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 ANNUAL RESULTS ANNOUNCEMENT

The Board is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2011 together with the comparative figures of the corresponding period ended 31 December 2010. The result has been reviewed by the Audit Committee.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December 2011 RMB'000	2010 RMB'000 (restated)
Revenue		**10,984,273**	8,742,344
Cost of sales	*4*	**(10,559,896)**	(7,999,290)
Gross profit		**424,377**	743,054
Selling and distribution costs	*4*	**(589,242)**	(325,572)
Administrative expenses	*4*	**(1,216,442)**	(516,308)
Interest income		**316,222**	209,666
Other gains-net	*5*	**840,288**	57,844
Operating (loss)/profit		**(224,797)**	168,684
Finance costs	*6*	**(414,744)**	(362,288)
Interest income		**57,879**	24,986
Share of profit of JCEs		**3,872,359**	4,560,501
Share of profit of associates		**766,289**	1,129,711
Profit before income tax		**4,056,986**	5,521,594
Income tax credit/(expense)	*7*	**109,914**	(1,675)
Profit for the year		**4,166,900**	5,519,919
Other comprehensive income for the year, net of tax		**(1,145)**	–
Total comprehensive income for the year		**4,165,755**	5,519,919
Profit attributable to:			
Equity holders of the Company		**4,271,703**	4,295,099
Non-controlling interests		**(104,803)**	1,224,820
		4,166,900	5,519,919
Total comprehensive income attributable to:			
Equity holders of the Company		**4,271,016**	4,295,099
Non-controlling interests		**(105,261)**	1,224,820
		4,165,755	5,519,919
Earnings per share attributable to equity holders of the Company (expressed in RMB per share)			
– basic and diluted	*8*	**0.6948**	0.9192
Dividends	*9*	**1,287,004**	676,286

CONSOLIDATED BALANCE SHEET

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

CONSOLIDATED BALANCE SHEET (CONTINUED)

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

1. GENERAL INFORMATION

The Group is principally engaged in the manufacturing and sales of passenger vehicles, commercial vehicles, engines and auto parts.

The registered address of the Company is 23/F, Chengyue Building, No. 448-No. 458, Dong Feng Zhong Road, Yuexiu District, Guangzhou, Guangdong, the PRC.

The Company was established in June 1997 as a limited liability company in the PRC. In June 2005, the Company underwent a reorganisation and transformed itself into a joint stock limited liability company under the PRC Company Law by converting its registered share capital and reserves as of 30 June 2004 into 3,499,665,555 shares at RMB 1 each. In 2009, the Company issued additional 435,091,902 shares at par value of RMB 1 each to all its shareholders. After the capital injection and as of 31 December 2009, the Company's total issued domestic shares were 3,934,757,457.

The Company privatized Denway Motors Limited ("Denway") on 27 August 2010. Upon the privatisation scheme became effective, Denway has become a wholly-owned subsidiary of the Company. The Company's 2,213,300,218 newly issued shares were then listed on the Stock Exchange of Hong Kong Limited (HKSE) by way of Introduction on 30 August 2010.

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

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.

(a) Changes in accounting policy

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

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

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

Consolidated balance sheet

	As at 31 December		As at 1 January
	2011	2010	2010
	RMB'000	RMB'000	RMB'000
Non-current assets			
Decrease in land use rights	**(852,868)**	(857,969)	(356,964)
Decrease in property, plant and equipment	**(7,024,177)**	(5,812,700)	(5,965,345)
Decrease in intangible assets	**(736,040)**	(402,453)	(275,976)
Increase in investments in jointly controlled entities	**9,284,474**	8,166,021	6,760,627
Decrease in deferred income tax assets	**(309,314)**	(249,819)	(209,172)
Decrease in prepayment	**(4,886)**	–	–
Current assets			
Decrease in inventories	**(2,125,509)**	(1,664,232)	(1,597,341)
(Decrease)/increase in trade and other receivables *(Note(i))*	**(2,368,844)**	(1,417,428)	1,111,055
Decrease in time deposits	**(1,265)**	(4,020,750)	(7,857,734)
Decrease in restricted cash	**(5)**	(685)	(6)
Decrease in cash and cash equivalents	**(10,556,517)**	(6,598,701)	(2,467,973)
Total assets	**(14,694,951)**	(12,858,716)	(10,858,829)
Non-current liabilities			
Decrease in borrowings	**(97,712)**	(48,552)	–
Decrease in deferred income tax liabilities	**(42,793)**	–	–
Decrease in provisions	**(260,528)**	(230,183)	(201,542)
Decrease in government grants	**(364,407)**	(234,064)	–
Current liabilities			
Decrease in trade and other payables	**(11,569,186)**	(11,322,850)	(10,097,183)
Decrease in current income tax liabilities	**(213,487)**	(454,503)	(220,284)
Decrease in borrowings	**(1,939,933)**	(312,339)	(142,664)
Decrease in provisions	**(192,959)**	(239,382)	(177,918)
Total liabilities	**(14,681,005)**	(12,841,873)	(10,839,591)
Decrease in non-controlling interests	**(13,946)**	(16,843)	(19,238)
Total equity and liabilities	**(14,694,951)**	(12,858,716)	(10,858,829)

(i) By using the equity method retrospectively, as at 1 January 2010, the Group had accounted for its dividend receivables due from JCEs amounting to RMB 1,755,627,000. In addition, the Group had de-consolidated share of JCEs' trade and other receivables amounting to RMB 644,572,000. Accordingly, the balance of trade and other receivables as at 1 January 2010 in the consolidated balance sheet increased by RMB 1,111,050,000.

Consolidated statement of comprehensive income

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

The change in accounting policy has no significant impact on the equity and profit attributable to the equity holders of the Company in the consolidated financial statements.

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

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

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

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

Standards/Interpretations	Subject of amendment	Effective for accounting periods beginning on or after
HKFRS1(Amendment)	Limited exemption from comparative HKFRS 7 disclosures for first-time adopters	1 July 2010
HKFRS1(Amendment)	First time adoption of Hong Kong Financial Reporting Standards	1 January 2011
HKFRS1(Amendment)	Severe hyperinflation and removal of fixed dates for first-time adopters	1 July 2011
HKFRS7(Amendment)	Financial instruments: Disclosures	1 January 2011
HKAS32(Amendment)	Classification of rights issues	1 February 2010
HK(IFRIC) – Int13 (Amendment)	Customer loyalty programmes	1 January 2011
HK(IFRIC) – Int14 (Amendment)	Prepayments of a minimum funding requirement	1 January 2011
HK(IFRIC) – Int19 (Amendment)	Extinguishing financial liabilities with equity instruments	1 July 2010

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

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

3. SEGMENT INFORMATION

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

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

(i) Passenger vehicles and related operations-production and sale of a variety of passenger vehicles and related operations.

(ii) Commercial vehicles-production and sale of commercial vehicles including truck and buses, and

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

Others mainly comprise automobile finance and insurance business and property investment business.

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

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

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

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

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

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

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

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

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

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

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

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

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

Revenue of approximately RMB 1,129,622,000 is derived from single external customer (2010: RMB 989,182,000). These revenues are attributable to the passenger vehicles segment. Revenue from external customers by geographical location is as follows:

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

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

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

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

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

Analysis of revenue by category:

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

4. EXPENSES BY NATURE

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

5. OTHER GAINS-NET

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

(a) According to Suifu13Jie160Ci[2011] No.13 circular, the People`s Government of Guangzhou Municipality granted a financial subsidy of RMB 700,000,000 to the Company for its strategic development. Up to 31 December 2011, the Company had received the fund totalling RMB 700,000,000 from Guangzhou Financial Bureau.

The amount received was a comprehensive subsidy to the Company of which the fund can be used at its own discretion. As the subsidy of RMB 700,000,000 was a government grant related to income, according to the relevant regulations regarding government grants in HKAS 20, the whole amount of the subsidy was recognised in the consolidated statement of comprehensive income in 2011.

6. FINANCE COSTS

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

7. TAXATION

	Year ended 31 December	
	2011	2010
	RMB'000	RMB'000
Current income tax:		
– Hong Kong profits tax	**–**	53
– PRC enterprise income tax	**81,423**	64,961
	81,423	65,014
Deferred tax	**(191,337)**	(63,339)
	(109,914)	1,675

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

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

(a) 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 the relevant authorities, the new corporate income tax rate will gradually increase to 25% within 5 years. For enterprises that enjoyed a reduced income tax rate of 15%, the tax rate was 18% for 2008, 20% for 2009, 22% for 2010, will be 24% for 2011 and 25% for 2012. Enterprises that were entitled to exemptions or reductions from the standard income tax rate for a fixed term may continue to enjoy such treatment until the fixed term expires.

Details of the tax rates applicable to the Company and its major JCEs are listed as below:

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

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

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

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

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

9. DIVIDENDS

The dividends paid in 2011 and 2010 were RMB 676,286,000(RMB0.11 per ordinary share) and RMB553,325,000(RMB0.09 per ordinary share) respectively. A final dividend in respect of the year ended 31 December 2011of RMB 0.20 per ordinary share, with the aggregate share capital of the Company 6,435,020,097 shares as at 30 March 2012, amounting to a total dividend of approximately RMB 1,287,004,019, is to be proposed at the forthcoming annual general meeting. These financial statements do not reflect this dividend payable.

	Year ended 31 December	
	2011	2010
	RMB'000	RMB'000
Interim dividend paid of RMB: nil (2010: RMB 0.09) per ordinary share	–	553,325
Proposed final dividend of RMB: 0.20 (2010: RMB0.11) per ordinary share	**1,287,004**	676,286

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

10. TRADE AND OTHER RECEIVABLES

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

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

The Group

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

11. TRADE AND OTHER PAYABLES

The Group

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

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

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

CHAIRMAN STATEMENT

Dear Shareholders,

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

In 2011, being affected by the slowdown of the growth of macro-economy, the withdrawal of the concession policy for the automobile market and the implementation of purchase restriction in certain cities, the aggregate number of vehicles sold for the year amounted to approximately 18.505 million units, representing a year-on-year increase of approximately 2.45%, of which sales volume of passenger vehicles was approximately 14.472 million units, representing a year-on-year increase of approximately 5.19%; while the sales volume of commercial vehicles was approximately 4.033 million units, representing a year-on-year decrease of approximately 6.31%. Such changes reflected that the growth in sales volume of China's automotive industry has observably slowed down.

In 2011, the Group faced a complicated and changing macro environment together with the influence of Japanese earthquake as well as flooding in Thailand. However, with our efforts in coordinating supply of parts, adjustments in overhaul schedule of production lines and holidays, the impact resulting from shortage in parts caused by external adverse factors was minimized and the overall stability in production and operation was maintained. Approximately 740,400 units of vehicles were sold for the year, representing a year-on-year increase of approximately 2.23%, of which sales volume of passenger vehicles was approximately 721,100 units, representing a year-on-year increase of approximately 0.22% and the sales volume of commercial vehicles was approximately 19,299 units, representing a year-on-year increase of 310.27%.

In 2011, the Group changed its accounting policy for jointly-controlled entities from using proportionate consolidation method to using equity method, and the consolidated sales revenue for the year was RMB10.984 billion, representing a year-on-year increase of approximately 25.6%, and the profit attributable to the equity holders of the Group was RMB4.272 billion, basically the same as the previous year. For the year, the Group's share of sales revenue of jointly-controlled entities was approximately RMB54.288 billion, increasing approximately RMB802 million from approximately RMB53.486 billion of last year.

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

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

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

Chairman: **Zhang Fangyou**

Guangzhou, PRC
30 March, 2012

BUSINESS OVERVIEW

I. Summary of Main Business of our Group

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

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

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

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

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

II Listing of A Shares and merger with GAC Changfeng by way of share exchange

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

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

III. MAJOR BUSINESS REVIEW

1. Production and sales and market share

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

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

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

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

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

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

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

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

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

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

	Annual capacity of 2011 (units)
1. Passenger vehicles	1250000
Guangqi Honda	480000
GAC Toyota	380000
GAMC	100000
GAC Changfeng	100000
Honda (China)	60000
GAC Gonow	130000
2. Commercial vehicles (including pickups)	64000
GAC Hino	22000
GAC Bus	2000
GAC Gonow	40000
3. Engines	530000
GAC Toyota Engine	500000
Shanghai Hino	30000
4. Motorcycles	1000000
Wuyang-Honda	1000000

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

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

3. Sales Network

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

Company name	Cumulative number of sales outlets in 2011	Number of sales networks expected to be achieved in 2012	Number of provinces covered
1. Entities engaging in passenger vehicle business			
Guangqi Honda	478	483	31
GAC Toyota	332	380	31
GAMC	90	200	30
GAC Gonow	208	268	31
GAC Fiat	43	100	30
GAC Changfeng	138	–	31
2. Entities engaging in commercial vehicle business			
GAC Hino	70	100	28
GAC Bus	41	50	25
3. Entities engaging in motorcycle business			
Wuyang-Honda	3905	4002	24

4. New Vehicle Models and New Energy Products

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

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

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

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

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

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

5. Research and development and intellectual property

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

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

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

6. Auto parts

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

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

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

7. Automobile services

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

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

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

(4) AWARDS

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

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

(5) PERFORMANCE OF SOCIAL RESPONSIBILITY

1 Production Safety

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

2. Environmental Protection and Sustainable Development

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

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

3. Interests of employees

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

Besides, the Group strictly complies with and implements the labor laws and regulations with participating rate of social insurance amounting to 100%. We do concern the metal health of employees and establish relationship with various psychotherapy institutions to provide psychological counseling and psychological health education to our staff to help them maintain mental health.

4. Charitable Activities

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

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

(6) OUTLOOK FOR THE YEAR OF 2012

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

1. Financial Results Overview

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

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

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

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

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

2. Revenue

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

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

3. Cost of Sales and Gross Profit

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

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

4. **Selling and Distribution Costs**

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

5. **Administrative Expenses**

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

6. **Other Gains – Net**

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

7. **Interest Income**

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

8. **Finance Costs**

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

9. Staff Costs

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

10. Depreciation and Amortisation

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

11. Share of Profit of JCE

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

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

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

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

12. Share of Profit of Associates

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

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

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

13. Income Tax Credit/(Expense)

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

14. Profit for the Year

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

15. Foreign Exchange Risk

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

16. Liquidity and Capital Sources

As at 31 December 2011, the Group's current assets and current liabilities amounted to approximately RMB21,659 million and approximately RMB6,206 million respectively, and the current ratio was approximately 3.49 times. The total borrowing amounted to approximately RMB9,837 million as at 31 December 2011, which mainly included debentures issued by the Group with par value of RMB6,700 million in 2009, corporate bonds with par value of RMB600 million and, bank borrowing of approximately RMB2,584 million, the asset to liability ratio was approximately 24.6%. The above borrowing and bonds will be paid when fall due. The Group generally meets its capital requirements in business through its cash flow generated from operating activities.

17. Cash Flow

	Year ended 31 December 2011 *RMBmillion*	Year ended 31 December 2010 *RMBmillion*
Net cash inflows/(outflows) generated from operating activities	**(634)**	(1,008)
Net cash inflows/(outflows) generated from investing activities	**(267)**	1,960
Net cash inflows/(outflows) generated from financing activities	**(201)**	(434)
Net increase/(decrease) in cash and cash equivalents	**(1,102)**	518
Cash and cash equivalents at the end of the year	**8,238**	9,382

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

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

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

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

18. Financial Indicators

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

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

EMPLOYEES

As at 31 December 2011, the Group and its major associates had 29,537 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 were conducted in the forms of seminars, field trips, interviews and visits, etc.

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 the 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 audit committee of the Company 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 2011.

DIVIDEND

The Board recommended the payment of a final dividend for the year ended 31 December 2011 of RMB0.20 per share (2010: RMB0.11 per share).

The proposed final dividend for the year is subject to the approval by the shareholders of the Company at the forthcoming annual general meeting. Details of the annual general meeting and the arrangement for closure of register of members will be separately announced.

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
"PRC Company Law"	Company Law of the People's Republic of China
"Director(s)"	the director(s) of the Company
"GAC Bus"	Guangzhou Automobile Group Autobus Co., Ltd (廣州汽車集團 客車有限公司) (formerly known as Guangzhou Denway Bus Co., Ltd (廣州駿威客車有限公司)), a company incorporated on 18 January 1993 under PRC law and a wholly-owned subsidiary of our Company
"GAC Changfeng"	GAC Changfeng Motor Co., Ltd. (廣汽長豐汽車股份有限公司) (formerly known as Hunan Changfeng Motor Co. Ltd. (湖南長豐汽 車製造股份有限公司)), a company incorporated in November 1996 under PRC Law
"GAC Commercial"	Guangzhou Automobile Group Business Co., Ltd (廣州汽車集團 商貿有限公司), a company incorporated on 21 March 2000 under PRC law and a wholly-owned subsidiary of our Company
"GAC Component"	Guangzhou Automobile Group Component Co., Ltd. (廣州汽車 集團零部件有限公司), which was incorporated on 29 August 2000 under PRC law and which is directly owned as to 51% by our Company and is a subsidiary of our Company
"GAC Fiat"	GAC FIAT Automobiles Co., Ltd. (廣汽菲亞特汽車有限公司), a JCE incorporated on 9 March 2010 under PRC law by Fiat Group Automobiles S.p.A. and our Company, in which our Company holds 50% equity interest
"GAC Gonow"	GAC Gonow Automobile Co., Ltd (廣州吉奧汽車有限公司), a company incorporated on 8 December 2010 under PRC Law, in which the Company holds 51% of its equity interest
"GAC Hino"	GAC Hino Motors Co., Ltd. (廣汽日野汽車有限公司), a JCE incorporated on 28 November 2007 under PRC law by Hino Motors and our Company, in which our Company holds 50% equity interest

"GAC Toyota"	GAC Toyota Motor Co. Ltd (廣汽豐田汽車有限公司) (formerly known as Guangzhou Toyota Motor Co. Ltd (廣州豐田汽車有限公司)), a company incorporated on 1 September 2004 under PRC law, which is a joint venture company and a JCE held by our Company and Toyota. Our Company holds 50% equity interest in GAC Toyota
"GAC Toyota Engine"	GAC Toyota Engine Co., Ltd. (廣汽豐田發動機有限公司), a joint venture company incorporated on 24 February 2004 under PRC law, which is a sino-foreign joint venture between Toyota and our Company, in which our Company holds 30% equity interest
"GAEI"	Guangzhou Automobile Group Company Automotive Engineering Institute, a subsidiary of our Company, established on 29 June 2006 for the purpose of conducting research and development of the products and technologies in which our Company has proprietary right
"GAIG"	Guangzhou Automobile Industry Group Co., Ltd. (廣州汽車工業集團有限公司), a state-owned enterprise incorporated on 18 October 2000 under PRC law, a controlling shareholder and one of our Company's founders. Its principal business is the manufacture of automobiles and the operation and management of state-owned assets
"GAMC"	Guangzhou Automobile Group Motor Co. Ltd. (廣州汽車集團乘用車有限公司), a company incorporated on 21 July 2008 under PRC law and a wholly-owned subsidiary of our Company
"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
"HAVECO"	HAVECO Automotive Transmission Co., Ltd. (依維柯汽車變速器有限公司), a joint venture company incorporated on 26 September 1996 under PRC Law, which is a sino-foreign joint venture equally held by Hangzhou Advance Gearbox Group Co., Ltd., GAC Component and IVECO Ltd
"Honda China"	Honda Automobile (China) Co., Ltd. (本田汽車(中國)有限公司), a company incorporated on 8 September 2003 under PRC law of which our Company holds 25% of its equity interest and is one of our Company's associated companies
"Hong Kong"	Hong Kong Special Administrative Region of the PRC

"jointly-controlled entity" or "JCE"	a JCE is a joint venture company which is subject to direct or indirect joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity. A joint venture party's investments in its JCEs can be accounted for by proportionate consolidation, which involves recognising a proportionate share of the joint venture's assets, liabilities, income and expenses with similar items in the consolidated financial statements of the joint venture party on a line-byline basis. When the profit sharing ratio is different to the joint venture party's equity interests in the JCEs, the joint venture party's share of their assets, liabilities, income and expenses is determined based on the agreed profit sharing ratio. The results of a jointly-controlled entity are included in the joint venture party's income statement to the extent which reflects the dividends received and receivable by such joint venture party. The joint venture party's investments in JCEs are treated as long term assets and are stated at cost less impairment losses
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
"Mitsubishi"	Mitsubishi Motor Corporation, a company incorporated in Japan
"MPV"	multi-purpose passenger vehicle
"CIT Law"	the Corporate Income Tax Law of China ("CIT Law") promulgated on 16 March 2007
"the Company"	Guangzhou Automobile Group Co., Ltd. (廣州汽車集團股份有限 公司), a joint stock limited company registered in the PRC on 28 June 2005
"the Group or GAC Group"	our Company and its subsidiaries
"PRC" or "China"	the People's Republic of China (for the purpose of this announcement, exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan)
"Shanghai Hino"	Shanghai Hino Engine Co., Ltd. (上海日野發動機有限公司), a company incorporated on 8 October 2003 under PRC law. Shanghai Hino was held as to 50% by Hino Motors, Ltd., 30% by our Company and 20% by Shanghai Electric
"Share(s)"	ordinary share(s) in the capital of the Company with a nominal value of RMB1.00 each, comprising H shares and A shares of the Company

"Shareholder(s)"	shareholders of the Company
"RMB"	Renminbi, the lawful currency of the PRC
"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）, which was incorporated on 8 June 2011 and is a subsidiary of our Company
"Wuyang-Honda"	Wuyang-Honda Motors (Guangzhou) Co., Ltd. (五羊一本田摩 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
Guangzhou Automobile Group Co., Ltd.
Mr. Zhang Fangyou
Chairman

Guangzhou, the PRC, 30 March 2012

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.