GUANGZHOU AUTOMOBILE GROUP CO., LTD.
廣 州 汽 車 集 團 股 份 有 限 公 司

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

(Stock Code: 2238)

2010 ANNUAL RESULTS ANNOUNCEMENT

The Board of Directors (the "**Board**") of Guangzhou Automobile Group Co., Ltd. (the "**Company**") is pleased to announce the audited consolidated results of the Company, its subsidiaries and its jointly-controlled entities (the "**Group**" or the "**GAC Group**") for the year ended 31 December 2010 together with the comparative figures of the corresponding period of 2009.

Unless otherwise stated, the references made in respect of the Group's income, profits and other financial information in the annual results announcement, including the financial information contained in this annual report on the proportionate consolidation basis or by other means, reflect the income, profits and other financial information of the Group and the respective GAC Joint Ventures. Unless described above or otherwise stated, all information in relation to GAC Group in this announcement include the information of the Group and all companies in which the companies comprising the Group have, directly or indirectly, equity interest (no matter in which perspective the companies comprising the Group have the ownership of those companies or their proportion in equity owned in those companies).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December **2010** *RMB'000*	2009 *RMB'000*
Revenue		**59,847,923**	50,253,552
Cost of sales	*4*	**(49,575,783)**	(41,917,779)
Gross profit		**10,272,140**	8,335,773
Selling and distribution costs	*4*	**(2,767,988)**	(2,142,898)
Administrative expenses	*4*	**(2,273,907)**	(2,544,169)
Interest income		**383,141**	350,200
Other gains/(losses) — net	*5*	**90,727**	(428,954)
Operating profit		**5,704,113**	3,569,952
Finance costs	*6*	**(369,163)**	(344,421)
Interest income		**27,188**	38,845
Share of profit of associates		**1,129,711**	715,674
Profit before income tax		**6,491,849**	3,980,050
Income tax expense	*7*	**(974,325)**	(724,010)
Profit for the year		**5,517,524**	3,256,040
Other comprehensive income for the year, net of tax		**—**	—
Total comprehensive income for the year		**5,517,524**	3,256,040
Profit attributable to:			
Equity holders of the Company		**4,295,099**	2,031,800
Non-controlling interests		**1,222,425**	1,224,240
		5,517,524	3,256,040
Total comprehensive income attributable to:			
Equity holders of the Company		**4,295,099**	2,031,800
Non-controlling interests		**1,222,425**	1,224,240
		5,517,524	3,256,040
Earnings per share attributable to equity holders of the Company (expressed in RMB per share) — basic and diluted	*8*	**0.9192**	0.5413
Dividends	*9*	**676,286**	—

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December 2010 RMB'000	2009 RMB'000
ASSETS			
Non-current assets			
Land use rights		**1,523,888**	978,579
Property, plant and equipment		**8,840,578**	8,337,630
Investment properties		**56,706**	57,608
Intangible assets		**1,848,666**	964,701
Investment in associates		**5,200,729**	4,644,787
Deferred income tax assets		**383,932**	266,719
		17,854,499	15,250,024
Current assets			
Inventories		**3,017,574**	2,242,402
Trade and other receivables	*10*	**4,262,567**	1,665,908
Time deposits		**9,886,018**	12,808,717
Restricted cash		**377,003**	328,171
Cash and cash equivalents		**15,980,915**	11,332,940
		33,524,077	28,378,138
Total assets		**51,378,576**	43,628,162
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital		**6,148,057**	3,934,757
Other reserves		**7,636,764**	814,186
Retained earnings			
— Proposed dividend	*9*	**676,286**	—
— Others		**11,150,403**	8,310,798
		25,611,510	13,059,741
Non-controlling interests		**249,430**	8,401,607
Total equity		**25,860,940**	21,461,348

	Note	As at 31 December 2010 RMB'000	2009 RMB'000
LIABILITIES			
Non-current liabilities			
Trade and other payables	*11*	**120,832**	55,760
Borrowings		**7,998,874**	7,649,398
Deferred income tax liabilities		**23,359**	10,131
Provisions		**230,183**	201,542
Government grants		**476,032**	279,846
		8,849,280	8,196,677
Current liabilities			
Trade and other payables	*11*	**14,587,734**	12,492,887
Current income tax liabilities		**476,296**	228,963
Borrowings		**1,364,944**	1,070,369
Provisions		**239,382**	177,918
		16,668,356	13,970,137
Total liabilities		**25,517,636**	22,166,814
Total equity and liabilities		**51,378,576**	43,628,162
Net current assets		**16,855,721**	14,408,001
Total assets less current liabilities		**34,710,220**	29,658,025

NOTES

1. GENERAL INFORMATION

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

The registered address of the Company is 23/F, Chengyue Building, 448–458, Dong Feng Zhong Road, Yuexiu District, Guangzhou, Guangdong, the PRC.

The Company was established in June 1997 as a limited liability company in the PRC. In June 2005, the Company underwent a reorganisation and transformed itself into a joint stock limited liability company under the PRC Company Law by converting its registered share capital and reserve as of 30 June 2004 into 3,499,666,000 shares at RMB1 each. In 2009, the Company issued additional 435,091,000 shares at par value of RMB1 each to all its shareholders. After the capital injection and as of 31 December 2009, the Company's total issued domestic shares are 3,934,757,000.

The Company held approximately 37.9% interests of Denway Motors Limited ("Denway") through a wholly-owned subsidiary. The remaining 62.1% interests of Denway were held by other shareholders (the "Public Shareholders"). As of 27 August 2010, the Company issued 2,213,300,000 ordinary H shares to exchange with the Public Shareholders of Denway and Denway withdrew the listing from Hong Kong Stock Exchange ("HKSE"). Upon the privatisation scheme became effective, Denway has become a wholly-owned subsidiary of the Company. The Company's 2,213,300,000 newly issued shares were then listed on the HKSE by way of Introduction on 30 August 2010.

These financial statements are presented in thousands of Renminbi Yuan ("RMB"), unless otherwise stated. These financial statements have been approved for issue by the Board of Directors on 22 March 2011.

2. BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (HKFRS). The consolidated financial statements have been prepared under the historical cost convention.

Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

- The following new amendments to standards and interpretations are mandatory for accounting periods beginning on or after 1 January 2010. The adoption of these amendments to standards, other than HKAS 27(revised), does not have any significant impact to the results and financial position of the Group.

Standards/Interpretation	Subject of amendment	Effective for accounting periods beginning on or after
HKAS 17 (Amendment)	Leases	1 July 2009
HKAS 27 (Revised)	Consolidated and separate financial statements	1 July 2009
HKFRS 3 (Revised)	Business combinations	1 July 2009
HK-Int 5	Presentation of financial statements — Classification by the borrower of a term loan that contains a repayment on demand clause	Immediate effect from 29 November 2010
HKFRSs (Amendments)	First annual improvements project published in October 2008 and second annual improvements project published in May 2009 by Hong Kong Institute of Certified Public Accountants ("HKICPA")	1 July 2009

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

(b) *The following amendments to standards and interpretations are mandatory for accounting periods beginning on or after 1 January 2010 but are not relevant to the Group's operations.*

Standards/Interpretation	**Subject of amendment**	**Effective for accounting periods beginning on or after**
HKAS 39 (Amendment)	Eligible hedged items	1 July 2009
HKFRS 1 (Revised)	First-time adoption of Hong Kong Financial Reporting Standards	1 July 2009
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters	1 January 2010
HKFRS 2 (Amendment)	Group cash-settled share-based payment transactions	1 January 2010
HK(IFRIC) — Int 17	Distributions of non-cash assets to owners	1 July 2009
HK(IFRIC) — Int 18	Transfer of assets from customers	1 July 2009

(c) *New standards, amendments to standards and interpretations have been issued but are not effective for the financial year beginning on or after 1 January 2010 and have not been early adopted.*

Standards/Interpretation	**Subject of amendment**	**Effective for accounting periods beginning on or after**
HKAS 24 (Revised)	Related party disclosures	1 January 2011
HKAS 32 (Amendment)	Classification of rights issues	1 February 2010
HKFRS 1 (Amendment)	Limited exemption from comparative HKFRS 7 disclosures for first-time adopters	1 July 2010
HKFRS 9	Financial instruments	1 January 2013
HK(IFRIC) — Int 14 (Amendment)	Prepayments of a minimum funding requirement	1 January 2011
HK(IFRIC) — Int 19	Extinguishing financial liabilities with equity instruments	1 July 2010
HKFRSs (Amendments)	Third annual improvements project published in May 2010 by HKICPA	1 July 2010

3. 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 statement of comprehensive income.

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

	Passenger vehicles *RMB'000*	Commercial vehicles *RMB'000*	Auto parts *RMB'000*	Others *RMB'000*	Eliminations *RMB'000*	Unallocated *RMB'000*	Consolidated *RMB'000*
Total gross segment revenue	58,135,280	925,507	453,491	386,124	(52,479)	—	59,847,923
Inter-segment revenue	(17,336)	(27,047)	(3,720)	(4,376)	52,479	—	—
Revenue (from external customers)	58,117,944	898,460	449,771	381,748	—	—	59,847,923
Segment results	5,841,034	(98,581)	(66,867)	6,971	9,384	—	5,691,941
Unallocated income Headquarter interest income						210,775	210,775
Unallocated costs Headquarter expenditure						(198,603)	(198,603)
Operating profit							5,704,113
Finance expenses	(69,283)	(15,614)	(9,624)	(820)	—	(273,822)	(369,163)
Interest income	4,774	1,794	1,133	77	—	19,410	27,188
Share of profit of associates	145,437	—	980,807	3,467	—	—	1,129,711
Profit before income tax							6,491,849
Income tax expense	(969,489)	25,547	5,122	(113)	—	(35,392)	(974,325)
Profit for the year							5,517,524
Other segment items							
Depreciation and amortisation	968,190	39,693	18,138	11,411	—	5,613	1,043,045
Impairment/(reversal of impairment) of trade and other receivables	4,123	1,431	(493)	—	—	(618)	4,443
Impairment of inventories	65,056	15,202	2,551	—	—	—	82,809
Impairment of property, plant and equipment	4,925	—	205	—	—	—	5,130

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

	Passenger vehicles *RMB'000*	Commercial vehicles *RMB'000*	Auto parts *RMB'000*	Others *RMB'000*	Eliminations *RMB'000*	Unallocated *RMB'000*	Consolidated *RMB'000*
Total assets	32,511,240	1,614,653	3,397,300	2,482,831	(2,106,625)	13,479,177	51,378,576
Total assets include:							
Investment in associates	1,743,962	—	3,427,111	29,656	—	—	5,200,729
Total liabilities	20,021,919	1,068,794	428,678	774,968	(4,212,011)	7,435,288	25,517,636
Additions to non-current assets (other than deferred tax assets)	2,911,922	45,433	297,664	30,610	—	—	3,285,629

The segment results for the year ended 31 December 2009 and other segment items included in the consolidated statement of comprehensive income are as follows:

	Passenger vehicles *RMB'000*	Commercial vehicles *RMB'000*	Auto parts *RMB'000*	Others *RMB'000*	Eliminations *RMB'000*	Unallocated *RMB'000*	Consolidated *RMB'000*
Total 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 (from external customers)	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 expenses	(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 *RMB'000*	Commercial vehicles *RMB'000*	Auto parts *RMB'000*	Others *RMB'000*	Eliminations *RMB'000*	Unallocated *RMB'000*	Consolidated *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

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

	As at 31 December	
	2010	2009
	RMB'000	*RMB'000*
Total segment assets	**37,899,399**	30,755,577
Unallocated assets:		
— Term deposit and cash and cash equivalents of headquarter	**13,479,177**	12,872,585
Total assets	**51,378,576**	43,628,162

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

	As at 31 December	
	2010	2009
	RMB'000	*RMB'000*
Total segment liabilities	**18,082,348**	14,712,271
Unallocated liabilities:		
— Borrowings of headquarter	**7,435,288**	7,410,843
— Dividend payables	**—**	43,700
Total liabilities	**25,517,636**	22,166,814

The Group does not have significant reliance on certain major customers. Revenue from external customers by geographical location are as follows:

	Year ended 31 December	
	2010	2009
	RMB'000	*RMB'000*
Mainland China	**59,568,285**	50,037,780
Hong Kong	**279,638**	215,772
	59,847,923	50,253,552

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

Non-current assets (other than deferred tax assets) located by geographical location are as follows:

	As at 31 December	
	2010	2009
	RMB'000	*RMB'000*
Mainland China	**17,320,696**	14,841,794
Hong Kong	**149,871**	141,511
	17,470,567	14,983,305

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

Analysis of revenue by category:

	Year ended 31 December	
	2010	2009
	RMB'000	*RMB'000*
Sales of products	**59,502,378**	50,031,035
Rendering of services	**152,940**	138,668
Others	**192,605**	83,849
	59,847,923	50,253,552

4. EXPENSES BY NATURE

	Year ended 31 December	
	2010	2009
	RMB'000	*RMB'000*
Auditors' remuneration	**9,142**	9,782
Depreciation and amortisation charges	**1,043,045**	969,729
Impairment charges	**5,130**	160,641
Impairment of inventories	**82,809**	38,416
Impairment loss for trade and other receivables	**4,443**	23,781
Employee benefit expense	**1,832,035**	1,414,949
Changes in inventories of finished goods and work-in-progress	**(725,271)**	(401,075)
Raw materials, goods and consumables used	**43,678,487**	37,003,123
Sales tax and levies	**4,350,265**	3,304,871
Transportation	**899,385**	745,770
Advertising and promotion	**1,279,364**	862,106
Warranty expense	**317,754**	353,343
Research costs	**391,126**	447,623
Royalty expenses	**923,052**	824,831
Other expenses	**1,025,664**	846,956
Government grant	**(498,752)**	—
Total cost of sales, selling and distribution costs and management fees	**54,617,678**	46,604,846

5. OTHER LOSSES — NET

	Year ended 31 December	
	2010	2009
	RMB'000	*RMB'000*
Net foreign exchange losses	**14,589**	18,182
Loss on disposal of property, plant and equipment and land use rights	**7,029**	19,270
Donation *(Note (a))*	**34,103**	451,257
Gain on waiver of liabilities	**—**	(40,689)
Gain on disposal of a subsidiary	**(85,691)**	—
Others	**(60,757)**	(19,066)
	(90,727)	428,954

(a) In 2008, the Group entered into an agreement with Guangzhou Asian Games Organizing Committee and committed to sponsor these activities approximately RMB600 million. In the year ended 31 December 2009, RMB451 million was paid and charged to the consolidated statement of comprehensive income.

6. FINANCE EXPENSES

	Year ended 31 December	
	2010	2009
	RMB'000	*RMB'000*
Interest expenses:		
— Bank borrowings	**361,201**	304,077
— Others	**49,118**	40,424
	410,319	344,501
Interests capitalized in qualifying assets	**(39,102)**	—
Net foreign exchange gains on financing activities	**(2,054)**	(80)
	369,163	344,421

7. INCOME TAX EXPENSE

	Year ended 31 December	
	2010	2009
	RMB'000	*RMB'000*
Current income tax:		
— Hong Kong profits tax	**53**	6
— PRC enterprise income tax	**1,078,257**	758,706
	1,078,310	758,712
Deferred tax	**(103,985)**	(34,702)
	974,325	724,010

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

	Year ended 31 December	
	2010	2009
	RMB'000	*RMB'000*
Profit before income tax	**6,419,849**	3,980,050
Tax calculated at domestic tax rates applicable to profits in the respective countries	**1,483,734**	823,607
Effect of tax holiday *(Note (i))*	**(288,133)**	(200,783)
Income not subject to tax *(Note (ii))*	**(303,989)**	(185,552)
Expenses not deductible for tax purposes *(Note (iii))*	**31,896**	107,851
Utilisation of previously unrecognised tax losses	**(49,087)**	(10,224)
Tax losses for which no deferred income tax asset was recognised	**99,904**	189,111
Income tax expense	**974,325**	724,010

(i) All the other Group companies incorporated in Mainland China are subject to Mainland China Corporate Income Tax ("CIT"), which has been calculated on the estimated assessable profit for the year at a rate of 25%, except for enterprises which were established before the publication of the CIT Law on 16 March 2007 and were entitled to preferential treatments of reduced tax rates granted by 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:

	2009	**2010**	**2011**
The Company	25%	25%	25%
GAC Honda Motor Co., Ltd.	20%	22%	24%
GAC Toyota Motor Co., Ltd.	10%	11%	24%

Certain subsidiaries are subject to Hong Kong profits tax, which has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profit for the year ended 31 December 2010.

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

(iii) Expenses not deductible for tax purposes during the year mainly comprised staff welfare fund and donation.

8. EARNINGS PER SHARE

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

	Year ended 31 December	
	2010	2009
	RMB'000	*RMB'000*
Profit attributable to equity holders of the Company	**4,295,099**	2,031,800
Weighted average number of ordinary Share in issue *(thousands)*	**4,672,524**	3,753,469
Basic earnings per share *(RMB per share)*	**0.9192**	0.5413

There were no potential dilutive ordinary shares during 2010 and 2009, diluted earnings per share was equal to the basic earnings per share.

9. DIVIDENDS

The interim dividend paid in 2010 was RMB553,325,000 (RMB0.09 per ordinary share) (2009: nil). A final dividend in respect of the year ended 31 December 2010 of RMB0.11 per ordinary share, amounting to a total dividend of approximately RMB676,286,000, is to be proposed at the forthcoming annual general meeting. These financial statements do not reflect this dividend payable.

	Year ended 31 December	
	2010	2009
	RMB'000	*RMB'000*
Interim dividend paid of RMB0.09 (2009: nil) per ordinary share	**553,325**	—
Proposed final dividend of RMB0.11 (2009: nil) per ordinary share	**676,286**	—

10. TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2010	2009
	RMB'000	*RMB'000*
Trade receivables	**812,102**	630,526
Less: Provision for impairment of trade receivables	**(137,706)**	(161,950)
Trade receivables — net	**674,396**	468,576
Bills receivables	**1,479,067**	25,713
Deposits	**49,874**	192,776
Entrusted loans	**285,000**	260,000
VAT recoverable	**831,675**	33,640
Prepayments	**379,930**	352,602
Dividends receivables	**34,109**	21,881
Other receivables	**528,516**	310,720
	4,262,567	1,665,908

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:

	As at 31 December	
	2010	2009
	RMB'000	*RMB'000*
Within 3 months	**581,799**	400,686
Between 3 months and 1 year	**83,840**	57,700
Between 1 and 2 years	**7,588**	9,592
Between 2 and 3 years	**3,881**	3,124
Over 3 years	**134,994**	159,424
	812,102	630,526

11. TRADE AND OTHER PAYABLES

	As at 31 December	
	2010	2009
	RMB'000	*RMB'000*
Trade payables	**5,798,560**	5,570,694
Bills payables	**707,864**	495,364
Advances from customers	**1,599,361**	1,475,762
Staff welfare benefits payable	**789,414**	685,312
Other taxes	**846,627**	1,093,680
Accrued sales rebate	**694,210**	409,046
Accrued royalties	**691,623**	583,228
Retention payables and deposits received	**754,936**	489,940
Commission fee payables	**51,440**	75,284
Government grants	**57,719**	357,862
Other payables	**2,716,812**	1,312,475
	14,708,566	12,548,647
Less: non-current portion of commission fee payables	**(120,832)**	(55,760)
Current portion	**14,587,734**	12,492,887

As at 31 December 2010 and 2009, the ageing analysis of the Group's trade payables is as follows:

	As at 31 December	
	2010	2009
	RMB'000	*RMB'000*
Within 1 year	**5,757,823**	5,505,136
Between 1 and 2 years	**11,752**	8,530
Between 2 and 3 years	**8,381**	18,459
Over 3 years	**20,604**	38,569
	5,798,560	5,570,694

CHAIRMAN STATEMENT

To all Shareholders,

On behalf of the board of directors of the Company, I am pleased to present the annual results announcement for 2010 of Guangzhou Automobile Group Co., Ltd. for your review.

During 2010, China continued to accelerate the transformation of economic development, and proactively promoted economic structural adjustments, which basically stabilized the price level, significantly improved the people's livelihood, further enhancing the growth momentum of economic society and maintaining a rapid growth of the GDP. The domestic vehicle market continued to grow rapidly in 2010, driven by a series of stimulating policies such as tax reduction for vehicle purchase, automobile subsidies for rural areas, replacing old vehicles with new ones and subsidies for energy-saving products for benefiting people. As the output and sales of vehicles in 2010 reached 18.2647 million units and 18.0619 million units, representing a year-on-year increase of 32.44% and 32.37% respectively, China has become the largest vehicle production base and the largest market for new vehicle sales, surpassing the highest record of new vehicle market of the United States. The automobile industry has realized the objectives in overcoming the financial crisis and stimulating the economic growth.

During the reporting period, the aggregate sales volume of vehicles of the Group together with our associated companies was 724,343 units, representing a year-on-year increase of 19.41%, among which the aggregate sales volume of passenger vehicles was 719,639 units, representing a year-on-year increase of 19.24%, and that of commercial vehicles was 4,704 units, representing a year-on-year increase of 51.16%. Due to the production capacity of our major joint ventures and the structural characteristics of our product mix, the growth rate of sales volume of the Group was slightly lower than the average level in the industry. In 2010, the consolidated revenue of the Group was RMB59.848 billion, representing a year-on-year increase of 19.1%, among which the revenue for passenger vehicles was RMB58.118 billion, representing a year-on-year increase of 17.7%; while the revenue for commercial vehicles was RMB898 million, representing a year-on-year increase of 160.9%. The profits attributable to the equity holders of the Group was RMB4,295 million, representing a year-on-year increase of 111.4%. All the operating targets achieved were much higher than the annual business objectives formulated by the Board.

In 2010, the Group made a major breakthrough in terms of various aspects including accelerating the establishment of proprietary brand, innovatively promoting the capital operation, having in-depth development of joint ventures and cooperations, proactively conducting mergers, acquisitions and reorganizations, adjusting the industrial layout and product mix, and improving company management. Firstly, the first proprietary brand passenger vehicle "Trumpchi" has successfully commenced its mass production and has been launched into the market. It was also designated as the official reception sedan for the 2010 Guangzhou Asian Games and was praised and well received by all domestic and foreign guests and athletes, setting up a new model for the mid-to-high end sedan market with domestic proprietary brand. Secondly, the H shares of the Company were listed on the Stock Exchange of Hong Kong Limited on 30 August 2010, symbolizing that the Company has successfully integrated into the international capital market, which in turn created a new access to the international competition, enhanced the Group's asset value and brand value and successfully established a solid foundation for transforming the Group into an international enterprise and a public company with social trust. Thirdly, we have achieved major breakthroughs in the important projects: (i) GAC Gonow (廣汽吉奧) was formally established. GAC Gonow Auto Co., Ltd. (廣汽吉奧汽車有限公司) was established in Hangzhou on 9 December 2010 and it has commenced its operations, which expanded the Group's product lines in terms of mini-vehicles, pick-up trucks and SUVs, etc., indicating the Company's new breakthrough in regional layout and product offerings; (ii) The Group will continue to promote the further restructuring of GAC Changfeng. On 5 November 2010, the Company entered into a memorandum of understanding with Mitsubishi Motors Corporation, pursuant to which the Company will restructure GAC Changfeng as a joint venture to be held as to 50% by each of the Company and Mitsubishi Motors after the Company has acquired GAC Changfeng and procured the withdrawal of listing of GAC Changfeng. This affirmed the ways of full cooperation between the Company and Mitsubishi Motors and refined and enriched the product mix of the Company; (iii) GAC Fiat project was conducted successfully. Since the establishment of GAC Fiat, it implemented its construction of plant, introduction of vehicle models and establishment of its marketing network as scheduled. The successful implementation of the above-mentioned major vehicle projects will provide a new momentum for the subsequent development of the Group and will also boost the results of the Group to a new level. Fourthly, the industry layout was increasingly improved and the adjustment of industrial structure obtained a preliminary achievement. (i) Cross-regional layout was deeply facilitated in terms of industry layout. The Group owns its production bases with more scientific and reasonable layout in Central China, Eastern China and Northern China through the acquisition of GAC Changfeng and the establishment of GAC Gonow. (ii) Innovative development of modern vehicle service industry provides protection and support for development of main-stream industry. In July 2010, GAC-SOFINCO Automobile Finance Co., Ltd. has commenced its operations and became the first company to provide automobile finance service in Guangdong province and South China region. In addition, the preparation and establishment of the Group's automobile insurance project was approved by China Insurance Regulatory Commission, and it is estimated to commence its operations in the first half of 2011. (iii) The product structure and technical upgrade were further realized, which enhanced the competitiveness of our products. In 2010, Guangqi Honda launched Crosstour coupe according to the market demands. GAC Toyota launched Camry hybrid vehicles, and introduced the first model of FUV domestic trendy and multi-functional vehicle, E'Z, to commence its mass production in the near future, which diversified the product lines of the Group and enhanced the competitiveness of our products. Fifthly, in order to cope with the impact from recalls and business disruption of certain suppliers, the Group proactively organized and implemented a series of measures, which effectively maintained our brand image and normal operation of production, providing assurance for over-fulfillment of business objectives formulated by the Board.

Looking forward to 2011, global economy will continue to recover but there will still has many uncertainties. Although the monetary policy will remain stable and the growth rate of economy in China may moderately slow down, the growth rate can still be remained at a high level. In spite of the adjustment of automobile consumption environment and policy and the withdrawal of all kinds of preferential policies, which may slow down the growth of automobile industry, the automobile industry will still be the major pillar industry for China's economy, and the upgrade of consumption structure will still be the key driving force of the development of automobile industry. Currently, as China's vehicle market is still at the stage of rapid popularization, the growth in demand for automobile consumption will be boosted by the significant low rate of car ownership, especially the rapid increase in income of urban and rural residents and the urbanization and the resulting expansion of urban population. Factors such as traffic, energy and environmental protection will not substantively restrict the demand for vehicles. Besides, the utilization rate of production capacity in automobile industry is expected to remain at a higher level, promoting a steadily growth in the profitability of enterprises. At present, the impact on the growth of automobile industry in the first-tier cities will be offset by the demand for vehicles in the second-tier and third-tier cities. Therefore, in 2011, the Group will continue to transform its path of development through promoting the adjustment of industrial structure, procuring the industrial upgrade, further strengthening its research and development of energy-saving and emission reduction products, and enhancing its competitiveness of our products. The Group will continuously extend our industrial chain; especially enhance the development of ancillary facilities of spare parts and automobile service business. The Group will also continue to prepare for its listing of A Shares and enhance the management of corporate value. Meanwhile, the Group will adjust the product mix, reduce the operating expenses and control the production cost so as to cope with the impact from the changes in various policies, especially the tax regulation, on the profits of the Group, and hence achieve the business objectives set up by the Board.

Chairman: **Zhang Fangyou**

Guangzhou, PRC
22 March, 2011

BUSINESS OVERVIEW

I. Main Business of our Group

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

We produce and sell a variety of passenger vehicles mainly through two Jointly-Controlled Entities (JCEs), namely Guangqi Honda Automobile Co., Ltd ("Guangqi Honda") and GAC Toyota Motor Co., Ltd ("GAC Toyota"), and a wholly-owned subsidiary, Guangzhou Automobile Motor Co. Ltd. ("GAMC") which produce and sell nine series of sedans, SUV and MPV, including GAC Toyota Camry, GAC Toyota Highlander, Guangqi Honda Accord, Guangqi Honda Odyssey and GAC Trumpchi, etc. We also participate in the production of Honda Jazz sedans and GAC Changfeng Liebao and Mitsubishi Pajero SUVs through our associated companies, Honda Automobile (China) Co., Ltd. ("Honda (China)") and GAC Changfeng Motor Co., Ltd. ("GAC Changfeng"), respectively. As at 31 December 2010, the Group had an annual production capacity of 990,000 units of passenger vehicles, with a capacity utilization of 72.49%.

Our commercial vehicle business, including manufacturing and sales of light and heavy trucks and buses, is mainly conducted through GAC Hino Motors Co., Ltd. ("GAC Hino") and Guangzhou Automobile Group Autobus Co., Ltd ("GAC Bus"). As at 31 December 2010, our production capacity of commercial vehicles was 21,500 units, among which, the production capacity of chassis was 2,500 units.

We produce and sell auto parts mainly through Guangzhou Automobile Group Component Co., Ltd ("GAC Component") and its subsidiaries and associated companies. And we produce and sell engines through GAC Toyota Engine Co., Ltd. ("GAC Toyota Engine") and Shanghai Hino Engine Co., Ltd. ("Shanghai Hino"), and also produce and sell transmissions through Hangzhou HAVECO Automotive Transmission Co., Ltd. ("HAVECO"). Moreover, we participate in the production of auto-part products including, seats, HVAC systems, auto lamps, automation accessories, redirectors and shock absorbers, etc. Most of our production and sales of auto parts are conducted through our associated companies. As at 31 December 2010, the production capacity of GAC Toyota Engine and Shanghai Hino in respect of engines amounted to 500,000 units and 30,000 units, and the production capacity of HAVECO in respect of transmissions amounted to 200,000 units.

Listing of H Shares and Privatisation of Denway Motors Limited

On 30 August 2010, the H shares of our Company were successfully listed on the Stock Exchange of Hong Kong Limited. We sought a listing of H Shares by way of introduction and simultaneously implemented general offer of a subsidiary, Denway Motors Limited ("Denway", a red-chip company listed on the Stock Exchange) by way of scheme of arrangement. This innovative transaction structure has won recognition and praise in capital market and the transaction is awarded "Best Domestic M&A Transaction" by Finance Asia in 2010.

Privatisation and the listing further improved the management structure within the Group, enhanced management efficiency, asset value as well as brand value, and built a platform in international capital market. Furthermore, such transaction laid a solid foundation for developing our Group into an international enterprise and a reliable pubic company.

Major Business Review of the Year of 2010

1. *Production and sales, market share and capacity utilization rate of the Group*

   In 2010, the cumulative production and sales of vehicles of the Group were 723,037 units and 724,343 units with an increase of 19.08% and 19.41% over the corresponding period of last year among which the production and sales of passenger vehicles were 717,678 units and 719,639 units representing an increase of 18.83% and 19.24% comparing with last year the production and sales of commercial vehicles were 5,359 units and 4,704 units with an increase of 63.68% and 51.16% comparing with last year respectively. Currently, sales volume of our Group contributed a total market share of 4.01% in automotive market in terms of sales volume, of which we occupied a market share of 23.92% and 9.05% in mid-to-high end sedan market and SUV market.

The production and sales volume by company for the year ended 31 December 2010 are set out below:

Entity	Production volume (Units)			Sales volume (Units)		
	YTD Dec. 2010	YTD Dec. 2009	YTD YoY	YTD Dec. 2010	YTD Dec. 2009	YTD YoY
Passenger vehicles	**717,678**	**603,937**	**18.83%**	**719,639**	**603,509**	**19.24%**
Guangqi Honda Automobile Co., Ltd	385,755	365,997	5.40%	386,031	365,623	5.58%
GAC Toyota Motor Co., Ltd	268,445	209,613	28.07%	269,429	209,587	28.55%
GAC Changfeng Motor Co., Ltd.	37,890	31,389	20.71%	39,048	30,139	29.56%
Honda Automobile (China) Co., Ltd.	25,116	28,327	-11.34%	25,009	28,299	-11.63%
Guangzhou Automobile Group Motor Co. Ltd.	472	—	—	122	—	—
Commercial vehicles	**5,359**	**3,274**	**63.68%**	**4,704**	**3,112**	**51.16%**
GAC Hino Motors Co., Ltd.	3,380	1,990	69.85%	2,911	1,810	60.83%
Guangzhou Automobile Group Autobus Co., Ltd	1,979	1,284	54.13%	1,793	1,302	37.71%
Total vehicles	**723,037**	**607,211**	**19.08%**	**724,343**	**606,621**	**19.41%**
Engines	**422,130**	**361,407**	**16.80%**	**418,293**	**355,591**	**17.63%**
GAC Toyota Engine Co., Ltd.	399,401	361,407	10.51%	395,988	355,591	11.36%
Shanghai Hino Engine Co., Ltd.	22,729	12,021	89.08%	22,305	11,592	92.42%

* The calculation is based on the statistics published by China Association of Automobile Manufactures ("CAAM").

* Figures of GAC Changfeng are excluded in the total production and sales volumes of automobiles of 2009, and figures of Shanghai Hino are excluded in the total production and sales volumes of engines of 2009

The sales volume and market share of passenger vehicles and commercial vehicles of our Group for the year ended 31 December 2010 are set out below:

	Sales volume (Units)		
Entity	**YTD Dec. 2010**	**YTD YoY**	**Market share (%)**
Passenger vehicles	**719,639**	**19.24%**	**5.23%**
Mid-to-high-end sedan	**333,261**	**0.50%**	**23.92%**
Guangqi Honda Accord	171,728	-2.07%	12.32%
GAC Toyota Camry	161,411	3.32%	11.58%
Trumpchi	122	—	0.01%
Mid-end sedan	**132,645**	**17.15%**	**2.61%**
Guangqi Honda City	132,645	17.15%	2.61%
Economy sedan	**85,649**	**-9.68%**	**5.31%**
Guangqi Honda FIT	33,578	-30.97%	2.08%
Honda Jazz	25,009	-11.63%	1.55%
GAC Toyota Yaris	27,062	51.25%	1.68%
High-end sedan	**2,264**	**—**	**0.64%**
Guangqi Honda Crosstour	2,264	—	0.64%
Subtotal of sedans	**553,819**	**2.63%**	**5.83%**
MPV	**45,837**	**61.43%**	**10.29%**
Guangqi Honda Odyssey	45,816	61.35%	10.29%
GAC Changfeng Kylin	21	-90.54%	0.00%
SUV	**119,983**	**238.30%**	**9.05%**
GAC Toyota Highlander	80,956	128.26%	6.11%
GAC Changfeng Liebao	28,897	28.80%	2.18%
GAC Changfeng Pajero	10,130	35.39%	0.76%
Commercial vehicles	**4,704**	**51.16%**	**0.11%**
Buses	1,947	49.54%	0.44%
Trucks	2,757	52.32%	0.07%
Total vehicles	**724,343**	**19.41%**	**4.01%**

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

For the year ended 31 December 2010, the production capacity of vehicles of our Group amounted to 1,011,500 with a capacity utilization of 71.48%, among which the production capacity of passenger vehicles amounted to 990,000 units with a capacity utilization of 72.49%; the production capacity of commercial vehicles (including chassis) amounted to 21,500 units with a capacity utilization of 24.93%; the production capacity of engines amounted to 530,000 units with a capacity utilization of 79.65%.

The production capacity and capacity utilization by company for the year ended 31 December 2010 are set out below:

Entity	Annual capacity (Units)	Annual production (Units)	Annual capacity utilization %
Passenger vehicles	990,000	717,678	**72.49%**
Guangqi Honda Automobile Co., Ltd	360,000	385,755	**107.15%**
GAC Toyota Motor Co., Ltd	380,000	268,445	**70.64%**
Honda Automobile (China) Co., Ltd.	50,000	25,116	**50.23%**
Guangzhou Automobile Group Motor Co. Ltd.	100,000	472	**0.47%**
GAC Changfeng Motor Co., Ltd.	100,000	37,890	**37.89%**
Commercial vehicles	21,500	5,359	**24.93%**
GAC Hino Motors Co., Ltd.	19,500	3,380	**17.33%**
Guangzhou Automobile Group Autobus Co., Ltd	2,000	1,979	**98.95%**
Total vehicles	1,011,500	723,037	**71.48%**
Engines	530,000	422,130	**79.65%**
GAC Toyota Engine Co., Ltd.	500,000	399,401	**79.88%**
Shanghai Hino Engine Co., Ltd.	30,000	22,729	**75.76%**

* The calculation is based on the statistics published by China Association of Automobile Manufactures ("CAAM")

In the late 2010, Guangqi Honda launched the capacity expansion project for Zengcheng Plant, which can increase production capacity from 120,000 units to 240,000 units. The annual production capacity of Guangqi Honda will reach 480,000 units, which will further enhance subsequent development potential.

2. *The revenue of each business segment of our Group as of 31 December 2010 is set out below:*

	2010 Sales revenue ***(RMB million)***
Passenger vehicles	**58,118**
Commercial vehicles	**898**
Auto parts	**450**
Automobile-related services	**382**
Total	**59,848**

3. *Sales Network*

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

Company name	**First-level stores in 2010**	**The achievements of the plan of first-level stores in 2011**	**Provinces covered**
Passenger vehicles	**857**	**1,048**	31
Guangqi Honda Automobile Co., Ltd	**430**	**490**	31
GAC Toyota Motor Co., Ltd	**262**	**330**	31
GAC Changfeng Motor Co., Ltd.	**115**	**138**	30
Guangzhou Automobile Group Motor Co. Ltd.	**50**	**90**	30

Commercial vehicles	**Sales outlets in 2010**	**The achievements of the plan of first-level stores in 2011**	
GAC Hino Motors Co., Ltd.	26/3S stores 27/2S stores	60/3S stores 80/2S stores	25
Guangzhou Automobile Group Autobus Co., Ltd	46/first-level stores	56/first-level stores	25
	184/service outlets	184/service outlets	29

4. *New Vehicle Models and New Energy Products*

In 2010, the Group continued to launch new vehicle model products based on market demand and national policies of the industry. Following the launch of Camry 2010 by GAC Toyota in March 2010, all 12 vehicle models in the series received positive market response with the annual sales of over 161,400 units, which ranked the second in mid-to-high sedans. In May, GAC Toyota officially launched its first new energy product, Camry hybrid vehicles, which substantially reduced gasoline consumption by 41.7% and exhausted emission by 75.0% and boosted the power by 13.8%, enriching the product lines of GAC Toyota. GAC Changfeng has launched Liebao Feiteng (Fashion), which resulted an increase in sales volume. In October 2010, Guangqi Honda officially launched its "Luxury Crossover Coupe"(轎跑型豪華跨界車), Crosstour, which was awarded the Best Exterior Design of 2010 CCTV China Automobile Award. On 20 December 2010, we successfully launched our first proprietary model, Trumpchi. Guagnqi Trumpchi, as mid-to-high sedan, were used as the official reception sedans for the 16th Asia Games, which has been highly praised by Asian Games Organizing Committee and all sectors of the community and demonstrated that our successful transformation from joint venture cooperation to the combination of independent development of propriety brands and joint venture common development. Besides, we accelerate the development of hybrid sedans, plug-in hybrid sedans and electric vehicle "Trumpchi" and focus on building of a technical platform of motor system, battery system and electric control system.

For commercial vehicles, GAC Bus continued to promote the development and production of hybrid city buses and electric city buses in the field of new energy. GAC Bus has successively provided a total of over 1,000 new buses in 6 categories and 9 models for the 2010 Guangzhou Asian Games, including 26 electric buses, 114 hybrid buses, 214 barrier-free buses, etc.

Proprietary Brands and R&D

In 2010, GAMC fully completed the construction of vehicles and engines plants and successfully achieved mass production of vehicles and engines and launched the first proprietary brand of sedan "Trumpchi". In November, 500 "Trumpchi" sedans were used as the designated reception sedans for Asia Games and successfully provided services for the 16th Asia Games, which greatly enhanced the brand image of Trumpchi. On 20 December 2010, Trumpchi officially commenced its commercial sales; on 28 December, Trumpchi was awarded "Best (Proprietary) Newly Launched Auto (最佳(自主)首發新車)"; In 2010, Guangqi "Trumpchi" obtained over 70 awards issued by various auto shows and medias. The first mass production models of "EVERUS", the propriety R&D brand of Guangqi Honda, were officially launched at the 8th China (Guangzhou) International Automobile Exhibition in December and will be commercially launched in March 2011.

In respect of proprietary R&D, GAC Automotive Engineering Institute comprehensively promoted the development of propriety brand products with focus on the vehicle model of "Trumpchi". The development of "Trumpchi" achieved several major technological innovations, including enabling better safety of new car assessment program comparing with C-NCAP five start standard, and better emission of the national IV standard. The R&D achievements of "Trumpchi" have reached domestic leading and international advanced level as evaluated by authoritative experts of relevant government departments. In addition, we are also conducting a number of vehicle and power train projects to ensure the launch of a new model each year. In respect of auto parts, we achieved simultaneous development of seating system assembly, hand brake dashboard and center console.

Automobile Services Industry

The Group is mainly engaged in vehicle sales, after-sale services, logistics services as well as import and export businesses through Guangzhou Automobile Group Business Co., Ltd ("GAC Commercial"), provided automotive finance services through GAC-SOFINCO Automobile Finance Co., Ltd. ("GAC-SOFINCO") and provided insurance services through Guangzhou Guang Ai Insurance Brokers Limited.

In 2010, GAC Commercial strongly explored the businesses of automobile logistics, car rental and car sales, actively promoted the construction of 4S shops and enhanced the sales activities of our propriety brands and Fiat brand. Besides, the profit margin of 4S shops recorded a large increase through strengthening its car sales assessment and enhancing the sales of high-quality vehicles. In 2010, Tong Fang Global Logistics (同方環球) completed the standardization of logistics management system for three fields of goods vehicles, auto parts and after-sales parts, and preliminarily established a management mechanism of platform resources integration.

GAC-SOFINCO obtained the approval from the China Banking Regulatory Commission in May 2010 and started its business on 13 July 2010, initially covering northeast region, northern China, eastern China, middle and southern region as well as southwest region. The GAC Zhongcheng Insurance Project (廣汽衆誠保險項目) was granted with preparation qualifications by China Insurance Regulatory Commission on 14 July 2010. The Company is currently boosting the preparation and construction and opening work from various aspects of business planning, IT construction and staff allocation, system construction, risk management and back-up operations, and is expected to start the business in the first half of 2011.

Auto Parts

In 2010, GAC Components overcame the impact of increasing labor cost and material prices and achieved the double-digit growths in revenue and profit through improving the localization rate and reducing operation costs. Besides, focusing on the development of our Group and GAC Changfeng and GAC Fiat, we actively explored new projects and technological reform projects and totally completed 2 new projects, 23 development projects of new products and 12 technological reform projects during the year. Furthermore, GAC Components greatly promoted its own research and development, and was officially listed in September 2010 and built an advanced product development lab to lay a solid foundation for following independent development of products.

In 2010, benefited from the growth of China automotive industry and the extend of tax preference period for car purchasing in Japan, the engines sales of GAC Toyota Engine increased by 11.36% to 395,988 units, and achieved zero defects for major products through various quality improvement activities. To ensure the smooth operation of 773F engines in 2011 and minimize the influence of the decline of production resulting from the upgrading of production lines in phase one, we will orderly achieve the transition from two-shift production to three-shift production and minimize the influence through adjusting safety mechanism, production rhythm, equipment security, logistic supports and emergency system. Benefited from continuous hot-selling trend in commercial vehicles market, in 2010, Shanghai Hino Engine recorded an increase of 92.42% in sales of the engines over last year and with an increase of over 80%.

Production Safety

In 2010, the Group adhered to the guidelines of "safety first, focus on prevention, comprehensive control" and the principles of "people-oriented and safe development", strictly implemented accountability system for production safety and fully conducted the standardization of safety production. Production safety accidents occurred in the whole year reduced by 12.5% compared with the same period of 2009. No serious injury and death accidents occurred. The condition of safe production is generally stable.

Environmental Protection and Sustainable Development

The Group attached great importance to environmental protection and sustainable development. In 2010, focusing on the targets of "energy saving, consumption reduction, pollution reduction and efficiency enhancement", the Group carried out a wide range of energy saving and emission reduction activities with full participation among the employees, such as the Month for Strengthening environmental activities and set the environmental areas for displaying relevant information and cases, etc. In respect of energy and water saving and waste reduction, through improving design, replacement of energy saving lamps, reuse of chilled water in cooling tower, identification and reuse of waste and improving the efficiency of swage treatment, our major JCEs and auto parts enterprises recorded a decrease of over 10% in energy consumption, total water consumption and wastes disposal over the corresponding period last year. The Group has achieved 100% treatment for industrial "three wastes" (namely waste water, waste gas and solid waste) and standardized discharge, and the recovery rate of waste water and solid waste gradually increased. Following Guangqi Honda Zengcheng Plant and GAC Toyota being zero discharge of sewage the enterprises, Guangzhou Denso Co., Ltd (廣州電裝有限公司), which is mainly engaged in the production of automobile air-conditioners and condensers, also became one of f zero discharge of sewage enterprises in the Group.

Charitable Activities

In addition to providing customers with quality products, auto parts and related services, the Group has also devoted to fulfilling our undertakings of being an outstanding corporate citizen. In 2010, the Group and its employees have donated money and materials worth about RMB7,372,400 in total to earthquake disaster area in Yushu, Qinghai Province and also donated a total of RMB1,088,500 for resisting a drought in Baise, Guangxi Province. Besides, the Group donated a total of RMB466,600 to Guangzhou Foundation for Poverty Workers and actively participated in activities of "Helping the Poor in Guangdong" and donated a total of RMB2.40 million to actively promote harmonious development of the community.

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

Outlook for the Year of 2011

Looking forward to the work of 2011, there is a slowing trend in the domestic macroeconomic growth and certain adjustments regarding auto consumption environment and policies will be made, but it is expected that China's GDP will still maintain a rapid growth. Although the growth of domestic automotive industry will rationally slow, it can also be maintained at a higher level. According to the requirements of the Board, our Group will strive to achieve operational business targets while focusing on the following task:

(1) Ensuring the completion of targets of 2011 business plan; overcoming the impact of policy adjustment, especially adjustment of taxation policy, on profits through adjusting product structure, controlling administrative expenses, sales expenses and material cost;

(2) Ensuring the key projects and work are carried out in conformity with the scheduled phases and quality: (a) ensuring that the propriety brand passenger vehicle "Trumpchi", is widely accepted in market and provide high-quality services and establish a good brand image; (b) ensuring that GAC Fiat Project will be completed in 2011, and the commissioning of production lines and the trial production will be conducted; (c) accelerating the integration of GAC Gonow, achieve complementary advantages and enhance the efficiency; (d) ensuring the capacity expansion of 480,000 units of Guangqi Honda, solve the capacity bottleneck and promote the development of Guangqi Honda; (e) ensuring the introduction and successful commercial launch of the new product of GAC Toyota, "Verso (逸致)" and the new generation of "Camry"; (f) promoting the construction of R&D base of GAEI and the development of following car models of GAMC, especially strengthen the R&D of new energy vehicles; (g) further promoting the listing of domestic A shares; (h) promoting the cooperation with Mitsubishi; (i) greatly developing automotive financial services of GAC-SOFINCO and start the business of Zhongcheng Insurance as earliest as possible.

(3) Continuing to promote the industrial restructuring, optimize the industrial upgrading, extend the industrial chain value and strive to develop modern automotive services;

(4) Accelerating independent innovation, and focusing on brand construction and enhance the brand influence;

(5) Strengthening capital operation and marker capitalization management, build a comprehensive platform in domestic and overseas capital markets and promote the corporate restructuring by utilizing the capital operation on the basis of strengthening risk control;

(6) Continuing to improve corporate governance, and strengthening management innovation and paying great attention to the standardization operation of listed companies.

II. Substantial Acquisitions, Disposals and Investment

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

On 22 January 2010, the Company and Denway jointly issued an announcement in relation to the proposed privatisation of Denway by way of issuing H shares by the Company to public shareholders of Denway, and listing of the GAC Group by way of introduction.

On 16 July 2010, the proposed scheme was approved and passed at the court meeting and the extraordinary general meeting of Denway.

On 30 August 2010, the Company was successfully listed on the Stock Exchange of Hong Kong Limited. Upon completion of the transaction, Denway became a wholly-owned subsidiary of the Company, and the total share capital of the Company is enlarged from 3,934,757,457 shares to 6,148,057,675 shares. Guangzhou Automobile Industry Group Co., Ltd. remains to be the largest shareholder, holding 58.8% interest of our Company.

In March 2010, GAC Components conducted the acquisition of 45% of shareholdings in GAC-QH (Meizhou) Auto Electric Co., Ltd (梅州强華汽車電器有限公司) at a cash consideration of RMB40,500,000. Its main business includes the production of automotive generators and starters. And the acquisition has been completed.

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

On 3 December 2010, the Company entered into an agreement with Zhejiang Gonow Investments Co., Ltd. (浙江吉奧投資有限公司, "Gonow Auto") in Hangzhou to establish GAC Gonow Automobile Co., Ltd (廣汽吉奧汽車有限公司) ("GAC Gonow"). The registered capital of GAC Gonow was RMB1,260,000,000, and GAC Group contributed RMB642,600,000 and held 51% in the shareholdings of GAC Gonow. Gonow Automobile contributed RMB617,400,000 with all equity interests in five wholly-owned subsidiaries (namely, Hangzhou Gonow Automobile Co., Ltd (杭州吉奧汽車有限公司), Dongying Gonow Automobile Co., Ltd (東營吉奧汽車有限公司), Zhejiang Gonow Automobile Sales Co., Ltd (浙江吉奧汽車銷售有限公司), Zhejiang Gonow Import and Export Co., Ltd (浙江吉奧進出口有限公司) and Zhejiang Gonow Auto Parts Co., Ltd (浙江吉奧汽車零部件有限公司)) held by it and the vehicle business assets (including manufacturing facilities, equipments and models) of Zhejiang Gonow Automobile Co., Ltd (浙江吉奧汽車有限公司) as the capital contribution, and held 49% in the shareholdings of GAC Gonow. GAC Gonow completed the business registration on 8 December and held opening ceremony on 9 December in Hangzhou. The cooperation between GAC Group and Gonow Auto was an attempt of actively exploring the cooperation between state-owned enterprises and private enterprises, and also the first case in China's auto industry. The cooperation further enriched the product mix of the Group, complemented micro-cars and pickups products and optimized our regional distribution, enabling us to own the production base in East China and Yangtze River Delta Region.

On 30 December 2010, the Company entered into the agreement with Guangzhou Motor in relation to the acquisition of 50% of the registered capital in Wuyang Honda at a consideration of RMB444,764,750 and the acquisition of the Wuyang Trademarks at a consideration of RMB30,960,000. Wuyang Honda is owned as to 40% by Honda and 10% by Honda (China) Investment, and is mainly engaged in manufacturing and sale of motorcycles and related auto parts and provision of after-sale services. In 2009, production and sales of motors was 810,400 units. This acquisition will enable our Group to enter into the production and sales of motors, and will be complementary to passenger vehicles and commercial vehicles businesses, and will also be favorable to further cooperation with Honda.

As at 31 December 2010, the Group did not have any substantial disposals.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Results Overview

Our interests in Jointly-controlled Entities are accounted for by proportionate consolidation. We consolidate our share in the jointly-controlled entities in respect of incomes and expenses, assets and liabilities and cash flow on a line-by-line basis into similar items in the Group's financial statements. During the year, the revenue of the Group amounted to approximately RMB59,848 million, representing an increase of RMB9,594 million, or approximately 19.1%, when compared with approximately RMB50,254 million for last year. The profit attributable to equity holders of our Company amounted to approximately RMB4,295 million for the year, representing an increase of RMB2,263 million, or approximately 111.4%, when compared with approximately RMB2,032 million for last year. Earnings per share were approximately RMB91.92 cents, representing an increase of approximately RMB37.79 cents, or approximately 69.8%, when compared with approximately RMB54.13 cents for last year.

During the year, cash and cash equivalents at the end of the year of our Group amounted to approximately RMB15,981 million, representing an increase of approximately RMB4,648 million, or approximately 41.0%, when compared with the amount at the beginning of the year.

Revenue

In 2010, our Group continued to focus on the sales of mid-to-high-end sedans with higher profitability and stable customer base, while gradually expanding the scope of products and diversifying the product mix. Guangqi Honda Accord and GAC Toyota Camry (as the most popular traditional models of passenger vehicles of the Group) commanded the top two ranks in the PRC mid-to-high-end sedan market in terms of sales volume during the year. Meanwhile, GAC Toyota Highlander and Guangqi Honda Odyssey's sales surged during the year compared with the corresponding period last year, further enriched the original production line which was committed to passenger vehicles, and brought considerable revenues to our Group.

During the year, revenue of the Group amounted to approximately RMB59,848 million, an increase of RMB9,594 million, or approximately 19.1% compared with approximately RMB50,254 million in last year, of which the sales of passenger vehicles amounted to approximately RMB58,118 million, representing an increase of approximately 17.7% over last year, which comprise most of the revenue of our Group, or approximately 97.1%; the revenue of commercial vehicles amounted to approximately RMB898 million, representing an increase of approximately 160.9% over last year, comprising approximately 1.5% of the revenue of our Group.

	2010		2009	
	Sales revenue ***(RMB million)***	**Sales volume** ***(Unit)***	Sales revenue *(RMB million)*	Sales volume *(Unit)*
Passenger vehicles	**58,118**	**655,582**	49,370	575,210
Commercial vehicles	**898**	**4,704**	345	3,112
Auto parts	**450**	**N/A**	264	N/A
Automobile-related services	**382**	**N/A**	275	N/A
Total (the Group)	**59,848**	**660,286**	50,254	578,322
Sales volume of associated companies	**N/A**	**64,057**	N/A	28,299
Total(the Group together with its associated companies)	**N/A**	**724,343**	N/A	606,621

During the year, the revenue of our passenger vehicles increased by approximately RMB8,748 million, representing an increase of approximately 17.7%, to approximately RMB58,118 million during the year from approximately RMB49,370 million over last year. It is mainly due to the increase of sales volume of our passenger vehicles by 80,372 units, representing an increase of approximately 14.0%, to 655,582 units from 575,210 units over last year, among which:

- in terms of mid-to-high-end sedans, GAC Toyota Camry and Guangqi Honda Accord still commanded the first two ranks in mid-to-high-end sedan market; in terms of mid-end sedans, the cumulative sales of Guangqi Honda (Fengfan) increased by 19,418 units, or 17.2% over the corresponding period last year, to 132,645 units during the year;

- MPV and SUV recorded significant growth. The cumulative sales of Guangqi Honda Odyssey (MPV) increased by 17,421 units, or 61.4%, over the corresponding period last year to 45,816 units during the year; GAC Toyota Highlander (SUV) maintained significant growth since its launch in May 2009, the market share of the GAC Toyota Highlander (SUV) was ranked the top of the large and medium SUV market, the cumulative sales volume increased by 45,490 units, or 128.3% over the corresponding period last year, to 80,956 units during the year.

During the year, the revenue of our commercial vehicles increased by approximately RMB553 million, or approximately 160.9%, to approximately RMB898 million during the year from approximately RMB345 million over last year. The sales volume of our commercial vehicles increased by 1,592 units, or approximately 51.2%, to 4,704 units during the year from 3,112 units of the last year, among which the cumulative sales of GAC Hino increased by 1,101 units, or 60.8% over the corresponding period last year, to 2,911 units during the year since GAC Hino has commenced the production and sales of heavy trucks and coaches from September 2009; the cumulative sales of GAC Bus increased by 491 units, or 37.7% over the corresponding period last year, to 1,793 units during the year, which mainly benefited from the new sales of Asian Games used models. Meanwhile, as the adjustment of product structure in commercial vehicles segment caused the growth in sales revenue, the proportion of commercial vehicles in revenue increased by 0.8% from 0.7% in the corresponding period last year to 1.5%.

Cost of Sales and Gross Profit

During the year, our total cost of sales increased by RMB7,658 million, or approximately 18.3%, to approximately RMB49,576 million during the year from approximately RMB41,918 million over last year. Our total gross profit increased by approximately RMB1,936 million, or approximately 23.2%, to approximately RMB10,272 million during the year from approximately RMB8,336 million over last year.

Our gross profit margin increased by 0.6% from approximately 16.6% in the same period last year to approximately 17.2% during the year, of which the gross profit margin of our passenger vehicle business increased by 0.5% from approximately 16.9% in last year to approximately 17.4% during the year; the gross profit margin of our commercial vehicle business increased significantly by 12.6% from approximately -9.2% in last year to approximately 3.4% during the year.

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

(1) the positive development of our mid-to-high-end passenger vehicles, with the significant increase in sales of other high-end products (such as GAC Toyota Highlander), resulted in the growth of gross profit margin during the year;

(2) our implementation of a series of cost control measures, including the adoption of sound business policy and strengthening internal management, resulted in the reduction of the unit cost;

(3) the growth rate of our cost of passenger vehicles was less than that of our revenue as a result of scale effect of fixed expenses.

During the year, the gross profit margin of our commercial vehicles business increased by approximately 12.6% to 3.4% during this year from approximately -9.2% in last year, mainly because our commercial vehicles business has completed its reorganization and commenced normal production and sales. The gross profit margin of our commercial vehicles is expected to further increase as a result of the increase in sales of our commercial vehicles.

Selling and Distribution Costs

Our selling and distribution costs increased by approximately RMB625 million to approximately RMB2,768 million during the year from approximately RMB2,143 million in last year, which is mainly due to the increase in advertising and marketing expenses, the cost of logistics and after-sale services expenses as a result of an increase in sales and launch of new models. Meanwhile, a part of selling and distribution costs are compensated by government grants.

Administrative Expenses

Our total administrative expenses decreased by approximately RMB270 million to approximately RMB2,274 million during the year from approximately RMB2,544 million over last year, which was mainly due to (i) the administrative expenses were compensated by part of government grants received by the Group during the year; (ii) notwithstanding the expenses of technical support and development increased as a result of an increase in sales, as our self-developed models gradually entered into the development stage during the year, the R&D expenses are capitalized as long-term assets in accordance with accounting policies; besides, with accumulated experience in independent research and development, continuous improvement of independent R&D technologies of the Group and time reduction of research stages for R&D projects, the technical development costs charged in administrative expenses during the year decreased when compared to the same period last year.

Other Gains/ (Losses) — Net

During the year, other net gains of our Group amounted to approximately RMB91 million, representing an increase of approximately RMB520 million, compared with approximately RMB -429 million for the same period last year, which is primarily due to a donation of RMB451 million last year to the 16th Asian Games Organizing Committee.

Interest Income

During the year, the interest income of the Group was approximately RMB410 million, representing an increase of approximately RMB21 million when compared with approximately RMB389 million for the corresponding period last year, which was mainly due to the increase in average cash and bank balances as a result of increase of sales revenue of passenger vehicles during the year.

Finance Costs

During the year, the finance costs of the Group amounted to approximately RMB369 million, representing an increase of approximately RMB25 million when compared with approximately RMB344 million for last year, which was mainly due to a slight increase in our average borrowing balances during the year.

Staff Costs

During the year, the staff costs (including directors' and supervisors' emoluments) of the Group amounted to approximately RMB1,832 million, representing an increase of approximately RMB417 million when compared with approximately RMB1,415 million for last year, which was mainly due to (i) an increase in the total number of employees as a result of expansion of our scale; (ii) the increase of the level of average salary in line with the increase of the Group's revenue and profit.

Depreciation and Amortisation

With our business expansion and increase in sales revenue, continuous additions and refreshment of fixed assets including plant and equipment of the Group during the year, the increase in fixed assets amounted to approximately RMB1,558 million, disposal of fixed assets approximately RMB66 million, an increase of approximately RMB2,521 million and RMB377 million respectively when compared with those for last year. During the year, the depreciation and amortization amounted to approximately RMB1,043 million, an increase of approximately RMB73 million when compared with approximately RMB970 million for last year.

Share of Profit of Associates

During the year, the share of profit of associates of the Group amounted to approximately RMB1,130 million, representing a substantial increase of approximately RMB414 million when compared with approximately RMB716 million for last year. This was mainly due to:

(1) The share of profit of associates for last year contained the investment loss of approximately RMB252 million in Guangzhou Zhujiang Steel Co., Ltd. The shareholding of this associate had been transferred at the end of 2009;

(2) With the acquisition of shareholdings in GAC Changfeng and Shanghai Hino Engine, the share of profit of associates in passenger vehicles segment was approximately RMB145 million during the year, representing an increase of approximately RMB84 million when compared with approximately RMB61 million for last year;

(3) The share of profit of associates in auto parts segment was approximately RMB981 million during the year, representing an increase of approximately RMB75 million when compared with approximately RMB906 million for last year, which was driven by the sales growth of vehicles,.

Income Tax Expense

With the increase of the Group's revenue and profit, the income tax expenses of the Group amounted to approximately RMB974 million during the year, representing an increase of approximately RMB250 million when compared with approximately RMB724 million for last year.

The effective tax rate for the year was approximately 15.0%, representing a decrease of approximately 3.2% as compared with approximately 18.2% for last year. This was mainly due to the increase in the profit contribution of GAC Toyota, which still enjoyed a tax holiday of "half levy" and the provisional stage of tax reform.

Profit for the Year

Based on the above reasons, the profit of the Group during the year amounted to approximately RMB5,518 million, representing an increase of 69.5% when compared with RMB3,256 million over last year; the profit margin was approximately 9.2%, representing a significant increase of approximately 2.7% when compared with approximately 6.5% over last year.

Based on the foregoing reasons and our successful listing of H shares by way of introduction and privatisation of public shares of Denway, indirect shareholding in GAC Honda was 50%, profit attributable to equity holders of our Company amounted to approximately RMB4,295 million during the year, representing an increase of approximatelyRMB2,263 million, or approximately 111.4% when compared with approximately RMB2,032 million for the corresponding period last year. Earnings per share were approximately RMB91.92 cents, representing an increase of approximately RMB37.79 cents, or approximately 69.8%, when compared with approximately RMB54.13 cents for last year.

Ratio of Return on Equity was approximately 22.2%, representing an increase of approximately 5.6% when compared with approximately 16.6% over last year.

Assuming that our shareholding of 37.9% in Denway in 2010 remains unchanged, profit attributable to equity holders of our Company in 2010 are still higher than the forecasted profit of RMB3,760 million set out in listing documents.

Foreign Exchange Risk

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

Liquidity and Capital Sources

As at 31 December 2010, the Group's current assets and current liabilities amounted to approximately RMB33,524 million and RMB16,668 million respectively, and the current ratio was approximately 2.01 times. The total borrowing amounted to approximately RMB9,364 million as at 31 December 2010, which mainly included debentures issued by the Group with par value of RMB6,700 million, corporate bonds with par value of RMB600 million and, bank borrowing of approximately RMB2,129 million, the asset to liability ratio was approximately 26.6%. The above borrowing and bonds will be paid when fall due. The Group generally meets its capital requirements in business through its cash flow generated from operating activities.

On 30 August 2010, we successfully implemented a listing of H shares by way of introduction and privatisation of public shares of Denway, the total share capital of our Group is enlarged from

3,934,757,457 shares to 6,148,057,675 shares and other reserves are increased from RMB814 million to RMB7,637 million.

Cash Flow

	Year ended 31 December 2010 *RMB million*	Year ended 31 December 2009 *RMB million*
Net cash inflows generated from operating activities	**3,775**	8,357
Net cash inflows/(outflows) generated from investing activities	**1,012**	(8,005)
Net cash (outflows)/inflows generated from financing activities	**(114)**	5,441
Net increase in cash and cash equivalents	**4,673**	5,793

Net cash inflows generated from operating activities during the year was approximately RMB3,775 million, representing a decrease of approximately RMB4,582 million when compared with approximately RMB8,357 million over last year, which was mainly due to:

(1) during the year, cash from sales of goods was approximately RMB69,542 million, representing an increase of approximately RMB9,776 million and approximately 16.4% as compared with last year. Due to taking advantage of ample liquidity and the consideration of lower financial cost, joint ventures have significantly decreased the discount of undue bills. Cash from sales of goods during the year showed an increase of approximately 19.2% as compared with last year when the impact is taken into account;

(2) changes in operational capital was relatively larger during the year, mainly due to the higher increase of unpaid trading receivables last year and the paying capacity have been significantly strengthened this year in order to guarantee the supply of raw materials and parts;

(3) during the year, the cash payments on interest expenses and income tax expenses amounted to approximately RMB1,210 million, representing an increase of RMB469 million as compared to the same period last year.

During the year, net cash inflows generated from investing activities of the Group amounted to approximately RMB1,012 million, representing an increase of approximately RMB9,017 million when compared with net cash outflows of approximately RMB8,005 million for last year, which was mainly due to the decrease in operation cash inflow over the previous year, and the significant decrease in expenditure of financial investment (time deposit), and payment of RMB1,058 million for acquisition of part of shareholdings in GAC Changfeng last year.

During the year, net cash outflows generated from financing activities of the Group amounted to approximately RMB114 million, representing a decrease of approximately RMB5,555 million when compared to net cash inflows approximately RMB5,441 million for last year, which was mainly due to the issue of debentures amounting to approximately RMB6,700 million last year, the addition in borrowing amounted to RMB2,221 million during the year, the repayment of loans amounted to approximately RMB1,441 million and dividend payment of RMB840 million to shareholders.

As at 31 December 2010, the cash and cash equivalents of the Group amounted to approximately RMB15,981 million, representing an increase of about RMB4,648 million when compared with approximately RMB11,333 million as at 31 December 2009.

Financial Indicators

As at 31 December 2010, the Group's total borrowings amounted to approximately RMB9,364 million, representing a slight increase when compared with approximately RMB8,720 million as at 31 December 2009. As at 31 December 2010, the Group's asset to liability ratio was approximately 26.6%, representing a slight drop from approximately 28.9% as at 31 December 2009. {Calculation method of gearing ratio: (non-current borrowings + current borrowings)/(total equity + non-current borrowings + current borrowings)}

As at 31 December 2010, the Group's current ratio was approximately 2.01 times, representing a decrease from that of 2.03 times as at 31 December 2009. As at 31 December 2010, the Group's quick ratio was approximately 1.81 times, representing a decrease from approximately 1.85 times as at 31 December 2009.

During the year, the average turnover days of our inventories were approximately 19.4 days, representing a slight increase from approximately 17 days in 2009.

During the year, the Group's average turnover days of trade receivable (including bills receivable) were 8.1 days, representing a slight increase from approximately 5.8 days in 2009, which was mainly due to taking advantage of ample liquidity and the consideration of lowering financial cost, joint ventures have significantly decreased the discount of undue bills.

MATERIAL LITIGATION

As at 31 December 2010, the Group was not involved in any material litigation or arbitration and as far as the Company was aware, no material litigation or claim was pending or threatened or made against the Group.

EMPLOYEES

By 31 December 2010, the Group and its major associates had 29,361 employees, and has implemented the employee remuneration policy linked to the corporate total salary and corporate cost-effectiveness. Apart from the above remuneration policy, the Group and its major associates did not provide share options scheme to the employees. The regular training for operation management offered by the Group and its major associates covers: operational management, foreign language, computer, business knowledge and policies and regulations. The trainings are conducted in the forms of seminars, field trips, interviews and visits.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

CORPORATE GOVERNANCE

During year, the Company was in compliance with the Code Provisions of the Code on Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and actively complied with the recommended best practices.

AUDIT COMMITTEE

The Company has established its audit committee since December 2007. The audit committee comprised three independent non-executive directors, namely Mr. Law Albert Yu Kwan (Chairman), Mr. Ma Guohua and Mr. Xiang Bing. Their responsibilities include reviewing and monitoring the financial reporting procedures and internal control system of the Company. The audit committee and the management have jointly reviewed the accounting principles and major policies adopted by the Group and discussed about various matters including account review, internal control and financial reporting, which include reviewing the Group's unaudited interim financial report and the audited annual financial statements. The audit committee has also reviewed the final results and financial statements of the Group for the year ended 31 December 2010.

DIVIDEND

The Board recommended the payment of a final dividend for the year ended 31 December 2010 of RMB0.11 per share (2009: Nil).

The proposed final dividend for the year is subject to the approval by the shareholders of the Company at the forthcoming annual general meeting.

CLOSURE OF REGISTER OF MEMBERS

According to the Law on Corporate Income Tax of the People's Republic of China and the relevant implementing rules which came into effect on January 1, 2008, the Company is required to withhold corporate income tax at the rate of 10% before distributing the dividend to non-resident enterprise shareholders as appearing on the H share register of members of the Company. Any shares registered in the name of the non-individual registered shareholders, including HKSCC Nominees Limited, other nominees, trustees or other groups and organizations will be treated as being held by non-resident enterprise shareholders and therefore will be subject to the withholding of the corporate income tax.

For the identification of holders of H shares who are qualified to be entitled to the proposed final dividend by 31 December 2010, the register of members of the Company in Hong Kong will be closed from Saturday, 9 April 2011 to Monday, 9 May 2011, both days inclusive, during which period no register of members will be effected. In order to qualify for the final dividend mentioned above, holders of H Shares whose transfers have not been registered shall lodge the transfer forms and the relevant share certificates at the Company's H Shares Registrar, Tricor Investor Services Limited (address: 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong), for the formalities of registration not later than 4:30 p.m. on Friday, 8 April 2011.

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

Guangzhou, the PRC, 22 March 2011

As at the date of this announcement, the executive directors of the Company are ZHANG Fangyou, ZENG Qinghong, YUAN Zhongrong and LU Sa, the non-executive directors of the Company are FU Shoujie, LIU Huilian, WEI Xiaoqin, LI Tun, WANG Songlin and LI Pingyi and the independent non-executive directors of the Company are WU Gaogui, MA Guohua, XIANG Bing, LAW Albert Yu Kwan and LI Zhengxi.