長城汽車股份有限公司
GREAT WALL MOTOR COMPANY LIMITED*

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

Interim Report 2005

* For identification purposes only

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FINANCIAL HIGHLIGHTS

(about RMB million)

	For the six months ended 30 June 2005	For the six months ended 30 June 2004
Turnover	**1,597**	1,868
Profit from operating activities	**247**	378
As % of turnover	**15.5%**	20.2%
Net profit attributable to equity holders of the parent	**203**	239
Earning per share	**RMB0.21**	RMB0.25

The directors (the "Directors") of GREAT WALL MOTOR COMPANY LIMITED (the "Company") are pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2005 (the "period"). The unaudited interim results have been reviewed by the Company's auditor, Ernst & Young.

FINANCIAL REVIEW

Turnover

During the period, the Group's turnover was RMB1,597,126,000.

Analysis on automobile sales and production capacity

	Six months ended 30 June 2005			Six months ended 30 June 2004		
	Sales volume	**Turnover**	**Percentage**	Sales volume	Turnover	Percentage
	(units)	***RMB'000***	***(%)***	*(units)*	*RMB'000*	*(%)*
Pick-up trucks	**15,250**	**806,014**	**50.5**	13,150	757,584	40.5
SUV	**8,525**	**581,756**	**36.4**	13,399	907,159	48.6
CUV	**959**	**86,476**	**5.4**	–	–	–
Buses and special vehicles	**146**	**21,958**	**1.4**	154	26,622	1.4
Automotive parts and components	**–**	**100,922**	**6.3**	–	177,119	9.5
Total	**24,880**	**1,597,126**	**100.0**	26,703	1,868,484	100.0
Pick-up trucks and SUV annual production capacity *(units)*	**70,000**			70,000		
CUV annual production capacity *(units)*	**40,000**					

Gross profit and gross profit margin

During the period, the Group's gross profit decreased by approximately 20.7% from RMB549,459,000 for the corresponding period of last year to RMB435,615,000. The decrease in the Group's gross profit was mainly due to the decrease in automobile sales volume and the decrease in gross profit margin of automobiles, which was mainly attributable to the adjustments to the Company's automobile prices during the first half of the year in accordance with the price cuts on automobiles of various automobile manufacturers in response to the fierce competition in the automobile market.

Net profit attributable to equity holders of the parent and earnings per share

The Group's net profit attributable to equity holders of the parent for the period decreased from RMB239,077,000 for the corresponding period of last year to RMB202,916,000. The decrease in the Group's net profit attributable to equity holders of the parent was mainly due to the decrease in gross profit of automobile sales.

During the period, the basic earnings per share of the Company were RMB0.21. 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 11.9% from RMB144,350,000 in the first half of 2004 to RMB161,479,000 in the first half of 2005. The percentage of selling and distribution costs and administrative expenses to the Group's turnover increased from 7.7% for the first half of 2004 to 10.1% for the first half of 2005. The increase was mainly due to (1) the increase in staff cost resulting from the increase in number of staff; (2) the increase in pre-operating expenses and office expenses of newly-incorporated companies; and (3) increase in consultancy service fee and ports expenses and the increase in exhibition costs for automobiles.

Finance costs

In the first half of 2005, the Group recorded financial cost of approximately RMB259,000 as compared to approximately RMB1,253,000 in the first half of 2004, representing a decrease of 79.3%.

Liquidity and financial resources

As at 30 June 2005, the Group's current assets mainly included cash and cash equivalent of approximately RMB2,245,189,000, trade receivables of approximately RMB38,692,000, inventory of approximately RMB570,226,000, bills receivable of approximately RMB528,938,000, held-for-trading financial assets of approximately RMB338,000 and other receivables of approximately RMB167,555,000. Current liabilities mainly include dividend payables to shareholders of approximately RMB60,561,000, dividend payable to minority shareholders of approximately RMB56,188,000, other payables of approximately RMB382,582,000, tax payables of approximately RMB40,331,000, bills payable of approximately RMB210,717,000 and trade payables of approximately RMB905,263,000, and provision for product maintenance and repairs of approximately RMB20,873,000.

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 exchanges rates. The Board believes that the Group will have sufficient foreign exchange to meet its foreign exchange requirement.

As most of the Group's materials and parts and components are purchased domestically, the slight appreciation of Renminbi has no impact on the Group's import business. With respect to export business, the Group's products have relatively competitive advantage over the imported products and hence the Group's current sales have not been affected.

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. As at 30 June 2005, the Group was in a debt-free financial position.

MANAGEMENT DISCUSSION AND ANALYSIS

Operating Environment

During the period, the Chinese government implemented certain macroeconomic austerity measures targeted at the automobile industry with an aim of regulating the automobile market. Nevertheless, China's automobile industry is still moving ahead at a steady pace as a whole.

Early this year, the Ministry of Commerce of China introduced new measures to regulate brand sales, which will heighten regulation of the automobile market. Those enterprises characterised by relatively small-scale operations, low technology, disorganised management and which are unauthorised to carry out automobile brand sales activities will gradually be eliminated. After undergoing structural adjustments, the entire automobile market in China will enter a stage marked by quality, and industry consolidation will accelerate.

During the period, the State made two adjustments to the oil price. Although the oil price upsurge had affected automobile purchases to some extent, consumers would not forgo the use of vehicles merely because of the rise in oil price. The future trend for consumption in the automobile market will be geared towards environmental-friendly vehicles with energy-saving, low fuel consumption, high quality, fashionable and personalised features.

Since 1 January 2005, there have been several major changes in the State policies on imported automobiles. Apart from the above-mentioned regulatory measures on brand sales, these changes included further lowering of tariffs and the removal of quota restriction. Starting this year, the tariffs on imported automobiles will be lowered to 30%, which is the fourth time the Chinese government has lowered its tariffs on imported automobiles since its entry to the World Trade Organization. The measure will ensure a more level playing field for market players and is favourable for domestic automobile manufacturers to import parts and components for upgrading product quality, thereby enhancing their competitiveness. All this will contribute to the healthy and stable long-term development of China's automobile industry.

This year China removes its quota restriction on imported automobiles, which had been in place for 20 years. With the quota restriction lifted, domestic automobile manufacturers will, despite their relatively low competitiveness among international players, be able to conduct effective monitoring of the import situation of automobiles, which will facilitate the creation of a regulated and ordered domestic automobile market.

The lowering of tariffs and the removal of quota restriction had certain degree of direct impact on high-end PRC automobiles but minor impact on economical vehicles.

Competition in the automobile market had intensified under a short-term oversupply condition as a result of continued expansion of production capacity in the overall automobile market. During the period, the launch of a variety of new products by automobile manufactures at a faster pace, increase in costs, and decline in the overall automobile prices had squeezed profit margins. However, the cut-throat price competition among manufacturers as seen in the previous year did not appear. The automobile prices had been moving up and down within reasonable levels.

According to the statistics of China Association of Automobile Manufacturers, the total production volume of automobiles in China during the period was 2,815,200 units, representing an increase of 5.15% as compared to that of the same period of 2004. Meanwhile, the total sales volume of automobiles increased by 9.35% to 2,792,400 units. All this indicated that the growth rate of demand for automobiles was not as high as those in the past few years, but it will become more stable in the future. During the period, the ratio of production to sales of automobiles in China reached 99.19%, indicating the problem of market disequilibrium being gradually solved. On the whole, the automobile industry is no longer growing at exponential rates but rather entering a stage of stable growth. The automobile manufacturers are able to examine what the market needs and exploit consumers' psychological behaviour and to formulate a production plan under actual conditions, with an aim of meeting the ever-changing demand in the automobile market.

During the period, China sustained 9.5% growth rate in gross domestic product, despite under the influence of the macroeconomic austerity measures. We expect the automobile production and sales volume in China will continue to rise in the next few years. Pursuant to the macroeconomic policy, laws and regulations regarding China's consumer market of automobiles will continue to be fine-tuned. Corporations with strong development capabilities, quality products, competitive edge and low production cost will face with more opportunities.

Business Review

Sales of automobiles, parts and components

Automobile sales

During the period, the Group's sales volume of pick-up trucks reached 15,250 units. According to the statistics of National Pick-up Truck Market Information Association, the sales volume of pick-up trucks of the Group continued to rank first in the Chinese market during the period. Sales revenue amounted to RMB806,014,000. 10,383 units of the Deer pick-up trucks were sold with revenue amounting to RMB519,067,000. 2,794 units of the Sailor pick-up trucks were sold with revenue amounting to RMB169,205,000. 2,073 units of So Cool pick-up trucks were sold with revenue amounting to RMB117,742,000.

The sales volume of sport utility vehicles ("SUVs") of the Group during the period reached 8,525 units, with sales revenue amounting to RMB581,756,000. During the period, 2,870 units of *Safe* SUVs were sold with revenue amounting to RMB195,810,000. 3,648 units of *Sing* SUVs were sold with revenue amounting to RMB248,469,000. 2,007 units of *Pegasus* SUVs were sold with revenue amounting to RMB137,477,000.

During the period, 959 units of crossover utility vehicles ("CUVs") were sold with revenue amounting to RMB86,476,000.

The Group's sales revenue from other products during the period amounted to RMB21,958,000.

Sales of parts and components

Apart from producing automobiles, the Group is engaged in the manufacture and sale of major automotive parts and components for use in the production of pick-up trucks and SUVs. These parts and components include self-manufactured engines, front and rear axles, air-conditioning equipment, drag ball pins, lever assembly and other parts and components for the production of automobiles. The manufacture and sale of automotive parts and components not only provided sales revenue to the Group, but also ensured the provision of after-sales service on parts and components. During the period, the sales revenue of automotive parts and components amounted to RMB100,922,000, representing a decrease of 43.0% as compared to that of the same period in 2004.

Domestic market

The domestic sales volume of pick-up trucks, SUVs and CUVs of the Group during the period amounted to 11,920 units, 7,860 units and 958 units, respectively, with sales revenue amounting to RMB610,714,000, RMB527,369,000 and RMB86,362,000, respectively. The sales revenue from the two main groups of customers, namely (1) dealers; and (2) government entities and individual customers amounted to RMB1,178,231,000 and RMB67,191,000, respectively.

	For the six months ended 30 June 2005			For the six months ended 30 June 2004		
	Sales volume *(units)*	**Sales revenue *RMB'000***	**Percentage share of domestic automobile sales *(%)***	Sales volume *(units)*	Sales revenue *RMB'000*	Percentage share of domestic automobile sales *(%)*
Dealers	**19,853**	**1,178,231**	**94.6**	24,379	1,553,931	94.4
Government entities and individual customers	**1,028**	**67,191**	**5.4**	1,534	91,425	5.6
Total	**20,881**	**1,245,422**	**100.0**	25,913	1,645,356	100.0

Overseas markets

During the period, the Group's overseas automobile sales revenue amounted to RMB250,782,000, representing an increase of 445.1% as compared to that of the same period last year. Export sales accounted for 15.7% of the total turnover. The Group's major foreign markets included Russia, United Arab Emirates, Oman, Qatar, Syria, Ukraine, Tunisia, Nigeria, Saudi Arabia.

Russia offers a vast market for the Group's exports. The Russian automobile industry is currently facing a serious problem of obsolescence, with lots of products outmoded and to be replaced. This situation provides an excellent opportunity for the automobile enterprises in China. Moreover, the state and municipal governments of Russia have assumed a very positive attitude towards replacing old automobiles with new ones. The Russian government also encourages the development of small enterprises. Given the continued rise in income of Russians in recent years and the geographical conditions of Russia, demand for pick-up trucks, SUVs and mini-station wagons in Russia has been dramatically increasing. The Group will seize this opportunity to actively develop the automobile markets in Russia and its surrounding countries. During the period, the Group sold in the Russian market 1,532 units of vehicles, accounting for 38.3% of its total exports.

Launch of new products

On 6 March 2005, the Group commenced the production of *Hover*, the first ever domestically produced CUV which was well anticipated throughout the industry, in its newly established facility with an annual production capacity of 100,000 units. *Hover* CUV is aiming at white-collars in middle and large cities, who lead a busy working life while pursuing a quality living. *Hover* CUV integrates the comfort of a sedan, the practicability of a multi-purpose vehicle ("MPV") and the toughness of an SUV, while demonstrating a higher degree of dynamism than traditional SUVs. The main features of *Hover* CUV include spacious interior, fashionable exterior, low energy consumption and outstanding performance. The emission level of *Hover* CUV meets Euro III standard, which means it is able to meet consumers' demand for comfortable and energy-saving vehicles.

Trial production of *Hover* CUV commenced in March this year, and mass production began at the end of May. As at 30 June 2005, the Group had sold 959 units of *Hover* CUV, reflecting customers' enthusiasm in ordering the product and encouraging market response. The Company did not launch *Hover* CUV just to satisfy domestic demand, but with the aim to enlarge its share in the international market. The Company is currently actively seeking overseas dealers to establish international sales network. We are confident that *Hover* CUV will become a major source of revenue in the future.

A shares issue

In consideration of the impact brought by factors such as macroeconomic austerity measures and the changes in China's policy on the capital market, the Group will postpone the implementation of its A shares issue plan. The Company expects the deferred implementation will not have any adverse impact on its overall strategic development.

Sales and after-sales service network

As at 30 June 2005, the Group's sales and after-sales networks spanned 22 provinces and five autonomous regions in China.

Production and production capacity

As at 30 June 2005, the total annual production capacity of the Group's SUVs and pick-up trucks reached approximately 70,000 units. The annual production capacity of *Hover* CUVs reached approximately 40,000 units.

Outlook

Overview

With the dual advantages of cargo-loading practicability and seating comfort, pick-up trucks continue to sustain steady growth in sales volume. In the vast rural market of China, the gradual increase in income of peasants and the acceleration of urbanisation will definitely escalate pick-up trucks' penetration of rural life. Meanwhile, the continued rise in overseas customers' demand for attractively priced, high-quality Chinese pick-up trucks have painted a rosy picture of the pick-up truck market in China. With respect to SUVs, owing to the cancellation of quota on imported automobiles, drastic upsurges in international crude oil price and substantial increase in imported oil to China, there is a downturn in the overall SUV market in China for 2005. Competition will also lead to consolidation of the SUV market. Looking ahead, the Group has aimed its products at markets worldwide. While highlighting its edge in quality-price ratio, the Company is engaged in developing automobiles that feature energy-saving, environmental-friendly, low-emission, safety and the use of new energy. Based on the strategic product development plan of "production of one generation of products, improvement in that generation, research on the next generation, and keeping a developed future generation in hand", the Group will produce products of excellent and unique qualities, and lead the industry with continued product innovation. *Hover* CUV has, since its mass production in May 2005, been well-received by the market.

New products

A pick-up truck model produced on the same production line with *Hover* CUV is now in the stage of engineering design and performance development. This new product will have a stronger horsepower with a 2.8L diesel engine and meet the Euro III emission standard. It is expected to be launched at the end of 2006.

With regard to design, development and production of automotive parts and components, the Company will persevere in technological innovation by keeping on actively seeking professional and quality partners at home and abroad.

New facilities

To enrich the Group's product portfolio, construction of the passenger vehicle production base, with an annual capacity of 200,000 units, commenced on 1 July of this year. The completion of construction and trial production are expected to take place at the end of 2007. The Company is currently planning for new models to be produced on this production line, including sedans and MPVs.

With the support of State policies, the Company considers the expansion to the sedan market as one of its long-term strategies. Tapping into the sedan market is the Company's current top priority. By producing sedans and MPV passenger vehicles on the same production line, the Company not only maximises cost efficiency by lowering the production cost of automobiles, but also the effectiveness of the production line.

The research, development and testing centre established by Baoding Great Wall Internal Combustion Engine Manufacturing Company Limited ("Internal Combustion Engine") commenced installation and testing of the testing facilities in May 2005. Upon completion of this project, examination and testing of internal combustion engine emission for compliance with Euro III and Euro IV standards, the development of combustion, and the grading of performance and automobile emission level can be conducted at the centre.

Engine projects

Based on the existing 2.8TDI diesel engine (Euro II), the Company and two German companies have engaged in joint development of electric control high pressure common rail system and Exhaust Gas Recirculation system, which meet Euro III emission standards, lower the engine noise by 15 decibels and further reduce fuel consumption. They are expected to be produced in batches starting mid-July 2006.

The Company plans to upgrade its 2.8TC diesel engine. The production lines of cylinder blocks, crankshafts and con rods are expected to be completed at the end of this year. These lines will produce models meeting Euro II and Euro III standards, which will be launched to the market in mid-2006.

Enlarged client base

While maintaining its existing share of the large volume purchase sector in China and of the foreign market, the Group will also enhance promotion in both developing and developed countries and strive for further expansion to the European and North American markets.

Future vision

The Group will continue to maintain its leading position in the pick-up truck and economical SUV markets, while pushing ahead with the MPVs and sedan projects. All this is to enlarge the Group's market share through tapping into the mainstream automobile market, and to enhance its comprehensive competitiveness through enriching the Company's product portfolio.

The Group will also seize the right timing during industry consolidation to look for possible joint-venture collaborations for related businesses to enhance its corporate technological prowess, in order to prepare for and augment its capability for sustainable development in the future.

In addition, the Group will continue to push ahead with stringent cost control measures and prudent financial management system, thereby creating greater value and returns for shareholders.

Employment, training and development

As at 30 June 2005, the Group employed a total of approximately 6,845 employees. 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 for motivation. Total staff costs amounted for 4.5% of the Group's turnover for the six months ended 30 June 2005.

Taxation

The Group's taxation was decreased by 76.6% from RMB64,281,000 for the first half of 2004 to RMB15,035,000 for the first half of 2005. The drop was mainly due to the decrease in profit before tax and the Company's entitlement of a tax-free period under tax-free preferential tax policy for enterprise with foreign investment.

Segment information

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

Geographical segmental analysis is presented based on the geographical location of customers. The Group's assets and liabilities are almost entirely situated in the PRC and accordingly, no information on segment assets, liabilities and capital expenditure is provided.

	Six months ended 30 June 2005			Six months ended 30 June 2004		
	PRC	**Overseas**	**Combined**	PRC	Overseas	Combined
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*
Turnover	**1,346,344**	**250,782**	**1,597,126**	1,822,475	46,009	1,868,484
Segment result	**361,818**	**73,797**	**435,615**	535,105	14,354	549,459
Unallocated expenses			**(189,559)**			(171,008)
Profit from operations			**246,056**			378,451
Finance costs			**(259)**			(1,253)
Income tax			**(15,035)**			(64,281)
Profit after tax			**230,762**			312,917
Attributable to:						
Equity holders of the parent			**202,916**			239,077
Minority interests			**27,846**			73,840

Contingent liabilities

As at the balance sheet date, the Group did not have any significant contingent liabilities.

Interim Dividend

The Board resolved not to declare the payment of any interim dividend for the period.

SUPPLEMENTARY INFORMATION

Use of proceeds from the Company's Initial Public Offering

The Company conducted initial public offering (H shares) in December 2003 and was listed on the main board of the Stock Exchange of Hong Kong Limited on 15 December 2003. The net proceeds raised amounted to approximately RMB1,773,488,000. Set out below is the Group's future plans as stated in the prospectus of the Company and the Group's usage up to 30 June 2005.

	Proposed	**Actual use**
		RMB million
Development of the new production facilities	429.3	220.8
Upgrading and expanding the existing production facilities for engine	198.0	90.1
Upgrading and expanding the existing production facilities for parts	88.5	56.1
Improving the research and development capabilities	29.0	15.3
Upgrading the information systems	20.0	4.0
General working capital	1,008.7	1,008.7
Total	1,773.5	1,395.0

Directors' and Supervisors' Interest in Securities

As at 30 June 2005, 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")), as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and The Stock of Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), are as follows:

Name of director/ supervisor	**Capacity/Nature of interest**	**Number of shares**	**Approximate percentage of domestic shares**	**Approximate percentage of H shares**	**Approximate percentage of total shares**
			%	%	%
Mr. Wei Jian Jun	Beneficial owner	313,720,000(L)*	46.00	–	33.23
	Interest of spouse	3,410,000(L)*	0.50	–	0.36
	Interest of a controlled corporation	16,806,760(L)*	2.46	–	1.78
	Total:	333,936,760(L)*	48.96	–	35.37

Note:

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

2. Out of the 333,936,760 domestic shares, Mr. Wei Jian Jun directly holds 313,720,000 domestic shares. He is also deemed or taken to be interested in 3,410,000 domestic shares and 16,806,760 domestic shares held by his spouse, Ms. Han Xue Juan and by his associate, Baoding Ants Logistics Company Limited, respectively.

* *represents domestic shares*

Save as disclosed above, as at 30 June 2005, none of the Directors, supervisors or chief executive 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) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers 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 2005, the following persons, other than a Director, supervisor or chief executive of the Company, had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Name	Number of shares	Approximate percentage of domestic shares	Approximate percentage of H shares	Approximate percentage of total shares
		%	%	%
The Management Centre of Collective Assets of Nandayuan Town, Nanshi District, Baoding	283,273,240 (L)*	41.54	–	30.00
Mr. Wei De Yi *(Note 1)*	64,790,000 (L)*	9.50	–	6.86
Ms. Chen Yu Zhi *(Note 2)*	64,790,000 (L)*	9.50	–	6.86
Ms. Han Xue Juan *(Note 3)*	333,936,760 (L)*	48.96	–	35.37
Cheah Cheng Hye *(Note 4)*	23,643,500 (L)	–	9.02	2.50
Value Partners Limited	23,643,500 (L)	–	9.02	2.50

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

* represents domestic shares

Notes:

1. Out of 64,790,000 domestic shares, 61,380,000 domestic shares are held by Mr. Wei De Yi directly and he is also deemed or taken to be interested in 3,410,000 domestic shares held by his spouse, Ms. Chen Yu Zhi.

2. Out of 64,790,000 domestic shares, 3,410,000 domestic shares are held by Ms. Chen Yu Zhi directly and she is also deemed or taken to be interested in 61,380,000 domestic shares held by her spouse, Mr. Wei De Yi.

3. Out of 333,936,760 domestic shares, 3,410,000 domestic shares are held by Ms. Han Xue Juan directly and she is also deemed or taken to be interested in 330,526,760 domestic shares held by her spouse, Mr. Wei Jian Jun and his associate.

4. Cheah Cheng Hye is deemed or taken to be interested in the 23,643,500 H shares held by Value Partners Limited, a corporation controlled by him.

Litigation

A court action was instituted against the Company and Internal Combustion Engine by 北京佳美亞投資有限公司 (Beijing Jiameiya Investment Company Limited) and 保定中信內燃機制造有限公司 (Baoding Zhongxin Internal Combustion Engine Manufacturing Company Limited) on 16 December 2004 in Dingxing County People's Court in Baoding, Hebei Province in China alleging that the Company has appointed two directors to the board of directors of Internal Combustion Engine in contravention of the articles of association of Internal Combustion Engine and also the Company Law of China (the "Action").

The Company has obtained legal advice from a law firm in China regarding the Action. The Company understands that the Action is currently being reviewed by the Dingxing County People's Court and no judgement has been handed down yet. The Company intends to defend the Action vigorously.

Save and except for the allegation regarding the Action, the Company is not involved in nor aware of any other proceedings instituted against the Company. The Directors believe that the Action does not have any merit and hence will not have any material adverse impact on the financial condition or operations of the Company and its subsidiaries.

Change of English Name and English Short Stock Name

Approval in respect of the change of name of the Company has been granted by the Ministry of Commerce of China on 29 July 2005 and the Certificate of Registration of Change of Name has been issued by the Companies Registry in Hong Kong on 17 August 2005.

The Company has changed its English name to "GREAT WALL MOTOR COMPANY LIMITED". The Chinese name of the Company will remain unchanged.

The English short stock name of the Company will be changed from "GREAT WALL AUTO" to "GREATWALL MOTOR" with effect from 23 August 2005. The Chinese short stock name of the Company "長城汽車" will remain unchanged.

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

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

Compliance with the Code on Corporate Governance Practices

To the knowledge of the Directors, the Company has complied with the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules during the period.

Compliance with the Model Code for Securities Transactions by Directors of Listed Issuers

The Company has made specific enquiry to all Directors regarding the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules during the period, and all Directors have complied with the required standard as set out therein.

Board of Directors and Supervisory Committee

The members of the Board and of the supervisory committee of the Company were re-elected at the annual general meeting of the Company held on 10 May 2005. The Board comprises Mr. Wei Jian Jun (Chairman), Mr. Liu Ping Fu, Ms. Wang Feng Ying, Mr. Liang He Nian, and Ms. Yang Zhi Juan as executive Directors, Mr. He Ping and Mr. Niu Jun as non-executive Directors and Mr. Han Chuan Mo, Mr. Zhang Ming Yu, Mr. Zhao Yu Dong and Mr. Wong Chi Keung as independent non-executive Directors. The supervisory committee of the Company comprises Mr. Wu Nan, Ms. Yuan Hong Li and Ms. Luo Jin Li.

Audit Committee

The resolution on the "Re-election of the audit committee and the strategy committee" of the Company was passed by the Board on 25 May 2005. The Audit Committee comprises four independent non-executive Directors. The Audit Committee has reviewed with the management and external auditors the accounting principles 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 external auditors of the Company were engaged by the Audit Committee to review the unaudited interim financial statements for the period.

INDEPENDENT REVIEW REPORT

ERNST & YOUNG
安永會計師事務所

To the board of directors
GREAT WALL MOTOR COMPANY LIMITED
(FORMERLY KNOWN AS 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 17 to 38 which has 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 Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public 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 700 "Engagements to review interim financial reports" issued by the Hong Kong Institute of Certified Public 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 2005.

Ernst & Young
Certified Public Accountants

Hong Kong
17 August 2005

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 30 June 2005

		Six months ended 30 June	
		2005	2004
		Unaudited	Unaudited
	Notes	***RMB'000***	*RMB'000*
			(restated)
TURNOVER	4	**1,597,126**	1,868,484
Cost of sales		**(1,161,511)**	(1,319,025)
Gross profit		**435,615**	549,459
Other revenue and gains	4	**14,309**	8,259
Selling and distribution costs		**(86,599)**	(82,318)
Administrative expenses		**(74,880)**	(62,032)
Other operating expenses		**(41,530)**	(34,917)
PROFIT FROM OPERATING ACTIVITIES	5	**246,915**	378,451
Finance costs	6	**(259)**	(1,253)
Share of profits and losses of jointly controlled entity		**(859)**	–
PROFIT BEFORE TAX		**245,797**	377,198
Tax	7	**(15,035)**	(64,281)
PROFIT AFTER TAX		**230,762**	312,917
ATTRIBUTABLE TO:			
Equity holders of the parent		**202,916**	239,077
Minority interests		**27,846**	73,840
		230,762	312,917
EARNINGS PER SHARE -Basic	9	**RMB0.21**	RMB0.25
DIVIDEND PER SHARE	8	**Nil**	Nil

CONDENSED CONSOLIDATED BALANCE SHEET

30 June 2005

	Notes	30 June 2005 Unaudited *RMB'000*	31 December 2004 Audited *RMB'000* (restated)
Non-current assets			
Fixed assets	*10*	**968,734**	539,035
Prepaid land premium		**57,189**	57,600
Construction in progress	*11*	**624,167**	863,366
Goodwill		**2,164**	2,164
Negative goodwill		**–**	(15,566)
Interests in jointly-controlled entities		**22,848**	23,707
Deferred tax assets	*20*	**40,222**	49,191
		1,715,324	1,519,497
Current assets			
Inventories	*12*	**570,226**	405,772
Trade receivables	*13*	**38,692**	49,826
Bills receivable	*14*	**528,938**	562,314
Held-for-trading financial assets		**338**	509
Other receivables	*15*	**167,555**	79,096
Pledged deposits	*16*	**130,575**	168,464
Cash and cash equivalents	*16*	**2,114,614**	2,028,413
		3,550,938	3,294,394
Current liabilities			
Trade payables	*17*	**905,263**	617,033
Bills payable		**210,717**	290,397
Tax payable		**40,331**	102,033
Other payables	*18*	**382,582**	276,701
Dividend payable to shareholders		**60,561**	–
Dividend payable to minority shareholders		**56,188**	7,301
Provision for product warranties	*19*	**20,873**	25,335
		1,676,515	1,318,800
NET CURRENT ASSETS		**1,874,423**	1,975,594
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,589,747**	3,495,091
NON-CURRENT LIABILITIES			
Deferred tax liabilities	*20*	**94**	1,109
NET ASSETS		**3,589,653**	3,493,982
CAPITAL AND RESERVES			
Share capital	*21*	**944,200**	472,100
Reserves	*22*	**2,322,430**	2,670,468
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**3,266,630**	3,142,568
MINORITY INTERESTS		**323,023**	351,414
TOTAL EQUITY		**3,589,653**	3,493,982

Wei Jian Jun
Executive Director

Wang Feng Ying
Executive Director

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2005

	Notes	Share capital RMB'000	Share premium account RMB'000	Capital reserves (Note ii) RMB'000	Statutory reserves RMB'000	Retained profits RMB'000	Proposed final dividend RMB'000	Minority interest RMB'000	Total RMB'000
Balance at 1 January 2004 (audited)		472,100	1,642,388	(16,809)	338,362	303,498	-	362,770	3,102,309
Net profit for the period		-	-	-	-	239,077	-	73,840	312,917
Contribution from minority shareholders		-	-	-	-	-	-	12,998	12,998
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 H shares		-	112	-	-	-	-	-	112
Dividend relating to 2003		-	-	-	-	-	-	(87,206)	(87,206)
Balance at 30 June 2004 (unaudited)		472,100	1,642,500	(16,795)	406,113	474,810	-	362,402	3,341,130
Balance at 1 January 2005, as previously reported as equity (audited)		472,100	1,642,500	(13,134)	535,857	410,825	94,420	351,414	3,493,982
Opening adjustment for the adoption of HKFRS 3, Derecognition of negative goodwill	2	-	-	-	-	15,566	-	-	15,566
Balance at 1 January 2005, as restated		472,100	1,642,500	(13,134)	535,857	426,391	94,420	351,414	3,509,548
Capitalisation of bonus share	21	472,100	(472,100)	-	-	-	-	-	-
Net profit for the period		-	-	-	-	202,916	-	27,846	230,762
Contribution from minority shareholders		-	-	-	-	-	-	250	250
Transfer to statutory reserves		-	-	-	36,395	(36,395)	-	-	-
Dividend relating to 2004	*(iii)*	-	-	-	-	-	(94,420)	(56,487)	(150,907)
Balance at 30 June 2005 (unaudited)		944,200	1,170,400	(13,134)	572,252	592,912	-	323,023	3,589,653

Notes:

(i) In accordance with the relevant PRC regulations, an amount arising from the Company's write-back of long outstanding payables during the period was transferred to a non-distributable capital reserve.

(ii) 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.

(iii) On 10 May 2005, the shareholders of the Company approved the payment of a final dividend for the year ended 31 December 2004 of RMB0.1 per share in cash.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2005

	Six months ended 30 June	
	2005	2004
	Unaudited	Unaudited
	RMB'000	*RMB'000*
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	**254,660**	(7,138)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	**(172,777)**	(333,224)
NET CASH OUTFLOW FROM FINANCING ACTIVITIES	**(33,571)**	(21,103)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**48,312**	(361,465)
Cash and cash equivalents at beginning of period	**2,196,877**	2,515,369
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**2,245,189**	2,153,904
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Pledged deposits	**130,575**	129,072
Cash and cash equivalents	**2,114,614**	2,024,832
	2,245,189	2,153,904

NOTES TO UNAUDITED INTERIM FINANCIAL REPORT

30 June 2005

1. CORPORATE INFORMATION

The registered office of GREAT WALL MOTOR 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. On 26 October 2004, the Company's shareholders approved the capitalisation of RMB472,100,000 in the share premium account of the Company into share capital by issuing new shares at no consideration to all shareholders registered on the Company's register of members on 25 October 2004 on the basis of 10 new shares for every 10 existing shares held at the extraordinary general meeting (the "EGM") and the increase of the registered capital to RMB944,200,000 upon completion of the capitalisation issue. On 24 January 2005, the capitalisation issue was approved by the Ministry of Commerce of the PRC. The new shares were issued and allotted on 1 February 2005.

On 29 July 2005, approval in respect of the change of name of the Company was granted by the Ministry of Commerce of the People's Republic of China. The Company changed its English name from "GREAT WALL AUTOMOBILE HOLDING COMPANY LIMITED" to "GREAT WALL MOTOR COMPANY LIMITED". The Chinese name of the Company remained unchanged.

During the period, the Company and its subsidiaries (collectively the "Group") were principally engaged in the manufacture and sale of automobiles and automotive parts and components.

2. ACCOUNTING POLICIES

The condensed consolidated interim financial statements are prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "Interim Financial Reporting". The accounting policies and basis of preparation adopted in the preparation of the interim financial statements are the same as those used in the annual financial statements for the year ended 31 December 2004, except in relation to the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs", which also include HKASs and Interpretations) that affect the Group and are adopted for the first time for the current period's financial statements:

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events After the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 40	Investment Property
HKFRS 2	Share-based Payments
HKFRS 3	Business Combinations
HK(SIC)-Int 21	Income Taxes - Recovery of Revalued Non-Depreciable Assets
HK-Int 4	Leases-Determination of the Length of Lease Term in respect of Hong Kong Land Leases

The adoption of new or revised HKASs 1, 2, 7, 8, 10, 12, 16, 18, 19, 21, 23, 24, 27, 28, 32, 33, 37, 38, 39, 40 and HK-Ints 4, 21 and HKFRS 2 has had no material impact on the accounting policies of the Group and the methods of computation in the Group's condensed consolidated financial statements. The impact of adopting the other HKFRSs is summarised as follows:

(a) HKAS 17 - Leases

In prior periods, leasehold land and buildings held for own use were stated at cost less accumulated depreciation and any impairment losses.

Upon the adoption of HKAS 17, the Group's leasehold interest in land and buildings is separated into leasehold land and leasehold buildings. The Group's leasehold land is classified as an operating lease, because the title of the land is not expected to pass to the Group by the end of the lease term, and is reclassified from fixed assets to prepaid land premiums/land lease payments, while any buildings held for own use which are situated on such land lease continue to be presented as part of property, plant and equipment. Prepaid land premiums for land lease payments under operating leases are initially stated at cost and subsequently amortised on the straight-line basis over lease term. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

The change in accounting policy has had no effect on the condensed consolidated income statement and retained earnings. The comparatives on the condensed consolidated balance sheet for the year ended 31 December 2004 have been restated to reflect the reclassification of leasehold land.

(b) HKFRS 3 - Business combinations and HKAS 36 - Impairment of Assets

In prior periods, goodwill/negative goodwill arising on acquisitions prior to 1 January 2001 was eliminated against consolidated capital reserve in the year of acquisition and was not recognized in the income statement until disposal or impairment of the acquired business.

Goodwill arising on acquisition on or after 1 January 2001 was capitalised and amortised on the straight-line basis over its estimated useful life and was subject to impairment testing when there was any indication of impairment. Negative goodwill was carried in the balance sheet and was recognised in the consolidated income statement on a systematic basis over the remaining average useful life of the acquired depreciable/amortisable assets, except to the extent it related to expectations of future losses and expenses that were identified in the acquisition plan and that could be measured reliably, in which case, it was recognised as income in the consolidated income statement when the future losses and expenses were recognised.

Upon the adoption of HKFRS 3 and HKAS 36, goodwill arising on acquisitions is no longer amortised but subject to an annual impairment review (or more frequently if events or changes in circumstances indicate that the carrying value may be impaired). Any impairment loss recognised for goodwill is not reversed in a subsequent period.

Any excess of the Group's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of the acquisition of subsidiaries and associates (previously referred to as "negative goodwill"), after reassessment, is recognised immediately in the income statement.

The transitional provisions of HKFRS 3 have required the Group to eliminate at 1 January 2005 the carrying amounts of accumulated amortisation with a corresponding entry to the cost of goodwill and to derecognise the carrying amounts of negative goodwill (including that remaining in consolidated capital reserve) against retained earnings. Goodwill previously eliminated against consolidated capital reserve remains eliminated against the consolidated capital reserves and is not recognised in the income statement when all or part of the business to which the goodwill relates is disposed of or when a cash-generating unit to which the goodwill relates becomes impaired.

The new policy in respect of goodwill and negative goodwill has been applied prospectively in accordance with the transitional arrangements under HKFRS 3. As a result, comparative amounts have not been restated. The cumulative amount of goodwill amortisation as at 1 January 2005 has been offset against the cost of goodwill and no amortisation charge for goodwill has been recognised in the income statement for the six months ended 30 June 2005. This has increased the Group's profit after tax for the six months ended 30 June 2005 by RMB135,000. The cumulative carrying amount of negative goodwill as at 1 January 2005 has been adjusted to the retained profits as at 1 January 2005, details of which have been disclosed in the condensed consolidated statement of changes in equity for the six months ended 30 June 2005, and no amortisation charge for negative goodwill has been recognised in the income statement for the six months ended 30 June 2005. This has decreased the Group's profit after tax for the six months ended 30 June 2005 by RMB967,500.

3. SEGMENT INFORMATION

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

Geographical segmental analysis is presented based on the geographical location of customers. The Group's assets and liabilities are almost entirely situated in the PRC and accordingly, no information on segment assets, liabilities and capital expenditure is provided.

	Six months ended 30 June 2005			Six months ended 30 June 2004		
	PRC	**Overseas**	**Combined**	PRC	Overseas	Combined
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*
Turnover	**1,346,344**	**250,782**	**1,597,126**	1,822,475	46,009	1,868,484
Segment result	**361,818**	**73,797**	**435,615**	535,105	14,354	549,459
Unallocated expenses			**(189,559)**			(171,008)
Profit from operations			**246,056**			378,451
Finance costs			**(259)**			(1,253)
Income tax			**(15,035)**			(64,281)
Profit after tax			**230,762**			312,917
Attributable to:						
Equity holders of the parent			**202,916**			239,077
Minority interests			**27,846**			73,840

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	
		2005	2004
		Unaudited	Unaudited
	Notes	***RMB'000***	*RMB'000*
Turnover			
Sale of automobiles		**1,496,204**	1,691,365
Sale of automotive parts and components		**100,922**	177,119
		1,597,126	1,868,484
Other revenue and gains			
Interest income	*5*	**10,560**	3,886
Government grants	*5*	**3,749**	3,406
Negative goodwill recognised as income	*5*	**–**	967
		14,309	8,259

5. PROFIT FROM OPERATING ACTIVITIES

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

		Six months ended 30 June	
		2005	2004
		Unaudited	Unaudited
	Notes	***RMB'000***	*RMB'000*
Cost of inventories sold (including depreciation)		**1,161,511**	1,319,025
Depreciation of fixed assets		**47,937**	30,704
Amortisation of prepaid land premium		**791**	1,328
Amortisation of goodwill included in other operating expenses	*2*	**–**	135
Research and development costs included in other operating expenses		**30,234**	24,159
Product warranty provisions		**9,452**	10,341
Interest income	*4*	**(10,560)**	(3,886)
Government grants included in other revenue and gains	*4*	**(3,749)**	(3,406)
Loss on disposal of fixed assets		**834**	689
Unrealised loss on revaluation of held-for-trading financial assets		**171**	127
Negative goodwill recognised as income included in other revenue and gains	*2&4*	**–**	(967)

6. FINANCE COSTS

	Six months ended 30 June	
	2005	2004
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Interest on bank loans wholly repayable within five years	–	952
Other finance costs	**259**	301
	259	1,253

7. TAX

Income tax

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

	Six months ended 30 June	
	2005	2004
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Hong Kong profits tax	–	–
PRC corporate income tax:		
Current corporate income tax	**7,081**	44,606
Deferred income tax	**7,954**	19,675
	15,035	64,281

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 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 was entitled to exemption from corporate income tax in the amount of RMB18,392,000 for the six months ended 30 June 2005 (six months ended 30 June 2004: Baoding Great Wall Internal Combustion Engine Manufacturing Company Limited and Baoding Changcheng Vehicle Axles Industries Company Limited were entitled to exemption from corporate income tax totalling RMB12,965,000).

Pursuant to the Income Tax Law of the PRC for Enterprises with Foreign Investment and Foreign Enterprises and applicable local tax regulations, the Company was exempted from corporate income tax for the two years ending 31 December 2006, and will be entitled to a 50% reduction in tax rate for corporate income tax for the three years ending 31 December 2009. Macs (Baoding) Auto A/C System Company Limited was exempted from corporate income tax for the two years ending 31 December 2006, and will be entitled to a 50% reduction in tax rate for corporate income tax for the three years ending 31 December 2009. 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 was exempted from corporate income tax for the two years ended 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 2005, corporate income tax exempted for these welfare enterprises amounted to approximately RMB13,915,000 (six months ended 30 June 2004: RMB38,020,000).

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 2005 is as follows:

	Six months ended 30 June	
	2005	2004
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Profit before tax	**245,797**	377,198
At PRC corporate income tax rate of 33%	**81,113**	124,475
Tax effect of expenses not deductible for tax purposes	**14,539**	13,563
Tax holiday	**(80,617)**	(73,757)
Tax expense	**15,035**	64,281

Value Added Tax ("VAT") and Consumption Tax

The general VAT rate applicable to the Company and its subsidiaries in the PRC is 17%. Certain automobiles of the Company are also subject to consumption tax at standard rates of 3% or 5%. On 5 July 2004, the State Tax Bureau approved of a 30% reduction in the consumption tax previously paid by the Company for certain products. The amount exempted for the six months ended 30 June 2005, amounting to approximately RMB16,944,000, was recorded as income.

8. DIVIDEND PER SHARE

The directors do not recommend the payment of any interim dividend for the six months ended 30 June 2005 (30 June 2004: Nil).

9. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's profit attributable to equity holders of the parent for the six months ended 30 June 2005 of RMB202,916,000 (Six months ended 30 June 2004: RMB239,077,000), and the weighted average of 944,200,000 shares (Six months ended 30 June 2004: 944,200,000 shares, as adjusted to reflect the capitalisation issue of 472,100,000 shares on 1 February 2005) in issue during the period.

No diluting events existed during the current and prior periods and therefore a diluted earnings per share amount has not been disclosed.

10. FIXED ASSETS

	Buildings	**Plant and machinery**	**Motor vehicles**	**Furniture, fixture and office equipment**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:					
At 31 December 2004 (Restated)	245,778	463,911	24,700	35,885	770,274
Additions	497	15,132	724	2,737	19,090
Transfer from construction in progress	169,702	283,113	424	6,421	459,660
Disposals	(1,584)	(473)	–	(23)	(2,080)
At 30 June 2005	414,393	761,683	25,848	45,020	1,246,944
Accumulated depreciation:					
At 31 December 2004 (Restated)	41,975	168,763	8,380	12,121	231,239
Provided for the period	6,659	36,268	1,569	3,441	47,937
Disposals	(651)	(298)	–	(17)	(966)
At 30 June 2005	47,983	204,733	9,949	15,545	278,210
Net book value:					
At 30 June 2005 (Unaudited)	366,410	556,950	15,899	29,475	968,734
At 31 December 2004 (Restated)	203,803	295,148	16,320	23,764	539,035

11. CONSTRUCTION IN PROGRESS

	RMB'000
At 31 December 2004	863,366
Additions	220,461
Transfer to fixed assets	(459,660)
At 30 June 2005	624,167

The major additions to the construction in progress mainly represents plant, machinery and construction costs incurred for the construction of new car manufacturing facilities in the amount of RMB161 million.

12. INVENTORIES

	30 June 2005 Unaudited ***RMB'000***	31 December 2004 Audited *RMB'000*
Raw materials	**240,104**	166,513
Semi-finished goods	**91,500**	65,563
Work in progress	**60,467**	42,170
Finished goods	**189,743**	137,610
Spare parts and consumables	**11,084**	7,509
	592,898	419,365
Provision for inventory impairment	**(22,672)**	(13,593)
	570,226	405,772

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 2005 Unaudited *RMB'000*	31 December 2004 Audited *RMB'000*
Outstanding balances aged:		
Within 6 months	**37,290**	41,171
7 to 12 months	**6,827**	20,731
Over 1 year	**16,548**	2,215
	60,665	64,117
Less: Provision for doubtful debts	**(21,973)**	(14,291)
	38,692	49,826

14. BILLS RECEIVABLE

The balance represents bank acceptance notes with maturity dates within six months.

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

	30 June 2005 Unaudited *RMB'000*	31 December 2004 Audited *RMB'000*
Falling due:		
Within 3 months	**275,422**	311,724
4 to 6 months	**253,516**	250,590
	528,938	562,314

As at 30 June 2005, the Group's bills receivable, amounting to RMB110,630,000 (31 December 2004: RMB134,650,000), are pledged to banks for issuing an equivalent amount of bills payable.

15. OTHER RECEIVABLES

	30 June 2005 Unaudited *RMB'000*	31 December 2004 Audited *RMB'000*
Prepayments	**106,912**	53,996
Export VAT refund	**27,055**	12,866
Others	**33,588**	12,234
	167,555	79,096

16. CASH AND CASH EQUIVALENT AND PLEDGED DEPOSIT

	30 June 2005 Unaudited *RMB'000*	31 December 2004 Audited *RMB'000*
Cash and bank balances	**2,245,189**	2,196,877
Less: Pledged to bank for issuing bills payable	**(130,575)**	(168,464)
Cash and cash equivalent	**2,114,614**	2,028,413

17. TRADE PAYABLES

An aged analysis of the trade payables of the Group are analysed as follows:

	30 June 2005 Unaudited *RMB'000*	31 December 2004 Audited *RMB'000*
Outstanding balances aged:		
Within 6 months	**844,310**	571,232
7 to 12 months	**24,163**	14,309
1 to 2 years	**17,244**	16,867
Over 2 years	**19,546**	14,625
	905,263	617,033

18. OTHER PAYABLES

	30 June 2005 Unaudited *RMB'000*	31 December 2004 Audited *RMB'000*
Advances from customers	**225,708**	136,085
Accruals	**15,380**	9,029
Others	**141,494**	131,587
	382,582	276,701

19. PROVISION FOR PRODUCT WARRANTIES

	Unaudited *RMB'000*
At 31 December 2004	25,335
Additional provisions	9,452
Amounts utilised	(13,914)
At 30 June 2005	20,873

20. DEFERRED TAX

The movements in the deferred tax accounts are as follows:

Deferred tax assets:

	As at 31 December 2004 Audited *RMB'000*	Net increase/ (decrease) during the period Unaudited *RMB'000*	**As at 30 June 2005 Unaudited *RMB'000***
Provisions in respect of:			
Provision for doubtful receivables	5,841	2,584	**8,425**
Provision for inventory	4,397	2,926	**7,323**
Unrealised loss on revaluation of held-for-trading financial assets	311	56	**367**
Liabilities for accrued expenses that are deductible for tax purposes only when paid	4,593	(4,543)	**50**
Revenue in nature received in advance that was taxable when received	5,351	(830)	**4,521**
Unrealised profit arising on consolidation	13,002	(156)	**12,846**
Temporary differences arising from transfer of intangible assets between group companies	7,378	(688)	**6,690**
Unused tax loss	8,318	(8,318)	**–**
	49,191	(8,969)	**40,222**

Deferred tax liabilities:

	As at 31 December 2004 Audited *RMB'000*	Net increase/ (decrease) during the period Unaudited *RMB'000*	**As at 30 June 2005 Unaudited *RMB'000***
Provision in respect of:			
Depreciation of fixed assets	771	(688)	**83**
Other temporary differences arising from transfer of assets between group companies	338	(327)	**11**
	1,109	(1,015)	**94**

21. SHARE CAPITAL

	30 June 2005 Unaudited *RMB'000*	31 December 2004 Audited *RMB'000*
Issued and fully paid:		
Domestic shares of RMB1 each	**682,000**	341,000
H shares of RMB1 each	**262,200**	131,100
	944,200	472,100

On 26 October 2004, the Company's shareholders approved the capitalisation of RMB472,100,000 in the share premium account of the Company into share capital by issuing new shares at no consideration to all of the shareholders registered on the Company's register of members on the record date, being 25 October 2004, on the basis of 10 new shares for every 10 existing shares held at the extraordinary general meeting (the "EGM") and the increase of the registered capital to RMB944,200,000 upon completion of the capitalisation issue.

On 24 January 2005, the capitalisation issue was approved by the Ministry of Commerce of the PRC. The new shares were issued and allotted on 1 February 2005.

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 end of the period/year:

	30 June 2005 Unaudited *RMB'000*	31 December 2004 Audited *RMB'000*
Contracted, but not provided for	**269,203**	452,171
Authorised but not contracted for	**2,121,250**	2,133,706
	2,390,453	2,585,877

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

	30 June 2005 Unaudited *RMB'000*	31 December 2004 Audited *RMB'000*
Acquisition of plant and machinery	**1,721,439**	1,571,587
Construction commitment	**653,175**	963,185
Others	**15,839**	51,105
	2,390,453	2,585,877

25. OTHER COMMITMENT

As at 30 June 2005, the Company planned to invest approximately RMB473,439,000 for the research and development of the 200,000 unit passenger vehicles project, which was approved in the Company's extraordinary general meeting on 26 October 2004.

26. OPERATING LEASE COMMITMENTS

At the end of the period/year, the Group had total future minimum lease payments under non-cancelable operating leases falling due as follows:

	30 June 2005 Unaudited *RMB'000*	31 December 2004 Audited *RMB'000*
As lessee:		
Within one year	**103**	200
In the second to fifth years, inclusive	**63**	135
After five years	**–**	–
	166	335

27. CHANGES IN COMPOSITION OF THE GROUP

On 28 March 2005, the Company acquired 75% equity interest in Baoding Prompt Automotive Technology and Engineering Co. Ltd ("Baoding Prompt Automotive") for a cash consideration of RMB750,000 from Baoding Ants Logistics Company Limited, a related party of the Company. No goodwill arose from the acquisition. At 30 June 2005, Baoding Prompt Automotive has not commenced operation yet.

28. 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 2005 Unaudited *RMB'000*	2004 Unaudited *RMB'000*
Wenzhou Huanqiu Automobile Gasket Company Limited (溫州環球汽車襯墊有限公司)	Related party (i)	Purchases of automotive parts and components	(a)	**271**	165
Gaobeidian Zhongke Huabei Automobile Company Limited (高碑店市中客華北汽車有限責任公司)	Related party (ii)	Sales of automotive parts and components	(a)	**–**	6,211
		Purchases of automotive parts and components	(b)	**9**	172
		Utilities fee received	(b)	**92**	547
		Processing service fee paid	(b)	**457**	610
Hebei Baoding Tai Hang Group Company Limited (河北保定太行集團有限公司)	Related party (iii)	Purchases of automotive parts and components	(b)	**30**	66
		Construction services fee paid	(a)	**128**	987
Baoding Taihang Pump Manufacturing Company Limited (保定市太行製泵有限公司)	Related party (iv)	Purchases of automotive parts and components	(a)	**494**	91
		Purchases of fixed assets	(a)	**257**	240
Baoding Tai Hang Steel Structure Construction Company Limited (保定市太行鋼結構工程有限公司)	Related party (v)	Construction services fee paid	(a)	**8,181**	15,930

Name of related parties	Relationship with the Group	Nature of transactions	Pricing policy	Six months ended 30 June 2005 Unaudited *RMB'000*	2004 Unaudited *RMB'000*
Beijing Beiqi Momeiya & Tianjin Tianqi Group Meiya Automobile Manufacturing Company Limited (北京北汽摩美亞及天津天汽集團美亞汽車製造有限 公司)	Related party (vi)	Sales of automotive parts and components	(a)	**13,330**	19,964
Beijing Jiayou Trading Company Limited (北京佳友興業商貿有限公司)	Related party (vii)	Sales of automotive parts and components	(a)	**102**	145
Baoding Tai Hang Rosemex Engineering Company Limited (保定太行熱士美工程有限公司)	Related party (viii)	Construction services fee paid	(a)	**107**	253
Beijing Weide Automobile System Accessories Company Limited (北京威德汽車系統配套有限公司)	Related party (ix)	Purchases of automotive parts and components	(b)	**–**	1,781
Baoding Ants Logistics Company Limited ("Ants Logistics") (保定市螞蟻物流網絡有限公司)	Related party (x)	Transportation fee paid	(a)	**31,377**	35,427
Shunping Ante Transport Company Limited (順平安特運輸有限公司)	Related party (x)	Transportation fee paid	(a)	**924**	5,117

The period-end balances arising from related transactions are as follows:

Trade receivables	Relationship with the Group	**30 June 2005 Unaudited** ***RMB'000***	31 December 2004 Audited *RMB'000*
Tianjin Tianqi Group Meiya Automobile Manufacturing Company Limited (天津天汽集團美亞汽車製造有限公司)	Related party (vi)	**8,172**	9,121
Gaobeidian Zhongke Huabei Automobile Company Limited (高碑店市中客華北汽車有限責任公司)	Related party (ii)	**2,082**	2,083
Beijing Jiayou Trading Company Limited (北京佳友興業商貿有限公司)	Related party (vii)	**36**	47
		10,290	11,251
Other receivables			
Hebei Baoding Tai Hang Group Company Limited (河北保定太行集團有限公司)	Related party (iii)	**99**	1,429
Baoding Tai Hang Steel Structure Construction Company Limited (保定市太行鋼結構工程有限公司)	Related party (v)	**9**	7,833
Baoding Tai Hang Rosemex Engineering Company Limited (保定太行熱士美工程有限公司)	Related party (viii)	**–**	14
		108	9,276

Trade payables	Relationship with the Group	**30 June 2005 Unaudited *RMB'000***	31 December 2004 Audited *RMB'000*
Beijing Oriental Riwa Technology and Trading Company Limited (北京東方日瓦科貿有限公司)	Related party (xi)	**628**	575
Beijing Weide Automobile System Accessories Company Limited (北京威德汽車系統配套有限公司)	Related party (ix)	**2,628**	2,599
Baoding Ants Logistics Company Limited (保定市螞蟻物流網絡有限公司)	Related party (x)	**6,089**	2,920
Wenzhou Huanqiu Automobile Gasket Company Limited (溫州環球汽車襯墊有限公司)	Related party (i)	**186**	278
Baoding Tai Hang Steel Structure Construction Company Limited (保定市太行鋼結構工程有限公司)	Related party (v)	**781**	7
Gaobeidian Zhongke Huabei Automobile Company Limited (高碑店市中客華北汽車有限責任公司)	Related party (ii)	**574**	46
Baoding Tai Hang Rosemex Engineering Company Limited (保定太行熱士美工程有限公司)	Related party (viii)	**66**	89
Baoding Taihang Pump Manufacturing Company Limited (保定市太行製泵有限公司)	Related party (iv)	**502**	486
Shunping Ante Transport Company Limited (順平安特運輸有限公司)	Related party (x)	**735**	1,547
Hebei Baoding Tai Hang Group Company Limited (河北保定太行集團有限公司)	Related party (iii)	**137**	31
		12,326	8,578

Notes:

(a) The price was determined with reference to the then prevailing market prices/rates and the price charged to third parties.

(b) The consideration was in accordance with the terms of the underlying agreement.

(i) Wenzhou Huanqiu Automobile Gasket Company Limited is a minority shareholder of Baoding Huanqiu Auto Spare Parts Company Limited.

(ii) Gaobeidian Zhongke Huabei Automobile Company Limited is controlled by a shareholder of GW Huabei Company.

(iii) Hebei Baoding Tai Hang Group Company Limited is controlled by the associate of a director of the Company.

(iv) Baoding Taihang Pump Manufacturing Company Limited is beneficially owned by a director of the Company.

(v) Baoding Tai Hang Steel Structure Construction Company Limited is controlled by the associate of a director of the Company.

(vi) Beijing Beiqi Momeiya Automobile Manufacturing Company Limited and Tianjin Tianqi Group Meiya Automobile Manufacturing Company Limited are controlled by a director of Great Wall Internal Combustion Engine Company.

(vii) Beijing Jiayou Trading Company Limited is beneficially owned by a director of Great Wall Internal Combustion Engine Company.

(viii) Baoding Tai Hang Rosemex Engineering Company Limited is controlled by an associate of a director of the Company.

(ix) Beijing Weide Automobile System Accessories Company Limited is controlled by a director of the Company.

(x) Baoding Ants Logistics Company Limited and Shunping Ante Transport Company Limited are controlled and beneficially owned by a director of the Company.

(xi) Beijing Oriental Riwa Technology and Trading Company Limited is controlled and beneficially owned by a director of the Company.

Compensation of key management personnel of the Group

	For the six months ended 30 June	
	2005	2004
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Short-term employee benefits	**508**	448
Post-employment benefits	**9**	8
Share-based payments	**–**	–
Total compensation paid to key management personnel	**517**	456

29. APPROVAL OF THE INTERIM FINANCIAL REPORT

The unaudited interim financial report for the six months ended 30 June 2005 was approved and authorised for issue by the board of directors on 17 August 2005.