



長城汽車股份有限公司

Great Wall Automobile Holding Company Limited

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

Interim Report 2004





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FINANCIAL HIGHLIGHTS

	Six months ended 30 June	
	2004 Unaudited	2003 Audited
Turnover (RMB' million)	1,868	1,889
Profit from operating activities (RMB' million)	378	510
<i>As % of turnover</i>	20.2%	27.0%
Net profit (RMB' million)	239	287
<i>As % of turnover</i>	12.8%	15.2%
Earnings per share – Basic (RMB)	0.51	0.84

The board of directors (the “Board”) of Great Wall Automobile Holding Company Limited (the “Company”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2004 (the “Period”), which has been reviewed by the auditors of the Company, Ernst & Young, as follows:

MANAGEMENT DISCUSSION AND ANALYSIS**Operating Environment**

During the Period, the government of the People’s Republic of China (the “PRC”) implemented macro-economic control measures on certain over-invested industries targeting mainly at steel and iron, cement, and electrolytic aluminum industries.

As part of the macro-economic control measures and to minimise the credit risks of banks resulting from certain overgrown industries, the PRC government has implemented policies to tighten consumer loans. Many banks have therefore tightened the lending policies and raised the requirements of automobile financing. It has affected the overall sales of automobiles in the PRC in the last few months.

In addition, due to fierce competition in the automobile industry, the overall retail price level of automobiles has experienced continuous significant downward adjustments since May 2004. Consumers are adopting a wait-and-see attitude in the short run given that further price cuts are expected following the removal of import quota and the further lowering of tariffs in 2005.

According to the statistics of China Association of Automobile Manufactures, the total production volume of automobiles in the PRC during the Period was 2,677,100 units. Although it represented a 27.1% increase as compared with the same period in 2003, the rate of increase was lower than the 34.1% and 35.2% reported respectively for the first half of 2003 and the full year 2003. Despite the above mentioned negative impacts, the demand for automobiles has grown during the Period, but at a lower rate than previous years. Total sales of automobiles in the PRC increased by 24.2% to 2,553,600 units while the rate of increase was lower than the 32.0% and 34.2% for the first half of 2003 and the full year 2003 respectively.



During the Period, despite the macro-economic control measures, the growth rate of the gross domestic product of the PRC remained high at 9.7%. In the coming years, it is expected that the PRC will continue to be one of the fastest growing economies in the world. Under the macro-economic control measures and the expected improvement of rules and regulations in the automobile retail market, the automobile industry in the PRC will grow steadily in the long run, as opposed to the rapid growth experience in the past.

Business Review

Automobile sales

The sale volume of pick-up trucks of the Group during the Period reached 13,150 units. According to 全國皮卡車市場數據信息聯合會 (National Pick-up Truck Market Information Centre), the sale volume of pick-up trucks of the Group continued to rank first in the PRC market during the Period. The sales revenue amounted to RMB757,584,000. 6,261 units of the *Deer* pick-up trucks were sold with revenue amounted to RMB326,076,000. 6,889 units of *Sailor* pick-up trucks were sold with revenue amounted to RMB431,508,000.

The sale volume of Sport Utility Vehicles (“SUVs”) of the Group during the Period was 13,399 units. The sales revenue amounted to RMB907,159,000. During the Period, 5,923 units of the *Safe* SUVs were sold with revenue amounted to RMB395,373,000 and 7,476 units of the *Sing* SUVs were sold with revenue amounted to RMB511,786,000.

For large-sized buses and special vehicles of the Group, the sales during the Period amounted to RMB26,622,000. The sales of automotive parts and components amounted to RMB177,119,000 during the Period, representing an increase of 31.2% as compared with the same period in 2003.

Domestic market

The domestic sales of pick-up trucks and SUVs of the Group during the Period amounted to 12,477 units and 13,284 units, respectively, and the sales revenue amounted to RMB720,615,000 and RMB898,558,000, respectively. The sales revenue from the two main groups of customers, namely (1) dealers, and (2) government entities and individual customers, amounted to RMB1,553,931,000 and RMB91,425,000, respectively.

	Six months ended 30 June 2004			Six months ended 30 June 2003		
	Sales volume (units)	Sales revenue (RMB'000)	Percentage to the Group's domestic automobile sales revenue (%)	Sales volume (units)	Sales revenue (RMB'000)	Percentage to the Group's domestic automobiles sales revenue (%)
Dealers and agents	24,379	1,553,931	94.4	25,928	1,672,943	97.3
Government entities and individuals	1,534	91,425	5.6	941	47,128	2.7
Total	25,913	1,645,356	100.0	26,869	1,720,071	100.0

Automotive parts and components business

During the Period, the Group cooperated with domestic and quality overseas automotive components enterprises to jointly establish several automobile parts and components enterprises. Upon completion, an automobile parts and components production base covering the northern region in the PRC will be established. Products to be manufactured will include air-conditioners, cushions and upholstery components for automobiles.

Name of company	Main products	Shareholding	Joint venture parties	Registered capital (RMB)
Macs (Baoding) Auto A/C System Co., Limited	Air conditioning equipment and other parts and components for automobiles	51%	Automart Holding Limited	16,500,000
Baoding-Huanqiu Auto Spare Parts Co., Limited	Upholstery components for automobiles (cushions, roofs, carpets, etc.)	51%	Wenzhou Huanqiu Automobile Pad Co., Ltd.	10,000,000
Baoding Deye Automobile Inner Decoration Co., Limited	Upholstery components for automobiles (combined dashboard, etc)	49%	Deye (H.K.) Technological Electric Appliance Company Limited, Ningbo Deye Chemical Material Co., Ltd.	30,000,000



Successful tenders

During the Period, the Company supplied automobiles for customers in special industries and organisations such as the quality inspection authorities, police, transportation, electricity, telecommunications, fire services, forestry, observatory, and driving schools. In addition, the orders from the Hebei Provincial Quality Inspection Bureau, Henan Provincial Fire Service Brigade, Qingdao Electricity Bureau, Xinjiang Xiyu Road Construction Co., Ltd., Ningbo Forest Fire Service Office and Shenzhen Shenjing Automobile Training Centre have all been met and vehicles have been delivered.

Market

The sales of the Group's exporting automobiles during the Period was approximately RMB46,009,000, representing an increase of 37.2% over the corresponding period last year and 2.5% of total revenue. The foreign market mainly comprised Middle Eastern countries including Saudi Arabia, United Arab Emirates, Bahrain, and Kuwait.

Launch of new products

The Group maintained a wide variety of products to meet the needs of different markets. As at 30 June 2004, the Group has offered numerous models for pick-up trucks and SUVs. Each of them has maintained two major series, namely *Deer* and *Sailor*, *Safe* and the *Sing*, respectively. During the Period, the Company launched the 2004 model of *Safe*, which was well received by the market.

Sales and after-sales service network

As at 30 June 2004, the sales network and after sales services network of the Group spanned 22 provinces and 5 autonomous regions in the PRC.

Production and production capacity

As at 30 June 2004, the annual total production capacity of the Group's SUVs and pick-up trucks reached approximately 70,000 units.

Financial Review

Turnover

During the Period, the Group's turnover was RMB1,868,484,000.

Analysis on automobile sales and production capacity

	Six months ended 30 June 2004			Six months ended 30 June 2003		
	Sales volume (units)	Turnover (RMB'000)	Percentage (%)	Sales volume (units)	Turnover (RMB'000)	Percentage (%)
Pick-up trucks	13,150	757,584	40.5	13,929	805,991	42.7
SUVs	13,399	907,159	48.6	13,433	928,783	49.2
Buses and special vehicles	154	26,622	1.4	100	18,824	1.0
Automotive parts and components	-	177,119	9.5	-	135,031	7.1
Total	26,703	1,868,484	100.0	27,462	1,888,629	100.0
Annual production capacity	70,000			70,000		

Sales of automotive parts and components

In addition to the production of automobiles, the Group also engages in the manufacture and sale of principal automotive parts and components used in the production of pick-up trucks and SUVs, mainly include self-manufactured engines, front and rear axles, air-conditioning equipment, drag ball pins, and lever assembly. The sales of automotive parts and components increased from RMB135,031,000 in the first half of 2003 to RMB177,119,000 in the first half of 2004. Such increase was mainly attributable to the contribution from Baoding Great Wall Automobile After-Sales Services Company Limited, which became a subsidiary of the Group in June 2003 and was mainly engaged in the sales of automobile parts and components, and provision of after-sales maintenance services.

Gross profit and gross profit margin

During the Period, the Group's gross profit decreased by approximately 14.6% from RMB643,676,000 for the corresponding period of last year to RMB549,459,000. The decrease in the Group's gross profit was mainly due to the decrease of the overall gross profit margin, which was mainly attributable to: (1) the impact by the price cuts on automobiles of various automobile manufacturers in response to the fierce price competition in the automobile market, and (2) the increase in raw material cost as a result of the enhancement of the products' performance and appearance and the increase in steel price.

Profit attributable to the shareholders and earnings per share

The Group's profit attributable to shareholders for the Period decreased from RMB286,742,000 for the corresponding period of last year to RMB239,077,000. The decrease in profit attributable to shareholders was mainly due to the decrease in the gross profit of automobile sales and the increase in selling and distribution costs and other expenses.



For the six months ended 30 June 2004, the basic earnings per share of the Company were RMB0.51. No diluted earnings per share were presented as the Company did not have any potentially diluted ordinary shares during the Period.

Selling and distribution costs and administrative expenses

The selling and distribution costs and administrative expenses of the Group increased by 20.6% from RMB119,655,000 in the first half of 2003 to RMB144,350,000 in the first half of 2004. The selling and distribution costs and administrative expenses increased from 6.3% to 7.7% of the Group's turnover from the first half of 2003 to the first half of 2004. The increase in selling and distribution costs and administrative expenses was mainly due to (1) the increase in staff cost resulting from the increase in staff welfare of the Company's sino-foreign joint ventures and the number of management and technical staff, (2) the increase in transportation costs resulting from the increase in sales to the areas distant from Baoding, and (3) the increase in advertising and promotion costs.

Finance costs

In the first half of 2004, the Group recorded financial cost of approximately RMB1,253,000 as compared to approximately RMB4,893,000 in the first half of 2003. The significant decrease in financial cost was mainly due to the repayment of most of its bank loans during the first half of 2003 by the Group.

Liquidity and financial resources

As at 30 June 2004, the Group's current assets mainly included cash and cash equivalent of approximately RMB2,153,904,000, trade receivables of approximately RMB58,149,000, inventory of approximately RMB415,538,000, bill receivables of approximately RMB884,836,000, short-term investment of approximately RMB722,000 and other receivables of approximately RMB108,005,000. Current liabilities mainly include dividend payables of approximately RMB53,436,000, other payables of approximately RMB266,565,000, tax payables of approximately RMB139,331,000, bill payables of approximately RMB253,810,000 and trade payables of approximately RMB787,328,000, bank loans of approximately RMB1,000,000 and provision for product maintenance and repairs of approximately RMB21,360,000.

The Group maintained a solid and healthy financial position. As a result of the receipt of net proceeds of approximately RMB1,773,488,000 arising from the listing of the H shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 15 December 2003, the Group's current ratio improved from 1.4 times as at 30 June 2003 to 2.4 times as at 30 June 2004.

Acquisitions

During the Period, the Company and its subsidiaries did not have any material acquisition.

Capital structure

The Group generally finances its operation with internally generated cash flows and banking facilities provided by its principal bankers. As at 30 June 2004, the Group had total banking facilities of approximately RMB100,000,000 with unutilised banking facilities amounted to approximately RMB99,000,000. The Group was in a nearly net cash position with the gearing ratio (total bank borrowings to total assets) less than 0.1% as at 30 June 2004.

Exposure to foreign exchange risk

All of the Group's domestic sales were settled in RMB while sales to overseas customers were settled in US dollars or Euro. During the Period, the Group did not experience any material difficulties or effects on its operations or liquidity as a result of fluctuations in currency exchange rates. The Board believes that the Group will have sufficient foreign exchange to meet its foreign exchange requirements.

Employment, training and development

As at 30 June 2004, the Group employed a total of approximately 6,336 employees, 1,290 employees more as compared with the same period in 2003. Employees were remunerated on the basis of their performance, experience and prevailing industry practices. The Group's remuneration policies and packages were reviewed on a regular basis. Bonuses and commissions may also be awarded to employees based on individual performance and motivation. Total staff costs accounted for 2.9% of the Group's turnover for the six months ended 30 June 2004.

Taxation

Tax payable by the Group decreased by 44.8% from RMB116,447,000 in the first half of 2003 to RMB64,281,000 in the first half of 2004. The drop was primarily due to the decrease in profit before taxation. The effective tax rate decreased from 23% in the first half of 2003 to 17% in the first half of 2004.

Segment information

During the Period, over 90% of the Group's revenue were derived from the manufacture and sales of automobiles derived from customers in the PRC, thus no business segmental analysis and geographical segmental analysis are presented.

Contingent liabilities

As at 30 June 2004, except for the fact that the Group's bills receivables amounted to RMB135,200,000 were pledged to banks for the issue of an equivalent amount of bills payables, the Group did not have any significant contingent liabilities.



Outlook

General

2004 is a year full of opportunities and challenges for the Company. With the escalating demand of the PRC consumers for automobiles, the automobile industry in the PRC experienced unprecedented development. The high performance to price ratio as displayed by the products of the Company caters to the needs of local customers. The Board expects that with the sustainable growth trend for pick-up trucks and SUVs, the Group is committed to maintain its leading position in the pick-up truck and SUVs markets in the PRC.

New products

In the second half of 2004, the Group will launch three new models of automobiles, namely *Hover* commercial utility vehicles (“CUVs”), *Pegasus* SUVs and *So Cool* pick-up trucks. The *Hover* CUVs, targeted at the middle to high end of the SUVs market, is regarded as one of the “top ten new cars to be looking forward to” by CCTV in the Beijing Vehicle Exhibition in 2004, and is expected to be put into trial production in October 2004. The Group has undertaken to broaden the existing product mix by introducing different product types with new conceptual series. The Group plans to develop a new series of multi-purpose vehicles (“MPVs”) featuring economical, low energy consumption and low engine emission. The Board believes that MPVs will become a new growth driver for the Group’s profit in future.

New production facilities

In anticipation of the increasing market demand and the production plans in the years to come, the Group has deployed necessary resources to establish new production facilities and expand its existing production facilities. It is expected that the new production facilities and the upgrade of the existing production facilities are to be completed by the last quarter of 2004. At present, the required infrastructure and the installation of the major equipment have been completed.

Higher production capacity

With the new production facilities, the Group expects that the annual aggregate production capacity of pick-up trucks and SUVs will gradually increase to 150,000 vehicles. The Board believes that the Group could maximise its value through economies of scale.

The Group will start the commercial production of *Hover* CUVs in the new facilities by the end of 2004 and the new models of pick-up trucks and CUVs will be gradually launched in 2005. Meanwhile, construction works of the planned facility for the production of 200,000 units of MPVs series (“MPV Production Facility”) will begin around September of 2004, and is expected to commence production in early 2006. It is estimated that upon completion of the MPV Production Facility, the Group’s annual aggregate production capacity will reach 350,000 units.

Engine projects

To enhance the quality of the parts and components for its automobiles, the Group cooperates with various partners in the development of engines. The projects are as follows:

Engine projects	Name of partner	Status
1.6L diesel engines	FEV Motorentechnik GmbH	Development stage
2.0L/2.2L gasoline engines	FEV Motorentechnik GmbH	Development stage
1.3L, 1.6 low output gasoline engines	FEV Motorentechnik GmbH	Development stage
2.0L, 3.0L diesel engines	FEV Motorentechnik GmbH	Development stage
GW2.4S gasoline engines	United Automobile Electronic System Co., Ltd. (Shanghai)	To be launched into the market in September 2004
GW2.8TD1 diesel engines	Nuber Automotive AG Nanjing Weifu Jinning Co., Ltd. Honeywell Turbocharging Systems Co., Ltd.	Production in September 2004

Enlarged client base

The Group will continue to develop the large volume purchase sector which mainly consists of government authorities. In terms of export sales, there are more orders on hand than last year. It is expected that the export sales will increase this year and become one of the Group's important sources of income.

Future vision

The Group will capture the golden opportunity of industry consolidation by assessing the feasibility of acquiring relevant businesses, thereby enhancing its competitive edges and benefiting from the continuous development of the industry in the future.

The successful listing of the Company marks an important step towards the international capital market for the Company. The Company will leverage on its advantages, explore opportunities and maintain its prudent financial management. The Group will use its best endeavours to maintain its leading position and to make Great Wall Automobile "the automobile for Chinese" and generate higher value and return to the Company's shareholders.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the Period.



SUPPLEMENTARY INFORMATION

Use of Proceeds from the Initial Public Offering

The Company's H shares have been listed on the Main Board of the Stock Exchange on 15 December 2003. The net proceeds raised from the initial public offering amounted to approximately RMB1,773,488,000. Set out below is the Group's future plans as stated in the prospectus of the Company dated 3 December 2003 and the Group's actual usage up to 30 June 2004:

	Proposed <i>RMB million</i>	Actual use <i>RMB million</i>
Development of the new production facilities	429.3	107.1
Upgrading and expanding the existing production facilities for engine	198.0	58.7
Upgrading and expanding the existing production facilities for parts and components	88.5	11.8
Improving the research and development capabilities	29.0	2.2
Upgrading the information systems	20.0	0.8
General working capital	1,008.7	603.2
Total	1,773.5	783.8

Board of Directors and Supervisors

As at 30 June 2004 and at the date of this report, the members of the Board and supervisors are as follows:

Executive Directors

Wei Jian Jun (*Chairman*)

Liu Ping Fu

Wang Feng Ying

Liang He Nian

Yang Zhi Juan

Non-executive Directors

He Ping

Niu Jun

Independent non-executive Directors

Han Chuan Mo
Zhang Ming Yu
Zhao Yu Dong
Wong Chi Keung

Supervisors

Wu Nan
Wei De Yi
Yuan Hong Li
Luo Jin Li

Directors' and Supervisors' Interests in Securities

As at 30 June 2004, the interests and short positions of each of the directors, supervisors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")), which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have under such provision of the SFO), or will be required pursuant to section 352 of the SFO (including interests and short positions which they have taken or are deemed to have taken under the SFO), to be entered in the register referred to therein, or will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules, are as follows:

Name of director/ supervisor	Capacity/Nature	Number of shares	Approximate percentage of interest of shareholding
Mr. Wei Jian Jun	Beneficial owner	156,860,000 (L)*	33.23%
	Interest of spouse	1,705,000 (L)*	0.36%
	Total	158,565,000 (L)*	33.59%
Mr. Wei De Yi	Beneficial owner	30,690,000 (L)*	6.50%
	Interest of spouse	1,705,000 (L)*	0.36%
	Total	32,395,000 (L)*	6.86%

Note: The letter "L" denotes a long position in shares of the Company.

* represents domestic shares



Save as disclosed above, as at 30 June 2004, none of the directors, supervisors or chief executives of the Company has any interest or short positions in any shares, underlying shares or debentures of the Company or any associated corporation within the meaning of the SFO, which have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including such interests or short positions which they are deemed to have) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules. For this purpose, the relevant provisions of the SFO will be interpreted as if they applied to the supervisors.

Shares held by Substantial Shareholders

As at 30 June 2004, the following shareholders had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company:

Name	Number of shares	Approximate percentage of shareholding
Mr. Wei (<i>Note 1</i>)	158,565,000 (L)*	33.59%
Nandayuan Management Centre	150,040,000 (L)*	31.78%
Mr. Wei De Yi (<i>Note 2</i>)	32,395,000 (L)*	6.86%
Ms. Chen Yu Zhi (<i>Note 3</i>)	32,395,000 (L)*	6.86%
Ms. Han Xue Juan (<i>Note 4</i>)	158,565,000 (L)*	33.59%

The letter “L” denotes a long position in shares of the Company.

* represents domestic shares

Notes:

- Out of 158,565,000 domestic shares, 156,860,000 domestic shares are held by Mr. Wei Jian Jun directly and he is also deemed or taken to be interested in 1,705,000 domestic shares held by his spouse, Ms. Han Xue Juan.
- Out of 32,395,000 domestic shares, 30,690,000 domestic shares are held by Mr. Wei De Yi directly and he is also deemed or taken to be interested in 1,705,000 domestic shares held by his spouse, Ms. Chen Yu Zhi.
- Out of 32,395,000 domestic shares, 1,705,000 domestic shares are held by Ms. Chen Yu Zhi directly and she is also deemed or taken to be interested in 30,690,000 domestic shares held by her spouse, Mr. Wei De Yi.
- Out of 158,565,000 domestic shares, 1,705,000 domestic shares are held by Ms. Han Xue Juan directly and she is also deemed or taken to be interested in 156,860,000 domestic shares held by her spouse, Mr. Wei Jian Jun.

Save as disclosed above, as at 30 June 2004, so far as is known to the directors, supervisors or chief executive of the Company, there was no other person who had registered an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who was, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

Material Litigation

During the Period, the Company and its subsidiaries has not involved in any material litigation.

Purchase, Redemption or Sale of the Company's Listed Securities

There were no purchases, redemption or sale of the Company's listed securities by the Company or its subsidiaries during the Period.

Compliance with Code of Best Practice

To the best knowledge of the Directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules throughout the Period.

Audit Committee

The Audit Committee comprises four independent non-executive Directors. The Audit committee has reviewed with management and external auditors the accounting principals and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the unaudited interim financial statements for the Period. The Company's external auditors were engaged by the audit committee to review the unaudited interim financial statements for the Period.



INDEPENDENT REVIEW REPORT



To the board of directors

GREAT WALL AUTOMOBILE HOLDING COMPANY LIMITED

(Incorporated in the People's Republic of China with limited liability)

INTRODUCTION

We have been instructed by the Company to review the interim financial report set out on pages 16 to 34 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with Statement of Standard Accounting Practice No.25 "Interim financial reporting" issued by the Hong Kong Society of Accountants and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors. It is our responsibility to form an independent conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

REVIEW WORK PERFORMED

We conducted our review in accordance with Statement of Auditing Standards No.700 "Engagements to review interim financial reports" issued by the Hong Kong Society of Accountants. A review consists principally of making enquiries of group management and applying analytical procedures to the interim financial report and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

REVIEW CONCLUSION

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30 June 2004.

Ernst & Young
Certified Public Accountants

Hong Kong
19 August 2004

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT*For the six months ended 30 June 2004*

	<i>Notes</i>	Six months ended 30 June	
		2004	2003
		Unaudited	Audited
		RMB'000	RMB'000
TURNOVER	4	1,868,484	1,888,629
Cost of sales		(1,319,025)	(1,244,953)
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Gross profit		549,459	643,676
Other revenue and gains	4	8,259	9,071
Selling and distribution costs		(82,318)	(65,713)
Administrative expenses		(62,032)	(53,942)
Other operating expenses		(34,917)	(22,862)
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PROFIT FROM OPERATING ACTIVITIES	5	378,451	510,230
Finance costs	6	(1,253)	(4,893)
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PROFIT BEFORE TAX		377,198	505,337
Tax	7	(64,281)	(116,447)
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PROFIT BEFORE MINORITY INTERESTS		312,917	388,890
Minority interests		(73,840)	(102,148)
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NET PROFIT FROM ORDINARY ACTIVITIES			
ATTRIBUTABLE TO SHAREHOLDERS		239,077	286,742
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EARNINGS PER SHARE - Basic	9	RMB0.51	RMB0.84



CONDENSED CONSOLIDATED BALANCE SHEET

30 June 2004

	Notes	30 June 2004 Unaudited RMB'000	31 December 2003 Audited RMB'000
NON-CURRENT ASSETS			
Fixed assets	10	458,891	441,344
Construction in progress	11	768,455	376,076
Goodwill		2,299	2,434
Negative goodwill		(16,533)	(17,501)
Deferred tax assets	20	34,251	54,622
		1,247,363	856,975
CURRENT ASSETS			
Inventories	12	415,538	517,090
Trade receivables	13	58,149	56,306
Bills receivables	14	884,836	598,700
Short term investments		722	855
Other receivables	15	108,005	85,828
Cash and cash equivalents		2,153,904	2,515,369
		3,621,154	3,774,148
CURRENT LIABILITIES			
Trade payables	16	787,328	663,482
Bills payables		253,810	262,280
Tax payable		139,331	224,531
Other payables	17	266,565	330,757
Dividend payable to shareholders		–	18,755
Dividend payable to minority shareholders		53,436	2,743
Bank loans	18	1,000	1,000
Provision for product warranties	19	21,360	20,013
		1,522,830	1,523,561
NET CURRENT ASSETS		2,098,324	2,250,587
TOTAL ASSETS LESS CURRENT LIABILITIES		3,345,687	3,107,562
NON-CURRENT LIABILITIES			
Deferred tax liabilities	20	4,557	5,253
MINORITY INTERESTS		362,402	362,770
		2,978,728	2,739,539
CAPITAL AND RESERVES			
Share capital	21	472,100	472,100
Reserves	22	2,506,628	2,267,439
		2,978,728	2,739,539

Wei Jian Jun
Executive Director

Wang Feng Ying
Executive Director

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*For the six months ended 30 June 2004*

	Notes	Share capital RMB'000	Share premium account RMB'000	Capital reserves (Note i) RMB'000	Statutory reserves RMB'000	Retained profits/ (Accumulated losses) RMB'000	Proposed final dividend RMB'000	Total RMB'000
At 1 January 2003		170,500	-	(17,670)	133,935	(14,612)	213,125	485,278
Net profit for the period		-	-	-	-	286,742	-	286,742
Transfer to statutory reserves		-	-	-	44,620	(44,620)	-	-
Transfer to capital reserves	(i)	-	-	53	-	(53)	-	-
At 30 June 2003		170,500	-	(17,617)	178,555	227,457	213,125	772,020
Capitalisation of bonus shares	(ii)	170,500	-	-	-	-	(170,500)	-
Final cash dividend for 2002 declared	(ii)	-	-	-	-	-	(42,625)	(42,625)
Issue of H shares		131,100	1,727,306	-	-	-	-	1,858,406
Expenses for the placing and initial public offering of H shares		-	(84,918)	-	-	-	-	(84,918)
Net profit for the period		-	-	-	-	236,656	-	236,656
Transfer from statutory reserves		-	-	-	(1,879)	1,879	-	-
Transfer to statutory reserves		-	-	-	161,686	(161,686)	-	-
Transfer to capital reserves	(i)	-	-	808	-	(808)	-	-
At 31 December 2003		472,100	1,642,388	(16,809)	338,362	303,498	-	2,739,539
Net profit for the period		-	-	-	-	239,077	-	239,077
Transfer to statutory reserves		-	-	-	67,751	(67,751)	-	-
Transfer to capital reserves	(i)	-	-	14	-	(14)	-	-
Adjustment to expenses for the placing and initial public offering of H shares		-	112	-	-	-	-	112
At 30 June 2004		472,100	1,642,500	(16,795)	406,113	474,810	-	2,978,728

Notes:

- (i) The capital reserves of the Group include non-distributable reserves of the Company and its subsidiaries created in accordance with accounting and financial regulations in the PRC.
- (ii) On 21 July 2003, the shareholders of the Company approved the payment of a final dividend for the year ended 31 December 2002 of RMB1.25 per share, which comprised a cash dividend of RMB0.25 per share and a scrip dividend of one bonus share of RMB1 for each share held.



CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2004

	For the six months ended 30 June	
	2004 Unaudited RMB'000	2003 Audited RMB'000
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	(7,138)	263,524
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(333,224)	(161,261)
NET CASH OUTFLOW FROM FINANCING ACTIVITIES	(21,103)	(89,053)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(361,465)	13,210
Cash and cash equivalents at beginning of period	2,515,369	620,970
CASH AND CASH EQUIVALENTS AT END OF PERIOD	2,153,904	634,180

NOTES TO UNAUDITED INTERIM FINANCIAL REPORT

30 June 2004

1. CORPORATE INFORMATION

The registered office of Great Wall Automobile Holding Company Limited (the “Company”) is located at No. 115 Gongnong Road, South Nanshi District, Baoding, Hebei Province, the People’s Republic of China (the “PRC”). The H shares (RMB1 per share) of the Company amounting to 131,100,000 shares are listed on The Stock Exchange of Hong Kong Limited. During the period, the Company and its subsidiaries (the “Group”) were principally engaged in the manufacture and sale of automobiles and automotive parts and components.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

These condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Statement of Standard Accounting Practice No. 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants.

They have been prepared in Renminbi under the historical cost convention, as modified for the revaluation of short term investments. The accounting policies adopted are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2003.

3. SEGMENT INFORMATION

During the period, over 90% of the Group’s revenue and results were derived from the manufacture and sale of automobiles and, therefore, no business segmental analysis is presented.

No geographical segmental analysis is presented as the Group’s operations were substantially carried out in the PRC. During the period, over 90% of the Group’s turnover was derived from customers in the PRC.



4. TURNOVER AND OTHER REVENUE AND GAINS

Turnover represents the net invoiced value of goods sold, after allowances for trade discounts and returns and excludes sales taxes and intra-group transactions.

An analysis of turnover and other revenue and gains is as follows:

	Six months ended 30 June	
	2004	2003
	Unaudited	Audited
	RMB'000	RMB'000
Turnover		
Sale of automobiles	1,691,365	1,753,598
Sale of automotive parts and components	177,119	135,031
	1,868,484	1,888,629
Other revenue and gains		
Interest income	3,886	4,944
Government grants	3,406	3,480
Unrealised gain on revaluation of short term investments	–	111
Negative goodwill recognised as income	967	431
Write-back of long outstanding payables	–	105
	8,259	9,071

5. PROFIT FROM OPERATING ACTIVITIES

The Group's profit from operating activities is arrived at after charging/(crediting):

	Six months ended 30 June	
	2004	2003
	Unaudited	Audited
	RMB'000	RMB'000
Cost of inventories sold (including depreciation)	1,319,025	1,244,953
Depreciation of fixed assets	32,032	28,251
Amortisation of goodwill included in other operating expenses	135	135
Research and development costs included in other operating expenses	24,159	19,514
Product warranty provisions	10,341	11,173
Interest income included in other revenue and gains	(3,886)	(4,944)
Government grants included in other revenue and gains	(3,406)	(3,480)
Loss on disposal of fixed assets	689	2,521
Loss on disposal of other investments	–	410
Unrealised (gain)/loss on revaluation of short term investments	127	(111)
Negative goodwill recognised as income included in other revenue and gains	(967)	(431)

6. FINANCE COSTS

	Six months ended 30 June	
	2004	2003
	Unaudited	Audited
	RMB'000	RMB'000
Interest on bank loans wholly repayable within five years	952	4,781
Other finance costs	301	112
	1,253	4,893

7. TAX

Income tax

An analysis of the major components of tax expenses of the Group is as follows:

	Six months ended 30 June	
	2004	2003
	Unaudited	Audited
	RMB'000	RMB'000
Hong Kong profits tax	-	-
PRC corporate income tax:		
Current corporate income tax	44,606	118,820
Deferred income tax	19,675	(2,373)
	64,281	116,447

Hong Kong profits tax has not been provided as the Group had no assessable profits arising in Hong Kong during the period. Under PRC income tax law, except for certain preferential treatment available to the Company and certain of its subsidiaries, the entities within the Group are subject to corporate income tax at a rate of 33% on their taxable income.

Pursuant to the Administrative Measures on the Deduction of Corporate Technological Development Expenses Before Tax and the Implementing Measure on the Deduction of Corporate Technological Development Expenses Before Tax of Hebei Province, the Company, being a high technology enterprise, was entitled to deduct an additional technological development expenses before tax in the amount of RMB11,484,000 for the six months ended 30 June 2004, resulting in a reduction in corporate income tax in the amount of RMB3,790,000 in that period (Six months ended 30 June 2003: Nil).

Pursuant to Tentative Regulation Regarding Income Tax Benefit for Investment in the PRC Made Equipment Used in Technical Reform, Baoding Great Wall Internal Combustion Engine Manufacturing Company Limited and Baoding Changcheng Vehicle Axles Industries Company Limited were entitled to exempt corporate income tax in the amount of RMB12,965,000 for the six months ended 30 June 2004 (Six months ended 30 June 2003: Baoding Great Wall Huabei Automobile Company Limited was entitled to exempt corporate income tax in the amount of RMB6,014,000).



Pursuant to the Income Tax Law of the PRC for Enterprises with Foreign Investment and Foreign Enterprises and applicable local tax regulations, Baoding Changcheng Vehicle Axles Industries Company Limited was exempted from corporate income tax for the two years ended 31 December 2002, and will be entitled to a 50% reduction in tax rate for corporate income tax for the three years ending 31 December 2005. Beijing Great Automotive Components Company Limited was exempted from corporate income tax for the two years ended 31 December 2003, and will be subject to a preferential corporate income tax rate of 12% for the three years ending 31 December 2006. Baoding Changfu Pressings Company Limited is exempted from corporate income tax for the two years ending 31 December 2004 and will be entitled to a 50% reduction in tax rate for corporate income tax for the three years ending 31 December 2007.

Pursuant to applicable laws and regulations on welfare enterprises in the PRC, Baoding Great Wall Automobile Accessories Company Limited, Baoding Xincheng Automobile Development Company Limited, Baoding Great Machinery Company Limited, Baoding Riwa Automobile System Accessories Company Limited and Baoding Deer Automobile System Company Limited, all being recognised as welfare enterprises by the relevant authorities, are entitled to apply for exemption in corporate income tax on a year-by-year basis. For the six months ended 30 June 2004, corporate income tax exempted for these welfare enterprises amounted to approximately RMB38,020,000 (Six months ended 30 June 2003: RMB22,995,000).

A reconciliation of income tax expenses applicable to profit from operating activities before income tax at the statutory income tax rate to income tax expenses at the Group's effective income tax rate for the period ended 30 June 2004 is as follows:

	Six months ended 30 June	
	2004	2003
	Unaudited	Audited
	RMB'000	RMB'000
Profit before tax	377,198	505,337
At PRC corporate income tax rate of 33%	124,475	166,761
Tax effect of expenses not deductible for tax purposes	13,563	11,581
Tax holiday	(73,757)	(61,895)
	<hr/>	<hr/>
Tax expense	64,281	116,447

Value added Tax ("VAT") and Consumption Tax

The general VAT rate applicable to the Company and its subsidiaries in the PRC is 17%. Certain of the Company's automobiles are also subject to consumption tax at standard rates of 3% or 5%. Subsequent to 30 June 2004, on 5 July 2004, the State Tax Bureau approved a 30% reduction in the consumption tax previously paid by the Company for certain products. The amount exempted amounting to approximately RMB30,713,000 will be recorded as income in the second half of 2004 and applied to offset future consumption tax payable.

8. DIVIDEND

The directors do not recommend the payment of any interim dividend for the six months ended 30 June 2004 (Six months ended 30 June 2003: Nil).

9. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders for the six months ended 30 June 2004 of RMB239,077,000 (Six months ended 30 June 2003: RMB 286,742,000), and the weighted average of 472,100,000 shares (Six months ended 30 June 2003: 341,000,000 shares as adjusted to reflect the bonus issue of 170,500,000 shares on 3 September 2003) in issue during the period.

There were no potential diluting shares outstanding during the current and prior periods and therefore diluted earnings per share amounts have not been presented.

10. FIXED ASSETS

	Leasehold land and buildings <i>RMB'000</i>	Plant and machinery <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Furniture, fixture and office equipment <i>RMB'000</i>	Total <i>RMB'000</i>
Cost:					
At 31 December 2003	266,711	296,680	23,838	25,309	612,538
Additions	311	9,506	1,360	3,555	14,732
Transfer from construction in progress (<i>Note 11</i>)	4,669	30,616	323	627	36,235
Disposals	(303)	(511)	(1,040)	(540)	(2,394)
At 30 June 2004	271,388	336,291	24,481	28,951	661,111
Accumulated depreciation:					
At 31 December 2003	38,790	119,458	5,747	7,199	171,194
Provided for the period	6,150	22,367	1,545	1,970	32,032
Disposals	(95)	(229)	(314)	(368)	(1,006)
At 30 June 2004	44,845	141,596	6,978	8,801	202,220
Net book value:					
At 30 June 2004 (Unaudited)	226,543	194,695	17,503	20,150	458,891
At 31 December 2003 (Audited)	227,921	177,222	18,091	18,110	441,344



11. CONSTRUCTION IN PROGRESS

	Unaudited RMB'000
At 31 December 2003	376,076
Additions	428,614
Transfer to fixed assets (<i>Note 10</i>)	(36,235)
At 30 June 2004	768,455

The major addition of the construction in progress mainly represented plant and machinery and construction cost incurred for the construction of new car manufacturing facilities in the amount of RMB397 million.

12. INVENTORIES

	30 June 2004 Unaudited RMB'000	31 December 2003 Audited RMB'000
Raw materials	174,234	129,096
Semi-finished goods	65,864	85,145
Work in progress	27,189	34,265
Finished goods	153,145	273,734
	420,432	522,240
Provision for inventory impairment	(4,894)	(5,150)
	415,538	517,090

13. TRADE RECEIVABLES

The Group normally receives payments or bills in advance for the sale of automobiles. For other customers, the Group normally allows a credit period of not more than 90 days. The Group closely monitors overdue balances and a provision for doubtful debts is made when it is considered that amounts due may not be recovered.

An aged analysis of the trade receivables of the Group is as follows:

	30 June 2004 Unaudited RMB'000	31 December 2003 Audited RMB'000
Outstanding balances aged:		
Within 6 months	60,772	57,682
7 to 12 months	2,360	2,988
Over 1 year	1,448	1,581
	64,580	62,251
Less: Provision for doubtful debts	(6,431)	(5,945)
	58,149	56,306

Included in the Group's trade receivables are amounts due from related parties of RMB10,297,000 (31 December 2003: RMB15,738,000). The balances are unsecured, non-interest bearing and are repayable on credit terms similar to those offered to the major customers of the Group.

14. BILLS RECEIVABLES

The balance represents bank acceptance notes with tenures of within six months.

The maturity profile of the bills receivables of the Group is as follows:

	30 June 2004 Unaudited RMB'000	31 December 2003 Audited RMB'000
Falling due:		
Within 3 months	474,318	84,959
4 to 6 months	410,518	513,741
	884,836	598,700

As at 30 June 2004, the Group's bills receivables amounting to RMB135,200,000 (31 December 2003: RMB60,151,000) are pledged to banks for issuing an equivalent amount of bills payables.



15. OTHER RECEIVABLES

	30 June 2004 Unaudited RMB'000	31 December 2003 Audited RMB'000
Prepayments	92,256	31,714
Export VAT refund	1,551	2,887
Other	14,198	51,227
	108,005	85,828

Included in the Group's other receivables are amounts due from related parties of RMB49,805,000 (31 December 2003: RMB662,000). The balances are unsecured, non-interest bearing and are repayable on demand.

16. TRADE PAYABLES

An aged analysis of the trade payables of the Group is as follows:

	30 June 2004 Unaudited RMB'000	31 December 2003 Audited RMB'000
Outstanding balances aged:		
Within 6 months	732,054	473,654
7 to 12 months	30,959	125,938
1 to 2 years	9,002	45,049
Over 2 years	15,313	18,841
	787,328	663,482

Included in the Group's trade payables are amounts payable to related parties of RMB9,776,000 (31 December 2003: RMB 41,716,000). The balances are unsecured, non-interest bearing and payable on demand.

17. OTHER PAYABLES

	30 June 2004 Unaudited RMB'000	31 December 2003 Audited RMB'000
Advances from customers	139,999	196,708
Accruals	11,041	32,366
Other	115,525	101,683
	<hr/> 266,565	<hr/> 330,757

Included in the Group's other payables are amounts payable to related parties of RMB892,000 (31 December 2003: RMB211,000). The balances are unsecured, non-interest bearing and are payable on demand.

18. BANK LOANS

	30 June 2004 Unaudited RMB'000	31 December 2003 Audited RMB'000
Bank loans:		
Secured	-	-
Unsecured	1,000	1,000
	<hr/> 1,000	<hr/> 1,000

On 3rd September 2003, the Company entered into an agreement with a bank for a general banking facility to the extent of RMB100 million, which includes a sub-limit of RMB40 million for an unsecured loan. Unutilised banking facilities amounted to RMB99 million as at 30 June 2004.

19. PROVISION FOR PRODUCT WARRANTIES

	Unaudited RMB'000
At 31 December 2003	20,013
Additional provisions	10,341
Amounts utilised	(8,994)
At 30 June 2004	<hr/> 21,360



20. DEFERRED TAX

The movements in the deferred tax accounts are as follows:

Deferred tax assets:

	As at 31 December 2003 Audited RMB'000	Net increase/ (decrease) during the period Unaudited RMB'000	As at 30 June 2004 Unaudited RMB'000
Provisions in respect of:			
Provision for doubtful receivables	2,667	435	3,102
Provision for inventory impairment	1,623	(85)	1,538
Unrealised loss on revaluation of short term investments	199	42	241
Liabilities for accrued expenses that are deductible for tax purposes only when paid	4,610	(1,183)	3,427
Receipt in advance that was taxable when received	17,367	(13,602)	3,765
Unrealised profit arising on consolidation	19,672	(5,560)	14,112
Temporary differences arising from transfer of intangible assets between group companies	8,484	(418)	8,066
	54,622	(20,371)	34,251

Deferred tax liabilities:

	As at 31 December 2003 Audited RMB'000	Net increase/ (decrease) during the period Unaudited RMB'000	As at 30 June 2004 Unaudited RMB'000
Provision in respect of:			
Depreciation of fixed assets	2,147	688	2,835
Other temporary differences arising from transfer of assets between group companies	3,106	(1,384)	1,722
	5,253	(696)	4,557

21. SHARE CAPITAL

	30 June 2004 Unaudited RMB'000	31 December 2003 Audited RMB'000
<i>Issued and fully paid:</i>		
341,000,000 domestic shares of RMB1 each	341,000	341,000
131,100,000 H shares of RMB 1 each	131,100	131,100
	472,100	472,100

22. RESERVES

The amounts of the Group's reserves and the movements therein for the period are presented in the consolidated statement of changes in equity.

23. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at the end of the period.

24. CAPITAL COMMITMENTS

The Group had the following capital commitments at the balance sheet date:

	30 June 2004 Unaudited RMB'000	31 December 2003 Audited RMB'000
Contracted, but not provided for	431,556	481,168
Authorised but not contracted for	282,062	809,860
	713,618	1,291,028

An analysis of the above capital commitments by nature is as follows:

	30 June 2004 Unaudited RMB'000	31 December 2003 Audited RMB'000
Acquisition of plant and machinery	571,345	957,528
Construction commitment	142,067	333,500
Other	206	-
	713,618	1,291,028



25. OPERATING LEASE COMMITMENTS

At the balance sheet date, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2004 Unaudited RMB'000	31 December 2003 Audited RMB'000
As lessee:		
Within one year	230	251
In the second to fifth years, inclusive	263	383
After five years	-	-
	493	634

26. CHANGES IN COMPOSITION OF THE GROUP

During the period, the Group invested in the following joint ventures:

- (i) On 6 January 2004, the Company entered into a joint venture agreement with an independent third party, Automart Holding Limited, to set up a sino-foreign joint venture company with limited liability, Macs (Baoding) Auto A/C System Company Limited ("Macs Auto A/C Company") with an approved tenure of 15 years. The registered capital of Macs Auto A/C Company is RMB16,500,000. The Company subscribed for a 51% equity interest of Mac Auto A/C Company in cash.
- (ii) On 12 February 2004, the Company and an independent third party, Wenzhou Global Automobile Pad Company Limited set up a limited liability company, Baoding Global Automotive Components Company Limited ("Baoding Global Company") with a tenure of 15 years. The registered capital of Baoding Global Company is RMB10,000,000. The Company subscribed for a 51% equity interest of Baoding Global Company in cash.
- (iii) On 23 April 2004, the Company and two independent third parties, Deye (HK) Technological Electron Appliance Company Limited and Ningbo Deye Chemical Material Company Limited set up a limited liability company, Baoding Deye Automobile Inner Decoration Company Limited ("Deye Automobile Inner Decoration Company") with a tenure of 10 years. The registered capital of Deye Automobile Inner Decoration Company is RMB 30,000,000. The Company subscribed for a 49% equity interest of Deye Automobile Inner Decoration Company in cash.

27. RELATED PARTY TRANSACTIONS

The Group had the following material transactions with related parties during the period:

Name of related parties	Relationship with the Group	Nature of transactions	Pricing policy	Six months ended 30 June	
				2004 Unaudited RMB'000	2003 Audited RMB'000
Wenzhou Global Automobile Pad Company Limited (溫州環球汽車襯墊有限公司)	(i)	Purchases of Automotive parts and components	(c)	165	-
Gaobeidian Zhongke Automobile Huabei Company Limited (高碑店市中容華北汽車有限責任公司)	(ii)	Sales of automotive parts and components	(c)	6,211	-
		Purchases of automotive parts and components	(c)	172	-
		Utilities fee received	(c)	547	-
		Processing service fee paid	(c)	610	796
Hebei Baoding Tai Hang Group Company Limited (河北保定太行集團有限公司)	(iii)	Purchases of automotive parts and components	(d)	66	161
		Construction services fee paid	(c)	987	1,300
Baoding Taihang Pump Manufacturing Company Limited (保定市太行制泵有限公司)	(iv)	Purchases of automotive parts and components	(c)	91	-
		Purchases of fixed assets	(c)	240	-
Baoding Tai Hang Steel Structure Construction Company Limited (保定市太行鋼結構工程有限公司)	(v)	Construction services fee paid	(c)	15,930	7,584
Beijing Beiqi Momeiya Automobiles Manufacturing Company Limited & Tianjin Tianqi Group Meiya Automobile Manufacturing Company Limited (北京北汽摩美亞汽車製造有限公司&天津天汽集團美亞汽車製造有限公司)	(vi)	Sales of automotive parts and components	(c)	19,964	5,708
Beijing Jiayou Trading Company Limited (北京佳友興業商貿有限公司)	(vi)	Sales of automotive parts and components	(c)	145	-



Name of related parties	Relationship with the Group		Pricing policy	Six months ended 30 June	
	Nature of transactions			2004 Unaudited RMB'000	2003 Audited RMB'000
Baoding Tai Hang Rosemex Engineering Company Limited (保定太行熱士美工程有限公司)	(vii)	Construction services fee paid	(c)	253	488
Beijing Weide Automobile System Accessories Company Limited (北京威德汽車系統配套有限公司)	(viii)	Purchases of automotive parts and components	(c)	1,781	-
Baoding Ants Logistics Company Limited ("Ants Logistics") (保定市螞蟻物流網絡有限公司)	(ix)	Transportation fee paid	(c)	35,427	33,769
Shunping Ante Transport Company Limited (順平安特運輸有限公司)	(ix)	Transportation fee paid	(c)	5,117	-

Notes:

- (a) The bank guarantees, all of which had been released, were provided by the related parties at nil consideration.
- (b) The price was determined at a cost plus basis.
- (c) The price was determined with reference to the then prevailing market prices/rates and the price charged to third parties.
- (d) The consideration was in accordance with the terms of the underlying agreement.
- (i) Wenzhou Global Automobile Pad Company Limited is a minority shareholder of Baoding Global Automotive Components Company Limited.
- (ii) Gaobeidain Zhongke Automobile Huabei Company Limited is a related party of a director of Baoding Great Wall Huabei Automobile Company Limited.
- (iii) Hebei Baoding Tai Hang Group Company Limited is controlled and beneficially owned by a supervisor of the Company.
- (iv) Baoding Tai Hang Pump Manufactory Company Limited is beneficially owned by a director of the Company.

- (v) Baoding Tai Hang Steel Structure Construction Company Limited is controlled and beneficially owned by a director of the Company.
- (vi) Beijing Beiqi Momeiya Automobiles Manufacturing Company Limited & Tianjin Tianqi Group Meiya Automobile Manufacturing Company Limited and Beijing Jiayou Trading Company Limited are related parties of a director of Baoding Great Wall Internal Combustion Engine Manufacturing Company Limited.
- (vii) Baoding Tai Hang Rosemex Engineering Company Limited is substantially beneficially owned by a supervisor of the Company.
- (viii) Beijing Weide Automobile System Accessories Company Limited is controlled and beneficially owned by a director of the Company.
- (ix) Baoding Ants Logistics Company Limited and Shunping Ante Transport Company Limited are controlled and beneficially owned by a director of the Company.

28. POST BALANCE SHEET EVENTS

On 2 August 2004, the Company and an independent third party, Shanghia Jiehua Automobile Decoration Development Center, set up a limited liability company, Baoding Jiehua Automobile Components and Accessories Company Limited (“Baoding Jiehua Company”) with a tenure of 15 years. The registered capital of Baoding Jiehua Company is RMB 18,000,000. The Company subscribed for a 50% equity interest of Baoding Jiehua Company in cash.

29. APPROVAL OF THE INTERIM STATEMENTS

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2004 were approved and authorised for issue by the board of directors on 19 August 2004.