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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)

2011 INTERIM RESULTS ANNOUNCEMENT

The Board of Guangzhou Automobile Group Co., Ltd. announces that the unaudited consolidated results of the Company, its subsidiaries and its jointly-controlled entities for the six months ended 30 June 2011 together with the comparative figures of the corresponding period of 2010 are as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Unaudited Six months ended 30 June	
		2011	2010
	Note	RMB'000	RMB'000
Revenue	6	27,643,335	28,897,215
Cost of sales		(23,158,135)	(23,613,216)
Gross profit		4,485,200	5,283,999
Selling and distribution costs		(1,273,539)	(1,030,015)
Administrative expenses		(1,225,472)	(1,039,335)
Interest income		204,778	177,862
Other losses — net		(41,108)	(15,650)
Operating profit	7	2,149,859	3,376,861
Finance costs	8	(218,865)	(187,498)
Interest income		25,347	12,525
Share of profit of associates		295,754	600,675
Profit before income tax		2,252,095	3,802,563
Income tax expense	9	(586,215)	(548,223)
Profit for the period		1,665,880	3,254,340
Other comprehensive income for the period, net of tax		—	—
Total comprehensive income for the period		1,665,880	3,254,340
Profit attributable to:			
equity holders of the Company		1,716,057	2,308,212
non-controlling interests		(50,177)	946,128
		1,665,880	3,254,340
Total comprehensive income attributable to:			
equity holders of the Company		1,716,057	2,308,212
non-controlling interests		(50,177)	946,128
		1,665,880	3,254,340
Earnings per share attributable to the equity holders of the Company (expressed in RMB per share)			
— basic and diluted	10	0.2791	0.5866
Dividends	11	—	553,325

CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited 30 June 2011 <i>RMB'000</i>	Audited 31 December 2010 <i>RMB'000</i>
	<i>Note</i>		
ASSETS			
Non-current assets			
Land use rights		1,927,927	1,523,888
Property, plant and equipment		10,377,671	8,840,578
Investment properties		54,417	56,706
Intangible assets		2,655,359	1,848,666
Investment in associates		4,754,034	5,200,729
Deferred income tax assets		475,051	383,932
		<u>20,244,459</u>	<u>17,854,499</u>
Current assets			
Inventories		2,964,230	3,017,574
Trade and other receivables	12	3,542,504	4,262,567
Time deposits		5,494,598	9,886,018
Restricted cash		210,062	377,003
Cash and cash equivalents		18,910,735	15,980,915
		<u>31,122,129</u>	<u>33,524,077</u>
Total assets		<u><u>51,366,588</u></u>	<u><u>51,378,576</u></u>
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		6,148,057	6,148,057
Other reserves		7,697,898	7,636,764
Retained earnings			
— Proposed dividend		—	676,286
— Others		12,805,326	11,150,403
		<u>26,651,281</u>	<u>25,611,510</u>
Non-controlling interests		1,063,421	249,430
Total equity		<u><u>27,714,702</u></u>	<u><u>25,860,940</u></u>

		Unaudited 30 June 2011 <i>RMB'000</i>	Audited 31 December 2010 <i>RMB'000</i>
	<i>Note</i>		
LIABILITIES			
Non-current liabilities			
Trade and other payables	13	88,891	120,832
Borrowings		7,987,029	7,998,874
Deferred income tax liabilities		83,120	23,359
Provisions		249,346	230,183
Government grants		477,354	476,032
		<u>8,885,740</u>	<u>8,849,280</u>
Current liabilities			
Trade and other payables	13	11,976,547	14,587,734
Current income tax liabilities		138,612	476,296
Borrowings		2,397,905	1,364,944
Provisions		253,082	239,382
		<u>14,766,146</u>	<u>16,668,356</u>
Total liabilities		<u>23,651,886</u>	<u>25,517,636</u>
Total equity and liabilities		<u>51,366,588</u>	<u>51,378,576</u>
Net current assets		<u>16,355,983</u>	<u>16,855,721</u>
Total assets less current liabilities		<u>36,600,442</u>	<u>34,710,220</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited					
	Attributable to equity holders of the Company				Non-controlling interests	Total equity
	Share capital RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000		
Balance at 1 January 2011	6,148,057	7,636,764	11,826,689	25,611,510	249,430	25,860,940
Total comprehensive income for the period ended 30 June 2011	—	—	1,716,057	1,716,057	(50,177)	1,665,880
Transactions with owners						
Contribution from non-controlling interests	—	—	—	—	873,075	873,075
Appropriation to reserve fund	—	61,134	(61,134)	—	—	—
Dividends declared by the Company and subsidiaries	—	—	(676,286)	(676,286)	(8,907)	(685,193)
Total transactions with owners	—	61,134	(737,420)	(676,286)	864,168	187,882
Balance at 30 June 2011	6,148,057	7,697,898	12,805,326	26,651,281	1,063,421	27,714,702
Balance at 1 January 2010	3,934,757	814,186	8,310,798	13,059,741	8,401,607	21,461,348
Total comprehensive income for the period ended 30 June 2010	—	—	2,308,212	2,308,212	946,128	3,254,340
Transactions with owners						
Contribution from non-controlling interests	—	—	—	—	15,992	15,992
Dividends declared by subsidiaries	—	—	—	—	(285,908)	(285,908)
Total transactions with owners	—	—	—	—	(269,916)	(269,916)
Balance at 30 June 2010	3,934,757	814,186	10,619,010	15,367,953	9,077,819	24,445,772

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, motorcycles 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.

As at 25 August 2010, the Company issued 2,213,300,218 oversea shares, which were then listed on the main board of the Stock Exchange of Hong Kong Limited by way of Introduction on 30 August 2010.

This condensed consolidated interim financial information is presented in thousands of Renminbi (“RMB”) Yuan, unless otherwise stated. This condensed consolidated interim financial information was approved for issue on 30 August 2011.

This condensed consolidated interim financial information has not been audited.

2 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2011 has been prepared in accordance with HKAS 34, ‘Interim financial reporting’.

The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2010, which have been prepared in accordance with HKFRSs.

3 Accounting policies

Except as described below, the accounting policies applied in the condensed consolidated financial information are consistent with those described in the annual financial statements for the year ended 31 December 2010.

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

(a) New and amended standards adopted by the Group

The following new standard and amendment to standard are mandatory for the first time for the financial year beginning 1 January 2011.

Standards/Interpretation	Subject of amendment	Effective for accounting periods beginning on or after
HKAS 24 (Revised)	Related Party Disclosures	1 January 2011
HKFRS (Amendment)	Third annual improvements project (2010) published in May 2010 by the HKICPA	1 July 2010

HKAS 24 (Revised), “Related Party Disclosures” is effective for annual period beginning on or after January 2011. It introduces an exemption from all of the disclosure requirements of HKAS 24 for transactions among government related entities and the government. Those disclosures are replaced with a requirement to disclose:

- The name of the government and the nature of their relationship;
- The nature and amount of any individually significant transaction; and
- The extent of any collectively-significant transactions qualitatively or quantitatively.

It also clarifies and simplifies the definition of a related party.

The Group has applied above amendments from 1 January 2011 and the adoption has not resulted in any material impact on the Group’s results of operations and financial position.

- (b) Amendments and interpretations to existing standards effective in 2011 but not relevant to the Group:

Standards/Interpretation	Subject of amendment	Effective for accounting periods beginning on or after
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
HK(IFRIC) — Int 14	Prepayments of a minimum funding requirement	1 January 2011
HK(IFRIC) — Int 19	Extinguishing financial liabilities with equity instruments	1 July 2010

- (c) The following new standards and amendments to standards have been issued but are not effective for the financial year beginning 1 January 2011 and have not been early adopted:

Standards/Interpretation	Subject of amendment	Effective for accounting periods beginning on or after
HKAS 12 (Amendment)	Deferred tax: Recovery of underlying assets	1 January 2012
HKFRS 7 (Amendment)	Disclosures — Transfers of financial assets	1 July 2011
HKFRS 9	Financial instruments	1 January 2013
HKFRS 10	Consolidated financial statements	1 January 2013
HKFRS 11	Joint arrangements	1 January 2013
HKFRS 12	Disclosure of interests in other entities	1 January 2013
HKFRS 13	Fair value measurement	1 January 2013

HKFRS 11 “Joint Arrangements” is effective for annual periods beginning on or after 1 January 2013. The HKFRS 11 supersedes HKAS 31 “Interests in Joint Ventures”. The HKFRS requires a joint venturer to recognise an investment and to account for that investment using the equity method in accordance with HKAS 28 “Investments in Associates and Joint Ventures”, unless the entity is exempted from applying the equity method as specified in that standard.

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

4 Estimates

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2010.

5 Financial risk management

5.1 Financial risk factors

The Group’s activities expose it to a variety of financial risks: market risk (including currency risk, cash flow interest rate risk and fair value interest rate risk), credit risk and liquidity risk.

The interim condensed consolidated financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements as at 31 December 2010.

There have been no changes in the risk management department since year end or in any risk management policies.

5.2 Liquidity risk

Compared to year end, there was no material change in the contractual undiscounted cash out flows for financial liabilities.

5.3 Fair value estimation

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

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

6 Segment information

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

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

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

Others mainly comprise manufacture and sale of audio equipment, production and sale of motorcycles 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.

	Passenger vehicles RMB'000	Commercial vehicles RMB'000	Auto parts RMB'000	Others RMB'000	Eliminations RMB'000	Unallocated RMB'000	Consolidated RMB'000
Six months ended 30 June 2011							
Total segment revenue	25,445,640	599,876	240,713	1,449,951	(92,845)	—	27,643,335
Inter-segment revenue	(36,564)	—	(33,613)	(22,668)	92,845	—	—
Revenue (from external customers)	25,409,076	599,876	207,100	1,427,283	—	—	27,643,335
Segment results	2,224,273	(55,258)	(27,128)	(4,052)	12,392	—	2,150,227
Unallocated income							
— Headquarter interest income						123,728	123,728
Unallocated costs							
— Headquarter expenditure						(124,096)	(124,096)
Operating profit							2,149,859
Finance costs	(79,593)	(6,978)	(5,504)	(768)	—	(126,022)	(218,865)
Interest income	12,452	190	335	1,595	—	10,775	25,347
Share of profit of associates	31,533	—	261,004	3,217	—	—	295,754
Profit before income tax							2,252,095
Income tax expense	(559,608)	58	(1,341)	(12,645)	—	(12,679)	(586,215)
Profit for the period							1,665,880

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

	Passenger vehicles RMB'000	Commercial vehicles RMB'000	Auto parts RMB'000	Others RMB'000	Eliminations RMB'000	Unallocated RMB'000	Consolidated RMB'000
Total assets							
At 30 June 2011	25,514,073	1,538,979	3,604,705	3,856,593	(1,330,738)	18,182,976	51,366,588
At 31 December 2010	32,511,240	1,614,653	3,397,300	2,482,831	(2,106,625)	13,479,177	51,378,576
Total liabilities							
At 30 June 2011	15,799,970	1,029,307	446,429	1,528,548	(1,916,214)	6,763,846	23,651,886
At 31 December 2010	20,021,919	1,068,794	428,678	774,968	(4,212,011)	7,435,288	25,517,636

7 Operating profit

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

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Depreciation and amortisation	730,884	481,249
Impairment of inventory	(3,531)	18,332
Staff costs	1,162,304	746,501
(Gain)/loss on disposal of property, plant and equipment	(1,271)	3,911
Government grants	(104,530)	(68,595)
Donation	136,970	—

8 Finance costs

	Six months ended 30 June	
	2011	2010
	<i>RMB'000</i>	<i>RMB'000</i>
Interest for bank borrowings	203,069	177,024
Others	15,796	10,474
	<u>218,865</u>	<u>187,498</u>

9 Income tax expense

The amount of taxation (credited)/charged to the condensed consolidated statement of comprehensive income:

	Six months ended 30 June	
	2011	2010
	<i>RMB'000</i>	<i>RMB'000</i>
Current income tax		
— Hong Kong profits tax	286	83
— PRC enterprise income tax	675,394	624,566
	<u>(89,465)</u>	<u>(76,426)</u>
Deferred income tax	586,215	548,223

10 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during each period. During the relevant periods, there were no potential dilutive ordinary shares, diluted earnings per share was equal to the basic earnings per share.

11 Dividend

	Six months ended 30 June	
	2011	2010
	<i>RMB'000</i>	<i>RMB'000</i>
Proposed interim dividend: nil (2010: RMB0.09 per ordinary share)	<u>—</u>	<u>553,325</u>

During this period, a final dividend in respect of the year ended 31 December 2010 of RMB676,286,000 was made.

12 Trade and other receivables

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

As at 30 June 2011 and 31 December 2010, the ageing analysis of trade receivables is as follows:

	As at	
	30 June 2011 RMB'000	31 December 2010 RMB'000
Trade receivables		
Within 3 months	827,629	581,799
Between 3 months and 1 year	118,364	83,840
Between 1 and 2 years	5,622	7,588
Between 2 and 3 years	3,563	3,881
Over 3 years	135,028	134,994
	1,090,206	812,102
Less: Provision for impairment	(137,391)	(137,706)
Trade receivables — net	<u>952,815</u>	<u>674,396</u>

13 Trade and other payables

As at 30 June 2011 and 31 December 2010, the ageing analysis of the trade payables is as follows:

	As at	
	30 June 2011 RMB'000	31 December 2010 RMB'000
Trade payables		
Within 1 year	5,313,713	5,757,823
Between 1 and 2 years	11,654	11,752
Between 2 and 3 years	5,416	8,381
Over 3 years	17,898	20,604
	<u>5,348,681</u>	<u>5,798,560</u>

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board, I am pleased to present the interim results of the Company for 2011 for your review.

In the first half of 2011, the overall economy of China maintained steady progress, whilst the economic growth tended to slow down due to the impact of tightened domestic monetary policy in the macro-environment and some international economic uncertainties, such as the Japanese earthquake and European debt crisis. Under this macro environment, combined with the withdrawal of auto consumption policy, although the automobile industry of China experienced rapid growth during the past two years, the rate of growth in China's automobile sales volume declined remarkably in the first half of 2011. The aggregate sales of vehicles amounted to 9,325,200 units, representing an increase of 3.35% compared to the corresponding period last year. Among this, the sales volume of passenger vehicles and commercial vehicles were 7,110,300 units and 2,214,900 units respectively, representing an increase of 5.75% and a decrease of 3.67% compared to the corresponding period last year respectively.

During the first half of the year, the auto parts supply chain in Japanese joint-venture automobile enterprises was materially affected due to the Japanese earthquake, and thus the normal production and operation activities of our major investment enterprises were largely affected. In the first half of the year, the aggregate sales of vehicles of the Group and our associated companies was 315,300 units, representing a decrease of approximately 9.58% compared to the corresponding period last year, among which the aggregate sales of passenger vehicles was 305,100 units, representing a decrease of approximately 11.97% compared to the corresponding period last year, and the aggregate sales of commercial vehicles was 10,200 units, representing an increase of 390.97% compared to the corresponding period last year. From January to June 2011, the consolidated sales revenue of our Group was RMB27,643 million, representing a decrease of 4.3% compared to the corresponding period last year, among which the sales revenue of passenger vehicles was RMB25,409 million, representing a decrease of 10.0% compared to the corresponding period last year, and the sales revenue of commercial vehicles was RMB600 million, representing an increase of 60.4% compared to the corresponding period last year, and the sales revenue of auto parts was RMB207 million.

The net profit for the period amounted to approximately RMB1,666 million, representing a 48.8% decrease when compared to approximately RMB3,254 million over the corresponding period last year; the net profit attributable to equity holders of the Company amounted to approximately RMB1,716 million, representing a decrease of 25.6% when compared to approximately RMB2,308 million over the corresponding period last year. The earnings per share was approximately RMB27.91 cents, representing a 52.4% decrease when compared to RMB58.66 cents over the corresponding period last year.

Looking back to the first half of 2011, the Group made significant achievements in several areas, including the return to A shares, proprietary research and development, production capacity infrastructure and expansion of production chain. Firstly, since the listing of the shares of the Group on the main board of the Stock Exchange on 30 August 2010, the Group had been proactively

advancing the return to A shares. On 27 June 2011, the resolutions in relation to issuance of A shares of the Group and merger with GAC Changfeng by way of share swap was approved at the general meeting of the Group and the general meeting of GAC Changfeng, which marked initial success in the reorganization of GAC Changfeng and issuance of A shares. Secondly, we continued to make great progress in proprietary innovation, (1) we successfully commenced the mass production and launched the sale of our first proprietary brand “Trumpchi”, a mid-to-high-end sedan, the sales volume of which recorded nearly 8,000 units during the first half of the year. In addition, in the first China-New Car Assessment Program (C-NCAP) Crash Test in 2011, Trumpchi achieved the highest score of 48.8 points, ranking the fifth highest in all previous C-NCAP Crash Tests held in China, being the highest score among all proprietary brand automobiles of China having participated in the test; (2) we successfully commenced the mass production and launched the sale of Guangqi Honda (Everus) S1, the first proprietary brand developed by joint venture in China; (3) Aoxuan G5, the first high-end proprietary brand model after the formation of the joint venture of GAC Gonow, was commercially launched in June; (4) new energy projects of GAEI were included in the National Science & Technology Pillar Program and State 863 Projects for the first time. Thirdly, the development of capacity infrastructure proceeded as scheduled, (1) Guangqi Honda Zengcheng Plant’s 120,000 units capacity expansion project is proceeding smoothly and is expected to meet its production target; (2) GAC Fiat Plant is being constructed as scheduled. Fourthly, the Group’s production chain was further extended. On 8 June, Urtrust Insurance was formally established and commenced operations, which enabled the Group to expand further in the contemporary automobile service field. Fifthly, the sales volume of mid-to-high-end sedans continue to dominate the market, and currently hold a market share of 20.22%.

Looking forward to the second half of 2011, we believe that, although the world economy has not yet recovered completely and maintaining domestic price stability remains the top priority of macro-economic control, the upturn tendency of Chinese economy as a whole will remain unchanged and therefore the automobile industry in PRC will see an end to the downturn trend and resume a level of steady and rapid growth, with an estimate of approximately 10% increase in growth rate.

With the reviving growth of the industry trend and the gradual elimination of the effects of the Japanese earthquake, which was the major factor affecting our Group during the first half of 2011, as well as the continuing improvement and enrichment of the product line and production chain of the Group, we will use our best endeavors to achieve our goals formulated for the entire year.

Zhang Fangyou
Chairman

Guangzhou, PRC
30 August 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS ON INTERIM RESULTS

Financial Results Overview

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

During the period, the sales revenue of the Group amounted to approximately RMB27,643 million, representing a decrease of approximately RMB1,254 million, or approximately 4.3%, when compared to approximately RMB28,897 million in the corresponding period last year. During the period, the profit attributable to equity holders of the Company amounted to approximately RMB1,716 million, representing a decrease of RMB592 million, or approximately 25.6%, when compared to approximately RMB2,308 million in the corresponding period last year. Earnings per share were approximately RMB27.91 cents, representing a decrease of approximately RMB30.75 cents, or approximately 52.4%, when compared to approximately RMB58.66 cents in the corresponding period last year.

During the period, cash and cash equivalents at the end of the period of our Group amounted to approximately RMB18,911 million, representing an increase of approximately RMB2,930 million, or approximately 18.3%, when compared to the amount at the beginning of the period.

Revenue

After experiencing rapid growth in the production and sales of China's automobile for two successive years, and as a result of the effect of the adjustment to the national macroeconomic policies and the withdrawal of incentive policies regarding purchase tax concessions as well as the adjustments that the Group requires, the growth rate in the first half of 2011 slowed down significantly from a high-speed growth to an even and smooth one, showing a trend of monthly decline. In April, the sales volume experienced the first negative growth since February 2009, and recurred a negative growth in May, but showed a slight rebound in June. During the first half of the year, the sales volume of automobile in PRC grew by 3.35%, which represented a drop of approximately 29.02% compared to the growth rate of 32.37% in the whole year of 2010.

Meanwhile, on 11 March 2011, a powerful earthquake of Richter magnitude 9 struck off the sea area near Honshu, Japan, resulting in severe secondary disasters, including tsunami and nuclear leakages. Toyota, Honda and Nissan, three big automobile giants in Japan, jointly announced the provisional production halts of all their relevant plants in Japan. To deal with such unexpected events, our Group proactively planned and prepared coping strategies. From April to May 2011, the fellow joint ventures experienced below-normal-capacity-production due to the shortage in the supply of auto parts but resumed to its normal level of production on a step-by-step basis since the beginning of June 2011, and fully resumed production in July.

	Six months ended 30 June 2011		Six months ended 30 June 2010	
	Sales Revenue (RMB100 million)	Sales Volume (Unit)	Sales Revenue (RMB100 million)	Sales Volume (Unit)
Passenger vehicles	254.09	276,394	282.20	314,024
Commercial vehicles	6.00	10,168	3.74	2,071
Auto parts	2.07	N/A	1.83	N/A
Others	14.27	N/A	1.20	N/A
Total (the Group)	<u>276.43</u>	<u>286,562</u>	<u>288.97</u>	<u>316,095</u>
Sales volume of associated companies	<u>N/A</u>	<u>28,718</u>	<u>N/A</u>	<u>32,582</u>
Total (the Group together with its associated companies)	<u>N/A</u>	<u>315,280</u>	<u>N/A</u>	<u>348,677</u>

Note: The sales volume of GAC Gonow is the sum from January to June of 2011.

Affected by the drop in the growth rate in PRC automobile market and the Japanese earthquake, sales of vehicles of the Group during the period amounted to 286,562 units, sales of vehicles of the associated companies amounted to 28,718 units, and the accumulated sales volume of our Group together with associated companies, amounted to 315,280 units, representing a decrease of approximately 9.58% compared to the corresponding period last year, among which the sales of passenger vehicles amounted to 305,112 units, representing a decrease of approximately 11.97% compared to the corresponding period last year; sales of commercial vehicles amounted to 10,168 units, representing an increase of approximately 390.97% compared to the corresponding period last year. Our Group, together with associated companies, had a market share of approximately 3.37% in the domestic automobile manufacturers market, comprising of approximately 20.22% for the market of mid-to-high-end sedans and approximately 8.21% for SUV.

During the period, the sales revenue of the Group amounted to approximately RMB27,643 million, representing a decrease of approximately RMB1,254 million, or approximately 4.3% compared to approximately RMB28,897 million in the corresponding period last year, among which the sales revenue of passenger vehicles amounted to approximately RMB25,409 million, comprising approximately 91.9%, or most of the sales revenue of our Group, and representing a decrease of approximately 10.0% compared to the corresponding period last year; the sales revenue of commercial vehicles amounted to approximately RMB600 million, comprising approximately 2.2% of the sales revenue of our Group, and representing an increase of approximately 60.4% compared to the corresponding period last year; other revenue amounted to approximately RMB1,427 million, comprising approximately 5.2% of the sales revenue of our Group, and representing an increase of approximately 1,089.2% compared to the corresponding period last year.

During the period, the sales revenue of our passenger vehicles decreased by approximately RMB2,811 million, representing a decrease of approximately 10.0% from RMB28,220 million last year to approximately RMB25,409 million this year. This was due to the effect of shortage in supply of some auto parts arising from Japanese earthquake, the sales volume of our passenger vehicles decreased by 37,630 units over the corresponding period last year, or approximately 11.98% from 314,024 units last year to 276,394 units this year. In particular:

In terms of mid-to-high-end sedans, our proprietary brand GAMC Trumpchi, achieved better market performance, and accumulated sales volume of 7,941 units during the period, gaining initial recognition in market. Although the sales volumes of Guangqi Honda Accord and GAC Toyota Camry decreased slightly, they ranked top 3 in mid-to-high-end sedans market; the accumulated sales volume of Guangqi Honda Accord during the period amounted to 69,733 units, representing a decrease of 12,918 units, or 15.63% compared to the corresponding period last year; the accumulated sales volume of GAC Toyota Camry during the period amounted to 62,317 units, representing a decrease of 19,020 units, or 23.38% over the corresponding period last year.

In terms of economic sedans, the accumulated sales volume of our Group during the period amounted to 25,412 units, representing a decrease of 3,322 units, or 11.56% compared to the corresponding period last year, amongst these, the proprietary brand (Everus) S1 commercially launched by Guangqi Honda in April achieved the accumulated sales of 8,489 units in just three months after introduction.

During the period, GAC Toyota Highlander (SUV) remained significant growth since its launch and its market share had been leading in the large to medium SUV market. Its accumulated sales volume was 38,478 units during the period, representing a slight decrease of 1,081 units, or 2.73% compared to the corresponding period last year.

During the period, the accumulated sales volume of subcompact sedans of GAC Gonow, a new subsidiary of our Group, amounted to 4,752 units, GAC Gonow broadened our products selection in terms of vehicle models and created new sales volume for us.

During the period, the revenue of our commercial vehicles increased by approximately RMB226 million, or approximately 60.4%, to approximately RMB600 million compared to approximately RMB374 million in the corresponding period last year. During the period, the sales volume of our commercial vehicles increased by 8,097 units, or approximately 390.97% to 10,168 units compared to 2,071 units in the corresponding period last year. The accumulated sales of GAC Hino during the period amounted to 2,779 units, representing an increase of 1,572 units or 130.24% compared to the corresponding period last year after meticulous market cultivation and expansion by GAC Hino last year; at the same time, the sales volume of Pickup series made by our GAC Gonow, a new subsidiary of our Group, amounted to 6,597 units during the period. Pickup enriched our commercial vehicles segment and created new sales volume for us. Also, as the adjustment of product structure of commercial vehicles segment caused an increase in sales revenue, the proportion in revenue accounted by commercial vehicle sales increased from approximately 1.3% last year to approximately 2.2% during the period, representing an increase of 0.9% compared to the corresponding period last year.

During the period, other revenue of our Group amounted to approximately RMB1,427 million, representing an increase of approximately 1,089.2% compared to the corresponding period last year, and was mainly due to significant growth in other revenues during the period as a result of the sales of 414,821 units of motor vehicles by Wuyang Honda, a new joint venture of our Group, which made the proportion of our total sales revenue increase to approximately 5.2% from approximately 0.4% compared to the corresponding period last year.

Cost of Sales and Gross Profit

During the period, our total cost of sales decreased by approximately RMB455 million, from approximately RMB23,613 million to approximately RMB23,158 million compared to the corresponding period last year. Our total gross profit decreased by approximately RMB799 million, or approximately 15.1%, from approximately RMB5,284 million to approximately RMB4,485 million compared to the corresponding period last year.

Our gross profit margin decreased by approximately 2.1%, from approximately 18.3% to approximately 16.2% compared to the corresponding period last year. In particular, the gross profit margin of our passenger vehicle business decreased by approximately 1.7%, from approximately 18.4% to approximately 16.7% compared to the corresponding period last year; the gross profit margin of our commercial vehicle business decreased significantly by approximately 8.5%, from approximately 9.2% to approximately 0.7% compared to the corresponding period last year. The decrease in the gross profit margin of the Group during the period was mainly due to the following reasons:

- (1) the sales volume decreased as a result of the short supply of some vehicle components, such that the rate of decline of sales revenue exceeded the rate of sales cost;
- (2) since December 2010, the State Council unified the tax rate of urban maintenance and construction tax and also education surcharge payable by the domestic and foreign-invested enterprises and individuals, causing the tax costs of the fellow Sino-foreign joint ventures of our Group to increase and the gross margin to decrease compared to the corresponding period last year.

Selling and Distribution Costs

Our selling and distribution costs increased by approximately RMB244 million, from approximately RMB1,030 million to approximately RMB1,274 million compared to the corresponding period last year, and was mainly due to the fact that our Group's promotion and advertisement activities for various new automobile models; meanwhile, the enterprises under the current scope of combination of our Group increased, thus causing selling and distribution costs to increase as compared to the corresponding period last year.

Administrative Expenses

Our total administrative expenses increased by approximately RMB186 million, from approximately RMB1,039 million to approximately RMB1,225 million compared to the corresponding period last year, and was mainly due to an increase in the Group's consolidation of enterprises in the period, thus causing an increase in the administrative expenses as compared to the corresponding period last year. Meanwhile, with the continuous rise in consumer price index (CPI), the welfare benefits proportionately increased as compared to the corresponding period last year.

Other Losses — Net

During the period, the other net losses of our Group increased from approximately RMB16 million to approximately RMB41 million, representing an increase of approximately RMB25 million compared to the corresponding period last year, the reason being that the government subsidies were offset by our Group's outward donations during the period.

Interest Income

During the period, the interest income of the Group was approximately RMB230 million, showing an increase of approximately RMB40 million when compared to approximately RMB190 million in the corresponding period last year, mainly due to a slight increase in the average capital balances and the increase in interest rate during the period.

Finance Costs

During the period, the finance costs of the Group amounted to approximately RMB219 million, showing an increase of approximately RMB32 million when compared to approximately RMB187 million in the corresponding period last year. The increase was mainly due to an increase in both average borrowing balances and capital costs during the period.

Staff Costs

During the period, the staff costs of the Group amounted to approximately RMB1,162 million, representing an increase of approximately RMB415 million when compared to approximately RMB747 million for the corresponding period last year. This was mainly due to (1) an increase in the total number of employees as a result of the expansion of the Group's scale; (2) an increase of the per capita wages level as compared with the corresponding period last year, which was in line with the growth in CPI.

Depreciation and Amortisation

With the launching of our Group's new products, the solidification of construction and the increase in new enterprises, as well as the addition and carrying forward of the fixed assets such as plant, machine and equipments, the increased fixed assets amounted to approximately RMB2,118 million during the period, and the newly added intangible assets amounted to approximately RMB978 million. During the period, the depreciation and amortisation amounted to approximately RMB731 million, representing an increase of approximately RMB250 million when compared to approximately RMB481 million in the corresponding period last year.

Share of Profits in Associated Companies

During the period, the share of profits in associated companies of the Group amounted to approximately RMB296 million, representing a decrease of approximately RMB305 million when compared to approximately RMB601 million in the corresponding period last year. This was mainly due to the following reasons:

- (1) due to the adjustment and modification of the production line of a major associate company during the period, there was a decrease in the production and decrease in our vehicle sales, thus the automobile parts segment's share of profit in associated companies during the period was approximately RMB261 million, representing a decrease of approximately RMB243 million compared to approximately RMB504 million in the corresponding period last year;
- (2) the cumulative sales of the passenger vehicles of associated companies decreased by 3,864 units from 32,582 units to 28,718 units compared to the corresponding period last year. This segment's share of profits in associated companies was approximately RMB32 million, representing a decrease of approximately RMB62 million when compared to approximately RMB94 million in the corresponding period last year.

Income Tax Expense

During the period, the income tax expenses of the Group amounted to approximately RMB586 million, representing an increase of approximately RMB38 million when compared to approximately RMB548 million in the corresponding period last year.

The effective tax rate for the period was approximately 26.0%, representing an increase of approximately 11.6% as compared to approximately 14.4% in the corresponding period last year. This was mainly because the tax rate applicable to GAC Toyota which enjoyed a tax holiday of "half levy" and was in the provisional stage of tax reform last year, has transited from last year's 11% to 24% during the period, and the tax rate applicable to the Guangqi Honda transited from last year's 22% to 24% during the period.

Profit for the Period

Based on the above reasons, the profits attributable to the equity owners of the Company during the period amounted to approximately RMB1,716 million, representing a decrease of approximately RMB592 million, or approximately 25.6% when compared to approximately RMB2,308 million in the corresponding period last year. Earnings per share were approximately RMB27.91 cents, representing a decrease of approximately RMB30.75 cents, or approximately 52.4% when compared to approximately RMB58.66 cents in the corresponding period last year.

Foreign Exchange Risk

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

Financial Resources and Capital Structure

As at 30 June 2011, the Group's current assets and current liabilities amounted to approximately RMB31,122 million and RMB14,766 million respectively, with a current ratio of approximately 2.11 times. As at 30 June 2011, the total borrowings amounted to approximately RMB10,385 million, mainly including debentures issued by the Group in 2009 with par value of RMB6,700 million, corporate bonds with par value of RMB600 million and bank borrowings of approximately RMB3,141 million, and the asset to liability ratio was approximately 27.3%. The above borrowings and bonds will be paid when fall due. The Group generally met its capital requirements in business through its cash flow generated from its operations.

Cash Flow

	Six months ended 30 June 2011 <i>RMB100 million</i>	Six months ended 30 June 2010 <i>RMB100 million</i>
Net cash inflows/(outflows) generated from operating activities	-17.13	5.29
Net cash inflows generated from investing activities	39.61	46.02
Net cash inflows generated from financing activities	6.97	0.18
Net increase in cash and cash equivalents	29.45	51.49

Net cash outflows arising from operating activities during the period was approximately RMB1,713 million, representing a decrease of approximately RMB2,242 million when compared to net cash inflows of approximately RMB529 million in the corresponding period last year, mainly due to the following reasons:

- (1) during the period, cash from sales of goods amounted to approximately RMB31,522 million, representing a decrease of approximately 5.7% as compared to approximately RMB33,430 million in the corresponding period last year;
- (2) during the period, cash payment for labor cost and purchase of goods amounted to approximately RMB32,076 million, representing a decrease of approximately 0.7% as compared to approximately RMB32,312 million in the corresponding period last year. The cash payment for labor cost and purchase of goods exceeded cash generated from sales of goods. This was mainly due to the relatively high outstanding trade payables at the end of last year, and the significant increase in the payment capacity during the period, in order to guarantee the supply of raw materials and auto parts under tightened monetary policy in the macro environment;
- (3) during the period, the cash payment on income tax amounted to approximately RMB1,002 million, representing an increase of approximately RMB495 million as compared to the corresponding period of last year.

Financial Indicators

As at 30 June 2011, the Group's total borrowings amounted to approximately RMB10,385 million, representing an increase when compared to approximately RMB9,364 million as at 31 December 2010. As at 30 June 2011, the Group's asset to liability ratio was approximately 27.3%, representing an increase when compared to that of 26.6% as at 31 December 2010. As at 30 June 2011, the Group had no contingent liability.

As at 30 June 2011, the Group's current ratio was approximately 2.11 times, representing a slight increase from that of 2.01 times as at 31 December 2010. As at 30 June 2011, the Group's quick ratio was approximately 1.89 times, representing a slight increase as compared with 1.81 times as at 31 December 2010.

During the period, the Group's average turnover days of trade receivable (including bills receivable) increased to approximately 11.8 days from that of approximately 8.1 days in 2010, the Group leveraged on the acceptance bills issued by creditworthy banks for strengthening the marketing efforts. The Group adopted stringent policies for the management of bills receivable and only accepted applications by trustworthy customers with strong background, while the credit risks related to bank acceptance bills were assumed by the customers' banks.

BUSINESS OVERVIEW

Our main business consists of research and development, manufacturing and sales of passenger vehicles, commercial vehicles, engines, motorcycles and other 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, automobile finance and insurance services.

We manufacture a variety of passenger vehicles mainly through jointly-controlled entities (JCEs), namely Guangqi Honda and GAC Toyota and a wholly-owned subsidiary, GAMC. As of 30 June 2011, we produced various series of sedans, SUV and MPV, and our passenger vehicles products mainly included GAC Toyota Camry, GAC Toyota Highlander, GAC Toyota Yaris, GAC Toyota E' Z, Guangqi Honda Accord, Guangqi Honda Crosstour, Guangqi Honda City, Guangqi Honda Fit, Guangqi Honda Odyssey, Trumpchi (the first proprietary brand of GAC Group), Guangqi Honda (Everus) S1 and GAC Gonow Aoxuan G5.

In addition, we also participate in the manufacturing of Jazz sedans, GAC Changfeng Liebao and Mitsubishi Pajero SUVs through our associates, Honda (China) and GAC Changfeng respectively. As of 30 June 2011, the annual production capacity of the passenger vehicles of the Group together with its associates was 1,120,000 units.

Our commercial vehicle business, including manufacturing and sale of light and heavy trucks and buses, is mainly conducted through jointly-controlled entity (GAC Hino) and subsidiary (GAC Bus) while we manufacture pickups through GAC Gonow. As of 30 June 2011, our commercial vehicles production capacity was 61,500 units (including 2,500 units of chassis).

Our business of auto parts is mainly conducted through GAC Component, its subsidiaries and associated companies. The Group produces and sells engines through GAC Toyota Engine and Shanghai Hino Engine, manufactures and sells transmissions through HAVECO; other auto parts products of our Group include, among others, seats, heat, ventilation and air-conditioning (HVAC) systems, auto lamps, automatic operation accessories, transmissions and shock absorbers. As of 30 June 2011, the annual production capacity of GAC Toyota Engine was 500,000 units, the annual production capacity of Shanghai Hino Engine was 30,000 units, and the production capacity of HAVECO was 200,000 units.

In the first half of 2011, due to the earthquake in Japan, the components supply chain in Japanese joint ventures was materially affected, and the normal production and operation activities of our major investment enterprises were disturbed significantly, our comprehensive capacity utilization of both vehicles and auto components was below the levels of the same period last year.

Major Business Review of the First Half of 2011

The cumulative production and sales of vehicles of the Group, together with its associated companies in the first half of the year were 312,253 units and 315,280 units respectively, representing a decrease of 8.49% and 9.58% compared to the corresponding period last year, among which, the manufacture and sales of passenger vehicles were 302,630 units and 305,112 units respectively, representing a decrease of 10.69% and 11.97% compared to the corresponding period last year; the manufacture and sales of commercial vehicles were 9,623 units and 10,168 units respectively, representing an increase of 306.03% and 390.97% compared to the corresponding period last year respectively. Currently, our Group has a total market share of 3.37% in the automotive market in terms of sales volume, among which we have a market share of 20.22% and 8.21% in mid-to-high-end sedan market and SUV market respectively.

As of 30 June 2011, the sales volume of passenger vehicles, commercial vehicles and motorcycles of the Group, together with its associated companies and their market shares were as follows:

Model	Sales in the first half of the year	Year-on-year growth rate	Market share
Passenger vehicles (PV)	305,112	-11.97%	4.28%
High-end sedan	1,517	—	0.78%
Guangqi Honda Crosstour	1,517	—	0.78%
Mid-to-high-end sedan	139,991	-14.63%	20.22%
Guangqi Honda Accord	69,733	-15.63%	10.07%
GAC Toyota Camry	62,317	-23.38%	9.00%
Trumpchi	7,941	—	1.15%
Mid-end sedan	53,295	-10.61%	2.04%
Guangqi Honda City	53,295	-10.61%	2.04%
Economy sedan	35,496	-13.67%	3.81%
Guangqi Honda FIT	9,618	-43.91%	1.03%
Honda Jazz	10,084	-18.59%	1.08%
GAC Toyota Yaris	7,305	-36.94%	0.78%
Guangqi Honda (Everus) S1	8,489	—	0.91%
Subtotal of sedan	230,299	-13.01%	4.65%
Subcompact sedan	4,752	—	0.30%
GAC Gonow Minivan	4,752	—	0.30%
MPV	11,728	-47.04%	4.92%
Guangqi Honda Odyssey	11,726	-47.00%	4.92%
GAC Changfeng Kylin	2	-90.48%	—
SUV	58,333	-2.34%	8.21%
GAC Toyota Highlander	38,478	-2.73%	5.41%
GAC Changfeng Liebao	15,120	-3.37%	2.12%
GAC Changfeng Pajero	3,512	-22.42%	0.49%
GAC Gonow SUV	1,223	—	0.18%
Commercial Vehicles (CV)	10,168	390.97%	0.46%
Buses	810	-10.99%	0.04%
Trucks	2,761	136.79%	0.12%
Pickup Truck	6,597	—	0.30%
Total sales of vehicles	315,280	-9.58%	3.37%
Motorcycles			
Wuyang Honda	414,821	-19.05%	3.15%

New Energy Vehicles Plan

During the period, the Group issued saving energy and new energy vehicles plan in April in accordance with national policy of developing new energy products. The overall goals are to achieve production and sales of 200,000 units of energy-saving and new energy vehicles during “12th Five Year Plan” period; and to develop five key technologies including car-loading control system, motor system integration, battery management technology, battery system integration and fuel cell technology, which in turn generate manufacturing capability of motor, battery and controller, and thus to build a national engineering laboratory of electronic automobile. Meanwhile, GAC Bus actively encourages the development and production of liquified natural gas, hybrid city bus and electric bus. New energy bus has been initially accepted by many cities within and outside the province.

Proprietary R&D and New Products

Trumpchi, officially launched on 20 December 2010, is the first proprietary brand in the mid-to-high-end sedan market, and is manufactured by GAC Group through great efforts. Trumpchi achieved the highest score during the first C-NCAP Crash Test in 2011, the fifth highest in all previous C-NCAP Crash Tests held in China, being the highest score among all proprietary brand automobiles of China having participated in the test. Trumpchi’s brand awareness is increasing in the market. The cumulative sales in the first half of the year was 7,941 units, ranking second in the mid-to-high-end sedan segment and specifically, proprietary brands. Trumpchi 1.8L will be introduced by GAMC in August, which will not only complement Trumpchi’s sedans system, but also meet the needs of governmental policy in segmentation of the procurement market. Also, the launch of Trumpchi will enhance its market competitiveness and further promote the overall sales of Trumpchi.

(Everus) S1, the first domestic joint venture proprietary brand of Guangqi Honda, was officially launched for sale in April. (Everus) S1 has two models of advanced Honda engine — 1.3L and 1.5L, as well as transmissions matching with these two types of engines, composing of 5-speed manual and 5-speed automatic transmissions, which further enhanced the performance of smooth delivery and fuel savings. The (Everus) S1 received positive recognition from the market, and the sales volume amounted to 8,489 units in the first half of the year, which blazed a new milestone of double-brand operation in Guangqi Honda.

GAC Gonow launched Aoxuan G5 in June as the first mid-to-high-end strategic model after GAC Gonow became a joint venture. Aoxuan G5 was awarded the title of the “King of Quiet Drive Technology” of propriety brand SUV by domestic mainstream media. In response to market needs, Aoxuan will launch 2.0L engine as appropriate in the future.

In the field of motorcycles, Wuyang Honda launched 優客 WH110T-3 in April. The product applied many new technologies and designs, such as new generation FI, wide wheel diameter and new combined braking system (CBS) etc. Its performances in respect of fuel consumption, operation and safety are better than other scooters of the same level, and thus achieving a positive response after launching. The cumulative sales as of 30 June was 6,163 units.

Automobile Services Industry

The Group is mainly engaged in vehicle sales, after-sale services, logistics services as well as import and export businesses through GAC Commercial, provides insurance services through Guang Ai Insurance Brokers and Urtrust Insurance, and also provides automotive credit services through the newly established GAC-SOFINCO. With the establishment of Urtrust Insurance, the Group has built relatively completed automobile services industry chain.

In the first half of the year, GAC Commercial put forward its regional and brand management and set up bases of brand management and sale in Beijing and Guangzhou etc. While developing sales network, GAC Commercial carried forward sales activities of vehicle luxuries and articles innovatively, thus opening a new sales model and profit growth point.

In the first half of the year, GAC-SOFINCO and Guang Ai Insurance Brokers created new business model and expanded business network, accelerating sales of vehicles of the Group. Meanwhile, GAC-SOFINCO has put forward its distributor launching plan, and has launched its business in major and medium-sized PRC cities.

On 8 June, Urtrust Insurance was established and commercial operation. It became the first insurance company controlled by an automotive group. The establishment of Urtrust Insurance will be beneficial for promoting the mutual support and coordinated development of the automobile manufacturing industry and services industry of our Group. It not only promoted the core business of the Group, but also created new profit growth point for the Group.

Auto Parts

The Group's capacity infrastructure of the auto parts developed in line with the vehicles business of the Group. During the first half of 2011, numerous new development or capacity expansion projects have been propelled as planned in Guangzhou, Changsha, Meizhou and Wuhan. In the field of core components, the feasibility report analysis of DDCT transmission has been completed, and the jobs of selecting telecommunication equipment and tendering are currently being carried out. The improvement of production capacity as well as the transition and introduction of products in GAC Toyota Engine and Shanghai Hino Engine proceeded simultaneously as scheduled.

Sales Network

The sales and services network of the Group together with its associated companies is independently established and managed by each manufacturing enterprise of passenger vehicles or commercial vehicles. Among them, GAC Commercial, our wholly-owned subsidiary, owns and operates approximately thirty sales and service centers for each of Guangqi Honda, GAC Toyota and GAMC, while the remaining sales and service centers are owned and operated by independent third party dealers selected by our JCEs. The sales and service network of the Group together with its associated companies has covered thirty-one provinces in China as of 30 June 2011, the details of which are set out below:

PV	Cumulative sales outlets in the first half of 2011	Planned shops in the second half of 2011	Expected sales networks achieved in 2011	Number of provinces covered
Guangqi Honda	475	15	490	31
GAC Toyota	291	59	350	30
GAC Changfeng	138	0	138	30
GAMC	62	28	90	28
GAC Gonow	110	50	160	26
Total	<u>1,076</u>	<u>152</u>	<u>1,228</u>	

CV	Cumulative sales outlets in the first half of 2011	Planned shops in the second half of 2011	Expected sales networks achieved in 2011	Number of provinces covered
GAC Hino	43	17	60	28
GAC Bus	<u>46</u>	<u>10</u>	<u>56</u>	<u>25</u>
Total	<u>89</u>	<u>27</u>	<u>116</u>	<u>53</u>

Motorcycle

Wuyang Honda	3,662	238	3,900	31
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Production Safety

The Group adhered to the guidelines of “safety first, focus on prevention and comprehensive control”, strictly implemented the accountability system for production safety and performed duties of overseeing and instructing respective investment enterprises on their safety management. During the first half of the year, no serious-or-above production safety accidents occurred in the Group and the respective investment enterprises. In general, the “safe-production” condition maintained stable.

Environmental Protection and Sustainable Development

The Group strengthened its efforts to protect the environment, save energy and reduce emission, and sought to build a resource-conserving enterprise. The Group focused on improvement of the process flow and implementation of energy saving and emission reduction project, and made great efforts to boost advanced energy-saving and emission reduction technologies actively. Guangqi Honda Zengcheng Plant has achieved zero discharge in terms of waste water; GAC Toyota has achieved 100% recycling of waste water and has achieved “zero” wastes disposal.

Charitable Activities

In addition to providing customers with quality products, auto components and related services, the Group is devoted to fulfilling our undertakings of being an outstanding corporate citizen. In the first half of 2011, the Group adhered to the enterprise philosophy of “people first, integrity first, innovation first”, enthusiastically took part in the charitable activities, performed our own social responsibilities, and facilitated the harmonious development of the community. We actively took part in the charitable activities in 2011 such as “Helping the Poor in Guangdong”, “Helping the poor household, taking the responsibility for the people” and “Guangzhou Charitable Day”. The Group and its employees donated RMB4,380,000.

Remuneration Policy and Legal Rights of Employees

As of 30 June 2011, the number of registered employees of the Group and its major associates amounted to 28,470. The Group signed labor contracts with all employees and provided them with comprehensive remuneration and welfares. The Group always advocated the implementation of performance-linked-remuneration policy and improved incentive and constraint mechanism. By shifting the focus to the key management and professional technical positions, it is able to attract, encourage and retain the talented personnel, promoting the sustainable growth of our performance. Meanwhile, the Group is also concerned about the establishment and improvement of employee benefits system, under which we make timely contributions to social insurance, housing provident funds and other statutory benefits schemes. Certain subsidiaries and JCEs have established and improved their benefits systems, including supplementary medical insurance, supplementary pension insurance or enterprise annuity systems.

Outlook for the Second Half of the Year

Our normal production and operation activities were seriously disturbed with output and sales volume lagging behind the progress of business objectives due to the effect caused by the Japanese earthquake in the first half of the year. According to the requirements of the Board, in the second half of the year, the Group will focus on the following tasks: (1) take effective measures to minimize the losses created by the Japanese earthquake and use our best endeavours to achieve our goals formulated for the year; (2) fully complete the project of restructuring GAC Changfeng and the return to A shares successfully; (3) continue to promote the automobile industry adjustment, greatly develop automobile service industry, and build a modern industrial system; (4) boost a new capacity construction, and form a new industry layout; (5) reform and consummate personnel management system, strengthen team building and talent cultivation.

Substantial Acquisitions, Disposals and Investment

During the first half of 2011, we actively pursued further reorganization of GAC Changfeng and the return to A shares; the resolution in relation to issuance of A shares of the Group and merger with GAC Changfeng by way of share swap has been approved at the general meetings of the Group and GAC Changfeng and principally approved by the State-owned Asset Supervision and Administration Commission of the State Council. The relevant application materials was duly accepted by China Securities Regulatory Commission on 15 July 2011. Currently, the proposal of merger with GAC Changfeng by way of share swap is under the review of China Securities Regulatory Commission.

Interim Dividend

The results of the Group for the six months ended 30 June 2011, and the financial condition as at that day are included in the interim condensed consolidated financial statement.

The Board resolved that the Company will not distribute any net profits for the first half of 2011 nor capitalize its reserves.

Material Litigation

As at 30 June 2011, the Group was not involved in any material litigation or arbitration and as far as the Company was aware, no material litigation or claim was pending or threatened or made against the Group.

Share Capital

As of 30 June 2011, the aggregate share capital of the Company was RMB6,148,057,675 divided into 6,148,057,675 ordinary shares of RMB1 each, of which 3,934,757,457 shares were domestic shares, representing approximately 64% of the total number of shares in issue, and 2,213,300,218 shares were H shares, representing approximately 36% of the total number of shares in issue.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the period, none of the Company and any of its subsidiaries have purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

1. The Code on Corporate Governance Practices

The Company has fully complied with the provisions of the Code on Corporate Governance Practices during the period.

2. Securities Transaction by the Directors and Supervisors

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"). After specific enquiry made by the Company, all directors have confirmed that they have fully complied with the Model Code during the period.

3. Audit Committee

The Company has established an audit committee in compliance with the requirement of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules. On 25 August 2011, the audit committee meeting was held and the committee has reviewed the 2011 interim report and agreed to submit the interim report to the Board for review.

DEFINITION

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

“associated companies”	all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights of such entities
“Board”	The Board of Directors of the Company
“GAC Bus”	Guangzhou Automobile Group Autobus Co., Ltd (廣州汽車集團客車有限公司) (formerly known as Guangzhou Denway Bus Co., Ltd (廣州駿威客車有限公司)), a company incorporated on 18 January 1993 under PRC law and a wholly-owned subsidiary of our Company
“GAC Changfeng”	GAC Changfeng Motor Co., Ltd. (廣汽長豐汽車股份有限公司) (formerly known as Hunan Changfeng Motor Co. Ltd. (湖南長豐汽車製造股份有限公司)), a company incorporated in November 1996 under PRC Law, in which we hold 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 and a wholly-owned subsidiary of our Company
“GAC Components”	Guangzhou Automobile Group Component Co., Ltd. (廣州汽車集團零部件有限公司), which is incorporated on 29 August 2000 under PRC law and which is directly owned as to 51% by our Company and is a subsidiary of our Company
“GAC Fiat”	GAC FIAT Automobiles Co., Ltd. (廣汽菲亞特汽車有限公司), a JCE incorporated on 9 March 2010 under PRC law by Fiat Group Automobiles S.p.A. and our Company, in which our Company holds 50% equity interest
“GAC Gonow”	GAC Gonow Automobile Co., Ltd (廣州吉奧汽車有限公司), a company incorporated on 8 December 2010 under PRC Law, in which the Company holds 51% of its equity interest

“GAC Hino”	GAC Hino Motors Co., Ltd. (廣汽日野汽車有限公司), a JCE incorporated on 28 November 2007 under PRC law by Hino Motors and our Company, in which our Company holds 50% equity interest
“GAC-SOFINCO”	GAC-SOFINCO Automobile Finance Co., Ltd. (廣汽滙理汽車金融有限公司), a joint venture company incorporated on 25 May 2010 under PRC law established by our Company and Société de Financement Industriel et Commercial (SOFINCO), in which each of our Company and SOFINCO holds 50% equity interest
“GAC Toyota”	GAC Toyota Motor Co. Ltd (廣汽豐田汽車有限公司) (formerly known as Guangzhou Toyota Motor Co. Ltd (廣州豐田汽車有限公司)), a company incorporated on 1 September 2004 under PRC law, which is a joint venture company and a JCE held by our Company and Toyota. Our Company holds 50% equity interest in GAC Toyota
“GAC Toyota Engine”	GAC Toyota Engine Co., Ltd. (廣汽豐田發動機有限公司), a joint venture company incorporated on 24 February 2004 under PRC law, which is a sino-foreign joint venture between Toyota and our Company, in which our Company holds 30% equity interest
“GAEI”	Guangzhou Automobile Group Company Automotive Engineering Institute, a subsidiary of our Company, established on 29 June 2006 for the purpose of conducting research and development of the products and technologies in which our Company has proprietary right
“GAIG”	Guangzhou Automobile Industry Group Co., Ltd. (廣州汽車工業集團有限公司), a state-owned enterprise incorporated under PRC law and the controlling shareholder of the Company
“GAMC”	Guangzhou Automobile Group Motor Co. Ltd. (廣州汽車集團乘用車有限公司), a company incorporated on 21 July 2008 under PRC law and a wholly-owned subsidiary of our Company
“Guangqi Honda”	Guangqi Honda Automobile Co., Ltd. (廣汽本田汽車有限公司) (formerly known as Guangzhou Honda Automobile Co. Ltd (廣州本田汽車有限公司)), a company incorporated on 13 May 1998 under PRC law, which is a joint venture company and a JCE held by Guangzhou Auto and Honda Motor Co., Ltd
“Guangzhou Motor”	Guangzhou Motorcycle Group Corporation (廣州摩托集團公司), a company incorporated under PRC law and is wholly-owned by GAIG

“Guang Ai Insurance Brokers”	Guangzhou Guang Ai Insurance Brokers Limited (廣州廣愛保險經紀有限公司), a company incorporated on 7 June 2006 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
“HAVECO”	Hangzhou HAVECO Automotive Transmission Co., Ltd. (杭州依維柯汽車變速器有限公司), a joint venture company incorporated on 26 September 1996 under PRC Law, which is a sino-foreign joint venture equally held by Hangzhou Advance Gearbox Group Co., Ltd., GAC Components and IVECO Ltd
“Honda (China)”	Honda Automobile (China) Co., Ltd. (本田汽車(中國)有限公司), a company incorporated on 8 September 2003 under PRC law of which our Company holds 25% of its equity interest and is one of our Company’s associated companies
“jointly-controlled entity” or “JCE”	a jointly-controlled entity is a joint venture company which is subject to direct or indirect joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity. A joint venture party’s investments in its jointly-controlled entities can be accounted for by proportionate consolidation, which involves recognising a proportionate share of the joint venture’s assets, liabilities, income and expenses with similar items in the consolidated financial statements of the joint venture party on a line-by-line basis. When the profit sharing ratio is different to the joint venture party’s equity interests in the jointly-controlled entities, the joint venture party’s share of their assets, liabilities, income and expenses is determined based on the agreed profit sharing ratio. The results of Jointly controlled Entities are included in the joint venture party’s income statement to the extent which reflects the dividends received and receivable by such joint venture party. The joint venture party’s investments in jointly-controlled entities are treated as long term assets and are stated at cost less impairment losses
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
“MPV”	multi-purpose passenger vehicle
“our Company/GAC Group”	Guangzhou Automobile Group Co., Ltd. (廣州汽車集團股份有限公司), a joint stock limited company registered in the PRC on 28 June 2005

“our Group”	Our Company, its subsidiaries and their respective jointly-controlled entities
“PRC” or “China”	The People’s Republic of China. Unless the context otherwise requires, geographical refers to the PRC or China exclude Hong Kong, Macau and Taiwan in this interim results
“Shanghai Hino Engine”	Shanghai Hino Engine Co., Ltd. (上海日野發動機有限公司), a company incorporated on 8 October 2003 under PRC law. Shanghai Hino was held as to 50% by Hino Motors, Ltd., 30% by our Company and 20% by Shanghai Electric
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“SUV”	sports utility vehicle
“Urtrust Insurance”	Urtrust Insurance Co., Ltd (眾誠汽車保險股份有限公司), a company incorporated on 8 June 2011 under PRC law, in which each of our Company, GAC Components and GAC Commercial holds 20% equity interest; while Guangdong Finance Trust Company Limited (廣東粵財信托有限公司), Guangdong Technology Venture Capital Group Co., Ltd. (廣東省粵科風險投資集團有限公司) and Guangzhou Chime-Long Hotel Co., Ltd. (廣州市長隆酒店有限公司) hold 20%, 10% and 10% equity interest respectively
“Wuyang Honda”	Wuyang-Honda Motors (Guangzhou) Co., Ltd. (五羊—本田摩托(廣州)有限公司), a Sino-Japanese joint venture company incorporated under PRC law with limited liability

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

Guangzhou, PRC, 30 August 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.