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)

Stock Code: 2333

2007 Annual Report

* For identification purposes only

Contents

Corporate Information

Executive Directors
Mr. Wei Jian Jun *(Chairman)*
Mr. Liu Ping Fu
Ms. Wang Feng Ying
Mr Hu Ke Gang *(appointed on 28 June 2007)*
Ms. Yang Zhi Juan
Mr. Liang He Nian *(resigned on 27 June 2007)*

Non-executive Directors
Mr. He Ping
Mr. Niu Jun

Independent Non-executive Directors
Mr. Han Chuan Mo
Mr. Zhang Ming Yu
Mr. Zhao Yu Dong
Mr. Wong Chi Keung

Supervisors
Mr. Zhu En Ze

Independent Supervisors
Ms. Yuan Hong Li
Ms. Luo Jin Li

Company Secretary
Mr. Bai Xue Fei

Audit Committee
Mr. Han Chuan Mo
Mr. Zhao Yu Dong
Mr. Zhang Ming Yu
Mr. Wong Chi Keung

Remuneration Committee
Mr. Zhang Ming Yu
Mr. Zhao Yu Dong
Mr. Wei Jian Jun

Authorised Representatives
Ms. Wang Feng Ying
Mr. Bai Xue Fei

Registered Office
No. 2266 Chao Yang Road South,
Baoding, Hebei Province,
the PRC

Principal Place of Business in Hong Kong
9th Floor, Gloucester Tower, The Landmark,
15 Queen's Road Central
Hong Kong

Legal Adviser to the Company
(as to Hong Kong law)
Huen Wong & Co in association with Fried, Frank, Harris, Shriver & Jacobson LLP

Legal Adviser to the Company
(as to PRC law)
King and Wood

Auditors
Ernst & Young
Ernst & Young Hua Ming

Hong Kong Share Registrar and Transfer Office
Computershare Hong Kong Investor Services Limited
46th Floor, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

Investors and Media Relations Consultant
CorporateLink Limited
17th Floor, Winsome House
73 Wyndham Street
Central, Hong Kong

Principal Bankers
Agriculture Bank of China, Baoding Xinbei sub-branch
Bank of China, Baoding Yuehua sub-branch
The Industrial and Commercial Bank of China,
Baoding Yonghua Road sub-branch
China Construction Bank,
Baoding Yuedong office

Telephone
86(312)-2197812

Facsimile
86(312)-2197812

Website
www.gwm.com.cn

Share Information

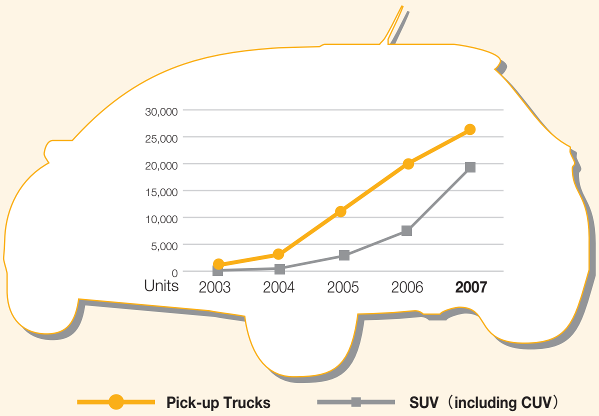
Place of listing	Main Board of The Stock Exchange of Hong Kong Limited
Listing date	15 December 2003
Number of issued shares	As at 31 December 2007 1,095,272,000 shares (682,000,000 domestic shares and 413,272,000 H shares)
Board lot	500 shares
Stock code	2333
Financial year-end date	31 December

Financial Highlights

RESULT HIGHLIGHTS

	Year ended 31 December				
	2007	2006	2005	2004	2003
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	**7,579,356**	4,918,622	3,809,958	3,184,614	3,691,706
Gross Profit	**1,795,929**	1,236,891	1,000,690	887,946	1,196,188
Profit before tax	**1,044,203**	742,656	561,568	552,969	872,639
Profit after tax attributable to equity holders of the parent	**937,451**	702,844	441,007	402,917	523,398
Earnings per share attributable to ordinary equity holders of the parent-basic	**RMB0.91**	RMB0.74	RMB0.47	RMB0.43	RMB0.76

Export Analysis



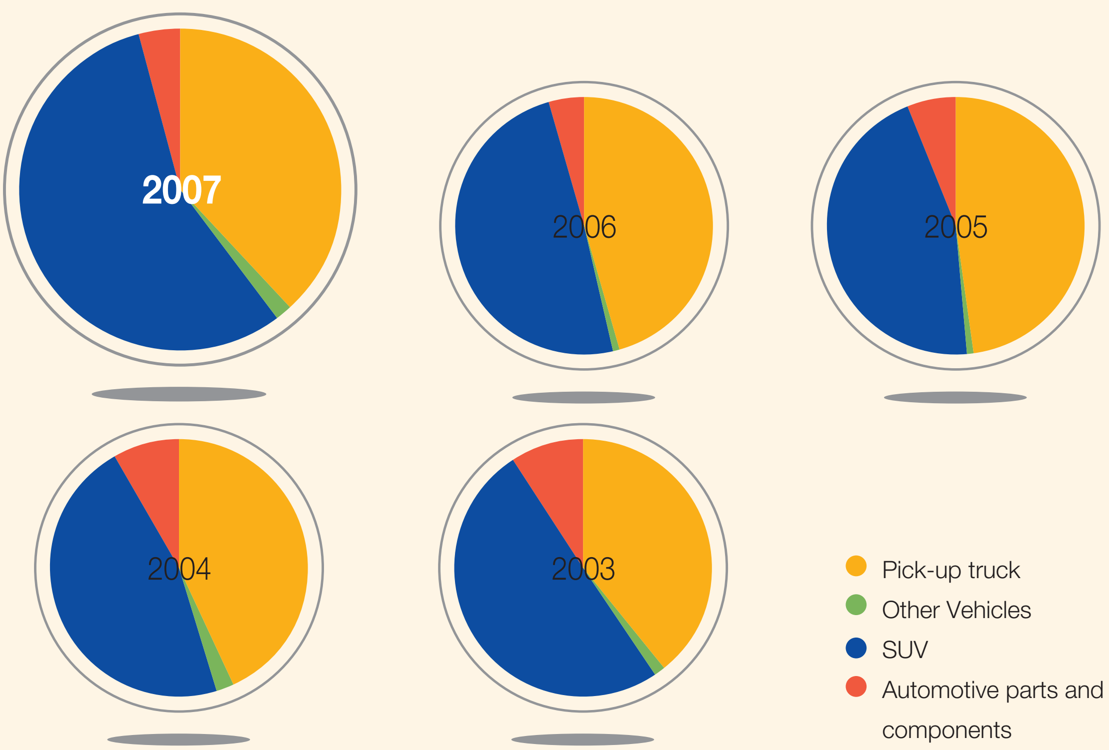
Summary of Financial Position

	As at 31 December				
	2007	2006	2005	2004	2003
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Equity attributable to equity holders of the parent	**6,442**	4,113	3,505	3,143	2,740
Total assets	**10,085**	6,472	5,763	4,814	4,631
Bank loans	**0**	0	0	0	1
Return on equity (%)#	**14.6**	17.1	12.6	12.8	19.1
Return on assets (%)	**9.3**	10.9	7.7	8.4	11.3
Gearing ratio (%)*	**0**	0	0	0	<0.1
Accounts receivable turnover (Day) (including bills receivable)	**38**	38	53	70	65
Inventory turnover (Day)	**45**	48	66	47	51

Profit after tax attributable to equity holders of the parent divided by equity attributable to equity holders of the parent

* Total bank loans divided by total assets

REVENUE BREAKDOWN BY PRODUCTS



Chairman's Statement

To all shareholders:

I am pleased to present the audited consolidated results of Great Wall Motor Company Limited (the "Company" or "Great Wall Motor") and its subsidiaries (the "Group") for the year ended 31 December 2007 (the "Year").

The Group's operating results continued to attain a satisfactory growth, with revenue and profit after tax attributable to equity holders of the parent for the year ended 31 December 2007 amounting to RMB7,579,356,000 and RMB937,451,000 respectively, representing increases of 54.1% and 33.3% from those of the previous year.

During the Year, the continued rapid economic growth in the People's Republic of China ("PRC"), improved living standards, strengthened domestic consumer sentiment and consumer needs all contributed to a stronger demand for automobiles, fuelling the upbeat development of the automobile industry. The production and sales volume of domestic automobiles sustained rapid growth, and the export of automobiles and automotive components also witnessed a stable increase.

With a strong brand recognition and continued product upgrading, this year saw steady growth in the sales volume of its pick-up trucks and SUVs, both of which had maintained a leading position in their respective domestic market segments. The total sales volume of automobiles during the year was 107,820 units, representing an increase of 46.5% when compared with that of the previous year. In addition, the Group also continued to expand its overseas markets with the number of export countries and regions increasing from 105 in 2006 to 118 in 2007. The Group exported an aggregate of 46,338 units, representing an increase of 68.5% from that of last year, with total export amounting to RMB3,046,111,000, accounting for approximately 40.2% of the total sales for the Year.

During the Year, the launch of three sedans with low engine displacement — Great Wall Perey, Coolbear and Florid, as well as Cowry MPV signified the Group's entry into the sedan market. In addition, the Group also developed a high-end right-hand drive pick-up truck, Wingle, for international markets. With the certification from VCA in the UK, Wingle has been recognised as a model meeting the Euro standards, and has commenced volume export.

Great Wall Motor's passenger vehicle production plant with an annual production capacity of 200,000 units has been operational since 29 October 2007. On 7 November, the Group obtained the approval of National Development and Reform Commission for its sedan project, which signified Great Wall Motor's successful penetration into the sedan market.

The year 2008 is going to be a year of opportunities and challenges. Beijing's hosting of the 2008 Olympic Games will facilitate overseas customers' awareness and understanding of the Great Wall brand name. The Group will capitalise on this opportunity to demonstrate its excellent products to the global market. In this regard, the year 2008 will certainly be a year of rapid growth for Great Wall Motor.

On behalf of Great Wall Motor, the management would like to express their gratitude to the staff, shareholders, investors and customers for their continuous support to the Group in the past. Committing to our motto of "improving little by little every day", we strive to bring the maximum returns to our shareholders.

Wei Jian Jun
Chairman

Baoding, Hebei Province, the PRC
11 March 2008

Management Discussion and Analysis

Operating Environment

In 2007, the steady growth in the PRC economy and the increasing sophistication of consumption patterns contributed to the favourable performance of production and sales in the PRC automobile industry during the Year. Total automobile production volume reached 8,882,400 units, representing an increase of 22.02% or 1,602,700 units, when compared to that of last year. Sales volume amounted to 8,791,500 units, which was 1,576,000 units more than that of the previous year, representing an increase of 21.84%.

In the previous year, the export of automobiles and automotive parts and components had been strong. According to statistics, compared with 2006, China's automobile export increased by approximately 80% as of the end of 2007. The Company exported its products to 118 countries worldwide, and maintained a steady growth in sales volume.

Five PRC state departments including the Ministry of Commerce and the National Development and Reform Commission ("NDRC") jointly issued the 《關於規範汽車出口秩序的通知》 ("Notice Regarding the Regulation on Automobile Exports"). The notice stipulates that effective from 1 March 2007, automobiles will be subject to export licensing approval for the application of such export licence. The eligible automobile manufacturers have to meet these criteria: is listed on the 《車輛生產企業及產品公告》 ("Announcement of Vehicle Manufacturing Enterprises and Products") issued by the NDRC; has obtained valid China Compulsory Certificate (CCC); possesses and sustains maintenance capability sufficient to support an enterprise's export volume; and has established a comprehensive sales service scheme in major export markets. The policy adjustments have the positive affect of improving the bases for competitions among the automobile export enterprises. Each of the players has to reinforce its brand building and after-sales management in order to develop an international brand image of quality products at reasonable prices. With the Company's well-established brand image and comprehensive overseas services network, the Company will be able to secure a greater share in the global market.

On 1 July 2007, the State Environmental Protection Administration ("SEPA") announced the implementation of Phase III National Motor Vehicle Emission Standards (National III Standards) throughout the State. The implementation marked a new phase in the country's automobile emission control.

The existing products of the Group have already reached the National III Standards. Models such as Hover CUV, Perey Sedan and Cowry MPV have even reached the National IV Standards, which represent higher standards prescribed by SEPA.

Based on the current economic development, changing consumption patterns and improving infrastructure, the PRC is entering a period of burgeoning demand for automobiles. The China automobile market has the greatest development potential in the global market and its potential is being gradually realised.

Financial Review

Revenue

During the Year, the Group's revenue amounted to RMB7,579,356,000, representing an increase of 54.1% as compared to that of the previous year. The increase in revenue was mainly due to increase in sales volume of automobiles.

Sales analysis

	For the year ended 31 December 2007			For the year ended 31 December 2006		
	Sales volume *(units)*	**Revenue *(RMB'000)***	**Percentage share of revenue *(%)***	Sales volume *(units)*	Revenue *(RMB'000)*	Percentage share of revenue *(%)*
Pick-up trucks	**54,955**	**2,905,415**	**38.3**	44,726	2,245,139	45.6
SUVs (CUVs included)	**51,855**	**4,262,922**	**56.2**	28,568	2,426,455	49.3
Other vehicles	**1,010**	**106,216**	**1.5**	286	35,335	0.8
Automotive parts and components and others	**—**	**304,803**	**4.0**	—	211,693	4.3
Total	**107,820**	**7,579,356**	**100.0**	73,580	4,918,622	100.0

Automobile sales

During the Year, the Group sold 107,820 units of automobiles, representing an increase of 46.5% as compared to 73,580 units sold in 2006. Automobiles sold in 2007 included 54,955

units of pick-up trucks, representing an increase of 22.9% as compared to 44,726 units sold in 2006, 51,855 units of SUVs, representing an increase of 81.5% as compared to 28,568 units sold in 2006, and 1,010 units of other vehicles.

Sales of automotive parts and components and others

In addition to the production of automobiles, the Group also engages in the sales of principal automotive parts and components used in the production of pick-up trucks and SUVs. These mainly include self-manufactured engines, front and rear axles, air-conditioning equipment, drag ball pins, lever assembly and other parts and components for production of automobiles. Sales of automotive parts and components not only enhance the Group's revenue but also secure the availability of parts and components for after-sales services. During the Year, the Group reported a 44.0% increase in sales of automotive parts and components from RMB211,693,000 in 2006 to RMB304,803,000 in 2007. The rise was mainly attributable to the revenue increase of components and parts caused by the increase in sales volume of automobiles. The sales of engines represented 10% of the Group's sales of automotive parts and components during the Year.

Gross profit and gross profit margin

During the Year, the Group's gross profit rose from RMB1,236,891,000 in 2006 to RMB1,795,929,000, representing an increase of approximately 45.2%. The increase in the Group's gross profit was mainly due to the increase in sales volume of automobiles. The Group's gross profit margin decreased from 25.1% last year to 23.7%, which was mainly due to (1) the increase in the consumption tax rate of SUVs effective from 1 April 2006, and (2) reduced prices of certain models of automobiles.

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

The Group's profit after tax attributable to equity holders of the parent for the Year increased from RMB702,844,000 to RMB937,451,000, owing to upsurges in sales volume and sales revenue, which led to an increase in profit.

For the year ended 31 December 2007, the basic earnings per share of the Company were RMB0.91. The Company did not present diluted earnings per share as there is no ordinary share which may cause any dilution effect during the Year.

Selling and distribution costs and administrative expenses

The selling and distribution costs and administrative expenses of the Group rose from RMB419,980,000 in 2006 by 40.7% to RMB590,957,000 in 2007. Selling and distribution costs and administrative expenses as a percentage to total revenue decreased from 8.5% in 2006 to 7.8% in 2007. The increase in selling and distribution costs and administrative expenses was mainly due to (1) an increase in transportation expenses as a result of the increase in sales volume of automobiles; (2) the increase in exhibition and advertising expenses; (3) an increase in port expenses resulting from increased export volume; and (4) an increase in staff costs and office expenses which was attributable to the increase in the number of staff to support its production and sales expansion.

Finance costs

The Group's finance costs for 2007 were approximately RMB8,428,000, as compared with approximately RMB1,732,000 in 2006. The increase in finance costs was due to an increase in handling charge arising from the letter of credit arrangement.

Liquidity and financial resources

As at 31 December 2007, the Group's current assets mainly included cash and cash equivalents of approximately RMB3,312,063,000, trade receivables of approximately RMB152,210,000, inventories of approximately RMB957,633,000, bills receivable of approximately RMB657,763,000, available-for-sale financial assets of approximately RMB210,000,000, and other receivables of approximately RMB506,314,000. The Group's current liabilities as at the same date mainly included dividend payables of approximately RMB7,384,000, other payables of approximately RMB984,919,000, tax prepayments of approximately RMB44,019,000, bills payables of approximately RMB457,395,000, trade payables of approximately RMB1,712,381,000, and provision for product warranties of approximately RMB39,396,000.

Acquisitions

During the Year, the Group did not have any material acquisition.

Capital structure

The Group generally finances its operation with internally generated cash flows. As at 31 December 2007, the Group was in a debt-free position.

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 and Euros. With respect to the export business, the quality-price ratio of the Group's products is relatively competitive and hence its current sales have not been affected.

As the materials, parts and components used by the Group are purchased from domestic market, the appreciation of RMB did not constitute any impact on the Group's business.

During the Year, the Group did not experience any material difficulty or negative effect on its operations or liquidity as a result of fluctuations in currency exchange rates.

Employment, training and development

As at 31 December 2007, the Group employed a total of 14,940 employees. Employees were remunerated with reference to their performance, experience and prevailing industry practices. The Group's remuneration policies and packages were reviewed on a regular basis. As an incentive for the employees, bonuses and cash awards may also be given based on individual performance evaluation results. Total staff cost accounted for 4.5% of the Group's revenue for the Year.

Taxation

Tax of the Group increased by 275.9% from RMB9,799,000 in 2006 to RMB36,838,000 in 2007, which was mainly due to the increase in profit.

Segment information

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

Geographical segmental analysis has been made according to the geographical location of customers. As most of the Group's assets and liabilities are located in the PRC, no geographical segmental analysis of assets, liabilities and capital expenditure information is presented.

	For the year ended 31 December 2007			For the year ended 31 December 2006		
	PRC	**Overseas**	**Consolidated**	PRC	Overseas	Consolidated
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	**4,483,953**	**3,095,403**	**7,579,356**	3,210,472	1,708,150	4,918,622

Business Review

Products

The Group's principal products are pick-up trucks and SUVs. The Group also engages in the production and sales of principal automotive parts and components used in the production of pick-up trucks and SUVs.

During the Year, the Group's total sales volume was 107,820 units, representing an increase of 46.5% as compared to that of 2006. The rapid growth of the Group's sales volume was attributable to the strong brand effect and continued product improvement. The Group was able to tap into the segmented markets and established a leadership through reliable product quality, premium after-sales service and extensive sales network, etc.

(1) Pick-up trucks

According to China Association of Automobile Manufacturers, the sales volume of Great Wall pick-up trucks continued to rank first in the PRC market for 10 consecutive years, reflecting its consolidated leading market position. During the Year, the sales volume of pick-up trucks reached 54,955 units with sales revenue of RMB2,905,415,000, representing increases of 22.9% and 29.4% respectively when compared with those in 2006.

(2) *SUVs*

During the Year, the Group's SUVs continued to lead the market. The sales volume of SUVs remained stable with an increasing trend, rising by 81.5% to 51,855 units when compared with that of the previous year. The sales revenue of SUVs rose to RMB4,262,922,000, representing an increase of approximately 75.7% from that of 2006.

(3) *Automotive parts and components and others*

During the Year, the revenue of automotive parts and components and others amounted to RMB304,803,000, representing an increase of approximately 44.0% as compared to that in 2006 and accounting for 4.0% of the total revenue.

(4) *Other vehicles*

Revenue of the Group's other vehicles (including buses and special vehicles) amounted to RMB106,216,000 during the Year, representing an increase of 200.6% when compared to that of 2006.

Domestic market

Clientele

During the Year, the Group's domestic sales volume and revenue amounted to 61,482 units and RMB4,228,442,000, representing increases of 33.4% and 41.0% respectively. Of the Group's domestic sales, 28,585 units and 32,392 units of pick-up trucks and SUVs were sold respectively, with revenue amounting to RMB1,525,100,000 and RMB2,630,323,000 respectively. The revenue from the two main groups of customers, namely (1) dealers; and (2) government entities and individual customers amounted to RMB4,084,647,000 and RMB143,795,000 respectively.

	For the year ended 31 December 2007			For the year ended 31 December 2006		
	Sales volume *(units)*	**Revenue *(RMB'000)***	**As a percentage to domestic automobile sales *(%)***	Sales volume *(units)*	Revenue *(RMB'000)*	As a percentage to domestic automobile sales *(%)*
Dealers	**59,337**	**4,084,647**	**96.6**	43,989	2,864,944	95.5
Government entities and individual customers	**2,145**	**143,795**	**3.4**	2,086	133,835	4.5
Total	**61,482**	**4,228,442**	**100.0**	46,075	2,998,779	100.0

The Group's domestic sales by geographical distribution

The following table sets out the geographical breakdown of the Group's domestic sales in 2007 and 2006:

	2007		2006	
	Sales Revenue (RMB'000)	**As a percentage to domestic automobile sales (%)**	Sales Revenue (RMB'000)	As a percentage to domestic automobile sales (%)
Northern Region	**726,569**	**17.2**	564,345	18.8
Northeastern Region	**397,470**	**9.4**	250,403	8.4
Northwestern Region	**434,725**	**10.3**	290,976	9.7
Southwestern Region	**639,664**	**15.1**	352,583	11.8
Eastern Region	**1,047,569**	**24.8**	828,959	27.6
Central Region	**982,445**	**23.2**	711,513	23.7
Total	**4,228,442**	**100.0**	2,998,779	100.0

Northern region:	Beijing, Tianjin, Hebei, Shanxi, the Inner Mongolia Autonomous Region
Northeastern region:	Liaoning, Jilin, Heilongjiang
Northwestern region:	Shaanxi, Gansu, Qinghai, the Ningxia Huizu Autonomous Region, the Xinjiang Uygur Autonomous Region
Southwestern region:	Chongqing, Sichuan, Guizhou, Yunnan, the Tibet Autonomous Region
Eastern region:	Shanghai, Jiangsu, Zhejiang, Anhui, Fujian, Jiangxi, Shandong
Central region:	Henan, Hubei, Hunan, Guangdong, the Guangxi Zhuangzu Autonomous Region, Hainan

Overseas markets

During the Year, the automobile export market of the Group displayed outstanding performance with a continuous growth. The Group's export volume of automobiles continued to set new records. For the year ended 31 December 2007, the export volume reached 46,338 units, representing an increase of 68.5% from that of the previous year. The total export value amounted to RMB3,046,111,000, representing an increase of 78.3% from that of the pervious year and accounting for approximately 40.2% of the total revenue of the Group. The export volume of pick-up trucks and SUVs during the Year amounted to 26,370 units and 19,463 units respectively, with export value amounting to RMB1,380,315,000 and RMB1,632,599,000 respectively, representing increases of 37.0% and 134.0% from those of the previous year respectively. Pick-up trucks and SUVs accounted for 45.3% and 53.6% of the total export value respectively.

The Group's major export markets included Africa, Middle East, Middle South America, the Caribbean area, Central Asia, Southeast Asia, Russia and Eastern Europe, which had formed a solid international sales network. In 2007, the Group successfully opened up right-hand drive automobile markets such as South Africa, which has become a new sales drive of the Group's international market development. In 2007, the Group entered 13 new international markets including Bhutan, North Korea etc. The number of the Group's export countries/regions increased from 105 in 2006 to 118 in 2007.

During the Year, the Group successfully participated in a number of international motor shows, including Auto Shanghai, Auto Guangzhou, Russia Motor Show and St. Petersburg Motor Show. The automobiles exhibited by the Group at the shows received positive response from the industry and the consumers. The participation helped to enhance the Company's brand image in the international market.

Launch of new products

During the Year, Perey, the first sedan model and Cowry, the first MPV model developed by the Group have reached volume production standard with the production base for 200,000 units of passenger vehicles in operation.

The Group has modified and upgraded various existing models, such as the right-hand drive Wingle, which is a high quality pick-up truck targeted for international markets. Following the certification by Vehicle Certification Agency ("VCA"), the Wingle has been certified as meeting the Euro standards.

Development of research and development facilities

The development and inauguration of the testing centre, prototype centre and mould-making centre has turned the Company into a leader in hardware development in the automobile industry. There are other world-class facilities such as an emission simulation laboratory, which is the largest of its kind in the PRC; an automobile and parts fatigue testing laboratory; and an advanced engine research laboratory. A crash test laboratory and a road testing ground are now under construction. All these help to lay a solid foundation for the Group's sustainable independent development ability.

Through upgrading its R&D facilities, the Company's automobile design and testing abilities have been substantially enhanced, thereby paving the way for the research and production of new models at lower production costs in the future.

Outlook

New products

In accordance with the Group's vision of "Incorporating the latest technologies to produce automobiles with high quality-price ratio in the global market", the Group will capitalise on its strength in the production of pick-up trucks and SUVs, while at the same time develop new models of sedan and family car for both the domestic and international markets.

As for the SUV product series, the Company will develop various models with an engine displacement of 1.8L–2.8L, including two new TCI diesel Hovers, a new TC Sing, and a new Hover using gasoline that meets Euro IV emission standards. As for the pick-up truck series, there will be high, middle and economical types including those meeting Euro III emission standards such as diesel Wingle, TC-2 Wingle, TCI Wingle, Euro III & OBD Sailor, TC-2 engine Sailor and TC-2 engine Deer. Currently, various sedan models with an engine displacement of 0.8L–1.5L are being developed. These include i7 and two other sedans: mini SUV and Hover 09. Going forward, the Company will develop more new sedan models, to prepare to establish its foothold in the B-grade and C-grade sedan sector.

With respect to the research on automotive parts and components, the Group will commence the development of a four-speed electro-hydraulic control auto transmission (AT) system for the 1.3L–1.5L sedans in the current year, which is expected to commence volume production in the second half of 2009.

Another research and development project in which the Company has proprietary intellectual property rights is a five-speed synchronization manual gearbox (with two basic systems: two-wheel-drive and four-wheel-drive) for the 1.3L and 1.5L gasoline engines, which are now being developed. Compared to the mainstream gearboxes available on the market, this gearbox is small, light and compact in its structure. It also has a smooth shift and is applicable in sedans with a low displacement.

Export markets

With the increasing number of the Group's products obtaining accreditation overseas, the Group will continue to expand its export markets and consolidate the existing markets. In the future, the Group will keep improving its product quality to further expand its overseas market coverage.

Financing activities

In May 2007, the Company obtained the China Securities Regulatory Commission's approval for the issue of 151,072,000 new H Shares, which were listed on 30 May 2007. The Company applied the net proceeds to finance certain key projects including automobile rubber parts project; automobile engine parts project; automobile gearbox project; plastic automobile fuel boxes project; as well as cast parts for automobile engines, gearbox and brake system parts and components project. All these projects have been progressing satisfactorily. It is expected that these projects will become operational at the end of 2008.

The Company obtained the shareholders' approval at the general meeting held on 6 December 2007 in relation to the proposed issue of not more than 121,696,889 A Shares. In the same month, the Company submitted to the China Securities Regulatory Commission ("CSRC") application documents relating to the issue of 121,696,889 A Shares to be listed on the Shanghai Stock Exchange. The net proceeds of the A Share issue were intended to be used in the following projects: production of 100,000 sets of automatic transmission systems, expansion of a technical centre up to national standards, establishment of a testing centre, new high performance diesel engine project, global version advanced SUV project, and global version C-grade sedan project. The A Share issue has yet to be approved by CSRC.

New facilities

The Company emphasises perfecting the vertical integration in the production R&D of automobiles. An automotive parts and components production centre will soon be set up to manufacture principal parts and components, such as energy-saving and environmentally friendly engines, gearboxes, chassis, electric parts, car bodies, interior and exterior accessories and moulds.

The automotive parts and components production centre will be located in Baoding, in the vicinity of the Group's automobile production centre. Upon inauguration of this production centre, production costs will be further lowered and product quality will be improved.

At present, the construction of the engine project has been completed. Most of the production facilities have been installed, with only a few undergoing the fine-tuning process. The main structures of the machine processing workshop and the heat treatment workshop for the gearbox project have also been completed, and half of the main pillars of the plants for the lighting project have been placed, and the foundation of the workshop for the casting parts project has been laid. The construction of other infrastructure items such as living area is still in progress.

Future objectives

The PRC automobile market is expected to keep moving towards quality and standardisation, with market demand maintaining its growth momentum. According to statistics, both the production and sales volumes of automobiles in the PRC market are expected to reach 10 million units in 2008.

In the coming years, the Group will remain market-oriented, aiming at perfecting its production and management in order to upgrade the overall operating efficiency, management and technology development capability of the Company. More investment will be devoted to R&D to accelerate development of new models and enhance product quality. The Company is aiming at a big leap forward in the areas of independent development ability, vertical integration, product series production and sales volumes of automobiles, export volume, sales revenue and profit.

Directors, Supervisors and Senior Management

EXECUTIVE DIRECTORS

魏建軍先生 (Mr. Wei Jian Jun), aged 44, is the chairman of the Company. He is responsible for formulating the management philosophy, determining the business strategies of the Group and providing guidance for the development of new products. Mr. Wei graduated from 中共河北省委黨校 (the Committee College of Hebei Province of the PRC Communist Party) in 1999 in corporate management studies. He previously worked at 北京通縣微電機廠 (Beijing Tongxian Micro Motors Factory) in 1981, 保定地毯廠 (Baoding Carpet Factory) in 1983 and 保定太行水泵廠 (Baoding Taihang Pump-making Factory) in 1986 respectively. He joined 保定長城汽車工業公司 [Baoding Great Wall Motor Industry Company (the predecessor of the Company)] as a general manager in 1990. In 1991, he undertook contractual operation of Great Wall Industry Company. Mr. Wei was accredited as "保定市級勞動模範" (Baoding City Labour Model) in 1990/1991, 1992/1993 and 1996/1997, "河北省明星青年鄉鎮企業家" (Hebei Province Future Star Young Village Entrepreneur) in 1993, "保定市優秀企業家" (Baoding City Exceptional Entrepreneur) and "全國鄉鎮企業家" (National Town Entrepreneur) in 1994, "保定十大傑出青年" (Baoding 10 Outstanding Young People) in 1996, "河北省勞動模範" (Hebei Labour Model) in 1999, "保定市1999年度市長特別獎" (Baoding City Mayor Special Award 1999) in 2000 and "河北省優秀民營企業家" (Hubei City Outstanding Entrepreneur) and "中國民營企業傑出代表" (China Privately-owned Enterprise Outstanding Representative) in 2003. Mr. Wei is currently the deputy chairman of "保定市工商聯合會副會長" (the Baoding Industry and Commerce Association) and the representative to the People's Congress of Hebei Province. In addition, Mr. Wei is also the director of the Company's substantial shareholders, 保定市沃爾特管理諮詢有限公司 (Baoding Woerte Management Consultant Company) and 保定市螞蟻物流網絡有限公司 (Baoding Ants Logistics Company Limited). Details of the disclosed interests of the aforementioned substantial shareholders are set out under the section of "Shares held by substantial shareholders".

劉平福先生 (Mr. Liu Ping Fu), aged 58, is an assistant political work professional and the vice chairman of the Company. Mr. Liu graduated from the Chinese language and literature discipline in 河北師範學院 (Hebei Normal College) in 1988. Mr. Liu served as the office supervisor of 保定市電子工業局勞動服務公司 (Baoding Electronics Industry Bureau's Labour Services Company) in 1989. He worked as the office supervisor of 保定市太行汽車零部件廠 (Baoding Taihang Automobile Parts Factory) in 1992. He has 16 years of experience in administration and management. He was appointed as the general manager of 保定市南市區南大園鄉集體資產經管中心 (the Management Centre of Collective Assets of Nandayuan Town, Nanshi District, Baoding) in 2001; in the same year, Mr. Liu joined the Group. 保定市南市區南大園鄉集體資產經管中心 (The Management Centre of Collective Assets of Nandayuan Town, Nanshi District, Baoding) is the Company's substantial shareholder. Details of the disclosed interests are set out under the section of "Shares held by substantial shareholders".

王鳳英女士 (Ms. Wang Feng Ying), aged 37, is an executive director and the general manager of the Company. Ms. Wang is responsible for formulating operation and management strategies of the Company. Ms. Wang graduated from 天津財經學院 (Tianjin Institute of Finance) in 1999 and obtained a master degree in economics. Ms. Wang was accredited as 保定市十大傑出青年 (The fifth Baoding 10 Outstanding Young People) in 1999, 河北省十大傑出女企業家 (The fifth Hebei Outstanding Female Entrepreneur) in 2000 and was awarded 中國營銷人「金鼎獎」傑出營銷總經理獎 (the Chinese Marketing Professional "Golden Tripod" Outstanding Marketing General Manager Award); Ms. Wang has over 10 years of experience in sales and marketing management. She joined the Group in 1991 and is currently the general manager of both 保定長城汽車銷售有限公司 (Baoding Great Wall Automobile Sales Company Limited).

胡克剛先生 (Mr. Hu Ke Gang), aged 62, is an executive director and deputy general manager of the Company. Mr. Hu graduated from 河北大學 (Hebei University) in laws in 1987. He was awarded as a senior economist by 河北省民辦科技機構高級職務資格評委會 (Council for Qualification Review of Senior Positions in Private Technology Institutions, Hebei) in 1996. Mr. Hu held the positions of deputy factory head of 郵電器材機械廠副廠長 (Post And Telecommunications Equipment Factory) in 1980 and the deputy factory head of 保定太行建築設備廠 (Baoding Taihang Construction Equipment Factory) in 1986. Mr. Hu has over 30 years of experience in corporate operations management. He joined the Company in 1995 and is currently the general manager of 保定長城內燃機製造有限公司 (Baoding Great Wall Internal Combustion Engine Manufacturing Company Limited). He was appointed as the deputy general manager of the Company with effect from May 2005.

楊志娟女士 (Ms. Yang Zhi Juan), aged 41, is an executive director of the Company. She graduated from 河北大學 (Hebei University) in 1987 in laws and obtained her PRC lawyer qualification in 1989. Between 1989 to 1994, she worked as a part-time lawyer in 河北平川律師事務所 (Hebei Ping Chuan Law Firm) (formerly known as 保定市第三律師事務所 (Baoding Third Law Firm)). Since 1991, she had held the positions of office supervisor and assistant to general manager in 保定太行集團公司 (Baoding Taihang Group Company). Ms. Yang joined the Group in 1999 and has since held the position of general office supervisor of 保定長城華北汽車有限責任公司 (Baoding Great Wall Huabei Automobile Company Limited). She was also involved in the preparation and establishment of two subsidiaries of the Company, namely 保定長城華北汽車有限責任公司 (Baoding Great Wall Huabei Automobile Company Limited) and 保定長城內燃機製造有限公司 (Baoding Great Wall Internal Combustion Engine Manufacturing Company Limited).

NON-EXECUTIVE DIRECTORS

何平先生 (Mr. He Ping), aged 31, Non-Executive Director of the Company. He graduated from 復旦大學 (Fudan University) in 1997 in law of international economics and obtained a bachelor degree in laws. He worked as an intern in 君合律師事務所 (Jun He Law Firm), Shanghai Branch in 1996. From June 1997, he worked in Investment Bank Headquarters of 南方證券有限責任公司 (China Southern Securities Company Limited) (now known as 南方證券股份有限公司 (China Southern Securities Holdings Company Limited)). From March 2002 to December 2005, Mr. He Ping has been the deputy general manager and general manager at the Investment Banking Headquarters of 國都證券有限責任公司 (Guo Du Securities Company Limited).

牛軍先生 (Mr. Niu Jun), aged 33, Non-Executive Director of the Company, graduated from 河北科技大學 (Hebei University of Science and Technology) in marketing in 1996. In the same year, he joined the Group and worked in the marketing and sales department of Baoding Great Wall Industry Company (the predecessor of the Company); where he was responsible for the sales of automobiles and logistics management. In 2001, he held the position of the sales and marketing manager of 保定市長城汽車營銷網絡有限公司 (Baoding Great Wall Automobile Sales Network Company Limited). Since 2002, he has been the general manager of the Company's shareholder, 保定市螞蟻物流網絡有限公司 (Baoding Ants Logistics Company Limited). Mr. Niu has many years of experience in sales management. Details of the disclosed interests of Baoding Ants Logistics Company Limited are set out under the section of "Shares held by substantial shareholders".

INDEPENDENT NON-EXECUTIVE DIRECTORS

韓傳模先生 (Mr. Han Chuan Mo), aged 57, is a professor and Independent Non-Executive Directors of the Company. Mr. Han graduated from 天津財經大學 (Tianjin University of Finance and Economics) in 1987 and obtained a master degree in economics. He is a PRC Certified Public Accountant, PRC registered property appraiser, council member of 中國內部審計協會理事 (PRC Internal Audit Association), 學術委員會副主任 (deputy head of Academic Committee), consultant specialist of 財政部會計準則委員會 (Accounting Standard Committee of Ministry of Finance), council member of the standing committee of 天津市會計學會 (Tianjin Accounting Society) and the deputy secretary-general of 天津市會計學會 (Tianjin Accounting Society). Mr. Han has been engaged in the teaching and research of accounting for 28 years, and is currently a tutor of doctoral graduates of 天津財經大學 (Tianjin University of Finance and Economics) and the deputy director and Head of Accounting of 天津財經大學商學院 (The Business School of Tianjin University of Finance and Economics).

張明玉先生 (Mr. Zhang Ming Yu), aged 42, is a professor and Independent Non-Executive Directors of the Company. Mr. Zhang graduated from 華中理工大學 (the Huazhong Polytechnic University) in 1993 with a doctorate degree in engineering. From 1993 to 1995, Mr. Zhang worked for the department of automation as the deputy professor of 青島大學 (Qingdao University). From 1995 to 1997, Mr. Zhang also carried out his post-doctoral research work in the economics research center of 南開大學 (Nankai University). Since 1997, Mr. Zhang has been a professor and doctorate lecturer of the School of Economics and Management of 北方交通大學 (Northern Jiaotong University) in economics management. He was a council member of 中國國土經濟學研究會 (the China Land Economics Research Committee) in June 2001 and a committee member of 北方交通大學 (Northern Jiaotong University) in October 2002.

趙雨東先生 (Mr. Zhao Yu Dong), aged 42, Independent Non-Executive Directors of the Company, graduated from 清華大學 (Tsinghua University) with a doctorate degree in engineering in 1994. Mr. Zhao is currently the deputy head of the Department of Automotive Engineering of Tsinghua University and the Material and Science branch of 中國內燃機學會 (the PRC Society for Internal Combustion Engines). He is also a member of the Society of Automotive Engineers in the U.S.A. Mr. Zhao specialises in research and teaching of automotive engine dynamics, analysis of engine structure and engine CAD/CAE.

黃之強先生 (Mr. Wong Chi Keung), aged 53, Independent Non-Executive Directors of the Company, holds a master's degree in business administration from the University of Adelaide in Australia. He is a fellow member of Hong Kong Institute of Certified Public Accountants, The Association of Chartered Certified Accountants and CPA Australia; an associate member of The Institute of Chartered Secretaries and Administrators and The Chartered Institute of Management Accountants. Mr. Wong is also a Responsible Officer for advising on securities and corporate finance activities for Legend Capital Partners, Inc. under the Securities and Futures Ordinance of Hong Kong. Mr. Wong was as an executive director, the deputy general manager, group financial controller and company secretary of Guangzhou Investment Company Limited, a company listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), for over ten years. He is the director and general manager of Greater China Corporate Consultancy & Services Limited. He is also an independent non-executive director and a member of the audit committee of Asia Orient Holdings Limited, Asia Standard International Group Limited, Century City International Holdings Limited, China Special Steel Holdings Company Limited, China Ting Group Holdings Limited, FU JI Food and Catering Services Holdings Limited, Golden Eagle Retail Group Limited, International Entertainment Corporation, PacMOS Technology Holdings Limited, Paliburg Holdings Limited, Regal Hotels International Holdings Limited and TPV Technology Limited, all of these companies are listed on The Stock Exchange of Hong Kong Limited. Mr. Wong has over 30 years of experience in finance, accounting and management.

SUPERVISORS

朱恩澤先生 (Mr. Zhu En Ze), aged 63, graduated from the Hebei Agricultural University in 1970. Prior to joining the Company, he was the Deputy Chief of Nanshi District and the Chairman of the Standing Committee of the Nanshi District People's Congress. He joined the Company in July 2003 as the secretary of CPC committee of the Company.

袁紅麗女士 (Ms. Yuan Hong Li), aged 48, graduated from College of Economics Studies at 河北大學 (Hebei University) in economic management in 1999 and has 18 years of experience in administrative management.

羅金莉女士 (Ms. Luo Jin Li), aged 48, graduated from 河北師範大學 (Hebei Normal University) in physics in 1982. In July 1982, Ms. Luo assumed the teaching post in physics at 保定二十四中學 (the 24th High School of Baoding). In March 1983, she worked at the labour education office of 保定運輸總公司 (Baoding Transportation Group Company) and was involved in the labour payroll administration and staff training. Ms. Luo joined the personnel department of 河北大學 (Hebei University) in December 1993 and has since been responsible for the labour payroll and benefit matters of all teaching and non-teaching staff members of the university. She was accredited as an economist in March 1989 and a senior political work professional in July 1999.

SENIOR MANAGEMENT

胡樹傑先生 (Mr. Hu Shu Jie), aged 36, is a deputy general manager of the Company. Mr. Hu graduated from 河北大學 (the Hebei University) in History in 1994 and held the position of component department head of 保定市遠達集團 (Boading Yuanda Group). He joined the Group in 1996 and worked in 長城汽車營銷網絡有限公司 (Baoding Great Wall Automobile Sales Network) as a head of external affairs department, an information technology manager, a marketing manager and a deputy general manager between 1996 and 2002. He was appointed as the general manager of 保定長城汽車售後服務有限公司 (Baoding Great Wall Automobile After-sales Services Company Limited) in June 2002 and as the general manager of the First Manufacturing Division of the Company in April 2003. Mr. Hu was appointed as the general manager of the Second Manufacturing Division of the Company in May 2005 and as the deputy general manager of the Company on 5 December 2005.

黃勇先生 (Mr. Huang Yong), aged 39, is a deputy general manager of the Company. Mr. Huang graduated from the Beijing University of Aeronautics and Astronautics in 1991. He joined the Group in 1992, serving the positions as the head of technology department, head of ancillary department and deputy director of the technological research institute, mainly responsible for matters of cost control and management of suppliers. He was appointed as the deputy general manager of the Company on 27 March 2006.

張鑫先生 (Mr. Zhang Xin), aged 38, is a deputy general manager of the Company. Mr. Zhang graduated from 河北黨校 (the Hebei Party School) in Economics Management in 2003. He worked in 長城汽車營銷網絡有限公司 (Great Wall Automobile Sales Network Company Limited) as the head of the business department, manager of customer services department, manager of logistics department, manager of marketing management department and deputy general manager from 1992 to 2005. He held the position of general manager of 長城汽車售後服務有限公司 (Great Wall Automobile After-sales Services Company Limited) in July 2005. Mr. Zhang was appointed as the deputy general manager of the Company on 20 June 2006.

鄭春來先生 (Mr. Zheng Chun Lai), aged 38, is the deputy general manager of the Company. He has joined Great Wall Motor since 1986. In 1991, Mr. Zheng was appointed as the factory head to organise and develop 保定市太行汽車零部件廠 (Baoding Taihang Automobile Parts and Components Factory). In 1994, he was assigned to organise and develop 保定市信誠汽車發展有限公司 (Baoding Xin Cheng Automobile Development Company Limited) and has been appointed as general manager since then. Mr. Zheng has more than 20 years of experience in corporate management, manufacturing and sales of automobile parts and components. Mr. Zheng was appointed as the deputy general manager of the Company on 27 March 2007.

郝建軍先生 (Mr. Hao Jian Jun), aged 35, is the deputy general manager of the Company. Mr. Hao has joined the Taihang Group since 1993, and engaged in the work of stamping and tooling manufacturing, accumulating rich experience in tooling manufacturing. He joined 長城汽車橋業有限公司 (Great Wall Automobile Axles Industries Company Limited) in 1997 and was appointed as a supervisor of the tooling plant, completing the design and development of the tools for making certain front and rear axles of automobiles. In 2004, Mr. Hao started to organise the construction of the tooling center of the Company and was appointed as general manager of the tooling center in March 2005. He was principally engaged in the work at 長城汽車工程院 (Great Wall Automobile Engineering Center) and the tooling center and served as the Department Head of 長城汽車工程院 (Great Wall Automobile Engineering Center). He was appointed as the deputy general manager of the Company on 27 March 2007.

董明先生 (Mr. Dong Ming), aged 38, graduated from 中央民族學院 (now known as 中央民族大學 (The Central University for Nationalities)) in Economics Management in 1992. From 1992 to 2004, Mr. Tung has served in news reporting for media organizations such as 《中國物資報》 (China Resources Daily) and 《華夏時報》 (China Times) with 12 years of experience. After joining the Company in September 2004, he has been the manager of the department of public relations, the general manager assistant and deputy general manager of 保定長城汽車銷售有限公司 (Baoding Great Wall Auto Sales Company Limited). He was appointed as the deputy general manager of the Company and also the deputy general manager of 保定長城汽車銷售有限公司 (Baoding Great Wall Auto Sales Company Limited) in November 2007.

邢文林先生 (Mr. Xing Wen Lin), aged 37, graduated from 河北省職工大學 (Employees' College of Hebei Province) in Financial Banking. Mr. Xing joined the sales department of the Company in 1991 and has served as the manager of the external department and controlling department of the sales department of the Company, and the manager of the marketing department and deputy general manager of 保定長城汽車銷售有限公司. (Baoding Great Wall Auto Sales Company Limited) He was appointed as the general manager of the international department of 保定長城汽車銷售有限公司 (Baoding Great Wall Auto Sales Company Limited) in September 2007. Mr. Xing was appointed as the deputy general manager of the Company in November 2007.

尹泰和先生 (Mr. Yun Tae Hwa), aged 44, graduated from 韓國高麗大學 (Korea University) in Industrial Production in 1985 and obtained a bachelor degree in Engineering. He worked in KIA MOTECH Limited Company from October 1986 to September 1997, worked in 義大利FIAT汽車公司 (Italy FIAT Automobiles) from October 1997 to November 1999, and worked in 伊朗汽車公司 (Iran Automobiles Company) from December 1999 to 2005. Mr Yun joined the Company in February 2006. Mr. Yun was appointed as the deputy general manager of the Company in November 2007.

柴萬寶先生 (Mr. Chai Wan Bao), aged 60, graduated from 空軍工程學院 (Airforce Engineering Institute) in Aircraft Engines in 1969. Mr. Chai served in 19th Air Force Division from 1969 to 1975, 鄭州輕型汽車廠 (Zhengzhou Light Truck Factory) from 1975 to 1992 as the chief designer, and 鄭州日產公司 (Zhengzhou Japan Production Company) from 1992 to 2003 as the deputy chief designer. Mr. Chai joined the Company in 2003 and was appointed as deputy general manager of the Company in November 2007.

李鳳珍女士 (Ms. Li Feng Zhen), aged 45, is the chief financial controller of the Company. Ms. Li graduated from 河北財經學院 (the Hebei Finance Institute) in Accountancy in 1993 and held the qualifications of a PRC registered accountant, a PRC registered valuer and a PRC registered tax adviser. In 1997, she participated in the qualification examination on related securities business for registered accountants and obtained a qualified certificate. Ms. Li was accredited as 先進會計工作者 (Advanced Accountant) by county, local and provincial governments from 1990 to 1991 respectively. Ms. Li has worked as a financial accountant in corporate units for 15 years and was engaged in auditing work in accounting firms for seven years. Ms. Li has previously worked as accounting head, financial manager and financial director of management department. Ms. Li also worked as a department manager and vice director of 保定會計事務所 (Baoding Accounting Firm) from 1994 to 2000. She worked as the project manager of 北京信永會計師事務所 (Beijing Xinyong Accounting Firm) from 2000 to 2001. Ms. Li joined the Group in 2001 and was re-appointed as the chief financial controller of the Company in May 2005.

COMPANY SECRETARY

白雪飛先生 (Mr. Bai Xue Fei), aged 34, deputy general manager and company secretary of the Company, graduated from 河北農業大學經濟管理學院 (Economics Management Faculty of the Hebei Agricultural University) with a bachelor degree in economics in 1997. Mr. Bai had worked for 南大園鄉政府 (Nandayuan Town Government) and held the positions of party commissioner and director of government office, and member of the disciplinary committee. Mr. Bai joined the 長城汽車集團有限公司 (Great Wall Motor Group Company Limited) (the predecessor of the Company) in October 2000 and held the position of department head of the securities department. He was responsible for the corporate reorganisation for listing, corporate governance and investment management of the Company. He was re-appointed as the company secretary of the Company with effect from May 2005, and was appointed as the deputy general manager of the Company on 27 March 2006.

Report of the Directors

The board of directors (the “Board”) of Great Wall Motor Company Limited (the “Company”) hereby presents its report together with the audited accounts of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2007.

PRINCIPAL BUSINESS

The Company is principally engaged in the design, research and development, manufacture and sales, as well as distribution of sports utility vehicles (“SUVs”), pick-up trucks and automobile-related product parts and components. There has not been any significant change to the nature of the Group’s principal activities during the year.

The subsidiaries of the Company established in the PRC for the year ended 31 December 2007 or prior to the year are limited companies. Details are set out in Note 18 to the financial statements.

RESULTS AND DIVIDENDS

The Group’s operating results for the year ended 31 December 2007 and the financial positions of the Company and the Group as at 31 December 2007 are set out in the audited financial statements on pages 60 to 140.

The Board proposed a final dividend of RMB0.20 per share (including H shares and domestic shares of the Company) for the year ended 31 December 2007. The distribution basis is approximately 30% of the realised distributable profit in 2007.

FINANCIAL INFORMATION EXTRACTS

A summary of the consolidated results, assets and liabilities of the Group for the last five financial years is set out below:

	Year ended 31 December				
	2007	2006	2005	2004	2003
Consolidated Results	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Turnover	**7,579,356**	4,918,622	3,809,958	3,184,614	3,691,706
Cost of sales	**(5,783,427)**	(3,681,731)	(2,809,268)	(2,296,668)	(2,495,518)
Gross profit	**1,795,929**	1,236,891	1,000,690	887,946	1,196,188
Other revenue and gains	**62,443**	66,798	42,003	35,206	33,264
Selling and distribution costs	**(354,340)**	(241,950)	(219,300)	(170,302)	(183,664)
Administrative expenses	**(236,617)**	(178,030)	(155,392)	(127,761)	(121,254)
Other expenses	**(235,372)**	(151,681)	(111,571)	(71,501)	(46,802)
Finance costs	**(8,428)**	(1,732)	(669)	(619)	(5,093)
Share of profits and losses of jointly controlled entities	**13,776**	12,362	5,807	—	—
Share of profits and losses of associates	**6,812**	(2)	—	—	—
Profit before tax	**1,044,203**	742,656	561,568	552,969	872,639
Tax	**(36,838)**	(9,799)	(69,659)	(69,160)	(187,608)
Profit after tax	**1,007,365**	732,857	491,909	483,809	685,031
Profit attributable to shareholders of parent company	**937,451**	702,844	441,007	402,917	523,398
Profit after tax attributable to minority interests	**69,914**	30,013	50,902	80,892	161,633
	1,007,365	732,857	491,909	483,809	685,031

	As at 31 December				
	2007	2006	2005	2004	2003
Assets and Liabilities	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Total assets	**10,085,139**	6,471,716	5,763,102	4,813,891	4,631,123
Total liabilities	**3,227,348**	2,011,673	1,912,552	1,319,909	1,528,814

USE OF PROCEEDS

The net proceeds raised from the initial public offering of the Company in December 2003 (after deducting relevant expenses) amounted to approximately RMB1,773,488,000 (approximately HK$1,664,000,000). Set out below is a comparative analysis of the Group's actual use of funds as at 31 December 2007 vis-a-vis the proposed funds for the Group's future plans as stated in the prospectus of the Company dated 3 December 2003.

	Proposed Use	**Actual Use**
	RMB million	*RMB million*
Development of new production facilities	429.3	429.3
Upgrading and expanding the existing production facilities for engine	198.0	184.1
Upgrading and expanding the existing production facilities for parts and components	88.5	67.9
Improving the research and development capabilities	29.0	29.0
Upgrading the information systems	20.0	20.0
General working capital	1,008.7	1,008.7
Total	1,773.5	1,739.0

In May 2007, the Company exercised the special mandate granted in the general meeting held on 13 November 2006 in respect of the issue of 151,072,000 new H shares at the issue price of HK$10.65 per share to be placed to independent investors. The net proceeds raised from the issue of new H shares, the overseas-listed foreign-invested shares, of the Company (after deducting relevant expenses) amounted to approximately RMB1,542,460,000 (approximately HK$1,576,738,000). Set out below is a comparative analysis of the Group's actual use of funds as at 31 December 2007 vis-a-vis this proposed funds for the Group's future plans.

	Proposed Use	**Actual Use**
	RMB million	*RMB million*
Automobile engine parts project		209.2
Automobile gearbox project		202.8
Cast parts project	1,542.5	19.6
Plastic automobile fuel boxes project		—
Automobile rubber parts project		—
Sub-total		
Total	1,542.5	431.6

SHARE CAPITAL AND SHARE OPTION SCHEME

Details of movements of share capital of the Company for the year ended 31 December 2007, together with the reasons for such movements, are set out in Note 33 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of changes of property, plant and equipment of the Group and the Company for the year ended 31 December 2007, together with the reasons for such changes, are set out in Note 14 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights that will require the Company to offer new shares to its existing shareholders on a pro rata basis under the Company's articles of association (the "Articles") or the Company Law of the PRC (the "Company Law").

RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year was the Company, its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the directors, supervisors and chief executive officer of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other legal entity.

RESERVES

Details of the changes in the reserves of the Group and the Company are set out in Consolidated Statement of Changes in Equity and Note 34 to the consolidated financial statements respectively.

DISTRIBUTABLE RESERVE

As at 31 December 2007, pursuant to the Company Law and the Articles of the Company, the distributable cash reserve of the Company was RMB1,430,152,000, of which RMB219,054,000 was proposed to be distributed as 2007 final dividend. The aggregate amount of the capital premium reserve and part of the capital provident reserves was RMB2,558,856,000 which may be distributed through capitalisation in future.

CHARITABLE DONATIONS

Charitable donations made by the Group during the Year totalled RMB640,000.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2007, the percentage of purchases and sales attributable to the Group's major suppliers and customers was as follows:

Purchases	
the largest supplier	4.6%
five largest suppliers combined	14.1%
Sales	
the largest customer	13.7%
five largest suppliers combined	27.9%

During the year, the Group's five largest customers and suppliers accounted for less than 30% of the Group's total turnover and total purchases. The directors did not consider that any customer or supplier had imposed significant influence on the Group.

None of the directors, their associates or any shareholders (who to the knowledge of the directors own more than 5% of the Company's issued share capital) were interested in the major suppliers or customers noted above.

DIRECTORS AND SUPERVISORS

The directors and supervisors who held office during the year and up to the date of this report were as follows:

Executive Directors:	
Wei Jian Jun *(Chairman)*	(appointed on 10 May 2005)
Liu Ping Fu	(appointed on 10 May 2005)
Wang Feng Ying	(appointed on 10 May 2005)
Hu Ke Gang	(appointed on 28 June 2007)
Yang Zhi Juan	(appointed on 10 May 2005)
Non-executive Directors:	
He Ping	(appointed on 10 May 2005)
Niu Jun	(appointed on 10 May 2005)
Independent Non-executive Directors:	
Han Chuan Mo	(appointed on 10 May 2005)
Zhang Ming Yu	(appointed on 10 May 2005)
Zhao Yu Dong	(appointed on 10 May 2005)
Wong Chi Keung	(appointed on 10 May 2005)
Supervisor:	
Zhu En Ze	(appointed on 27 March 2006)
Independent Supervisors:	
Yuan Hong Li	(appointed on 10 May 2005)
Luo Jin Li	(appointed on 10 May 2005)

DIRECTORS' AND SUPERVISORS' SERVICE AGREEMENTS AND LETTERS OF APPOINTMENT

The service agreements have been entered into between the Company and each of the executive directors and supervisors, and the appointment letters have been entered into between the Company and each of the non-executive directors and independent non-executive directors in July 2007. Pursuant to the above service agreements and appointment letters, the term of directors shall be until the earlier of (i) the expiry of three years from the appointment date and (ii) the expiry of second term of the Board and that of supervisors will expire until the expiry of the second term of the Supervisory Committee. Save as disclosed above, none of the directors or supervisors had entered into or was proposing to enter into any service contracts with the Company or its subsidiaries, nor any service contracts not determinable by the employer within one year without payment of compensation.

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The biographies of directors, supervisors and senior management are set out on pages 22 to 27 of this report.

REQUIREMENT FOR INDEPENDENCE OF NON-EXECUTIVE DIRECTORS

All independent non-executive directors, namely, Messrs Han Chuan Mo, Zhang Ming Yu, Zhao Yu Dong and Wong Chi Keung, have provided the Company with confirmation as to their independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"). Based on such confirmation, the Company considers all independent non-executive directors to be independent.

INTERESTS OF CONTROLLING SHAREHOLDERS, DIRECTORS AND SUPERVISORS IN MATERIAL CONTRACTS

Save for those transactions described in the note headed "Related Party Transactions" in Note 39 to the financial statements and the section headed "Connected Transactions" below, none of the controlling shareholders, directors or supervisors was or had been materially interested, whether directly or indirectly, in any contract subsisting during 2007 or at the end of 2007 which was significant in relation to the business of the Company or any of its subsidiaries.

MATERIAL CONTRACTS

The material contracts having been entered into as at 31 December 2007 include:

1. On 28 January 2007, the Company entered into a joint venture agreement with an independent third party, Land and Property Management Authority of the Republic of Tatarstan, the Russian Federation ("Tatarstan Property Authority"), to set up a sino-foreign joint venture company with limited liability in Russia, Great Wall Alabuga Motor Open Joint Stock Company ("GW Alabuga Company"). The registered capital of GW Alabuga Company is approximately RMB121,800,000. According to this joint venture arrangement, the Company will subscribe for 75% of the equity interest in GW Alabuga Company by contributing cash and trademarks approximately amounting to RMB54,810,000 and RMB36,540,000, respectively.

2. An investment agreement in Chinese dated 7 September 2007 was entered into between the Company and 上海雙樺汽車空調配件有限公司 (Shanghai Shuanghua Automobile Air-Conditioning Accessories Co. Ltd.), pursuant to which the Company and 上海雙樺汽車空調配件有限公司 (Shanghai Shuanghua Automobile Air-Conditioning Accessories Co. Ltd.) jointly established 保定雙樺汽車零部件有限公司 (Baoding Shuanghua Automobile Components and Accessories Company Limited) The Company invested RMB3,467,400 in cash and RMB5,652,600 in land use rights and is interested in 32% of 保定雙樺汽車零部件有限公司 (Baoding Shuanghua Automobile Components and Accessories Company Limited). 上海雙樺汽車空調配件有限公司 (Shanghai Shuanghua Automobile Air-Conditioning Accessories Co. Ltd.) invested RMB19,380,000 in cash and is interested in 68% of 保定雙樺汽車零部件有限公司 (Baoding Shuanghua Automobile Components and Accessories Company Limited). The agreement was approved and the business license for enterprise legal person was issued by the Baoding Municipal Administration for Industry and Commerce on 18 December 2007.

3. An investment agreement in Chinese dated 8 November 2007 was entered into between the Company and 驕龍國際有限公司 (Dragonet International Co. Ltd.), pursuant to which the Company further invested an aggregate of RMB97,000,000 in 保定斯瑪特汽車配件有限公司 (Baoding Smart Automobile Accessories Co., Ltd.) and was interested in 50% of 保定斯瑪特汽車配件有限公司 (Baoding Smart Automobile Accessories Co., Ltd.). The agreement was approved and the business license for enterprise legal person was issued by the Baoding Municipal Administration for Industry and Commerce on 28 November 2007.

MANAGEMENT CONTRACTS

No contract concerning the management or administration of the general business or any substantial part of the business of the Company was entered into during the year.

DIRECTORS' AND SUPERVISORS' INTERESTS IN SECURITIES

As at 31 December 2007, 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 (the "SFO") of Hong Kong), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions in which they were deemed or taken to have under such provisions of the SFO), or which were required to be recorded in the register referred to in Section 352 of the SFO (including the interests and short positions in which they were deemed or taken to have under such provisions of the SFO) or were otherwise 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 of Interests	No. of Shares	Approximate Percentage of Domestic Shares %	Approximate Percentage of H Shares %	Approximate Percentage of Total Shares %
Mr. Wei Jian Jun	Interests in controlled companies	417,610,760(L)*	61.23	—	38.13
	Total:	417,610,760(L)*	61.23	—	38.13

Note: (L) denotes a long position in shares of the Company

* represents domestic shares

Interests in controlled companies: 保定市沃爾特管理諮詢有限公司 (Baoding Woerte Management Consultant Company) ("Woerte") and 保定市螞蟻物流網絡有限公司 (Baoding Ants Logistics Company Limited) ("Ants Logistics") are controlled by Mr. Wei Jian Jun pursuant to SFO. Accordingly, Mr. Wei Jian Jun is deemed to be interested in the 417,610,760 domestic shares directly held by Woerte and Ants Logistics.

Save as disclosed above, as at 31 December 2007, none of the directors, supervisors or general manager of the Company has any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of the SFO of Hong Kong), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests or short positions which they were deemed or taken to have), or be recorded in the register referred to in Section 352 of the SFO or be otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies under the Listing Rules. For this purpose, the relevant provisions of the SFO shall be construed as if they were applicable to the supervisors.

SHAREHOLDERS' STRUCTURE AND NUMBER OF SHAREHOLDERS

Details of the shareholders whose names were recorded in the register of shareholders of the Company as at 31 December 2007 are as follows:

Holders of Domestic Shares	3
Holders of H Shares	1,709
Total number of shareholders	1,712

SHARES HELD BY SUBSTANTIAL SHAREHOLDERS

As at 31 December 2007, the following shareholders (excluding the directors, supervisors or chief executive officer of the Company) had interests or short positions in any shares and underlying shares of the Company which were required to be recorded in the register referred to in Section 336 of the SFO:

Name of Shareholder	No. of Shares	Approximate Percentage of Domestic Shares %	Approximate Percentage of H Shares %	Approximate Percentage of Total Shares %
保定市沃爾特管理諮詢有限公司 (Baoding Woerte Management Consultant Company) (Note 1)	381,920,000(L)*	56.00		34.87
保定市南市區南大園鄉集體資產經管中心 (The Management Centre of Collective Assets of Nandayuan Town, Nanshi District, Baoding) (Note 2)	264,389,240(L)*	38.77		24.14
保定市螞蟻物流網絡有限公司 (Baoding Ants Logistics Company Limited) (Note 3)	35,690,760(L)*	5.23		3.26
Cheah Capital Management Limited	67,055,000(L)		16.22(L)	6.12
Cheah Company Limited	67,055,000(L)		16.22(L)	6.12
Hang Seng Bank Trustee International Limited	67,055,000(L)		16.22(L)	6.12
Value Partners Group Limited	67,055,000(L)		16.22(L)	6.12
Value Partners Limited	67,055,000(L)		16.22(L)	6.12
杜巧賢	67,055,000(L)		16.22(L)	6.12
謝清海	67,055,000(L)		16.22(L)	6.12
Alliance Bernstein L.P. (formerly "Alliance Capital Management L.P.")	57,470,500(L)		13.91(L)	5.25
Invesco Hong Kong Limited (previously known as Invesco Asia Limited) in its capacity as manager/advisor of various accounts	41,849,500(L)		10.12(L)	3.82
Coleman Charles P. III	24,004,000(L)		5.81(L)	2.19
JPMorgan Chase & Co.	28,704,000(L)		6.95(L)	2.62
	19,881,500(P)		4.81(P)	1.82

(L) denotes a long position in shares of the Company

(P) denotes shares available to be borrowed

* represents domestic shares

Note:

(1) 保定市沃爾特管理諮詢有限公司 (Baoding Woerte Management Consultant Company) ("Woerte") was established on 1 December 2005 with a registered capital of RMB7,638,400. Its place of incorporation is Baoding, Hebei Province, the PRC and its registered address is 1588 Chang Cheng South Road, Nanshi District, Baoding, Hebei Province. It is engaged in corporate planning and management consultancies, the operations of which can only be conducted after obtaining prior approvals as stipulated under the applicable laws and administrative regulations and as prescribed by the State Council. As Woerte is controlled by Mr. Wei Jian Jun, Mr. Wei Jian Jun is deemed to be interested in the share capital of the Company held by Woerte pursuant to the SFO.

(2) 保定市南市區南大園鄉集體資產經營中心 (The Management Centre of Collective Assets of Nandayuan Town, Nanshi District, Baoding) ("Management Centre") was established on 28 March 2001 as an enterprise under collective ownership with a registered capital of RMB17,260,000. Its place of incorporation is Baoding, Hebei Province, the PRC and its registered address is Room 210, Government Office Building, Nandayuan Town, Nanshi District, Baoding. It is engaged in the management of the equity interests of the collective assets of the town.

(3) 保定市螞蟻物流網絡有限公司 (Baoding Ants Logistics Company Limited) ("Ants Logistics") was established on 4 March 2002 with a registered capital of RMB120,000,000. Its place of incorporation is Baoding, Hebei Province, the PRC and its registered address is No. 2 Guihua Road, High Technology District Phase II, Baoding, Hebei Province. It is engaged in the transport of goods (other than those operations prohibited under the national law and regulation). As Ants Logistics is controlled by Mr. Wei Jian Jun, Mr. Wei Jian Jun is deemed to be interested in the share capital of the Company held by Ants Logistics pursuant to the SFO.

Save as disclosed above, as at 31 December 2007, so far as the directors, supervisors or chief executive of the Company are aware, no person (excluding the directors, supervisors or chief executive officer of the Company) had interests or short positions in the shares and underlying shares of the Company which were required to be recorded in the register under Section 336 of the SFO.

PUBLIC FLOAT

Based on the public information available to the directors, as at the date of this report, the directors confirm that 37.73% of the issued share capital of the Company was held by the public.

CONNECTED TRANSACTIONS

During the year, the Group has entered into connected transactions and continuing connected transactions with connected persons and has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules. The independent non-executive directors have reviewed the related continuing connected transactions and confirmed that such continuing connected transactions have been entered into:

(1) in the ordinary and usual course of business of the Group;

(2) on normal commercial terms or, if there are no sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favorable to the Group than terms available to or from (as appropriate) independent third parties;

(3) in accordance with the relevant agreement governing them; and

(4) on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Board has received from its auditors a letter confirming that the continuing connected transactions:

(1) have been approved by the Board of the Company;

(2) are in accordance with the pricing policies set by the Group from time to time for transactions involving sale of goods or provision of services by the Group;

(3) have been entered into in accordance with the terms of the relevant agreement governing such transactions; and

(4) have not exceeded the cap amounts disclosed in the previous announcement.

During the year, the details of the continuing connected transactions exempted from the approval of independent shareholders but were subject to the announcement and reporting requirements under the Listing Rules were as follows:

(1) On 7 September 2007, the Group and 保定市螞蟻物流網絡有限公司 (Baoding Ants Logistics Company Limited) ("Baoding Ants Logistics"), as a service provider on behalf of itself, 順平安特運輸有限公司 (Shunping Ante Transport Company Limited) ("Shunping Ante") and 順平縣現代物流有限公司 (Shunping Country Modern Logistics Company Limited) ("Shunping Logistics") further revised the logistics agreement signed on 20 January 2006 and amended on 19 April 2006 and 17 August 2006 for the purpose of changing the annual cap of the connected transactions for each year ended 31 December 2008 from RMB95,000,000 to RMB122,000,000, with all other terms remaining unchanged.

Mr. Wei Jian Jun, Director of the Company, and his associates are the beneficial owners of the entire equity interests in (i) Baoding Ants Logistics, which in turn holds 90% of the equity interests in Shunping Ante; and (ii) 保定市長城創業投資有限公司 (Baoding Great Wall Pioneer Enterprise Investment Company Limited) and 保定市長城開發建設集團有限公司 (Baoding Great Wall Development Construction Group Company Limited), which in turn hold 49% and 51%, respectively, of the equity interests in Shunping Logistics. As such, Baoding Ants Logistics, Shunping Ante and Shunping Logistics are associates of Mr. Wei Jian Jun, thus connected persons of the Company.

Details of amended terms are disclosed in the announcement dated 7 September 2007.

(2) On 7 September 2007, the Group and 保定太行鋼結構工程有限公司 (Baoding Tai Hang Steel Structure Construction Co. Ltd) ("Baoding Tai Hang") further revised the construction service agreement signed on 20 January 2006 and amended on 27 October 2006 for the purpose of changing the annual cap of connected transactions for each year ended 31 December 2008 from RMB90,000,000 to RMB122,000,000, with all other terms remaining unchanged.

Mr. Wei Jian Jun, Director of the Company, is ultimately interested in 52% of the equity interests in Baoding Tai Hang through other companies controlled by him. As such, Baoding Tai Hang is a connected person of the Company.

Details of amended terms are disclosed in the announcement dated 7 September 2007.

(3) On 7 September 2007, the Group and 上海雙樺汽車空調配件有限公司 (Shanghai Shuanghua Automobile Air-Conditioning Accessories Co. Ltd.) ("Shanghai Shuanghua") entered into a framework agreement, the "Shanghai Shuanghua Framework Agreement", in relation to the purchase of automobile air-conditioning components from Shanghai Shuanghua.

Shanghai Shuanghua is a sino-foreign equity joint venture owned as to 38.37% by 香港奧拓瑪控股有限公司 (Automart Holdings Limited). 麥克斯（保定）汽車空調系統有限公司 (Macs (Baoding) Auto A/C Systems Co. Ltd.), a sino-foreign equity joint venture owned as to 51% by the Company and as to 49% by 香港奧拓瑪控股有限公司 (Automart Holdings Limited). As such, Shanghai Shuanghua is an associate of 香港奧拓瑪控股有限公司 (Automart Holdings Limited) and therefore a connected person of the Company.

The Shanghai Shuanghua Framework Agreement was entered into on normal commercial terms. The particulars of each transaction contemplated under the Shanghai Shuanghua Framework Agreement such as the specifications, quantity, price, quality standards and warranties for the relevant automobile air-conditioning parts and components, as well as the payment arrangement for the transaction, will be determined by the parties based on the principles set out in the Shanghai Shuanghua Framework Agreement, which allow the Company and its subsidiaries to choose its suppliers and the price payable by the Company and its subsidiaries to Shanghai Shuanghua shall not more than the price that the Company and its subsidiaries will be charged for similar products provided by Independent Third Parties.

The annual caps under the Shanghai Shuanghua Framework Agreement for each of the three years ended 31 December 2009 are RMB37,430,000, RMB122,000,000 and RMB122,000,000 respectively. Details of the terms of the Shanghai Shuanghua Framework Agreement are disclosed in the announcement dated 7 September 2007.

The cap and actual amounts of the continuing connected transactions which were subject to the announcement and reporting requirements but exempted from the approval of independent shareholders for 2007 were set out below:

Type of transactions	**Cap amount of non-exempted continuing connected transactions for 2007** *RMB'000*	**Total value for the year ended 31 December 2007** *RMB'000*
1. Utilisation of transportation and delivery services of the Logistics Companies	122,000	119,371
2. Design and construction services provided by Baoding Tai Hang to the Group	122,000	65,441
3. Purchases of automobile air-conditioning components from Shanghai Shuanghua	37,430	1,317

Besides, details of completed connected transactions which were subject to the announcement and reporting requirements but exempted from the approval of independent shareholders for the year are set out below:

(1) On 7 September 2007, the Company and 上海雙樺汽車空調配件有限公司 (Shanghai Shuanghua Automobile Air-Conditioning Accessories Co. Ltd.) ("Shanghai Shuanghua") entered into the Shuanghua Baoding Investment Agreement in relation to the establishment of a joint venture company, 保定雙樺汽車零部件有限公司 (Baoding Shuanghua Automobile Parts Company Limited) ("Shuanghua Baoding").

Shanghai Shuanghua is a sino-foreign equity joint venture owned as to 38.37% by 香港奧拓瑪控股有限公司 (Automart Holdings Limited). 麥克斯（保定）汽車空調系統有限公司 (Macs (Baoding) Auto A/C Systems Co. Ltd.), a sino-foreign equity joint venture owned as to 51% by the Company and as to 49% by 香港奧拓瑪控股有限公司 (Automart Holdings Limited). As such, Shanghai Shuanghua is an associate of 香港奧拓瑪控股有限公司 (Automart Holdings Limited) and therefore a connected person of the Company.

Pursuant to the Shuanghua Baoding Investment Agreement, Shanghai Shuanghua and the Company will each contribute to the establishment of an equity joint venture company to be named Shuanghua Baoding in the PRC. Shuanghua Baoding will be a limited liability company established under the laws of the PRC with a registered capital of RMB28,500,000. Shuanghua Baoding will be owned as to 68% by Shanghai Shuanghua and as to 32% by the Company. Shuanghua Baoding will engage principally in the production of automobile hot exchange device for the domestic and overseas markets. Pursuant to the Shuanghua Baoding Investment Agreement, Shanghai Shuanghua will contribute RMB19,380,000 in cash and the Company will contribute an aggregate amount of RMB9,120,000 (RMB3,467,400 in cash and RMB5,652,600 in form of land use rights) to the registered capital of Shuanghua Baoding.

Details of the terms of the Shuanghua Baoding Investment Agreement are disclosed in the announcement dated 7 September 2007.

(2) On 8 November 2007, the Company and 驕龍國際有限公司 (Dragonet International Co. Ltd.) ("Dragonet") entered into the Smart TV Agreement in relation to the establishment of 保定斯瑪特汽車配件有限公司 (Baoding Smart Automobile Accessories Co., Ltd.) ("Smart").

Dragonet is an investment holding company. Dragonet holds 25% equity interest in the following subsidiaries of the Company, namely, 保定長城汽車橋業有限公司 (Baoding Changcheng Vehicle Axles Industries Co., Ltd), 北京格瑞特汽車零部件有限公司 (Beijing Great Automotive Components Company Limited), 保定長福衝壓件有限公司 (Baoding Changfu Pressings Co., Ltd) and 保定曼德汽車配件有限公司 (Baoding Mind Auto Component Co., Ltd). Therefore, pursuant to the Listing Rules, Dragonet is a substantial shareholder of the Group and is a connected person of the Company.

Smart was established in 2004 as a wholly foreign owned enterprise owned by Dragonet, with a registered capital of RMB97,000,000. Pursuant to the Smart JV Agreement (斯瑪特合資合同), each of the Company and Dragonet has contributed RMB97,000,000 respectively as capital contribution to Smart. Smart is owned as to 50% by the Company and 50% by Dragonet. RMB83,474,506 out of the RMB97,000,000 to be contributed by Dragonet were accounted for from the original paid up capital of the Smart and the remaining RMB13,525,494 were contributed in cash.

Details of the terms of the Smart JV Agreement are disclosed in the announcement dated 8 November 2007.

POST BALANCE SHEET EVENTS

Details of significant post balance sheet events of the Company are set out in Note 41 to the financial statements.

PENSION SCHEME

Details of the Group's pension scheme are set out in Notes 3 and 6 to the financial statements.

REMUNERATION POLICIES

The Remuneration Committee is responsible for reviewing the remuneration policies for directors and senior management of the Group and formulating the remuneration packages for directors and senior management.

Directors

The Company determines the remuneration of the Board members with regard to factors including their competitiveness in the respective professions, their duties and the performance of the Company. The remuneration package includes basic salaries, bonuses, long-term incentives and non-monetary benefits.

Details of the remuneration of the directors for 2007 are set out in Note 8 to the financial statements.

Non-executive Directors

In connection with the remuneration of the non-executive directors, the amount of not less than RMB40,000 per annum was approved by the shareholders at the general meeting held on 10 December 2003.

Employees

Employees are remunerated on the basis of their performance, experience and prevailing industry practices. The Group's remuneration policies and packages are reviewed on a regular basis to ensure the competitiveness of the wage level and to recruit, retain and motivate employees. Bonuses and incentives may also be awarded to employees based on their individual performance, which provide drive and incentive for individual employees.

UNCOLLECTED DIVIDENDS

As at 31 December 2007, of the Company's 2005 final dividend, there were 83 cases of unclaimed final dividends, amounting to HK$7,541.60. As for the Company's 2006 final dividend, there were 71 cases of unclaimed dividends, amounting to HK$10,092.15.

MATERIAL LITIGATIONS

On 31 January 2008, the Company entered into the settlement agreement and two respective equity transfer agreements with 北京佳美亞投資有限公司 (Beijing Jiameiya Investment Company) ("Jiameiya") and 保定中信內燃機製造有限公司 (Baoding Zhongxin Internal Combustion Engine Manufacturing Company Limited) ("Zhongxin"). Pursuant to the settlement agreement, Jiameiya and Zhongxin agreed to withdraw the Civil Action against the Company and Mr. Wei Jian Jun and file the 撤訴申請書 (Application for the Withdrawal of the Civil Action) in respect of the Civil Action with the High People's Court of Hebei Province of the PRC on the condition that the directors of the Company and the Staff Union Committee of the Company agreed to acquire from each of Jiameiya and Zhongxin all its 24.5% of the equity interest in 保定長城內燃機製造有限公司 (Baoding Great Wall Internal Combustion Engine Manufacturing Company Limited) at a consideration of RMB75 million under the respective equity transfer agreements. The arrangement under the settlement agreement is a full and final settlement among the Company, Mr. Wei Jian Jun, Jiameiya and Zhongxin in respect of the Civil Action. Details of the Settlement Agreement and the Share Transfer Agreements are disclosed in the announcement of the Company dated 31 January 2008.

Save for the above litigation in relation to the settlement, the Company is not involved in any other 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 year.

CORPORATE GOVERNANCE

During the year ended 31 December 2007, the Company has complied with the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules ("Listing Rules") throughout the period.

AUDIT COMMITTEE

The Company has set up an Audit Committee ("Audit Committee") for the purposes of reviewing and supervising the Group's financial reporting process and internal financial controls. The committee comprises four independent non-executive directors of the Company. The Audit Committee held a meeting on 10 March 2008 to review the annual report and annual financial statements of the Group and to give their opinion and recommendations to the Board. The Audit Committee is of the opinion that the annual report and the annual financial statements of 2007 comply with the applicable accounting standards and that adequate disclosures have been made by the Company.

REMUNERATION COMMITTEE

The Remuneration Committee of the Company comprises two independent non-executive directors and one executive director. The Remuneration Committee is responsible for making recommendations on the remuneration policies in relation to the directors and senior management of the Company, and determining the remuneration packages of executive directors and senior management, including benefits in kind, pension rights and compensation payments.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED COMPANIES

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 to the Listing Rules (the "Model Code") as its own code of conduct regarding securities transactions by all directors of the Company. Having made specific enquiry from the directors and based on the information obtained, the Board believes that all directors had complied with the requirements set out in the Model Code during the period.

AUDITORS

Ernst & Young Hua Ming and Ernst & Young were the Group's PRC auditors and international auditors respectively for the year ended 31 December 2007. A resolution for the re-appointment of Ernst & Young Hua Ming and Ernst & Young as the Group's PRC auditors and international auditors, respectively, will be proposed at the forthcoming annual general meeting.

The auditors appointed by the Company remained the same for the past three years.

By order of the Board

Wei Jian Jun
Chairman

11 March 2008

Report on Corporate Governance Practices

The Company is committed to enhance its standard of corporate governance by improving its transparency, independence, accountability and fairness. The Code of Best Practice was replaced by the Code on Corporate Governance Practices in January 2005. The Company has adopted appropriate measures to comply with the Code on Corporate Governance Practices. Set out below is a summary of the Corporate Governance Practices of the Company and non-compliance with the Code on Corporate Governance Practices (if any).

Principal Corporate Governance Principles and Practices of the Company

A. Board of Directors

The Board should have a balance of skills and experience appropriate for the requirements of the business of the Company.

- The Board of the Company comprised five executive directors, two non-executive directors and four independent non-executive directors.
- All independent non-executive directors complied with the guidelines on independence set out under Rule 3.13 of the Listing Rules and have not violated any provision thereunder throughout the year.
- There is no material relationship, whether financial, operational, family, etc, among members of the Board.
- The list of directors, their biographies and roles in the Board and various committees are set out in pages 22 to 27 and 46 respectively.

Non-compliance: NIL

The unique role of the chairman and the chief executive officer

- The positions of chairman and general manager were served by different individuals.
- The chairman is responsible for overseeing operations of the Board and formulating the strategies and policies of the Company, while the general manager is responsible for managing the business of the Company.
- Mr. Wei Jian Jun served as the chairman of the Board of the Company, which is equivalent to the role of chairman, and is responsible for leading the Board and the procedures and operations of the Board.
- Ms. Wang Feng Ying served as the general manager of the Company, which is equivalent to the role of chief executive officer, and is responsible for the daily operations of the Company and other matters authorized by the Board.

Non-compliance: NIL

Non-executive directors should be appointed for a specific term, and all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment.

- Pursuant to the Articles of the Company, "the directors shall be elected in a general meeting for a term of three years. Upon expiry of his term of office, a director may offer himself for re-election". Except for Mr. Hu Ke Gang who was appointed on 28 June 2007, the remaining directors of the Company, including non-executive directors, were re-elected on 10 May 2005 for a term of three years.

Non-compliance: NIL

The Board should assume responsibility for leadership and control of the company and be collectively responsible for promoting the success of the company.

- Interim and final board meetings of the Board are held on a regular basis. The Board is responsible for formulating and reviewing the business direction and strategy for the relevant auditing period and for supervising the operating and financial performance of the Group. Where necessary, the Board will also convene ad hoc meetings to discuss matters requiring a decision by the Board. The management is authorized to exercise discretion on daily operation matters.

- The Board is accountable to the general meeting and entrusted with the following duties:

  (1) to convene shareholders' general meetings and report to the general meeting on their work;

  (2) to implement resolutions of the general meetings;

  (3) to formulate operating plans and investment proposals of the Company;

  (4) to prepare financial budgets and reports of the Company;

  (5) to prepare proposals for profit distribution and making up losses of the Company;

  (6) to prepare proposals for the increase or decrease of registered share capital and issue of bonds of the Company;

  (7) to prepare proposals for the mergers, segregation and dissolution of the Company;

  (8) to determine the internal management structure of the Company;

  (9) to appoint or remove the general manager of the Company and on the basis of nomination by the general manager, to appoint or remove the deputy general manager, financial controller and other senior management personnel of the Company and to determine their remunerations;

  (10) to set up the basic management systems of the Company;

  (11) to prepare proposals for amendments to the Articles of the Company; and

  (12) other authorizations from the general meetings.

The management is authorized at meetings of the Board to exercise powers related to daily operations.

- The Articles of the Company clearly stipulate that the general manager of the Company is responsible for implementing various strategies and overseeing the daily operations of the Company and is required to report to the Board on a regular basis.

- The Board will formulate the development strategies of the Company within its scope of authorization. The management is authorized and entrusted by the Board to implement the strategies and oversee the daily operations of the Group.

- There are three committees under the Board. The Strategy Committee is responsible for assisting the Board in formulating strategies of the Company. The Audit Committee is responsible for supervising the financial conditions of the Company. The Remuneration Committee is responsible for formulating remuneration strategy of the Company and supervising its enforcement. The Strategy Committee will provide recommendations to the management from time to time in accordance with the prevailing market environment and changes in policies. The Audit Committee, Strategic Committee and Remuneration Committee report to the Board on a regular basis.

Audit Committee	**Strategic Committee**	**Remuneration Committee**
Han Chuan Mo *(Chairman)*	Wei Jian Jun *(Chairman)*	Zhang Ming Yu *(Chairman)*
Zhao Yu Dong	Wang Feng Ying	Zhao Yu Dong
Zhang Ming Yu	Zhao Yu Dong	Wei Jian Jun
Wong Chi Keung	Zhang Ming Yu	
	He Ping	

Non-compliance: NIL

The Board should meet regularly to discharge their duties. The Board and its committees should be provided with sufficient information in a prompt manner.

- During the year, the Board held ten meetings. Pursuant to the Articles of the Company, “meetings or extraordinary meetings of the Board may be convened by means of telephone or similar telecommunication facilities”.

- Regular meetings of the Board of the Company were held in the interim and end periods of the year. Extra meetings were also held to cater for important matters arising from time to time. Directors may attend such meetings in person or through other electronic means of communication.

- Notice of 14 days was given to each director prior to a board meeting. Documents containing meeting agenda were sent to all directors four days before the date appointed for the relevant meetings.

- The secretary to the Board assisted the chairman of the Board in preparing the meeting agenda. The directors are allowed to submit proposed agenda items to the secretary to the Board before the date appointed for the relevant meeting.

- Minutes of board meetings and meetings of committees are duly kept by the secretary to the Board and freely available for inspection by the directors. Such meeting minutes recorded opinions and suggestions raised by the directors in the meeting. The final versions of such minutes were sent to directors for signing and confirmation.

- Transactions in which directors are deemed to be involved in conflict of interests or deemed to be materially interested in will not be dealt with by written resolution. The relevant director will be allowed to attend the meeting but may not express any opinion and will be required to abstain from voting.

- The directors may seek independent professional advices on professional matters involved in the agenda at the expense of the Company.

Attendance of individual directors in meetings of the Board in 2007

No. of meetings 10

	Attendance	Attendance rate
Chairman		
Wei Jian Jun	10	100%
Executive directors		
Liu Ping Fu	10	100%
Wang Feng Ying	10	100%
Hu Ke Gang (Appointed on 28 June 2007)	10	100%
Yang Zhi Juan	10	100%
Liang He Nian (Resigned on 27 June 2007)	—	—
Non-executive directors		
Niu Jun	10	100%
He Ping	10	100%
Independent non-executive directors		
Han Chuan Mo	10	100%
Zhao Yu Dong	10	100%
Zhang Ming Yu	10	100%
Wong Chi Keung	10	100%
Average attendance rate		100%

Save for matters of significance of the Company to be determined by the Board, which are set out in the terms of reference of the Board, other issues of daily operation are subject to the decision of the management which reports to the Board.

There is no material relationship, whether financial, operational, family, etc, among members of the Board.

Non-compliance: NIL

Every director is required to keep abreast of his responsibilities as a director of the company and of the conduct, business activities and development of the company.

- The company secretary provides updates on trading of H shares of the Company in Hong Kong on trading days to the directors and committee members and keeps them abreast of the latest developments of the Group and business progress of the Group.

- Pursuant to the prevailing "獨立董事工作制度" (Rules and Procedures of Independent Directors), non-executive directors are entitled to attend and convene Board meetings. All committees of the Company currently comprise non-executive directors.

Non-compliance: NIL

Compliance with Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code").

- The Company has complied with Model Code set out in Appendix 10 and has not adopted any separate code of conduct with requirements more exacting than the Model Code. The Company has made specific enquiry to each director in respect of securities transactions by directors. None of the directors of the Company violated any provisions of the Model Code or code of conduct.

Non-compliance: NIL

B. Remuneration of Directors and Senior Management

There should be a formal and transparent procedure for setting policy on executive directors' remuneration and for fixing the remuneration packages for all directors.

- The Company set up the Remuneration Committee on 3 March 2006 comprising two independent non-executive directors and one executive director.

Attendance of Meetings of Remuneration Committee in 2007

No. of meetings 1

Time and Business	**27 March 2007 To review the annual remuneration policies for directors and senior management**	
	Attendance	**Attendance rate**
Zhang Ming Yu	1	100%
Zhao Yu Dong	1	100%
Wei Jian Jun	1	100%
Average attendance rate		100%

- The Remuneration Committee is responsible for reviewing the remuneration policies for directors and senior management of the Company, and fixing the remuneration packages for directors and senior management, including benefits in kind, pension and compensation. The terms of reference of the Remuneration Committee include the specific duties set out under the Code on Corporate Governance Practices.

- The Group determines the remuneration for directors and employees according to the performance and qualification of the directors and employees as well as the prevailing industry practice, and reviews the remuneration policies and packages regularly. Based on the performance assessment report, employees may receive bonus and incentive payments as reward.

- In July 2007, the Company and each of the directors entered into a Director's Service Contract, which set out the Director's remuneration during their term of service.

Non-compliance: NIL

C. Nomination Committee

- The Company has not set up any nomination committee. The Board as a whole is responsible for the review and evaluation of the candidates in terms of their personalities, qualifications and the suitability of their experiences in relation to the Group's business, so as to nominate candidates for the approval of the shareholders on general meeting. The criteria for nomination of directors for re-election include the past performance of the respective directors and the suitability of the nominee as a director of a listed company. The Board as a whole is responsible for the recommendation, election and appointment of senior management of the Company.

D. Accountability and Audit

The Board should present a balanced, clear and comprehensive assessment of the company's performance, position and prospects.

- The directors are responsible for supervising the preparation of accounts for each financial period, which is required to give a true and fair view of the operating conditions, results and cash flow of the Group during the relevant period. When preparing the accounts dated 31 December 2007, the directors have:

  1. selected and consistently applied appropriate accounting policies, made prudent and reasonable judgments and estimations and adopted an on-going concern basis; and

  2. announced interim and final results of the Group every year in accordance with the Listing Rules and disclosed other financial information as required by the Listing Rules.

Non-compliance: NIL

The Board should ensure that the company maintains sound and effective internal controls to safeguard the shareholders' investment and the company's assets.

- The directors are fully responsible for overseeing the internal control system and evaluating its efficiency at least once a year.

- The Audit Committee is responsible for overseeing the financial affairs of the Group.

- The management is responsible for overseeing the daily operations of the Company and regularly evaluating operational efficiency.

- The financial control centre and secretariat to the Board of the Company is responsible for monitoring compliance affairs of the Group and organizing regular training.

- The Board is responsible for risk management and regular risk reviews.

Non-compliance: NIL

The Board should establish formal and transparent arrangements for considering how it will apply the financial reporting and internal control principles and for maintaining an appropriate relationship with the company's auditors.

- Ernst & Young Hua Ming and Ernst & Young are the domestic and international auditor of the Company respectively, providing audit and other services. Auditing fees in respect of annual audit service and interim review service charged by Ernst & Young amounted to RMB2,100,000 and RMB630,000 respectively. Auditing fees in respect of the issue of A shares payable by the Company to Ernst & Young Hua Ming amounted to RMB2,604,000. Apart from these, in 2007, there was no other charge payable for non-audit services by Ernst & Young.

- The Company set up an Audit Committee in February 2004 comprising all independent non-executive directors of the Company, including Messrs Han Chuan Mo (as chairman), Zhang Ming Yu, Zhao Yu Dong and Wong Chi Keung.

- The terms of reference of the Audit Committee conformed with the recommendations set out in A Guide for Effective Audit Committee issued by the Hong Kong Institute of Certified Public Accountants stipulating the following specific functions: (1) to make recommendation on the engagement or change of external auditors; (2) to supervise the internal audit system of the Company and its implementation; (3) to coordinate communication between internal and external audit functions; (4) to review financial information of the Company and its disclosure; (5) to review the internal control system and material connected transactions of the Company; and (6) to exercise other powers delegated by the Board of the Company.

- The principal work of the Audit Committee includes reviewing and supervising the financial reporting procedures and internal control system of the Group.

- The Audit Committee holds at least two meetings each year to review the audited annual accounts and unaudited interim accounts. The principal duties of the Audit Committee include reviewing the financial reporting procedures of the Group, auditors' advice on internal control and compliance matters and financial risk management.

Attendance of Meetings of Audit Committee in 2007

No. of meetings		2
Time and Business	**26 March 2007**	**To review the annual financial report for 2006**
	26 August 2007	**To review the interim financial report for 2007**

	Attendance	**Attendance rate**
Han Chuan Mo	2	100%
Zhang Ming Yu	2	100%
Zhao Yu Dong	2	100%
Wong Chi Keung	2	100%
Average attendance rate		100%

- The Audit Committee held a meeting on 10 March 2008 to review the audited results and annual financial report for the year ended 31 December 2007.

The terms of reference of the Audit Committee covered all duties set out in the Code on Corporate Governance Practices.

- During the year, the Audit Committee recommended to the Board for the re-appointment of Ernst & Young Hua Ming as the domestic external auditor of the Company for 2007. Ernst & Young was re-appointed as the foreign external auditor of the Company for 2007;

- The Committee reviewed the independence and objectiveness as well as the effectiveness of the auditing procedures adopted by Ernst & Young, the external auditor of the Company;

- The Committee reviewed the 2006 Financial Report of the Company;

Review of the Company's connected transactions in 2006

- The minutes of meetings of the Audit Committee are duly kept by the secretary to the Board. Such meeting minutes recorded in detail opinions and suggestions raised by the committee members in the meeting. The minutes are filed for record upon signing and confirmation by the committee members.

- All members of the Audit Committee are independent non-executive directors of the Company.

- Ernst & Young has been engaged as the auditor of the Company since its listing and there were no reappointment, resignation or removal.

E. Corporate Communications

The board should endeavor to maintain an on-going dialogue with shareholders and in particular, to communicate with shareholders at annual general meetings.

- The Company establishes communication with shareholders by publishing annual and interim reports. Contact details of secretary to the Board are contained in the “Investor Relation” channel of the Company’s website. The Company also responds to queries raised by investors.

- At general meetings, the chairman of the meeting raises separate resolutions for each effectively independent matter.

- The chairman of the Board is available at the annual general meeting to answer and provide proper explanations to questions raised by shareholders, their representatives and members including members of the Audit Committee.

- The detailed procedures for poll and rights for demanding a poll are set out in the circulars to shareholders.

Non-compliance: NIL

Report of the Supervisory Committee

To all Shareholders,

During the year 2007, all members of the Supervisory Committee of the Company adhered strictly to the stipulations of the Company Law of the PRC (the "Company Law") and the articles of association of the Company (the "Articles"), and, on the principle of good faith and prudence, discharged their duties of supervision in accordance with the relevant regulations and, actively as well as cautiously, proceeded with various initiatives to safeguard the interest of the Company and all the shareholders. The Supervisory Committee played an effective role in ensuring that the Company had operated in conformity with all relevant requirements and contributed to its sustained development.

1. MEETING AND RESOLUTIONS OF THE SUPERVISORY COMMITTEE

The fourth meeting of the second Supervisory Committee was held on 11 March 2008 at the conference room of the Company, whereupon the financial statements, profit allocation proposal and report of the Supervisory Committee for 2007 were reviewed and approved.

2. TASKS OF THE SUPERVISORY COMMITTEE IN THE REPORTING PERIOD

During the Reporting Period, not only did the Supervisory Committee attend all meetings of the board of directors (the "Directors") of the Company (the "Board"), the Committee also duly supervised and monitored the financial affairs of the Company, operation decisions made by the management, due operation of the Company in accordance with the law and the discharge of duties by the Directors and the senior management. The Supervisory Committee is of the opinion that:

(1) The Company and its subsidiaries were not involved in any violation of the Company Law, the Articles, the relevant accounting standards, the laws and regulations of the PRC during their operation in 2007.

(2) The Directors and senior management of the Company have discharged their duties with commitment, due observance of the law, well-regulated management, innovation, and a high regard to shareholders' interest during 2007 and there was no violation of the Company Law, the Articles, the relevant accounting standards or the laws and regulations of the PRC.

(3) The certified accountants issued their report in the standard and unqualified form without opinion. The Company's financial statements reflected a true view of the financial positions of the Group and the Company as at 31 December 2007, and the operating results of the Group for the year then ended.

By Order of the Supervisory Committee
Zhu En Ze
Supervisor

Hebei Province, the PRC
11 March 2008

Notice of the Annual General Meeting

NOTICE IS HEREBY GIVEN that an annual general meeting (the "AGM") of GREAT WALL MOTOR COMPANY LIMITED (the "Company") for the year ended 31 December 2007 will be held at 9:00 a.m. on Tuesday, 6 May 2008 at Conference Room, No. 2266 Chaoyang South Street, Baoding, Hebei Province, the People's Republic of China (the "PRC") to consider, approve and authorise the following:

By way of ordinary resolutions:

1. to approve the audited financial statements of the Company for the year ended 31 December 2007;

2. to declare a final dividend of RMB0.2 per share (H shares and Domestic Shares of the Company) for the year ended 31 December 2007 to those shareholders of the Company who are registered on the register of members of the Company as at the close of business on Thursday, 3 April 2008; and

3. to receive and adopt the Board of Directors 2007 Report;

4. to receive and adopt the Supervisory Committee 2007 Report; and

5. to approve the reappointment of Ernst & Young Hua Ming as the Company's PRC auditors and Ernst & Young as the Company's international auditors for the year ending 31 December 2008 and the authorisation to the Board to determine their respective remunerations.

By way of special resolutions:

6. to approve the proposed grant of the following mandate to the Board:

   (1) an unconditional general mandate to allot, issue and deal with additional shares in the capital of the Company, whether Domestic Shares or H Shares. Such unconditional general mandate can be exercised once or more than once during the Relevant Period, subject to the following conditions:

      (a) such mandate shall not extend beyond the Relevant Period save that the Board may during the Relevant Period make or grant offers, agreements or options which might require the exercise of such powers after the Relevant Period;

      (b) the aggregate nominal amount of shares, whether Domestic Shares or H Shares allotted, issued and dealt with or agreed conditionally or unconditionally to be allotted, issued and dealt with by the Board pursuant to such mandate, shall not exceed:

         (I) 20 per cent, being 136,400,000 Domestic Shares, of the aggregate nominal amount of Domestic Shares in issue; and

         (II) 20 per cent, being 82,654,400 H Shares, of the aggregate nominal amount of H Shares in issue, in each case as of the date of this resolution; and

      (c) the Board shall only exercise its power under such mandate in accordance with the Company Law of the PRC and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as the same may be amended from time to time) and only if all necessary approvals from the China Securities Regulatory Commission and/or other relevant PRC governmental authorities are obtained; and

(2) contingent on the Board resolving to issue shares pursuant to sub-paragraph (1) of this resolution, the Board be authorised to:

(a) approve, execute, and do or procure to be executed and done, all such documents, deeds and things as it may consider necessary in connection with the issue of such new shares including (without limitation):

(I) determine the class and number of shares to be issued;

(II) determine the issue price of the new shares;

(III) determine the opening and closing dates of the new issue;

(IV) determine the use of proceeds of the new issue;

(V) determine the class and number of new shares (if any) to be issued to the existing shareholders;

(VI) make or grant such offers, agreements and options as may be necessary in the exercise of such powers; and

(VII) in the case of an offer or allotment of shares to the shareholders of the Company, exclude shareholders of the Company who are residents outside the PRC or the Hong Kong Special Administrative Region of the PRC on account of prohibitions or requirements under overseas laws or regulations or for some other reason(s) which the Board considers expedient;

(b) increase the registered capital of the Company in accordance with the actual increase of capital by issuing shares pursuant to sub-paragraph (1) of this resolution, register the increased capital with the relevant authorities in the PRC and make such amendments to the Articles as it thinks fit so as to reflect the increase in the registered capital of the Company; and

(c) make all necessary filings and registrations with the relevant PRC, Hong Kong and/or other authorities.

For the purpose of this resolution:

“Board” means the board of directors of the Company;

“Domestic Shares” means domestic invested Shares in the share capital of the Company, with a par value of RMB1.00 each, which are subscribed for and paid up in Renminbi by PRC investors;

“H Shares” means the overseas listed foreign invested Shares in the share capital of the Company, with a par value of RMB1.00 each, which are subscribed for and traded in Hong Kong dollars;

"Relevant Period" means the period from the passing of this resolution until the earliest of:

(a) the conclusion of the next AGM of the Company following the passing of this resolution; or

(b) the expiration of the 12-month period following the passing of this resolution; or

(c) the date on which the authority set out this resolution is revoked or varied by a special resolution of the Shareholders in a general meeting.

7. to approve the expansion of the business scope of the Company to include "general cargo freight transportation and special transportation" and authorise the Board to apply to the relevant PRC authorities to effect the expansion of business scope.

8. subject to the approval by the relevant PRC authorities having been obtained, to approve the insertion to article 11 of the Articles "general cargo freight transportation and special transportation" such that the amended article 11 shall read:

   "The Company's scope of business shall be consistent with and subject to that approved by the authority responsible for company registrations.

   The Company's scope of business is as follows: Manufacturing of automobiles and components thereof; production, development, design, processing agency and sale of accessories and provision of after-sale services and consultation services thereof; manufacturing of electronic and mechanical equipments (except for those restricted or prohibited by the State from foreign investment and those with special limitations); processing and manufacturing of moulds; repair and maintenance of automobiles; general cargo freight transportation and special transportation; storage and logistics (a license is required for operation in the event of an administrative permit involved); export of components and accessories of automobiles self-manufactured and purchased by the Company; import and export of goods and techniques (excluding those distributed and operated exclusively by the State and except for those restricted by the State)."

This notice is available for viewing on the website of the Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the website of the Company (www.gwm.com.cn).

By Order of the Board
Great Wall Motor Company Limited
Bai Xuefei
Company Secretary

Baoding, the People's Republic of China, 12 March 2008

Notes:

(A) The share register of the Company will be closed from Saturday, 5 April 2008 to Tuesday, 6 May 2008 (both days inclusive), during which no transfer of shares will be effected. Any members of the Company, whose names appear on the Company's register of members at the close of business on Thursday, 3 April 2008, are entitled to attend and vote at the AGM after completing the registration procedures for attending the meeting. In order to be entitled to attend and vote at the AGM, share transfer documents should be lodged with the Company or the Company's H shares share registrar not later than 4:30 p.m. on Thursday, 3 April 2008.

The address of the share registrar for the Company's H shares is as follows:

Computershare Hong Kong Investor Services Limited
Rooms 1806–1807
18th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

(B) Holders of H shares and domestic shares, who intend to attend the AGM, must complete the reply slips for attending the AGM and return them to the Office of the Secretary to the Board of the Company not later than 20 days before the date of the AGM, i.e. no later than Wednesday, 16 April 2008.

Details of the office of the secretary to the Board are as follows:

No. 2266 Chaoyang South Street,
Baoding, Hebei Province
the People's Republic of China
Tel: (86-312) 2197813
Fax: (86-312) 2197812

(C) Each holder of H shares who has the right to attend and vote at the AGM is entitled to appoint in writing one or more proxies, whether a shareholder or not, to attend and vote on his behalf at the AGM. A proxy of a shareholder who has appointed more than one proxy may only vote on a poll.

(D) The instrument appointing a proxy must be in writing under the hand of the appointor or his attorney duly authorised in writing. If that instrument is signed by an attorney of the appointor, the power of attorney authorising that attorney to sign, or other documents of authorisation, must be notarially certified.

(E) To be valid, the proxy form, and if the proxy form is signed by a person under a power of attorney or other authority on behalf of the appointor, a notarially certified copy of that power of attorney or other authority, must be delivered to the Company's H shares share registrar, Computershare Hong Kong Investor Services Limited, at 1806–1807, 18/F., Hopewell Centre, 183 Queen's Road East, Hong Kong, not less than 24 hours before the time for holding the AGM or any adjournment thereof.

(F) Each holder of domestic shares is entitled to appoint in writing one or more proxies, whether a shareholder or not, to attend and vote on its behalf at the AGM. Notes (C) to (D) also apply to holders of domestic shares, except that the proxy form or other documents of authority must be delivered to the office of the secretary to the Board, the address of which is set out in Note (B) above, not less than 24 hours before the time for holding the AGM or any adjournment thereof.

(G) If a proxy attends the AGM on behalf of a shareholder, he should produce his ID card and the instrument signed by the proxy or his legal representative, which specifies the date of its issuance. If the legal representative of a legal person share shareholder attends the AGM, such legal representative should produce his ID card and valid documents evidencing his capacity as such legal representative. If a legal person share shareholder appoints a representative of the company other than its legal representative to attend the AGM, such representative should produce his ID card and an authorisation instrument affixed with the seal of the legal person share shareholder and duly signed by its legal representative.

(H) The AGM is expected to last for half a day. Shareholders attending the AGM are responsible for their own transportation and accommodation expenses.

Independent Auditors' Report

ERNST & YOUNG
安永會計師事務所

INDEPENDENT AUDITORS' REPORT

To the shareholders of Great Wall Motor Company Limited
(Incorporated in the People's Republic of China with limited liability)

We have audited the financial statements of Great Wall Motor Company Limited set out on pages 60 to 140, which comprise the consolidated and company balance sheets as at 31 December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2007 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
*Certified Public Accountant*s
Hong Kong
11 March 2008

Consolidated Income Statement

Year ended 31 December 2007

	Notes	2007 RMB'000	2006 RMB'000
REVENUE	4, 5	**7,579,356**	4,918,622
Cost of sales		**(5,783,427)**	(3,681,731)
Gross profit		**1,795,929**	1,236,891
Other income and gains	5	**62,443**	66,798
Selling and distribution costs		**(354,340)**	(241,950)
Administrative expenses		**(236,617)**	(178,030)
Other expenses		**(235,372)**	(151,681)
Finance costs	7	**(8,428)**	(1,732)
Share of profits and losses of:			
Jointly-controlled entities		**13,776**	12,362
Associates		**6,812**	(2)
PROFIT BEFORE TAX	6	**1,044,203**	742,656
Tax	10	**(36,838)**	(9,799)
PROFIT FOR THE YEAR		**1,007,365**	732,857
Attributable to:			
Equity holders of the parent	11	**937,451**	702,844
Minority interests		**69,914**	30,013
		1,007,365	732,857
DIVIDENDS			
Proposed final	12	**219,054**	151,072
BASIC EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	13	**RMB0.91**	RMB0.74

Consolidated Balance Sheet

31 December 2007

	Notes	**2007** **RMB'000**	2006 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**1,597,425**	1,442,311
Prepaid land premiums	15	**283,578**	254,248
Construction in progress	16	**2,173,680**	870,428
Goodwill	17	**2,164**	2,164
Interests in jointly-controlled entities	19	**154,226**	47,584
Interests in associates	20	**10,403**	123
Deferred tax assets	31	**67,680**	60,936
Total non-current assets		**4,289,156**	2,677,794
CURRENT ASSETS			
Inventories	22	**957,633**	651,709
Trade receivables	23	**152,210**	31,085
Bills receivable	24	**657,763**	487,786
Available-for-sale financial assets	21	**210,000**	—
Held-for-trading financial assets	26	**—**	863
Prepayments and other receivables	25	**506,314**	193,292
Pledged bank balances	27	**238,486**	132,600
Cash and cash equivalents	27	**3,073,577**	2,296,588
Total current assets		**5,795,983**	3,793,923
CURRENT LIABILITIES			
Trade payables	28	**1,712,381**	968,465
Bills payable		**457,395**	240,465
Tax payable		**(44,019)**	52,360
Other payables and accruals	29	**984,919**	654,466
Dividends payable to minority shareholders		**7,384**	7,698
Provision for product warranties	30	**39,396**	32,708
Total current liabilities		**3,157,456**	1,956,162
NET CURRENT ASSETS		**2,638,527**	1,837,761
TOTAL ASSETS LESS CURRENT LIABILITIES		**6,927,683**	4,515,555
NON-CURRENT LIABILITIES			
Deferred income	32	**69,892**	55,511
Total non-current liabilities		**69,892**	55,511
NET ASSETS		**6,857,791**	4,460,044

	Notes	2007 RMB'000	2006 RMB'000
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	*33*	**1,095,272**	944,200
Reserves	*34*	**5,127,715**	3,017,993
Proposed final dividends	*34*	**219,054**	151,072
		6,442,041	4,113,265
Minority interests		**415,750**	346,779
TOTAL EQUITY		**6,857,791**	4,460,044

Wei Jian Jun
Executive Director

Wang Feng Ying
Executive Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2007

	Attributable to equity holders of the parent									
	Issued capital RMB'000	Share premium account RMB'000	Capital reserves (Note 34(i)) RMB'000	Statutory reserves RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Proposed final dividend RMB'000	Total RMB'000	Minority interests RMB'000	Total equity RMB'000
At 1 January 2006	944,200	1,170,400	(12,160)	690,150	–	617,711	94,420	3,504,721	345,829	3,850,550
Profit for the year	–	–	–	–	–	702,844	–	702,844	30,013	732,857
Contribution from minority shareholders	–	–	–	–	–	–	–	–	2,031	2,031
Acquisition of minority interests	–	–	–	–	–	–	–	–	(4,367)	(4,367)
Transfer to capital reserves	–	–	2,068	–	–	(1,948)	–	120	–	120
Transfer to statutory reserves	–	–	–	158,728	–	(158,728)	–	–	–	–
Dividends paid to minority shareholders	–	–	–	–	–	–	–	–	(26,727)	(26,727)
Final 2005 dividend declared	–	–	–	–	–	–	(94,420)	(94,420)	–	(94,420)
Proposed final dividend	–	–	–	–	–	(151,072)	151,072	–	–	–
At 31 December 2006 and 1 January 2007	**944,200**	**1,170,400**	**(10,092)**	**848,878**	**–**	**1,008,807**	**151,072**	**4,113,265**	**346,779**	**4,460,044**
Issue of H shares *(Note 33)*	**151,072**	**1,391,388**	**–**	**–**	**–**	**–**	**–**	**1,542,460**	**–**	**1,542,460**
Exchange realignment	**–**	**–**	**–**	**–**	**(63)**	**–**	**–**	**(63)**	**–**	**(63)**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**937,451**	**–**	**937,451**	**69,914**	**1,007,365**
Contribution from minority shareholders	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**12,662**	**12,662**
Transfer from capital reserves	**–**	**–**	**(6,572)**	**–**	**–**	**6,572**	**–**	**–**	**–**	**–**
Transfer to statutory reserves	**–**	**–**	**–**	**180,723**	**–**	**(180,723)**	**–**	**–**	**–**	**–**
Dividends paid to minority shareholders	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(13,605)**	**(13,605)**
Final 2006 dividend declared	**–**	**–**	**–**	**–**	**–**	**–**	**(151,072)**	**(151,072)**	**–**	**(151,072)**
Proposed final dividend	**–**	**–**	**–**	**–**	**–**	**(219,054)**	**219,054**	**–**	**–**	**–**
At 31 December 2007	**1,095,272**	**2,561,788**	**(16,664)**	**1,029,601**	**(63)**	**1,553,053**	**219,054**	**6,442,041**	**415,750**	**6,857,791**

Consolidated Cash Flow Statement

Year ended 31 December 2007

	Notes	2007 RMB'000	2006 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**1,044,203**	742,656
Adjustments for:			
Share of profits and losses of jointly-controlled entities		**(13,776)**	(12,362)
Share of profits and losses of associates		**(6,812)**	2
Foreign exchange differences, net		**24,692**	1,878
Recognition of deferred income	5	**(2,348)**	(1,948)
Income from investments on available-for-sale financial assets	5	**(1,092)**	—
Gains on disposal of held-for-trading financial assets	5	**(594)**	—
Unrealised gain on revaluation of held-for-trading financial assets	5	**—**	(476)
(Gain)/Loss on disposal of items of property, plant and equipment	5, 6	**(274)**	529
Depreciation	6	**168,404**	141,273
Recognition of prepaid land premiums	6	**4,882**	2,695
Write-back of impairment of receivables, net	6	**(2,178)**	(4,009)
Write-down of inventories to net realisable value	6	**15,839**	18,589
Write-back of impairment of items of property, plant and equipment	6	**—**	(4,901)
Provision for product warranties	30	**24,031**	26,533
		1,254,977	910,459
Increase in inventories		**(369,020)**	(11,255)
(Increase)/decrease in trade receivables		**(120,199)**	31,034
Increase in bills receivable		**(169,977)**	(17,972)
Increase in prepayments and other receivables		**(219,359)**	(22,377)
Increase in trade payables		**784,173**	33,987
Increase/(decrease) in bills payable		**216,930**	(10,715)
Increase in other payables and accruals		**66,635**	159,617
Decrease in provision for product warranties	30	**(17,343)**	(17,645)
Cash generated from operations		**1,426,817**	1,055,133
Income taxes paid		**(139,961)**	(43,274)
Net cash inflow from operating activities		**1,286,856**	1,011,859

	Notes	2007 RMB'000	2006 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment and construction in progress		**(1,448,575)**	(898,738)
Prepayments of land premiums		**(36,812)**	(67,306)
Acquisition of a subsidiary	35	**—**	150
Acquisition of minority interests		**—**	(4,367)
Investments in associates		**(3,468)**	(125)
Investment in a jointly-controlled entity		**(97,000)**	—
Purchases of available-for-sale financial assets		**(210,000)**	—
Proceeds from disposal of items of property, plant and equipment		**5,286**	6,015
Proceeds from disposal of land premiums		**2,600**	5,830
Proceeds from disposal of held-for-trading financial assets		**1,457**	7
Dividend received from a jointly-controlled entity		**4,134**	—
Income received from available-for-sale financial assets		**1,092**	—
Receipt of government grants	32	**16,729**	—
Net cash outflow from investing activities		**(1,764,557)**	(958,534)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of H shares	33	**1,542,460**	—
Contribution from minority shareholders		**1,250**	1,881
Dividends paid to minority shareholders		**(4,722)**	(28,509)
Dividends paid		**(153,720)**	(152,307)
Net cash inflow/(outflow) from financing activities		**1,385,268**	(178,935)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**907,567**	(125,610)
Cash and cash equivalents at beginning of year		**2,429,188**	2,556,676
Effect of foreign exchange rate changes, net		**(24,692)**	(1,878)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**3,312,063**	2,429,188
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	27	**3,312,063**	2,429,188

Balance Sheet

31 December 2007

	Notes	2007 RMB'000	2006 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**957,282**	918,100
Prepaid land premiums	15	**225,630**	199,930
Construction in progress	16	**2,059,795**	719,039
Investments in subsidiaries	18	**316,855**	231,101
Investments in jointly-controlled entities	19	**126,405**	29,405
Investments in associates	20	**3,591**	125
Deferred tax assets	31	**11,513**	11,036
Total non-current assets		**3,701,071**	2,108,736
CURRENT ASSETS			
Inventories	22	**441,062**	280,754
Trade receivables	23	**134,472**	24,310
Bills receivable	24	**347,680**	332,633
Available-for-sale financial assets	21	**190,000**	—
Held-for-trading financial assets	26	**—**	863
Dividends receivable		**8,012**	8,012
Prepayments and other receivables	25	**463,659**	312,032
Pledged bank balances	27	**92,449**	72,139
Cash and cash equivalents	27	**2,683,705**	2,026,697
Total current assets		**4,361,039**	3,057,440
CURRENT LIABILITIES			
Trade payables	28	**1,663,422**	1,152,963
Bills payable		**182,510**	132,910
Tax payable		**(72,502)**	2,171
Other payables and accruals	29	**636,258**	438,016
Provision for product warranties	30	**26,538**	23,436
Total current liabilities		**2,436,226**	1,749,496
NET CURRENT ASSETS		**1,924,813**	1,307,944
TOTAL ASSETS LESS CURRENT LIABILITIES		**5,625,884**	3,416,680
NON-CURRENT LIABILITIES			
Deferred income	32	**69,892**	55,511
Total non-current liabilities		**69,892**	55,511
NET ASSETS		**5,555,992**	3,361,169

	Notes	2007 RMB'000	2006 RMB'000
EQUITY			
Issued capital	*33*	**1,095,272**	944,200
Reserves	*34*	**4,241,666**	2,265,897
Proposed final dividend	*34*	**219,054**	151,072
TOTAL EQUITY		**5,555,992**	3,361,169

Wei Jian Jun
Executive Director

Wang Feng Ying
Executive Director

Notes to Financial Statements

31 December 2007

1. CORPORATE INFORMATION

The registered office of Great Wall Motor Company Limited (the "Company") is located at No. 2266 Chao Yang Road South, Baoding, Hebei Province, the People's Republic of China (the "PRC"). As at 31 December 2007, the H shares (RMB1 per share) of the Company amounting to 413,272,000 shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

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

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong, and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for, as disclosed in the accounting policy below, available-for-sale financial assets and held-for-trading financial assets which are stated at fair value. These financial statements are presented in RMB and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2007. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The acquisition of a subsidiary in the prior year was accounted for using the purchase method of accounting. This method involves allocating the cost of the business combinations to the fair value of the identifiable assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries. Acquisitions of minority interests are accounted for using the parent entity extension method whereby the difference between the consideration and the book value of the share of the net assets acquired is recognised as goodwill.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements. Except for in certain cases, giving rise to new and revised accounting policies and additional disclosures, the adoption of these new and revised standards and interpretation has had no material effect on these financial statements.

HKFRS 7	Financial Instruments: Disclosures
HKAS 1 Amendment	Capital Disclosures
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) HKFRS 7 *Financial Instruments: Disclosures*

This standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or results of operations of the Group, comparative information has been included/revised where appropriate.

(b) Amendment to HKAS 1 *Presentation of Financial Statements — Capital Disclosures*

This amendment requires the Group to make disclosures that enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital. These new disclosures are shown in note 40 to the financial statements.

(c) HK (IFRIC)-Int 8 *Scope of HKFRS 2*

This interpretation requires HKFRS 2 to be applied to any arrangement in which the Group can not identify specifically some or all of the goods or services received, for which equity instruments are granted or liabilities (based on a value of the Group's equity instruments) are incurred by the Group for a consideration, and which appears to be less than the fair value of the equity instruments granted or liabilities incurred. As the Company has not issued any equity instruments, the interpretation has had no effect on these financial statements.

(d) HK (IFRIC)-Int 9 *Reassessment of Embedded Derivatives*

This interpretation requires that the date to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative is the date that the Group first becomes a party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows. As the Group has no embedded derivative requiring separation from the host contract, the interpretation has had no effect on these financial statements.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

(e) HK (IFRIC)-Int 10 *Interim Financial Reporting and Impairment*

The Group has adopted this interpretation as of 1 January 2007, which requires that an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument classified as available-for-sale or a financial asset carried at cost is not subsequently reversed. As the Group had no impairment losses previously reversed in respect of such assets, the interpretation has had no impact on the financial position or results of operations of the Group.

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKFRS 8	Operating Segments[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HK(IFRIC)-Int 11	HKFRS 2 — Group and Treasury Share Transactions[2]
HK(IFRIC)-Int 12	Service Concession Arrangements[4]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[3]
HK(IFRIC)-Int 14	HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[4]

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 March 2007
3 Effective for annual periods beginning on or after 1 July 2008
4 Effective for annual periods beginning on or after 1 January 2008

The HKAS 1 has been revised to require to separate owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, it introduces the statement of comprehensive income: it presents all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense, either in one single statement, or in two linked statements. The Group is still evaluating whether it will have one or two statements.

HKFRS 8, which will replace HKAS 14 *Segment Reporting*, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group expects to adopt HKFRS 8 from 1 January 2009.

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

HKAS 23 has been revised to require capitalisation of borrowing costs when such costs are directly attributable to the acquisition, construction or production of a qualifying asset. As the Group's current policy for borrowing costs aligns with the requirements of the revised standard, the revised standard is unlikely to have any financial impact on the Group.

HK(IFRIC)-Int 11 requires arrangements whereby an employee is granted rights to the Group's equity instruments, to be accounted for as an equity-settled scheme, even if the Group acquires the instruments from another party, or the shareholders provide the equity instruments needed. HK(IFRIC)-Int 11 also addresses the accounting for share-based payment transactions involving two or more entities within the Group. As the Group currently has no such transactions, the interpretation is unlikely to have any financial impact on the Group.

HK(IFRIC)-Int 12 requires an operator under public-to-private service concession arrangements to recognise the consideration received or receivable in exchange for the construction services as a financial asset and/or an intangible asset, based on the terms of the contractual arrangements. HK(IFRIC)-Int 12 also addresses how an operator shall apply existing HKFRSs to account for the obligations and the rights arising from service concession arrangements by which a government or a public sector entity grants a contract for the construction of infrastructure used to provide public services and/or for the supply of public services. As the Group currently has no such arrangements, the interpretation is unlikely to have any financial impact on the Group.

HK(IFRIC)-Int 13 requires that loyalty award credits granted to customers as part of a sales transaction are accounted for as a separate component of the sales transaction. The consideration received in the sales transaction is allocated between the loyalty award credits and the other components of the sale. The amount allocated to the loyalty award credits is determined by reference to their fair value and is deferred until the awards are redeemed or the liability is otherwise extinguished.

HK(IFRIC)-Int 14 addresses how to assess the limit under HKAS 19 *Employee Benefits*, on the amount of a refund or a reduction in future contributions in relation to a defined benefit scheme that can be recognised as an asset, in particular, when a minimum funding requirement exists.

As the Group currently has no customer loyalty award credits and defined benefit scheme, HK(IFRIC)-Int 13 and HK(IFRIC)-Int 14 are not applicable to the Group and therefore are unlikely to have any financial impact on the Group.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of HKFRS 8 may result in new or amended disclosures, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 are stated at cost less any impairment losses.

Joint ventures

A joint venture is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture entity and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture is treated as:

(a) a subsidiary, if the Group/Company has unilateral control, directly or indirectly, over the joint venture;

(b) a jointly-controlled entity, if the Group/Company does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;

(c) an associate, if the Group/Company does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture; or

(d) an equity investment accounted for in accordance with HKAS 39, if the Group/Company holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Jointly-controlled entities

A jointly-controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's interests in jointly-controlled entities are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in the consolidated income statement and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its jointly-controlled entities are eliminated to the extent of the Group's interest in the jointly-controlled entities, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of jointly-controlled entities is included as part of the Group's interest in jointly-controlled entities.

The results of jointly-controlled entities are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in jointly-controlled entities are treated as non-current assets and are stated at cost less any impairment losses.

When an investment in a jointly-controlled entity is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Associates

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates is included as part of the Group's interests in associates.

The results of associates are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in associates are treated as non-current assets and are stated at cost less any impairment losses.

When an investment in an associate is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill

Goodwill arising on the acquisition of subsidiaries, associates and jointly-controlled entities represents the excess of the cost of the business combination over the Group's interest in the net fair value of the acquirees' identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition.

Goodwill arising on the acquisition is recognised in the consolidated balance sheet as an asset, initially measured at cost and subsequently at cost less any accumulated impairment losses. In the case of associates and jointly-controlled entities, goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Excess over the cost of business combinations

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, associates and jointly-controlled entities (previously referred to as negative goodwill), after reassessment, is recognised immediately in the income statement.

The excess for associates and jointly-controlled entities is included in the Group's share of associates' and jointly-controlled entities' profit or loss in the period in which the investments are acquired.

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets other than goodwill

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less cost to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other asset or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of such impairment loss is credited to the income statement in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Group or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is related party of the Group.

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained that in the accounting policy for "Non-current assets and disposal groups held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment over its estimated useful life, after taking into account its estimated residual value. The principal annual rates used for this purpose are as follows:

Buildings	2.40%–11.90%
Plant and machinery	9.50%–19.00%
Motor vehicles	9.50%–15.80%
Furniture, fixtures and office equipment	19.00%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress

Construction in progress represents buildings, plant and machinery under construction, which are stated at costs less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable.

Non-current assets and disposal groups (other than deferred tax assets and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell.

Research and development costs

All research costs are charged to the income statement as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding five years, commencing from the date when the products are put into commercial production.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms.

Prepaid land premiums under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets

Financial assets in the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables or available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The Group assesses whether a contract contains an embedded derivative when the Group first becomes a party to it and assesses whether an embedded derivative is required to be separated from the host contract when the analysis shows that the economic characteristics and risks of the embedded derivatives are not closely related to those of the host contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Gains or losses on investments held for trading are recognised in the income statement. The net fair value gain or loss recognised in the income statement does not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for “Revenue recognition” below.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets in listed and unlisted equity securities that are designated as available-for-sale or are not classified in any of the other two categories. After initial recognition, available-for-sale financial assets are measured at fair values with gains or losses recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement. Interests and dividends earned are reported as interest income and dividend income, respectively and are recognised in the income statement as "Other income" in accordance with the policies set out for "Revenue recognition" below. Losses arising from the impairment of such investments are recognised in the income statement as "Impairment losses on available-for-sale financial assets" and are transferred from the available-for-sale financial assets revaluation reserve.

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment; or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis and option pricing models.

Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account. The amount of the impairment loss is recognised in the income statement. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Assets carried at amortised cost (continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to trade and other receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor and significant changes in the technological, market economic or legal environment that have an adverse effect on the debtor) that the Group will not be able to collect all of the amounts due under the original terms of an invoice. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial assets

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from equity to the income statement. A provision for impairment is made for available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;

- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or

- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset; or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets (continued)

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities at amortised cost

Financial liabilities, including trade and other payables, are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. The related interest expense is recognised within "finance costs" in the income statement.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of semi-finished goods, work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheets, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

Provisions for product warranties granted by the Group on certain products are recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised except:

- where deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal annual instalments.

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset; and

(c) investment income, when the right to receive payment has been established.

Retirement benefits

In accordance with the rules and regulations in the PRC, the employees of the Group participate in various defined contribution retirement benefits plans operated by the relevant municipal and provincial social insurance management bodies in the PRC under which the Group and the employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries during the year or in accordance with the requirements of the operators of the plans. The contributions payable are charged as an expense to the income statement as incurred. The Group has no obligation for the payment of retirement benefits beyond the contributions.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

These financial statements are presented in RMB, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain overseas subsidiaries are currencies other than the RMB. As at the balance sheet date, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the balance sheet date, and their income statements are translated into RMB at the weighted average exchange rates for the year. The resulting exchange differences are included in the exchange fluctuation reserve. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3.2 SUMMARY OF SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Useful lives and impairment of property, plant and equipment and construction in progress

The Group's management determines the estimated useful lives of its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will increase the depreciation charge where the useful lives are less than the previously estimated lives and will write off technically obsolete or non-strategic assets that have been abandoned or sold.

3.2 SUMMARY OF SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Useful lives and impairment of property, plant and equipment and construction in progress (continued)

The impairment loss for property, plant and equipment, as well as construction in progress, is recognised for the amount by which the carrying amount exceeds its recoverable amount in accordance with the accounting policy stated in Note 3.1. An asset's recoverable amount is calculated as the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell. The value in use was assessed on the estimated future cash flows discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The assessment of fair value less cost to sell is based on the best information available to reflect the amount that is obtainable at each of the balance sheet date, from the disposal of the asset in an arm's length transaction between knowledgeable willing parties, after deducting the costs of disposal.

Impairment of receivables

The Group's management determines the provision for impairment of receivables. This estimate is based on the credit history of its customers and the current market condition. Management reassesses the estimation on each of the balance sheet date.

Provision for obsolete inventories under net realisable value

The management reviews the condition of inventories of the Group and makes provision for obsolete and slow-moving inventory items. The Group carries out an inventory review on a product-by-product basis at each balance sheet date and makes provision for obsolete items.

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. Management reassesses the estimation on each of the balance sheet date.

Impairment of available-for-sale financial assets

The Group classifies certain financial assets as available-for-sale and recognises movements of their fair values in equity. When the fair value declines, management makes assumptions about the decline in value to determine whether there is an impairment that should be recognised in the income statement. At 31 December 2007, no impairment losses have been recognised for available-for-sale financial assets (2006: Nil). The carrying amount of available-for-sale financial assets was RMB210,000,000 (2006: Nil).

3.2 SUMMARY OF SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Income tax

The Group is mainly subject to income taxes in various regions within the PRC. Due to the fact that certain matters relating to the income taxes have not been confirmed by the relevant tax bureau, objective estimate and judgement based on currently enacted tax laws, regulations and other related policies are required in determining the provision of income taxes to be made. Where the final tax outcomes of the related matters are different from the amounts originally recorded, the differences will impact on the income tax and tax provision in the period in which the differences realised.

Deferred tax assets

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary difference and unused tax credit can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with tax planning strategies. The amount of unrecognised tax credit at 31 December 2007 was RMB448,809,000 (2006: Nil). Further details are contained in Note 31 to the financial statements.

Warranty provision

Provision for product warranties granted by the Group on certain products is recognised based on sales volume and past experience of the level of repairs and returns, discounted to the present value as appropriate. The carrying amount of provisions for product warranties as at 31 December 2007 was RMB39,396,000 (2006: RMB32,708,000). Further details are contained in Note 30 to the financial statements.

4. SEGMENT INFORMATION

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

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

	2007			2006		
	PRC	**Overseas**	**Consolidated**	PRC	Overseas	Consolidated
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*
Segment revenue	**4,483,953**	**3,095,403**	**7,579,356**	3,210,472	1,708,150	4,918,622

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for trade discounts and returns and excluding sales taxes and intra-group transactions.

An analysis of revenue, other income and gains is as follows:

	Note	2007 RMB'000	2006 RMB'000
Revenue			
Sale of automobiles		**7,274,553**	4,706,929
Sale of automotive parts and components and others		**304,803**	211,693
		7,579,356	4,918,622
Other income and gains			
Bank interest income		**37,288**	36,541
Government grants:			
Recognition of deferred income	*32*	**2,348**	1,948
Others*		**20,847**	27,833
Income from available-for-sale financial assets		**1,092**	—
Gains on disposal of held-for-trading financial assets		**594**	—
Unrealised gain on revaluation of held-for-trading financial assets		**—**	476
Gain on disposal of items of property, plant and equipment		**274**	—
		62,443	66,798

* Representing government grants and value-added tax refunds. The grants must be utilised for the business development of the Company and certain of its subsidiaries.

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	**2007** **RMB'000**	2006 RMB'000
Cost of inventories sold		**5,783,427**	3,681,731
Depreciation	14	**168,404**	141,273
Recognition of prepaid land premiums	15	**4,882**	2,695
Minimum lease payments under operating leases in respect of land and buildings		**–**	75
Auditors' remuneration		**5,516**	3,145
Employee benefits expenses (including directors' and supervisors' remuneration *(Note 8)*):			
Wages and salaries		**319,379**	206,647
Retirement benefits contributions		**24,502**	22,778
		343,881	229,425
Provision for product warranties	30	**24,031**	26,533
Research costs included in other expenses		**208,132**	152,812
Foreign exchange differences, net		**29,418**	1,878
Write-down of inventories to net realisable value		**15,839**	18,589
Loss/(Gain) on disposal of items of property, plant and equipment		**(274)**	529
Write-back of impairment of items of property, plant and equipment	14	**–**	(4,901)
Write-back of impairment of receivables, net		**(2,178)**	(4,009)

7. FINANCE COSTS

	Group	
	2007 **RMB'000**	2006 RMB'000
Other finance costs	**8,428**	1,732

8. DIRECTORS' AND SUPERVISORS' REMUNERATION

Directors' and supervisors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	2007	2006
	RMB'000	*RMB'000*
Fees	**—**	—
Other emoluments:		
Salaries, allowances, and benefits in kind	**1,106**	878
Bonuses	**—**	—
Retirement benefits contributions	**6**	7
	1,112	885

(a) Independent non-executive directors

The emoluments paid to independent non-executive directors during the year were as follows:

	2007	2006
	RMB'000	*RMB'000*
Han Chuan Mo	**48**	48
Zhang Ming Yu	**48**	48
Zhao Yu Dong	**48**	48
Wong Chi Keung	**231**	242
	375	386

8. DIRECTORS' AND SUPERVISORS' REMUNERATION (continued)

(b) Executive directors, non-executive directors and supervisors

2007	Fees *RMB'000*	Salaries, allowances and benefits in kind *RMB'000*	Bonuses *RMB'000*	Retirement benefits contributions *RMB'000*	Total emoluments *RMB'000*
Executive directors:					
Wei Jian Jun	—	184	—	2	186
Liu Ping Fu	—	104	—	—	104
Wang Feng Ying	—	148	—	2	150
Yang Zhi Juan	—	52	—	2	54
Hu Ke Gang	—	97	—	—	97
Non-executive directors:					
He Ping	—	48	—	—	48
Niu Jun	—	—	—	—	—
Supervisors:					
Yuan Hong Li	—	—	—	—	—
Zhu En Ze	—	98	—	—	98
Luo Jin Li	—	—	—	—	—
	—	731	—	6	737

8. DIRECTORS' AND SUPERVISORS' REMUNERATION (continued)

(b) Executive directors, non-executive directors and supervisors (continued)

2006	Fees *RMB'000*	Salaries, allowances and benefits in kind *RMB'000*	Bonuses *RMB'000*	Retirement benefits contributions *RMB'000*	Total emoluments *RMB'000*
Executive directors:					
Wei Jian Jun	—	147	—	2	149
Liu Ping Fu	—	61	—	—	61
Wang Feng Ying	—	123	—	2	125
Liang He Nian	—	49	—	1	50
Yang Zhi Juan	—	40	—	2	42
Non-executive directors:					
He Ping	—	48	—	—	48
Niu Jun	—	—	—	—	—
Supervisors:					
Yuan Hong Li	—	—	—	—	—
Zhu En Ze	—	24	—	—	24
Luo Jin Li	—	—	—	—	—
	—	492	—	7	499

During the year, no directors or supervisors waived or agreed to waive any emolument; and no emoluments were paid by the Group to the directors or supervisors as an inducement to join or upon joining the Group or as compensation for loss of office.

9. FIVE HIGHEST PAID EMPLOYEES

An analysis of the five individuals whose remuneration were the highest in the Group for the year is as follows:

	2007	2006
Directors	**2**	1
Employees	**3**	4

Details of the remuneration of the above directors are set out in Note 8 above.

9. FIVE HIGHEST PAID EMPLOYEES (continued)

Details of the remuneration of the non-director/supervisor, highest paid employees, whose individual remuneration fell within the range of nil to RMB937,000 (equivalent to HK$1,000,000), are as follows:

	2007	2006
	RMB'000	*RMB'000*
Salaries, allowances, and benefits in kind	**497**	871
Bonuses	**—**	—
Retirement benefits contributions	**—**	—
	497	871

10. TAX

Income tax

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

	2007	2006
	RMB'000	*RMB'000*
Hong Kong profits tax	**—**	—
PRC corporate income tax:		
Current corporate income tax	**43,582**	42,610
Deferred tax *(Note 31)*	**(25,360)**	(21,775)
Effect on deferred tax arising from changes in tax rates *(Note 31)*	**18,616**	(11,036)
	36,838	9,799

Hong Kong profits tax has not been provided as the Group had no assessable profits arising in Hong Kong during the year. The Company and its subsidiaries in the PRC are subject to corporate income tax at a rate of 33% on their taxable income for the two years ended 31 December 2006 and 2007. During the Fifth Session of the Tenth National People's Congress, which was concluded on 16 March 2007, the PRC Corporate Income Tax Law (the "New Corporate Income Tax Law") was approved and has become effective since 1 January 2008. The New Corporate Income Tax Law introduces a wide range of changes which include, but are not limited to, the unification of the income tax rate for domestic-invested and foreign-invested enterprises at 25%. In this regard, the Company and its subsidiaries in the PRC will subject to corporate income tax at a rate of 25% on their taxable income commencing from 1 January 2008. The effective this change has been reflected in the calculation of deferred income tax assets as at 31 December 2007.

10. TAX (continued)

Income tax (continued)

Pursuant to the original PRC Corporate 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 ended 31 December 2006, and is entitled to a 50% reduction in the 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 ended 31 December 2006, and is entitled to a 50% reduction in the tax rate for corporate income tax for the three years ending 31 December 2009. Baoding Changcheng Vehicle Axles Industries Company Limited is entitled to a 50% reduction in the tax rate for corporate income tax for the three years ending 31 December 2008 as an advanced technology enterprise. Baoding Changfu Pressings Company Limited was exempted from corporate income tax for the two years ended 31 December 2004 and is entitled to a 50% reduction in the tax rate for corporate income tax for the three years ended 31 December 2007. Baoding Mind Auto Component Company Limited is exempted from corporate income tax for the two years ending 31 December 2008 and will be entitled to a 50% reduction in the tax rate for corporate income tax for the three years ending 31 December 2011. The Company and these subsidiaries will continue to enjoy the aforesaid tax concessions upon their expiry.

Pursuant to the applicable laws and regulations on welfare enterprises in the PRC, Baoding Nuobo Rubber Manufacturing Company Limited, Baoding Xincheng Automobile Development Company Limited, Baoding Great Machinery Company Limited, Baoding Riwa Automobile System Accessories Company Limited, Baoding Deer Automobile System Company Limited and Baoding Huanqiu Auto Spare Parts Company Limited, all being recognised as welfare enterprises by the relevant authorities, were entitled to apply for exemption from corporate income tax on a year-by-year basis before 30 June 2007. For the two years ended 31 December 2006 and 2007, corporate income tax exempted for these welfare enterprises amounted to approximately RMB46,536,000 and RMB60,631,000, respectively.

Pursuant to newly issued regulations on welfare enterprises in the PRC, those welfare enterprises mentioned above did not enjoy the exemption in corporate income tax since 1 July 2007. Instead, if satisfying the relevant conditions, double of the actual wages paid to disabled staff could be deducted from the taxable income commencing from 1 July 2007.

Pursuant to the Tentative Regulation Regarding Income Tax Benefit for Investment in the PRC Made Equipment Used in Technical Reform, the Company, Baoding Great Wall Internal Combustion Engine Manufacturing Company Limited, Baoding Changcheng Vehicle Axles Industries Company Limited, Macs (Baoding) Auto A/C System Company Limited, Baoding Great Machinery Company Limited and Baoding Xincheng Automobile Development Company Limited were entitled to deduct corporate income tax in the amount of RMB106,657,000 for the year ended 31 December 2007 (2006: nil).

10. TAX (continued)

Income tax (continued)

A reconciliation of the income tax expenses applicable to profit before tax at the statutory income tax rates to income tax expenses at the Group's effective income tax rates is as follows:

	2007		2006	
	RMB'000	**%**	*RMB'000*	%
Profit before tax	**1,044,203**		742,656	
At the PRC corporate income tax rate of 33%	**344,587**	**33.0**	245,076	33.0
Profits and losses attributable to jointly-controlled entities and associates	**(6,794)**	**(0.7)**	(4,079)	(0.6)
Additional deduction of expenses	**(36,723)**	**(3.5)**	(23,256)	(3.1)
Staff welfare and bonus fund	**2,645**	**0.3**	3,669	0.5
Tax effect of expenses not deductible for tax purposes	**12,493**	**1.2**	6,398	0.9
Effect on deferred tax arising from changes in tax rates	**18,616**	**1.8**	(11,036)	(1.5)
Tax losses utilized from previous years	**—**	**—**	(1,033)	(0.1)
Tax holiday and exemptions	**(297,986)**	**(28.5)**	(205,940)	(27.7)
Actual income tax expenses	**36,838**	**3.6**	9,799	1.4

Value added Tax ("VAT") and Consumption Tax

The general VAT rate applicable to the Company and its subsidiaries in the PRC is 17% for domestic sales and nil for export sales.

Prior to 1 April 2006, certain of the Company's automobiles were also subject to consumption tax at standard rates of 3% or 5%, and such rates had been changed to 5%, 9% or 12% since then in accordance with the new regulations issued by the State of Tax Bureau on 20 March 2006. Pursuant to the notice of the relevant tax bureau, in 2006, the Company was approved for a 30% reduction in the consumption tax previously paid by the Company for certain products amounting to RMB10,152,000. In 2007, there was no such consumption tax exempted.

11. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The consolidated profit attributable to equity holders of the parent for the year ended 31 December 2007 includes a profit of RMB803,435,000 (2006: RMB719,809,000) which has been dealt with in the financial statements of the Company *(Note 34)*.

12. PROPOSED FINAL DIVIDEND

	2007	2006
	RMB'000	*RMB'000*
Proposed final dividend — RMB0.20 (2006: RMB0.16) per ordinary share	**219,054**	151,072

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

13. EARNINGS PER SHARE

The calculation of basic earnings per share amounts is based on the Group's profit for the year attributable to ordinary equity holders of the parent of RMB937,451,000 (2006: RMB702,844,000) and the weighted average of 1,032,325,333 (2006: 944,200,000) ordinary shares in issue during the year.

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

14. PROPERTY, PLANT AND EQUIPMENT

Group

2007	Buildings *RMB'000*	Plant and machinery *RMB'000*	Motor vehicles *RMB'000*	Furniture, fixtures and office equipment *RMB'000*	Total *RMB'000*
Cost:					
At 1 January 2007	691,357	1,026,113	34,190	166,551	1,918,211
Additions	4,491	21,430	2,451	4,824	33,196
Transfer from construction in progress *(Note 16)*	39,201	175,088	3,960	77,085	295,334
Disposals	(4,974)	(3,049)	(3,274)	(502)	(11,799)
At 31 December 2007	730,075	1,219,582	37,327	247,958	2,234,942
Accumulated depreciation and impairment:					
At 1 January 2007	79,617	340,475	12,843	42,965	475,900
Depreciation provided during the year	25,443	106,412	3,933	32,616	168,404
Disposals	(2,681)	(1,952)	(1,729)	(425)	(6,787)
At 31 December 2007	102,379	444,935	15,047	75,156	637,517
Net book value:					
At 31 December 2007	627,696	774,647	22,280	172,802	1,597,425

14. PROPERTY, PLANT AND EQUIPMENT (continued)

Group (continued)

2006	Buildings *RMB'000*	Plant and machinery *RMB'000*	Motor vehicles *RMB'000*	Furniture, fixtures and office equipment *RMB'000*	Total *RMB'000*
Cost:					
At 1 January 2006	602,868	809,410	27,292	124,506	1,564,076
Additions	1,296	7,716	6,828	8,915	24,755
Transfer from construction in progress *(Note 16)*	89,579	214,462	2,112	33,717	339,870
Disposals	(2,386)	(5,475)	(2,042)	(587)	(10,490)
At 31 December 2006	691,357	1,026,113	34,190	166,551	1,918,211
Accumulated depreciation and impairment:					
At 1 January 2006	59,183	256,163	10,014	18,115	343,475
Depreciation provided during the year	22,677	89,821	3,586	25,189	141,273
Write-back of impairment during the year	(1,869)	(3,032)	—	—	(4,901)
Disposals	(374)	(2,477)	(757)	(339)	(3,947)
At 31 December 2006	79,617	340,475	12,843	42,965	475,900
Net book value:					
At 31 December 2006	611,740	685,638	21,347	123,586	1,442,311

14. PROPERTY, PLANT AND EQUIPMENT (continued)

Company

2007	Buildings	Plant and machinery	Motor vehicles	Furniture, fixtures and office equipment	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:					
At 1 January 2007	451,988	453,447	8,318	136,805	1,050,558
Additions	—	34	591	2,659	3,284
Transfers from construction in progress *(Note 16)*	21,909	63,808	2,454	44,136	132,307
Disposals	(301)	(6,502)	(94)	(117)	(7,014)
At 31 December 2007	473,596	510,787	11,269	183,483	1,179,135
Accumulated depreciation:					
At 1 January 2007	27,025	73,945	3,339	28,149	132,458
Depreciation provided during the year	13,415	48,307	877	27,222	89,821
Disposals	(109)	(226)	(11)	(80)	(426)
At 31 December 2007	40,331	122,026	4,205	55,291	221,853
Net book value:					
At 31 December 2007	433,265	388,761	7,064	128,192	957,282

14. PROPERTY, PLANT AND EQUIPMENT (continued)

Company (continued)

2006	Buildings	Plant and machinery	Motor vehicles	Furniture, fixtures and office equipment	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:					
At 1 January 2006	386,168	343,576	6,129	100,663	836,536
Additions	30	229	718	5,604	6,581
Transfers from construction in progress *(Note 16)*	65,807	109,748	1,952	30,751	208,258
Disposals	(17)	(106)	(481)	(213)	(817)
At 31 December 2006	451,988	453,447	8,318	136,805	1,050,558
Accumulated depreciation:					
At 1 January 2006	15,548	35,784	2,720	7,853	61,905
Depreciation provided during the year	11,483	38,211	645	20,462	70,801
Disposals	(6)	(50)	(26)	(166)	(248)
At 31 December 2006	27,025	73,945	3,339	28,149	132,458
Net book value:					
At 31 December 2006	424,963	379,502	4,979	108,656	918,100

15. PREPAID LAND PREMIUMS

Group

	2007	2006
	RMB'000	*RMB'000*
Carrying amount at 1 January	**254,248**	201,175
Prepaid land premiums during the year	**36,812**	67,306
Disposal of land premiums	**(2,600)**	(11,538)
Recognised during the year	**(4,882)**	(2,695)
Carrying amount at 31 December	**283,578**	254,248

Company

	2007	2006
	RMB'000	*RMB'000*
Carrying amount at 1 January	**199,930**	149,705
Prepaid land premiums during the year	**36,812**	66,821
Disposal of land premiums	**(2,600)**	(11,538)
Transfer out as investments in subsidiaries	**(5,300)**	(3,836)
Recognised during the year	**(3,212)**	(1,222)
Carrying amount at 31 December	**225,630**	199,930

The Group's and the Company's leasehold land is situated in the PRC and is held under a medium term lease.

16. CONSTRUCTION IN PROGRESS

Group

	2007	2006
	RMB'000	*RMB'000*
At 1 January	**870,428**	301,064
Additions	**1,598,586**	909,234
Transfer to property, plant and equipment *(Note 14)*	**(295,334)**	(339,870)
At 31 December	**2,173,680**	870,428

16. CONSTRUCTION IN PROGRESS (continued)

Company

	2007 *RMB'000*	2006 *RMB'000*
At 1 January	**719,039**	154,992
Additions	**1,473,063**	772,305
Transfer to property, plant and equipment *(Note 14)*	**(132,307)**	(208,258)
At 31 December	**2,059,795**	719,039

17. GOODWILL

Group

	2007 *RMB'000*	2006 *RMB'000*
At 1 January:		
Cost	**2,164**	2,164
Accumulated impairment	**—**	—
Net carrying amount	**2,164**	2,164
Cost at 1 January, net of accumulated impairment	**2,164**	2,164
Impairment during the year	**—**	—
Cost and carrying amount at 31 December	**2,164**	2,164

18. INVESTMENTS IN SUBSIDIARIES

Company

	2007 *RMB'000*	2006 *RMB'000*
Unlisted investments, at cost	**316,855**	231,101

The Company's other receivables, trade payables and other payables with the subsidiaries are disclosed in Notes 25, 28 and 29, respectively. The amounts due from/to the subsidiaries are unsecured, non-interest bearing and are repayable on demand. The carrying amounts of these amounts due from/to subsidiaries approximate to their fair values.

18. INVESTMENTS IN SUBSIDIARIES (continued)

Particulars of the subsidiaries are as follows:

Company name	Place and date of incorporation and operations	Nominal value of paid-up capital/ registered capital '000	Percentage of equity interests attributable to the Company Direct	Indirect	Principal activities
Baoding Great Wall Huabei Automobile Company Limited (保定長城華北汽車有限責任公司)	PRC 18 January 2000	RMB177,550	52.97	—	Manufacture of automotive parts and components
Baoding Xincheng Automobile Development Company Limited (保定信誠汽車發展有限公司)	PRC 31 August 2001	RMB53,910	90	10	Manufacture of automotive parts and components
Baoding Great Wall Internal Combustion Engine Manufacturing Company Limited (保定長城內燃機製造有限公司)	PRC 25 May 2000	RMB40,816	51	—	Manufacture of automotive parts and components
Baoding Riwa Automobile System Accessories Company Limited (保定日瓦汽車系统配套有限公司)	PRC 29 April 1999	RMB1,000	—	100	Manufacture of automotive parts and components
Baoding Great Machinery Company Limited (保定市格瑞機械有限公司)	PRC 25 October 2001	RMB23,000	87	13	Manufacture of automotive parts and components
Baoding Nuobo Rubber Manufacturing Company Limited (Formerly known as Baoding Great Wall Automobile Accessories Company Limited) (保定市諾博橡膠製品有限公司) (原名為保定市長城汽車配件有限公司)	PRC 18 June 2001	RMB32,420	100	—	Manufacture of automotive parts and components
Baoding Changcheng Vehicle Axles Industries Company Limited # (保定長城汽車橋業有限公司)	PRC 13 December 2000	RMB40,720	75	—	Manufacture of automotive parts and components
Baoding Changfu Pressings Company Limited # (保定長福衝壓有限公司)	PRC 4 January 1999	RMB28,000	75	—	Manufacture of automotive parts and components

18. INVESTMENTS IN SUBSIDIARIES (continued)

Particulars of the subsidiaries are as follows: (continued)

Company name	Place and date of incorporation and operations	Nominal value of paid-up capital/ registered capital '000	Percentage of equity interests attributable to the Company Direct	Indirect	Principal activities
Beijing Great Automotive Components Company Limited # (北京格瑞特汽車零部件有限公司)	PRC 22 January 2002	RMB1,000	75	—	Manufacture of automotive parts and components
Baoding Great Wall Automobile After-sales Services Company Limited (保定市長城汽車售後服務有限公司)	PRC 13 June 1996	RMB300	100	—	Provision of after-sale services
Baoding Great Wall Automobile Sales Company Limited (Formerly known as Baoding Kemei Commerce Company Limited) (保定長城汽車銷售有限公司) (原名為保定科美貿易有限公司)	PRC 26 March 2004	RMB8,000	—	100	Marketing and sale of automobiles
Baoding Deer Automobile System Company Limited (保定德爾汽車系統有限公司)	PRC 26 September 2003	RMB500	5	95	Manufacture of automotive parts and components
Macs (Baoding) Auto A/C System Company Limited # ("Macs Auto A/C Company") (麥克斯(保定)空調系统有限公司)	PRC 18 January 2004	RMB20,339	51	—	Manufacture of automotive parts and components
Baoding Huanqiu Auto Spare Parts Co., Ltd. (保定環球汽車零部件有限公司)	PRC 5 April 2004	RMB15,300	51	—	Manufacture of automotive parts and components
Tide Technology and Trade Company Limited (泰德科貿有限公司)	Hong Kong 24 December 2004	USD50	100	—	Provision of advisory services relating to automobile technology and trading activities
Russia Great Wall Closed Joint-Stock Company Limited (俄羅斯長城股份有限公司)	Russia 13 October 2005	USD50	100	—	Export and import of automobile and related spare parts and provision of after-sale services

18. INVESTMENTS IN SUBSIDIARIES (continued)

Particulars of the subsidiaries are as follows: (continued)

Company name	Place and date of incorporation and operations	Nominal value of paid-up capital/ registered capital '000	Percentage of equity interests attributable to the Company Direct	Indirect	Principal activities
Baoding Mind Auto Component Company Limited # (保定曼德汽車配件有限公司)	PRC 26 March 2003	RMB600	75	—	Manufacture of automotive parts and components
Baoding Lean Power Machinery Company Limited # (保定精益動力機械有限公司)	PRC 7 November 2006	RMB5,000	75	—	Manufacture of automotive parts and components
Great Wall Alabuga Motor Open Joint Stock Company Limited (長城阿拉布加有限責任公司)	Russian Republic of Tatarstan 12 February 2007	Ruble —	75	—	Export and import of automobiles and components and provision of after-sale services
Great Wall Motor Middle East FZE (長城汽車中東公司)	United Arab Emirates 17 June 2007	USD276	100	—	Export and import of automobiles and components and provision of after-sale services
Baoding Jinggong Foundry Company Limited (保定長城精工鑄造有限公司)	PRC 28 November 2007	RMB50,000	100	—	Manufacture steel casting and provision of after-sale services

Sino-foreign joint ventures

19. INTERESTS/INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES

	Group 2007 RMB'000	Group 2006 RMB'000	Company 2007 RMB'000	Company 2006 RMB'000
Unlisted investments, at cost	—	—	126,405	29,405
Share of net assets	154,226	47,584	—	—
	154,226	47,584	126,405	29,405

19. INTERESTS/INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES (continued)

The Group's and the Company's trade payables due to the jointly-controlled entities are disclosed in Note 28. The amounts due to the jointly-controlled entities are unsecured, non-interest bearing and are repayable on demand.

The carrying amounts due to the jointly-controlled entities approximate to their fair values.

Particulars of the jointly-controlled entities of the Group are as follows:

Name	Business structure	Place and date of incorporation and operations	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
Baoding Deye Automobile Inner Decoration Company Limited (保定德業汽車內飾件有限公司)	Sino-foreign joint venture	PRC 30 April 2004	49	49	49	Manufacture of automotive parts and components
Baoding Jiehua Automobile Components and Accessories Company Limited (保定傑華汽車零部件有限公司)	Corporation	PRC 15 September 2004	50	50	50	Manufacture of automotive parts and components
Baoding Smart Automobiles Accessories Company Limited (保定斯瑪特汽車配件有限公司)	Sino-foreign joint venture	PRC 16 March 2004	50	50	50	Manufacture of automotive parts and components and provision of after-sale service

All of the above investments in jointly-controlled entities are directly held by the Company.

The following table illustrates the summarised financial information of the Group's jointly-controlled entities:

Share of the jointly-controlled entities' assets and liabilities:

	2007	2006
	RMB'000	*RMB'000*
Non-current assets	**78,117**	38,303
Current assets	**106,667**	12,464
Current liabilities	**(30,558)**	(3,183)
Net assets	**154,226**	47,584

19. INTERESTS/INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES (continued)

Share of the jointly-controlled entities' results:

	2007 RMB'000	2006 RMB'000
Total revenue	81,319	73,244
Total expenses	(67,584)	(59,505)
Tax	41	(1,377)
Profit for the year	13,776	12,362

20. INTERESTS/INVESTMENTS IN ASSOCIATES

	Group		Company	
	2007 RMB'000	2006 RMB'000	2007 RMB'000	2006 RMB'000
Unlisted investments, at cost	—	—	3,591	125
Share of net assets	10,403	123	—	—
	10,403	123	3,591	125

The Group's and the Company's trade payables due to associates are disclosed in Note 28. The amounts due to the associates are unsecured, non-interest bearing and are repayable on demand.

The carrying amounts due to associates approximate to their fair values.

Particulars of associates of the Group are as follows:

Name	Business structure	Place and date of incorporation and operations	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
Baoding Great Wall Jiehua Automobile Inner Decoration Company Limited (保定長城傑華汽車內飾件有限公司)	Sino-foreign joint venture	PRC 16 March 2004	25	25	25	Manufacture of automotive parts and components
Baoding Shuanghua Automobile Components and Accessories Company Limited (保定雙樺汽車零部件有限公司)	Corporation	PRC 18 December 2007	32	32	32	Manufacture of automotive parts and components

All the above investments in associates are directly held by the Company.

20. INTERESTS/INVESTMENTS IN ASSOCIATES (continued)

Share of associates' assets and liabilities:

	2007 RMB'000	2006 RMB'000
Non-current assets	**2,861**	1,859
Current assets	**18,668**	122
Current liabilities	**(11,126)**	(1,858)
Net assets	**10,403**	123

Share of associates' results:

	2007 RMB'000	2006 RMB'000
Total revenue	**39,110**	—
Total expenses	**(32,298)**	(2)
Tax	**—**	—
Profit/(loss) for the year	**6,812**	(2)

21. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Group

	2007 RMB'000	2006 RMB'000
Unlisted investments, at fair value	**210,000**	—

Company

	2007 RMB'000	2006 RMB'000
Unlisted investments, at fair value	**190,000**	—

The above investments represent investments in financial products issued by banks, which were designated as available-for-sale financial assets, that will be redeemed from March to October 2008, and have no fixed coupon rate.

21. AVAILABLE-FOR-SALE FINANCIAL ASSETS (continued)

The valuation requires the directors to make estimates about the expected future cash flows including expected future returns and proceeds on redemption of these investments, which are discounted at the current rate of 4.5%.

22. INVENTORIES

Group

	2007	2006
	RMB'000	*RMB'000*
Raw materials	**361,546**	253,719
Work in progress	**215,952**	140,333
Finished goods	**433,226**	297,208
Spare parts and consumables	**12,832**	10,533
	1,023,556	701,793
Provision for inventories	**(65,923)**	(50,084)
	957,633	651,709

Company

	2007	2006
	RMB'000	*RMB'000*
Raw materials	**137,739**	55,706
Work in progress	**63,834**	30,867
Finished goods	**236,161**	182,164
Spare parts and consumables	**3,328**	12,536
	441,062	281,273
Provision for inventories	**—**	(519)
	441,062	280,754

23. TRADE RECEIVABLES

Group

	2007	2006
	RMB'000	*RMB'000*
Trade receivables	**164,558**	45,200
Impairment	**(12,348)**	(14,115)
	152,210	31,085

The Group normally receives payments or bills in advance for the sale of automobiles. For long-standing customers with bulk purchases and good repayment history, the Group may allow a credit period of not more than 90 days. The Group closely monitors overdue balances and the impairment of trade receivables is made when it is considered that amounts due may not be recovered. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables of the Group, as at the balance sheet date, based on invoice date, is as follows:

	2007	2006
	RMB'000	*RMB'000*
Outstanding balances aged:		
Within 6 months	**150,044**	32,080
7 to 12 months	**3,661**	1,206
Over 1 year	**10,853**	11,914
	164,558	45,200
Impairment	**(12,348)**	(14,115)
	152,210	31,085

The movements in provision for impairment of trade receivables are as follows:

	2007	2006
	RMB'000	*RMB'000*
At 1 January	**14,115**	19,203
Impairment losses recognised	**1,366**	899
Amount written off as uncollectible	**(522)**	—
Impairment losses reversed	**(2,611)**	(5,987)
At 31 December	**12,348**	14,115

23. TRADE RECEIVABLES (continued)

As at 31 December 2007, included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of RMB12,348,000 (2006: RMB14,115,000) with a carrying amount of RMB13,806,000 (2006: RMB21,782,000). The individually impaired trade receivables relate to customers that were in financial difficulties and only a portion of the receivables is expected to be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

The aged analysis of the amounts of trade receivables that are not considered to be impaired is as follows:

	2007	2006
	RMB'000	*RMB'000*
Neither past due nor impaired	**150,752**	23,418
Less than 6 months past due	**1,458**	7,667
	152,210	31,085

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

As at 31 December 2007, included in the Group's trade receivables are amounts due from companies that are controlled by the Group's key management personnel or their close family members amounting to RMB1,213,000 (2006: RMB17,000), which are unsecured, non-interest bearing and repayable on credit terms similar to those offered to the major customers of the Group.

Company

	2007	2006
	RMB'000	*RMB'000*
Trade receivables	**138,160**	27,083
Impairment	**(3,688)**	(2,773)
	134,472	24,310

23. TRADE RECEIVABLES (continued)

An aged analysis of the trade receivables of the Company, as at the balance sheet date, based on invoice date, is as follows:

	2007 RMB'000	2006 RMB'000
Outstanding balances aged:		
Within 6 months	**133,963**	25,577
7 to 12 months	**2,320**	25
Over 1 year	**1,877**	1,481
	138,160	27,083
Impairment	**(3,688)**	(2,773)
	134,472	24,310

The movements in provision for impairment of trade receivables are as follows:

	2007 RMB'000	2006 RMB'000
At 1 January	**2,773**	3,552
Impairment losses recognised	**915**	—
Impairment losses reversed	**—**	(779)
At 31 December	**3,688**	2,773

As at 31 December 2007, included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of RMB3,688,000 (2006: RMB2,773,000) with a carrying amount of RMB5,032,000 (2006: RMB3,672,000). The individually impaired trade receivables relate to customers that were in financial difficulties and only a portion of the receivables is expected to be recovered. The Company does not hold any collateral or other credit enhancements over these balances.

The aged analysis of the amounts of trade receivables that are not considered to be impaired is as follows:

	2007 RMB'000	2006 RMB'000
Neither past due nor impaired	**133,128**	23,411
Less than 6 months past due	**1,344**	899
	134,472	24,310

23. TRADE RECEIVABLES (continued)

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

24. BILLS RECEIVABLE

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

Group

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

	2007	2006
	RMB'000	*RMB'000*
Falling due:		
Within 3 months	**299,114**	200,450
4 to 6 months	**358,649**	287,336
	657,763	487,786

As at 31 December 2007, the Group's bills receivable amounting to RMB227,500,000 (2006: RMB130,780,000) were pledged to banks for issuing an equivalent amount of bills payable.

Company

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

	2007	2006
	RMB'000	*RMB'000*
Falling due:		
Within 3 months	**92,014**	126,510
4 to 6 months	**255,666**	206,123
	347,680	332,633

As at 31 December 2007, the Company did not pledge its bills receivable. As at 31 December 2006, the Company's bills receivable amounting to RMB49,030,000 were pledged to banks for issuing an equivalent amount of bills payable.

25. PREPAYMENTS AND OTHER RECEIVABLES

Group

	2007	2006
	RMB'000	*RMB'000*
Prepayments	**245,153**	87,712
Export VAT refund	**183,689**	80,266
Others receivables	**80,976**	29,751
	509,818	197,729
Impairment	**(3,504)**	(4,437)
	506,314	193,292

The above impairment was made for other receivables and the movements there of are as follows:

	2007	2006
	RMB'000	*RMB'000*
At 1 January	**4,437**	3,358
Impairment losses recognised	**—**	1,081
Impairment losses reversed	**(933)**	(2)
At 31 December	**3,504**	4,437

The aged analysis of the amounts of export VAT refund and other receivables that are not considered to be impaired is as follows:

	2007	2006
	RMB'000	*RMB'000*
Neither past due nor impaired	**260,617**	81,946
Less than 6 months past due	**544**	2,332
	261,161	84,278

The balances that were neither past due nor impaired relate to a large number of diversified individuals for whom there was no recent history of default.

As at 31 December 2007, included in the Group's other receivables are advanced paid to companies that are controlled by the Group's key management personnel or their close family members amounting to RMB1,074,000 (2006: RMB2,306,000), which are unsecured, non-interest bearing and are repayable on demand.

25. PREPAYMENTS AND OTHER RECEIVABLES (continued)

Company

	2007 RMB'000	2006 RMB'000
Prepayments	**185,146**	216,928
Export VAT refund	**182,669**	77,218
Other receivables	**97,270**	20,245
	465,085	314,391
Impairment	**(1,426)**	(2,359)
	463,659	312,032

The above impairment was made for other receivables and the movements there of are as follows:

	2007 RMB'000	2006 RMB'000
At 1 January	**2,359**	1,278
Impairment losses recognised	**—**	1,081
Impairment losses reversed	**(933)**	
	1,426	2,359

The aged analysis of the amounts of export VAT refund and other receivables that are not considered to be impaired is as follows:

	2007 RMB'000	2006 RMB'000
Neither past due nor impaired	**256,979**	77,218
Less than 6 months past due	**544**	2,332
	257,523	79,550

The balances that were neither past due nor impaired relate to a large number of diversified individuals for whom there was no recent history of default.

25. PREPAYMENTS AND OTHER RECEIVABLES (continued)

The amounts due from related parties included in the above are as follows:

	2007	2006
	RMB'000	*RMB'000*
Subsidiaries	**—**	158,450
Companies that are controlled by the Group's key management personnel or their close family members	**178**	203
	178	158,653

The balances are unsecured, non-interest bearing and are repayable on demand.

26. HELD-FOR-TRADING FINANCIAL ASSETS

The Group's and the Company's held-for-trading financial assets represented a listed equity investments in the PRC. During the year, these investments were disposed of.

27. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

Group

	2007	2006
	RMB'000	*RMB'000*
Cash and bank balances	**1,964,463**	2,429,188
Time deposits on demand	**1,347,600**	—
	3,312,063	2,429,188
Less: Bank balances pledged to banks for issuing bills payable	**(238,486)**	(132,600)
Cash and cash equivalents in the consolidated balance sheet	**3,073,577**	2,296,588
Add: Pledged bank balances for issuing bills payable	**238,486**	132,600
Cash and cash equivalents in the consolidated cash flow statement	**3,312,063**	2,429,188

27. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS (continued)

Company

	2007	2006
	RMB'000	*RMB'000*
Cash and bank balances	**1,428,554**	2,098,836
Time deposits on demand	**1,347,600**	—
	2,776,154	2,098,836
Less: Bank balances pledged to banks for issuing bills payable	**(92,449)**	(72,139)
Cash and cash equivalents in the balance sheet	**2,683,705**	2,026,697

Cash and cash equivalents in the balance sheets comprise cash at banks and on hand. Cash at banks earns interest at floating rates based on daily bank deposit rates. The carrying amounts of the cash and cash equivalents and the pledged bank balances approximate to their fair values. The cash and cash equivalents and the pledged bank balances in the balance sheets are deposited with creditworthy banks with no recent history of default. As the bank balances were pledged for the Group's trading facilities for issuing bills payable, they are included in cash and cash equivalents in the consolidated cash flow statement.

28. TRADE PAYABLES

Group

An aged analysis of the trade payables of the Group, as at the balance sheet date, based on invoice date, is as follows:

	2007	2006
	RMB'000	*RMB'000*
Within 6 months	**1,625,982**	866,468
7 to 12 months	**37,485**	23,762
1 to 2 years	**13,023**	48,569
Over 2 years	**35,891**	29,666
	1,712,381	968,465

The trade payables are non-interest bearing and are normally settled on 90-day terms.

28. TRADE PAYABLES (continued)

Group (continued)

The amounts due to related parties included in the above are as follows:

	2007 RMB'000	2006 RMB'000
Jointly-controlled entities	**21,394**	34,460
Associates	**21,102**	—
Companies that are controlled by the Group's key management personnel or their close family members	**11,917**	6,391
	54,413	40,851

The balances are unsecured, non-interest bearing and are repayable on demand.

Company

An aged analysis of the trade payables of the Company, as at the balance sheet date, based on the invoice date, is as follows:

	2007 RMB'000	2006 RMB'000
Within 6 months	**1,512,079**	958,375
7 to 12 months	**119,863**	116,509
1 to 2 years	**2,786**	54,795
Over 2 years	**28,694**	23,284
	1,663,422	1,152,963

The trade payables are non-interest bearing and are normally settled on 90-day terms.

The amounts due to related parties included above are as follows:

	2007 RMB'000	2006 RMB'000
Subsidiaries	**768,483**	585,313
Jointly-controlled entities	**19,728**	33,285
Associates	**20,469**	—
Companies that are controlled by the Group's key management personnel or their close family members	**3,495**	2,460
	812,175	621,058

The balances are unsecured, non-interest-bearing and are repayable on demand.

29. OTHER PAYABLES AND ACCRUALS

Group

	2007 *RMB'000*	2006 *RMB'000*
Advances from customers	**455,416**	444,321
Accruals	**60,387**	17,654
Other payables	**469,116**	192,491
	984,919	654,466

As at 31 December 2007, included in the Group's other payables and accruals are amounts due to companies that are controlled by the Group's key management personnel or their close family members amounting to RMB2,419,000 (2006: RMB120,500), which are unsecured, non-interest bearing and are repayable on demand.

Company

	2007 *RMB'000*	2006 *RMB'000*
Advances from customers	**288,315**	364,642
Accruals	**39,501**	9,771
Other payables	**308,442**	63,603
	636,258	438,016

The amounts due to related parties included in the above are as follows:

	2007 *RMB'000*	2006 *RMB'000*
Subsidiaries	**202,386**	210,053
Companies that are controlled by the Group's key management personnel or their close family members	**195**	1
	202,581	210,054

The balances are unsecured, non-interest bearing and are repayable on demand.

30. PROVISION FOR PRODUCT WARRANTIES

Group

	2007	2006
	RMB'000	*RMB'000*
At beginning of year	**32,708**	23,820
Additional provision	**24,031**	26,533
Amounts utilised during the year	**(17,343)**	(17,645)
At end of year	**39,396**	32,708

Company

	2007	2006
	RMB'000	*RMB'000*
At beginning of year	**23,436**	19,111
Additional provision	**9,235**	7,179
Amounts utilised during the year	**(6,133)**	(2,854)
At end of year	**26,538**	23,436

The Group and the Company provide free inspection services once or twice to their domestic customers within, in general, the first two months of purchase. The Group and the Company also provide a standard warranty to their domestic customers for the first 24 months or 50,000 km of usage (whichever occurs earlier), during which period free repairs and maintenance services are provided. A provision for product warranties is made at rates ranging from 0.5% to 1% of revenue, and is estimated based upon the sales volume, the pre-determined fee and past experience of the level of repairs and maintenance. The estimation basis is reviewed on an ongoing basis and is revised where appropriate.

31. DEFERRED TAX

The movements in the deferred tax accounts are as follows:

Group

Deferred tax assets

	2007	2006
	RMB'000	*RMB'000*
At beginning of year	**60,936**	28,125
Increase during the year *(Note 10)*	**25,360**	21,775
Effect on deferred tax arising from changes in tax rates *(Note 10)*	**(18,616)**	11,036
At end of year	**67,680**	60,936
Provisions in respect of:		
Impairment of receivables	**3,235**	4,872
Write-down of inventories to net realisable value	**16,417**	15,894
Unrealised loss on revaluation of held-for-trading financial assets	**—**	87
Liabilities for accrued expenses that are deductible for tax purpose only when paid	**9,413**	9,706
Impairment of items of property, plant and equipment	**238**	—
Over charge of depreciation	**7,112**	6,638
Receipt in advance (revenue in nature) that is taxable	**9,020**	10,136
Unrealised profit eliminated on consolidation	**19,783**	8,977
Temporary differences arising from transfer of assets among group companies	**2,462**	4,626
	67,680	60,936

As at 31 December 2007, the Group had deferred tax assets, in respect of tax credit arising from the purchase of certain manufacturing plant, machinery and equipment in the PRC amounting to RMB448,809,000 (2006: Nil), which have not been recognised.

31. DEFERRED TAX (continued)

Company

Deferred tax assets

	2007	2006
	RMB'000	*RMB'000*
At beginning of year	**11,036**	—
Increase during the year *(Note 10)*	**2,780**	—
Effect on deferred tax arising from changes in tax rates *(Note 10)*	**(2,303)**	11,036
At end of year	**11,513**	11,036
Provisions in respect of:		
Impairment of receivables	**639**	770
Write-down of inventories to net realisable value	**—**	78
Unrealised loss on revaluation of held-for-trading financial assets	**—**	87
Receipt in advance (revenue in nature) that is taxable	**6,313**	5,367
Liabilities for accrued expenses that are deductible for tax purpose only when paid	**4,561**	4,734
	11,513	11,036

As at 31 December 2007, the Company had deferred tax assets, in respect of tax credit arising from the purchase of certain manufacturing plant, machinery and equipment in the PRC amounting to RMB402,829,000 (2006: Nil), which have not been recognised.

32. DEFERRED INCOME

Group and Company

	2007	2006
	RMB'000	*RMB'000*
Deferred income:		
At 1 January	**58,433**	58,433
Additions during the year	**16,729**	—
At 31 December	**75,162**	58,433
Accumulated income recognised in other income and gains:		
At 1 January	**2,922**	974
Released during the year	**2,348**	1,948
At 31 December	**5,270**	2,922
Net book value:		
At 31 December	**69,892**	55,511

33. SHARE CAPITAL

Group and Company

	2007	2006
	RMB'000	*RMB'000*
Issued and fully paid:		
Domestic shares of RMB1 each	**682,000**	682,000
H shares of RMB1 each	**413,272**	262,200
	1,095,272	944,200

33. SHARE CAPITAL (continued)

Group and Company (continued)

At the Shareholders Class Meeting and the Extraordinary General Meeting held on 13 November 2006, the shareholders approved the grant of the Specific Mandate to allot and issue not more than 151,072,000 new H Shares (representing 16% and approximately 57.62%, respectively, of all the shares and the then existing issued H Shares of the Company as at the date of the resolution) of the Company. Upon 30 May 2007, the Company completed placing 151,072,000 new H Shares of approximately RMB11.95 each and the share capital of the Company increased to RMB1,095 million. The total proceeds from issuing these H Shares are RMB1,805 million and the excess of which over the nominal value of these new H Shares issued amounting to RMB1,391 million has been credited to the share premium account of the Company. The Ministry of Commerce of the PRC approved the increase in registered capital on 25 December 2007. Registration for the relevant changes was approved by the Hebei Provincial Administration of Industry and Commerce on 30 January 2008.

34. RESERVES

Group

The amounts of the Group's reserves and the movements therein for the year are presented in the consolidated statement of changes in equity on page 63 of the financial statements.

34. RESERVES (continued)

Company

	Share premium account *RMB'000*	Capital reserves *(Note (i))* *RMB'000*	Statutory reserves *RMB'000*	Retained profits *RMB'000*	Proposed Final Dividend *RMB'000*	Total *RMB'000*
At 1 January 2006	1,170,400	(21,446)	347,572	200,634	94,420	1,791,580
Profit for the year	—	—	—	719,809	—	719,809
Transfer to statutory reserves	—	—	63,182	(63,182)	—	—
Transfer to capital reserve	—	1,948	—	(1,948)	—	—
Final 2005 dividend declared	—	—	—	—	(94,420)	(94,420)
Proposed final dividend	—	—	—	(151,072)	151,072	—
At 31 December 2006	1,170,400	(19,498)	410,754	704,241	151,072	2,416,969
Issue of H shares *(Note 33)*	1,391,388	—	—	—	—	1,391,388
Profit for the year	—	—	—	803,435	—	803,435
Transfer to statutory reserves	—	—	81,989	(81,989)	—	—
Transfer from capital reserves	—	(4,465)	—	4,465	—	—
Final 2006 dividend declared	—	—	—	—	(151,072)	(151,072)
Proposed final dividend	—	—	—	(219,054)	219,054	—
At 31 December 2007	2,561,788	(23,963)	492,743	1,211,098	219,054	4,460,720

Notes:

(i) The capital reserves of the Company include non-distributable reserves created in accordance with the accounting and financial regulations in the PRC.

(ii) In accordance with the PRC Company Law and the Company's articles of association, the Company and its subsidiaries registered in the PRC, except for Sino-foreign joint ventures, are required to appropriate 10% of the statutory profit after tax (after offsetting any prior years' losses) for the statutory surplus reserve (except where the reserve balance has reached 50% of the respective entity's registered capital) and, on an optional basis, the discretionary surplus reserve fund. The statutory surplus reserve can be utilised to offset prior years' losses or to increase capital. However, the balance of the statutory surplus reserve must be maintained at a minimum of 25% of the respective entity's registered capital after such usages. The above reserves cannot be used for purposes other than those for which they are created and are not distributable as cash dividends.

34. RESERVES (continued)

(ii) (continued)

As stipulated by the relevant laws and regulations for foreign-investment enterprises in the PRC, certain of the Company's subsidiaries, being Sino-foreign joint ventures, are required to maintain discretionary dedicated capital, which includes a general reserve fund, an enterprise expansion fund and a staff welfare and incentive bonus fund. The dedicated capital is to be appropriated from the statutory profit after tax as stipulated by the statute or by the board of directors and recorded as a component of shareholders' equity. Under HKFRSs, the appropriation for the staff welfare and incentive bonus fund is charged to the income statement and any unutilised balance is included in current liabilities. Appropriation of approximately RMB8,014,000 (2006: RMB11,117,000) was made to the staff welfare and incentive bonus fund for the year ended 31 December 2007.

In accordance with the relevant PRC regulations, the welfare enterprises of the Group are required to transfer the tax benefits received (including corporate income tax exempted and value-added tax, city construction tax and education surcharge refunded) each year to a non-distributable statutory reserve for the development of the welfare enterprises.

35. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Acquisition of a subsidiary

On 29 May 2006, the Company acquired a 75% interest in Baoding Mind Auto Component Company Limited from Baoding Ants Logistics Company Limited, a related party, at a total cash consideration of RMB450,000.

	2007	2006
	RMB'000	*RMB'000*
Net assets acquired:		
Cash and bank balances	**–**	600
Minority interests	**–**	(150)
	–	450
Goodwill on acquisition	**–**	–
	–	450
Satisfied by:		
Cash	**–**	450

35. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(a) Acquisition of a subsidiary (continued)

An analysis of the net inflow of cash and cash equivalents in respect of the acquisition of the subsidiary is as follows:

	2007 RMB'000	2006 RMB'000
Cash consideration	–	(450)
Cash and bank balances acquired	–	600
Net inflow of cash and cash equivalents in respect of the acquisition of the subsidiary	–	150

(b) Major non-cash transaction

A minority shareholder re-invested in Baoding Changcheng Vehicles Axles Industries Company Limited, a non-wholly owned subsidiary of the Company, by using the profit distributed by that subsidiary to it amounting to RMB8,815,000.

36. CONTINGENT LIABILITIES

Up to the date of this report, the Group has the following significant outstanding lawsuits:

1. On 8 May 2007, the Company received a subpoena from Torino Court related to a petition filed by Fiat Group Automobiles SPA ("Fiat SPA"), in which Fiat SPA claimed that the frame design of the Company's newly launched passenger vehicle, the Peri model, had infringed the patent of Fiat SPA's Nuova Panda model, seeking an injunction preventing the Company from marketing, selling and exporting the Peri model across the European Union as well as publication of the injunction in famous magazines in Europe. The court heard the case on 20 September 2007 and 10 January 2008, and decided to postpone the hearing of this lawsuit to 17 April 2008. The Company has appointed counsels to actively respond to the lawsuit.

   On 17 July 2007, the Company received a petition from Fiat-Auto Limited ("Fiat-Auto"), submitted to the Intermediate People's Court of Shijiazhuang, claiming that the Company breached its patent right and asking the court to decide that the Company immediately stop producing any automobile product breaching its patent right, pay it remedy of RMB500,000 and bear such related expenses as retaining fee and legal costs. The session of the case began on 29 September 2007, however, the court found deficiencies and mistakes in the indictment of the plaintiff, Fiat-Auto, and asked it to submit additional information before 31 December 2007. The Company entrusted a lawyer to actively respond to this lawsuit. The court heard this lawsuit on 27 February 2008 and has not yet issued a verdict up to the approval date of these financial statements.

36. CONTINGENT LIABILITIES (continued)

On 11 and 12 September 2007, the Company received the application by Fiat-Auto for denying two "Peri" automobile related patent right applications of the Company. Fiat-Auto, the denying applicator, claimed that the relevant patent was similar to its design patent, and asked the Patent Reexamination Board to deny the two patent right applications. The Company engaged a patent agent to actively defend against the denying application. The Patent Reexamination Board heard this case on 10 March 2008 and has not yet issued a verdict up to the approval date of these financial statements.

2. On 30 January 2007, the Company received a petition from a court in Paris raised by France Valeo Wiper Systems Ltd. ("Valeo") against the Company for alleged patent infringement over the rain wiper installed in the Company's product, Hover CUV. Valeo required the Company to stop using the rain wiper and claimed for Euro15,000 as penalty and Euro130,000 as compensation for travel and litigation costs. The court heard the case on 10 September 2007. On 11 September 2007, it was resolved that the case should be terminated and the parties shall resolve the case through consultation. The Company has entrusted a lawyer to communicate with Valeo for the settlement and is still waiting for its reply.

3. On 23 July 2007, the Company received the litigation document for alleged patent infringement over the "central lock controller system" installed in the Company's products raised to the Intermediate People's Court of Guangzhou by the patent owners, Zhang Wei and Dongguan Liba Electron Co., Ltd., against Guangzhou Xiongbing Electric Appliance Co., Ltd., Shanghai Shenglong Co., Ltd. and the Company. The Company was listed as the third defendant. The plaintiffs required that each defendant shall terminate the alleged patent infringement activities, claimed for RMB7,690,000 against the defendants jointly and required the defendants to bear the relevant legal expenses of RMB20,000. The court scheduled the hearing on 29 April 2008. The Company has entrusted a lawyer to respond to the litigation jointly with the two defendants.

4. The Company received a petition on 6 October 2007, in which the Company was sued by Kautex (Shanghai) Plactic Products Co., Ltd. ("Kautex") over disputes on technology development. Kautex claimed that the Company breached the "Product Development and Manufacturing Agreement" signed by them and asked the court to (1) terminate the Product Development and Manufacturing Agreement; and (2) order the Company to pay Kautex RMB15,788,500 for compensation, and RMB4,466,000 for the losses and the relevant legal expenses of the case. In response to this petition, the Company raised objection over jurisdiction of The No. 2 Intermediate People's Court of Shanghai on 15 October 2007, which issued the civil order under [Reference: (2007) Huerzhongminwu(zhi)chuzi No. 303], deciding the case to be transferred to The Intermediate People's Court of Baoding for trail. Kautex was dissatisfied with the decision and lodged an appeal to The Supreme People's Court of Shanghai on 23 January 2008. Up to the approval date of these financial statements, The Supreme People's Court has not yet issued a verdict. The Company has entrusted a lawyer to defend aggressively in the litigation.

36. CONTINGENT LIABILITIES (continued)

The Company sued Kautex (Shanghai) Plastic Products Co., Ltd. ("Kautex") to the Intermediate People's Court of Baoding on 17 January 2008, asked the court to (1) order Kautex to pay the Company RMB11,720,000 as the overdue penal sum; (2) order Kautex to pay the Company RMB9,595,934 as other compensation for economic losses of the Company; and (3) order Kautex to take the case litigation costs and relevant legal expenses. The defendant raised objection over jurisdiction of the Intermediate People's Court of Baoding on 14 February 2008. Up to the approval date of these financial statements, the court has not yet issued a verdict.

5. The Patent Review Committee of State Intellectual Property Office issued a decision on Invalid Declaring Patent for Invention [Reference No. 9595] on 23 March 2007 to declare the industrial design patent [Reference No. 03300562.1] applied by the Company invalid. The Company was dissatisfied with the decision [Reference No. 9595] and instituted administrative proceedings against it in the No. 1 Intermediate People's Court of Beijing on 18 June 2007, asking the court to (1) annul the decision [Reference No. 9595] made by the Patent Review Committee of State Intellectual Property Office; and (2) order the defendant, the Patent Review Committee of State Intellectual Property Office, to bear the relevant legal expenses. The court heard the case on 31 August 2007, and issued the administrative judgement [Reference: (2007) Yizhongxingchuzi No. 888], declaring the patent right [Reference No. 03300562.1] invalid on 18 January 2008, and maintaining the investigation decision. The Company appealed against the judgement and appealed to the Higher People's Court of Beijing on 3 February 2008, which remained pending up to the approval date of these financial statements.

In the opinion of the directors, based on legal advice, it is premature to conclude the likely outcome of the above lawsuits, accordingly, no provision has been made in the financial statements as at 31 December 2007.

37. OPERATING LEASE COMMITMENTS

At the end of the year, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2007	2006	**2007**	2006
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
As lessee:				
Within one year	**–**	–	**461**	461
In the second to fifth years, inclusive	**–**	–	**–**	461
After the fifth year	**–**	–	**–**	–
	–	–	**461**	922

38. COMMITMENTS

In addition to the operating lease commitments detailed in note 37 above, the Group and the Company had the following commitments at the balance sheet date:

(a) Capital commitments

	Group		Company	
	2007	2006	**2007**	2006
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Contracted, but not provided for	**970,325**	536,440	**949,505**	491,296
Authorised, but not contracted for	**4,481,788**	962,172	**4,166,462**	946,512
	5,452,113	1,498,612	**5,115,967**	1,437,808

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

	Group		Company	
	2007	2006	**2007**	2006
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Acquisition of items of plant and machinery	**4,231,445**	1,342,049	**3,903,300**	1,305,522
Construction commitments	**1,220,668**	156,563	**1,212,667**	132,286
	5,452,113	1,498,612	**5,115,967**	1,437,808

38. COMMITMENTS (continued)

(a) Capital commitments (continued)

In addition, the Group's shares of the jointly-controlled entities' capital commitments, which are not included in the above, were as follows:

	2007 *RMB'000*	2006 *RMB'000*
Contracted, but not provided for	**13,532**	2,655
Authorised, but not contracted for	**—**	—
	13,532	2,655

(b) Other commitments

(i) On 28 January 2007, the Company entered into a joint venture agreement with an independent third party, Land and Property Management Authority of the Republic of Tatarstan, the Russian Federation ("Tatarstan Property Authority"), to set up a sino-foreign joint venture company with limited liability in Russia, Great Wall Alabuga Motor Open Joint Stock Company ("GW Alabuga Company"). The registered capital of GW Alabuga Company is approximately RMB121,800,000. According to this joint venture arrangement, the Company will subscribe 75% equity interest in GW Alabuga Company by cash and trademarks approximately amounting to RMB54,810,000 and RMB36,540,000, respectively. Up to the approval date of these financial statements, no contribution has been made by the Group.

(ii) The Group and the Company had the following commitments for research projects at the balance sheet date:

	2007 *RMB'000*	2006 *RMB'000*
Contracted, but not provided for	**138,820**	75,985

39. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

Name of related parties	Nature of transaction	Pricing Policy	Year ended 31 December 2007 RMB'000	2006 RMB'000
Baoding Tai Hang Steel Structure Construction Company Limited(i) (保定太行鋼結構工程有限公司)	Construction service fee paid	(c)	**65,441**	55,721
	Purchases of spare parts	(b)	**2**	—
	Purchases of services	(b)	**316**	—
	Sales of spare parts	(b)	**73**	—
Baoding Tai Hang Rosemex Engineering Company Limited(i) (保定太行熱士美工業有限公司)	Construction service fee paid	(c)	**1,174**	864
	Purchases of services	(b)	**1**	—
Taihang Jiamei Industry Company(i) (保定太行加美工業有限公司)	Purchases of raw materials	(b)	**1**	—
Baoding Ants Logistics Company Limited(i) (保定市螞蟻物流網絡有限公司)	Transportation fee paid	(b)	**785**	62,445
	Purchases of services	(b)	**2**	—
	Rendering of services	(b)	**43**	—
	Sales of spare parts	(b)	**12**	—
	Others	(c)	**29**	—
Shunping Ante Transport Company Limited(i) (順平安特運輸有限公司)	Transportation fee paid	(b)	**—**	1,192
Shunping County Modern Logistics Company Limited(i) (順平縣現代物流有限公司)	Transportation fee paid	(b)	**118,586**	30,808

39. RELATED PARTY TRANSACTIONS (continued)

Name of related parties	Nature of transaction	Pricing Policy	Year ended 31 December 2007 RMB'000	Year ended 31 December 2006 RMB'000
Hebei Baoding Tai Hang Group Company Limited(i) (河北保定太行集團有限公司)	Purchases of spare parts	(a)	**119**	—
	Purchases of machinery	(c)	**221**	233
	Sales of spare parts	(b)	**143**	—
Baoding Tai Hang Pump Manufacturing Company Limited(i) (保定市太行製泵有限公司)	Purchases of spare parts	(b)	**835**	879
	Purchases of machinery	(b)	**332**	—
	Purchases of services	(b)	**3**	—
	Others	(c)	**1**	—
Beijing Weide Automobile System Accessories Company Limited(i) (北京威德汽車系統配套有限公司)	Sales of raw materials	(a)	**73**	1,972
	Purchases of raw materials	(a)	**369**	—
Tianjin Tianqi Group Meiya Automobile Manufacturing Company Limited(i) (天津天汽集團美亞汽車製造有限公司)	Sales of automotive components	(b)	**—**	6,804
Baoding Great Wall Exploitation and Construction Group Company Limited(i) (保定市長城房地產開發建設集團有限公司)	Sales of machinery	(b)	**1,200**	—
Shanghai Shuanghua Automobile Air Conditioner Company Limited(i) (上海雙樺汽車零部件股份有限公司)	Purchases of services	(b)	**1,317**	—

39. RELATED PARTY TRANSACTIONS (continued)

Name of related parties	Nature of transaction	Pricing Policy	Year ended 31 December 2007 RMB'000	2006 RMB'000
Wenzhou Feili Mould Manufacturing Company Limited(i) (溫州飛利模具製造有限公司)	Purchases of machinery	(b)	**146**	—
Hebei Baocang Highway Company Limited(i) (河北保滄高速公路有限公司)	Sales of spare parts	(b)	**1,069**	—
	Rental expenses	(b)	**380**	—
Baoding Deye Motor Inner Decoration Company Limited(ii) (保定德業汽車內飾件有限公司)	Purchases of spare parts*	(c)	**160,988**	77,423
	Sales of spare parts*	(b)	**4**	—
	Others*	(c)	**247**	—
Baoding Jiehua Automobile Components and Assessories Company Limited(ii) (保定傑華汽車零部件有限公司)	Rendering of services*	(b)	**40**	—
	Purchases of spare parts*	(c)	**—**	72,231
Baoding Great Wall Jiehua Automobile Inner Decorations Company Limited(iii) (保定長城傑華汽車內飾件有限公司)	Sales of spare parts*	(b)	**78**	—
	Purchases of spare parts*	(c)	**157,413**	—
	Rendering of services*	(b)	**397**	—
	Others*	(c)	**157**	—
Baoding Smart Automobile Accessories Company Limited(ii) (保定斯瑪特汽車配件有限公司)	Rental expenses	(b)	**80**	—

In the opinion of the directors of the Company, the above transactions were conducted in the ordinary course of business.

39. RELATED PARTY TRANSACTIONS (continued)

Notes:

(a) The price was determined at a cost plus basis.

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

(c) The consideration was in accordance with the terms of the underlying agreements.

(i) These companies are controlled by the Group's key management personnel or their close family members.

(ii) These companies are jointly-controlled entities of the Company.

(iii) This company is an associate of the Company.

Except for items *, the above related party transactions in respect of the above transactions also constituted connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

In addition to the above, the Group's compensation of key management personnel is as follows:

	2007 *RMB'000*	2006 *RMB'000*
Short term employee benefits	**1,821**	1,196
Post-employment benefits	**28**	19
Total compensation paid to key management personnel	**1,849**	1,215

Further details of directors' and supervisors' emoluments are set out in Note 8 to the financial statements.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and short term deposits and available-for-sale financial assets. The main purpose of these financial instruments is to finance for the Group's operations. The Group has various other financial assets and liabilities such as trade, bills and other receivables and trade, bills and other payables, which arise directly from its operations.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

The main risks arising from the Group's financial instruments are credit risk, liquidity risk and foreign currency risk. The directors review and agree policies for managing each of these risks and they are summarised below.

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the Head of Credit Control.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, available-for-sale financial assets and other receivables, arises from default of the counterparties, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. At the balance sheet date, the Group has certain concentrations of credit risk as 35% (2006: 15%) and 71% (2006: 49%) of the Group's trade receivables were due from the Group's largest customer and the five largest customers, respectively.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and other receivables are disclosed in Notes 23 and 25 to the financial statements.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank borrowings. As at 31 December 2007, the Group had no borrowings.

The maturity profile of the Group's financial liabilities as at the balance sheet date, based on the contracted undiscounted payments, is as follows:

Group

	Within 6 months *RMB'000*	7 to 12 months *RMB'000*	1 to 2 years *RMB'000*	Over 2 years *RMB'000*	Total *RMB'000*
31 December 2007					
Trade payables	**1,625,982**	**37,485**	**13,023**	**35,891**	**1,712,381**
Other payables	**308,938**	**108,396**	**12,727**	**39,055**	**469,116**
Total	**1,934,920**	**145,881**	**25,750**	**74,946**	**2,181,497**
31 December 2006					
Trade payables	866,468	23,762	48,569	29,666	968,465
Other payables	146,119	7,206	8,476	30,690	192,491
Total	1,012,587	30,968	57,045	60,356	1,160,956

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from export sales in currencies other than the operating units' functional currency. Approximately 40.8% (2006: 34.7%) of the Group's sales are denominated in currencies other than the Company's functional currency, RMB, while almost all the Group's costs are denominated in the Company's functional currency. The Group exchanged the foreign currencies arising from export sales into RMB upon receipt to eliminate the currency exposures.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk (continued)

The Group's balance sheet can also be affected by movements in the foreign currencies against RMB as certain of its monetary assets and liabilities are denominated in these foreign currencies. As at 31 December 2007, these foreign currencies could have insignificant impact on the Group's total equity apart from the retained profits. The following table demonstrates the sensitivity at the balance sheet date to a reasonably possible changes in the United States dollar ("USD") and Euro exchange rates, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

	Increase/ (decrease)	**Increase/ (decrease) in profit before tax** ***RMB'000***
2007		
If RMB strengthens against USD	**5%**	**(6,852)**
If RMB weakens against USD	**(5%)**	**6,852**
2006		
If RMB strengthens against USD	5%	582
If RMB weakens against USD	(5%)	(582)

	Increase/ (decrease)	**Increase (decrease) in profit before tax** ***RMB'000***
2007		
If RMB strengthens against Euro	**5%**	**(448)**
If RMB weakens against Euro	**(5%)**	**448**
2006		
If RMB strengthens against Euro	5%	(28)
If RMB weakens against Euro	(5%)	28

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the two years ended 31 December 2007.

The Group monitors capital using a gearing ratio, which is net debt/(assets) divided by the capital plus net debt/(assets). Net debt/(assets) includes trade, bills and other payables, accruals, less cash and cash equivalents and pledged bank balances for issuing bills payable. Capital includes equity attributable to equity holders of the parent.

The gearing ratios as at the balance sheet dates were as follows:

Group

	2007 *RMB'000*	2006 *RMB'000*
Trade payables	**1,712,381**	968,465
Bills payable	**457,395**	240,465
Other payables and accruals	**529,503**	210,145
Dividends payable to minority shareholders	**7,384**	7,698
Less: Cash and cash equivalents	**(3,073,577)**	(2,296,588)
Pledged bank balances for issuing bills payable	**(238,486)**	(132,600)
Net debt/(assets)	**(605,400)**	(1,002,415)
Capital — Equity attributable to equity holders of parent	**6,442,041**	4,113,265
Capital and net debt	**5,836,641**	3,110,850
Gearing ratio	**-10%**	-32%

41. POST BALANCE SHEET EVENTS

(a) On 31 January 2008, the Company entered into a Settlement Agreement and two respective Equity Transfer Agreements with each of Beijing Jiameiya Investment Company Limited ("Jiameiya") and Baoding Zhongxin Internal Combustion Engine Manufacturing Company Limited ("Zhongxin"). Pursuant to the Settlement Agreement, Jiameiya and Zhongxin agreed to withdraw the Civil Action against the Company and Director Mr. Wei Jian Jun, and file the Application for the Withdrawal of the Civil Action in respect of the Civil Action with the Hebei Provincial Higher People's Court of the PRC on condition that the Company and the Company's Staff Union Committee agreed to acquire from each of Jiameiya and Zhongxin all its 24.5% of the equity interest in Baoding Great Wall Internal Combustion Engine Manufacturing Company Limited at a consideration of RMB75,000,000 under the respective Equity Transfer Agreements. The arrangement under the Settlement Agreement is a full and final settlement among the Company, Mr. Wei Jian Jun, Jiameiya and Zhongxin in respect of the Civil Action. The announcement of the Settlement Agreement and Equity Transfer Agreements was published on 31 January 2008.

(b) On 18 February 2008, the Company established a 100% owned subsidiary Tianjin Great Wall Motor Limited Company, which is engaged in production and trading of automotive parts and mould; designing, manufacturing and trading of electronic equipment; warehouse management; goods import and export, and technology import and export. The registered capital is RMB500,000,000.

42. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 11 March 2008.