture entity will take the form of a limited liability company. A co-operative joint venture that is not registered as an independent legal person is required to assume civil liabilities in accordance with the applicable PRC civil law.

Under the Cooperative Joint Venture Law and its Implementing Rules, the joint venture partners have a greater degree of flexibility. Profits and losses of a cooperative joint venture may be distributed to and shared by the joint venture partners in such manner as those partners may agree to. In addition, where the cooperative joint venture contract provides for the reversion of all fixed assets of the cooperative joint venture to the PRC joint venture partner upon the expiry of the term of the joint venture agreed in the joint venture contract, the joint venture partners may agree in the joint venture contract that the foreign joint venture partner may have priority in recovering investment during the term of the joint venture.

Management

Under the Equity Joint Venture Law and the Cooperative Joint Venture Law, the highest authority of a joint venture is vested in its board of directors. No shareholders' meeting is held in a joint venture.

The powers and functions of the board of directors are generally governed by the provisions of the joint venture contract and the articles of association of the joint venture. Meetings of the board of directors of a joint venture are required to be held at least once every year. Major decisions such as development plans, production and business plans, budget, distribution of profits, termination of business and appointment of key personnel are to be determined by the board of directors. The daily operation and management of an equity joint venture is vested in the management office which has a general manager and certain deputy managers. The general manager and deputy general managers of an equity joint venture are engaged by its board of directors. A general manager is required to act in accordance with the directions and guidance of the board of the directors.

Assignment of equity interest

Any transfer of all or part of equity interest in an equity joint venture by one party to a third party is subject to the consent of the other equity joint venture partner(s) and the approval of the relevant examination and approval authorities. When one party assigns all or part of its equity interest, the other parties shall have a preemptive right of purchase. When one party assigns its equity interest to a third party, the conditions shall not be more favourable than the conditions for assignment offered to the other parties to the equity joint venture.

Termination

An equity joint venture may be dissolved in the following situations:

(1) where its terms of operation has expired;

(2) where the enterprise suffers heavy losses and is unable to continue operations;

(3) where one of the contracting parties fails to fulfil the obligations prescribed by the joint venture agreement, contract or Articles and the enterprise is unable to continue its operation;

(4) where it suffers heavy losses due to an event of force majeure such as a natural disaster or war, resulting in its inability to continue operations;

(5) where the joint venture fails to obtain the desired operational objectives and has no prospects for future development; or

(6) where other reasons for dissolution prescribed by the joint venture contract and Articles occur.

In any of the circumstances described in (2), (4), (5) and (6) above, the board of directors shall submit an application for dissolution to the examination and approval authorities for approval. In the circumstance described in (3) above, the party that performed its obligations stipulated in the contract shall make an application.

In the circumstance described in (3) above, the party that failed to fulfil its obligations stipulated in the agreement, contract or Articles shall be liable for the losses thus caused.

4. THE ARBITRATION LAW

The Arbitration Law of the PRC (the "Arbitration Law") was promulgated by the Standing Committee of the NPC on 31 August 1994 and came into effect on 1 September 1995. The Arbitration Law is applicable to, among others, trade disputes involving foreign parties where the parties in dispute have entered into a written agreement to refer the matter to arbitration before an arbitration committee constituted in accordance with the Arbitration Law. Where the parties have by agreement provided arbitration as a method of for dispute resolution, the parties are not permitted to institute legal proceedings in a People's Court except when the arbitration agreement is not valid.

The Listing Rules and the Mandatory Provisions require an arbitration clause to be included in the articles of association of a company listed in Hong Kong and in the case of the Listing Rules, also in a contract between our Company and each director and supervisor, to the effect that whenever any dispute or claim arises from any rights or obligations provided in the Articles of Association, our Company Law and other relevant laws and administrative regulations concerning the affairs of a company between (1) a holder of overseas listed foreign shares and our Company; (2) a holder of overseas listed foreign shares and a holder of Domestic Shares, unless otherwise specified in the Articles of Association, such parties shall submit that dispute or claim to arbitration before either the China International Economic and Trade Arbitration Commission ("CIETAC") or the Hong Kong

International Arbitration Centre ("HKIAC") for arbitration. If the party seeking arbitration elects to arbitrate the dispute or claim at the HKIAC, then either party may apply to have such arbitration conducted in Shenzhen according to the securities arbitration rules of the HKIAC. CIETAC is an economic and trade affairs arbitration organ in the PRC. Pursuant to the China International Economic and Trade Arbitration Commission Arbitration Rules, effective on 1st October, 2000, as amended on 11 January 2005 CIETAC's jurisdiction covers disputes relating to the Hong Kong Special Administrative Region. CIETAC is located in Beijing with branches in Shenzhen and Shanghai.

Under the Arbitration Law, an arbitral award is final and binding on the parties and if a party fails to comply with an award, the other party to the award may apply to the People's Court for enforcement. A People's Court may refuse to enforce an arbitral award made by an arbitration body if there are certain procedural or membership irregularities or the award exceeds the scope of the arbitration agreement or is outside the jurisdiction of the arbitration commission.

A party seeding to enforce an arbitral award of a foreign affairs arbitration organ of the PRC against a party who or whose property is not within the PRC may apply to a foreign court with jurisdiction over the case for enforcement. Similarly, an arbitral award made by a foreign arbitration body may be recognised and enforced by the PRC courts in accordance with the principles of reciprocity or any international treaty concluded or acceded to by the PRC. The PRC acceded to the New York Convention adopted on 10 June 1958 pursuant to a resolution of the Standing Committee of the NPC passed on 2 December 1986. The New York Convention provides that all arbitral awards made by a state which is a party to the New York Convention shall be recognised and enforced by other parties to the New York Convention subject to their right to refuse enforcement under certain circumstances including where the enforcement of the arbitral award is against the public policy of the state to which the application for enforcement is made. It was declared by the Standing Committee of the NPC simultaneously with the accession of the PRC that (1) the PRC will only recognise and enforce foreign arbitral awards on the principle of reciprocity and (2) the PRC will apply the New York Convention in dispute considered under PRC laws to be arising from contractual or noncontractual mercantile legal relations. Following the resumption of sovereignty over Hong Kong by the PRC on 1 July 1997, the New York Convention no longer applies to the enforcement of Hong Kong arbitration awards in other parts of the PRC. A Memorandum of Understanding on the Arrangement for Reciprocal Enforcement of Arbitral Awards between Hong Kong and China has been signed on 21 June 1999. It will allow awards made over 100 China arbitral authorities with relevant experience to be enforced in Hong Kong. Under the agreed arrangement, Hong Kong arbitration awards will also be enforceable in China. This new arrangement has been approved by Hong Kong legislative council and the Supreme People's Court of the PRC and became effective on 1 February 2000.

5. FOREIGN EXCHANGE CONTROLS

The lawful currency of the PRC is the Renminbi, which is subject to foreign exchange controls and is not freely convertible into foreign exchange at this time. The SAFE, under the authority of the PBOC, is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

Prior to 31 December 1993, a quota system was used for the management of foreign currency. Any enterprise requiring foreign currency was required to obtain a quota from the local SAFE office before it could convert Renminbi into foreign currency through the PBOC or other designated banks. Such conversion had to be effected at the official rate prescribed by the SAFE on a daily basis. Renminbi could also be converted into foreign currency at swap centres. The exchange rates used by swap centres were largely determined by the demand for, and supply of, foreign currencies and the Renminbi requirements of enterprises in the PRC. Any enterprise that wished to buy or sell foreign currency at a swap centre first had to obtain the approval of the SAFE.

On 28 December 1993, the PBOC, under the authority of the State Council, promulgated the Notice of the People's Bank of China Concerning Further Reform of the Foreign Currency Control System (the "Notice"), effective from 1 January 1994. The Notice announces the abolition of the system of foreign exchange quotas and the unification of the official Renminbi exchange rate and the market rate for Renminbi established at swap centres. On 26 March 1994, the PBOC promulgated the "Provisional Regulations for the Administration of Settlement, Sale and Payment of Foreign Exchange" (the "Provisional Regulations"). The Provisional Regulations set out detailed provisions regulating the sale and purchase of foreign exchange by enterprises, economic organisations and social organisations in the PRC.

On 29 January 1996, the State Council promulgated new Regulations of the People's Republic of China for the Control of Foreign Exchange ("Control of Foreign Exchange Regulations") which became effective from 1 April 1996. The Control of Foreign Exchange Regulations classify all international payments and transfers into current account items and capital account items. Current account items are no longer subject to SAFE approval while capital account items still are. The Control of Foreign Exchange Regulations were subsequently amended on 14 January 1997. This latest amendment affirmatively states that the State shall not restrict international current account payments and transfers. The Control of Foreign Exchange Regulations have been amended on 1 August 2008. The amendments further facilitate trading investment activities and cancel the requirement that foreign exchange receipts shall be compulsively transferred to domestic accounts and permit foreign exchange receipts be transferred to domestic accounts or deposited in oversea accounts in accordance with required conditions and periods to regulate administration of settlement of foreign exchange for foreign exchange receipts in capital account and require foreign exchange in capital account and the fund from settlement of foreign exchange to be used for approved purposes.

On 20 June 1996, the PBOC promulgated the "Regulations for Administration of Settlement, Sale and Payment of Foreign Exchange" (the "Settlement Regulations") which became effective on 1 July 1996. The Settlement Regulations supersede the Provisional Regulations and abolish the remaining restrictions on convertibility of foreign exchange in respect of current account items while retaining the existing restrictions on foreign exchange transactions in respect of capital account items. On the basis of the Settlement Regulations, the PBOC also published the Announcement on the Implementation of Foreign Exchange Settlement and Sale at Banks by Foreign-invested Enterprises (the "Announcement"). The announcement permits foreign-invested enterprises to open, on the basis of their needs, foreign exchange settlement accounts for current account receipts and payments of foreign exchange, and specialized accounts for capital account receipts and payments at designated foreign exchange banks.

On 25 October 1998, the PBOC and the SAFE promulgated the Notice Concerning the Discontinuance of Foreign Exchange Swapping Business pursuant to which and with effect from 1 December 1998, all foreign exchange swapping business in the PRC for foreign-invested enterprises shall be discontinued, while the trading of foreign exchange by foreign-invested enterprise shall come under the banking system for the settlement and sale of foreign exchange.

On 1 January 1994, the former dual exchange rate system for Renminbi has been abolished and replaced by a managed floating exchange rate system, which is determined by demand and supply. The PBOC sets and publishes daily the Renminbi-US dollar base exchange rate. This exchange rate is determined with reference to the transaction price for Renminbi-US dollar in the inter-bank foreign exchange market on the previous day. The PBOC will also, with reference to exchange rates in the international foreign exchange market, announce the exchange rates of Renminbi against other major currencies. In foreign exchange transactions, designated foreign exchange banks may, within a specified range, freely determine the applicable exchange rate in accordance with the exchange rate announced by the PBOC.

6. THE REGULATIONS OF THE PRC AUTOMOBILE INDUSTRY

The PRC government principally monitors the PRC automobile industry through the following authorities.

(1) NDRC

(2) The State Administration on Quality Supervision, Inspection and Quarantine

(3) The Ministry of Environmental Protection of the People's Republic of China

The above authorities have different functions which, however, are compatible with each other to monitor the PRC automobile industry effectively. The NDRC is principally responsible for determining the policy of the PRC automobile industry and the medium to long term planning of the industry development. The State Administration of Quality Supervision, Inspection and Quarantine specializes in products quality control. The Ministry of Environmental Protection of the People's Republic of China is responsible for restraining the level of emission of automobiles.

The Industry policies affecting the PRC automobile Industry

In 1994, the State Planning Commission promulgated the "Automobile Industry Policy" as the overall policy guidelines for the PRC automobile industry, which is aimed at strengthening the PRC automobile enterprises' capacity for product development, improving product quality and manufacturing facilities, promoting the rationalization of the industrial structure, realising economies of scale in production, and eventually convert the PRC's fragmented, decentralized automobile industry into a key industry of the national economy.

In 2004, the "Automobile Industry Policy" was revised and was further amended on 15 August 2009 to replace the 1994 PRC Automobile Industry Policy. The two main purpose of the 2004 Automobile Industry Policy is: to encourage the establishment of several internationally competitive automobile manufacturing companies in China before 2010 and to avoid over capacity and duplication of establishments. As a result, the policy raised the entry barriers of the automobile industry in China.

The key objectives of the 2004 Automobile Industry Policy include the following:

(1) to establish a healthy domestic automobile industry with a comprehensive regulatory system including mandatory administrative regulations and technical specifications and create a fair and competitive market environment;

(2) to stimulate the development of the automobile industry and related industries, city transportation infrastructure and environmental protection. To create a conducive environment for car use, cultivate a healthy automobile market, protect customers' rights and interests as well as promote individual consumption of passenger vehicles.

(3) to encourage domestic automobile manufacturers to increase their R&D efforts, develop proprietary technologies and establish their brand image and value;

(4) to encourage reorganisation within the automobile industry, achieve the economies of scale to avert fragmented, low-quality enterprises.

(5) to encourage the automobile enterprises to form corporate alliances in compliance with market practice and rules in order to mutually complement, share resources and expand the business scale.

The 2004 Automobile Industry Policy with regard to China automobile industry regulates:

(1) a minimum investment of RMB 2 billion for a new automobile manufacturing project with at least RMB 800 million of the investment financed by unencumbered funds, of which a minimum investment of RMB 500 million is for establishing R&D facilities;

(2) a minimum investment of RMB 1.5 billion for a investment project of a newly established vehicle engine manufacturing enterprise, with at least RMB 500 million of the investment financed by unencumbered funds from the investor in the new project shall be used to establish research and development institution and the standard of products shall satisfy the compulsory requirements of increasingly enhanced national technical specifications;

(3) a minimum investment of RMB 1.5 billion by an existing automobile manufacturer that wishes to invest in a new manufacturing project to produce complete vehicles in a category different from those it currently manufactures, provided that it has an asset/liability ratio of within 50% and an AAA credit rating from a bank;

(4) where an existing automobile manufacturer wishes to set up a new manufacturing facility to produce sedan cars or other passenger vehicles in a category different from those it currently manufactures, it must have the results which enable it to conduct bulk production of automotive products and an accumulated net profit after tax for the past three financial years over RMB 1.0 billion (with taxation certification), an asset/liability ratio of within 50% and an AAA credit rating from a bank;

(5) any new manufacturing facility for heavy trucks or passenger vehicles must also be able to manufacture engines for its vehicles and have a minimum production capacity of 10,000 heavy trucks, 50,000 passenger vehicles with four-cylinder engines, or 30,000 passenger vehicles with six-cylinder engines;

(6) in the case of joint ventures the PRC joint venture partner must hold a minimum of 50% of the equity interest in a joint venture manufacturing whole vehicles, specialty vehicles, agricultural transport vehicles and motorcycles; and in the case of a listed joint venture manufacturing

whole vehicles specialty vehicles agricultural transport vehicles and motorcycle where any equity interest in such joint venture is sold to other investors, one of the PRC juridical person shall hold relatively holding equity which is more than the sum of legal shares of foreign parties; and

(7) any foreign company and its affiliates may establish no more than two automobile manufacturing joint ventures in China that produce the same type of complete vehicles, save for those co-operating with its PRC joint venture partners to acquire other domestic automobile manufacturing enterprises.

Manufacturers' qualification and compulsory authentication of automobile products

Since 1 January 2001, all PRC automobile manufacturers (including Sino-foreign joint ventures) and all models of vehicles to be manufactured by them must be registered in the NDRC. A vehicle with any different feature is classified as a separate model for NDRC registration purposes. Such notices by NDRC entitle the automobile manufacturer to legally manufacture and sell its registered automobile products in China. In order to register under NDRC's approved list, all vehicles and automobile products subject to registration applications must pass government-regulated tests for compliance with various safety standards, technical specifications and environmental protection requirements. The PRC public security authorities process the licensing of the registered vehicles and automobile products. Licenses will only be issued to qualified vehicles and automobile products.

The State Administration on Quality Supervision, Inspection and Quarantine is charged with the administration of automobile product quality certification. According to the Administrative Rules for Compulsory Product Certification issued by the State Administration on Quality Supervision, Inspection and Quarantine in 2001, automobile products, including imported vehicles and parts and components, are subject to compulsory certification conducted by government-designated certification agencies for compliance with various safety and technical standards and requirements. An automotive product may be sold in China or imported into China only after passing such an authentication and issued with a China Compulsory Certification. This is commonly known as a 3C or CCC certification.

The PRC government may also remove automobile products from the catalog if the government determines that such automobile products no longer meet the relevant regulatory requirements. Such removal will deprive the relevant manufacturer of its right to continue to manufacture or sell the removed automobile products in China.

Emissions and pollution

The PRC government has adopted various measures to institute a uniform supervision and administration system with respect to vehicle emissions, including an automobile product authentication procedure and a network of testing centres across China. The State Environmental Protection Administration from time to time publishes notices to inform the public of new vehicle models that comply with its regulatory emission standards. Automobile manufacturers are not allowed to produce or register any vehicle model or automobile product that has failed to comply with such regulatory emission standards.

The State Environmental Protection Administration limits exhaust emission on the basis of China I, II, III and IV. Different limits of exhaust emission and testing measures in these standards shall be applied to different types of vehicles.

As of 1 September 2003, the PRC government ceased to follow China I Standards and began to implement China II Standards. The PRC government began implementing China III Standards in selected cities, such as in Beijing in December 2005 and Guangzhou in September 2006 respectively. The State Environmental Protection Administration has announced that all newly produced vehicles are expected to be in compliance with China III Standards in 2008. The PRC government intends to further implement China IV Standards starting 1 January 2010. Beijing has taken the lead to implement China IV Standards from 1 January 2008. These emission standards will impose substantially higher compliance expenditures on the PRC automobile manufacturers, including R&D costs, to satisfy engine and vehicle design and engineering requirements.

Automobile sales and after sales services

Effective 1 April 2005, the PRC government started to implement the Implementation Method on Administration of Automobile Brand-Specific Sales, jointly issued by the Ministry of Commerce, the National Development and Reform Commission and the State Administration for Industry and Commerce on 21 February 2005. This regulation requires vehicle dealers in China to be authorised by relevant automobile manufacturers in order to market and sell the vehicles made by such manufacturers. Dealers shall submit relevant materials to the PRC administration of industry and commerce for filing purposes. Foreign invested manufacturers must first be approved by the authorities of commerce and obtain an Approval Certificate for a Foreign Investment Enterprise, and then apply for registration with the local administration of industry and commerce with the filed documents or the Approval Certificate for a Foreign Investment Enterprise.

Furthermore, automobile manufacturers should provide consumers with vehicle quality assurance and services commitment, and announce to the public vehicle models that has ceased production in due course. Active measures are to be taken to ensure the supply of accessories for a reasonable period and all automobile manufacturers are required to maintain an appropriate size of sales and service network. The distance between an accessories supply store and after-sales station shall be within 150 kilometers radius of a sales and service centre. Furthermore, automobile manufacturers are required to provide business training and required technical support such as marketing, promotion, after-sales, and technical services to the vehicle dealers based on their service functions.

Automobile financing

Effective 3 October 2003, the PRC government started to implement the Administrative Rules Governing Auto Financing Companies (《汽車金融公司管理辦法》) promulgated by the China Banking Regulatory Commission, which brought commercial banks' monopolization of China's automobile market to an end. Pursuant to such rules, enterprises or non-bank financial institutions manufacturing or selling vehicles may apply to the China Banking Regulatory Commission (referred to as CBRC thereafter) for the establishment of auto financing companies to provide financing services for domestic vehicle purchasers and sellers. Such rules have stipulated the establishment conditions, procedures and business scope for auto financing companies.

The CBRC further promulgated a new set of Administrative Rules Governing Auto Financing Companies on 24 January 2008, with significant amendment made to the Administrative Rules Governing Auto Financing Companies promulgated in 2003, to provide important legal protection for auto financing companies for their rapid development under effective risks control. The eligibility requirements and permitted scope of business stress that auto financing companies should demonstrate professional development and core businesses. It is emphasized that at least one of the capital contributors in establishing an auto financing company must be experienced in auto financing business management and risks control or a professional management team shall be introduced. Automobile finance lease business is added to the business scope, forming the three core businesses of an auto financing company together with the original automobile retail loans business and whole loans. An auto financing company is also permitted to issue finance bonds and enter into financing business such as inter-bank borrowing, which has widened the financing channel of an auto financing company. In respect of the risks regulatory benchmarks, the original restriction requirement to offer credit to the top ten clients is cancelled in accordance with the characteristics of auto financing business. At the same time, the proportion restriction on credits granted to a single group client is increased to prevent and disperse the connected transaction risks.

Effective 1 October 2004, the PRC government started to implement the Administrative Measures on Automobile Loans (《汽車貸款管理辦法》) promulgated by the CBRC on 16 August 2004 and the Administrative Measures on Automobile Expenditure and Loans (《汽車消費貸款管理辦法》) promulgated by the People's Bank of China in 1998 was abolished thereon. The Administrative Measures on Automobile Loans extended the area of borrowers to commercial banks, rural and urban credit cooperatives and non-bank financial institutions which are allowed to conduct automobile loans business. The measures also stipulate the conditions for a borrower to apply for personal automobile loans. The time limit (including extensions) on automobile loans shall not exceed five years, the time limit (including extensions) on automobile loans for second hand automobiles shall not exceed three years, and the time limit on automobile loans for dealers shall not exceed one year. Furthermore, pursuant to the measures, the amount of self-use automobile loans offered by the creditors shall not exceed 80% of the price of the automobile purchased by the borrower, the amount of commercial automobile loans offered shall not exceed 70% of the price of the automobile purchased by the borrower, and the second hand automobile loans offered shall not exceed 50% of the price of the automobile purchased by the borrower.

Recall of defective automobiles

On 1 October 2004, the PRC government commenced implementing the "Provisions on the Administration of Recall of Defective Automobiles" jointly issued by the State Administration on Quality Supervision, Inspection and Quarantine, NDRC, MOFCOM and the General Administration of Customs on 12 March 2004. the automobile industry is the first in the PRC to pilot a defective product recall system.

According to the Provisions on the Administration of Recall of Defective Automobiles, automobile products manufacturers (importers) are required to perform the recall obligation for any defective products that are manufactured (imported) by them. Defects refer to instances where a design or manufacturing or other flaw is found in a certain batch, a model or a make of the automobile products so as to impose an unreasonably high degree of danger to human life or property, or a nonconformity with the national automobile safety standards. The principles of judging a defect include the following:

(1) the products tested by inspection authorities fail to conform with the technical regulations and national standards relating to automobile safety;

(2) the products have caused personal injuries or property damages to the owners because of the defects in design or manufacturing;

(3) the products have been inspected and tested and it has been determined that they may cause personal injuries or property damage under certain conditions, although such outcome has not occurred yet.

The regulations have set out the procedural steps to be taken in the event of voluntary recalls and mandatory recalls and specifies the requirements relating to automobile defects reporting, investigation and determination.

Penalties are provided for violations of the regulations. The maximum fine is RMB30,000 for manufacturers who attempt to conceal the seriousness of the defects, take advantage of the regulated proceedings for initiative recalls of defective automobile products to evade the rules or supervision by related departments or fail to achieve the expected effect of the recalls of defective automobile as a result of its failure and causes the damage to repeat itself.

7. ENVIRONMENTAL PROTECTION AND HEALTH AND SAFETY REGULATION

Environmental protection

We are subject to the following PRC regulation in respect of environmental protection and health and safety matters:

1. The "Environmental Protection Law of the PRC" requires:

   - any entities polluting the environment to have measures in place to prevent and control the pollution and damage to the environment in the course of its production and construction; and
   - discharge of pollutants be reported and registered.

2. The "Prevention and Control of Water Pollution Law of the PRC" and the "Implementation Rules for the Prevention of Water Pollution Law of the PRC" require:

   - enterprises and institutions that discharge pollutants into a water body to obtain discharge permits in accordance with relevant regulations and pay a pollutant discharge fee; and
   - that if the discharge exceeds the limits set by the national or local standards, environmental protection authorities shall order them to take rectification measures in a limited period and they shall pay a penalty according to applicable regulations.

3. "The Prevention of Air Pollution Law of the PRC" requires that:

   - Units that discharge atmospheric pollutants must, pursuant to the provisions of the administrative department of environmental protection under the State Council, report to the local administrative department of environmental protection its existing discharge and treatment facilities for pollutants and the types, amount and concentration of pollutants discharged under normal operating conditions and provide relevant technical data concerning the prevention and control of atmospheric pollution; and

- Any unit that, as a result of an accident or any other exigency, discharges or leaks toxic or harmful gas or radioactive substances, thereby causing or threatening to cause an accident of atmospheric pollution and jeopardize human health, must promptly take emergency measures to prevent and control the atmospheric pollution hazards, make the situation known to such units and inhabitants as are likely to be endangered by the atmospheric pollution hazards, report the case to the local environmental protection department and accept its investigation and disposal.

4. "The Prevention of Solid Waste Pollution Law of the PRC" (amendment) requires that units producing solid waste adopt measures to prevent or reduce the solid waste pollution to the environment.

5. The "Prevention and Control of Pollution from Environmental Noise Law of the PRC" requires that industries and enterprises causing noise pollution adopt measures to lessen the influence on the living environment.

6. The "Conservation of Energy Law of PRC" requires that the State adopt a system to eliminate energy-using products, equipment and production process which are excessively consumes energy.

Society, occupational health and safety protection

We are subject to the following regulations on society, occupational health and safety protection

1. Company Law of the People's Republic of China (amended on 27 October 2005)

   - Article 17 — The company shall protect the lawful rights and interests of its employees, conclude employment contracts with the employees, buy social insurances, strengthen labor protection so as to realise safe production. The company shall, in various forms, reinforce the vocational education and in-service training of its employees so as to improve their personal quality.

   - Article 18 — The employees of a company shall, according to the Labor Union Law of the People's Republic of China, organise a labor union, which shall carry out union activities and safeguard the lawful rights and interests of the employees. The company shall provide necessary conditions for its labor union to carry out activities. The labor union shall, on behalf of the employees, conclude the collective contract with the company with respect to the remuneration, working hours, welfare, insurance, work safety and sanitation and other matters. Pursuant to the Constitution and other relevant laws, a company shall implement democratic management in the form of meeting of the representatives of the employees or any other ways. To make a decision on restructuring or any important issue related to business operation, or to formulate any important regulation, a company shall solicit the opinions of its labor union, and shall solicit the opinions and proposals of the employees through the meeting of the representatives of the employees or in any other way.

2. Labour Law of the People's Republic of China

- Article 40 — An Employer shall arrange holidays for labourers in accordance with the law during the following festivals: (a) the New Year's Day; (b) the Spring Festival; (c) the International Labour Day; (4) the National Day; and (5) other holidays stipulated by laws, rules and regulations.

- Article 52 — An Employer must establish and perfect the system for occupational safety and health, strictly implement the rules and standards of the State on occupational safety and health, educate laborers on occupational safety and health, prevent accidents in the process of work, and reduce occupational hazards.

3. Production Safety Law of the People's Republic of China

- Article 17 — The major persons-in-charge of the production and business operation entities shall have the following duties and responsibilities regarding the production safety of their own entity:

  - Establishing and perfecting the system of responsibility relating to production safety;

  - Organizing the formulation of rules of safe production and operational rules of the entity;

  - Organizing the formulation and execution of plans for emergency rescue and relief of production safety accidents of the entity

- Article 20 — The major persons-in-charge and the personnel for the administration of production safety of the production and business operation entities shall have the knowledge and management capacity that match the production and business operation activities of the entities concerned.

- Article 21 — The production and business operation entities shall offer education and training programs to the employees thereof regarding production safety so as to ensure that the employees have the necessary knowledge of production safety, know the relevant regulations and rules for safe production and the rules for safe operation, and master the skills for safe operation for their own positions. No employee who has not passed the education and training programs regarding production safety may start to work at his position.

- Article 28 — The production and business operation entities shall set up eye-catching safety warning marks at the production or business operation sites that have substantial dangerous elements or on the relevant facilities or equipment.

- Article 30 — The special equipment that concerns the safety of life or is rather dangerous, the container of hazardous substances or the transportation tool that any production and business operation entity uses shall, according to the relevant provisions of the state, be manufactured by the specialized production entities, and only after it has passed the detections and tests of the detecting and testing institutions that are equipped with the professional qualifications for which a certificate for safe use or a mark of safety has been obtained could it be put into use. The detecting and testing institutions shall be responsible for the results of their detections and tests.

- Article 32 — For the production, business operation, transportation, storage and use of any hazardous substance or disposal or abandoning of any hazardous substance by any production and business operation entity, the entity shall execute the provisions of relevant laws and regulations as well as the national standards or industrial standards, and establish specialized safety administration rules, take reliable safety measures, and accept the supervision and administration lawfully carried out by relevant administrative departments.
- Article 37 — The production and business operation entities shall provide labor protection articles that meet the national standards or industrial standards to the employees thereof, supervise and educate them to wear or use these articles according to the prescribed rules.
- Article 38 — The persons in charge of the production safety of the production and business operation entities shall conduct regular inspections over the production safety of the entities concerned by taking the peculiarities of business operation of the entities into consideration. The safety problems that are found out in the inspections shall be dealt with immediately; if they cannot deal with the problems, they shall report to the relevant persons-in-charge of the entities in good time. Records shall be taken for the inspections and the handling of the problems.

4. Law of the People's Republic of China on the Prevention and Treatment of Occupational Diseases

- Article 13 — An occupational-disease-inductive Employer shall adhere to the stipulations of laws and regulations with regard to the set-up of organizations and create the workplace up to the following occupational health requirements: (1) The intensity or concentration of the occupational-disease-inductive substances should comply with the national standard of occupational health; (2) Adoption of appropriate occupational-disease-prevention facilities.
- Article 20 — An Employer shall deploy effective occupational-disease-prevention facilities and provide laborers with the individual-used occupational-disease-prevention articles.
- Article 24 — An Employer shall make regular test and assessment on the occupational-disease-inductive factors in the workplace according to the regulation of the public health authority under the State Council. The assessment result shall be logged into the Employer's occupational health archive for regular submission to local public-health authority and for release to the laborers.
- Article 32 — According to the regulation of the public health authority under the State Council, an Employer shall, at its own cost, proceed with the pre-employment/on-job/pre-departure physical examination for laborers engaged in the occupational-disease-inductive operation and faithfully inform the laborers of the examination result.

5. Law of the People's Republic of China on Employment Contracts

- Article 4 — An employer shall establish and improve internal rules and regulations, so as to ensure that laborers enjoy their labor rights and perform their labor obligations. When an employer formulates, revises or decides on rules and regulations, or material matters, that have a direct bearing on the immediate interests of its laborers, such as those concerning compensation, working hours, rest, leave, work safety and hygiene, insurance, benefits, employee training, work discipline or work quota management, the same shall be discussed by a laborer representative congress or all the laborers. The laborer representative congress or all the employees, as the case may be, shall put forward a proposal and comments, whereupon the matter shall be determined through consultations with the Trade union or laborer representatives conducted on a basis of equality. If, during the implementation of the employer's rule or regulation or decision on a crucial matter, the Trade union or a laborer is of the opinion that the same is inappropriate, it or he is entitled to communicate such opinion to an employer, and the rule, regulation or decision shall be improved by making amendments after consultations. An employer shall publicly announce the rules and systems that are directly related to the personal benefits of laborers or the decisions on important matters, or inform the laborers of such rules and systems and decisions.

- Article 14 — Labour contracts with unfixed terms refer to labour contracts in which no certain termination date is not agreed between employer and laborers. Where an employer and a laborer have reached a consensus after consultation, a labour contract with unfixed terms may be signed. In any of the following circumstances where the laborer requests or agrees to renew or sign labour contracts, the labour contract with unfixed terms shall be signed unless laborers request signing of a labour contract with fixed terms:

  - The laborer has been working with the employer for 10 consecutive years;

  - Where the employer implements the labor contract system for the first time or labour contracts are re-signed due to restructuring of state-owned enterprises, the laborer has been working with the employer for 10 consecutive years and less than 10 years are left till statutory retirement age; or

  - Where a labour contract with fixed terms has been signed for two consecutive times and no labour contract is renewed for laborers under the circumstances specified in Items (1) and (2) of Articles 39 and 40 thereof.

  Where the employer fails to sign a written labour contract with the laborer from one year of the use of labour services, the labour contract with unfixed terms shall be deemed to have been signed between the employer and the laborer.

- Article 33 — Where an employer changes its name, legal representative, major responsible person or investors, the performance of the labour contract shall not be affected.

- Article 34 —Where there is a merger or division of an employer, the original labour contract shall continue to be valid and the labour contract shall be performed continuously by the employer that succeeds the rights and obligations.

- Article 82 — Where an employer fails to sign a written labour contract with a laborer that has provided labour services for more than one month but less than one year, double monthly wages shall be paid to the laborer.

  Where an employer violates the provisions hereof by failing to sign a labour contract with unfixed terms, double monthly wages shall be paid to the laborer from the signing date of the labour contract with unfixed terms.

6. Employment Promotion Law of the People's Republic of China

- Article 8 — An employer shall guarantee the legitimate interests of laborers in accordance with this Law, other laws and regulations.
- Article 47 — An enterprise shall obtain education funds for workers pursuant to relevant China regulations, to provide professional skill training and continuous education training to workers.

SUMMARY OF THE ARTICLES OF ASSOCIATION

Set out below is a summary of the principal provisions of the Articles of Association which were approved at the fourth shareholder's general meeting in 2009 of our Company held on 3 November 2009.

1. Board of Directors, Directors, Supervisors and other officers

(1) Power to allot and issue Shares

There is no provision in the Articles of Association empowering the Directors to allot and issue Shares.

To increase the capital of our Company, the Board is responsible for formulating proposals for approval at a shareholders' general meeting by way of special resolution with more than two-thirds of the voting power held. Any such increase must be conducted in accordance with the procedures stipulated by the relevant laws and administrative regulations.

(2) Power to purchase or dispose the assets

The board is entitled with the power to purchase or dispose the asset in one year which worth no more than 30% of the latest audited total asset of the Company.

(3) Emoluments and Compensation or payments for loss of office

Our Company shall, with the prior approval of shareholders in a general meeting, enter into a contract in writing with each of a Director or Supervisor wherein his or her emoluments are stipulated. The aforesaid emoluments include:

(i) emoluments in respect of his or her service as a Director, Supervisor or senior management officer of our Company;

(ii) emoluments in respect of his service as a Director, Supervisor or senior management officer of any subsidiary of our Company;

(iii) emoluments in respect of the provision of other services in connection with the management of the affairs of our Company and any of its subsidiaries; and

(iv) payment by way of compensation for loss of office, or as consideration for or in connection with his retirement from office.

Except under the contract entered into in accordance with the foregoing, no proceedings may be brought by a Director or Supervisor against our Company for any benefit due to him in respect of the above matters.

The contracts concerning the emoluments between our Company and its Directors or Supervisors should provide that, in the event of a takeover of our Company, the Directors and Supervisors shall, subject to the prior approval of the shareholders in general meeting, have the right to receive compensation or other payment in respect of his loss of office or retirement. A "takeover of our Company" referred to in this paragraph means either:

(i) an offer made by any person to all shareholders; or

(ii) an offer made by any person with a view to the offer or becoming a "Controlling Shareholder" within the meaning set out in the Articles of Association.

If the relevant Director or Supervisor does not comply with the above, any sum so received by him shall belong to those persons who have sold their Shares as a result of their acceptance of the said offer made. The expenses incurred in distributing such sum pro rata amongst those persons shall be borne by the relevant Director or Supervisor and shall not be deducted out of that sum distributed.

(4) Loans to Directors, Supervisors and other officers

Our Company shall not directly or indirectly make a loan to, or provide any guarantee in connection with a loan made to a Director, Supervisor, manager or other senior management officers of our Company and its parent company or any of their respective associated persons.

However, the following transactions are not subject to such prohibition:

(i) the making by our Company of a loan or a guarantee of a loan to a company which is a subsidiary of our Company;

(ii) the making by our Company of a loan or a guarantee or any other funds to any of its Directors, Supervisors, managers and other senior management officers to meet expenditure incurred or to be incurred by him for the purposes of our Company or for the purposes of enabling him to perform his duties properly, in accordance with the terms of an employment contract approved by the shareholders in general meeting; and

(iii) Our Company may make a loan or provide a guarantee to any of the relevant Directors, Supervisors, managers and other senior management officers or their respective associated companies under the premise of normal business condition provided that the Company's ordinary course of business includes the lending of money or the giving of guarantees.

A loan made by our Company in breach of the above provisions shall be forthwith repaid by the recipient of the loan regardless of the terms of the loan.

Any guarantee provided by our Company in breach of the above provisions shall be unenforceable against our Company, unless:

(i) when the loan was made to a relevant person of the Directors, Supervisors, manager and other senior management of our Company or of our Company's parent company, the lender was unaware of the relevant circumstances;

(ii) The security provided by our Company has been lawfully disposed of by the lender to a bona fide purchaser in good faith.

(5) Financial assistance for the acquisition of shares in our Company or any subsidiary

Our Company or its subsidiaries shall not, by any means and at any time, provide any type of financial assistance as defined below to a person who is acquiring or is proposing to acquire Shares in our Company. The said acquiror of shares of our Company includes a person who directly or indirectly incurs any obligations as defined below due to the acquisition of such shares.

Our Company or its subsidiaries shall not, by any means and at any time, provide financial assistance to the said acquiror for the purpose of reducing or discharging the obligations assumed by that person.

The following activities shall not be deemed to be prohibited activities prescribed above:

(i) the provision of financial assistance by our Company given in good faith in the interest of our Company, and the principal purpose in giving the financial assistance is not for the acquisition of Shares, or the giving of the financial assistance is an incidental part of some larger purpose of our Company;

(ii) the lawful distribution of our Company's assets by way of dividend;

(iii) the allotment of bonus shares as dividends;

(iv) inter alias the reduction of registered capital, a repurchase of GAC Shares or a reorganisation of the share capital structure of our Company effected in accordance with the Articles of Association;

(v) the lending of money by our Company within its scope of business, provided that the net assets of our Company are not thereby reduced or that, to the extent that the net assets are thereby reduced, the financial assistance is provided out of distributable profits; and

(vi) the provision of money by our Company for contributions to employee share schemes, provided that the net assets of our Company are not thereby reduced or that, to the extent that the net assets are thereby reduced, the financial assistance is provided out of distributable profits.

The "financial assistance" referred to in our Articles of Association includes, (without limitation to), the following meanings:

(i) gift;

(ii) guarantee (including the assumption of liability by the guarantor or the provision of assets by the guarantor to secure the performance of obligations by the obligor), or compensation (other than compensation in respect of our Company's own default) or release or waiver of any rights;

(iii) provision of loan or any other agreement under which the obligations of our Company are to be fulfilled before the obligations of another party, or a change in the parties to, or the novation of, or the assignment of rights arising under, such loan or agreement; or

(iv) any other form of financial assistance given by our Company when our Company is insolvent or has no net assets or when its net assets would thereby be reduced to a material extent.

The above "incurs any obligation" includes the assumption of obligations by the changing of the obligor's financial position by way of contract or the making of an arrangement (whether enforceable or not, and whether such obligation is to be borne solely by such person or jointly with any other persons), or by any other means.

(6) Disclosure of interests in contracts with our Company or any of its subsidiaries

Where a Director, Supervisor, manager or other senior management of our Company is in any way, directly or indirectly, materially interested in a contract, transaction or arrangement or proposed contract, transaction or arrangement wherein our Company is an interested party, (other than his or her contract of service with our Company), he shall declare the nature and extent of his interests to the Board at the earliest opportunity, whether or not the contract, transaction or arrangement or proposal therefor is otherwise subject to the approval of the Board.

Unless the interested Director, Supervisor, manager or other senior management discloses his or her interests in accordance with the Articles of Association and the contract, transaction or arrangement in question is approved by the Board at a meeting in which the interested Director is not counted in the quorum and refrains from voting, a contract, transaction or arrangement in which that Director, Supervisor, manager or other senior management is materially interested is voidable except as against a bona fide party thereto acting without notice of the breach of duty by the interested Director, Supervisor, manager or other senior management concerned.

For these purposes, a Director, Supervisor, manager or other senior management of our Company is deemed to be interested in a contract, transaction or arrangement in which an associate of him is interested.

Where a Director, Supervisor, manager, or other senior management of our Company gives the Board a general notice in writing stating that, by reason of the facts specified in the notice, he is interested in contracts, transactions or arrangements of any description which may subsequently be made by our Company, such notice shall be deemed for the purposes of the above mentioned articles to be a sufficient declaration of his interests, so far as the contents stated in such notice are concerned, provided that such general notice shall have been given before the date on which the question of entering into the relevant contract, transaction or arrangement is first taken into consideration on behalf of our Company.

(7) Remuneration

The remuneration of Directors must be approved by shareholders in general meeting. For details please refer to "Emoluments, Compensation or payments for loss of office" in paragraph (3) above.

(8) Retirement, appointment and removal

The terms of office of the Chairman and the other Board members shall be 3 years. A Director may serve consecutive terms if re-elected.

Directors shall be elected and removed by the shareholders in general meeting. A Director is not required to hold shares of our Company.

The Board shall consist of 15 Directors. Our Board shall have one chairman and one vice-chairman. The chairman and vice-chairman shall be elected and removed by more than one half of all the Directors.

A person may not serve as a Director, Supervisor, manager and any other senior management of our Company if any of the following circumstances applies:

(i) a person without legal or with restricted civil capacity;

(ii) a person who has committed an offence of corruption, bribery, infringement of property, misappropriation of property or other crimes which disrupt the social economic order and has been sentenced; or who has been deprived of his political rights and has been sentenced, in each case where less than five (5) years have elapsed since the sentence was fully served;

(iii) a person who is a former director, factory manager or manager of a company or enterprise which has been liquidated as a result of mismanagement and he is held personally liable for the liquidation of such company or enterprise, where less than three (3) years have elapsed since the date of the completion of the insolvency and liquidation of the company or enterprise;

(iv) a person who is a former legal representative of a company or enterprise which had its business license revoked due to a violation of law and who was held personally liable, where less than three (3) years has elapsed since the date of the revocation of the business license;

(v) a person who has a relatively large amount of personal debts due and outstanding;

(vi) a person who is under investigation by judicial or procuratorial organization for violation of the criminal law which investigation or prosecution is not yet concluded;

(vii) a person who is not eligible for enterprise leadership according to laws and administrative regulations;

(viii) a non-natural person; or

(ix) a person who is found by relevant competent authorities to have breached relevant securities laws and regulations and have been involved in fraudulent or dishonest acts, where less than five (5) years have elapsed since the day of relevant adjudication;

(x) a person who is imposed by securities supervising and managing authorities of the State Council a ban from admitting the securities market and the ban period has not expired;

(xi) other situations as stipulated by laws, administrative regulations or rules.

The validity of an act of a Director, Supervisor, manager or other senior management on behalf of our Company is not, as against a bona fide third party, affected by any irregularity in his office, election or any defect in his qualification.

(9) Borrowing powers

Subject to compliance with applicable laws and regulations of the PRC, our Company has the power to raise and borrow money, such power includes, but not limited to the issuance of the debentures, the charging or pledging of our Company's assets. Our Company also has power to provide guarantees for third parties, but our Company shall not impair or abrogate the power of any class of shareholders when exercising such power. The board is entitled by the Articles of Association with the power to lend single loan less than 10% of the latest audited net asset of the company, the accumulated amount of the loan in one year shall not exceed 50% of the latest audited net asset of the company.

1. the board is entitled with the power to formulate a plan regarding the issuance of the company bond.
2. provisions which provide that the issuance of debentures must be approved by the shareholders in a general meeting by way of a special resolution.

(10) Duties

In addition to obligations imposed by laws, administrative regulations or the listing rules of the relevant stock exchanges on which the Shares are listed, each of our Company's Directors, Supervisors, manager and other senior management owes a duty to each shareholder in the exercise of the following functions and powers of our Company entrusted to him:

(i) not to cause our Company to exceed the scope of the business stipulated in its business license;

(ii) to act honestly in the best interests of our Company;

(iii) not to expropriate our Company's property in any way, including (without limitation to) usurpation of opportunities which are beneficial to our Company; and

(iv) not to deprive the individual rights of the shareholders, including (without limitation to) rights to distribution and voting rights, save pursuant to a restructuring of our Company submitted to shareholders for approval in accordance with the Articles of Association.

Each of our Company's Directors, Supervisors, manager and other senior management owes a duty, in the exercise of his powers and discharge of his duties, to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

Each of our Company's Directors, Supervisors, manager and other senior management shall exercise his powers or carry on his duties in accordance with the fiduciary principle and shall not put himself in a position where his duty and his interest may conflict. This principle includes (without limitation to) the discharging the following obligations:

(i) to act honestly in the best interests of our Company;

(ii) to exercise powers within but not to exceed the scope of his powers and duties;

(iii) to exercise the discretion vested in him personally and not to allow himself to act under the control of another and, unless and to the extent permitted by laws, administrative regulations or with the informed consent of shareholders given in general meeting, not to delegate the exercise of his discretion;

(iv) to treat shareholders of the same class equally and to treat shareholders of different classes fairly;

(v) except in accordance with the Articles of Association or with the informed consent of shareholders given in general meeting, not to enter into any contract, transaction or arrangement with our Company;

(vi) without the informed consent of shareholders given in general meeting, not to use our Company's property for his own benefit by any means;

(vii) not to abuse his position to accept bribes or other illegal income or expropriate our Company's property by any means, including (without limitation to) opportunities which are beneficial to our Company;

(viii) without the informed consent of shareholders given in general meeting, not to accept commissions in connection with our Company's transactions;

(ix) to abide by the Articles of Association, faithfully execute his official duties and protect our Company's interest, and not to exploit his position and power in our Company to advance his own private interests;

(x) not to compete with our Company in any form unless with the informed consent of shareholders given in general meeting;

(xi) not to misappropriate our Company's funds or lend such funds to others, not to open accounts in his own name or other names for the deposit of our Company's assets and not to provide a guarantee for debts of a shareholder of our Company or other individual(s) with our Company's assets; and

(xii) unless otherwise with the informed consent of shareholders in general meeting, to keep in confidence information in respect of our Company acquired by him in the course of and during his term of office and not to use the information other than in furtherance of the interests of our Company, save that disclosure of such information to the court or other governmental authorities is permitted if:

(a) disclosure is made under compulsion of law;

(b) the interests of the public require such disclosure; or

(c) the interests of the relevant Director, Supervisor, manager or other senior management require such disclosure.

Each Director, Supervisor, manager or other senior management of our Company shall not cause the following persons or institutions ("associates") to do what he is prohibited from doing:

(i) the spouse or minor child of that Director, Supervisor, manager or other senior management of our Company;

(ii) a person acting in the capacity of a trustee of that Director, Supervisor, manager or other senior management or any person referred to in item 1 above;

(iii) a person acting in the capacity of a partner of that Director, Supervisor, manager or other senior management or any person referred to in items 1 and 2 above;

(iv) a company in which that Director, Supervisor, manager or other senior management, alone or jointly with one or more persons referred to in items 1, 2 and 3 above and other Directors, Supervisors, manager and other senior management have a de facto controlling interest; and

(v) the Directors, Supervisors, manager and other senior management of the controlled company referred to in item 4 above.

The fiduciary duties of the Directors, Supervisors, manager and other senior management of our Company do not necessarily cease with the termination of their terms of office. The duty of confidence in relation to trade secrets of our Company survives the termination of their terms of office.

Other duties may continue for such period as fairness may require depending on the time lapsed between the termination and the act concerned and the circumstances under which the relationships between them and our Company are terminated.

In addition to any rights and remedies provided by the laws and administrative regulations, where a Director, Supervisor, manager or other senior management of our Company is in breach of his duties to our Company, our Company has a right to:

(i) claim damages from the Director, Supervisor, manager or other senior management in compensation for losses sustained by our Company as a result of such breach;

(ii) rescind any contract or transaction entered into by our Company with the Director, Supervisor, manager and other senior management and with a third party (where such third party knows or should know that there is such a breach of duties by such Director, Supervisor, manager or other senior management, as a representative of our Company);

(iii) demand an account of the profits made by the Director, supervisor, manager or other senior management in breach of his duties;

(iv) recover any monies received by the Director, supervisor, manager or other senior management which should have been received by our Company, including (without limitation to) commissions; and

(v) demand payment of the interest earned or which may have been earned by the Director, Supervisor, manager or other senior management on the monies that should have been paid to our Company.

A Director, supervisor, manager or other senior management of our Company may be relieved of liability for specific breaches of his duties by the informed consent of Shareholders given at a general meeting except in the circumstances prescribed in Article 60.

2. Alterations to constitutional documents

Our Company may amend its Articles of Association in accordance with the requirements of law, administrative regulations and the Articles of Association.

Amendments to the Articles of Association involving the contents of the Mandatory Provisions for the Article of Association of Companies Seeking a Listing Outside the PRC shall become effective upon approval by the companies approving department authorised by the State Council and by CSRC. If there is any change relating to the registered particulars of our Company, application shall be made for registration of the changes in accordance with law.

3. Variation of rights of existing shares or different classes of shares

Rights conferred on any class of shareholders in the capacity of shareholders (“class rights”) may not be varied or abrogated unless approved by a special resolution of the shareholders in general meeting and by holders of shares of that class at a separate meeting conducted in accordance with Articles 125 to 129.

The following circumstances shall be deemed to be variation or abrogation of the class rights of a certain class of shareholders:

(1) any increase or decrease of the number of shares of such class, or increase or decrease of the number of shares of another class having voting or equity rights or other privileges equal or superior to these of the shares of such class;

(2) any exchange of all or part of the shares of such class into shares of another class or to exchange or create a right of exchange of all or part of the shares of another class into the shares of such class;

(3) any cancellation or reduction of rights to accrued dividends or rights to cumulative dividends attached to such class of shares;

(4) any reduction or cancellation of preferential rights attached to such class of shares to receive dividends or to a distribution of assets in the event that our Company is liquidated;

(5) any increase, cancellation or reduction of conversion rights, options, voting rights, rights of transfer or preemption rights, or rights to acquire securities of our Company attached to such class of shares;

(6) any cancellation or reduction of rights attached to such class of shares to receive payment payable by our Company in particular currencies;

(7) the creation of a new class of shares with voting or equity rights or other privileges equal or superior to those shares of such class;

(8) any restriction of or any increase in restriction on the transfer of ownership attached to such class of shares;

(9) the issue of subscription rights or conversion rights for such class of shares or of another class;

(10) any increase in the rights or privileges of shares of another class;

(11) any restructuring of our Company where the proposed restructuring will result in different classes of shareholders bearing a disproportionate burden of obligation in such restructuring; and

(12) any variation or abrogation of the provisions prescribed in the Articles of Association.

Shareholders of the affected class, whether or not otherwise having the right to vote at shareholders' general meetings, shall nevertheless have the right to vote at class meetings in respect of matters concerning items (2) to (8), (11) and (12) above, but interested shareholder(s) (as defined below) shall not be entitled to vote at class meetings.

The meaning of "interested shareholder(s)" is:

(1) In the event that our Company repurchases its own shares by way of a general offer to all shareholders in proportion to their respective shareholdings or through a public dealing on a stock exchange in accordance with Article 28 of the Articles of Association, "interested shareholders" mean such Controlling Shareholders as defined in Article 61 of the Articles of Association;

(2) In the event that our Company repurchases its own shares by a off-market agreement in accordance with Article 28 of the Articles of Association, "interested shareholders" mean the shareholders to whom such agreement relates; and

(3) in the case of a restructuring of our Company, a shareholder within a class who bears less than a proportionate burden imposed on that class under the proposed restructuring or who has an interest in the proposed restructuring different from the interest of shareholders of that class.

Resolutions of a class of shareholders shall be passed by votes representing more than two-thirds of the voting rights of shareholders of that class present at the relevant meeting who are entitled to vote at the class meeting, in accordance of Article 125.

Except for other classes of Shareholders, holders of domestic shares and overseas-listed foreign shares are deemed to be shareholders of different classes.

The special procedures for voting at a meeting of a class of shareholders shall not apply in the following circumstances:

(1) where our Company issues, upon the approval by a special resolution of its shareholders in general meeting, either separately or concurrently once every 12 months, not more than 20% of each of its existing issued domestic shares and overseas-listed foreign shares; or

(2) where our Company's plan to issue domestic shares and overseas-listed foreign shares at the time of its establishment is carried out within fifteen (15) months from the date of approval of the securities regulatory authority of the State Council.

4. Resolutions — majority required

Resolutions of shareholders' general meeting shall be divided into ordinary resolutions and special resolutions. To adopt an ordinary resolution, votes representing more than one half of the voting rights represented by the shareholders (including proxies) present at the meeting must be exercised in favour of the resolution for it to be passed.

To adopt a special resolution, votes representing more than two-thirds of the voting rights represented by the shareholders (including proxies) present at the meeting must be exercised in favour of the resolution for it to be passed.

Shareholders (including proxies) attending a meeting shall vote clearly in favour of or against any resolution. Our Company, in counting the votes, shall not take into account any undecided or forfeited votes.

5. Voting rights

The ordinary shareholders of our Company have the right to attend or appoint a proxy to attend shareholders' general meetings and to vote thereat. A shareholder (including proxy) when voting at a shareholders' general meeting may exercise voting rights in accordance with the number of shares carrying the right to vote and each share shall have one vote.

At any general meeting of shareholders, a resolution shall be decided on a show of hands unless a poll is (before or after any vote by show of hands) demanded:

(1) by the chairman of the meeting;

(2) by at least 2 shareholders present in person or by proxy who are entitled to vote; or

(3) by one or more shareholders present in person or by proxy and representing 10% or more (individually or in aggregate) of all shares carrying the right to vote at the meeting.

Unless a poll be so demanded, a declaration by the chairman that a resolution has been passed on a show of hands and a record of such in the minutes of the meeting shall be conclusive evidence of the fact that such resolution has been passed. There is no need to prove the number or proportion of the votes in favour of or against such resolution.

The demand for a poll may be withdrawn by the person who makes such demand.

A poll demanded on the election of the chairman of the meeting, or on a question of adjournment of the meeting, shall be taken forthwith. A poll demanded on any other matter shall be taken at such time as the chairman of the meeting directs, and any matter other than that upon which a poll has been demanded may be proceeded with, pending the taking of the poll. The result of the poll shall be deemed to be a resolution of the meeting at which the poll was demanded.

On a poll taken at a meeting, a shareholder (including proxy) entitled to two or more votes need not cast all his votes in the same way.

In the case of an equality of votes, whether on a show of hands or on a poll, the chairman of the meeting at which the show of hands takes place or at which the poll is demanded shall have a casting vote.

6. Requirements for annual general meetings

The Board shall convene a shareholders' annual general meeting once each year and within six (6) months from the end of the preceding accounting year.

7. Accounts and audit

Our Company shall establish its financial and accounting system in accordance with the laws, administrative regulations and PRC accounting standards formulated by the finance regulatory department of the State Council.

The Board shall submit to the shareholders at every annual general meeting such financial reports as are required by the relevant laws, administrative regulations or directives promulgated by regional governmental authorities and authority departments to be prepared by our Company.

Our Company's financial reports shall be made available for shareholders' inspection at our Company twenty (20) days before the convening of the shareholders' annual general meeting. Each shareholder shall be entitled to obtain a copy of the financial reports.

A printed copy of the balance sheet (including every document required by law to be annexed thereto) and profit and loss account or income and expenditure account, the financial summary report together with the Directors' report shall, at least 21 days before convening of the annual general meeting, be delivered or sent by prepaid post by our Company to every holder of overseas-listed foreign shares at his address as shown on the register of members.

The financial reports of our Company shall, in addition to being prepared in accordance with PRC accounting standards and regulations, be prepared in accordance with either international accounting standards, or the accounting standards of the overseas listing place. If there is any material difference between the financial reports prepared respectively in accordance with the two accounting standards, such difference shall be stated in an Appendix to the financial reports. When our Company is to distribute its after-tax profits, the lower of the two after-tax profits shown in the financial reports shall be adopted.

Any interim results or financial information published or disclosed by our Company must be prepared and presented in accordance with PRC accounting standards and regulations, and also in accordance with either International Accounting Standards or the accounting standards of the overseas listing place.

Our Company shall release its mid-term and annual financial accounting report every year. The former one shall be released within 60 days after the end of the first half of the accounting year whereas the latter shall be released within 120 days after the end of the accounting year.

The financial accounting reports referred above shall be prepared in accordance with the requirements under the relevant laws, administrative regulations and regional government departmental rules.

8. Notice of meetings and business to be conducted thereat

The shareholders' general meeting is the organ of authority of our Company and shall exercise its functions and powers in accordance with law.

Our Company shall not, without the prior approval of shareholders in general meeting, enter into any contract with any person other than a Director, Supervisor, manager or other senior management whereby the management and administration of the whole or any substantial part of the business of our Company is to be handed over to such person.

Shareholders' general meetings comprise annual general meetings and extraordinary general meetings. Shareholders' general meeting shall be convened by the Board. The annual general meeting shall be convened once every year and shall be held within six months after the end of the preceding accounting year.

Under any of the following circumstances, the Board shall convene an extraordinary general meeting within two (2) months:

(1) when the number of Directors is less than the number of Directors required by our Company Law or two-thirds of the number of Directors specified in the Articles of Association;

(2) when the unrecovered losses of our Company amount to one-third of the total amount of its share capital;

(3) when shareholder(s) holding 10% or more (individually or in aggregate) of our Company's issued and outstanding shares which carry voting rights request(s) in writing for the convening of an extraordinary general meeting;

(4) when deemed necessary by the Board;

(5) when requested by the supervisory committee;

(6) when two or more independent Directors request to convene; and

(7) other circumstances as required by the laws, administrative regulations and departmental rules.

When our Company convenes a shareholders' annual general meeting, written notice of the meeting shall be given forty-five (45) days before the date of the meeting to notify all of the shareholders in the register of members of the matters to be considered and the date and the place of the meeting. A shareholder who intends to attend the meeting shall deliver his written reply concerning the attendance of the meeting to our Company twenty (20) days before the date of the meeting.

When our Company convenes a Shareholders' annual general meeting, the Board, the supervisory committee and Shareholders holding 3% or more individually or in aggregate of the total Shares of our Company shall have the right to propose new motions.

Our Company shall, based on the written replies received twenty (20) days before the date of the shareholders' general meeting from the shareholders, calculate the number of voting shares represented by shareholders who intend to attend the meeting. If the number of voting shares represented by the shareholders who intend to attend the meeting is more than one half of our Company's total voting shares, our Company may hold the meeting. If not, then our Company shall within five (5) days notify the shareholders again by public notice of the matters to be considered, the place and the date for the meeting. Our Company may then hold the meeting after such publication has been made.

A notice of meeting of shareholders shall comply with the following requirements:

(1) be in writing;

(2) specify the place, the date and the time of the meeting;

(3) state the matters to be discussed at the meeting;

(4) provide such information and explanation as are necessary for the shareholders to exercise an informed decision on the proposals before them. Without limiting the generality of the foregoing, where a proposal is made to amalgamate our Company with another, to repurchase shares, to reorganise the share capital, or to restructure our Company in any other way, the terms of the proposed transaction must be provided in detail together with copies of the proposed agreement, if any, and the cause and effect of such proposal must be properly explained;

(5) contain a disclosure of the nature and extent, if any, of the material interests of any Director, Supervisor, manager or other senior management in the proposed transaction and the effect of the proposed transaction on them in their capacity as shareholders in so far as it is different from the effect on the interests of the shareholders of the same class;

(6) contain the full text of any special resolutions proposed to be moved at the meeting;

(7) contain a clear statement that a shareholder entitled to attend and vote is entitled to appoint one or more proxies to attend and on behalf of him and that a proxy need not be a shareholder;

(8) specify the time and place for lodging proxy forms for the relevant meeting;

(9) list out the share registration date of Shareholders who are entitled to attend the meeting; and

(10) state the name and telephone number of the regular contact person for the meeting.

Notice of shareholders' general meeting shall be served on the shareholders (whether or not entitled to vote at the meeting), by hand or by prepaid post to their addresses as shown in the register of members. For the holders of Domestic Shares, notice of the meeting may be issued by way of public notice.

The above-mentioned public notice shall be published in one or more newspapers designated by the securities governing authority of the State Council within forty-five (45) days to fifty (50) days before the date of the meeting. After the publication of such notice, the holders of Domestic Shares shall be deemed to have received the notice of the relevant shareholders' general meeting. The unintentional omission to give notice of a meeting to, or the non-receipt of notice of a meeting by, any person entitled to receive such notice shall not invalidate the proceedings at that meeting.

Our Company shall issue a notice, so that holders of overseas listed foreign shares whose registered addresses are in Hong Kong may have sufficient time to exercise their rights or to take actions in accordance with the terms of the notice.

After the notice of the shareholders' general meeting is sent out, unless there is an incident of force majeure or other accidents, the Board shall not change the time of the shareholders' general meeting. If the time of the shareholders' general meeting is changed due to force majeure, the shareholding record date shall not be altered.

The accidental omission to give notice of meeting to, or the non-receipt of notice of meeting by, any person entitled to receive notice shall not invalidate the meeting or the resolutions passed at the meeting.

The following matters shall be resolved by an ordinary resolution at a shareholders' general meeting:

(1) the operating guidelines and significant investment plans of our Company;

(2) work reports of the Board and the supervisory committee;

(3) plans formulated by the Board for the distribution of profits and for making up losses;

(4) to elect and remove directors, supervisors delegated by the shareholder's representative, and make decisions on issues relating to the remunerations of directors and supervisors;

(5) annual preliminary and final budgets, balance sheets and profit and loss accounts and other financial reports of our Company;

(6) to appoint and remove the accountants' firm and fix its remuneration or the ways for assessing its remuneration;

(7) the annual report of our Company; and

(8) matters other than those required by the laws and administrative regulations or by the Articles of Association to be resolved by a special resolution.

The following matters shall be resolved by a special resolution at a shareholders' general meeting:

(1) the increase or reduction of registered capital and the issue of shares of any class, warrants and other similar securities;

(2) the division, merger, dissolution and liquidation or the change of the form of our Company;

(3) the issue of debentures of our Company;

(4) amendments to the Articles of Association;

(5) purchase, sale of major assets or provide security for third parties within one year where the amount exceeds 30% of the company's audited total assets of the latest period;

(6) stock incentive plan;

(7) the consideration and approval of changing the use of proceeds;

(8) any other matters resolved by the shareholders' general meeting, by way of an ordinary resolution, to be of a nature which may have a material impact on our Company and should be resolved by a special resolution; and

(9) any other matters stipulated by law and administrative regulation, or the Articles of Association and considered by the Shareholders' general meeting, by way of an ordinary resolution, to be of a nature which may have a material impact on our Company and should be resolved by a special resolution.

9. Transfer of shares

All fully paid-up overseas listed foreign shares that listed on The Stock Exchange of Hong Kong may be freely transferred in accordance with this Articles of Association. However, the Board may refuse to recognise any instrument of transfer without giving any reason, unless the following conditions are satisfied:

(1) any instrument of transfer or any other document which is related to or will affect ownership of shares shall be registered, and a registration fee shall be paid to the Company as required in accordance to the rules governing the listing of securities on the Stock Exchange of Hong Kong Limited ("Listing Rules") ;

(2) the instrument of transfer only involves overseas-listed shares listed on The Stock Exchange of Hong Kong;

(3) the stamp duty chargeable upon the instrument of transfer has been paid;

(4) the relevant share certificate and, upon the reasonable request of the Board, any evidence in relation to the right of the transferor to transfer the Shares has been submitted;

(5) if the shares are transferred to joint owners, then the maximum number of joint registered shareholders shall not exceed 4; and

(6) the relevant Shares of the Company are free from all liens.

If the Board refuses to register the transfer of shares, the Company shall deliver a notification related to the refusal of shares transfer to the transferor and transferee within 2 months from the date of the application for transferring the Shares.

The alteration and rectification of any part of the register of members in accordance with the laws of the relevant place where the part of the register is maintained.

No change in the register of members as a result of the transfer of shares may be made within thirty (30) days before the date of a shareholders' general meeting or within five (5) days before the record date for the Company's distribution of dividends.

10. Power of the Company to purchase its own shares

In accordance with the provisions of the Articles of Association, the Company may reduce its registered share capital.

The Company may, with approval according to the procedures provided in this Articles of Association and subject to the approval of the relevant governing authority of the State Council, repurchase its outstanding shares under the following circumstances:

(1) cancellation of shares for the reduction of its capital;

(2) merging with another company that holds shares in the Company;

(3) reward the Share to the Director, senior management and the staff appointed by the Board as incentive;

(4) shareholder may request the Company repurchases his/her shares if he/she opposes a resolution on company merger or division adopted at general meeting; and

(5) other circumstances permitted by laws and administrative regulations.

Our Company may, with the approval of the relevant governing authority of the State Council for repurchasing its shares, conduct the repurchase in one of the following ways:

(1) making a pro rata general offer of repurchase to all of its shareholders;

(2) repurchase shares through public dealing on a stock exchange; or

(3) repurchase by an off-market agreement;

(4) other ways approved by laws, administrative regulations and relevant governing authority of the State Council.

Where our Company repurchases its shares by an off-market agreement, the prior approval of shareholders shall be obtained in accordance with the Articles of Association. Our Company may rescind, vary the contract or waive its rights under a contract so entered into by our Company with the prior approval at the General Meeting in the same manner.

The mentioned-above contract to repurchase shares includes (without limitation to) an agreement to become obliged to repurchase or an acquisition of the right to repurchase shares.

Our Company may not assign any contract for the repurchase of its shares or any rights prescribed in such contracts.

In respect of our Company having the right to repurchase redeemable Shares, if repurchases are not made through the market or by tender, its prices shall not be set over a maximum price; if repurchases are made by tender, tenders shall be made available to all Shareholders on equal terms and conditions.

Shares repurchased in accordance with law by our Company shall be cancelled within the period prescribed by laws and administrative regulations, and our Company shall apply to the original companies registration authority for registration of the change of its registered capital.

The amount of our Company's registered capital shall be reduced by the aggregate par value of those cancelled shares.

Unless our Company is in the course of liquidation, it must comply with the following provisions in relation to repurchase of its outstanding shares:

(1) our Company repurchases shares of our Company at par value, payment shall be made out of book surplus distributable profits of our Company, or out of proceeds of a fresh issue of shares made for that purpose;

(2) our Company repurchases shares of our Company at a premium to its par value, payment up to the par value shall be made out of the book surplus distributable profits of our Company, or out of the proceeds of a fresh issue of shares made for that purpose. Payment of the portion in excess of the par value shall be effected as follows:

    (a) if the shares being repurchased were issued at par value, payment shall be made out of the book surplus distributable profits of our Company; or

    (b) if the shares being repurchased were issued at a premium to its par value, payment shall be made out of the book surplus distributable profits of our Company, and out of the proceeds of a fresh issue of shares made for that purpose, provided that the amount paid out of the proceeds of the fresh issue shall not exceed the aggregate premiums received by our Company on the issue of the shares being repurchased nor the amount in capital reserve fund account when repurchase take place (including the premiums on the fresh issue);

(3) payment by our Company for the following purposes shall be made out of our Company's distributable profits:

    (a) acquisition of rights to repurchase its shares;

    (b) variation of contract to repurchase its shares; and

    (c) release of its obligation under any contract to repurchase shares.

(4) after our Company's registered capital has been reduced by the total par value of the cancelled shares in accordance with the relevant provisions, the amount deducted from the distributable profits for payment of the par value portion of the shares repurchased shall be transferred to our Company's capital reserve fund account.

11. Power for subsidiary of our Company to own shares in our Company

There are no provisions in the Articles of Association preventing ownership of shares in our Company by a subsidiary.

12. Dividends and other method of profit distribution

Our Company may distribute dividends in the following manner:

(1) cash; or

(2) shares.

Our Company shall not distribute dividends or distribute its profit in any other manner before it makes up for its losses and makes allocations to statutory surplus reserve.

Cash dividends and other payments paid by our Company to holders of domestic shares shall be paid in RMB during 2 months after the profit distribution plan has been resolved at the general meeting. Cash dividends and other monies paid by our Company to holders of overseas-listed foreign shares shall be calculated and announced in RMB and paid in Hong Kong dollars during 2 months after making decision to the profit distribution plan at the general meeting.

Foreign currency needed by our Company to pay cash dividends and other monies to holders of overseas-listed foreign shares and holders of other foreign shares shall be obtained pursuant to state regulations on foreign exchange. If there are not any provisions, the applicable exchange rate is the average closing price of the relevant exchange rate announced by the PBOC one week before the date of the declaration of payment dividends and other monies.

Our Company shall appoint receiving agents for holders of overseas-listed foreign shares to receive on behalf of such Shareholders dividends declared and all other monies owing by our Company in respect of their overseas-listed foreign shares.

The receiving agents appointed by our Company shall comply with the requirements of the laws in the jurisdiction where our Shares are listed or under the requirements of the stock exchanges on which our Shares are listed.

The receiving agents appointed on behalf of holders of the holders of overseas-listed foreign shares shall be a company registered as a trust company under the Trustee Ordinance of Hong Kong.

13. Proxies

Any shareholder entitled to attend and vote at a general meeting shall be entitled to appoint 1 or more other persons (whether a shareholder or not) as his proxy to attend and vote on his behalf, and a proxy so appointed shall:

(1) have the same right as the shareholder to speak at the meeting;

(2) have authority to demand or join in demanding a poll; and

(3) have the right to vote by hand or on a poll, but when there are more than one proxies, that proxy may only vote on a poll.

The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing, or if the appointer is a legal entity or other institutions either under seal or under the hand of its legal representative or a director or attorney duly authorised. The instrument appointing a proxy shall contain the numbers of shares which each proxy represented. If more than one person is the stock proxy, the instrument appointing a proxy shall set out the numbers of shares which each of those proxies represented.

The individual shareholder presented in person, shall give their own identifications or other valid proof or share certificates. The shareholders presented by proxy, shall give their own valid identifications documents and the instrument appointing a proxy.

The legal shareholders shall be presented by its legal representatives or other persons as his proxy. The legal representative presented in the meeting shall give his identification documents which can certify his qualification to be a legal representative; the proxy appointed by legal shareholders, shall give his identification documents and the instrument appointing a proxy by the legal representative of our Company.

The instrument appointing a voting proxy and, if such instrument is signed by a person under a power of attorney or other authority on behalf of the appointer, a notarially certified copy of that power of attorney or other authority also, shall be deposited at the residence of our Company or at such other place as is specified for that purpose in the notice convening the meeting, not less than twenty-four (24) hours before the time for holding the meeting at which the proxy proposes to vote or the time appointed for the passing of the resolution.

If the appointer is a legal entity, its legal representative or such person as is authorised by resolution of its board of directors or other governing body to act as its representative may attend at any meeting of shareholders of our Company.

Any form issued to a shareholder by the Board for use by him for appointing a proxy to attend and vote at meeting of our Company shall be such as to enable the shareholder, according to his intention, to instruct the proxy to vote in favour of or against each resolution dealing with business to be transacted at the meeting. Such a form shall contain a statement that in the absence of instructions by the shareholder the proxy may vote as he thinks fit.

A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the death or loss of capacity of the appointor or revocation of the proxy or of the authority under which the proxy was executed, or the transfer of the shares in respect of which the proxy is given, provided that no notice in writing of such matters as aforesaid shall have been received by our Company at its residence before the commencement of the relevant meeting.

(14) Calls on shares and forfeiture of shares

There are no provisions in the Articles of Association relating to the making of calls on shares or for the forfeiture of shares.

(15) Rights of shareholders

The ordinary shareholders of our Company shall enjoy the following rights:

(1) the right to receive dividends and other distributions in proportion to the number of shares held;

(2) the right to attend or appoint a proxy to attend shareholders' general meetings and to vote thereat;

(3) the right to supervise and manage our Company's business operations, and the rights to present proposals or to raise enquiries;

(4) the right to transfer shares in accordance with laws, administrative regulations and provisions of the Articles of Association;

(5) the right to obtain relevant information in accordance with the provisions of the Articles of Association, including:

(i) the right to obtain a copy of the Articles of Association, subject to payment of the cost;

(ii) the right to inspect and copy, subject to payment of a reasonable charge:

(a) all parts of the register of members;

(b) personal particulars of each of our Company's Directors, Supervisors, manager, and other senior management as follows:

(aa) present and former names and respective alias;

(bb) principal address (residence);

(cc) nationality;

(dd) primary and all other part-time occupations and duties; and

(ee) identification documents and the respective numbers;

(c) reports on the state of our Company's share capital;

(d) our Company's Special Resolution;

(e) reports showing the aggregate par value, quantity, maximum and minimum price paid in respect of shares of each class repurchased by our Company since the end of the last accounting year and the aggregate amount incurred by our Company for this purpose; and

(f) duplicate of the latest Annual Application Form that has been filed with Chinese AIC or other competent authority;

(g) minutes of shareholders' general meetings;

(h) the Latest audited Financial Report and Reports of the Auditors, Board of Directors and Supervisors' Council of our Company;

(6) in the event of the termination or liquidation of our Company, to participate in the distribution of remaining assets of our Company on a pro rata basis in accordance with the number of shares held;

(7) for the shareholders who disagree with the resolutions on the merger or demerger of our Company which are passed by the general meeting, our Company is required to acquire their shares; and

(8) other rights conferred by laws, administrative regulations and the Articles of Association.

16. Quorum for meetings and separate class meetings

Shareholders who intend to attend a shareholders' general meeting shall deposit at our Company written replies confirming their intention to attend at least 20 days prior to the date of the meeting.

Our Company shall, according to the written replies received 20 days prior to the general meeting, calculate the number of shares carrying rights to vote represented by the shareholders proposing to attend the meeting. If the total number of shares (for both Domestic Shares and H Shares) carrying rights to vote represented by shareholders proposing to attend the meeting is more than half of the total number of shares in our Company which carry rights to vote, our Company may proceed to hold the shareholders' general meeting; if that number is not reached, our Company shall within 5 days notify the shareholders again of the matters proposed to be discussed at the meeting, the date and venue of the meeting by way of public announcement. After such public announcement is made, our Company may proceed to hold the shareholders' general meeting.

Quorum for the separate class meeting (adjourned meeting excluded) which is held for considering revising the rights of any shares of a class, shall be at least one-third of the holders of these issued shares.

17. Rights of the minorities in relation to fraud or oppression

In addition to obligations imposed by laws, administrative regulations or the listing rules required by the stock exchange on which shares of our Company are listed, a Controlling Shareholder shall not exercise his voting rights in respect of the following matters in a manner prejudicial to the interests of the all or part of the shareholders of our Company:

(1) to relieve the responsibility of a Director or Supervisor to act honestly in the best interests of our Company;

(2) to approve the expropriation by a Director or Supervisor (for his own benefit or for the benefit of another person), in any way, of our Company's assets, including (without limitation to) opportunities beneficial to our Company; or

(3) to approve the expropriation by a Director or Supervisor (for his own benefit or for the benefit of another person) of the individual rights of other shareholders, including (without limitation to) rights to distributions and voting rights save pursuant to a restructuring proposal submitted to shareholders for approval in accordance with the Articles of Association.

For these purposes, a "Controlling Shareholder" means a person who satisfies any one of the following conditions:

(1) he alone, or acting in concert with others, has the power to elect more than half of the Board;

(2) he alone, or acting in concert with others, has the power to exercise or to control the exercise of 30% or more of the voting rights in our Company;

(3) he alone, or acting in concert with others, holds 30% or more of the issued shares of our Company; or

(4) he alone, or acting in concert with others, has de facto control over our Company in any other way.

18. Procedures on liquidation

Our Company shall be dissolved and liquidated upon the occurrence of any of the following events:

(1) expiration of the operation period;

(2) a resolution for dissolution is passed by shareholders at a general meeting;

(3) dissolution is necessary due to a merger or division of our Company;

(4) our Company is legally declared insolvent due to its failure to repay debts as they become due; or

(5) our Company is ordered to close down because of its violation of laws and administrative regulations.

Where the Board proposes to liquidate our Company due to causes other than where our Company has declared that it is insolvent, the Board shall include a statement, in its notice convening a shareholders' general meeting to consider the proposal, to the effect that, after making full inquiry into the affairs of our Company, the Board is of the opinion that our Company will be able to pay its debts in full within twelve (12) months from the commencement of the liquidation.

Upon the passing of the resolution by the shareholders in general meeting for the liquidation of our Company, all duties and powers of the Board shall cease.

The liquidation committee shall act in accordance with the instructions of the shareholders' general meeting to make a report at least once every year to the shareholders' general meeting on the committee's income and expenses, the business of our Company and the progress of the liquidation and to present a final report to the shareholders' general meeting on the completion of the liquidation.

19. Other provisions material to our Company or its shareholders

(1) General provisions

Our Company is a joint stock limited company in perpetual existence.

The Articles of Association shall have become effective upon the special resolution passed in the shareholders' general meeting of our Company and the approval of department authorised by the State Council. From the date of the Articles of Association becoming effective, the Articles of Association constitute a legally binding document regulating our Company's organisation and activities, and the rights and obligations between our Company and each shareholder and among the shareholders interests.

Our Company may, based on its needs for operation and development and in accordance with the relevant laws, regulations, approve an increase of capital by the resolution passed in the shareholders' general meeting in the following ways:

(i) public offering of new shares;

(ii) non-public offering of new shares;

(iii) issuing bonus shares to its existing shareholders;

(iv) placing new shares to its existing shareholders;

(v) offering new shares through capitalisation of our Company's capital reserve; and

(vi) any other way permitted by law, administrative regulations and relevant government authorities.

Our Company's increase of capital by issuing new shares shall, after being approved in accordance with the provisions of the Articles of Association, be conducted in accordance with the procedures stipulated by relevant laws and administrative regulations.

Unless otherwise provided by law or administrative regulations, Shares in our Company are freely transferable and are not subject to any lien. All transfers of the H Shares must be lodged with our Company's branch of share registrars in Hong Kong.

When our Company reduces its registered capital, it must draw up a balance sheet and an inventory of assets.

Our Company shall notify its creditors within ten (10) days of the date of our Company's resolution for reduction of the registered capital and shall publish a notice in a newspaper within thirty (30) days of the date of such resolution. A creditor has the right within thirty (30) days of receiving the notice from our Company or, in the case of a creditor who does not receive the notice, within forty-five (45) days of the date of the first public notice, to demand our Company to repay its debts or provide a corresponding guarantee for such debt.

Our Company's registered capital after reduction shall not be less than the statutory minimum amount.

The ordinary shareholders of our Company shall assume the following obligations:

(i) to comply with the law, administrative regulations and Articles of Association;

(ii) to pay subscription monies according to the number of shares subscribed and the method of subscription;

(iii) retrieval of shares is not allowed unless required by the laws and regulations;

(iv) shall not abuse their shareholders' rights to impair the interests of the company or other shareholders, or to take advantage of the company's independent status or the limited liability of shareholders to impair the interests of the company's creditors;

(v) where the abuse of shareholders' rights causes any loss to the company or other shareholders, such shareholder shall be liable for compensation in accordance with the law;

(vi) where shareholders of a company take advantage of the company's independent status or the limited liability of shareholders to evade debts and seriously impairs the interests of the company's creditors, such shareholders shall be jointly and severally liable for the debts of the company; and

(vii) other obligations imposed by laws, administrative regulations and the Articles of Association.

Shareholders are not liable to make any further contribution to the share capital other than as agreed with the subscriber of the relevant shares on subscription.

(2) Secretary of the Board

The secretary of the Board shall be a natural person who has the requisite professional knowledge and experience. The primary responsibilities of the secretary include:

(i) to ensure the organizational and corporate documents and records of our Company are complete;

(ii) to ensure the preparations and submissions of all reports or documents required by the relevant authority comply with the requirements of the relevant authority;

(iii) to ensure the register of members is kept and maintained properly and those who is entitled to receive any records or documents of our Company can obtain such records or documents on time; and

(iv) to perform the duties authorized by the board and those duties required by the domestic and foreign listing jurisdictions.

(3) Supervisory committee

Our Company shall have a supervisory committee. The supervisory committee shall comprise of 5 supervisors (including 3 external supervisors). One of the members of the supervisory committee shall act as the chairman. The election or removal of the chairman of the supervisory committee shall be determined by more than two-thirds of the members of the supervisory committee. The supervisory committee meeting shall be convened and presided over by the chairman of the supervisory committee. Where the chairman of the supervisory committee is unable to or does not perform his duties, the meeting shall be convened and presided over by a supervisor jointly nominated by more than half of the supervisors.

The Supervisory Committee shall comprise of representatives of shareholders and the representative(s) of staff of our Company, the proportion of the representative(s) of staff of our Company shall be not less than one-third. The representative of staff of our Company shall be elected by the staff of our Company democratically through the meeting of the employees' representatives or employee's meeting, or by any other means.

The supervisory committee shall exercise the following powers in accordance with law:

(i) to examine our Company's financial position;

(ii) to supervise the Directors, manager and other senior management to ensure that they do not act in contravention of any laws, administrative regulations and the Articles of

Association and to propose resolutions of the removal of the Directors, manager and other senior management;

(iii) to demand rectification from a Director, the manager or any other senior management when the acts of such persons are prejudicial to our Company's interests;

(iv) to verify the financial information such as the financial reports, business reports and profit distribution plans to be submitted by the Board to the shareholders' general meetings and, should any queries arise, to authorise, in the name of our Company, a re-examination by the certified public accountants and practising auditors;

(v) where the Board does not perform its duties of convening and presiding general meeting as prescribed in our Company Law, to propose to convene a shareholders' extraordinary general meeting;

(vi) to submit a proposal to the shareholders' general meeting;

(vii) to initiate actions against Directors or senior managers according to Article 152 of Company Law;

(viii) to investigate when the circumstances of our Company's operation is abnormal;

when necessary, to hire an accounting firm and law firm to assist and the relevant expenses shall be borne by the Company; and

(ix) to exercise other powers specified in the law, administrative regulations and Articles of Association.

(4) Manager of our Company

Our Company shall have one (1) general manager, who shall be appointed or dismissed by the Board. Our Company shall have a number of deputy general managers, who shall be appointed or dismissed by the Board.

The term of the general manager shall be 3 years, renewable upon re-election and re-appointment. Where the general manager resigns within his term, the term of the successor is the remaining term of his processor.

The general manager shall be accountable to the Board and exercise the following duties and powers:

(i) to be in charge of our Company's production, operation and management and to coordinate the implementation of the resolutions of the Board, and report to the Board;

(ii) to organize the implementation of our Company's annual business plan and investment plan;

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

(iv) to draft our Company's basic management system;

(v) to formulate basic rules and regulations for our Company;

(vi) to propose the appointment or dismissal of our Company's deputy manager(s) and the financial controller;

(vii) to appoint or dismiss management personnel other than those required to be appointed or dismissed by the Board;

(viii) to propose the salaries, benefits, bonus and punishment, and to determine the appointment or dismissal of the employees of our Company;

(ix) to propose to convene a shareholders' extraordinary general meeting; and

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

The general manager may attend meetings of the Board. However, the general manager has no voting rights at board meetings unless he is also a Director.

The general manager, deputy managers and financial controller, in performing their duties and powers, shall act honestly and diligently and in accordance with laws, administrative regulations and the Articles of Association.

(5) Board

The Board is accountable to the shareholders' general meeting and shall exercise the following duties and powers:

(i) to be responsible for convening shareholders' general meetings and to report on its work to the shareholders in general meeting;

(ii) to implement the resolutions passed by the shareholders in general meetings;

(iii) to determine our Company's business plans and investment plans;

(iv) to propose the interim and long-term development plan of our Company;

(v) to formulate our Company's annual budgets and final accounts;

(vi) to formulate our Company's profit distribution plan and loss recovery plan;

(vii) to formulate proposals on our Company's financial policies and proposals for the increase or reduction of our Company's registered capital and the issuance of corporate debentures;

(viii) to draw up plans for the substantial acquisition or disposal of assets by our Company and the merger, division, dissolution or change of forms of our Company;

(ix) to determine any important or administrative matters of our Company and to execute important agreements regarding investments, acquisition and disposal of assets, charges mortgages, guarantees, borrowing, authorised financial management, asset dealing and connected transactions within the scope of authority given by the general shareholders' meeting:

(a) determine the value of the separate investment is not more than 10% of the latest audited net assets of our Company, and the value of the cumulative investments within a year is not more than 30% of the latest audited net assets of our Company;

(b) determine the value of the assets purchased and disposed within one year is not more than 30% of the latest audited total assets of our Company;

(c) approve that the secured cumulative value is not more than 20% of the latest audited net assets of our Company ;

(d) approve the guarantee of our Company which is less than the limit set out in paragraph 64 of this Articles of the Association, the guarantees within the scope of authority of the Board must be passed by more than two-thirds of the Board, except for an affirmative approval from more than half of the Directors;

(e) determine the value of the separate borrowing is not more than 10% of the latest audited net assets of our Company, and the cumulative investments within a year are not more than 50% of the latest audited net assets of our Company;

(f) execute authorised financial management where the value within a year is not more than 10% of the latest audited net assets of our Company;

(g) approve that the assets to be dealt with within a year is not more than 5% of the latest audited net assets of our Company;

(h) approve a donation or sponsor which is worth more than 2,000 thousand respectively or more than 0.5% of the net asset according to the last auditing report totally.

(x) to determine the establishment of our Company's internal management structure and staff organisation;

(xi) to appoint or remove the general manager and board secretary, and based upon the recommendations of the general manager, to appoint or remove the deputy general manager(s), financial controller and other senior management of our Company, and to decide on their remuneration;

(xii) to formulate our Company's basic management system;

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

(xiv) to formulate corporate information disclosure system and to manage the information disclosure matters;

(xv) to propose appointment or dismissal of the certified public accountants' firm which carries out audit for our Company;

(xvi) to hear the work reports of the general manager and examine his work;

(xvii) to formulate share option incentive plan; and

(xviii) to exercise other powers given by the law, administrative regulations, departmental rules or the Articles of Association.

Except the Board's resolutions in respect of the matters specified in the above paragraphs (7), (8), (13) and (17), which shall be passed by two-thirds or more of the Directors, the Board resolutions in respect of all other matters may be passed by more than one half of the Directors.

Meetings of the Board shall be held at least twice every year and convened by the chairman of the Board. Notice of the meeting shall be served on all of the Directors and supervisors ten (10) days before the date of the meeting (excluding the date of meeting).

Upon requisition by more than the one-tenth of the shareholders who have voting rights, more than one-third of the members of the Board or the Supervisory Committee, an extraordinary meeting of the Board may be held. The chairman shall convene and preside the meeting of the Board within ten(10) days upon receiving the proposal.

The notice shall be given to the shareholders within a reasonable period before the extraordinary meeting.

Meetings of the Board shall be held only if more than half of the Directors are present. The resolution of the Board can be passed only if more than half of the Directors agree.

Each Director shall have one vote. Where the number of votes cast for and against a resolution are equal, the Chairman of the Board shall have a casting rate.

Where a Director is relevant to in any resolution proposed at a Board meeting, such Director shall not have a right to vote and shall not be an agent to vote for other Directors. Meetings of the Board shall be held only if more than half of the Directors who are not relevant are present. The resolution of the Board can be passed only if more than half of the Directors who are not relevant agree. In the event that there are less than three(3) non-relevant Directors present, the resolution shall be proposed to the general meeting instead.

(6) Accountants

(i) Appointment of accountants

Our Company shall appoint an independent firm of certified public accountants which is qualified under the relevant regulations of the State to audit our Company's annual financial statements and review our Company's other financial reports.

The first certified public accountants' firm of our Company may be appointed by the inaugural meeting of our Company before the first annual general meeting and the certified public accountants' firm so appointed shall hold office until the conclusion of the first annual general meeting.

If the inaugural meeting fails to exercise its powers in accordance with the preceding paragraph, those powers shall be exercised by the Board.

The certified public accountant firm appointed by our Company shall hold office from the conclusion of the annual general meeting of shareholders at which the appointment is made until the conclusion of the next annual meeting of shareholders. Before the convening of the shareholders' general meeting, the Board may fill any casual vacancy in the office of the accountants' firm, but while any such vacancy continues, the surviving or continuing firm, if any, may act.

The shareholders in general meeting may, by ordinary resolution, remove a certified public accountants' firm before the expiration of its office, notwithstanding the stipulations in the contract between our Company and the firm, but without prejudice to the firm's right to claim, if any, for damages in respect of such removal.

The remuneration of a certified public accountants' firm or the manner in which such firm is to be remunerated shall be determined by the shareholders in general meeting. The remuneration of a certified public accountants' firm appointed by the Board shall be determined by the Board.

(ii) Change and removal of accountant firm

Our Company's appointment, removal and non-reappointment of a certified public accountants' firm shall be resolved by shareholders in general meeting. The resolution of the shareholders' general meeting shall be filed with the securities governing authority of the State Council.

Where it is proposed that any resolution be passed at a shareholders' general meeting concerning the appointment of a certified public accountants' firm, which is not an incumbent firm, to fill a casual vacancy in the office of the accountants' firm, reappointment of a retiring certified public accountants' firm which was appointed by the Board to fill a casual vacancy, or removal of the certified public accountants' firm before the expiration of its term of office, the following provisions shall apply:

(1) A copy of the proposal shall be sent to the accountants' firm proposed to be appointed or proposing to leave its post or the firm which has left its post (leave of office includes removal, resignation and retirement) before notice of the shareholders' general meeting is given to the shareholders;

(2) If the accountants' firm leaving its post makes representations in writing and requests our Company to notify such representations to the shareholders, our Company shall (unless the representations are received too late):

(a) in any notice of the resolution given to shareholders, state the fact of the representations having been made; and

(b) attach a copy of the representations to the notice and deliver it to the shareholders in the manner stipulated in the Articles of Association;

(3) If the accountants' firm's representations are not sent in accordance with subparagraph (2) of the preceding paragraph, the relevant firm may (in addition to its right to be heard) require that the representations be read out at the shareholders' general meeting and may lodge further complaints;

(4) A certified public accountants' firm which is leaving its post shall be entitled to attend:

(a) the shareholders' general meeting at which its term of office would otherwise have expired;

(b) any shareholders' general meeting at which it is proposed to fill the vacancy caused by its removal; and

(c) any shareholders' general meeting convened on its resignation;

and to receive all notices of, and other communications relating to, any such meetings, and to speak at any such meeting in relation to matters concerning its role as the former accounting firm of our Company.

(iii) Resignation of accountant firm

Where the certified public accountants' firm resigns its post, it shall inform the certified public accountants' firm in advance, and the accountants' firm shall have the right to provide opinion in the shareholders' general meeting. Whereas the accountants' firm resigns, it shall disclose whether there has been any impropriety on the part of our Company in the shareholder's general meeting.

Any certified public accountants' firm may resign its office by depositing at our Company's registered address a resignation notice which shall become effective on the date of such deposit or on such later date as may be stipulated in such notice. Such notice shall include the following:

a statement to the effect that there are no circumstances connected with its resignation which it considers should be brought to the notice of the shareholders or creditors of our Company; or a statement of any such circumstances.

Where a notice is deposited in accordance with the preceding paragraph, our Company shall within fourteen (14) days send a copy of the notice to the relevant governing authority. If the notice contains a statement under the preceding paragraph, a copy of such statement shall be placed at our Company's registered office for shareholders' inspection. Our Company shall also send a copy of such statement by prepaid post to every holder of H Shares at the address registered in the register of members.

Where the certified public accountants' firm's notice of resignation contains a statement of any circumstances which should be brought to the notice of the shareholders or creditors, the certified public accountants' firm may require the Board to convene a shareholders' extraordinary general meeting for the purpose of giving an explanation of the circumstances connected with its resignation.

(7) Dispute resolution

Whenever any disputes or claims arise between holders of the overseas-listed foreign shares and our Company, holders of the overseas-listed foreign shares and our Company's Directors, Supervisors, manager or other senior management, or holders of the overseas-listed foreign shares and holders of domestic shares, based on the Articles of Association or any rights or obligations conferred or imposed by the PRC Company Law or any other relevant laws and administrative regulations concerning the affairs of our Company, such disputes or claims shall be referred by the relevant parties to arbitration.

Where a dispute or claim of rights is referred to arbitration, the entire claim or dispute must be referred to arbitration, and all persons who have a cause of action based on the same facts giving rise to the dispute or claim or whose participation is necessary for the resolution of such dispute or claim, shall abide by the arbitration provided that such person is our Company or our Company's shareholder, Director, Supervisor, manager or other senior management.

Disputes in relation to the identification of shareholders and disputes in relation to the share register need not be referred to arbitration.

A claimant may elect arbitration at either the China International Economic and Trade Arbitration Commission in accordance with its rules or the Hong Kong International Arbitration Centre in accordance with its Securities Arbitration Rules. Once a claimant refers a dispute or claim to arbitration, the other party must submit to the arbitral body elected by the claimant.

If the claimant elects arbitration at Hong Kong International Arbitration Centre, either party to the dispute or claim may apply for a hearing to take place in Shenzhen in accordance with the Securities Arbitration Rules of the Hong Kong International Arbitration Centre.

In the event that any disputes are referred to arbitration, the laws of the PRC shall apply, unless otherwise provided in laws and administrative regulations.

The award of an arbitration body shall be final and conclusive and binding on all parties.

I. FURTHER INFORMATION ABOUT GAC

1. GAC

(a) GAC was incorporated in the PRC as a wholly state-owned company on 6 June 1997, with the Guangzhou SASAC as the sole shareholder in accordance with the provisions set out in the Company Law under the name of GAG.

(b) On 16 July 2004, the Guangzhou SASAC transferred its entire equity interests in our Company to GAIG. Accordingly, GAIG became the sole shareholder of our Company.

(c) On 15 June 2005, GAIG transferred 3.99% of its equity interests in our Company to Wanxiang, 3.6909% of its equity interests in our Company to CNMIC, 0.2% of its equity interests in our Company to Guangzhou Iron & Steel, and 0.1845% of its equity interests in our Company to Guangzhou Chime-Long.

(d) Our Company was converted into a joint stock limited company on 28 June 2005, with GAIG, Wanxiang, CNMIC, Guangzhou Iron & Steel, and Guangzhou Chime-Long as promoters under the name of Guangzhou Automobile Group Co., Ltd. (廣州汽車集團股份有限公司).

(e) Our Company has established a principal place of business in Hong Kong at Room 808 Citicorp Centre, 18 Whitfield Road, Causeway Bay, Hong Kong and has registered with the Hong Kong Companies Registry as a non-Hong Kong company in Hong Kong under Part XI of the Companies Ordinance on 21 April 2010. Mr. Li Tun of Flat D, 9/F, Nan Fung Court, Harbour Heights, 1 Fook Yam Road, North Point, Hong Kong has been authorised to accept on behalf of our Company service of process and any notices in Hong Kong.

2. Changes in the registered capital of GAC

(a) At the time of its establishment, our Company's registered capital was RMB 805,038,000, and our paid-in capital was RMB 468,200,000 as at 24 October 1997. On 3 November 1997, our Company applied with the Administration of Industry and Commerce of Guangzhou Municipality for adjustment of our registered capital to RMB 468,200,000. On 4 November 1997, upon approval of the Administration of Industry and Commerce of Guangzhou Municipality, our Company's registered capital was adjusted to RMB 468,200,000, all of which were credited as fully paid up and held by the Guangzhou SASAC.

(b) On 20 May 1999, the registered capital of our Company was increased from RMB 468,200,000 to RMB 1,048,200,000.

(c) On 23 July 2004, the registered capital of our Company was increased from RMB 1,048,200,000 to RMB 1,198,200,000.

(d) After the execution of the share transfer agreement between GAIG, Wanxiang, CNMIC, Guangzhou Iron & Steel and Guangzhou Chime-Long in relation to the transfers of equity interests in our Company on 30 May 2005 and after obtaining the necessary approvals from the PRC authorities, the shareholding structure of our Company was changed as follows:

Shareholders	Percentage of shareholding
GAIG	91.9346%
Wanxiang	3.99%
CNMIC	3.6909%
Guangzhou Iron & Steel	0.20%
Guangzhou Chime-Long	0.1845%

(e) On 28 June 2005, our Company was converted into a joint stock limited company. Our Company's registered capital was changed to RMB 3,499,665,555 divided into 3,499,665,555 GAC Domestic Shares of nominal value RMB 1.00 each, all of which were credited as fully paid up and held as follows:

Promoters	Number of GAC Domestic Shares of nominal value of RMB 1.00 each in the registered capital of our Company	Percentage of shareholding
GAIG	3,217,403,529	91.9346%
Wanxiang	139,636,656	3.99%
CNMIC	129,169,156	3.6909%
Guangzhou Iron & Steel	6,999,331	0.20%
Guangzhou Chime-Long	6,456,883	0.1845%

(f) On 3 April 2009, all the Promoters proportionately increased their investments in the Company by RMB326,318,926 and the registered capital of our Company was increased from RMB3,499,665,555 to RMB3,825,984,481, all of which were credited as fully paid up and held as follows:

Promoters	Number of GAC Domestic Shares of nominal value of RMB 1.00 each in the registered capital of our Company	Percentage of shareholding
GAIG	3,517,403,529	91.9346%
Wanxiang	152,656,781	3.99%
CNMIC	141,213,261	3.6909%
Guangzhou Iron & Steel	7,651,969	0.20%
Guangzhou Chime-Long	7,058,941	0.1845%

(g) On 18 January 2010, all the Promoters proportionately increased their investments in the Company by RMB108,772,976 and the registered capital of our Company was increased from RMB3,825,984,481 to RMB3,934,757,457, all of which were credited as fully paid up and held as follows:

Promoters	Number of GAC Domestic Shares of nominal value of RMB 1.00 each in the registered capital of our Company	Percentage of shareholding
GAIG 廣州汽車工業集團有限公司	3,617,403,529	91.9346%
Wanxiang 萬向集團公司	156,996,823	3.99%
CNMIC 中國機械工業集團有限公司	145,227,963	3.6909%
Guangzhou Iron & Steel 廣州鋼鐵企業集團有限公司	7,869,515	0.20%
Guangzhou Chime-Long 廣州市長隆酒店有限公司	7,259,627	0.1845%

(h) Immediately after the Introduction, our Company's registered capital will be RMB6,148,057,675, including 2,213,300,218 H shares of RMB1 each.

(i) Save as disclosed in this Listing Document, there has been no alteration in the registered capital of our Company since the date of its registration as a joint stock limited company.

3. Resolutions of general meeting passed on 3 November 2009

Extraordinary general meeting of our Company was held on 3 November 2009 at which the following resolutions of the shareholders, among other resolutions, were passed:

(a) the Articles of Association revised in accordance with Guidelines for Listed Companies (Revised in 2006) (《上市公司章程指引(2006年修訂)》), Mandatory Provisions for Companies Listing Overseas (《到境外上市公司章程必備條款》) and other laws and regulations were adopted and shall be effective upon the Listing Date;

(b) the Introduction of the GAC H Shares and their listing on the main board of the Stock Exchange were approved;

(c) the Directors were authorised to deal with all matters relating to the Introduction.

4. Corporate Reorganisation

In preparation for the Introduction, our Company underwent the Reorganisation. The Reorganisation involved, inter alia, the following:

(a) at the meetings of the Directors of our Company held on 12 April and 28 June 2004, as preparation for the conversion of our Company into a joint stock limited company, resolutions were passed to approve the transfers of our Company's equity interests in obsolete asset companies to GAIG and its subsidiaries;

(b) on 30 May 2005, the then sole shareholder of our Company, GAIG, entered into an equity transfer agreement under which GAIG transferred its equity interests in our Company to Wanxiang, CNMIC, Guangzhou Iron & Steel and Guangzhou Chime-Long, respectively;

(c) on 16 June 2005, a resolution was passed by the Promoters to approve the conversion of our Company into a joint stock limited company;

(d) on 24 June 2005, the Guangzhou Municipal Government issued an approval document to approve the conversion of our Company into a joint stock limited company;

(e) on 28 June 2005, a business licence was issued by Guangzhou Administration for Industry and Commerce, whereupon our Company was established as a joint stock limited company and our Company was owned as to 91.93% by GAIG, 3.99% by Wanxiang, 3.69% by CNMIC, 0.20% by Guangzhou Iron & Steel and 0.18% by Guangzhou Chime-Long ;

(f) on 29 August 2007, the People's Government of Guangzhou issued an approval document confirming the approval given to our Company by the Guangdong Municipal Government approving the conversion of our Company into a joint stock limited company;

(g) on 15 January 2009, our Company was authorised by resolutions of the shareholders of our Company to increase its registered capital from RMB3,499,665,555 to RMB3,825,984,481; and

(h) on 4 December 2009, our Company was authorised by resolutions of the shareholders of our Company to increase its registered capital from RMB3,825,984,481 to RMB3,934,757,457.

II. SUBSIDIARIES

Our Company's subsidiaries (as defined under the Listing Rules) are set out in the accountant's report, the text of which is set out in Appendix I to this Listing Document.

The following alterations in the share capital or registered capital of our Company's subsidiaries took place within two years immediately preceding the date of this Listing Document:

(1) *Guangzhou Yue Long*

Pursuant to an equity transfer agreement dated 28 September 2007 between our Company, Isuzu and Isuzu (China) Investment Co. Ltd, each of Isuzu and Isuzu (China) Investment Co. Ltd transferred its respective 38.02% and 10.98% equity interest in Guangzhou Yue Long to our Company for a consideration of US$1. The transfer was completed in May 2008.

On 12 May 2008, the registered capital of Guangzhou Yue Long was increased from US$65,363,000 to RMB529,682,898.

(2) *GAC Commercial*

Pursuant to an equity transfer agreement dated 14 May 2008 between our Company and Guangzhou Motors, our Company acquired from Guangzhou Motors 5% of the equity interest in GAC Commercial for a consideration of RMB33,066,820.

On 17 November 2009, the registered capital of GAC Commercial was increased from RMB211,000,000 to RMB611,000,000.

(3) *Guangqi Toyotsu Logistics Co., Ltd (廣汽豐通物流有限公司)*

On 2 June 2008, the registered capital of Guangqi Toyotsu Logistics Co., Ltd (廣汽豐通物流有限公司) was increased from US$5,000,000 to US$7,800,000.

(4) *GAMC*

On 1 June 2009, the registered capital of GAMC was increased from RMB900,000,000 to RMB1,200,000,000.

(5) *Chongqing Changjie Automobile Sales and Services Co., Ltd* (重慶長捷汽車銷售服務有限公司)

On 11 July 2008, Chongqing Changjie Automobile Sales and Services Co., Ltd (重慶長捷汽車銷售服務有限公司) was incorporated in the PRC with registered capital of RMB40,000,000, which is wholly owned by GAC Commercial.

(6) *GABC Property Management Co., Ltd.* (廣州廣汽商貿物業管理有限公司)

On 30 July 2008, GABC Property Management Co., Ltd. (廣州廣汽商貿物業管理有限公司) was incorporated in the PRC with registered capital of RMB500,000, which is wholly owned by Guangzhou Automobile Industrial Development Co., Ltd. (廣州廣汽產業發展有限公司), one of the subsidiaries of our Company.

(7) *Guangzhou Changyue LEXUS Automobile Sales Service Co., Ltd* (廣州長悅雷克薩斯汽車銷售服務有限公司)

On 9 September 2008, Guangzhou Changyue LEXUS Automobile Sales Service Co., Ltd. (廣州長悅雷克薩斯汽車銷售服務有限公司) was incorporated in the PRC with registered capital of RMB10,000,000, which is wholly owned by GAC Commercial.

(8) *Zhengzhou BaoZhong Warehousing Co., Ltd.* (鄭州保中倉儲有限公司)

On 24 September 2008, Zhengzhou BaoZhong Warehousing Co., Ltd. (鄭州保中倉儲有限公司) was incorporated in the PRC with registered capital of RMB5,000,000, which is wholly owned by GAC Commercial.

(9) *Shenyang Huanshen Logistic Co., Ltd.* (沈陽環沈物流有限公司)

On 26 September 2008, Shenyang Huanshen Logistic Co., Ltd. (瀋陽環沈物流有限公司) was incorporated in the PRC with registered capital of RMB5,000,000, which is wholly owned by GAC Commercial.

(10) *Guangzhou Guangqi Ogihara Die & Stamping Co., Ltd.* (廣州廣汽荻原模具衝壓有限公司)

On 26 February 2009, Guangzhou Guangqi Ogihara Die & Stamping Co., Ltd. (廣州廣汽荻原模具衝壓有限公司) was incorporated in the PRC with registered capital of US$36,600,000, which is owned by GAC Components as to 65% and by China Lounge as to 25%.

(11) *Guangzhou Changning Automobile Sales and Services Co., Ltd* (廣州長寧汽車銷售服務有限公司)

Pursuant to an equity transfer agreement dated 22 September 2009 between GAC Commercial, Zhuo Ding Hua (卓定華) and Chen Wen Jie (陳文杰), GAC Commercial acquired from Zhuo Ding Hua (卓定華) and Chen Wen Jie (陳文杰) 25% and 24% of the equity interest in Guangzhou Changning Automobile Sales and Services Co., Ltd (廣州長寧汽車銷售服務有限公司) respectively for respective consideration of RMB4,752,500 and RMB4,562,400. Accordingly, Guangzhou Changning Automobile Sales and Services Co., Ltd. became a wholly-owned subsidiary of GAC Commercial.

Save as aforesaid, there has been no alteration in the share capital or registered capital of the subsidiaries of our Company within the two years immediately preceding the date of this Listing Document.

III. SINO-FOREIGN JOINT VENTURE COMPANIES

Please refer to the section headed "History, Reorganisation and Corporate Structure — The developments of our major Joint Venture Companies" of this Listing Document for further details.

IV. FURTHER INFORMATION ABOUT THE DIRECTORS, SUPERVISORS, STAFF AND MANAGEMENT, AND SUBSTANTIAL SHAREHOLDERS

1. Particulars of service contracts

None of our Directors or Supervisors has entered or proposed to enter into a service contract with our Company other than contracts expiring or terminable by our Company within one year without the payment of compensation (other than statutory compensation).

Details of the Directors', Supervisors' and senior management's remuneration during the Track Record Period are as follows:

	Directors and Supervisors			Senior Management		
	For the year ended 31 December			For the year ended 31 December		
	2007	2008	2009	2007	2008	2009
	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000
— Salaries, housing allowances, other allowances and benefits-in-kind	3,195	3,053	4,935	3,341	2,996	5,682
— Bonuses	333	2,708	—	0	2,189	—
— Pension scheme costs	126	125	133	116	127	169
Total	3,654	5,886	5,068	3,457	5,312	5,851

No independent non-executive directors received any remuneration during the Track Record Period.

Save as disclosed above, no other payments have been paid or are payable, in respect of the Track Record Period, by our Company or any of its subsidiaries to the Directors, Supervisors and senior management.

The aggregate remuneration for the Directors and Supervisors (only including those receiving emoluments from our Company) under the arrangement currently in force payable for the 12 months ended 31 December 2010 is estimated to be approximately RMB1,345,000 and RMB605,000 respectively. Both amounts exclude allowances and discretionary bonus which will be determined after the annual audit results of our Company for the year ended 31 December 2010 are released and after obtaining the approval from the Remuneration Committee.

2. Disclosure of Directors' and Supervisors' interests in the shares in issue of our Company

Immediately following the completion of the Introduction, the interests or short positions of each of the Directors, the Supervisors and the chief executive in any GAC Shares, underlying shares and debentures of our Company and its associated corporations (within the meaning of Part XV of the SFO), which once the GAC H Shares are listed, (a) will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest and short positions which they are taken or deemed to have taken under the SFO), or (b) will be required, pursuant to section 352 of the SFO, to be entered in the register required to be kept therein once the GAC H Shares are listed, or (c) will be required pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules to be notified to our Company and the Stock Exchange are set out as follows.

Long position in the shares of Denway

Name of Supervisor	Number of Denway Shares Personal Interest (as Beneficial Owner)	Approximate percentage of shareholding as at the Latest Practicable Date
Gao Fusheng	184	0.000002%

Interests in underlying shares in respect of share options granted by Denway

Name of Director	Number of Denway underlying shares in respect of options granted Personal Interest (as Beneficial Owner)	Approximate percentage of shareholding as at the Latest Practicable Date
Zhang Fangyou	8,528,000	0.11%
Zeng Qinghong	5,664,000	0.08%

Save as disclosed in this Listing Document, none of the Directors, Supervisors or chief executive of our Company has any interest or short position in the GAC Shares, underlying shares and debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO), which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have taken under such provisions of the SFO), or which will be required to be entered into the register of interests referred to in section 352 of the SFO, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, in each case once the GAC H Shares are listed on the Hong Kong Stock Exchange.

3. Substantial shareholders

A. Interests in the Company

So far as the Directors are aware, the following persons (not being a Director or chief executive of our Company) will, immediately following the completion of the Introduction, have beneficial interests or short positions in any GAC Shares or underlying GAC Shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Shareholder	Number of GAC Domestic Shares directly or indirectly held after the Introduction	Approximate percentage of issued share capital (%)
GAIG	3,617,403,529	58.8382

Note: So far as the Directors are aware, Templeton Asset Management Limited held 1,162,841,027 Denway Shares representing approximately 15.47% of the issued share capital of Denway as at the Latest Practicable Date and may, immediately following the completion of the Introduction and the Privatisation, be interested in more than 5% of GAC Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO assuming that its shareholding in Denway remains unchanged.

B. Interest in subsidiaries of our Company

So far as the Directors are aware, the following persons (not being a Director or chief executive of our Company) will, immediately following the completion of the Introduction, be directly and/or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Company and its subsidiaries:

Name of the relevant subsidiary	Name of substantial shareholders	Amount of registered capital	Percentage of shareholding
Guangzhou Auto Technology Centre (廣州汽車技術中心)	Huanan Technology University Technology Development Company (華南理工大學科技開發公司)	RMB3,000,000	10%
Guang' ai	Aioi Insurance Co. Ltd.	RMB30,000,000	24.9%
Guangqi Toyotsu Logistics Co., Ltd (廣汽豐通物流有限公司)	Toyota Tsusho Corporation	US$7,800,000	45%
Beijing Changjinghang Automobile Sales and Services Co., Ltd. (北京長京行汽車銷售有限公司)	Chen Bin (陳斌)	RMB15,000,000	38%
Chongqing Changjun Automobile Sales and Services Co., Ltd. (重慶長俊汽車銷售服務有限公司)	Cao Shaoji (曹紹霽)	RMB12,000,000	40%
Shanghai Changyu Automobile Sales and Service Co., Ltd. (上海長宇汽車銷售服務有限公司)	Zhongqi Industry (Group) Co., Ltd. (中汽實業(集團)有限公司)	RMB15,000,000	40%
Guangzhou Changhai Automobile Sales Company Limited (廣州長凱汽車銷售服務有限公司)	Guangdong YiHang Corporation Development Co., Ltd. (廣東溢航企業發展有限公司)	RMB15,000,000	40%
Chengdu Guangxin Logistics Co., Ltd. (成都廣新物流有限公司)	Chengdu Xinxing Motor City Development Investment Co., Ltd. (成都新興汽車城開發投資有限公司)	RMB15,000,000	45%
Guangzhou Guangqi Toyotsu Service Co., Ltd (廣州廣汽豐通服務有限公司)	Toyota Tsusho Corporation	RMB21,280,000	49%
Xinjiang Changxin Automobile Sales Service Company Limited (新疆長信汽車銷售服務有限公司)	Xingjiang Century Industrial Co., Ltd. (新疆今世紀實業有限公司)	RMB25,000,000	40%
Guangzhou Guangqi Ogihara Die & Stamping Co., Ltd. (廣州廣汽荻原模具衝壓有限公司)	Ogiwara & Co., Ltd. (株式會社荻原)	US$36,600,000	10%

Save as disclosed herein, the Directors are not aware of any person (not being a director or chief executive of our Company) who will, immediately following the completion of the Introduction, have beneficial interests or short positions in any GAC Shares or underlying Shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will directly and/or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Company and its subsidiaries.

4. *Connected transactions and related transactions*

Details of the connected transactions are set out in the section headed "Connected Transactions" of this Listing Document and details of the related party transactions are set out in the accountant's report, the text of which is set out in Appendix I of this Listing Document.

5. *Disclaimers*

Save as disclosed in this Listing Document:

(a) The Directors confirm that none of the Directors or chief executive or Supervisors of our Company has any interest or short positions in the GAC Shares, underlying shares or debentures of our Company and any of its associated corporations (within the meaning of Part XV of the SFO) which will have to be disclosed pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest and short positions in which they are taken or deemed to have taken under the SFO) once the GAC H Shares are listed, or will be required, pursuant to section 352 of the SFO, to be entered in the register required to be kept therein once the GAC H Shares are listed, or will be required pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules to be notified to our Company and the Stock Exchange once the GAC H Shares are listed;

(b) none of the Directors nor Supervisors nor any parties listed in paragraph VI.5 headed "Qualifications of parties" in this Appendix directly or indirectly is interested in the promotion of our Company or in any assets which have, within the 2 years immediately preceding the issue of this Listing Document, been acquired or disposed of by or leased to our Company or its subsidiaries or are proposed to be acquired or disposed of by or leased to our Company or its subsidiaries;

(c) none of the Directors nor Supervisors nor any parties listed in paragraph VI.5 headed "Qualifications of parties" in this Appendix is materially interested in any contract or arrangement subsisting at the date of this Listing Document which is significant in relation to the business of our Company or its subsidiaries;

(d) none of the Directors nor Supervisors has entered or is proposed to enter into a service contract with our Company or its subsidiaries (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation);

(e) no cash, securities or benefit has been paid, allotted or given within the two years preceding the date of this Listing Document to the Promoters in connection with the Introduction nor is any such cash, securities or benefit intended to be paid, allotted or given; and

(f) none of the Directors nor their Associates nor any shareholder of our Company (which to the knowledge of the Directors owns more than 5% of our Company's Shares in issue) has any interest in any of the five largest contractors and five largest customers of our Company or its subsidiaries.

V. FURTHER INFORMATION ABOUT THE BUSINESS

6. *Summary of material contracts*

The following contracts (not being in the ordinary course of business) have been entered into by any member of our Group within two years immediately preceding the date of this Listing Document and are or may be material:

(a) the equity transfer agreement dated 14 May 2008 entered into between our Company and Guangzhou Motors, pursuant to which our Company acquired from Guangzhou Motors 5% of the equity interest in GAC Commercial for RMB33,066,820.

(b) the joint venture agreement dated 26 May 2008 entered into between GAC Component and Ullitec Venture Capital for the purpose of establishing GAC-Ullitec for the research and development of automobile interior system and manufacture of interior auto parts.

(c) the "GAC" trademarks transfer agreement dated 22 December 2008 entered into between our Company and GAIG, pursuant to which GAIG transferred to our Company its 33 trademarks and right of application in respect of the "GAC" trademarks for a consideration of RMB25,316,940.

(d) a joint venture agreement dated 29 December 2008 entered into between GAC Components, China Lounge and Ogiwara & Co., Ltd. (株式會社荻原) for the purpose of establishing Guangqi Ogihara for the manufacture of auto parts, sale of Guangqi Ogihara products and the provision of after-sale services.

(e) the joint venture agreement dated 2 March 2009 entered into between our Company and SOFINCO for the purpose of establishing GAC-SOFINCO, its principal business is automobile financing.

(f) the equity transfer agreement dated 20 May 2009 entered into between GAC Components and Nanjing Automobile (Group) Corporation (南京汽車集團有限公司), pursuant to which Nanjing Automobile (Group) Corporation (南京汽車集團有限公司) transferred its entire 33.3% equity interest in Hangzhou HAVECO to GAC Components at a consideration of RMB76,864,383.

(g) the equity transfer agreement dated 20 May 2009 entered into between GAC Components and Nanjing Automobile (Group) Corporation (南京汽車集團有限公司), pursuant to which Nanjing Automobile (Group) Corporation (南京汽車集團有限公司) transferred its entire 33.3% equity interest in Hangzhou IVECO Automobile Transmission Technology Co., Ltd. (杭州依維柯汽車傳動技術有限公司) to GAC Components at a consideration of RMB15,225,617.

(h) the equity transfer agreement dated 21 May 2009 entered into between our Company and Changfeng (Group) Co., Ltd. (長豐(集團)有限責任公司), pursuant to which our Company agreed to acquire from Changfeng (Group) Co., Ltd. (長豐(集團)有限責任公司) 151,052,703 state-owned floating shares, which are subject to trading restrictions, of Hunan Changfeng Motor Co., Ltd. (湖南長豐汽車製造股份有限公司) for RMB1,053,592,605.

(i) the joint venture agreement dated 4 February 2010 entered into between our Company and Fiat for the establishment of GAC Fiat, its principal business is manufacturing of passenger vehicles and related auto parts.

(j) the equity transfer agreement dated 17 September 2009 entered into between our Company, China Lounge and Guangzhou Guangyue, pursuant to which each of our Company and China Lounge transferred its 50% interest in Yangcheng Auto to Guangzhou Guangyue for a consideration of RMB1 each.

(k) the equity transfer agreement dated 22 September 2009 entered into between GAC Commercial, Zhuo Ding Hua (卓定華) and Chen Wen Jie (陳文傑) pursuant to which GAC Commercial acquired from Zhuo Ding Hua (卓定華) and Chen Wen Jie (陳文傑) 25% and 24% equity interest in Guangzhou Changning Automobile Sales and Services Co., Ltd. (廣州長寧汽車銷售服務有限公司) respectively for RMB4,752,500 and RMB4,562,400 respectively.

(l) the sponsors agreement dated 15 June 2010 entered into between our Company, GAIG, J.P. Morgan Securities (Asia Pacific) Limited, Morgan Stanley Asia Limited and China International Capital Corporation Hong Kong Securities Limited.

7. PRC Joint Venture Agreements

(a) Joint venture partners, respective capital contributions, percentage interest in the profits, dividends other distributions of the joint venture, term of the joint venture and any other material terms of the joint venture contract

Please refer to the section headed "History, Reorganisation and Corporate Structure — The developments of our major Joint Venture Companies" of this Listing Document for further details.

(b) Pre-emption rights of the joint venture partners and other restrictions on the sale, assignment or transfer of a partner's interest in the joint venture and provisions on termination of the joint venture

Please refer to the section headed "Appendix VI — Summary of principal PRC legal and regulatory provisions — Joint ventures" of this Listing Document for further details.

(c) Arrangements concerning the management of the joint venture's business and operations and any special supply, production or licensing arrangements involving any of the joint venture partners

Please refer to the section headed "Connected transactions — Continuing connected transactions relating to the Principal Jointly-controlled Entities" of this Listing Document for further details.

8. *Intellectual property rights*

(a) Trademarks

As at the Latest Practicable Date, our Group, the JCEs of our Company and the JCEs of the subsidiaries of our Company have registered the following trademarks:

Mark	Name of registrant	Place of registration	Registration number	Class	Expiry date
GA	our Company	PRC	1294468	12	13 July 2019
GA		PRC	1302281	37	6 August 2019
GA		PRC	1302385	39	6 August 2019
广汽 (note)		PRC	4550262	12	20 December 2017
广汽 (note)		PRC	4743857	25	6 February 2019
广汽 (note)		PRC	4743858	24	6 February 2019
广汽 (note)		PRC	4743859	22	6 February 2019
广汽 (note)		PRC	4743860	21	27 November 2018
广汽 (note)		PRC	4743861	20	27 November 2018
广汽 (note)		PRC	4743862	19	27 November 2018
广汽 (note)		PRC	4743863	18	6 February 2019
广汽 (note)		PRC	4743864	17	27 November 2018
广汽 (note)		PRC	4743865	16	27 November 2018
广汽 (note)		PRC	4743866	14	27 November 2018
广汽 (note)		PRC	4743867	11	27 May 2018
广汽 (note)		PRC	4743868	9	27 May 2018
广汽 (note)		PRC	4743869	8	27 May 2018
广汽 (note)		PRC	4743870	7	27 May 2018
广汽 (note)		PRC	4743871	6	27 May 2018
广汽 (note)		PRC	4743872	5	27 November 2018
广汽 (note)		PRC	4743874	3	27 November 2018
广汽 (note)		PRC	4743875	2	27 November 2018

Mark	Name of registrant	Place of registration	Registration number	Class	Expiry date
广汽 (note)		PRC	4743876	1	27 November 2018
广汽 (note)		PRC	4743929	43	6 February 2019
广汽 (note)		PRC	4743930	42	6 February 2019
广汽 (note)		PRC	4743937	41	6 February 2019
广汽 (note)		PRC	4743938	40	6 February 2019
广汽 (note)		PRC	4743939	39	6 April 2019
广汽 (note)		PRC	4743940	38	6 February 2019
广汽 (note)		PRC	4743941	37	6 October 2019
广汽 (note)		PRC	4743942	36	6 February 2019
广汽 (note)		PRC	4743943	35	6 April 2019
广汽 (note)		PRC	4743944	34	6 April 2018
广汽 (note)		PRC	4743945	27	6 February 2019
广汽 (note)		PRC	4743946	26	20 February 2019
		PRC	4802374	43	27 February 2019
		PRC	4802375	42	27 June 2019
		PRC	4802376	41	27 March 2019
		PRC	4802377	40	27 April 2019
		PRC	4802378	39	20 February 2019
		PRC	4802379	38	27 February 2019
		PRC	4802380	37	27 March 2019
		PRC	4802381	36	27 March 2019
		PRC	4802382	35	20 February 2019
		PRC	4802383	34	13 April 2018
		PRC	4802384	28	20 May 2019
		PRC	4802386	25	20 December 2019
		PRC	4802387	22	27 June 2019
		PRC	4802389	20	6 December 2019
		PRC	4802390	19	13 February 2019

Mark	Name of registrant	Place of registration	Registration number	Class	Expiry date
		PRC	4802391	18	27 July 2019
		PRC	4802392	17	13 February 2019
		PRC	4802393	14	27 April 2019
		PRC	4802394	12	6 June 2018
		PRC	4802395	11	6 June 2018
		PRC	4802396	9	6 June 2018
		PRC	4802397	8	6 June 2018
		PRC	4802398	7	6 June 2018
		PRC	4802399	6	6 June 2018
		PRC	4802400	4	20 January 2019
		PRC	4802401	3	13 February 2019
		PRC	4802402	2	20 January 2019
		PRC	4802403	1	20 January 2019
GAC		PRC	4802694	34	13 April 2018
GAC		PRC	4802695	35	20 February 2019
GAC		PRC	4802696	36	27 February 2019
GAC		PRC	4802697	37	27 February 2019
GAC		PRC	4802698	38	27 February 2019
GAC		PRC	4802699	39	20 February 2019
GAC		PRC	4802700	41	27 February 2019
GAC		PRC	4802701	42	27 February 2019
GAC		PRC	4802702	43	27 February 2019
GAC		PRC	4802703	40	27 February 2019
GAC		PRC	4802704	1	20 January 2019
GAC		PRC	4802705	2	20 January 2019
GAC		PRC	4802706	18	13 February 2019
GAC		PRC	4802707	19	13 February 2019
GAC		PRC	4802708	20	27 April 2019

Mark	Name of registrant	Place of registration	Registration number	Class	Expiry date
GAC		PRC	4802709	21	27 April 2019
GAC		PRC	4802710	22	13 February 2019
GAC		PRC	4802711	25	6 May 2019
GAC		PRC	4802712	27	20 February 2019
GAC		PRC	4802713	28	27 January 2019
GAC		PRC	4802774	4	20 January 2019
GAC		PRC	4802775	3	13 February 2019
GAC		PRC	4802776	6	27 May 2019
GAC		PRC	4802778	8	6 June 2018
GAC		PRC	4802779	9	6 October 2019
GAC		PRC	4802780	11	6 October 2019
GAC		PRC	4802781	17	20 April 2019
GAC		PRC	4802782	14	27 April 2019
GAC		PRC	4802783	12	13 June 2019
广本 GUANG BEN	Guangqi Honda	PRC	4003317	39	13 January 2017
广本 GUANG BEN		PRC	4003318	9	13 September 2016
广本 GUANG BEN		PRC	4003319	7	13 September 2016
奥德赛		PRC	4078840	37	20 May 2017
飞度		PRC	4078841	37	20 May 2017
雅阁		PRC	4078842	37	20 August 2017
梦想的力量		PRC	4124019	39	20 August 2017
梦想的力量		PRC	4124020	37	20 August 2017
ODYSSEY		PRC	4124021	28	13 January 2018
飞度 FEI DU		PRC	4128010	39	20 September 2017
[illegible]		PRC	4128011	39	27 November 2017
ODYSSEY		PRC	4128012	39	20 September 2017
[illegible]		PRC	4128013	39	20 September 2017
[illegible]		PRC	4128014	37	20 September 2017

Mark	Name of registrant	Place of registration	Registration number	Class	Expiry date
广本 GUANG BEN		PRC	4128015	28	13 January 2018
		PRC	4128016	28	13 January 2018
奧德賽 AO DE SAI		PRC	4131044	39	20 August 2017
		PRC	4131045	37	20 August 2017
ODYSSEY		PRC	4131046	37	20 August 2017
		PRC	4131047	28	20 March 2018
		PRC	4135631	7	6 October 2016
ODYSSEY		PRC	4135632	7	20 January 2017
飞度		PRC	4135633	7	20 January 2017
GHAC		PRC	4163879	37	6 December 2017
GHAC		PRC	4163880	28	27 February 2018
GHAC		PRC	4163881	4	13 May 2017
GHAC		PRC	4163882	2	13 May 2017
GHAC		PRC	4171543	12	13 November 2016
GHAC		PRC	4171544	12	13 November 2016
GHAC		PRC	4186584	7	13 November 2016
广本		PRC	4674850	37	6 April 2019
广本 GUANGBEN		PRC	4802326	42	27 June 2019
广本 GUANGBEN		PRC	4802327	25	27 May 2019
广本 GUANGBEN		PRC	4802328	11	13 October 2018
广本 GUANGBEN		PRC	4802329	8	6 June 2018
广本 GUANGBEN		PRC	4802330	6	27 November 2019
广本 GUANGBEN		PRC	4802332	3	20 March 2019
广本 GUANGBEN		PRC	4802333	1	20 February 2019
		PRC	4820581	41	6 March 2019

Mark	Name of registrant	Place of registration	Registration number	Class	Expiry date
		PRC	4820582	39	6 March 2019
		PRC	4820583	37	27 March 2019
		PRC	4820584	12	6 June 2018
		PRC	4820585	7	6 June 2018
City		PRC	4836590	12	6 March 2019
思迪		PRC	4836591	12	13 July 2018
思迪		PRC	4836592	37	13 April 2019
		PRC	6172336	12	6 January 2020
GB		PRC	6172341	12	6 February 2020
		PRC	6172362	12	6 February 2020
理念 Ligna		PRC	6407853	12	6 March 2020
R&D	GHRD	PRC	6127636	12	20 December 2019
		PRC	1752348	12	20 April 2012
	Guang'ai GAC Toyota Engine	PRC	5789488	36	27 January 2020
		PRC	4535341	37	20 September 2018
		PRC	4535342	12	13 December 2017
		PRC	4535343	7	13 December 2017
	Guangqi Toyotsu Logistics Co., Ltd. (廣汽豐通物流有限公司)	PRC	5145914	39	20 December 2019
羊城	GAC Hino	PRC	141283	12	28 February 2013
羊城骏铃		PRC	4588666	12	13 February 2018

Mark	Name of registrant	Place of registration	Registration number	Class	Expiry date
		PRC	4669318	37	27 December 2018
广汽·羊城		PRC	4669319	37	6 April 2019
广汽·羊城		PRC	4712403	37	27 March 2019
		PRC	810371	12	27 January 2016
羊城		PRC	830698	12	13 April 2016
羊城		PRC	837876	37	6 May 2016
GTMC	GAC Toyota	PRC	4723927	7	6 April 2018
GTMC		PRC	4723928	9	6 April 2018
GTMC		PRC	4723929	11	6 April 2018
GTMC		PRC	4723930	16	6 December 2018
GTMC		PRC	4723931	18	27 April 2019
GTMC		PRC	4723932	22	13 January 2020
GTMC		PRC	4723933	25	6 February 2019
GTMC		PRC	4723934	27	6 February 2019
GTMC		PRC	4723935	28	6 February 2019
GTMC		PRC	4723936	39	6 January 2019
GTMC		PRC	4723944	1	20 March 2019
GTMC		PRC	4723945	3	6 December 2018
GTMC		PRC	4723946	4	27 October 2018
		PRC	4724451	37	27 January 2019
		PRC	4724452	35	6 April 2019
		PRC	4724453	12	6 April 2018

Mark	Name of registrant	Place of registration	Registration number	Class	Expiry date
GTMC		PRC	4724454	37	27 January 2019
GTMC		PRC	4724456	12	6 April 2018
骏威	Guangzhou Denway Enterprises Development Co., Limited	PRC	1687672	37	20 December 2011
骏威		PRC	1707828	36	27 January 2012
骏威		PRC	6112745	34	6 August 2019
骏威		PRC	6112746	33	27 December 2019
骏威		PRC	6112751	14	13 January 2020
骏威		PRC	6112752	10	27 January 2020
骏威		PRC	6112753	8	6 February 2020
骏威		PRC	6112754	2	13 February 2020
Denway	Denway Bus	PRC	1757318	12	27 April 2012
		PRC	1757319	12	27 April 2012
骏威		PRC	1757320	12	27 April 2012
华德	Guangzhou Huade Tanhuang Co., Ltd. 广州华德汽车弹簧有限公司	PRC	1594211	6	27 June 2011
Xon	Hangzhou HAVECO	PRC	1633949	12	13 September 2011
	Guangzhou City Heng An Technology Co., Ltd. 广州市行安汽车科技有限公司	PRC	3244590	12	27 July 2013
行安		PRC	3256713	12	13 January 2014

Mark	Name of registrant	Place of registration	Registration number	Class	Expiry date
	Promowide Technology Limited (普惠科技有限公司)	PRC	6315876	7	20 February 2020
	Guangzhou Dakang Economic Development Co., Ltd. (广州市达康经济发展有限公司)	PRC	3331728	9	27 October 2013
		PRC	3329542	43	20 September 2014
		PRC	3916839	39	6 October 2016
		PRC	4298457	37	20 March 2018
		PRC	4298458	43	20 March 2018
		PRC	4298459	44	20 March 2018
		PRC	4298460	45	30 March 2018

Note:

On 22 December 2008, GAIG and the Company entered into the "GAC" trademarks transfer agreement, pursuant to which GAIG agreed to transfer to the Company 33 trademarks and the right of application in respect of the trademarks. The transfer price of RMB25,316,940 is determined on the basis of the results of auditing. The PRC legal adviser of the Company confirmed that the procedures for the transfer of the "GAC" trademarks and the right of application have been completed.

As at the Latest Practicable Date, our Group, the JCEs of our Company and the JCEs of the subsidiaries of our Company have applied for registration of the following trademarks and such applications were still being processed. We expect that a majority of the following applications will be approved in about three years from their respective dates:

Mark	Name of applicant	Place of application	Application number	Class	Application date
广汽	Our Company	PRC	4743873	4	27 June 2005
		PRC	4802388	21	28 July 2005
		PRC	4802385	27	28 July 2005
		PRC	6757117	45	2 June 2008
		PRC	6757118	44	2 June 2008
		PRC	6757119	43	2 June 2008
		PRC	6757120	42	2 June 2008
		PRC	6757121	41	2 June 2008
		PRC	6757122	40	2 June 2008
		PRC	6757123	39	2 June 2008
		PRC	6757124	37	2 June 2008
		PRC	6757125	35	2 June 2008
		PRC	6757126	34	2 June 2008
		PRC	6757127	32	2 June 2008
		PRC	6757128	31	2 June 2008
		PRC	6757129	30	2 June 2008
		PRC	6757130	29	2 June 2008
		PRC	6757131	28	2 June 2008
		PRC	6757132	26	2 June 2008
		PRC	6757133	25	2 June 2008
		PRC	6757134	24	2 June 2008
		PRC	6757135	23	2 June 2008

Mark	Name of applicant	Place of application	Application number	Class	Application date
		PRC	6757136	11	2 June 2008
		PRC	6757137	13	2 June 2008
		PRC	6757138	15	2 June 2008
		PRC	6757139	16	2 June 2008
		PRC	6757140	17	2 June 2008
		PRC	6757141	18	2 June 2008
		PRC	6757142	19	2 June 2008
		PRC	6757143	20	2 June 2008
		PRC	6757144	21	2 June 2008
		PRC	6757145	22	2 June 2008
		PRC	6757146	33	2 June 2008
		PRC	6757147	10	2 June 2008
		PRC	6757148	9	2 June 2008
		PRC	6757149	8	2 June 2008
		PRC	6757150	7	2 June 2008
		PRC	6757151	6	2 June 2008
		PRC	6757152	5	2 June 2008
		PRC	6757153	3	2 June 2008
		PRC	6757154	2	2 June 2008
		PRC	6757155	1	2 June 2008
		PRC	6757156	12	2 June 2008
GAC		PRC	4802777	7	28 July 2005
GAC		PRC	6757907	45	2 June 2008
GAC		PRC	6757908	44	2 June 2008

Mark	Name of applicant	Place of application	Application number	Class	Application date
GAC		PRC	6757909	43	2 June 2008
GAC		PRC	6757910	42	2 June 2008
GAC		PRC	6757911	41	2 June 2008
GAC		PRC	6757912	40	2 June 2008
GAC		PRC	6757913	39	2 June 2008
GAC		PRC	6757914	37	2 June 2008
GAC		PRC	6757915	35	2 June 2008
GAC		PRC	6757916	34	2 June 2008
GAC		PRC	6757917	33	2 June 2008
GAC		PRC	6757918	32	2 June 2008
GAC		PRC	6757919	31	2 June 2008
GAC		PRC	6757920	30	2 June 2008
GAC		PRC	6757921	29	2 June 2008
GAC		PRC	6757922	28	2 June 2008
GAC		PRC	6757923	26	2 June 2008
GAC		PRC	6757924	25	2 June 2008
GAC		PRC	6757925	24	2 June 2008
GAC		PRC	6757926	23	2 June 2008
GAC		PRC	6757927	22	2 June 2008
GAC		PRC	6757928	21	2 June 2008
GAC		PRC	6757929	20	2 June 2008
GAC		PRC	6757930	19	2 June 2008
GAC		PRC	6757931	18	2 June 2008
GAC		PRC	6757932	17	2 June 2008
GAC		PRC	6757933	16	2 June 2008

Mark	Name of applicant	Place of application	Application number	Class	Application date
GAC		PRC	6757934	15	2 June 2008
GAC		PRC	6757935	13	2 June 2008
GAC		PRC	6757936	12	2 June 2008
GAC		PRC	6757937	11	2 June 2008
GAC		PRC	6757938	10	2 June 2008
GAC		PRC	6757939	9	2 June 2008
GAC		PRC	6757940	8	2 June 2008
GAC		PRC	6757941	7	2 June 2008
GAC		PRC	6757942	6	2 June 2008
GAC		PRC	6757944	3	2 June 2008
GAC		PRC	6757945	2	2 June 2008
GAC		PRC	6757946	1	2 June 2008
GAC		PRC	6828106	5	8 July 2008
至精·志广 Detailing Greatness		PRC	7378533	7	7 May 2009
至精·志广 Detailing Greatness		PRC	7378559	9	7 May 2009
至精·志广 Detailing Greatness		PRC	7378581	11	7 May 2009
至精·志广 Detailing Greatness		PRC	7378402	12	7 May 2009
至精·志广 Detailing Greatness		PRC	7378427	35	7 May 2009
至精·志广 Detailing Greatness		PRC	7378447	36	7 May 2009
至精·志广 Detailing Greatness		PRC	7378464	37	7 May 2009
至精·志广 Detailing Greatness		PRC	7378477	39	7 May 2009
至精·志广 Detailing Greatness		PRC	7378495	42	7 May 2009
GAEI		PRC	6850603	42	21 July 2008

Mark	Name of applicant	Place of application	Application number	Class	Application date
GAEI		PRC	6850604	12	21 July 2008
广汽		PRC	7135706	45	29 December 2008
广汽		PRC	7135707	44	29 December 2008
广汽		PRC	7135708	43	29 December 2008
广汽		PRC	7135709	42	29 December 2008
广汽		PRC	7135710	41	29 December 2008
广汽		PRC	7135711	40	29 December 2008
广汽		PRC	7135712	39	29 December 2008
广汽		PRC	7135713	38	29 December 2008
广汽		PRC	7135714	24	29 December 2008
广汽		PRC	7135715	23	29 December 2008
广汽		PRC	7135716	34	29 December 2008
广汽		PRC	7135717	37	29 December 2008
广汽		PRC	7135718	36	29 December 2008
广汽		PRC	7135719	35	29 December 2008
广汽		PRC	7135720	33	29 December 2008
广汽		PRC	7135721	32	29 December 2008
广汽		PRC	7135722	31	29 December 2008
广汽		PRC	7135723	30	29 December 2008
广汽		PRC	7135724	29	29 December 2008
广汽		PRC	7135725	28	29 December 2008
广汽		PRC	7135726	1	29 December 2008
广汽		PRC	7135727	2	29 December 2008
广汽		PRC	7135728	3	29 December 2008
广汽		PRC	7135729	5	29 December 2008

Mark	Name of applicant	Place of application	Application number	Class	Application date
广汽		PRC	7135730	6	29 December 2008
广汽		PRC	7135731	7	29 December 2008
广汽		PRC	7135732	8	29 December 2008
广汽		PRC	7135733	9	29 December 2008
广汽		PRC	7135734	10	29 December 2008
广汽		PRC	7135735	11	29 December 2008
广汽		PRC	7135736	22	29 December 2008
广汽		PRC	7135737	21	29 December 2008
广汽		PRC	7135738	20	29 December 2008
广汽		PRC	7135739	19	29 December 2008
广汽		PRC	7135740	18	29 December 2008
广汽		PRC	7135741	17	29 December 2008
广汽		PRC	7135742	16	29 December 2008
广汽		PRC	7135743	15	29 December 2008
广汽		PRC	7135744	13	29 December 2008
广汽		PRC	7135745	12	29 December 2008
广汽		PRC	7135853	25	29 December 2008
		Hong Kong	301589239	7, 12, 37	16 April 2010
GAC		Hong Kong	301589248	7, 12, 37	16 April 2010
广汽		Hong Kong	301589275	7, 12, 37	16 April 2010
R&D	GHRD	PRC	6127634	39	25 June 2007
R&D		PRC	6127635	37	25 June 2007
R&D		PRC	6127670	42	25 June 2007
	GAMC	PRC	7591185	12	3 August 2009
		PRC	7591194	12	3 August 2009

Mark	Name of applicant	Place of application	Application number	Class	Application date
		PRC	7591415	7	3 August 2009
		PRC	7591425	7	3 August 2009
		PRC	7591443	9	3 August 2009
		PRC	7591456	9	3 August 2009
		PRC	7591492	11	3 August 2009
		PRC	7591512	11	3 August 2009
		PRC	7591537	28	3 August 2009
		PRC	7591543	28	3 August 2009
		PRC	7593570	35	4 August 2009
		PRC	7593580	35	4 August 2009
		PRC	7593646	37	4 August 2009
		PRC	7593660	37	4 August 2009
		PRC	7593763	39	4 August 2009
		PRC	7593777	39	4 August 2009
		PRC	7593806	42	4 August 2009
		PRC	7593821	42	4 August 2009
		PRC	7597697	12	5 August 2009
		PRC	7597718	37	5 August 2009
		PRC	7597735	39	5 August 2009
		PRC	7597855	7	5 August 2009
		PRC	7599855	12	6 August 2009
		PRC	7599899	12	6 August 2009
		PRC	7599957	7	6 August 2009
		PRC	7599987	7	6 August 2009
		PRC	7600070	9	6 August 2009
		PRC	7600126	11	6 August 2009

Mark	Name of applicant	Place of application	Application number	Class	Application date
		PRC	7600169	37	6 August 2009
		PRC	7600206	37	6 August 2009
		PRC	7600235	39	6 August 2009
		PRC	7600261	39	6 August 2009
		PRC	7603668	9	7 August 2009
		PRC	7603684	9	7 August 2009
		PRC	7603719	11	7 August 2009
		PRC	7603743	11	7 August 2009
		PRC	7603781	28	7 August 2009
		PRC	7603801	28	7 August 2009
		PRC	7603818	28	7 August 2009
		PRC	7603837	35	7 August 2009
		PRC	7603846	35	7 August 2009
		PRC	7603862	35	7 August 2009
		PRC	7607937	42	10 August 2009
		PRC	7607948	42	10 August 2009
		PRC	7607967	42	10 August 2009
远征		PRC	7635401	12	20 August 2009
首雅		PRC	7635414	12	20 August 2009
雅轩		PRC	7635421	12	20 August 2009
远征		PRC	7635456	37	20 August 2009
首雅		PRC	7635471	37	20 August 2009
雅轩		PRC	7635482	37	20 August 2009
远征		PRC	7635516	39	20 August 2009
首雅		PRC	7635526	39	20 August 2009
雅轩		PRC	7635532	39	20 August 2009
品越		PRC	7637566	12	21 August 2009

Mark	Name of applicant	Place of application	Application number	Class	Application date
尚乘		PRC	7637593	12	21 August 2009
品越		PRC	7637632	37	21 August 2009
尚乘		PRC	7637660	37	21 August 2009
品越		PRC	7637715	39	21 August 2009
尚乘		PRC	7637755	39	21 August 2009
领势		PRC	7642276	12	24 August 2009
御程		PRC	7642294	12	24 August 2009
臻程		PRC	7642317	12	24 August 2009
领势		PRC	7642335	37	24 August 2009
御程		PRC	7642341	37	24 August 2009
臻程		PRC	7642363	37	24 August 2009
领势		PRC	7642399	39	24 August 2009
御程		PRC	7642418	39	24 August 2009
臻程		PRC	7642432	39	24 August 2009
世勋		PRC	7645333	12	25 August 2009
铂雅		PRC	7645361	12	25 August 2009
世勋		PRC	7645399	37	25 August 2009
铂雅		PRC	7645444	37	25 August 2009
世勋		PRC	7645503	39	25 August 2009
铂雅		PRC	7645513	39	25 August 2009
晶致		PRC	7645567	12	25 August 2009
泊雅		PRC	7645577	12	25 August 2009
晶致		PRC	7645597	37	25 August 2009
晶致		PRC	7645608	39	25 August 2009
泊雅		PRC	7648106	37	26 August 2009
豪仕		PRC	7648122	37	26 August 2009

Mark	Name of applicant	Place of application	Application number	Class	Application date
泊雅		PRC	7648166	39	26 August 2009
豪仕		PRC	7648179	39	26 August 2009
豪仕		PRC	7648232	12	26 August 2009
		PRC	7747669	12	10 October 2009
		PRC	7747713	7	10 October 2009
		PRC	7747744	9	10 October 2009
		PRC	7747801	11	10 October 2009
		PRC	7747819	28	10 October 2009
		PRC	7747842	35	10 October 2009
		PRC	7747914	37	10 October 2009
		PRC	7747926	39	10 October 2009
		PRC	7747941	42	10 October 2009
		PRC	7773103	12	21 October 2009
		PRC	7773156	7	21 October 2009
		PRC	7773260	9	21 October 2009
		PRC	7773292	11	21 October 2009
		PRC	7773326	28	21 October 2009
		PRC	7773351	35	21 October 2009
		PRC	7773380	37	21 October 2009
		PRC	7773395	39	21 October 2009
		PRC	7773416	42	21 October 2009
盛道		PRC	7954581	1	29 December 2009
盛道		PRC	7952239	2	28 December 2009
盛道		PRC	7962037	3	31 December 2009

Mark	Name of applicant	Place of application	Application number	Class	Application date
盛道		PRC	7952281	4	28 December 2009
盛道		PRC	7962237	5	31 December 2009
盛道		PRC	7954764	6	29 December 2009
盛道		PRC	7952381	7	28 December 2009
盛道		PRC	7958398	8	30 December 2009
盛道		PRC	7952526	9	28 December 2009
盛道		PRC	7962325	10	31 December 2009
盛道		PRC	7952560	11	28 December 2009
盛道		PRC	7888525	12	4 December 2009
盛道		PRC	7952639	12	28 December 2009
盛道		PRC	7964204	13	4 January 2010
盛道		PRC	7964203	14	4 January 2010
盛道		PRC	7964214	15	4 January 2010
盛道		PRC	7964213	16	27 January 2010
盛道		PRC	7952605	17	28 December 2009
盛道		PRC	7964212	18	4 January 2010
盛道		PRC	7962580	19	31 December 2009
盛道		PRC	7958469	20	30 December 2009
盛道		PRC	7958616	21	30 December 2009
盛道		PRC	7964211	22	4 January 2010
盛道		PRC	7964210	23	4 January 2010
盛道		PRC	7962629	24	31 December 2009
盛道		PRC	7964209	25	4 January 2010
盛道		PRC	7964208	26	4 January 2010
盛道		PRC	7964207	27	4 January 2010

Mark	Name of applicant	Place of application	Application number	Class	Application date
盛道		PRC	7958707	28	30 December 2009
盛道		PRC	7958774	29	30 December 2009
盛道		PRC	7962690	30	31 December 2009
盛道		PRC	7964206	31	4 January 2010
盛道		PRC	7964205	32	4 January 2010
盛道		PRC	7964224	33	4 January 2010
盛道		PRC	7964223	34	4 January 2010
盛道		PRC	7954852	35	29 December 2009
盛道		PRC	7964222	36	4 January 2010
盛道		PRC	7899344	37	9 December 2009
盛道		PRC	7952668	37	28 December 2009
盛道		PRC	7964221	38	4 January 2010
盛道		PRC	7899382	39	9 December 2009
盛道		PRC	7964220	39	4 January 2010
盛道		PRC	7964219	40	4 January 2010
盛道		PRC	7964218	41	4 January 2010
盛道		PRC	7958887	42	30 December 2009
盛道		PRC	7964217	43	4 January 2010
盛道		PRC	7964216	44	4 January 2010
盛道		PRC	7964215	45	4 January 2010
广本 GUANG BEN	Guangqi Honda	PRC	4065181	12	17 May 2004
广本 GUANGBEN		PRC	4802331	4	28 July 2005
		PRC	5991750	37	11 April 2007
Service30		PRC	5991751	39	11 April 2007
Service30		PRC	5991752	37	11 April 2007

Mark	Name of applicant	Place of application	Application number	Class	Application date
喜悦		PRC	6061311	42	21 May 2007
喜悦		PRC	6061312	39	21 May 2007
喜悦		PRC	6061313	37	21 May 2007
喜悦二手车		PRC	6172305	42	19 July 2007
喜悦二手车		PRC	6172306	39	19 July 2007
喜悦二手车		PRC	6172307	37	19 July 2007
		PRC	6172332	42	19 July 2007
		PRC	6172333	39	19 July 2007
		PRC	6172334	37	19 July 2007
		PRC	6172335	35	19 July 2007
GB		PRC	6172337	42	19 July 2007
GB		PRC	6172338	39	19 July 2007
GB		PRC	6172339	37	19 July 2007
GB		PRC	6172340	35	19 July 2007
广 本 GUANG BEN		PRC	6200355	35	3 August 2007
英博 Anthem		PRC	6407831	7	29 November 2007
腾骏 Taranda		PRC	6407832	7	29 November 2007
理念 Ligna		PRC	6407833	7	29 November 2007
里念 Declara		PRC	6407834	7	29 November 2007
英博 Anthem		PRC	6407835	9	29 November 2007
腾骏 Taranda		PRC	6407836	9	29 November 2007
理念 Ligna		PRC	6407838	9	29 November 2007
里念 Declara		PRC	6407839	9	29 November 2007
英博 Anthem		PRC	6407842	11	29 November 2007

Mark	Name of applicant	Place of application	Application number	Class	Application date
腾骏 Taranda		PRC	6407843	11	29 November 2007
理念 Ligna		PRC	6407845	11	29 November 2007
里念 Declara		PRC	6407846	11	29 November 2007
英博 Anthem		PRC	6407849	12	29 November 2007
英博 Anthem		PRC	6407858	28	29 November 2007
优世 Everis		PRC	6407871	7	29 November 2007
世代 Semper		PRC	6407874	7	29 November 2007
风范 Karisma		PRC	6407877	7	29 November 2007
星扬 Raya		PRC	6407878	7	29 November 2007
星扬 Raya		PRC	6407889	12	29 November 2007
优世 Everis		PRC	6407897	37	29 November 2007
世代 Semper		PRC	6407898	37	29 November 2007
风范 Karisma		PRC	6407900	37	29 November 2007
星扬 Raya		PRC	6407901	37	29 November 2007
优世 Everis		PRC	6407904	9	29 November 2007
世代 Semper		PRC	6407905	9	29 November 2007
风范 Karisma		PRC	6407906	9	29 November 2007
星扬 Raya		PRC	6407907	9	29 November 2007
里念 Declara		PRC	6409256	42	30 November 2007
理念 Ligna		PRC	6409257	42	30 November 2007
腾骏 Taranda		PRC	6409258	42	30 November 2007
英博 Anthem		PRC	6409259	42	30 November 2007
里念 Declara		PRC	6409260	39	30 November 2007
理念 Ligna		PRC	6409261	39	30 November 2007
腾骏 Taranda		PRC	6409262	39	30 November 2007
英博 Anthem		PRC	6409263	39	30 November 2007

Mark	Name of applicant	Place of application	Application number	Class	Application date
里念 Declara		PRC	6409264	37	30 November 2007
理念 Ligna		PRC	6409265	37	30 November 2007
腾骏 Taranda		PRC	6409266	37	30 November 2007
英博 Anthem		PRC	6409267	37	30 November 2007
里念 Declara		PRC	6409268	35	30 November 2007
里念 Declara		PRC	6409272	28	30 November 2007
理念 Ligna		PRC	6409273	28	30 November 2007
腾骏 Taranda		PRC	6409274	28	30 November 2007
世代 Semper		PRC	6410336	35	30 November 2007
风范 Karisma		PRC	6410337	35	30 November 2007
星扬 Raya		PRC	6410338	35	30 November 2007
优世 Everis		PRC	6410341	11	30 November 2007
世代 Semper		PRC	6410344	11	30 November 2007
风范 Karisma		PRC	6410345	11	30 November 2007
星扬 Raya		PRC	6410346	11	30 November 2007
优世 Everis		PRC	6410349	28	30 November 2007
世代 Semper		PRC	6410352	28	30 November 2007
风范 Karisma		PRC	6410354	28	30 November 2007
星扬 Raya		PRC	6410356	28	30 November 2007
优世 Everis		PRC	6410357	39	30 November 2007
世代 Semper		PRC	6410359	39	30 November 2007
风范 Karisma		PRC	6410360	39	30 November 2007
星扬 Raya		PRC	6410361	39	30 November 2007
优世 Everis		PRC	6410362	42	30 November 2007
世代 Semper		PRC	6410363	42	30 November 2007
风范 Karisma		PRC	6410364	42	30 November 2007

Mark	Name of applicant	Place of application	Application number	Class	Application date
星扬 Raya		PRC	6410367	42	30 November 2007
理念 Everis		PRC	6491462	7	3 January 2008
理念 Everis		PRC	6491463	9	3 January 2008
理念 Everis		PRC	6491464	11	3 January 2008
理念 Everis		PRC	6491469	28	3 January 2008
理念 Everis		PRC	6491470	35	3 January 2008
理念 Everis		PRC	6491473	37	3 January 2008
理念 Everis		PRC	6491474	39	3 January 2008
		PRC	6493480	37	4 January 2008
		PRC	6493481	37	4 January 2008
		PRC	6493482	37	4 January 2008
		PRC	6493483	37	4 January 2008
		PRC	6493484	37	4 January 2008
		PRC	6493485	37	4 January 2008
理念 Everis		PRC	6493520	42	4 January 2008
		PRC	6493569	7	4 January 2008
		PRC	6493570	7	4 January 2008
		PRC	6493571	7	4 January 2008
		PRC	6493572	7	4 January 2008
		PRC	6493573	7	4 January 2008
		PRC	6493574	7	4 January 2008
		PRC	6493575	7	4 January 2008
		PRC	6493579	12	4 January 2008
		PRC	6493581	12	4 January 2008
		PRC	6493583	12	4 January 2008

Mark	Name of applicant	Place of application	Application number	Class	Application date
		PRC	6493584	12	4 January 2008
		PRC	6493586	12	4 January 2008
		PRC	6493588	12	4 January 2008
		PRC	6493589	12	4 January 2008
		PRC	6493592	37	4 January 2008
		PRC	6512230	7	15 January 2008
		PRC	6512232	7	15 January 2008
		PRC	6512245	7	15 January 2008
		PRC	6512253	7	15 January 2008
		PRC	6512256	7	15 January 2008
		PRC	6512259	12	15 January 2008
		PRC	6512260	12	15 January 2008
		PRC	6512263	12	15 January 2008
		PRC	6512267	12	15 January 2008
		PRC	6512268	12	15 January 2008
		PRC	6512270	37	15 January 2008
		PRC	6513864	37	16 January 2008
		PRC	6513865	37	16 January 2008
		PRC	6513868	37	16 January 2008
		PRC	6513869	37	16 January 2008
		PRC	6513872	37	16 January 2008
		PRC	6513873	37	16 January 2008

Mark	Name of applicant	Place of application	Application number	Class	Application date
		PRC	6513876	7	16 January 2008
		PRC	6513878	7	16 January 2008
		PRC	6513884	12	16 January 2008
		PRC	6513886	12	16 January 2008
		PRC	6623354	9	27 March 2008
		PRC	6623356	11	27 March 2008
		PRC	6623359	35	27 March 2008
		PRC	6623361	39	27 March 2008
		PRC	6623364	42	27 March 2008
理念		PRC	6658898	12	14 April 2008
理念		PRC	6658901	28	14 April 2008
理念		PRC	6658902	35	14 April 2008
理念		PRC	6658905	37	14 April 2008
理念		PRC	6658908	39	14 April 2008
理念		PRC	6658911	42	14 April 2008
理念		PRC	6658915	11	14 April 2008
理念		PRC	6658923	7	14 April 2008
理念		PRC	6658935	9	14 April 2008
理念		PRC	6663053	14	16 April 2008
理念		PRC	6663054	13	16 April 2008
理念		PRC	6663055	10	16 April 2008
理念		PRC	6663056	8	16 April 2008
理念		PRC	6663057	6	16 April 2008
理念		PRC	6663058	5	16 April 2008

Mark	Name of applicant	Place of application	Application number	Class	Application date
理念		PRC	6663059	4	16 April 2008
理念		PRC	6663060	3	16 April 2008
理念		PRC	6663061	2	16 April 2008
理念		PRC	6663062	1	16 April 2008
		PRC	6663079	45	16 April 2008
		PRC	6663080	44	16 April 2008
		PRC	6663081	43	16 April 2008
		PRC	6663082	42	16 April 2008
		PRC	6663083	41	16 April 2008
		PRC	6663084	40	16 April 2008
理念		PRC	6663085	44	16 April 2008
理念		PRC	6663086	41	16 April 2008
理念		PRC	6663087	40	16 April 2008
理念		PRC	6663088	38	16 April 2008
理念		PRC	6663089	36	16 April 2008
理念		PRC	6663090	34	16 April 2008
理念		PRC	6663091	33	16 April 2008
		PRC	6663134	10	16 April 2008
		PRC	6663135	9	16 April 2008
		PRC	6663136	8	16 April 2008
		PRC	6663137	7	16 April 2008
		PRC	6663138	6	16 April 2008
		PRC	6663139	5	16 April 2008

Mark	Name of applicant	Place of application	Application number	Class	Application date
		PRC	6663140	4	16 April 2008
		PRC	6663141	3	16 April 2008
		PRC	6663142	2	16 April 2008
		PRC	6663143	1	16 April 2008
		PRC	6663144	20	16 April 2008
		PRC	6663145	19	16 April 2008
		PRC	6663146	18	16 April 2008
		PRC	6663147	17	16 April 2008
		PRC	6663148	16	16 April 2008
		PRC	6663149	15	16 April 2008
		PRC	6663150	14	16 April 2008
		PRC	6663151	13	16 April 2008
		PRC	6663152	12	16 April 2008
		PRC	6663153	11	16 April 2008
		PRC	6663154	30	16 April 2008
		PRC	6663155	29	16 April 2008
		PRC	6663156	28	16 April 2008
		PRC	6663157	27	16 April 2008
		PRC	6663158	26	16 April 2008
		PRC	6663159	25	16 April 2008
		PRC	6663160	24	16 April 2008
		PRC	6663161	23	16 April 2008

Mark	Name of applicant	Place of application	Application number	Class	Application date
		PRC	6663162	22	16 April 2008
		PRC	6663163	21	16 April 2008
理 念		PRC	6663164	18	16 April 2008
理 念		PRC	6663165	17	16 April 2008
理 念		PRC	6663166	16	16 April 2008
理 念		PRC	6663167	15	16 April 2008
		PRC	6663275	39	16 April 2008
		PRC	6663276	38	16 April 2008
		PRC	6663277	37	16 April 2008
		PRC	6663278	36	16 April 2008
		PRC	6663279	35	16 April 2008
		PRC	6663280	34	16 April 2008
		PRC	6663281	33	16 April 2008
		PRC	6663282	32	16 April 2008
		PRC	6663283	31	16 April 2008
理 念		PRC	6663284	45	16 April 2008
理 念		PRC	6663295	32	16 April 2008
理 念		PRC	6663296	31	16 April 2008
理 念		PRC	6663297	30	16 April 2008
理 念		PRC	6663298	29	16 April 2008
理 念		PRC	6663299	27	16 April 2008
理 念		PRC	6663300	26	16 April 2008
理 念		PRC	6663301	25	16 April 2008

Mark	Name of applicant	Place of application	Application number	Class	Application date
理 念		PRC	6663302	24	16 April 2008
理 念		PRC	6663303	23	16 April 2008
理 念		PRC	6663304	22	16 April 2008
理 念		PRC	6663480	21	16 April 2008
理 念		PRC	6663481	20	16 April 2008
理 念		PRC	6663482	19	16 April 2008
Evris		PRC	6669801	12	18 April 2008
Eigna		PRC	6669805	12	18 April 2008
EVERYS		PRC	6692971	12	29 April 2008
EVEROS		PRC	6692975	12	29 April 2008
EVERUS		PRC	6692978	12	29 April 2008
EVERIT		PRC	6692980	12	29 April 2008
EVERON		PRC	6692982	12	29 April 2008
EVERIN		PRC	6697915	37	4 May 2008
EVERYS		PRC	6698341	7	4 May 2008
EVERON		PRC	6698342	7	4 May 2008
EVERIN		PRC	6698352	7	4 May 2008
EVERIT		PRC	6698353	37	4 May 2008
EVERUS		PRC	6698354	37	4 May 2008
EVEROS		PRC	6698355	37	4 May 2008
EVERYS		PRC	6698356	37	4 May 2008
EVERON		PRC	6698357	37	4 May 2008
EVERIT		PRC	6698358	7	4 May 2008
EVERUS		PRC	6698359	7	4 May 2008
EVEROS		PRC	6698360	7	4 May 2008
EVERDO		PRC	6849108	7	18 July 2008

Mark	Name of applicant	Place of application	Application number	Class	Application date
EVERUN		PRC	6849111	7	18 July 2008
ETERES		PRC	6849114	7	18 July 2008
EVERDO		PRC	6849121	12	18 July 2008
EVERUN		PRC	6849125	12	18 July 2008
ETERES		PRC	6849128	12	18 July 2008
EVERDO		PRC	6849132	37	18 July 2008
EVERUN		PRC	6849134	37	18 July 2008
ETERES		PRC	6849135	37	18 July 2008
EVERCELE		PRC	6911331	7	21 August 2008
EVERCELE		PRC	6911333	12	21 August 2008
EVERCELE		PRC	6911337	37	21 August 2008
锋 范		PRC	6943946	7	8 September 2008
锋 范		PRC	6943947	12	8 September 2008
锋 范		PRC	6943949	37	8 September 2008
锋 范		PRC	7062343	22	17 November 2008
锋 范		PRC	7062349	27	17 November 2008
锋 范		PRC	7062352	28	17 November 2008
锋 范		PRC	7062356	36	17 November 2008
锋 范		PRC	7062359	35	17 November 2008
锋 范		PRC	7062366	39	17 November 2008
锋 范		PRC	7062370	42	17 November 2008
感世界而动		PRC	7118021	12	17 December 2008
感世界而动		PRC	7118030	35	17 November 2008
		PRC	7566205	37	23 July 2009

Mark	Name of applicant	Place of application	Application number	Class	Application date
		PRC	7566215	39	23 July 2009
科乐图		PRC	7608203	12	10 August 2009
科乐图		PRC	7608217	12	10 August 2009
GTMC	GAC Toyota	PRC	4724455	35	16 June 2005
AM	GAC Commercial	PRC	7632089	1	19 August 2009
AM		PRC	7632095	2	19 August 2009
AM		PRC	7632099	4	19 August 2009
AM		PRC	7632102	17	19 August 2009
GHL	Guangqi Honda Logistics Company Limited (广汽本田物流有限公司)	PRC	7158768	39	9 January 2009
广汽丰通物流		PRC	6891108	39	11 August 2008
骏威	Guangzhou Denway Enterprises Development Co., Limited	PRC	6112747	26	18 June 2007
骏威		PRC	6112748	23	18 June 2007
骏威		PRC	6112749	22	18 June 2007
骏威		PRC	6112750	17	18 June 2007
骏威		PRC	6112755	42	18 June 2007
骏威		PRC	6112756	41	18 June 2007
骏威		PRC	6112757	39	18 June 2007
骏威		PRC	6112758	43	18 June 2007
骏威		PRC	6112759	38	18 June 2007
Xon	Guangzhou City Heng An Technology Co., Ltd. (广州市行安汽车科技有限公司)	PRC	6317797	12	12 October 2007
PAAW	Promowide Technology Limited (普惠科技有限公司)	PRC	6315331	9	10 October 2007

The operations and financial position of the Group is not dependent on the above trademarks which are still pending registration. The Company's PRC legal adviser confirmed that in case the

Group fails to register these trademarks successfully, there will be no material impact to the operations and financial position of the Group.

As at the Latest Practicable Date, the following trademarks were licensed to be used by our Group, the JCEs of our Company and the JCEs of the subsidiaries of our Company:

Mark	Name of registrant	Licensee	Place of registration	Registration number	Class
本 田	Honda	Guangqi Honda	PRC	314944 *(Note 1)*	12
本 田			PRC	163473 *(Note 1)*	12
HONDA			PRC	314940 *(Note 1)*	12
HONDA			PRC	156865 *(Note 1)*	12
			PRC	170732 *(Note 1)*	12
ACCORD			PRC	720039 *(Note 1)*	12
HONDA			PRC	773278	37
			PRC	773275	37
雅閣			PRC	1581858	12
TOYOTA	Toyota	GAC Toyota	PRC	135095 *(Note 2)*	12
丰 田			PRC	506683 *(Note 2)*	12
			PRC	514114 *(Note 2)*	12
CAMRY			PRC	174468 *(Note 2)*	12
TOYOTA			PRC	135095 *(Note 3)*	12
TOYOTA			PRC	774591 *(Note 3)*	36
TOYOTA			PRC	773256 *(Note 3)*	37
TOYOTA			PRC	774348 *(Note 3)*	39
丰 田			PRC	506683 *(Note 3)*	12
丰 田			PRC	774558 *(Note 3)*	36
丰 田			PRC	773255 *(Note 3)*	37
丰 田			PRC	774817 *(Note 3)*	39

Mark	Name of registrant	Licensee	Place of registration	Registration number	Class
			PRC	514114 *(Note 3)*	12
			PRC	774587 *(Note 3)*	36
			PRC	776323 *(Note 3)*	37
			PRC	774349 *(Note 3)*	39
CAMRY			PRC	174468 *(Note 3)*	12
凯美瑞			PRC	4593820 *(Note 3)*	12
YARIS	Toyota	GAC Toyota	PRC	1581839 *(Note 4)*	12
	Hino	GAC Hino	PRC	988487 *(Note 5)*	12
日 野			PRC	1165024 *(Note 5)*	12
HINO			PRC	834542 *(Note 5)*	12

Notes: -

1. Pursuant to a licence agreement dated 28 April 1998 entered into between Guangqi Honda and Honda and a supplemental agreement dated 20 December 2006, Honda granted Guangqi Honda a non-exclusive right to use the licenced trademarks in accordance with the terms of the licence agreement and the supplemental agreement until the terms of the joint venture agreement between Guangqi Honda and Honda expires.

2. Pursuant to a license agreement dated 28 June 2004 and an amendment to that agreement dated 24 February 2005 entered into between GAC Toyota and Toyota, Toyota granted GAC Toyota a non-exclusive right to use these trademarks in the manufacture of Camry vehicles and Camry local parts in the contract area until the termination of the “Camry Technology License Agreement”.

3. Pursuant to a licence agreement dated 22 May 2006 entered into between GAC Toyota and Toyota. Toyota granted GAC Toyota a non-exclusive right to use these trademarks in the sales of and the provision of after sales services for the contract products in the contract area until the termination of the product sales agreement.

4. Pursuant to a license agreement dated 3 April 2007 entered into between GAC Toyota and Toyota, Toyota granted GAC Toyota a non-exclusive right to use these trademarks in the manufacture of YARIS vehicles and YARIS local parts in the contract area.

5. Pursuant to a licence agreement dated 22 January 2008 entered into between GAC Hino and Hino, Hino granted GAC Hino a non-exclusive right to use these trademarks in the manufacture and sales and after-sale services of the contract products in the contract area until the technology license agreement entered into between GAC Hino and Hino on 10 August 2007 expires.

(b) Patents

As at the Latest Practicable Date, our Group, the JCEs of our Company and the JCEs of the subsidiaries of our Company have registered the following patents in the PRC:

Type of patent	Name of registrant	Patent description	Patent number	Date of application	Date of expiry
Utility model	Our Company and Guangzhou Tieer Industry Co., Ltd. (廣州鐵兒實業有限公司)	Non-symmetrical automatic clutch (一種非對稱式自動離合器)	200920050475.6	20 January 2009	20 January 2019
Utility model		Automatic clutch (一種自動離合器)	200920050504.9	20 January 2009	20 January 2019
Public application	GAIG, Technology and Science University of South China and Guangzhou Automobile Technology Center	Electromagnetic Continuously Variable Transmission System (電磁偶合無級變速傳動系統)	ZL200510033356.6	3 March 2005	3 March 2015
Utility model	Guangzhou Automobile Technology Center	Power train system for Vehicles with post engines (實現後置客車短後懸的動力傳動系統)	ZL200620065525.4	13 October 2006	13 October 2016
Design	Hangzhou HAVECO	Automobile Transmission (汽車變速器)	ZL200530103683.5	17 February 2005	17 February 2015
Utility Model		Reverse-lock Installation for Transmission (變速器倒檔鎖止裝置)	ZL200520102606.2	2 June 2005	2 June 2015
Utility Model		Half-break Installation (半檔環裝置)	ZL200520102605.8	2 June 2005	2 June 2015
Utility Model		Double Shaft Transmission (雙輸出軸變速器)	ZL200520102603.9	2 June 2005	2 June 2015
Utility Model		Simultaneous Reverse Machine (倒檔同步器)	ZL200520102604.3	2 June 2005	2 June 2015
Design		Automobile Transmission (汽車變速器)	ZL200830096592.7	22 April 2008	22 April 2018
Utility Model		5th Gear Shim for Automobile Transmission (汽車變速器五檔止推墊片)	ZL200820086182.9	22 April 2008	22 April 2018
Design	GAC Bus	GZ6115S Large Bus (GZ6115S 大型客車)	ZL200630053995.4	10 March 2006	10 March 2016

Type of patent	Name of registrant	Patent description	Patent number	Date of application	Date of expiry
Utility model		Front-axle and wheeltop independent suspension with leafspring (前橋輪頂鋼板彈簧式獨立懸掛)	ZL00240341.2	1 December 2000	1 December 2010
Utility model	Automobile Factory 2 of Guangzhou Weida Jixie Enterprise Co., Ltd. (廣州威達機械企業有限公司汽車製造廠)	Spine-beam chassis for Coaches (客車中脊樑式車架)	ZL99236788.3	4 August 1999	4 August 2009
Utility model	GAIG, Technology and Science University of South China and GAEI	Electromagnetic Continuously Variable Transmission (電磁耦合無級變速器)	ZL200520055188.6	3 March 2005	3 March 2015
Utility model	GAC Toyota	Wire seal (鋼絲封條)	ZL200720005483.X	28 May 2007	28 May 2017
Utility model	Guangqi Honda	Socket Wrench (套筒扳手)	ZL200620062392.5	1 August 2006	1 August 2016
Utility model		Rachet Wrench (棘爪扳手)	ZL200620062393.X	1 August 2006	1 August 2016
Utility model		Micro camera mount and rear trunk cover of vehicle installed with micro camera mount (微型攝像頭及安裝微型攝像頭的汽車行李箱後蓋)	200620154884.7	18 December 2006	18 December 2016
Utility model		Self-monitored gas path system for regulating gas flow of hanging type spot welder (懸掛點焊機的氣路系統)	ZL200720049186.5	12 March 2007	12 March 2017
Design		Automobile (汽車)	ZL200830044379.1	27 March 2008	27 March 2018
Utility model		Sheet Metal Drawing Gun (一種鈑金拉撥槍)	ZL200820200803.1	22 September 2008	22 September 2018
Invention		Socket Wrench (套筒扳手)	ZL200610036871.4	1 August 2006	1 August 2026
Utility model		Equipment Lockers (設備存放櫃)	ZL200720061754.3	18 December 2007	18 December 2017
Utility model		Electrode Grinding System of Welding Gun (伺服焊槍的電極修磨系統)	ZL200720051626.0	18 May 2007	18 May 2017
Utility model		Air-conditioning Energy Saving System (空調節能系統)	ZL200720051631.1	18 May 2007	18 May 2017
Utility model		Alarm System for Steam-driven Pumps Malfunctions (汽動泵停止運轉報警系統)	ZL200720055305.8	9 August 2007	9 August 2017

Type of patent	Name of registrant	Patent description	Patent number	Date of application	Date of expiry
Utility model		Transport Unit for Vehicle Body Floor (汽車車身地板總成增打搬送裝置)	ZL200820200804.6	22 September 2008	22 September 2018
Design		Automobile (汽車)	ZL200830221934.3	12 December 2008	12 December 2018
Utility model		Blocking Prevention Devise for Automobile Components (汽車零件防誤裝裝置)	ZL200820205307.5	15 December 2008	15 December 2018

As at the Latest Practicable Date, our Group, the JCEs of our Group and the JCEs of the subsidiaries of our Group have applied for registration of the following patents and such applications were still being processed. We expect that a majority of the following applications will be approved in about three years from their respective dates:

Type of patent	Name of applicant	Patent description	Patent number	Date of application
Design	Our Company	Sedan (AHEV) (轎車)	ZL200830056882.9	22 August 2008
Utility model	Our Company and Technology and Science University of South China	Actuater Device for Hybrid Vehicles (一種用於並聯式混合動力汽車的驅動裝置)	200920051097.3	10 February 2009
Utility model		Actuater Device for Hybrid Synergy Drive Vehicles (用於混聯式混合動力汽車的驅動裝置)	200920051096.9	10 February 2009
Public application		Electronic Nonstage Transmission Device for Hybrid Vehicles (一種電子無級變速並聯式混合動力驅動裝置)	200910037139.2	10 February 2009
Public application		Hybrid Actuater Device (一種混聯式混合動力驅動裝置)	200910037138.8	10 February 2009
Public application	Our Company and Guangzhou Tieer Industry Co., Ltd. (廣州鐵兒實業有限公司)	Automatic Clutch and its applications (一種自動離合器及其應用)	200910036799.9	20 January 2009
Public application	Guangqi Honda	Injection system for Air-conditioning and its control mechanism (一種注塑車間用空調系統及其控制方法)	200710032831.7	26 December 2007

Type of patent	Name of applicant	Patent description	Patent number	Date of application
Public application		Blocking Prevention Devise for Automobile Components (汽車零件防誤裝裝置)	200810220025.7	15 December 2008
Public application		Device and Production Method for the Lifting and Installation of Hinges for Universal Engine Lid (一種通用型汽車發動機蓋的移載、鉸鏈安裝設備及生產方法)	200810220543.9	29 December 2008
Public application		Tool and Method for Door Hinges Inspection (一種用於檢測車門鉸鏈精度的檢具及測量方法)	200910039394.0	12 May 2009
Utility model		Tool for Door Hinges Inspection (一種用於檢測車門鉸鏈精度的檢具)	200920056363.1	12 May 2009

(c) Copyright

As at the Latest Practicable Date, Guangqi Honda have registered the following copyrighted works in the PRC:

Name of copy-right	Description of copyrighted work	Name of registrant	Certificate and Registration numbers	Date of registration	Expiry Date
Guangqi Honda DMS System V1.0 (Chinese version) (廣汽本田中國版 DMS 系統 V1.0)	Calculator software	Guangqi Honda	Ruan Zhuo Deng Zi No. 045915 (軟著登字第 045915 號) 2005SR14414	30 November 2005	31 December 2054
Guangqi Honda Specialty Store Management System V1.0 (廣汽本田特約店 管理系統 V1.0)	Calculator software	Guangqi Honda	Ruan Zhuo Deng Zi No. 045916 (軟著登字第045916號) 2005SR14415	30 November 2005	31 December 2054

Name of copy-right	Description of copyrighted work	Name of registrant	Certificate and Registration numbers	Date of registration	Expiry Date
Parts Tracking System V1.0 (零件追溯系統 V1.0)	Calculator software	Guangqi Honda	Ruan Zhuo Deng Zi No. 040466 (軟著登字第040466號) 2005SR08965	10 August 2005	31 December 2055
Guangqi Honda DCS System v2.0.17 (廣汽本田DCS系統 v2.0.17)	Calculator software	Guangqi Honda	Ruan Zhuo Deng Zi No. 040467 (軟著登字第040467號) 2005SR08966	10 August 2005	31 December 2052
Guangqi Honda MQS System V1.0 (廣汽本田MQS系統 V1.0)	Calculator software	Guangqi Honda	Ruan Zhuo Deng Zi No. 040711 (軟著登字第040711號) 2005SR09210	15 August 2005	31 December 2054
Guangqi Honda G-TECH System V5.0 (廣汽本田G-TECH系統V5.0)	Calculator software	Guangqi Honda	Ruan Zhuo Deng Zi No. 040468 (軟著登字第040468號) 2005SR08967	10 August 2005	31 December 2054
Guangqi Honda EPS Electronic Procurement System V1.3 (廣汽本田EPS電子採購系統 V1.3)	Calculator software	Guangqi Honda	Ruan Zhuo Deng Zi No. 040710 (軟著登字第040710號) 2005SR09209	15 August 2005	31 December 2054

(d) Technology Licences

Licensed Technology obtained by entities controlled or jointly controlled by our Company or the subsidiaries of our Company

A. On 28 June 2004, GAC Toyota (as the licensee) entered into the "Camry Technology License Agreement" with Toyota (as the licenser), pursuant to which GAC Toyota is allowed to use such technologies (including patented technologies and the respective patented technologies owned by Toyota) as set out in the licensed technology data in the PRC, to manufacture Camry vehicles and Camry local parts. The technology license is non-exclusive, indivisible, non-transferable and for the purpose of manufacturing Camry vehicles only. GAC Toyota can only manufacture Camry vehicles in the specified joint venture factory. GAC Toyota shall pay consideration to Toyota in relation to such technologies. The term of the agreement is 10 years.

B. On 13 November 2006, GAC Toyota (as the licensee) entered into the "Yaris Technology License Agreement" with Toyota (as the licenser), pursuant to which GAC Toyota is allowed to use such technologies (including patented technologies and the respective patented technologies owned by Toyota) as set out in the licensed technology data in the PRC, to manufacture Yaris vehicles and Yaris local parts. The technology license is non-exclusive, indivisible, non-transferable and for the purpose of manufacturing Yaris vehicles only. GAC Toyota shall pay consideration to Toyota in relation to such technologies. GAC Toyota can only manufacture Yaris vehicles in the specified joint venture factory. The term of the agreement is 10 years.

C. On 10 August, 2007, GAC Hino entered into the "Technology License Agreement" with Hino, pursuant to which Hino allows GAC Hino to use licensed technologies (including patented technologies and the respective patented technologies owned by Hino), as set out in the licensed technology data in the PRC to exclusively manufacture and distribute licensed products in the agreement pursuant to the agreement stipulation, and provides technical support and staff training pursuant to the request by GAC Hino. GAC Hino shall pay consideration to Hino pursuant to the agreement. The technology license is indivisible, non-transferable and for the purpose of manufacturing the licensed products only. GAC Hino can only manufacture the licensed products in the specified joint venture factory. The term of the agreement is 10 years.

D. On 1 January 2008, Guangqi Honda entered into the "Accord model four wheels sedan Technology License Agreement" with Honda, pursuant to which Honda granted the rights to use such technologies to manufacture the 2008 model of Accord vehicles and the right to sell the contracted Accord vehicles and their components and parts for repair purpose in the PRC to Guangqi Honda in accordance with the conditions stipulated therein, and Honda shall not manufacture or sell the contracted Accord vehicles of the same kind in the PRC. Guangqi Honda enjoys the sole and exclusive rights to manufacture and sell the contracted Accord vehicles and the right to sell components and parts of the contracted Accord vehicles for repair purpose in the PRC and the nonexclusive rights to sell the contracted Accord vehicles and the components and parts of the contracted Accord vehicles outside the PRC. Guangqi Honda shall pay consideration to Honda in relation to such technologies. Unless written consent is obtained from the other party, each party to the agreement may not transfer all or part of the rights and obligations under the agreement. The term of the agreement expires on 31 December 2013.

E. On 1 February 2008, GAC Toyota (as the licensee) entered into the "Highlander Technology License Agreement" with Toyota (as the licenser), pursuant to which GAC Toyota is allowed to use such technologies (including patented technologies and the respective patented technologies owned by Toyota) as set out in the licensed technology data in the PRC, to manufacture Highlander vehicles and Highlander local parts. The technology license is non-exclusive, indivisible, non-transferable and for the purpose of manufacturing Yaris vehicles only. GAC Toyota shall pay consideration to Toyota in relation to such technologies. GAC Toyota can only manufacture Highlander vehicles in the specified joint venture factory. The term of the agreement is 10 years.

F. On 1 January 2008, Guangqi Honda entered into the "FIT model four wheels sedan Technology License Agreement" with Honda, pursuant to which Honda granted will grant the rights to use such technologies to manufacture the 2008 model of FIT vehicles and the right to sell the contracted FIT vehicles and their components and parts for repair purpose in the PRC to Guangqi Honda, and Honda shall not manufacture or sell the contracted FIT vehicles of the same kind in the PRC. Guangqi Honda enjoys the sole and exclusive rights to manufacture and sell the contracted FIT vehicles and the right to sell components and parts of the contracted FIT vehicles for repair purpose in the PRC and the nonexclusive rights to sell the contracted FIT vehicles and the components and parts of the contracted FIT vehicles outside the PRC. Guangqi Honda shall pay consideration to Honda in relation to such technologies. Unless written consent is obtained from the other party, each party to the agreement may not transfer all or part of the rights and obligations under the agreement. The term of the agreement expires on 31 December 2013.

G. On 1 December 2008, Guangqi Honda entered into the "CITY model four wheels sedan Technology License Agreement" with Honda, pursuant to which Honda granted the rights to use such technologies to manufacture the 2008 model of CITY vehicles and the right to sell the contracted CITY vehicles and their components and parts for repair purpose in the PRC to Guangqi Honda, and Honda shall not manufacture or sell the contracted CITY vehicles of the same kind in the PRC. Guangqi Honda enjoys the sole and exclusive rights to manufacture and sell the contracted CITY vehicles and the right to sell components and parts of the contracted CITY vehicles for repair purpose in the PRC and the nonexclusive rights to sell the contracted CITY vehicles and the components and parts of the contracted CITY vehicles outside the PRC. Guangqi Honda shall pay consideration to Honda in relation to such technologies. Unless written consent is obtained from the other party, each party to the agreement may not transfer all or part of the rights and obligations under the agreement. The term of the agreement expires on 30 June 2014.

H. On 20 October 2008, GAC Toyota (as the licensee) entered into the "Camry Hybrid Vehicles Technology License Agreement" with Toyota (as the licenser), pursuant to which GAC Toyota is allowed to use such technologies (including patented technologies and the respective patented technologies owned by Toyota) as set out in the licensed technology data in the PRC, to manufacture Camry hybrid vehicles and Camry hybrid local parts. The technology license is non-exclusive, indivisible, non-transferable and for the purpose of manufacturing Camry hybrid vehicles only. GAC Toyota shall pay consideration to Toyota in relation to such technologies. GAC Toyota can only manufacture Camry hybrid vehicles in the specified joint venture factory. The term of the agreement is 10 years.

I. On 1 February 2009, Guangqi Honda entered into the "2011 Accord Crossover model four wheels sedan Technology License Agreement" with Honda, pursuant to which Honda granted the rights to use such technologies to manufacture the 2011 model of Accord Crossover vehicles and the right to sell the contracted Accord Crossover vehicles and their components and parts for repair purpose in the PRC to Guangqi Honda, and Honda shall not manufacture or sell the contracted Accord Crossover vehicles of the same kind in the PRC. Guangqi Honda enjoys the sole and exclusive rights to manufacture and sell the contracted Accord Crossover vehicles and the right to sell components and parts of the contracted Accord Crossover vehicles for repair purpose in the PRC and the nonexclusive rights to sell the contracted Accord Crossover vehicles and the components and parts of the contracted Accord Crossover vehicles outside the PRC. Guangqi Honda shall pay consideration to Honda in relation to such technologies. Unless written consent is obtained from the other party, each party to the agreement may not transfer all or part of the rights and obligations under the agreement. The term of the agreement expires on 31 December 2015.

J. On 1 March 2009, Guangqi Honda entered into the "Odyssey model four wheels sedan Technology License Agreement" with Honda, pursuant to which Honda granted the rights to use such technologies to manufacture the 2009 model of Odyssey vehicles and the right to sell the contracted Odyssey vehicles and their components and parts for repair purpose in the PRC to Guangqi Honda, and Honda shall not manufacture or sell the contracted Odyssey vehicles of the same kind in the PRC. Guangqi Honda enjoys the sole and exclusive rights to manufacture and sell the contracted Odyssey vehicles and the right to sell components and parts of the contracted Odyssey vehicles for repair purpose in the PRC and the nonexclusive rights to sell the contracted Odyssey vehicles and the components and parts of the contracted Odyssey vehicles outside the PRC. Guangqi Honda shall pay consideration to Honda in relation to such technologies. Unless written consent is obtained from the other party, each party to the agreement may not transfer all or part of the rights and obligations under the agreement. The term of the agreement expires on 31 December 2014.

Save as disclosed in this Listing Document, there are no trademarks, patents or other intellectual property rights which are material to our Group's business.

VI. OTHER INFORMATION

1. Estate duty

The Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of its subsidiaries.

2. Litigation

As at the Latest Practicable Date, our Group was not involved in any litigation, arbitration or administrative proceedings that could have a material adverse effect on our Group's financial condition and results of operations, taken as a whole. As far as our Group is aware, no such material litigation, arbitration or administrative proceedings are threatened.

3. Joint Sponsors

The Joint Sponsors have made an application on behalf of our Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the GAC H Shares to be issued as described in this Listing Document. All necessary arrangements have been made enabling the securities to be admitted into CCASS.

The listing of our Company's GAC Shares on the Stock Exchange is jointly sponsored by the Joint Sponsors. Each of the Joint Sponsors have declared pursuant to Rule3A.08 of the Listing Rules that it is independent pursuant to Rule 3A.07 of the Listing Rules.

4. Preliminary expenses

The estimated fee in relation to the Introduction is approximately HK$652,000 and is payable by our Group.

5. *Qualifications of parties*

The qualifications of the parties who have given opinions in this Listing Document are as follows:

Name	Qualifications
J.P. Morgan Securities (Asia Pacific) Limited	Licensed to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 7 (providing automated trading services) of the regulated activities under the SFO, and a restricted licensed bank under the Banking Ordinance (Cap. 155 of the Laws of Hong Kong)
Morgan Stanley Asia Limited	Licensed under the Securities and Futures Ordinance for type 1 (dealing in securities), type 4 (advising on securities), type 5 (advising on futures contracts), type 6 (advising on corporate finance), type 7 (providing automated trading services) and type 9 (asset management) as defined under the Securities and Futures Ordinance
China International Capital Corporation Hong Kong Securities Limited	Licensed under the Securities and Futures Ordinance for type 1 (dealing in securities), type 4 (advising on securities), type 5 (advising on futures contracts), type 6 (advising on corporate finance), type 7 (providing automated trading services) and type 9 (asset management) as defined under the Securities and Futures Ordinance
Tianyin Law Firm	Registered law firm in the PRC
PricewaterhouseCoopers	Certified public accountants
Jones Lang LaSalle Sallmanns Limited	Chartered Surveyors and Valuer

6. *Consent of parties*

For the purposes of the relevant requirements under the Listing Rules and the Companies Ordinance, each of the Joint Sponsors, Tianyin Law Firm, PricewaterhouseCoopers and Jones Lang LaSalle Sallmanns Limited have given and have not withdrawn their respective written consents to the issue of this Listing Document with the inclusion of their reports, valuation certificate, letters and/or opinions and summaries of opinion (as the case may be) and/or the references to their names included herein in the form and context in which they respectively appear.

7. *No material adverse change*

Our Company confirms that there has been no material adverse change in its financial or trading position since 31 December 2009.

8. *Binding effect*

This Listing Document shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

9. Miscellaneous

(a) Save as disclosed in this Listing Document:

(i) within the two years immediately preceding the date of this Listing Document, our Company and its subsidiaries have not issued or agreed to issue any of their share or loan capital fully or partly paid either for cash or for a consideration other than cash;

(ii) no share or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(iii) our Company has not issued nor agreed to issue any founder shares, management shares or deferred shares;

(iv) within the two years immediately preceding the date of this Listing Document, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any Shares of our Company; and

(v) there have been no interruptions in the business of our Company which may have or have had a significant effect on the financial position of our Company in the last 12 months.

(b) Our Company does not intend to apply for the status of a Sino-foreign investment joint stock limited company and does not expect to be subject to the PRC Sino-Foreign Joint Venture Law.

(c) Our Company is not presently listed on any stock exchange or traded on any trading system.

10. Promoters

The Promoters of our Company are GAIG, Wanxiang, CNMIC, Guangzhou Iron & Steel and Guangzhou Chime-Long. Save as disclosed in this Listing Document, within the two years immediately preceding the date of this Listing Document, no cash, securities or benefit has been paid, allotted or given to the Promoters in connection with the Introduction or the connected transactions described in this Listing Document.

11. Bilingual Listing Document

The English language and Chinese language versions of this Listing Document are being published separately in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice 2001.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Woo Kwan Lee & Lo at 26th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong during normal business hours up to and including 5:30 p.m. on the date which is 14 days from the date of this Listing Document:

(a) the Articles of Association;

(b) the accountant's report prepared by PricewaterhouseCoopers, certified public accountants, Hong Kong, the text of which is set out in Appendix I of this Listing Document;

(c) the letter relating to the unaudited pro forma financial information included in this Listing Document, the texts of which are set out in Appendix II of this Listing Document;

(d) the letters relating to the profit forecast, the texts of which are set out in Appendix III of this Listing Document;

(e) the letter dated 18 June 2010, summary of values and valuation certificate relating to our Group's property interests prepared by Jones Lang LaSalle Sallmanns Limited the texts of which are set out in Appendix IV of this Listing Document, and the full valuation report (in the English language only) of Jones Lang LaSalle Sallmanns Limited referred to in Appendix IV of this Listing Document;

(f) the PRC Company Law, the Special Regulations, the Mandatory Provisions together with unofficial English translations thereof;

(g) the material contracts described in paragraph V. 6 of Appendix VIII of this Listing Document;

(h) the written consents referred to in paragraph VI. 6 of Appendix VIII of this Listing Document; and

(i) the PRC legal opinion issued by Beijing Tianyin Law Firm, the legal advisors to our Company on PRC law, dated 18 June 2010, confirming that in their opinion, the summary of relevant PRC laws and principal regulatory provisions as set out in Appendix V of this Listing Document is a correct summary of the relevant PRC laws and regulatory provisions to this Listing Document.

HCMP 1081/10

IN THE HIGH COURT OF THE
HONG KONG SPECIAL ADMINISTRATIVE REGION
COURT OF FIRST INSTANCE
MISCELLANEOUS PROCEEDINGS NO. 1081 OF 2010

In the Matter
of
DENWAY MOTORS LIMITED
駿威汽車有限公司

and

In the Matter
of
THE COMPANIES ORDINANCE,
Chapter 32 of the Laws of Hong Kong

SCHEME OF ARRANGEMENT
(under Section 166 of the Companies Ordinance,
Chapter 32 of the Laws of Hong Kong)

between

Denway Motors Limited
駿威汽車有限公司

and

the holders of Scheme Shares
(as hereinafter defined)

PRELIMINARY

(A) In this Scheme of Arrangement, unless inconsistent with the subject or context, the following expressions shall have the meanings respectively set opposite them:

"BNP Paribas S.A. Entities"	BNP Paribas Capital (Asia Pacific) Limited, the independent financial adviser to the independent board committee of the Company, and entities which control or are controlled by or under the same control as BNP Paribas Capital (Asia Pacific) Limited
"Company"	Denway Motors Limited (駿威汽車有限公司), a company incorporated in Hong Kong with limited liability and whose shares are listed on the Stock Exchange
"CICC"	China International Capital Corporation Hong Kong Securities Limited, a joint financial adviser to GAC in respect of the Privatisation and the Scheme
"CICC Entities"	CICC and entities which control or are controlled by or under the same control as CICC, being presumed concert parties of GAC

"China Lounge"	China Lounge Investments Limited, a company incorporated in Hong Kong and wholly-owned by GAC
"Court"	the High Court of Hong Kong, Court of First Instance
"Court Meeting"	the meeting of the Scheme Shareholders to be convened at the direction of the Court for the purpose of approving this Scheme
"Effective Date"	the date on which this Scheme becomes effective in accordance with Clause 6 of this Scheme
"Excluded Parties"	Scheme Shareholder(s) who are presumed to be parties acting in concert with GAC in relation to the proposed Privatisation under the Takeovers Code, which at the Latest Practicable Date were CICC Entities and Morgan Stanley Entities
"GAC"	Guangzhou Automobile Group Co., Ltd. (廣州汽車集團股份有限公司), a joint stock company registered in the PRC with limited liability, being the offeror under the Privatisation
"GAC H Shares"	overseas listed foreign shares in the ordinary share capital of GAC, with a nominal value of RMB1.00 each, which are subscribed for and traded in HK$ and which are to be listed on the Stock Exchange pursuant to the Introduction
"GAC Shares"	ordinary shares of RMB1.00 each in the capital of GAC, comprising GAC H Shares and those GAC Shares which are subscribed for and credited as fully paid up in RMB by PRC nationals and/or PRC incorporated entities
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"holder(s)"	a registered holder and includes a person entitled by transmission to be registered as such and joint holders
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Introduction"	the proposed listing and permission to deal in, the GAC H Shares on the Stock Exchange by way of introduction on the Main Board of the Stock Exchange which includes the creation of listed equity consideration (in the form of GAC H Shares) for the proposed Privatisation
"Latest Practicable Date"	14 June 2010, being the latest practicable date for the purposes of ascertaining certain information contained herein
"Morgan Stanley"	Morgan Stanley Asia Limited, one of the joint financial advisers to GAC in connection with the Privatisation and the Scheme

"Morgan Stanley Entities"	Morgan Stanley and entities which control or are controlled by or under the same control as Morgan Stanley (other than exempt principal traders and exempt fund managers, in each case, as defined under the Takeovers Code), being presumed concert parties of GAC
"New Shares"	the new Shares to be issued to GAC pursuant to this Scheme, the number of which is equal to the number of Scheme Shares to be cancelled pursuant to this Scheme
"PRC"	the People's Republic of China
"Privatisation"	the privatisation of the Company by GAC by way of the Scheme
"Record Time"	4 p.m. Hong Kong time on the business day immediately preceding the Effective Date
"Register"	the register of members of the Company
"RMB"	Renminbi, the lawful currency of the PRC
"Scheme"	this scheme of arrangement in its present form or with or subject to any modification thereof or addition thereto or conditions approved or imposed by the Court
"Scheme Share(s)"	Share(s) in issue as at the Record Time other than those held by China Lounge
"Scheme Shareholder(s)"	holder(s) of Scheme Shares
"Shares"	ordinary shares of HK$0.10 each in the capital of the Company
"Share Options"	the outstanding options granted under the Share Option Scheme
"Share Option Scheme"	the share option scheme adopted by the Company on 6 June 2002
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers

(B) The authorised capital of the Company at the date of this Scheme is HK$1,000,000,000 divided into 10,000,000,000 Shares, 7,518,698,534 of which have been issued and are fully paid or credited as fully paid and the remainder are unissued.

(C) The primary purpose of this Scheme is that on the Effective Date, all the Scheme Shares shall be cancelled and extinguished, the New Shares be created and issued to GAC and that the Company shall become a wholly-owned subsidiary of GAC.

(D) As at the Latest Practicable Date, 2,849,544,904 Shares representing 37.90% of the issued share capital of the Company were indirectly held by GAC through China Lounge, its wholly-owned subsidiary. Such Shares were beneficially owned by China Lounge and registered in its own name. Such Shares will not form part of the Scheme Shares and will not be cancelled upon the Scheme becoming effective. China Lounge has undertaken that in relation to such Shares in which it is beneficially interested, each of such Shares will remain so registered and beneficially owned until the date on which this Scheme becomes effective, is withdrawn or lapses.

(E) As at the Latest Practicable Date, there were in aggregate 26,344,000 Share Options which may be exercised in full or in part. Each of the holders of the Share Options has given an irrevocable undertaking to GAC and the Company that (i) conditional upon the Scheme becoming effective, each of them will surrender their respective Share Options for nil consideration with effect from the Effective Date; and (ii) each of them shall not exercise their Share Options held by him until: (x) if the Scheme becomes effective, the Effective Date, at which time such Share Options shall be surrendered pursuant to the terms of their respective irrevocable undertakings (and in any event shall lapse automatically in accordance with the terms of the Share Option Scheme); or (y) if the Scheme is withdrawn, not approved or lapses, the date of such withdrawal, non-approval or lapse; and (iii) each of them shall not accept an offer in respect of their respective Share Options if a comparable offer for the outstanding Share Options is made.

(F) As at the Latest Practicable Date, assuming none of the Share Options are exercised prior to the Record Time, an aggregate of 22,127,598 Shares were beneficially owned by the Excluded Parties, Mr. Yao Yiming and BNP Paribas S.A. Entities and registered as follows:

Name	**Name of Registered Holders**	**Number of Shares**	**Approximate percentage shareholding (%)**
Morgan Stanley Entities	Morgan Stanley Smith Barney LLC	3,100 *(Note)*	0.000041
CICC Entities	HKSCC Nominees Limited	6,690,000	0.09
Yao Yiming	HKSCC Nominees Limited	1,132,000	0.02
BNP Paribas S.A. Entities	HKSCC Nominees Limited	14,302,498	0.19

Note: The interests of the Morgan Stanley Entities in the Denway Shares is in the form of ADRs.

Each of the Excluded Parties is presumed to be acting in concert with GAC under the Takeovers Code. In addition, Mr. Yao Yiming, an executive director of the Company and also a member of GAC's senior management team, has irrevocably undertaken to GAC and the Company that he will abstain from voting at the Court Meeting. BNP Paribas S.A. Entities will abstain from voting at the Court Meeting in respect of the Shares held by them as exempt principal traders (as defined under the Takeovers Code) connected with the Company. While such Shares will form part of the Scheme Shares, they will not be represented or voted at the Court Meeting.

(G) GAC and China Lounge have agreed to appear by Counsel at the hearing of the Petition to sanction this Scheme and to undertake to the Court to be bound thereby and will execute and do and procure to be executed and done all such documents, acts and things as may be necessary or desirable to be executed or done by each of them for the purpose of giving effect to this Scheme.

THE SCHEME

PART I

Cancellation and extinguishment of the Scheme Shares

1. On the Effective Date:

   (a) the authorised and issued share capital of the Company shall be reduced by cancelling and extinguishing the Scheme Shares;

   (b) subject to and forthwith upon such reduction of capital taking effect, the authorised share capital of the Company shall be increased to its former amount of HK$1,000,000,000 by the creation of such number of new Shares as is equal to the number of the Scheme Shares cancelled; and

   (b) The Company shall apply the amount of the credit arising in its books of account as a result of the reduction of its share capital referred to in sub-clause (a) of this Clause 1 in paying up in full at par the new Shares to be created as aforesaid, which new Shares shall be allotted and issued, credited as fully paid, to GAC or as it may direct.

PART II

Consideration for cancellation and extinguishment of the Scheme Shares

2. In consideration of the cancellation and extinguishment of the Scheme Shares pursuant to Clause 1(a) of this Scheme, GAC will issue to each Scheme Shareholder as appearing in the Register at the Record Time 0.474026 GAC H Shares for every Scheme Share cancelled. Under the Privatisation, it is expected that fractions of GAC H Shares will not be issued to the Scheme Shareholders. Fractional entitlements of Scheme Shareholders to GAC H Shares will be aggregated and sold in the market with the proceeds paid to GAC for its own benefit.

PART III

General

3. (a) The GAC H Shares shall rank pari passu in all respects with other existing GAC Shares then in issue, including the right to receive all dividends and distributions which may be declared, made or paid on or after the date of their issue.

   (b) Not later than ten (10) calendar days after the Effective Date, GAC shall send or cause to be sent to the Scheme Shareholders (as appearing in the Register at the Record Time) certificates for the appropriate number of GAC H Shares, in registered form, to such Scheme Shareholders pursuant to Clause 2 above.

   (c) Unless indicated otherwise in writing to the share registrar of the Company, Tricor Abacus Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wan Chai, Hong Kong, all such share certificates shall be sent by prepaid post (or by prepaid airmail if the Scheme Shareholder is situated outside Hong Kong and Macau) addressed to the Scheme Shareholders at their respective addresses as appearing in the Register at the Record Time or, in the case of joint holders, at the address appearing in the Register at such time, of that one of the joint holders whose name stands first in the Register in respect of the relevant joint holding.

(d) Share certificates shall be delivered at the risk of the addressees and none of GAC, the Company or any persons nominated by them to carry out such delivery shall be responsible for any loss or delay in transmission.

(e) Any certificates of GAC H Shares posted to the Scheme Shareholders pursuant to Clause 3(c) of this Scheme which have been returned undelivered will be cancelled. The share registrar of GAC may at any time thereafter issue new share certificates in respect of such GAC H Shares to those Scheme Shareholders who can establish their entitlements to its satisfaction and transfer to them all accrued entitlements from the original date of allotment or transfer, as the case may be, in respect of such GAC H Shares, subject to the payment of any expenses.

(f) On the expiration of six (6) years from the Effective Date, GAC shall be released from any further obligation to make any payments under this Scheme.

(g) The preceding sub-clauses of this Clause 3 shall take effect subject to any prohibition or condition imposed by law.

4. Subject to the dispatch of the share certificates by GAC for the appropriate number of GAC H Shares, each instrument of transfer and certificate validly subsisting at the Record Time in respect of a transfer or holding, respectively, of any number of Scheme Shares shall, on the Effective Date, cease to be valid for any purpose as an instrument of transfer or a certificate for such Scheme Shares and every holder of such certificate shall be bound on the request of the Company to deliver up to the Company the certificates for his or her existing shareholding in the Company.

5. All mandates or relevant instructions to the Company in force at the Record Time relating to any of the Scheme Shares shall cease to be valid as effective mandates or instructions.

6. This Scheme shall become effective as soon as an office copy of the Order of the Court sanctioning this Scheme under Section 166 of the Companies Ordinance, Chapter 32 of the Laws of the Hong Kong, and confirming, under Section 60 of the same Ordinance, the reduction of capital provided for in this Scheme, together with a minute relating to the share capital of the Company and containing the particulars required by Section 61 of such Ordinance, shall have been duly registered by the Registrar of Companies.

7. Unless this Scheme shall have become effective on or before 31 December 2010 or such later date, if any, as GAC and the Company may agree and the Court may allow, this Scheme shall lapse.

8. The Company and GAC may jointly consent for and on behalf of all parties concerned to any modification of or addition to this Scheme or to any condition which the Court may think fit to approve or impose without any further Court Meeting to be held therefor.

9. In the event that this Scheme becomes effective, the costs of this Scheme incurred by the Company will be borne by the Company. In the event that this Scheme does not become effective, each of the Company and GAC will bear its own expenses incurred in connection with this Scheme.

Dated 18 June 2010

HCMP 1081/10

IN THE HIGH COURT OF THE
HONG KONG SPECIAL ADMINISTRATIVE REGION
COURT OF FIRST INSTANCE
MISCELLANEOUS PROCEEDINGS NO. 1081 OF 2010

In the Matter
of
DENWAY MOTORS LIMITED
駿威汽車有限公司

and

In the Matter
of
THE COMPANIES ORDINANCE,
Chapter 32 of the Laws of Hong Kong

NOTICE OF COURT MEETING

NOTICE IS HEREBY GIVEN that, by an Order dated 15 June 2010 (the "**Order**") made in the above matters, the High Court of the Hong Kong Special Administrative Region (the "**Court**") has directed a meeting (the "**Court Meeting**") to be convened of the holders of the ordinary shares of HK$0.10 each in the capital of Denway Motors Limited (駿威汽車有限公司) (the "**Company**") other than those of such shares held by China Lounge Investments Limited (the "**Scheme Shareholders**") for the purpose of considering and, if thought fit, approving (with or without modification) a scheme of arrangement proposed to be made between the Company and the Scheme Shareholders (the "**Scheme**") and that the Court Meeting will be held at Harcourt Room, Lower Lobby, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Friday, 16 July 2010, at 10 a.m. at which place and time all Scheme Shareholders are requested to attend.

A copy of the Scheme and a copy of an explanatory statement explaining the effect of the Scheme required to be furnished pursuant to Section 166A of the above-mentioned Ordinance are incorporated in the composite scheme document (the "**Scheme Document**") of which this Notice forms part.

The Scheme Shareholders may vote in person at the Court Meeting or they may appoint one or more proxies, whether a member of the Company or not, to attend and vote in their stead. A pink form of proxy for use at the Court Meeting is enclosed with the Scheme Document.

It is requested that forms appointing proxies and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority be lodged with the share registrar of the Company, Tricor Abacus Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wan Chai, Hong Kong, not less than 48 hours before the time appointed for the Court Meeting or the adjourned meetings, but if forms are not so lodged they may be handed to the Chairman of the Court Meeting at the Court Meeting. Completion and delivery of the form of proxy will not preclude a Scheme Shareholder from attending and voting in person at the Court Meeting and, in such event, the form of proxy shall be deemed to be revoked. A vote given in accordance with the terms of the form of proxy shall be valid notwithstanding revocation of the proxy or power of attorney or other authority under which the proxy was executed, provided that no intimation in writing of revocation shall have been received by the share registrar of the Company, Tricor Abacus Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wan Chai, Hong Kong prior to two hours before, or by the company secretary of the Company or the Chairman of the Court Meeting on the day and at the place, but before the commencement of the Court Meeting or adjourned meeting at which the proxy is used.

In the case of joint holders of a share, the vote of the most senior holder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s) and for this purpose seniority will be determined by the order in which the names of the joint holders stand in the Register of Members of the Company in respect of the relevant joint holding.

By the same Order, the Court has appointed Mr. Fung Ka Pun, a director of the Company, or, failing him, Mr. Lee Ka Lun, also a director of the Company, or, failing him, Mr. Cheung Doi Shu, also a director of the Company, to act as the Chairman of the Court Meeting and has directed the Chairman to report the results thereof to the Court.

The Scheme will be subject to the subsequent approval of the Court as set out in the explanatory statement contained in the Scheme Document of which this Notice forms part.

Dated 18 June 2010

WOO KWAN LEE & LO
26th Floor, Jardine House
1 Connaught Place
Central,
Hong Kong

Solicitors for Denway Motors Limited

DENWAY MOTORS LIMITED
駿威汽車有限公司
(incorporated in Hong Kong with limited liability)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of Denway Motors Limited (駿威汽車有限公司) (the "**Company**") will be held at Harcourt Room, Lower Lobby, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Friday, 16 July at 10:30 a.m. (or so soon thereafter as the meeting of certain holders of the ordinary shares of HK$0.10 each in the capital of the Company convened by direction of the High Court of the Hong Kong Special Administrative Region (the "**Court**") for the same place and day shall have concluded or adjourned) for the purpose of considering and, if thought fit, passing the following resolution which will be proposed as a Special Resolution:

SPECIAL RESOLUTION

"THAT:

(A) the Scheme of Arrangement dated 18 June 2010 (the "**Scheme**") between the Company and the holders of Scheme Shares (as defined in the Scheme) in the form of the print which has been produced to this Meeting and for the purposes of identification signed by the Chairman of this Meeting, with any modification thereof or addition thereto or condition approved or imposed by the Court, be and is hereby approved;

(B) for the purpose of giving effect to the Scheme, on the Effective Date (as defined in the Scheme):

(i) the authorised and issued share capital of the Company be reduced by cancelling and extinguishing the Scheme Shares;

(ii) subject to and forthwith upon such reduction of capital taking effect, the authorised share capital of the Company be increased to its former amount of HK$1,000,000,000 by the creation of such number of new ordinary shares of HK$0.10 each in the capital of the Company as is equal to the number of the Scheme Shares cancelled; and

(iii) the Company shall apply the credit arising in its books of account as a result of such reduction of capital in paying up in full at par the new ordinary shares of HK$0.10 each in the capital of the Company to be created as aforesaid, which new shares shall be allotted and issued, credited as fully paid, to Guangzhou Automobile Group Co., Ltd. (廣州汽車集團股份有限公司) or as it may direct and the directors of the Company be and are hereby unconditionally authorized to allot and issue the same accordingly; and

(C) the directors of the Company be and are hereby authorised to do all acts and things considered by them to be necessary or desirable in connection with the implementation of the Scheme and the consequent reduction of capital, including without limitation the giving on behalf of the Company of consent to any modification of, or addition to, the Scheme, which the Court may see fit to impose."

By Order of the Board
Mr Li Tun
Managing Director

Dated 18 June 2010

Registered Office:
Room 801, Citicorp Centre
18 Whitfield Road
Causeway Bay
Hong Kong

Notes:

(i) A member entitled to attend and vote at the above Meeting is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a member of the Company, but must attend the Meeting in person to represent him.

(ii) A white form of proxy for use at the Meeting is enclosed herewith.

(iii) In order to be valid, the white form of proxy, together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of that power or authority, must be lodged with the Registrar of the Company, Tricor Abacus Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wan Chai, Hong Kong not less than 48 hours before the time for holding the Meeting or any adjourned meeting thereof. Completion and delivery of the form of proxy will not preclude a member from attending and voting in person at the Meeting and, in such event, his form of proxy shall be deemed to have been revoked. A vote given in accordance with the terms of the form of proxy shall be valid notwithstanding revocation of the proxy or power of attorney or other authority under which the proxy was executed, provided that no intimation in writing of revocation shall have been received by the share registrar of the Company, Tricor Abacus Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wan Chai, Hong Kong prior to two hours before the commencement of the Meeting or adjourned meeting.

(iv) Where there are joint registered holders of any share, any one of such persons may vote at the Meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at the Meeting personally or by proxy, that one of the holders so present whose name stands first on the Register of Members of the Company in respect of such share shall alone be entitled to vote in respect thereof.