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

2008 Annual Report

* For identification purposes only

Contents

Corporate Information

Stock Code:
2333

Executive Directors
Mr. Wei Jian Jun *(Chairman)*
Mr. Liu Ping Fu
Ms. Wang Feng Ying
Mr. Hu Ke Gang
Ms. Yang Zhi Juan

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

Independent Non-executive Directors
Ms. Wei Lin *(appointed on 10 May 2008)*
Mr. He Bao Yin *(appointed on 10 May 2008)*
Mr. Li Ke Qiang *(appointed on 10 May 2008)*
Mr. Wong Chi Keung
Mr. Han Chuan Mo *(resigned on 10 May 2008)*
Mr. Zhang Ming Yu *(resigned on 10 May 2008)*
Mr. Zhao Yu Dong *(resigned on 10 May 2008)*

Supervisor
Mr. Zhu En Ze

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

Company Secretary
Mr. Bai Xue Fei

Audit Committee
Ms. Wei Lin *(appointed on 10 May 2008)*
Mr. He Bao Yin *(appointed on 10 May 2008)*
Mr. Li Ke Qiang *(appointed on 10 May 2008)*
Mr. Wong Chi Keung
Mr. Han Chuan Mo *(resigned on 10 May 2008)*
Mr. Zhang Ming Yu *(resigned on 10 May 2008)*
Mr. Zhao Yu Dong *(resigned on 10 May 2008)*

Remuneration Committee
Ms. Wei Lin *(appointed on 10 May 2008)*
Mr. He Bao Yin *(appointed on 10 May 2008)*
Mr. Wei Jian Jun
Mr. Zhang Ming Yu *(resigned on 10 May 2008)*
Mr. Zhao Yu Dong *(resigned on 10 May 2008)*

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
18/F., Shun Ho Tower,
Nos 24–30, Ice House 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

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Website
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Share Information

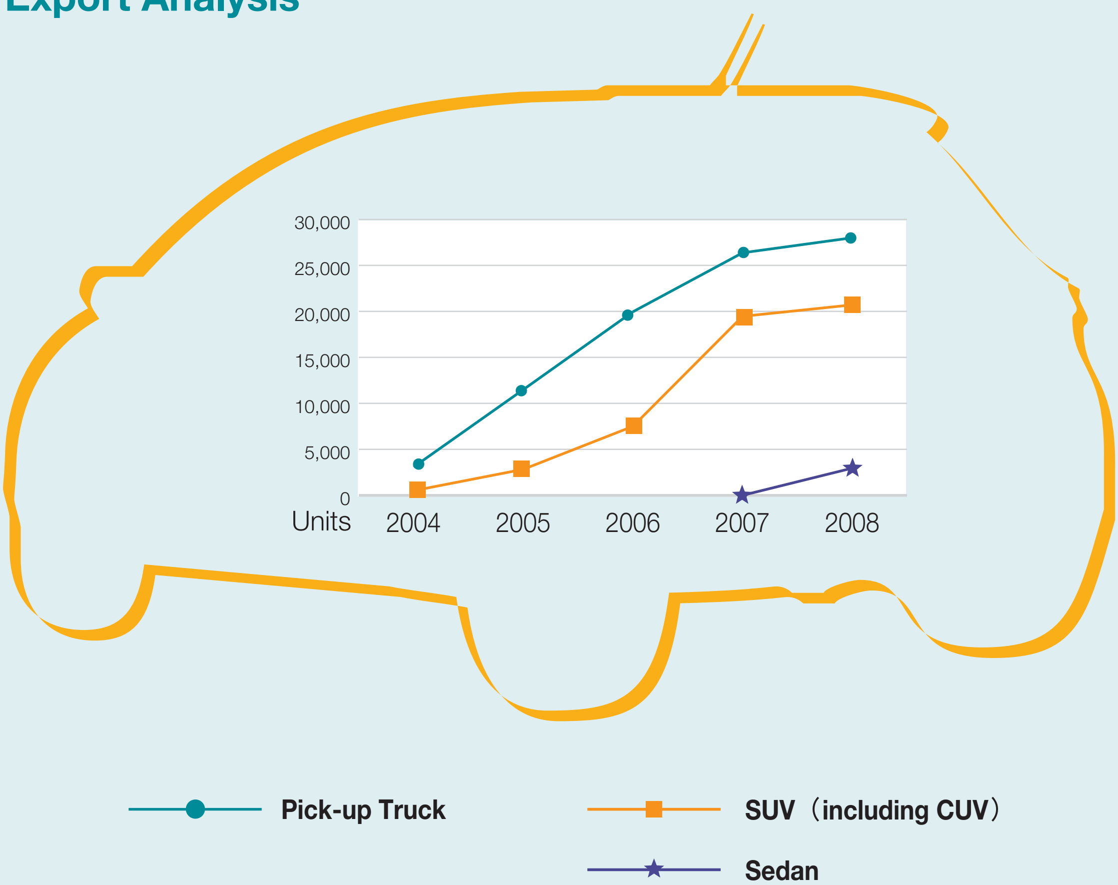
Place of listing	Main Board of The Stock Exchange of Hong Kong Limited
Listing date	15 December 2003
Number of issued shares	As at 31 December 2008 1,095,272,000 shares (682,000,000 domestic shares and 413,272,000 H shares)
Board lot	500 shares
Stock code	2333
Financial year-end date	31 December

Financial Highlights

Result Highlights

	Year ended 31 December				
	2008	2007	2006	2005	2004
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	**8,210,581**	7,579,356	4,918,622	3,809,958	3,184,614
Gross profit	**1,489,350**	1,795,929	1,236,891	1,000,690	887,946
Profit before tax	**584,638**	1,044,203	742,656	561,568	552,969
Profit attributable to equity holders of the parent	**513,143**	937,451	702,844	441,007	402,917
Basic earnings per share attributable to ordinary equity holders of the parent	**RMB0.47**	RMB0.91	RMB0.74	RMB0.47	RMB0.43

Export Analysis



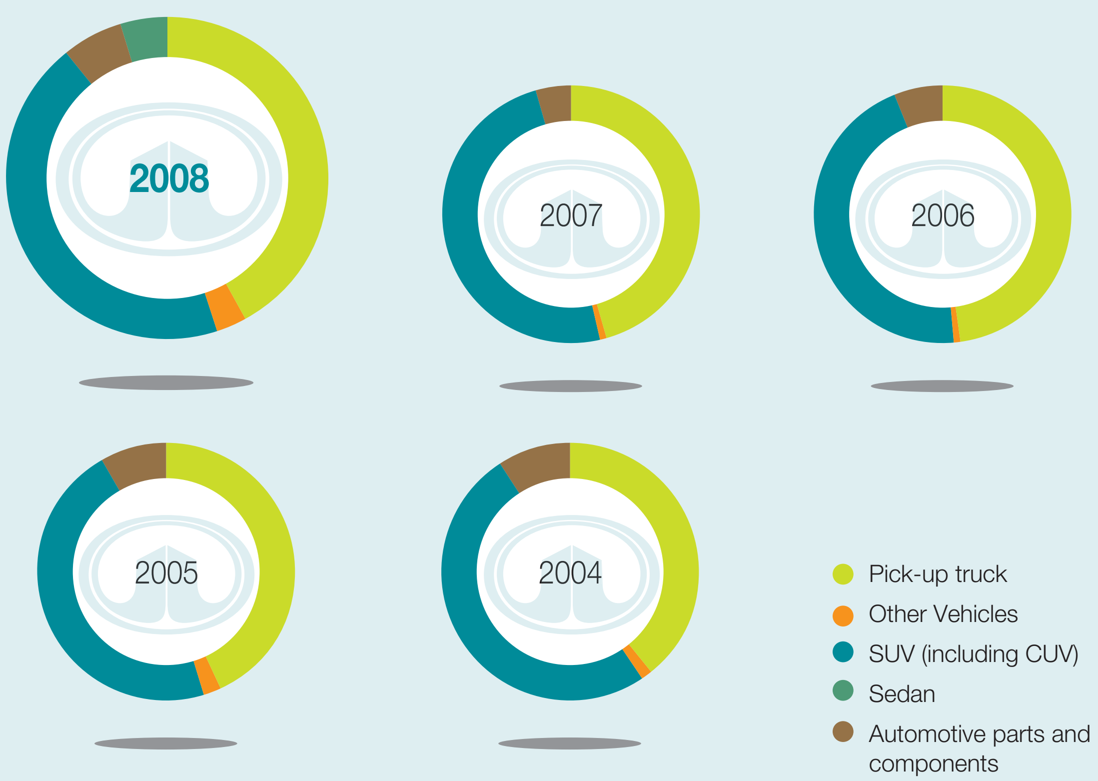
Summary of Financial Position

	As at 31 December				
	2008	2007	2006	2005	2004
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Equity attributable to equity holders of the parent	**6,734**	6,442	4,113	3,505	3,143
Total assets	**10,816**	10,162	6,472	5,763	4,814
Bank loans	**0**	0	0	0	0
Return on equity (%)#	**7.6**	14.6	17.1	12.6	12.8
Return on assets (%)	**4.7**	9.2	10.9	7.7	8.4
Gearing ratio (%)*	**0**	0	0	0	0
Accounts receivable turnover (Day) (including bills receivable)	**53**	38	38	53	70
Inventory turnover (Day)	**38**	45	48	66	47

Profit 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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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 2008 (the "Year").

For the year ended 31 December 2008, the Group's operating results continued to attain satisfactory growth, with revenue amounting to RMB8,210,581,000, representing an increase of 8.3% from that of the previous year. Profit attributable to equity holders of the parent dropped by 45.3% to RMB513,143,000.

In the second half of 2008, the global economy slowed down significantly, affecting the demand for automobiles in the PRC, despite the measures taken by the PRC government to stimulate domestic demand. Against such a background, the volume of production, sales and export of automobiles and export of automotive components and parts still maintained a mild growth during the Year.

To adapt to market changes, Great Wall Motor will carry on its research and development ("R&D") of low displacement automobiles and will focus on international markets for sedans to achieve global profile for its automobiles. During the Year, the Group launched "GW Peri", which became a new profit growth driver and successfully established a reputation for the Group for PRC-made stylish and unique compact automobiles in the car industry. The debut of "GW Peri" also marked a significant advancement in Great Wall Motor's sedan development.

In the PRC automobile market, competition between domestic self-owned brands and international brands has been keen. Such has motivated Great Wall Motor to make constant advancement in its R&D capability. The Group's expertise in pick-up trucks not only underpins its leadership in the PRC market, but has also begun to attract international attention. This is a milestone in the development of PRC self-owned brands, and suggests the time has come for PRC self-owned brands having an important role on the international stage.

The Group will strive to upgrade its product quality by persevering with the enhancement of its operational and technology development as well as R&D capability.

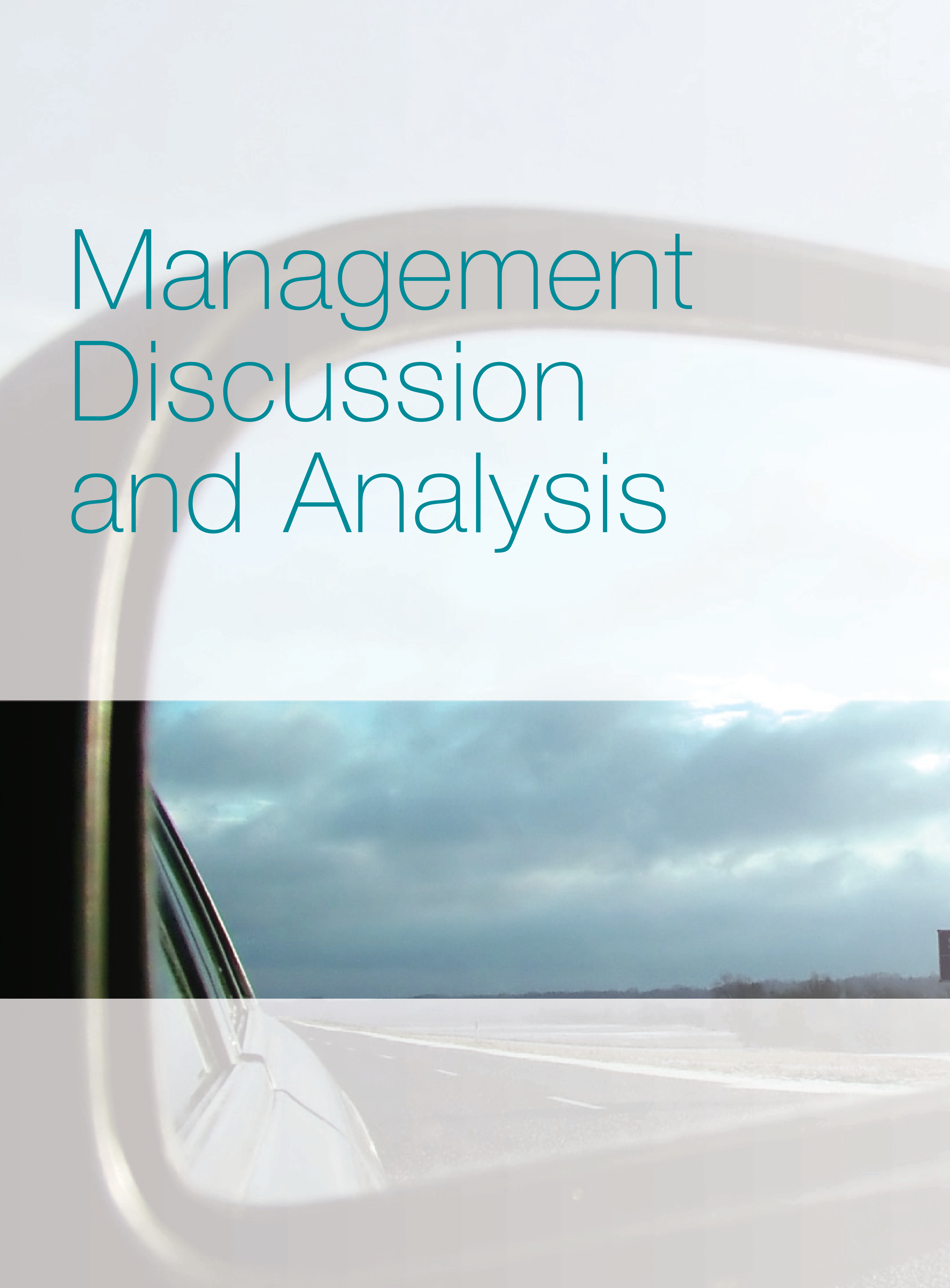
2009 will be a year of challenges. The Group believes it will ride out the storm with its flexibility to adapt to changes and stable financial position, which have enabled the Group to maintain satisfactory growth for over 10 successive years. With a strong financial position, the Group is highly resistant against risks.

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
17 April 2009

Management Discussion and Analysis

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Operating Environment

Affected by natural disasters and the global financial crisis, the PRC showed signs of economic slump in 2008. Amid a sharp rise in the prices of raw materials such as steel and iron, as well as oil, the overall sales of the PRC automobile industry for the Year posted a slight growth by leveraging on the competitive pricing strategy. However, the growth in the industry's profit slowed down significantly, while companies in the red reported greater losses. A number of local companies issued profit warning announcements, announcing that their net profits for the full year of 2008 might drop by 50% to 100%. In the second half of 2008, the prices of raw materials and oil decreased, but the entire industry was hit severely by the financial crisis and continued to decline. In 2008, total automobile production volume and sales volume reached 9,345,100 units and 9,380,500 units respectively, representing increases of merely 5.21% and 6.70% respectively when compared to those in the previous year. The growth rate of production volume and sales volume in 2008 dropped by 16.81 percentage point and 15.14 percentage point respectively when compared to those of the previous year.

In response to the international and domestic economic conditions, the PRC government introduced a series of policies in favour of the automobile industry during the Year. The Ministry of Finance and the State Administration of Taxation jointly issued a circular regarding the adjustment of consumption tax on automobiles with effect from 1 September 2008. Although there was no immediate positive impact on the PRC automobile market of the promulgation of this policy, the policy itself reflects the government's tendency to support the automobile industry, and this indicates that the government may increase its support to the industry in the future.

At the end of 2008, the National Development and Reform Commission announced the implementation of the fuel tax reform with effect from 1 January 2009. The road maintenance fee imposed on each vehicle will be replaced by the fuel tax. This arrangement will lower the consumers' costs of driving, which in turn will encourage car purchase.

On 15 January 2009, the State Council considered and approved the stimulus plan for the steel and automobile industries. From 20 January to 31 December 2009, the purchaser of any passenger vehicles with 1.6L or less displacement engines will be entitled to a reduction of 50% on vehicle purchase tax. This purchase tax reduction is more favourable for vehicles with 1.6L or less displacement engines, and will affect more than 60% of passenger vehicle sales. The Company's GW Peri, Florid and Coolbear are sedan models with less than 1.6L displacement engines and are therefore covered by the State's supportive policy, which will benefit the development of the three vehicle models mentioned above.

Financial Review

Revenue

During the Year, the Group's revenue amounted to RMB8,210,581,000, representing an increase of 8.3% as compared to that of the previous year. The increase in revenue was mainly due to an increase in sales volume of automobiles.

Sales analysis

	For the year ended 31 December 2008			For the year ended 31 December 2007		
	Sales Volume *(units)*	**Revenue *(RMB'000)***	**Percentage share of revenue *(%)***	Sales Volume *(units)*	Revenue *(RMB'000)*	Percentage share of revenue *(%)*
Pick-up trucks	**63,235**	**3,447,344**	**42.0**	54,955	2,905,415	38.3
SUVs (CUVs included)	**44,006**	**3,628,096**	**44.2**	51,855	4,262,922	56.2
Sedans	**9,754**	**367,826**	**4.5**	—	—	—
Other vehicles	**3,451**	**258,253**	**3.1**	1,010	106,216	1.5
Automotive parts and components	**—**	**509,062**	**6.2**	—	304,803	4.0
Total	**120,446**	**8,210,581**	**100.0**	107,820	7,579,356	100.0

Automobile sales

During the Year, the Group sold 120,446 units of automobiles, representing an increase of 11.7% as compared to 107,820 units sold in 2007. Automobiles sold in 2008 included 63,235 units of pick-up trucks, representing an increase of 15.1% as compared to 54,955 units sold in 2007; 44,006 units of SUVs, representing a decrease of 15.1% as compared to 51,855 units sold in 2007; 9,754 units of sedans, and 3,451 units of other vehicles.

Sales of automotive parts and components

In addition to the production of automobiles, the Group is also engaged into the sale of major 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 67.0% increase in sales of automotive parts and components from RMB304,803,000 in 2007 to RMB509,062,000 in 2008. The rise was mainly attributable to an increase in revenue from parts and components for after-sales services caused by the growth in sales volume of automobiles. During the Year, the sales of engines represented 9.0% of the Group's sales of automotive parts and components.

Gross profit and gross profit margin

During the Year, the Group's gross profit dropped from RMB1,795,929,000 in 2007 to RMB1,489,350,000, representing a decrease of approximately 17.1%. The decrease in the Group's gross profit was mainly due to the decline in gross profit margin of finished automobiles. The Group's gross profit margin decreased from 23.7% last year to 18.1%, which was mainly due to 1) higher costs resulting from rising prices of raw materials such as steel; 2) sales promotion of certain outdated vehicle models; 3) a lower gross profit margin from sedans for which the Group was yet to achieve economies of scale in production.

Profit attributable to equity holders of the parent and earnings per share

The Group's profit attributable to equity holders of the parent for the Year decreased from RMB937,451,000 to RMB513,143,000, owing to the drop in gross profit of automobiles.

For the year ended 31 December 2008, the basic earnings per share of the Company were RMB0.47. The Company did not present diluted earnings per share as there was 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 RMB590,957,000 in 2007 by 27.5% to RMB753,701,000 in 2008. The percentage of selling and distribution costs and administrative expenses to total revenue increased from 7.8% in 2007 to 9.2% in 2008. The increase in selling and distribution costs and administrative expenses was mainly due to 1) increase in transportation expenses as a result of the rise in the sales volume of automobiles; 2) increase in exhibition and advertising expenses; and 3) increase in staff costs and other office expenses which was attributable to the increase in the number of staff for the Group's expansion of production and sales.

Finance costs

The Group's finance costs for 2008 were approximately RMB10,267,000, as compared with approximately RMB8,428,000 in 2007. The increase in finance costs was due to increase in the handling charges of letter of credit.

Liquidity and financial resources

As at 31 December 2008, the Group's current assets mainly included cash and cash equivalents of approximately RMB2,092,465,000, trade receivables of approximately RMB251,936,000, inventories of approximately RMB876,392,000, bills receivable of approximately RMB958,101,000, prepaid tax of approximately RMB108,124,000, available-for-sale financial assets of approximately RMB107,000,000, and other receivables

of approximately RMB689,366,000. The Group's current liabilities as at the same date mainly included dividends payable of approximately RMB13,120,000, other payables of approximately RMB937,889,000, tax payable of approximately RMB8,537,000, bills payable of approximately RMB1,318,212,000, trade payables of approximately RMB1,413,364,000, and provision for product warranties of approximately RMB40,692,000.

Acquisitions

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

Capital structure

The Group generally finances its operation with internal cash flows. As at 31 December 2008, 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 price-performance ratio of the Group's products was relatively competitive and hence its current sales have not been affected.

As the materials, parts and components used by the Group were 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 2008, the Group employed a total of 19,782 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 6.3% of the Group's revenue for the Year.

Taxation

Tax of the Group decreased by 9.1% from RMB36,838,000 in 2007 to RMB33,478,000 in 2008, which was mainly due to a decline in profit.

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 segmental analysis is presented.

Set out below is the geographical segmentation analysed based on the locations of customers:

	For the year ended 31 December 2008			For the year ended 31 December 2007		
	Mainland China	**Overseas**	**Consolidated**	Mainland China	Overseas	Consolidated
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*
Segment revenue	**4,750,312**	**3,460,269**	**8,210,581**	4,483,953	3,095,403	7,579,356

As the majority of the Group's assets is located in the Mainland China, no segmental information of assets and capital expenditures is presented.

Business Review

Products

The Group's principal products are pick-up trucks, SUVs and sedans. The Group is also engaged into the production and sale of major automotive parts and components used in the production of pick-up trucks, SUVs and sedans.

During the Year, the Group's total sales volume of finished automobiles was 120,446 units, representing an increase of 11.7% as compared to that of 2007. The continued growth in the Group's sales volume was attributable to the strong brand effect and continued product improvement. The Group was able to maintain its leading position in the segmented markets with premium product quality, comprehensive after-sales services and extensive sales network, etc.

(1) Sedan

During the Year, the Group's sales volume of sedans reached 9,754 units. 2008 marked the first year the Group landed on the sedan market, in which the Group aims at producing stylish and unique compact vehicles. The Group will step up its efforts to enhance the quality of its sedan series, in order to promote the concept of stylish compact cars, which will in turn enhance the Great Wall brand.

(2) Pick-up trucks

According to China Association of Automobile Manufacturers, in terms of sales volume, Great Wall pick-up trucks continued to rank first in the PRC market for 11 consecutive years, reflecting its solid leading market position. During the Year, the sales volume of pick-up trucks reached 63,235 units with sales revenue of RMB3,447,344,000, representing increases of 15.1% and 18.7% respectively when compared with those in 2007.

(3) SUVs

During the Year, the Group's SUVs remained in a leading position in the market. The sales volume of SUVs dropped by 15.1% to 44,006 units for the Year when compared with that of the previous year. The sales revenue of SUVs amounted to RMB3,628,096,000, representing a decrease of approximately 14.9% from that of 2007.

(4) Automotive parts and components

During the Year, the revenue of automotive parts and components amounted to RMB509,062,000, representing an increase of approximately 67.0% as compared to that in 2007 and accounting for 6.2% of the total revenue.

(5) Other vehicles

Revenue of the Group's other vehicles (such as special vehicles) amounted to RMB258,253,000 during the Year, representing an increase of 143.1% when compared to that of 2007.

Domestic market

Clientele

During the Year, the Group's domestic sales volume and revenue amounted to 68,216 units and RMB4,376,895,000, representing increases of 11.0% and 3.5% respectively. Of the Group's domestic sales, 6,800 units, 35,230 units and 23,299 units of sedans, pick-up trucks and SUVs were sold respectively, with revenue amounting to RMB254,329,000, RMB1,944,021,000 and RMB1,959,932,000 respectively. The revenue from the two main groups of customers, namely (1) dealers; and (2) government entities and individual customers amounted to RMB3,990,847,000 and RMB386,048,000 respectively.

	For the year ended 31 December 2008			For the year ended 31 December 2007		
	Sales volume ***(units)***	**Revenue** ***(RMB'000)***	**As a percentage of revenue from domestic automobile sales** ***(%)***	Sales volume *(units)*	Revenue *(RMB'000)*	As a percentage of revenue from domestic automobile sales *(%)*
Dealers	**61,639**	**3,990,847**	**91.2**	59,337	4,084,647	96.6
Government entities and individual customers	**6,577**	**386,048**	**8.8**	2,145	143,795	3.4
Total	**68,216**	**4,376,895**	**100.0**	61,482	4,228,442	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 2008 and 2007:

	For the year ended 31 December 2008		For the year ended 31 December 2007	
	Sales revenue ***(RMB'000)***	**As a percentage of domestic automobile sales** ***(%)***	Sales revenue *(RMB'000)*	As a percentage of domestic automobile sales *(%)*
Northern region	**965,203**	**22.1**	726,569	17.2
Northeastern region	**413,423**	**9.4**	397,470	9.4
Northwestern region	**452,196**	**10.3**	434,725	10.3
Southwestern region	**757,306**	**17.3**	639,664	15.1
Eastern region	**918,897**	**21.0**	1,047,569	24.8
Central region	**869,870**	**19.9**	982,445	23.2
Total	**4,376,895**	**100.0**	4,228,442	100.0

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

Overseas markets

The international automobile industry has been pounded by the global financial crisis. Most of the automobile companies, including world-famous brands, had lowered their sales and revenue expectations and issued profit warnings. Some renowned automobile companies were even on the edge of bankruptcy, and had to seek financial aids from their government. For European and Japanese automobile corporations, they adopted measures such as making downward adjustment to their production plans, suspending production, shutting down factories, as well as resorting to massive lay-offs, in response to the financial crisis. There were cases where the automobile company sold certain of its brands to raise capital in order to overcome the difficulties caused by the financial crisis. The Group was by no means immune to the impacts of the financial crisis. Since the second half of the year, the Group's export volume started to fall. However, the Group's export volume for the full year still grew slightly over that of the previous year.

The overall export situation had been worsened by the factors such as the appreciation of Renminbi, the spread of American sub-prime crisis, and the acceleration of worldwide inflation. Changes in the export policy of certain countries made the markets stagnant. Moreover, the rise in the price of domestic raw materials also pushed up production costs. In the face of a deteriorated export environment, the Group adopted effective responsive measures and achieved a slight growth in its export volume for the full year. For the year ended 31 December 2008, the export volume of finished automobiles reached 52,230 units, representing an increase of 12.7% from that of the previous year. The total export value of automobiles amounted to RMB3,324,624,000, representing an increase of 9.1% from that of the previous year and accounting for approximately 40.5% of the total revenue of the Group.

The export volume of pick-up trucks and SUVs during the Year amounted to 28,005 units and 20,707 units respectively, with export value amounting to RMB1,503,323,000 and RMB1,668,164,000 respectively, representing increases of 8.9% and 2.2% from those of the previous year respectively. Pick-up trucks and SUVs accounted for 45.2% and 50.2% of the total export value respectively.

The Group's major exporting markets included Africa, the Middle East, Central America, South America, the Caribbean region, Central Asia, Southeast Asia, Russia and Eastern Europe, which formed a solid international sales network. In 2008, the Group exported its products to 118 overseas markets and regions.

Launch of New Products

During the Year, the Company's two sedan models with less than 1.6L displacement engines, Peri and Florid, and one MPV model, Cowry, reached the required standards for commercial production. The Company's production base with an annual capacity of 200,000 units of passenger vehicles has also commenced operation.

The Group has modified and upgraded various existing models, such as the Hover 09, which is equipped with the Company's latest 2.5TCI diesel oil engine. Following the certification procedures by UK's Vehicle Certification Agency ("VCA"), the Hover 09 was certified to have met the Euro standards.

Development of research and development facilities

The construction and the commencement of operation of high-tech facilities such as the prototyping centre (phase 2), crash laboratory and a road test track has enabled the Company to advance its hardware on research and development to meet the international standards. This has laid a solid foundation for the Group's sustainable innovation.

Through upgrading its R&D facilities, the Company's automobile design and testing capacities have been substantially enhanced, thereby laying a solid technological foundation for the research and production of new products in the future while effectively lowering R&D costs.

Outlook

The adverse effects of the global financial crisis on the real economy has aggravated. Major international car makers have lowered their forecasts on production and sales volume of automobile in 2009. The automobile companies in the PRC were also hit severely and therefore reduced their targeted production and sales volume for 2009. Despite the State's promulgation of various favourable policies for the automobile industry, domestic car makers remain cautiously optimistic about the recovery of the automobile industry under the shadows of volatile oil prices, consumers' cautiousness and lack of confidence amid the financial crisis.

New products

Adhering 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 develop new models of sedans and family cars for both the domestic and international markets, in order to accelerate its pace to internationalisation, while strengthening its leadership in the PRC's pick-up truck market and its competitive edges in the SUV market.

For the SUV product series, the Company will launch a number of new models with different displacement engines in mid-2009.

In 2009, the Group will introduce various sedan models with engines of less than 1.6L. The Group has already launched in March 2009 its third sedan model — "Coolbear".

With respect to automotive parts and components, the Company will commence the development of a gasoline engine, a diesel oil engine and a transmission. These three new products are expected to commence production in 2009.

With growing concern of environmental protection in the PRC and fluctuation in oil price, small displacement cars and diesel cars have gained increasing support from State policies and market attention. The Group will further expand its sedan market with an attempt to become one of the major sedan manufacturers. To satisfy market demand and to take advantage of the market trend, the Group will continue to launch small-displacement cars and diesel cars.

Export markets

The Group expects the effects of the global financial crisis will last for some time. There will not be any substantial change in the export environment in the near future. However, the situation will improve in the long run as the effects of the bailout packages introduced by the various governments will gradually be realised.

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

The Company has taken proactive measures in response to the current market environment and adverse conditions, which include the following: 1) Improve efficiency of all aspects of operation and management by saving energy and lowering consumption, as well as reducing operation costs; 2) continue to enlarge market penetration by exploring new growth markets, and to increase income through expanding sales volume. The Company is currently actively tapping into new markets, and is preparing to enter into the high-end markets including Europe and America; 3) maintain the stability of existing sales network by ensuring stable sales in key markets. The Company will step up its promotional efforts and provide stronger support to dealers who will conduct advertising campaigns on self-owned brands, thereby increasing the Company's influence on the world's automobile market; 4) prepare for the launch of new products. The Company will actively expand its product lines to cover low-end, mid-end and high-end products in the SUV, pick-up truck and sedan markets; 5) continue to scale up overseas knocked down ("KD") kit operations by expanding KD kit assembly capacities in overseas markets; and 6) enhance the standards and quality of overseas customer services by strengthening the supply of parts and components for after-sales services and by further raising customers satisfaction level.

New facilities

With respect to R&D, the Company focuses on optimising the entire vertical integration process in automobile production. During the Year, the Company completed the construction of a new automotive parts and components production base. The new facility is primarily used for manufacturing of major parts and components, such as energy-saving and environmentally friendly engines, transmissions, car electrical products, and die castings.

This automotive parts and components production base is located in Baoding, adjacent to the Group's automobile production centre. Upon commencement of operation of this production facility, production costs will be further lowered and product quality will be improved.

The installation of facilities for lightings and transmission projects in the new automotive parts and components production centre has been completed, and the trial production has begun.

Future objectives

In 2009, the Group will consolidate its leading positions in the pick-up truck and SUV markets, as well as expand its presence in the sedan market. Products marketing and sales promotion will be further strengthened, with an emphasis on building a global profile for its stylish compact cars concept, in order to enhance customers' recognition of Great Wall Motor as well as to increase its market penetration.

In the coming years, the Group will remain market-oriented, aiming at striving for excellence, by improving corporate governance, optimising investment, upgrading the overall operating efficiency, management and technology development capability of the Company. We will strengthen our research and development capability for the production of vehicles and automotive parts and components, enhance product quality, accelerate development and launch of new models, and strengthen our ability of risk management. The Company is aiming at making a great leap forward in the areas of independent development ability, vertical integration, product diversity, production volume and sales volume of automobiles, export volume, sales revenue and profit.

Issuance of A Shares

The Stock Issuance Examination and Verification Committee of China Securities Regulatory Commission did not approve the Company's A-share issue proposal. In view of the global financial crisis and the automobile industry situation, the Company has decided to suspend the construction projects involved in the A-share issue. This decision will not have any negative impact on the Company's financial position or operation.

Directors, Supervisors and Senior Management

EXECUTIVE DIRECTORS

魏建軍先生 (Mr. Wei Jian Jun), aged 45, is the chairman of the Company. He is responsible for formulating the management philosophy, determining the business strategies of the Company 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 1984 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 manger 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, 保定創新長城資產管理有限公司 (Baoding Innovation Great Wall Asset Management Company) and 保定市螞蟻物流網絡有限公司 (Baoding Ants Logistics Network Company Limited) (which is no longer the Company's shareholder from January 2009). 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 59, 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. In 2008, he was appointed director of 保定市瑞豐企業策劃有限公司 (Baoding Ruifeng Corporation Plan Company). 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) and 保定市瑞豐企業策劃有限公司 (Baoding Ruifeng Corporation Plan Company) are the Company's substantial shareholders. 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 38, is the 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, 河北省傑出青年企業家 (Hebei Outstanding Young Entrepreneur) 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) in 2000; 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). She was appointed as the general manager of the Company in May 2005.

胡克剛先生 (Mr. Hu Ke Gang), aged 63, 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 42, 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 32, is a 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 34, is a 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 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

韓傳模先生 (Mr. Han Chuan Mo), aged 58, is a professor and was an independent non-executive director of the Company until May 2008. Mr. Han graduated from 天津財經大學 (Tianjin Institute of Finance) 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). In 2008, Mr. Han has resigned from his position as independent non-executive director of the Company.

張明玉先生 (Mr. Zhang Ming Yu), aged 43, is a professor and was an independent non-executive director of the Company until May 2008. 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 postdoctoral 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 In 2008, Mr. Zhang has resigned from his position as independent non-executive director of the Company.

趙雨東先生 (Mr. Zhao Yu Dong), aged 43, was an independent non-executive director of the Company until May 2008, 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. In 2008, Mr. Zhao has resigned from his position as independent non-executive director of the Company.

黃之強先生 (Mr. Wong Chi Keung), aged 54, is an independent non-executive director of the Company. He 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 managing director 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, Great Wall Automobile Holding Company 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 29 years of experience in finance, accounting and management.

韋琳女士 (Ms. Wei Lin), aged 46, is a professor and an independent non-executive director of the Company. Ms. Wei graduated from 天津財經大學 (the Tianjin University of Finance & Economics) in 1986 with a major in accounting and continued her teaching in Tainjin University. She also obtained an MBA degree from the Oklahoma City University of the USA in 1990. She obtained her doctorate degree in management studies (accounting) in 2004 and has been serving as deputy director of the Accounting Department at the Tianjin University of Finance & Economics and supervisor of postgraduates for master's degree programs since 2005. She is also a member of the China Accounting Society and holds a certificate of qualification as Senior International Finance Manager, focusing on research of corporate financing and cost management. Ms. Wei has been appointed as the independent non-executive director of the Company since 10 May 2008.

李克強先生 (Mr. Li Ke Qiang), aged 47, is a professor and an independent non-executive director of the Company. Mr. Li graduated from the Department of Automotive Engineering at Tsinghua University in 1985 and obtained a doctorate degree in engineering from 重慶大學 (Chongqing University) in 1995. He is currently the director of the Department of Automotive Engineering at Tsinghua University, a supervisor of doctorate postgraduates, the vice-president of 北京市汽車工程學會 (Society of Automotive Engineers of Beijing), a fellow of the Society of Automotive Engineers of China, a member of the editorial board of International Journal of ITS Research, focusing on research of intelligent automobile, intelligent traffic system, car-load control system for hybrid electric vehicle (HEV) as well as analysis and control of noises and vibrations in automobiles. Mr. Li is one of the inventors of patents registered in China and several overseas countries for nine projects such as self adapting control device for novel automobiles, tandem brake system for hybrid vehicles and electric control gear-shifting device for four-wheel drive vehicles. Mr. Li has been appointed as the independent non-executive director of the Company since 10 May 2008.

賀寶銀先生 (Mr. He Bao Yin), aged 45, is an independent non-executive director of the Company. Mr. He graduated from 中國政法大學 (the China University of Political Science and Law) with a LLM in 1987. He taught at the 北京經濟學院 (Beijing College of Economics Study) (now known as Capital University of Economics and Business) from 1987 to 1992, and received the title of lecturer in 1991. He is the founding partner establishing 北京金城同達律師事務所 (Beijing Jincheng & Tongda Law Firm) in 1993 and since then he has been practicing as a lawyer. Mr. He is currently a legal advisor for various companies such as COFCO Wines & Spirits Co., Ltd., Invesco Great Wall Fund Management Co., Lucky Film Co., Ltd., Baoding Tianwei Baobian Electric Co., Ltd., Baoding Swan Co., Ltd. and Beijing Chaoshifa Stated-owned Assets Management Company. He is an arbitrator of China International Economic and Trade Arbitration Commission and a deputy director of 北京市律師協會律師事務所管理指導委員會 (Law Firms Management and Steering Committee of Beijing Lawyers Association) and 北京市律師協會資本市場與證券法律制度專業委員會 (Panel Committee on Capital Market and Securities Legal System of Beijing Lawyers Association). Mr. He has been appointed as the independent non-executive director of the Company since 10 May 2008.

SUPERVISORS

朱恩澤先生 (Mr. Zhu En Ze), aged 64, 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 49, graduated from the 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 49, 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 37, 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. He was an information technology manager, a marketing manager and a deputy general manager between 1996 and 2002. He was appointed as the general manager of 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 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 40, 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, and is 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 39, 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 39, is the deputy general manager of the Company. He has joined the Company 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 36, is the deputy general manager of the Company. Mr. Hao has joined 太行集團 (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 39, 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 38, 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 45, 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. Mr. Yun has resigned from his position as deputy general manager of the Company on 3 February 2009.

柴萬寶先生 (Mr. Chai Wan Bao), aged 61, 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 46, 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 35, 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 annual report together with the audited accounts of the Company and its subsidiaries (the "Group") for the year ended 31 December 2008.

PRINCIPAL BUSINESS

The Company is principally engaged in the design, research and development, manufacture and sales, as well as distribution of sedans, SUVs, pick-up trucks and automobile-related parts and components products. 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 2008 or prior to the Year are limited companies. Details of the subsidiaries are set out in Note 18 to the financial statements.

RESULTS AND DIVIDENDS

The Group's operating results for the year ended 31 December 2008 and the financial positions of the Company and the Group for the year ended 31 December 2008 are set out in the audited financial statements on pages 67 to 152.

The Board proposed to declare a final dividend of RMB0.08 per share for the year ended 31 December 2008. As a token of appreciation of shareholders' long term support for the Company and given the satisfactory financial position of the Company, a special dividend of RMB0.07 per share will be further distributed.

According to the "Enterprise Income Tax Law of the People's Republic of China", which took effect on 1 January 2008, and the rules of such implementation, when a company distributes a final dividend to non-resident enterprise shareholders whose names appear on the H-share register of the company, the company is required to withhold and pay on behalf of such shareholders an enterprise income tax at the rate of 10%. Any shares registered under the name of a non-person shareholder, including Hong Kong Securities Clearing Company Nominees Limited, other nominee or trustee, and other organisation and group, are deemed as shares held by a non-resident enterprise shareholder. As such, the dividends that he/she is entitled to are subject to the enterprise income tax.

For non-resident enterprise shareholders holding the Company's H shares through overseas companies, please provide Computershare Hong Kong Investor Services Limited with the proof of qualification for non-resident enterprise shareholder on or before 10 May 2009.

The Company will strictly comply with the laws and the requirements of relevant government departments, and will withhold and pay the enterprise income tax on behalf of its shareholders whose names appear on the H-share register of the Company on the record date. The Company will take no responsibility and will reject any requests from shareholders whose identity cannot be confirmed within the specified time or cannot be confirmed at all nor will the Company handle any disputes arising from the arrangement of withholding tax. However, the Company may provide assistance to the extent of its ability.

FINANCIAL INFORMATION SUMMARY

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

	Year ended 31 December				
	2008	2007	2006	2005	2004
Consolidated Results	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Turnover	**8,210,581**	7,579,356	4,918,622	3,809,958	3,184,614
Cost of sales	**(6,721,231)**	(5,783,427)	(3,681,731)	(2,809,268)	(2,296,668)
Gross profit	**1,489,350**	1,795,929	1,236,891	1,000,690	887,946
Other revenue and gains	**143,599**	62,443	66,798	42,003	35,206
Selling and distribution costs	**(461,665)**	(354,340)	(241,950)	(219,300)	(170,302)
Administrative expenses	**(292,036)**	(236,617)	(178,030)	(155,392)	(127,761)
Other expenses	**(291,181)**	(235,372)	(151,681)	(111,571)	(71,501)
Finance costs	**(10,267)**	(8,428)	(1,732)	(669)	(619)
Share of profits and losses of jointly-controlled entities	**2,683**	13,776	12,362	5,807	—
Share of profits and losses of associates	**4,155**	6,812	(2)		
Profit before tax	**584,638**	1,044,203	742,656	561,568	552,969
Tax	**(33,478)**	(36,838)	(9,799)	(69,659)	(69,160)
Profit for the year	**551,160**	1,007,365	732,857	491,909	483,809
Profit attributable to equity holders of the parent	**513,143**	937,451	702,844	441,007	402,917
Profit attributable to minority interests	**38,017**	69,914	30,013	50,902	80,892
	551,160	1,007,365	732,857	491,909	483,809

	As at 31 December				
	2008	2007	2006	2005	2004
Assets and Liabilities	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Total assets	**10,816,318**	10,162,412	6,471,716	5,763,102	4,813,891
Total liabilities	**3,798,876**	3,304,621	2,011,673	1,912,552	1,319,909

USE OF PROCEEDS OF PUBLIC OFFERING — FURTHER ISSUE

In May 2007, the Company exercised the specific mandate granted at the general meeting held on 13 November 2006 to issue 151,072,000 H Shares at HK$10.65 per Share to independent investors by way of placement. The net proceeds from the further issue of overseas listing shares (H shares), net of relevant expenses, amounted to approximately RMB1,542,460,000 (approximately HK$1,576,738,000). As at 31 December 2008, the actual use of proceeds were as follows:

	Actual Use
	RMB million
Automobile engine parts and components	275.10
Automobile gearboxes	398.22
Cast parts	97.21
Plastic automobile fuel boxes	—
Automobile rubber parts	57.43
Total	827.97

SHARE CAPITAL

Details of movements of share capital of the Company for the year ended 31 December 2008, 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 2008, 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 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.

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 2008, pursuant to the Company Law and the Articles of the Company, the distributable cash reserve of the Company was RMB1,604,664,000, of which RMB164,291,000 was proposed to be distributed as 2008 final dividend. In addition, 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 capitalization issue in future.

CHARITABLE DONATIONS

Charitable donations made by the Group during the Year totaled RMB5,492,000.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2008, the percentage of purchases and sales attributable to the Group's major suppliers and customers was as follows:

Purchases	
Largest supplier	4.88%
Five largest suppliers combined	15.09%
Sales	
Largest customer	13.7%
Five largest suppliers combined	27.73%

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 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 mentioned 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)*	Re-appointed on 10 May 2008
Liu Ping Fu	Re-appointed on 10 May 2008
Wang Feng Ying	Re-appointed on 10 May 2008
Hu Ke Gang	Re-appointed on 10 May 2008
Yang Zhi Juan	Re-appointed on 10 May 2008
Non-executive Directors:	
He Ping	Re-appointed on 10 May 2008
Niu Jun	Re-appointed on 10 May 2008
Independent Non-executive Directors:	
Wei Lin	Appointed on 10 May 2008
Li Ke Qiang	Appointed on 10 May 2008
He Bao Yin	Appointed on 10 May 2008
Wong Chi Keung	Re-appointed on 10 May 2008
Han Chuan Mo	Resigned on 10 May 2008
Zhang Ming Yu	Resigned on 10 May 2008
Zhao Yu Dong	Resigned on 10 May 2008
Supervisor:	
Zhu En Ze	Re-appointed on 10 May 2008
Independent Supervisors:	
Yuan Hong Li	Re-appointed on 10 May 2008
Luo Jin Li	Re-appointed on 10 May 2008

DIRECTORS' AND SUPERVISORS' SERVICE AGREEMENTS AND LETTERS OF APPOINTMENT

The Company re-entered into a service agreement with each of the executive directors and supervisors, and entered into an appointment letter with each of the non-executive directors and independent non-executive directors in May 2008. Pursuant to the above service agreements and appointment letters, the term of directors shall be three years expiring in May 2011, and that of supervisors will expire until the expiry of the third session 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 24 to 30 of this report.

REQUIREMENT FOR INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

All independent non-executive directors, including those resigned during the Year, and the non-executive directors appointed in 2008, have provided the Company with confirmation as to their independence as independent non-executive directors pursuant to Rule 3.13 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") during their terms of appointment. 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 40 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 2008 or at the end of 2008 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 2008 include:

1. On 31 January 2008, the Company entered into an Equity Transfer Agreement in Chinese with each of Baoding Zhongxin Internal Combustion Engine Manufacturing Company Limited (保定中信內燃機製造有限公司) and Beijing Jiameiya Investment Company Limited (北京佳美亞投資有限公司), pursuant to which the Company acquired 19.6% of equity interest in Baoding Great Wall Internal Combustion Engine Manufacturing Company Limited (保定長城內燃機製造有限公司) from each of Baoding Zhongxin Internal Combustion Engine Manufacturing Company Limited and Beijing Jiameiya Investment Company Limited respectively at a consideration of RMB60,000,000. The agreements were approved and the business license for enterprise legal person was issued by the Dingxing County Administration for Industry and Commerce on 20 February 2008.

2. On 3 April 2008, Tianjin Great Wall Motor Company Limited (天津長城汽車有限公司) entered into a Capital Increase Agreement in Chinese with Billion Sunny Development Limited (億新發展有限公司), pursuant to which Tianjin Great Wall Motor Company Limited contributed RMB33,750,000 to the registered capital of Tianjin Great Wall Lean Automotive Parts Company Limited (天津長城精益汽車零部件有限公司). The agreement was approved and the business license for enterprise legal person was issued by the Tianjin Municipal Administration for Industry and Commerce on 2 July 2008. On 30 July 2008, Tianjin Great Wall Motor Company Limited entered into a Capital Increase Agreement in Chinese with Billion Sunny Development Limited, pursuant to which Tianjin Great Wall Motor Company Limited contributed

RMB187,500,000 to the registered capital of Tianjin Great Wall Lean Automotive Parts Company Limited. The agreement was approved and the business license for enterprise legal person was issued by the Tianjin Municipal Administration for Industry and Commerce on 15 October 2008.

3. On 3 April 2008, Tianjin Great Wall Motor Company Limited entered into a Capital Increase Agreement in Chinese with Billion Sunny Development Limited, pursuant to which Tianjin Great Wall Motor Company Limited contributed RMB36,750,000 to the registered capital of Tianjin Great Wall Wantong Automotive Parts Company Limited (天津萬通汽車零部件有限公司). The agreement was approved and the business license for enterprise legal person was issued by the Tianjin Municipal Administration for Industry and Commerce on 2 July 2008. On 30 July 2008, Tianjin Great Wall Motor Company Limited entered into a Capital Increase Agreement in Chinese with Billion Sunny Development Limited, pursuant to which Tianjin Great Wall Motor Company Limited contributed RMB187,500,000 to the registered capital of Tianjin Great Wall Wantong Automotive Parts Company Limited. The agreement was approved and the business license for enterprise legal person was issued by the Tianjin Municipal Administration for Industry and Commerce on 15 October 2008.

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 2008, the interests and short positions of each of the directors, supervisors and general manager 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 taken or deemed 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 taken or deemed 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

* domestic shares

Interests in controlled companies: 保定創新長城資產管理有限公司 (Baoding Innovation Great Wall Asset Management Company Limited) ("Innovation GW") and 保定市螞蟻物流網絡有限公司 (Baoding Ants Logistics Network Company Limited) ("Ants Logistics") are controlled by Mr. Wei Jian Jun pursuant to the SFO. Accordingly, Mr. Wei Jian Jun is deemed to be interested in the 417,610,760 domestic shares held by Innovation GW and Ants Logistics.

Save as disclosed above, as at 31 December 2008, 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 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 2008 are as follows:

Holders of Domestic Shares	3
Holders of H Shares	1,694
Total number of shareholders	1,697

SHARES HELD BY SUBSTANTIAL SHAREHOLDERS

As at 31 December 2008, 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	No. of Shares	Approximate Percentage of Domestic Shares %	Approximate Percentage of H Shares %	Approximate Percentage of Total Shares %
保定創新長城資產管理有限公司 (Baoding Innovation Great Wall Asset Management Company Limited) (Note 1)	417,610,760(L)*	61,23		38.13
保定市瑞豐企業策劃有限公司 (Baoding Ruifeng Corporation Plan Company) (Note 2)	264,389,240(L)*	38.77		24.14
保定市南市區南大園鄉集體經營中心 (The Management Centre of Collective Asset of Nandayuan Town, Nanshi District, Baoding) (Note 3)	264,389,240(L)*	38.77		24.14
保定市螞蟻物流網絡有限公司 (Baoding Ants Logistics Network Company Limited) (Note 4)	35,690,760(L)*	5.23		3.26
Cheah Capital Management Limited	57,861,000(L)		14.00(L)	5.28
Cheah Company Limited	57,861,000(L)		14.00(L)	5.28
Hang Seng Bank Trustee International Limited	57,861,000(L)		14.00(L)	5.28
Value Partners Group Limited	57,861,000(L)		14.00(L)	5.28
Value Partners Limited	57,861,000(L)		14.00(L)	5.28
杜巧賢	57,861,000(L)		14.00(L)	5.28
謝清海	57,861,000(L)		14.00(L)	5.28
JPMorgan Chase & Co.	49,030,600(L) 47,950,600(P)		11.86(L) 11.60(P)	4.48 4.38
Sanlam Universal Funds plc	33,105,500(L)		8.01(L)	3.02
UBS AG	32,566,500(L) 780,040(S)		7.88(L) 0.19(S)	2.97 0.07
TOSCA Asia	24,946,000(L)		6.04(L)	2.28
Toscafund Global Limited	24,946,000(L)		6.04(L)	2.28
Alliance Bernstein L.P. (formerly Alliance Capital Management L.P.)	24,687,500(L)		5.97(L)	2.25

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

(S) denotes a short position in shares of the Company

(P) denotes shares available for lending

* domestic shares

Note:

(1) 保定市沃爾特管理諮詢有限公司 (Baoding Woerte Management Consultant Company), the predecessor of 保定創新長城資產管理有限公司 (Baoding Innovation Great Wall Asset Management Company Limited) ("Innovation GW"), was established on 1 December 2005 with a registered capital of RMB7,638,400, and changed its name on 23 April 2008. Its place of establishment 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. Pursuant to the SFO, Ants Logistics is a company controlled by Innovation GW, which is deemed to be interested in the share capital of the Company held by Ants Logistics. As Innovation GW 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 Innovation GW pursuant to the SFO.

(2) 保定市瑞豐企業策劃有限公司 (Baoding Ruifeng Corporation Plan Company) ("Baoding Ruifeng") was established on 23 April 2008 as a limited company wholly-owned by a legal person with a registered capital of RMB150,000. Its place of establishment is Baoding, Hebei Province, the PRC and its registered address is 638 Yonghuanan Street, Baoding. It is engaged in corporate planning and asset management consultancies.

(3) 保定市南市區南大園鄉集體經營中心 (The Management Centre of Collective Asset of Nandayuan Town, Nanshi District, Baoding) ("the 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 establishment 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. As Baoding Ruifeng is controlled by the Management Centre, the Management Centre is deemed to be interested in the share capital of the Company held by Baoding Ruifeng pursuant to the SFO.

(4) 保定市螞蟻物流網絡有限公司 (Baoding Ants Logistics Network 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 Guihua Road No. 2, Phase II, High and New Technology Zone, Baoding, Hebei Province. It is engaged in the transportation of goods (other than those operations prohibited under the national law and regulation). Pursuant to the SFO, Ants Logistics is a company controlled by Innovation GW and Mr. Wei Jian Jun. Accordingly Innovation GW and Mr. Wei Jian Jun are deemed to be interested in the share capital of the Company held by Ants Logistics.

Save as disclosed above, as at 31 December 2008, 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 its connected persons. The independent non-executive directors have reviewed the relevant 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 those available to or from 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 the auditors of the Company 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 announcements.

During the Year, the details of the continuing connected transactions exempted from the approval of independent shareholders under the Listing Rules were as follows:

Type of Transaction	**Cap amount of non-exempted continuous connected transaction during 2008** *RMB'000*	**Aggregate value for the year ended 31 December 2008** *RMB'000*
1. Using transportation and delivery services provided by Baoding Ants Logistics Network Company Limited and Shunping County Modern Logistics Company Limited	122,000	109,916
2. Design and construction services provided by Baoding Tai Hang Steel Structure Construction Company Limited to the Group	122,000	90,736
3. Purchase of automobile air-conditioning components from Shanghai Shuanghua Automobile Air-conditioning Accessories Company Limited	122,000	42,737

In addition, details of the connected transactions between the Group and connected parties during the Year are as follows:

Connected Transaction	Date of agreement(s) underlying the Transaction	Parties involved in the transaction Party A	Party B	Nature and extent of benefits attributable to connected parties during transaction	Purpose of Transaction	Consideration stated in the agreement(s)	Date of Announcement
Acquisition of 19.6% 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) ("Internal Combustion")	31 January 2008	the Company	保定中信內燃機製造有限公司 (Baoding Zhongxin Internal Combustion Engine Manufacturing Company Limited)	Party B holds 24.5% equity interest of Internal Combustion, which is a subsidiary	strengthening control of the subsidiary by the Company	RMB60,000,000	31 January 2008
Acquisition of 19.6% 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)	31 January 2008	the Company	北京佳美亞投資有限公司 (Beijing Jiameiya Investment Company Limited)	Party B holds 24.5% equity interest of Internal Combustion, which is a subsidiary	strengthening control of the subsidiary by the Company	RMB60,000,000	31 January 2008
Acquisition of 75% equity interest in 保定億新汽車配件有限公司 (Baoding Yixin Auto Parts Company Limited) ("Baoding Yixin")	3 April 2008	the Company	保定市螞蟻物流網絡有限公司 (Baoding Ants Logistics Network Company Limited)	Party B is a subsidiary of a substantial shareholder and holds 3.26% equity interest of Great Wall Motor and 75% equity interest of Baoding Yixin	diversifying product portfolio of the Company	RMB750,000	3 April 2008
Increase capital of 保定億新汽車配件有限公司 (Baoding Yixin Auto Parts Company Limited)	3 April 2008	the Company	億新發展有限公司 (Billion Sunny Development Limited)	Party B is an associate of a substantial shareholder of certain subsidiaries and holds 25% equity interest of Baoding Yixin	expanding the operating scale of the Company	RMB9,000,000	3 April 2008
Increase capital of 天津長城精益汽車零部件有限公司 (Tianjin Great Wall Lean Automotive Parts Company Limited) ("Tianjin Lean")	3 April 2008	天津長城汽車有限公司 (Tianjin Great Wall Motor Company Limited)	億新發展有限公司 (Billion Sunny Development Limited)	Party B is an associate of a substantial shareholder of certain subsidiaries and holds 25% equity interest of Tianjin Lean	expanding the operating scale of the Company	RMB33,750,000	3 April 2008
Acquisition of 75% equity interest in 天津長城萬通汽車零部件有限公司 (Tianjin Great Wall Wantong Automotive Parts Company Limited) ("Tianjin Wantong"))	3 April 2008	天津長城汽車有限公司 (Tianjin Great Wall Motor Company Limited)	保定市沃爾特管理諮詢有限公司 (Baoding Woerte Management Consultant Company)	Party B is a substantial shareholder and holds 34.87% equity interest of Great Wall Motor	diversifying product portfolio of the Company	RMB750,000	3 April 2008
Increase capital of 天津長城萬通汽車零部件有限公司 (Tianjin Great Wall Wantong Automotive Parts Company Limited))	3 April 2008	天津長城汽車有限公司 (Tianjin Great Wall Motor Company Limited)	億新發展有限公司 (Billion Sunny Development Limited)	Party B is an associate of a substantial shareholder of certain subsidiaries and holds 25% equity interest of Tianjin Wantong	expanding the operating scale of the Company	RMB36,750,000	3 April 2008
Acquisition of the entire issued share capital of 億新發展有限公司 (Billion Sunny Development Limited) ("Billion Sunny")	30 July 2008	泰德科貿有限公司 (Tide Technology and Trade Company Limited)	驕龍國際有限公司 (Dragonet International Company Limited)	Party B is a substantial shareholder of certain subsidiaries in which it holds 25% equity interest	strengthening control of the subsidiary by the Company	US$1,180,000	30 July 2008
Acquisition of buildings, vehicles and facilities	26 September 2008	the Company (for acquisition of buildings) /保定市長城螞蟻物流有限公司 (Baoding Great Wall Ants Logistics Company Limited) (for acquisition of vehicles and facilities)	保定市螞蟻物流網絡有限公司 (Baoding Ants Logistics Network Company Limited)	Party B is a subsidiary of a substantial shareholder and holds 3.26% equity interest of Great Wall Motor	expanding the operating scale of the Company	RMB23,723,510	26 September 2008

POST BALANCE SHEET EVENTS

Details of significant post balance sheet events of the Company are set out in Note 42 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 directors with regard to certain 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 2008 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 6 May 2008.

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 incentives and awards for individual employees.

UNCOLLECTED DIVIDENDS

As at 31 December 2008, 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, and as for the Company's 2007 final dividend, there were 65 cases of unclaimed dividends, amounting to HK$12,248.50.

MATERIAL LITIGATIONS

During the period, save for the litigation between the Company and Fiat Group Automobiles S.p.A, Italy at the Court of Turin regarding the patent of the automobile model GWPeri of the Company, as well as the litigation between the Company and Fiat Auto S.P.A. at the Shijiazhuang Intermediate People's Court regarding the infringement of Fiat Auto's patent by the Company, the Company was not involved in any other material litigation. Announcements of the above two litigations were made respectively during the period.

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 2008, 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.

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 16 April 2009 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 2008 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 Group, and determining the remuneration packages of executive directors and senior management, including benefits in kind, pensions 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. 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 2008. 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

17 April 2009

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 issuer.

- 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 24 to 30 and 35 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 Ms. Wei Lin, Mr. He Bao Yin, Mr. Li Ke Qiang who was appointed and Mr. Han Chuan Mo, Mr. Zhang Ming Yu and Mr. Zhao Yu Dong who resigned on 10 May 2008, the remaining directors of the Company, including non-executive directors, were re-elected on 10 May 2008 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.

  The Company has elected a new Board of Director on 10 May 2008. The structure of the Audit Committee, Strategic Committee and Remuneration Committee before the election were as follow:

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	

  After 10 May 2008, the structure of the Audit Committee, Strategic Committee and Remuneration Committee before the election are as follow:

Audit Committee	**Strategic Committee**	**Remuneration Committee**
Wei Lin *(Chairman)*	Wei Jian Jun *(Chairman)*	Wei Lin *(Chairman)*
He Bao Yin	Wang Feng Ying	He Bao Yin
Li Ke Qiang	Li Ke Qiang	Wei Jian Jun
Wong Chi Keung	He Bao Yin	
	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 11 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 4 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.

Set out below is the attendance record of all meetings of the Board in 2008:

The 2nd Board of Director

Attendance of individual directors in meetings of the Board in 2008

No. of meetings		4
	Attendance	**Attendance rate**
Chairman		
Wei Jian Jun	4	100%
Executive directors		
Liu Ping Fu	4	100%
Wang Feng Ying	4	100%
Hu Ke Gang	4	100%
Yang Zhi Juan	4	100%
Non-executive directors		
Niu Jun	4	100%
He Ping	4	100%
Independent non-executive directors		
Han Chuan Mo	4	100%
Zhao Yu Dong	4	100%
Zhang Ming Yu	4	100%
Wong Chi Keung	4	100%
Average attendance rate		100%

The 3rd Board of Director

Attendance of individual directors in meetings of the Board in 2008

No. of meetings		7
	Attendance	**Attendance rate**
Chairman		
Wei Jian Jun	7	100%
Executive directors		
Liu Ping Fu	7	100%
Wang Feng Ying	7	100%
Hu Ke Gang	7	100%
Yang Zhi Juan	7	100%
Non-executive directors		
Niu Jun	7	100%
He Ping	7	100%
Independent non-executive directors		
Wei Lin	7	100%
He Bao Yin	7	100%
Li Ke Qiang	7	100%
Wong Chi Keung	7	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 of non-executive directors.

Non-compliance: NIL

Compliance with Model Code for Securities Transactions by Directors of Listed Companies ("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's Remuneration Committee comprises two independent non-executive directors and one executive director.

Attendance of committee members in meetings of the Remuneration Committee in 2008

No. of meetings		1
Time and Business	**11 March 2008 To review the remuneration policies for directors and senior management of the Company**	
	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.

- The Company and each of the directors entered into a Director's Service Contract, which set out the Director's remuneration in May 2008 with an effective period for three years.

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 reelection 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 2008, 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 annually.

- 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 ("Ernst & Young") are the auditors of the Company, providing audit and other services. Auditing fees in respect of annual audit service and interim review service charged by Ernst & Young amounted to RMB2,310,000 and RMB630,000 respectively. Apart from these, for 2008 there was no charge payable for non-audit services by Ernst & Young.

- The Company's Audit Committee comprises all independent non-executive directors of the Company, including Ms. Wei Lin (as chairman), Mr. Li He Qiang, Mr. He Bao Yin and Mr. Wong Chi Keung. Prior to the election of the Board of Director on 10 May 2008, the member of the Audit Committee comprised 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 2008

No. of meetings		1
Time and Business	**10 March 2008 To review the annual financial report for 2007**	
	Attendance	**Attendance rate**
Han Chuan Mo	1	100%
Zhang Ming Yu	1	100%
Zhao Yu Dong	1	100%
Wong Chi Keung	1	100%
Average attendance rate		100%

Attendance of Meetings of Audit Committee in 2008

No. of meetings		1
Time and Business	**4 September 2008 To review the interim financial report for 2008**	
	Attendance	**Attendance rate**
Wei Lin	1	100%
Li He Qiang	1	100%
He Bao Yin	1	100%
Wong Chi Keung	1	100%
Average attendance rate		100%

- The Audit Committee held a meeting on 16 April 2009 to review the audited results and annual financial report for the year ended 31 December 2008.

- 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 2008. Ernst & Young was reappointed as the foreign external auditor of the Company for 2008;

- 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 2007 Financial Report of the Company;

Review of the Company's connected transactions in 2007

- The minutes of meetings of the Audit Committee are duly kept by the secretary to the Board. Such meeting minutes recorded 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 auditors 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 the latest resolutions of the Board in its annual and interim reports and newspaper announcements. 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 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 2008, 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.

The fifth meeting of the second Supervisory Committee was held on 10 April 2008 at the conference room of the Company, whereupon the resolution regarding the re-election of a Supervisor was 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 (the "Board") of directors (the "Directors") of the Company, 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 2008.

(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 2008 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 2008, and the operating results of the Group for the year then ended.

By Order of the Supervisory Committee
Zhu En Ze
Supervisor

Baoding, Hebei Province, the PRC
17 April 2009

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 2008 will be held at 9:00 a.m. on Friday, 5 June 2009 at Company's 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 2008;

2. to declare a final dividend of RMB0.08 per share and a special dividend of RMB0.07 per share for the year ended 31 December 2008 to shareholders of the Company who are registered on the register of members of the Company as at the close of business on Tuesday, 5 May 2009;

3. to receive and adopt the report of the Board of Directors of 2008;

4. to receive and adopt the report of the Supervisory Committee of 2008;

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 2009 and the authorisation to the Board to determine their respective remunerations;

6. to approve the resignation of Mr. Wong Chi Keung as an independent non-executive director of the Company;

7. to elect Mr. Tseung Yuk Hei, Kenneth as an independent non-executive director of the Company for a term commencing on the day being elected and ending on the expiry of the third session of the Board and authorise the Board to determine his remuneration; and

8. to approve the corporate communications of the Company (including but not limited to the directors' report, its annual accounts together with a copy of the auditors' report and, where applicable, its summary financial report; the interim report and, where applicable, its summary interim report; a notice of meeting; a listing document; a circular; and a proxy form) may be sent or supplied to the Shareholders by making them available on the Company's website.

By way of special resolutions:

9. 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 resident 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 the 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.

10. to approve the expansion of the business scope of the Company to include "leasing out of self-owned buildings, and equipment" and authorise the Board to apply to the relevant PRC authorities to effect the expansion of the business scope.

11. to consider and approve the following proposed amendments to the Articles, and to authorize the Board to make amendments to the Articles pursuant to any requirements of any PRC government authorities and the relevant stock exchange(s) on which the Company is listed, and to authorise any one executive director of the Company to act on behalf of the Company for the amendment, application for approval, registration, filing and other related matters in respect of the amendments and alteration of the Articles with the relevant authorities:

(1) subject to the approval by the relevant PRC authorities having been obtained, to approve the insertion to article 11 of the Articles "leasing out of self-owned buildings and equipment" 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); leasing out of self-owned buildings and equipment."

(2) Article 59:

Original Article: (the Article approved at general meeting held on 6 May 2008)

"When the Company convenes a shareholders' general meeting, written notice of the meeting shall be given not less than forty-five (45) days before the date of the meeting to notify all of the shareholders whose names appear in the share register of the matters to be considered and date and place of the meeting. A shareholder who intends to attend the meeting shall deliver to the Company his written reply not less than twenty (20) days before the date of the meeting. Subject to unanimous written approval of the registered shareholders, shareholders' general meeting of the Company shall be convened without sufficient notice as required by this article."

Amended Article:

"When the Company convenes a shareholders' general meeting, notice of the meeting in written form or in electronic form (by posting on, including but not limited to, the Company's website or HKEX's website) shall be given not less than forty-five (45) days before the date of the meeting to notify all of the shareholders whose names appear in the share register of the matters to be considered and date and place of the meeting. A shareholder who intends to attend the meeting shall deliver to the Company his written reply not less than twenty (20) days before the date of the meeting. Subject to unanimous written approval of the registered shareholders, shareholders' general meeting of the Company shall be convened without sufficient notice as required by this article."

(3) Article 62 Clause 1:

Original Article:

"A notice of a meeting of the shareholders of the Company must satisfy the following requirements:

(1) be in writing;"

Amended Article:

"A notice of a meeting of the shareholders of the Company must satisfy the following requirements:

(1) be in writing or electronic form;"

(4) Article 63:

Original Article:

"Notice of shareholders' general meetings shall be served on each shareholder (whether or not such shareholder is entitled to vote at the meeting), by personal delivery or prepaid mail to the address of the shareholder as shown in the register of shareholders. For the holders of Domestic-Invested Shares, notice of the meeting may also be issued by way of public announcement."

Amended Article:

"Notice of shareholders' general meetings shall be served on each shareholder (whether or not such shareholder is entitled to vote at the meeting), by personal delivery or prepaid mail or in electronic form to the address or contact of the shareholder as shown in the register of shareholders. For the holders of Domestic-Invested Shares, notice of the meeting may also be issued by way of public announcement."

(5) Article 191:

Original Article:

"The notices of the Company shall be made by the following means,

(1) by courier;

(2) by mail;

(3) by the public announcements;

(4) by other means such as the facsimile.

Unless otherwise stipulated in the Articles of Association, the notices, documents, information and written statements issued by the Company to the shareholders, shall be delivered by courier (including the express mail) according to the address registered in the shareholder register, or by mail to such shareholders, or by the announcements on the newspapers or periodicals. If the notice is served by mail, the address shall be clearly written on the envelops of the letters carrying such notices, and with the postage paid. Unless otherwise stipulated in this Articles, the shareholders shall be deemed to have received such mails five (5) days after posting. If public announcements are made to deliver such notices, documents, information and written statements, that public announcement shall be issued in Hong Kong (or wherever the other shareholders are residents) such publicly and/or published on the newspapers and periodicals assigned by the securities regulatory authorities. The shareholders with registered addresses in Hong Kong shall be given sufficient time to exercise their rights or act on the provisions in such announcements. Once those announcements are published, all the shareholders shall be deemed to have received such notices, documents, information and written statements."

Amended Article:

"The notices, communication or other written materials (include but not limited to annual reports, interim reports, notice of meeting, listing documents, circulars, proxy forms, interim announcements) of the Company shall be delivered by the following means,

(1) by courier;

(2) by mail;

(3) by public announcements on newspapers or other media;

(4) by facsimile or email.

(5) by publication on the Company's website and designated website of the Stock Exchange in compliance with the law, administrative regulations and relevant requirements of the listed securities regulatory authorities;

(6) by other means recognized by the securities regulatory authorities at the listing place of the Company's share.

Unless otherwise stipulated in the Articles of Association, the notices, documents, information and written statements issued by the Company to the shareholders, shall be delivered by courier (including the express mail) according to the address registered in the shareholder register, or by mail to such shareholders, or by the announcements on the newspapers or periodicals. If the notice is served by mail, the address shall be clearly written on the envelops of the letters carrying such notices, and with the postage paid. Unless otherwise stipulated in this Articles, the shareholders shall be deemed to have received such mails five (5) days after posting. If public announcements are made to deliver such notices, documents, information and written statements, that public announcement shall be issued in Hong Kong (or wherever the other shareholders are residents) such publicly and/or published on the newspapers and periodicals assigned by the securities regulatory authorities or at the Company's website and designated website of the Stock Exchange. The shareholders with registered addresses in Hong Kong shall be given sufficient time to exercise their rights or act on the provisions in such announcements. Once those announcements are published, all the shareholders shall be deemed to have received such notices, documents, information and written statements."

(6) Article 192:

Original Article:

"When the Company delivers the notices, documents, information or written statements to the shareholders of the overseas listed H shares by mail, the addresses of such shareholders shall be clearly written, with the postage paid. Such notices, documents, information or written statements shall be sealed in the envelopes and mailed. The shareholders shall be deemed to have received such notices, documents, information and written statements seven (7) days after the posting of the mails accompanied with such notices, documents, information and written statements."

Amended Article:

"When the Company delivers the notices, documents, information or written statements to the shareholders of the overseas listed H shares by mail, the addresses of such shareholders shall be clearly written, with the postage paid. Such notices, documents, information or written statements shall be sealed in the envelopes and mailed. The shareholders shall be deemed to have received such notices, documents, information and written statements seven (7) days after the posting of the mails accompanied with such notices, documents, information and written statements.

If the Company delivers the notices, documents, information or written statement to the facsimile number or email address provided by its shareholders by email or facsimile, shareholders are deemed to have received such notices, documents, information or written statement upon successful transmission of the notices, documents, information or written statement."

(7) Article 196:

Original Article:

"The newspapers and periodicals referred to in this Articles of Association for the public announcement, shall be those prescribed by the relevant laws and administrative regulations. If a public announcement is made to the shareholders of the overseas listed H shares pursuant to the provisions in this Articles of Association, such announcement shall be made in one or more newspapers and periodicals as required under "publication on the newspapers" defined in the Listing Rules of Hong Kong Stock Exchange."

Amended Article:

"The newspapers and periodicals referred to in this Articles of Association for the public announcement, shall be those prescribed by the relevant laws and administrative regulations. If a public announcement is made to the shareholders of the overseas listed H shares pursuant to the provisions in this Articles of Association, such announcement shall be made at HKEx's website and the Company's website as required under the "publication on the Stock Exchange website" defined in the Listing Rules of Hong Kong Stock Exchange. If a public announcement is made pursuant to the "publication on newspapers" defined in the Listing Rules of Hong Kong Stock Exchange, such announcement shall be posted in one or more newspapers designated by the Listing Rules and shall contain a statement that the relevant contents are also available at both HKEx's website and the Company's website."

Note: The English version of the Articles is provided for reference purpose only. Please refer to the Articles in Chinese as the official document.

By Order of the Board
Bai Xuefei
Company Secretary

Baoding, People's Republic of China, 20 April 2009

Notes:

(A) The share register of the Company will be closed from Wednesday, 6 May 2009 to Friday 5 June 2009 (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 Tuesday, 5 May 2009, 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, 5 May 2009.

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

Computershare Hong Kong Investor Services Limited
Rooms 1712–1716
17th 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 Friday, 15 May 2009.

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

No. 2266 Chaoyang South Street, Baoding
Hebei Province
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 Room 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

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 69 to 152, which comprise the consolidated and company balance sheets as at 31 December 2008, 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 2008 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 Accountants
18/F, Two International Finance Centre
8 Finance Street, Central
Hong Kong
17 April 2009

Consolidated Income Statement

Year ended 31 December 2008

	Notes	2008 RMB'000	2007 RMB'000
REVENUE	4, 5	**8,210,581**	7,579,356
Cost of sales		**(6,721,231)**	(5,783,427)
Gross profit		**1,489,350**	1,795,929
Other income and gains	5	**143,599**	62,443
Selling and distribution costs		**(461,665)**	(354,340)
Administrative expenses		**(292,036)**	(236,617)
Other expenses		**(291,181)**	(235,372)
Finance costs	7	**(10,267)**	(8,428)
Share of profits and losses of:			
Jointly-controlled entities		**2,683**	13,776
Associates		**4,155**	6,812
PROFIT BEFORE TAX	6	**584,638**	1,044,203
Tax	10	**(33,478)**	(36,838)
PROFIT FOR THE YEAR		**551,160**	1,007,365
Attributable to:			
Equity holders of the parent	11	**513,143**	937,451
Minority interests		**38,017**	69,914
		551,160	1,007,365
DIVIDENDS			
Proposed final	12	**164,291**	219,054
BASIC EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	13	**RMB0.47**	RMB0.91

Consolidated Balance Sheet

31 December 2008

	Notes	2008 RMB'000	2007 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**2,775,611**	1,597,425
Prepaid land premiums	15	**854,615**	283,578
Construction in progress	16	**1,830,388**	2,173,680
Goodwill	17	**2,164**	2,164
Interests in jointly-controlled entities	19	**178,015**	154,226
Interests in associates	20	**17,767**	10,403
Available-for-sale financial assets	21	**1,200**	—
Deferred tax assets	31	**73,174**	67,680
Total non-current assets		**5,732,934**	4,289,156
CURRENT ASSETS			
Inventories	22	**876,392**	957,633
Trade receivables	23	**251,936**	152,210
Bills receivable	24	**958,101**	657,763
Available-for-sale financial assets	21	**107,000**	210,000
Prepaid tax		**108,124**	77,273
Prepayments and other receivables	25	**689,366**	506,314
Pledged bank balances	26	**575,941**	238,486
Cash and cash equivalents	26	**1,516,524**	3,073,577
Total current assets		**5,083,384**	5,873,256
CURRENT LIABILITIES			
Trade payables	27	**1,413,364**	1,712,381
Bills payable	28	**1,318,212**	457,395
Tax payable		**8,537**	33,254
Other payables and accruals	29	**937,889**	984,919
Dividends payable to minority shareholders		**13,120**	7,384
Provision for product warranties	30	**40,692**	39,396
Total current liabilities		**3,731,814**	3,234,729
NET CURRENT ASSETS		**1,351,570**	2,638,527
TOTAL ASSETS LESS CURRENT LIABILITIES		**7,084,504**	6,927,683
NON-CURRENT LIABILITIES			
Deferred income	32	**67,062**	69,892
Total non-current liabilities		**67,062**	69,892
NET ASSETS		**7,017,442**	6,857,791

	Notes	2008 RMB'000	2007 RMB'000
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	33	**1,095,272**	1,095,272
Reserves	34	**5,474,839**	5,127,715
Proposed final dividend	12	**164,291**	219,054
		6,734,402	6,442,041
Minority interests		**283,040**	415,750
TOTAL EQUITY		**7,017,442**	6,857,791

Wei Jian Jun
Executive Director

Wang Feng Ying
Executive Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2008

	Attributable to equity holders of the parent									
	Issued capital	Share premium account	Capital reserves (Note 34(i))	Statutory reserves	Exchange fluctuation reserve	Retained profits	Proposed final dividend	Total	Minority interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 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	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 and 1 January 2008	**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**
Exchange realignment	**–**	**–**	**–**	**–**	**(1,728)**	**–**	**–**	**(1,728)**	**–**	**(1,728)**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**513,143**	**–**	**513,143**	**38,017**	**551,160**
Acquisition of minority interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(134,998)**	**(134,998)**
Transfer from statutory reserves	**–**	**–**	**–**	**(10,708)**	**–**	**10,708**	**–**	**–**	**–**	**–**
Dividends paid to minority shareholders	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(35,729)**	**(35,729)**
Final 2007 dividend declared	**–**	**–**	**–**	**–**	**–**	**–**	**(219,054)**	**(219,054)**	**–**	**(219,054)**
Proposed final dividend	**–**	**–**	**–**	**–**	**–**	**(164,291)**	**164,291**	**–**	**–**	**–**
At 31 December 2008	**1,095,272**	**2,561,788***	**(16,664)***	**1,018,893***	**(1,791)***	**1,912,613***	**164,291**	**6,734,402**	**283,040**	**7,017,442**

* These reserve accounts comprise the consolidated reserves of RMB5,474,839,000 (2007: RMB5,127,715,000) in the consolidated balance sheet.

Consolidated Cash Flow Statement

Year ended 31 December 2008

	Notes	2008 RMB'000	2007 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**584,638**	1,044,203
Adjustments for:			
Share of profits and losses of jointly-controlled entities		**(2,683)**	(13,776)
Share of profits and losses of associates		**(4,155)**	(6,812)
Gain on acquisition of a subsidiary	5	**(231)**	—
Gain on acquisition of minority interests	5	**(13,517)**	—
Foreign exchange differences, net		**24,694**	24,692
Interest on a bank loan	7	**136**	—
Recognition of deferred income	5	**(4,639)**	(2,348)
Income from available-for-sale financial assets	5	**(8,334)**	(1,092)
Gains on disposal of held-for-trading financial assets	5	**—**	(594)
Loss/(gain) on disposal of items of property, plant and equipment	5,6	**387**	(274)
Gain on transfer out of prepaid land premiums as capital contribution to a jointly controlled entity and associate	5	**(7,244)**	—
Depreciation	6	**230,731**	168,404
Recognition of prepaid land premiums	6	**7,134**	4,882
Write-back of impairment of receivables, net	6	**(2,399)**	(2,178)
Write-down of inventories to net realisable value	6	**37,677**	15,839
Provision for product warranties	30	**28,525**	24,031
		870,720	1,254,977
Increase in inventories		**(30,033)**	(369,020)
Increase in trade receivables		**(97,486)**	(120,199)
Increase in bills receivable		**(300,338)**	(169,977)
Decrease/(increase) in prepayments and other receivables		**75,180**	(219,359)
(Decrease)/increase in trade payables		**(289,991)**	784,173
Increase in bills payable		**860,817**	216,930
(Decrease)/increase in other payables and accruals		**(140,978)**	66,635
Decrease in provision for product warranties		**(27,229)**	(17,343)
Cash generated from operations		**920,662**	1,426,817
Income taxes paid		**(94,540)**	(139,961)
Net cash inflow from operating activities		**826,112**	1,286,856

	Notes	2008 RMB'000	2007 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment and construction in progress		**(1,105,673)**	(1,448,575)
Prepayments of land premiums		**(664,723)**	(36,812)
Acquisitions of subsidiaries	35	**4,960**	—
Acquisitions of minority interests		**(120,000)**	—
Investments in associates		**—**	(3,468)
Investments in jointly-controlled entities		**(13,420)**	(97,000)
Purchases of available-for-sale financial assets		**(268,200)**	(210,000)
Proceeds from disposal of items of property, plant and equipment		**5,403**	5,286
Proceeds from disposal of land premiums		**—**	2,600
Proceeds from disposal of held-for-trading financial assets		**—**	1,457
Proceeds from disposal of available-for-sale financial assets		**370,000**	—
Dividend received from a jointly-controlled entity		**—**	4,134
Dividend received from an associate		**4,947**	—
Income received from available-for-sale financial assets	5	**8,334**	1,092
Receipt of government grants	32	**6,060**	16,729
Net cash outflow from investing activities		**(1,772,312)**	(1,764,557)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of H shares		**—**	1,542,460
New bank loan		**3,594**	—
Repayment of a bank loan		**(3,594)**	—
Interest paid		**(136)**	—
Contribution from a minority shareholder		**—**	1,250
Dividends paid to minority shareholders		**(29,524)**	(4,722)
Dividends paid		**(219,054)**	(153,720)
Net cash (outflow)/inflow from financing activities		**(248,714)**	1,385,268
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(1,194,904)**	907,567
Cash and cash equivalents at beginning of year		**3,312,063**	2,429,188
Effect of foreign exchange rate changes, net		**(24,694)**	(24,692)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**2,092,465**	3,312,063
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	26	**2,092,465**	3,312,063

Balance Sheet

31 December 2008

	Notes	2008 RMB'000	2007 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**2,070,377**	957,282
Prepaid land premiums	15	**479,817**	225,630
Construction in progress	16	**1,759,963**	2,059,795
Investments in subsidiaries	18	**1,014,628**	316,855
Investments in jointly-controlled entities	19	**130,405**	126,405
Investments in associates	20	**16,575**	3,591
Available-for-sale financial assets	21	**1,200**	—
Deferred tax assets	31	**17,407**	11,513
Total non-current assets		**5,490,372**	3,701,071
CURRENT ASSETS			
Inventories	22	**437,167**	441,062
Trade receivables	23	**248,936**	134,472
Bills receivable	24	**566,776**	347,680
Available-for-sale financial assets	21	**—**	190,000
Dividends receivable		**13,244**	8,012
Prepaid tax		**91,309**	72,502
Prepayments and other receivables	25	**659,101**	463,659
Pledged bank balances	26	**462,503**	92,449
Cash and cash equivalents	26	**938,447**	2,683,705
Total current assets		**3,417,483**	4,433,541
CURRENT LIABILITIES			
Trade payables	27	**1,457,923**	1,663,422
Bills payable	28	**1,003,555**	182,510
Other payables and accruals	29	**621,954**	636,258
Provision for product warranties	30	**26,857**	26,538
Total current liabilities		**3,110,289**	2,508,728
NET CURRENT ASSETS		**307,194**	1,924,813
TOTAL ASSETS LESS CURRENT LIABILITIES		**5,797,566**	5,625,884
NON-CURRENT LIABILITIES			
Deferred income	32	**67,062**	69,892
Total non-current liabilities		**67,062**	69,892
NET ASSETS		**5,730,504**	5,555,992

	Notes	2008 RMB'000	2007 RMB'000
EQUITY			
Issued capital	*33*	**1,095,272**	1,095,272
Reserves	*34*	**4,470,941**	4,241,666
Proposed final dividend	*12*	**164,291**	219,054
TOTAL EQUITY		**5,730,504**	5,555,992

Wei Jian Jun
Executive Director

Wang Feng Ying
Executive Director

1. CORPORATE INFORMATION

The registered office of Great Wall Motor Company Limited (the "Company") is located at No. 2266 ChaoYang Road South, Baoding, Hebei Province, the People's Republic of China (the "PRC"). As at 31 December 2008, 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 certain available-for-sale financial assets which have been measured 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 2008. 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 income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

The acquisition of subsidiaries during the year has been 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 excess of the consideration over the book value of the share of the net assets acquired is recognised as goodwill, and the excess of the book value of the share of the net assets acquired over the consideration is recognised immediately in the income statement.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new interpretations and amendments to 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 interpretations and amendments has had no significant effect on these financial statements.

HKAS39 and HKFRS 7 Amendments	Amendments to HKAS39 *Financial Instruments: Recognition and Measurement* and HKFRS 7 *Financial Instruments: Disclosures —Reclassification of Financial Assets*
HK(IFRIC)-Int 11	HKFRS2 — *Group and Treasury Share Transactions*
HK(IFRIC)-Int 12	*Service Concession Arrangements*
HK(IFRIC)-Int 14	HKAS19 — *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

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

(a) Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement* and HKFRS 7 *Financial Instruments: Disclosures — Reclassification of Financial Assets*

The amendments to HKAS 39 permit an entity to reclassify a non-derivative financial asset classified as held for trading, other than a financial asset designated by an entity as at fair value through profit or loss upon initial recognition, out of the fair value through profit or loss category if the financial asset is no longer held for the purpose of selling or repurchasing in the near term, if specified criteria are met.

A debt instrument that would have met the definition of loans and receivables (if it had not been required to be classified as held for trading at initial recognition) may be classified out of the fair value through profit or loss category or (if it had not been designated as available for sale) may be classified out of the available-for-sale category to the loans and receivables category if the entity has the intention and ability to hold it for the foreseeable future or until maturity.

In rare circumstances, financial assets that are not eligible for classification as loans and receivables may be transferred from the held-for-trading category to the available-for-sale category or to the held-to-maturity category (in the case of a debt instrument), if the financial asset is no longer held for the purpose of selling or repurchasing in the near term.

The financial asset shall be reclassified at its fair value on the date of reclassification and the fair value of the financial asset on the date of reclassification becomes its new cost or amortised cost, as applicable. The amendments to HKFRS 7 require extensive disclosures of any financial asset reclassified in the situations described above. The amendments are effective from 1 July 2008.

As the Group has not reclassified any of its financial instruments, the amendments have had no impact on the financial position or results of operations of the Group.

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

(b) HK(IFRIC)-Int 11 HKFRS 2 — *Group and Treasury Share Transactions*

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 buys 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 has had no impact on the financial position or results of operations of the Group.

(c) HK(IFRIC)-Int 12 *Service Concession Arrangements*

HK(IFRIC)-Int 12 applies to service concession operators and explains how to account for the obligations undertaken and the rights received in service concession arrangements. No member of the Group is an operator and, therefore, this interpretation has had no impact on the financial position or results of operations of the Group.

(d) HK(IFRIC)-Int 14 HKAS 19 — *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

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, including situations when a minimum funding requirement exists. As the Group has no defined benefit scheme, the interpretation has had no effect on these financial statements.

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.

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 *First-time Adoption of HKFRSs* and HKAS 27 *Consolidated and Separate Financial Statements — Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*[1]
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment — Vesting Conditions and Cancellations*[1]
HKFRS 3 (Revised)	*Business Combinations*[2]
HKFRS 7 Amendments	*Improving Disclosures about Financial Instruments*[1]
HKFRS 8	*Operating Segments*[1]
HK(IFRIC)-Int 9 and HKAS 39 Amendments	*Embedded Derivatives*[5]
HKAS 1 (Revised)	*Presentation of Financial Statements*[1]
HKAS 23 (Revised)	*Borrowing Costs*[1]
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*[2]
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation* and HKAS 1 *Presentation of Financial Statements — Puttable Financial Instruments and Obligations Arising on Liquidation*[1]
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement — Eligible Hedged Items*[2]
HK(IFRIC)-Int 13	*Customer Loyalty Programmes*[3]
HK(IFRIC)-Int 15	*Agreements for the Construction of Real Estate*[1]
HK(IFRIC)-Int 16	*Hedges of a Net Investment in a Foreign Operation*[4]
HK(IFRIC)-Int 17	*Distribution of Non-cash Assets to Owners*[2]
HK(IFRIC)-Int 18	*Transfer of Assets From Customers*[6]

Apart from the above, the HKICPA has issued Improvements to HKFRSs* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. Except for the amendment to HKFRS 5 which is effective for annual periods on or after 1 July 2009, other amendments are effective for annual periods beginning on or after 1 January 2009 although there are separate transitional provisions for each standard.

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 July 2009
3 Effective for annual periods beginning on or after 1 July 2008
4 Effective for annual periods beginning on or after 1 October 2008
5 Effective for annual periods ending on or after 30 June 2009
6 Effective for transfers on or after 1 July 2009
* Improvements to HKFRSs contains amendments to HKFRS 5, HKFRS 7, HKAS 1, HKAS 8, HKAS 10, HKAS 16, HKAS 18, HKAS 19, HKAS 20, HKAS 23, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 34, HKAS 36, HKAS 38, HKAS 39, HKAS 40 and HKAS 41.

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

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 and HKAS 1 (Revised) may result in new or amended disclosures and the adoption of HKFRS 3 (Revised) and HKAS 27 (Revised) may result in changes in accounting policies, 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 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 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 interests 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 interests 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.

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.

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.

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill (continued)

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.

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 costs 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 assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets other than goodwill (continued)

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 an 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 an 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); or

(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).

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. 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% to 11.90%
Plant and machinery	9.50% to 19.00%
Motor vehicles	9.50% to 15.80%
Office equipment and others	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 least 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 is 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)

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.

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 and 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 derivative 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.

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

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.

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 value, 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 asset 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.

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

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 a 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.

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.

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, 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 an available-for-sale equity investment 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.

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.

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets (continued)

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.

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.

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents (continued)

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

- 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.

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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 of the PRC, the employees of the Group participate in various defined contribution retirement benefit plans operated by the relevant municipal and provincial social insurance management bodies in Mainland China 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.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

All other borrowing costs are recognised as expenses in the income statement in the period in which they are incurred.

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 dates 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 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 costs to sell is based on the best information available to reflect the amount that is obtainable at each of the balance sheet dates, 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 dates.

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 dates.

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 2008, no impairment losses have been recognised for available-for-sale financial assets (2007: Nil). The carrying amount of available-for-sale financial assets measured at fair value was RMB107,000,000 (2007: RMB210,000,000).

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.

3.2 SUMMARY OF SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

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 judgement 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 2008 was RMB416,776,000 (2007: RMB448,809,000). 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 2008 was RMB40,692,000 (2007: RMB39,396,000). Further details are contained in Note 30 to the financial statements.

4. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

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:

	2008			2007		
	Mainland China	**Overseas**	**Consolidated**	Mainland China	Overseas	Consolidated
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*
Segment revenue	**4,750,312**	**3,460,269**	**8,210,581**	4,483,953	3,095,403	7,579,356

The Group's assets are almost entirely situated in Mainland China and accordingly, no information on segment assets and capital expenditure is provided.

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:

	Notes	2008 *RMB'000*	2007 *RMB'000*
Revenue			
Sale of automobiles		**7,701,519**	7,274,553
Sale of automotive parts and components and others		**509,062**	304,803
		8,210,581	7,579,356
Other income and gains			
Bank interest income		**77,983**	37,288
Government grants:			
Recognition of deferred income	*32*	**4,639**	2,348
Others*		**31,651**	20,847
Income from disposal of available-for-sale financial assets		**8,334**	1,092
Gain on disposal of held-for-trading financial assets		**—**	594
Gains on transfer of prepaid land premiums as capital contributions to equity investments		**7,244**	—
Gain on disposal of items of property, plant and equipment		**—**	274
Gain on acquisition of a subsidiary	*35*	**231**	—
Gain on acquisition of minority interests		**13,517**	—
		143,599	62,443

* 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	2008 RMB'000	2007 RMB'000
Cost of inventories sold		**6,721,231**	5,783,427
Depreciation	*14*	**230,731**	168,404
Recognition of prepaid land premiums	*15*	**7,134**	4,882
Minimum lease payments under operating leases in respect of land and buildings		**61**	—
Auditors' remuneration		**3,864**	5,516
Employee benefit expenses (including directors' and supervisors' remuneration *(Note 8)*):			
Wages and salaries		**465,450**	319,379
Retirement benefit contributions		**48,786**	24,502
		514,236	343,881
Provision for product warranties	*30*	**28,525**	24,031
Research costs included in other expenses		**268,046**	208,132
Foreign exchange differences, net		**10,524**	29,418
Write-down of inventories to net realisable value		**37,677**	15,839
Loss/(gain) on disposal of items of property, plant and equipment		**387**	(274)
Write-back of impairment of receivables, net		**(2,399)**	(2,178)

7. FINANCE COSTS

	Group	
	2008 RMB'000	2007 RMB'000
Interest on a bank loan	**136**	—
Bank charges	**10,131**	8,428
	10,267	8,428

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:

	2008	2007
	RMB'000	*RMB'000*
Fees	**48**	—
Other emoluments:		
Salaries, allowances, and benefits in kind	**1,012**	1,106
Bonuses	**—**	—
Retirement benefit contributions	**9**	6
	1,069	1,112

(a) Independent non-executive directors

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

	2008	2007
	RMB'000	*RMB'000*
Han Chuan Mo	**16**	48
Zhang Ming Yu	**16**	48
Zhao Yu Dong	**16**	48
He Bao Yin	**32**	—
Wei Lin	**32**	—
Li Ke Qiang	**32**	—
Wong Chi Keung	**211**	231
	355	375

8. DIRECTORS' AND SUPERVISORS' REMUNERATION (continued)

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

	Fees	Salaries, allowances and benefits in kind	Bonuses	Retirement benefit contributions	Total emoluments
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
2008					
Executive directors:					
Wei Jian Jun	**–**	**176**	**–**	**3**	**179**
Liu Ping Fu	**–**	**100**	**–**	**–**	**100**
Wang Feng Ying	**–**	**142**	**–**	**3**	**145**
Yang Zhi Juan	**–**	**55**	**–**	**3**	**58**
Hu Ke Gang	**–**	**91**	**–**	**–**	**91**
Non-executive directors:					
He Ping	**48**	**–**	**–**	**–**	**48**
Niu Jun	**–**	**–**	**–**	**–**	**–**
Supervisors:					
Yuan Hong Li	**–**	**–**	**–**	**–**	**–**
Zhu En Ze	**–**	**93**	**–**	**–**	**93**
Luo Jin Li	**–**	**–**	**–**	**–**	**–**
	48	**657**	**–**	**9**	**714**
2007					
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

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 was the highest in the Group for the year is as follows:

	2008	2007
Directors	**2**	2
Employees	**3**	3

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

Details of the remuneration of the non-director/supervisor, highest paid employees, whose individual remuneration fell within the range of nil to RMB882,000 (equivalent to HK$1,000,000), are as follows:

	2008	2007
	RMB'000	*RMB'000*
Salaries, allowances, and benefits in kind	**617**	497
Bonuses	**–**	–
Retirement benefits contributions	**–**	–
	617	497

10. TAX

Income tax

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

	2008	2007
	RMB'000	*RMB'000*
Hong Kong profits tax	**–**	–
PRC corporate income tax:		
Current corporate income tax	**38,972**	43,582
Deferred tax *(Note 31)*	**(5,494)**	(25,360)
Effect on deferred tax arising from changes in tax rates	**–**	18,616
	33,478	36,838

10. TAX (continued)

Income tax (continued)

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 25% on their taxable income for the year ended 31 December 2008 (Year ended 31 December 2007: 33%).

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, and the Law of the PRC on Enterprise Income Tax and the Circular of the State Council Concerning Issues Relevant to Implementation of Transitional Preferential Policies for Enterprise Income Tax effective from 1 January 2008, 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. Baoding Changcheng Vehicle Axles Industries Company Limited was entitled to a 50% reduction in the tax rate for corporate income tax for the three years ended 31 December 2007 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 was entitled to a 50% reduction in the tax rate for corporate income tax for the three years ended 31 December 2007. 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 Mind Auto Component Company Limited was exempted from corporate income tax for the two years ended 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. Baoding Yixin Auto Parts Company Limited is exempted from corporate income tax for the two years ending 31 December 2009 and will be entitled to a 50% reduction in the tax rate for corporate income tax for the three years ending 31 December 2012.

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 regarded as welfare enterprises by the relevant authorities, were entitled to exemption from corporate income tax on a year-by-year basis before 30 June 2007. For the year ended 31 December 2007, corporate income tax exempted for these welfare enterprises amounted to approximately RMB60,631,000.

Pursuant to newly issued regulations on welfare enterprises in the PRC, the above mentioned 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 were entitled to deduct corporate income tax in the amount of RMB49,614,000 for the year ended 31 December 2008 (2007: RMB106,657,000).

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:

	2008		2007	
	RMB'000	**%**	*RMB'000*	%
Profit before tax	**584,638**		1,044,203	
At the PRC corporate income tax rate	**146,160**	**25.0**	344,587	33.0
Profits and losses attributable to jointly-controlled entities and associates	**(1,709)**	**(0.3)**	(6,794)	(0.7)
Additional deduction of expenses	**(32,457)**	**(5.6)**	(36,723)	(3.5)
Staff welfare and bonus fund	**245**	**—**	2,645	0.3
Tax effect of expenses not deductible for tax purposes	**6,206**	**1.1**	12,493	1.2
Value added tax refunds not subject to tax	**(2,920)**	**(0.5)**	—	—
Income not subject to tax	**(7,723)**	**(1.3)**	—	—
Effect on deferred tax arising from changes in tax rates	**—**	**—**	18,616	1.8
Tax holiday and exemptions	**(74,324)**	**(12.7)**	(297,986)	(28.5)
Actual income tax expenses	**33,478**	**5.7**	36,838	3.6

The share of tax attributable to jointly-controlled entities and associates amounting to RMB50,000 (2007: RMB41,000) is included in "Share of profits and losses of jointly-controlled entities and associates" on the face of the consolidated income statements.

The PRC Corporate Income Tax Law was approved on 16 March 2007 and has become effective since 1 January 2008. Relevant tax regulations will be released in the near future. If the regulations are effective for annual periods on or after 1 January 2008, the adoption of the regulations may have effect on these financial statements.

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.

The Company's automobiles are subject to consumption tax at standard rates of 3%, 5%, 9% or 12% in accordance with the regulations issued by the State of Tax Bureau on 20 March 2006.

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 2008 includes a profit of RMB393,566,000 (2007: RMB803,435,000) which has been dealt with in the financial statements of the Company (Note 34).

12. PROPOSED FINAL DIVIDEND

	2008	2007
	RMB'000	*RMB'000*
Proposed final dividend — RMB0.15 (2007: RMB0.20) per ordinary share	**164,291**	219,054

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 is based on the Group's profit for the year attributable to ordinary equity holders of the parent of RMB513,143,000 (2007: RMB937,451,000) and the weighted average of 1,095,272,000 (2007: 1,032,325,333) ordinary shares in issue during the year.

No diluting events existed during the years ended 31 December 2008 and 2007 and therefore diluted earnings per share amounts have not been disclosed.

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Office equipment and others RMB'000	Total RMB'000
2008					
Cost:					
At 1 January 2008	**730,075**	**1,219,582**	**37,327**	**247,958**	**2,234,942**
Additions	**14,316**	**62,466**	**10,809**	**37,137**	**124,728**
Transfer from construction in progress *(Note 16)*	**469,774**	**605,064**	**37,926**	**177,365**	**1,290,129**
Disposals	**(433)**	**(7,473)**	**(2,781)**	**(2,160)**	**(12,847)**
At 31 December 2008	**1,213,732**	**1,879,639**	**83,281**	**460,300**	**3,636,952**
Accumulated depreciation and impairment:					
At 1 January 2008	**102,379**	**444,935**	**15,047**	**75,156**	**637,517**
Depreciation provided during the year	**33,062**	**144,095**	**6,192**	**47,382**	**230,731**
Disposals	**(351)**	**(3,257)**	**(1,512)**	**(1,787)**	**(6,907)**
At 31 December 2008	**135,090**	**585,773**	**19,727**	**120,751**	**861,341**
Net book value:					
At 31 December 2008	**1,078,642**	**1,293,866**	**63,554**	**339,549**	**2,775,611**
2007					
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)

Company

	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Office equipment and others RMB'000	Total RMB'000
2008					
Cost:					
At 1 January 2008	**473,596**	**510,787**	**11,269**	**183,483**	**1,179,135**
Additions	**12,833**	**44,986**	**—**	**28,292**	**86,111**
Transfer from construction in progress *(Note 16)*	**428,192**	**569,509**	**37,203**	**162,265**	**1,197,169**
Disposals	**—**	**(5,526)**	**(34,251)**	**(2,829)**	**(42,606)**
At 31 December 2008	**914,621**	**1,119,756**	**14,221**	**371,211**	**2,419,809**
Accumulated depreciation:					
At 1 January 2008	**40,331**	**122,026**	**4,205**	**55,291**	**221,853**
Depreciation provided during the year	**19,640**	**76,038**	**2,586**	**35,207**	**133,471**
Disposals	**—**	**(2,296)**	**(1,966)**	**(1,630)**	**(5,892)**
At 31 December 2008	**59,971**	**195,768**	**4,825**	**88,868**	**349,432**
Net book value:					
At 31 December 2008	**854,650**	**923,988**	**9,396**	**282,343**	**2,070,377**
2007					
Cost:					
At 1 January 2007	451,988	453,447	8,318	136,805	1,050,558
Additions	—	34	591	2,659	3,284
Transfer 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

15. PREPAID LAND PREMIUMS

Group

	2008 RMB'000	2007 RMB'000
Carrying amount at 1 January	**283,578**	254,248
Prepaid land premiums during the year	**585,244**	36,812
Disposal of prepaid land premiums	**—**	(2,600)
Transfer out as capital contribution to a jointly-controlled entity	**(3,555)**	—
Transfer out as capital contribution to an associate	**(3,518)**	—
Recognised during the year	**(7,134)**	(4,882)
Carrying amount at 31 December	**854,615**	283,578

Company

	2008 RMB'000	2007 RMB'000
Carrying amount at 1 January	**225,630**	199,930
Prepaid land premiums during the year	**266,020**	36,812
Disposal of prepaid land premiums	**—**	(2,600)
Transfer out as capital contribution to a subsidiary	**—**	(5,300)
Transfer out as capital contribution to a jointly-controlled entity	**(3,555)**	—
Transfer out as capital contribution to an associate	**(3,518)**	—
Recognised during the year	**(4,760)**	(3,212)
Carrying amount at 31 December	**479,817**	225,630

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

16. CONSTRUCTION IN PROGRESS

Group

	2008 RMB'000	2007 RMB'000
At 1 January	**2,173,680**	870,428
Additions	**946,837**	1,598,586
Transfer to property, plant and equipment *(Note 14)*	**(1,290,129)**	(295,334)
At 31 December	**1,830,388**	2,173,680

Company

	2008 RMB'000	2007 RMB'000
At 1 January	**2,059,795**	719,039
Additions	**897,337**	1,473,063
Transfer to property, plant and equipment *(Note 14)*	**(1,197,169)**	(132,307)
At 31 December	**1,759,963**	2,059,795

17. GOODWILL

Group

	2008 RMB'000	2007 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

Goodwill acquired through business combinations has been allocated to the cash-generating unit of manufacture and sale of pick-up trucks, sport utility vehicles and crossover utility vehicles for impairment testing.

18. INVESTMENTS IN SUBSIDIARIES

Company

	2008	2007
	RMB'000	*RMB'000*
Unlisted investments, at cost	**1,014,628**	316,855

The Company's other receivables, trade payables, bills payable and other payables with the subsidiaries are disclosed in Notes 25, 27, 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 the subsidiaries approximate to their fair values.

Particulars of the subsidiaries are as follows:

Company name	Place and date of incorporation and operations	Nominal value of paid-up capital/ registered capital	Percentage of equity interests attributable to the Company		Principal activities
			Direct	Indirect	
		'000			
Baoding Great Wall Huabei Automobile Company Limited (保定長城華北汽車有限責任公司)	Mainland China 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)	Mainland China 31 August 2001	RMB53,910	100	–	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)	Mainland China 25 May 2000	RMB40,816	90.2	–	Manufacture of automotive parts and components
Baoding Great Machinery Company Limited (保定市格瑞機械有限公司)	Mainland China 25 October 2001	RMB23,000	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)	Mainland China 13 December 2000	RMB40,720	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
Baoding Nuobo Rubber Manufacturing Company Limited (保定市諾博橡膠制品有限公司)	Mainland China 18 June 2001	RMB32,420	100	–	Manufacture of automotive parts and components
Baoding Changfu Pressings Company Limited# (保定長福沖壓件有限公司)	Mainland China 4 January 1999	RMB28,000	75	–	Manufacture of automotive parts and components
Beijing Great Automotive Components Company Limited# (北京格瑞特汽車零部件有限公司)	Mainland China 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)	Mainland China 13 June 1996	RMB300	100	–	Provision of after-sale services
Baoding Great Wall Automobile Sales Company Limited (保定長城汽車銷售有限公司)	Mainland China 26 March 2004	RMB8,000	–	100	Marketing and sale of automobiles
Macs (Baoding) Auto A/C System Company Limited# (麥克斯(保定)空調系统有限公司)	Mainland China 18 January 2004	RMB20,339	51	–	Manufacture of automotive parts and components
Baoding Huanqiu Auto Spare Parts Company Limited (保定環球汽車零部件有限公司)	Mainland China 5 April 2004	RMB15,300	51	–	Manufacture of automotive parts and components
Baoding Deer Automobile System Company Limited (i) (保定德爾汽車系统有限公司)	Mainland China 26 September 2003	RMB500	5	95	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	US$50	100	–	Provision of advisory services relating to automobile technology and trading activities

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
Russia Great Wall Closed Joint-Stock Company Limited (俄羅斯長城股份有限公司)	Russia 13 October 2005	US$50	100	—	Export and import of automobile and related spare parts and provision of after-sale services
Baoding Mind Auto Component Company Limited# (保定曼德汽車配件有限公司)	Mainland China 26 March 2003	RMB600	75	—	Manufacture of automotive parts and components
Tianjin Great Wall Lean Automotive Parts Company Limited# (Formerly known as Baoding Lean Power Machinery Company Limited) (天津長城精益汽車零部件有限公司) (原名為保定精益動力機械有限公司)	Mainland China 7 November 2006	RMB300,000	—	100	Manufacture of automotive parts and components
Great Wall Alabuga Motor Open Joint Stock Company ("Alabuga Company") [ii] (長城阿拉布加汽車開放式股份公司)	Russian Republic of Tatarstan 12 February 2007	Ruble420,000	75	—	Export and import of automobiles and components and provision of after-sale services
Baoding Riwa Automobile System Accessories Company Limited [i] (保定日瓦汽系统配套有限公司)	Mainland China 29 April 1999	RMB1,000	—	100	Manufacture of automotive parts and components
Great Wall Motor Middle East FZE (長城汽車中東公司)	United Arab Emirates 17 June 2007	US$476	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)	Mainland China 28 November 2007	RMB50,000	100	—	Manufacture steel casting and provision of after-sale services
Tianjin Great Wall Motor Company Limited [iii] (天津長城汽車有限公司)	Mainland China 18 February 2008	RMB500,000	100	—	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
Baoding Great Wall Ants Logistics Company Limited (iii) (保定市長城螞蟻物流有限公司)	Mainland China 4 September 2008	RMB60,000	100	—	Logistics and ordinary goods transportation
Billion Sunny Development Limited (iv) (億新發展有限公司)	Hong Kong 16 November 2005	HK$0.1	—	100	Investment holding
Tianjin Great Wall Wantong Automotive Parts Company Limited# (iv) (Formerly known as Baoding Wantong Automotive Parts Company Limited) (天津長城萬通汽車零部件有限公司) (原名為保定萬通汽車配件有限公司)	Mainland China 11 December 2006	RMB300,000	—	100	Inactive
Baoding Yixin Auto Parts Company Limited# (iv) (保定億新汽車配件有限公司)	Mainland China 11 December 2006	RMB13,000	75	25	Manufacture of automotive parts and components
Baoding Xinghui Lamp Manufacturing Company Limited# (iv) (保定星輝燈具製造有限公司)	Mainland China 26 January 2007	RMB1,000	75	25	Inactive
Baoding Yimei Components and Accessories Company Limited# (iv) (保定億美汽車零部件有限公司)	Mainland China 11 December 2006	RMB1,000	75	25	Inactive

Notes:

Sino-foreign joint ventures

(i) Baoding Riwa Automobile System Accessories Company Limited and Baoding Deer Automobile System Company Limited completed dissolution in April and July 2008, respectively.

(ii) In November 2008, the Company and the Tatarstan Property Authority, which owns the remaining 25% of equity interests, resolved to dissolve Alabuga Company, having considered the prevailing macroeconomic situations. Alabuga Company has not commenced operation yet. Until the approval date of the financial statements, Alabuga Company was still in liquidation.

(iii) The Company established two new wholly-owned subsidiaries, Tianjin Great Wall Motor Company Limited and Baoding Great Wall Ants Logistics Company Limited, in February and September 2008, respectively.

(iv) In 2008, the Group acquired these subsidiaries. Further details of the acquisition are set out in Note 35 to the financial statements.

19. INTERESTS/INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES

	Group		Company	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Unlisted investments, at cost	**—**	—	**130,405**	126,405
Share of net assets	**178,015**	154,226	**—**	—
	178,015	154,226	**130,405**	126,405

The Group's and the Company's trade payables and bills payable due to the jointly-controlled entities are disclosed in Notes 27 and 28. The amounts due to the jointly-controlled entities are unsecured, non-interest-bearing and are repayable on demand.

The carrying amounts of the 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	Mainland China 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	Mainland China 15 September 2004	50	50	50	Manufacture of automotive parts and components
Baoding Smart Automobiles Accessories Company Limited ("Baoding Smart") (保定斯瑪特汽車配件有限公司)	Sino-foreign joint venture	Mainland China 16 March 2004	50	50	50	Manufacture of automotive parts and provision of after-sale service
Baoding Xinchang Auto Parts Company Limited ("Baoding Xinchang") (保定信昌汽車零部件有限公司)	Sino-foreign joint venture	Mainland China 26 January 2007	45	45	45	Manufacture of automotive parts and components

All of the above investments in jointly-controlled entities are directly held by the Company, except for Baoding Xinchang, a newly acquired jointly-controlled entity, the shareholding in which is held through a wholly-owned subsidiary of the Company, Baoding Xincheng Automobile Development Company Limited ("Xincheng Automobile").

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

In April 2008, Xincheng Automobile acquired 45% of equity interests in Baoding Xinchang for a cash consideration of RMB450,000. In May 2008, Xincheng Automobile and the Company further invested in Baoding Xinchang by cash of RMB8,970,000 and leasehold land of carrying value of RMB3,555,000, respectively. Upon the completion of this transaction, Xincheng Automobile and the Company each owned 23.55% and 21.45% of equity interests in Baoding Xinchang. In September 2008, the Company transferred the 21.45% of equity interests in Baoding Xinchang to Xincheng Automobile for a cash consideration of RMB8,580,000. Upon the completion of the transfer, Xincheng Automobile owned 45% of equity interests in Baoding Xinchang.

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

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

	2008	2007
	RMB'000	*RMB'000*
Non-current assets	**37,822**	78,117
Current assets	**151,952**	106,667
Current liabilities	**(11,759)**	(30,558)
Net assets	**178,015**	154,226

Share of the jointly-controlled entities' results:

	2008	2007
	RMB'000	*RMB'000*
Total revenue	**84,910**	81,319
Total expenses	**(82,197)**	(67,584)
Tax	**(30)**	41
Profit for the year	**2,683**	13,776

20. INTERESTS/INVESTMENTS IN ASSOCIATES

	Group		Company	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Unlisted investments, at cost	**—**	—	**16,575**	3,591
Share of net assets	**17,767**	10,403	**—**	—
	17,767	10,403	**16,575**	3,591

The Group's and the Company's trade payables and bills payable due to associates are disclosed in Notes 27 and 28. The amounts due to the associates are unsecured, non-interest-bearing and are repayable on demand.

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

Particulars of the 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	Mainland China 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	Mainland China 18 December 2007	32	32	32	Manufacture of automotive parts and components
Baoding Best Automobile Spare Parts Company Limited (保定佰思特汽車零部件有限公司)	Sino-foreign joint venture	Mainland China 1 December 2005	25	25	25	Manufacture of automotive parts and components

All the above investments in associates are directly held by the Company, except for a newly acquired associate, Baoding Best Automobile Spare Parts Company Limited, the shareholding in which is held through a wholly-owned subsidiary of the Company, Billion Sunny Development Limited. Further details of the acquisition are set out in Note 35 to the financial statements.

20. INTERESTS/INVESTMENTS IN ASSOCIATES (continued)

Share of associates' assets and liabilities:

	2008 *RMB'000*	2007 *RMB'000*
Non-current assets	**15,073**	2,861
Current assets	**18,513**	18,668
Current liabilities	**(15,819)**	(11,126)
Net assets	**17,767**	10,403

Share of associates' results:

	2008 *RMB'000*	2007 *RMB'000*
Total revenue	**48,141**	39,110
Total expenses	**(43,966)**	(32,298)
Tax	**(20)**	—
Profit for the year	**4,155**	6,812

21. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Group

	2008 *RMB'000*	2007 *RMB'000*
Unlisted equity investment, at cost	**1,200**	—
Unlisted investments, at fair value *(note)*	**107,000**	210,000

Company

	2008 *RMB'000*	2007 *RMB'000*
Unlisted equity investment, at cost, net of impairment	**1,200**	—
Unlisted investments, at fair value	**—**	190,000

Note: The above investments comprised investments in financial products issued by banks at fair value of RMB90,000,000 (2007: RMB210,000,000), which were designated as available-for-sale financial assets with no fixed coupon rate and were fully redeemed in January 2009, and units of certain funds at fair value of RMB17,000,000 (2007: Nil).

22. INVENTORIES

Group

	2008	2007
	RMB'000	*RMB'000*
Raw materials	**353,495**	361,546
Work in progress	**116,746**	215,952
Finished goods	**413,150**	433,226
Spare parts and consumables	**15,505**	12,832
	898,896	1,023,556
Provision for inventories	**(22,504)**	(65,923)
	876,392	957,633

The carrying amount of inventories carried at net realizable value included in the above balances was RMB119,080,000 (2007: Nil).

Company

	2008	2007
	RMB'000	*RMB'000*
Raw materials	**145,660**	137,739
Work in progress	**38,471**	63,834
Finished goods	**262,408**	236,161
Spare parts and consumables	**3,728**	3,328
	450,267	441,062
Provision for inventories	**(13,100)**	—
	437,167	441,062

The carrying amount of inventories carried at net realizable value included in the above balances was RMB67,667,000 (2007: Nil).

23. TRADE RECEIVABLES

Group

	2008 RMB'000	2007 RMB'000
Trade receivables	**262,241**	164,558
Impairment	**(10,305)**	(12,348)
	251,936	152,210

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 the invoice date, is as follows:

	2008 RMB'000	2007 RMB'000
Outstanding balances aged:		
Within 6 months	**249,742**	150,044
7 to 12 months	**5,945**	3,661
Over 1 year	**6,554**	10,853
	262,241	164,558
Impairment	**(10,305)**	(12,348)
	251,936	152,210

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

	2008 RMB'000	2007 RMB'000
At 1 January	**12,348**	14,115
Impairment losses recognised	**6,516**	1,366
Amount written off as uncollectible	**197**	(522)
Impairment losses reversed	**(8,756)**	(2,611)
At 31 December	**10,305**	12,348

23. TRADE RECEIVABLES (continued)

Group (continued)

As at 31 December 2008, included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of RMB10,305,000 (2007: RMB12,348,000) with a carrying amount of RMB14,280,000 (2007: RMB13,806,000). 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:

	2008	2007
	RMB'000	*RMB'000*
Neither past due nor impaired	**247,961**	150,752
Less than 6 months past due	**3,975**	1,458
	251,936	152,210

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 2008, 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 RMB1,258,000 (2007: RMB1,213,000), which are unsecured, non-interest-bearing and repayable on credit terms similar to those offered to the major customers of the Group.

Company

	2008	2007
	RMB'000	*RMB'000*
Trade receivables	**256,836**	138,160
Impairment	**(7,900)**	(3,688)
	248,936	134,472

23. TRADE RECEIVABLES (continued)

Company (continued)

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

	2008	2007
	RMB'000	*RMB'000*
Outstanding balances aged:		
Within 6 months	**248,483**	133,963
7 to 12 months	**3,812**	2,320
Over 1 year	**4,541**	1,877
	256,836	138,160
Impairment	**(7,900)**	(3,688)
	248,936	134,472

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

	2008	2007
	RMB'000	*RMB'000*
At 1 January	**3,688**	2,773
Impairment losses recognised	**5,687**	915
Impairment losses reversed	**(1,475)**	—
At 31 December	**7,900**	3,688

As at 31 December 2008, included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of RMB7,900,000 (2007: RMB3,688,000) with a carrying amount of RMB11,655,000 (2007: RMB5,032,000). 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.

23. TRADE RECEIVABLES (continued)

Company (continued)

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

	2008 *RMB'000*	2007 *RMB'000*
Neither past due nor impaired	**245,181**	133,128
Less than six months past due	**3,755**	1,344
	248,936	134,472

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 2008, included in the Company's trade receivables are amounts due from companies that are controlled by the Company's key management personnel or their close family members amounting to RMB616,000 (2007: Nil), which are unsecured, non-interest- bearing and repayable on credit terms similar to those offered to the major customers of the Company.

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:

	2008 *RMB'000*	2007 *RMB'000*
Falling due:		
Within 3 months	**407,501**	299,114
4 to 6 months	**550,600**	358,649
	958,101	657,763

As at 31 December 2008, the Group's bills receivable amounting to RMB274,485,000 (2007: RMB227,500,000) were pledged to banks for issuing an equivalent amount of bills payable.

24. BILLS RECEIVABLE (continued)

Company

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

	2008 RMB'000	2007 RMB'000
Falling due:		
Within 3 months	**238,392**	92,014
4 to 6 months	**328,384**	255,666
	566,776	347,680

As at 31 December 2008 and 31 December 2007, the Company did not pledge its bills receivable.

25. PREPAYMENTS AND OTHER RECEIVABLES

Group

	2008 RMB'000	2007 RMB'000
Prepayments	**401,065**	245,153
Export VAT refund	**173,737**	183,689
Other receivables	**117,909**	80,976
	692,711	509,818
Impairment	**(3,345)**	(3,504)
	689,366	506,314

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

	2008 RMB'000	2007 RMB'000
At 1 January	**3,504**	4,437
Impairment losses recognised	**514**	—
Impairment losses reversed	**(673)**	(933)
At 31 December	**3,345**	3,504

25. PREPAYMENTS AND OTHER RECEIVABLES (continued)

Group (continued)

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

	2008 *RMB'000*	2007 *RMB'000*
Neither past due nor impaired	**287,617**	260,617
Less than 6 months past due	**684**	544
	288,301	261,161

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 2008, included in the Group's other receivables are amounts due from companies that are controlled by the Group's key management personnel or their close family members amounting to RMB41,155,000 (2007: RMB1,074,000), which are unsecured, non-interest-bearing and are repayable on demand.

Company

	2008 *RMB'000*	2007 *RMB'000*
Prepayments	**446,757**	185,146
Export VAT refund	**173,621**	182,669
Other receivables	**39,989**	97,270
	660,367	465,085
Impairment	**(1,266)**	(1,426)
	659,101	463,659

25. PREPAYMENTS AND OTHER RECEIVABLES (continued)

Company (continued)

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

	2008 **RMB'000**	2007 RMB'000
At 1 January	**1,426**	2,359
Impairment losses recognised	**514**	—
Impairment losses reversed	**(674)**	(933)
	1,266	1,426

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

	2008 **RMB'000**	2007 RMB'000
Neither past due nor impaired	**211,660**	277,969
Less than six months past due	**684**	544
	212,344	278,513

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.

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

	2008 **RMB'000**	2007 RMB'000
Subsidiaries	**164,804**	—
Companies that are controlled by the Group's key management personnel or their close family members	**33,000**	178
	197,804	178

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

26. CASH AND CASH EQUIVALENTS AND PLEDGED BANK BALANCES

Group

	2008	2007
	RMB'000	*RMB'000*
Cash and bank balances	**1,371,965**	1,964,463
Time deposits on demand	**720,500**	1,347,600
	2,092,465	3,312,063
Less: Bank balances pledged to banks for issuing bills payable	**(575,941)**	(238,486)
Cash and cash equivalents in the consolidated balance sheet	**1,516,524**	3,073,577
Add: Pledged bank balances for issuing bills payable and letter of credit	**575,941**	238,486
Cash and cash equivalents in the consolidated cash flow statement	**2,092,465**	3,312,063

Company

	2008	2007
	RMB'000	*RMB'000*
Cash and bank balances	**891,950**	1,428,554
Time deposits on demand	**509,000**	1,347,600
	1,400,950	2,776,154
Less: Bank balances pledged to banks for issuing bills payable	**(462,503)**	(92,449)
Cash and cash equivalents in the balance sheet	**938,447**	2,683,705

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 and letter of credit, they are included in cash and cash equivalents in the consolidated cash flow statement.

27. TRADE PAYABLES

Group

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

	2008	2007
	RMB'000	*RMB'000*
Within 6 months	**1,308,421**	1,625,982
7 to 12 months	**12,595**	37,485
1 to 2 years	**56,643**	13,023
Over 2 years	**35,705**	35,891
	1,413,364	1,712,381

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

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

	2008	2007
	RMB'000	*RMB'000*
Jointly-controlled entities	**3,861**	21,394
Associates	**34,705**	21,102
Companies that are controlled by the Group's key management personnel or their close family members	**21,744**	11,917
	60,310	54,413

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

27. TRADE PAYABLES (continued)

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:

	2008	2007
	RMB'000	*RMB'000*
Within 6 months	**1,273,230**	1,512,079
7 to 12 months	**44,653**	119,863
1 to 2 years	**119,609**	2,786
Over 2 years	**20,431**	28,694
	1,457,923	1,663,422

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:

	2008	2007
	RMB'000	*RMB'000*
Subsidiaries	**713,684**	768,483
Jointly-controlled entities	**2,144**	19,728
Associates	**23,049**	20,469
Companies that are controlled by the Group's key management personnel or their close family members	**390**	3,495
	739,267	812,175

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

28. BILLS PAYABLE

Group

An aged analysis of the bills payable of the Group, as at the balance sheet date, is as follows:

	2008 RMB'000	2007 RMB'000
1 to 3 months	**859,619**	175,250
4 to 6 months	**458,593**	282,145
	1,318,212	457,395

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

	2008 RMB'000	2007 RMB'000
Jointly-controlled entities	**14,360**	—
Associates	**3,590**	100
Companies that are controlled by the Group's key management personnel or their close family members	**315**	50
	18,265	150

Company

An aged analysis of the bills payable of the Group, as at the balance sheet date, is as follows:

	2008 RMB'000	2007 RMB'000
1 to 3 months	**692,087**	83,800
4 to 6 months	**311,468**	98,710
	1,003,555	182,510

28. BILLS PAYABLE (continued)

Company (continued)

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

	2008 **RMB'000**	2007 RMB'000
Subsidiaries	**7,100**	—
Jointly-controlled entities	**12,630**	—
Associates	**3,590**	—
Companies that are controlled by the Group's key management personnel or their close family members	**230**	50
	23,550	50

29. OTHER PAYABLES AND ACCRUALS

Group

	2008 **RMB'000**	2007 RMB'000
Advances from customers	**355,013**	455,416
Accruals	**23,589**	60,387
Deferred income *(Note 32)*	**4,251**	—
Other payables	**555,036**	469,116
	937,889	984,919

As at 31 December 2008, 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 RMB7,961,000 (2007: RMB2,419,000), which are unsecured, non-interest-bearing and are repayable on demand.

29. OTHER PAYABLES AND ACCRUALS (continued)

Company

	2008	2007
	RMB'000	*RMB'000*
Advances from customers	**223,901**	288,315
Accruals	**14,858**	39,501
Deferred income *(Note 32)*	**4,251**	—
Other payables	**378,944**	308,442
	621,954	636,258

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

	2008	2007
	RMB'000	*RMB'000*
Subsidiaries	**161,424**	202,386
Companies that are controlled by the Group's key management personnel or their close family members	**224**	195
	161,648	202,581

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

30. PROVISION FOR PRODUCT WARRANTIES

Group

	2008	2007
	RMB'000	*RMB'000*
At beginning of year	**39,396**	32,708
Additional provision	**28,525**	24,031
Amounts utilised during the year	**(27,229)**	(17,343)
At end of year	**40,692**	39,396
Company		
At beginning of year	**26,538**	23,436
Additional provision	**12,800**	9,235
Amounts utilised during the year	**(12,481)**	(6,133)
At end of year	**26,857**	26,538

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

	2008	2007
	RMB'000	*RMB'000*
At beginning of year	**67,680**	60,936
Deferred tax charged to income statement during the year *(Note 10)*	**5,494**	25,360
Effect on deferred tax arising from changes in tax rates	**—**	(18,616)
At end of year	**73,174**	67,680
Provisions in respect of:		
Impairment of receivables	**2,267**	3,235
Write-down of inventories to net realisable value	**23,639**	16,417
Liabilities for accrued expenses that are deductible for tax purpose only when paid	**7,696**	9,413
Impairment of items of property, plant and equipment	**242**	238
Accumulated depreciation difference between carrying amount and tax base	**9,007**	7,112
Receipt in advance (revenue in nature) that is taxable	**9,393**	9,020
Receipt of government grants that is taxable	**2,462**	—
Unrealised profit eliminated on consolidation	**9,786**	19,783
Temporary differences arising from transfer of assets among group companies	**3,750**	2,462
Pre-operation expenses	**4,681**	—
Others	**251**	—
	73,174	67,680

As at 31 December 2008, 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 RMB416,776,000 (2007: RMB448,809,000), which have not been recognised because it is uncertain sufficient taxable profit will be available to allow the deferred tax assets to be utilised.

31. DEFERRED TAX (continued)

Company

Deferred tax assets

	2008 **RMB'000**	2007 RMB'000
At beginning of year	**11,513**	11,036
Deferred tax charged to income statement during the year *(Note 10)*	**5,894**	2,780
Effect on deferred tax arising from changes in tax rates	**—**	(2,303)
At end of year	**17,407**	11,513
Provisions in respect of:		
Impairment of receivables	**1,146**	639
Write-down of inventories to net realisable value	**1,637**	—
Receipt in advance (revenue in nature) that is taxable	**7,124**	6,313
Liabilities for accrued expenses that are deductible for tax purpose only when paid	**4,905**	4,561
Receipt of government grants that is taxable	**2,462**	—
Others	**133**	—
	17,407	11,513

As at 31 December 2008, 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 RMB381,732,000 (2007:402,829,000), which have not been recognised because it is uncertain sufficient taxable profit will be available to allow the deferred tax assets to be utilised.

32. DEFERRED INCOME

Group and Company

	2008	2007
	RMB'000	*RMB'000*
Deferred income:		
At 1 January	**75,162**	58,433
Additions during the year	**6,060**	16,729
At 31 December	**81,222**	75,162
Accumulated income recognised in other income and gains:		
At 1 January	**5,270**	2,922
Recognized during the year *(Note 5)*	**4,639**	2,348
At 31 December	**9,909**	5,270
Net book value:		
At 31 December	**71,313**	69,892
Current portion included in other payables and accruals *(Note 29)*	**4,251**	—
Non-current portion	**67,062**	69,892

The deferred income is the government grant received for investments in property, plant and equipment which is recognised in the income statement over the expected useful life of the relevant assets on a straight-line basis.

33. SHARE CAPITAL

Group and Company

Issued and fully paid-up	**Number of shares**	**2008**	2007
	'000	*RMB'000*	*RMB'000*
Domestic share (RMB1 each)	682,0000	**682,000**	682,000
H shares (RMB1 each)	413,272	**413,272**	413,272
	1,085,272	**1,085,272**	1,085,272

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 72 of the financial statements.

Company

	Share premium account *RMB'000*	Capital reserves *RMB'000* *(Note (i))*	Statutory reserves *RMB'000*	Retained profits *RMB'000*	Total *RMB'000*
At 1 January 2007	1,170,400	(19,498)	410,754	704,241	2,265,897
Issue of H shares	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	—
Proposed final dividend	—	—	—	(219,054)	(219,054)
At 31 December 2007 and 1 January 2008	2,561,788	(23,963)	492,743	1,211,098	4,241,666
Profit for the year	—	—	—	393,566	393,566
Proposed final dividend	—	—	—	(164,291)	(164,291)
At 31 December 2008	2,561,788	(23,963)	492,743	1,440,373	4,470,941

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.

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. 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 RMB983,000 (2007: RMB8,014,000) was made to the staff welfare and incentive bonus fund for the year ended 31 December 2008.

35. BUSINESS COMBINATIONS

During the year, the Company had the acquisition of subsidiaries as follows:

(a) In May and August 2008, the Group acquired 75% of equity interests in Baoding Yixin Auto Parts Company Limited ("Baoding Yixin") and Baoding Yimei Components and Accessories Company Limited ("Baoding Yimei") from Baoding Ants Logistics Network Company Limited ("Ants Logistics"), a related company, for a cash consideration of RMB750,000 each. Baoding Yixin is mainly engaged in the manufacture of automotive parts and components after acquisition. Baoding Yimei has not yet commenced operation.

(b) In June and August 2008, the Group acquired 75% of equity interests in Tianjin Great Wall Wantong Automotive Parts Company Limited ("Tianjin Wantong") and Baoding Xinghui Lamp Manufacturing Company Limited ("Baoding Xinghui") from Baoding Innovation Great Wall Assets Management Company Limited ("Innovation GW", formerly known as Baoding Woerte Management Consultant Company), a related company, for a cash consideration of RMB750,000 each. These companies have not yet commenced operation.

(c) In August 2008, the Group acquired a 100% interest in Billion Sunny Development Limited ("Billion Sunny") from Dragonet International Company Limited ("Dragonet"), a related party, for a cash consideration of US$1,180,000 (approximately RMB8,065,000), which is determined based on the aggregate of the audited net asset value of Billion Sunny and the outstanding shareholder's loan advanced by Dragonet to Billion Sunny with a carrying amount of US$975,000. Billion Sunny is an investment holding company incorporated in Hong Kong with limited liability, holding the following investments:

- 25% of equity interests in Baoding Yixin;
- 25% of equity interests in Baoding Yimei;
- 25% of equity interests in Tianjin Wantong;
- 25% of equity interests in Baoding Xinghui;
- 25% of equity interests in Tianjin Great Wall Lean Automotive Parts Company Limited ("GW Lean"); and
- 25% of equity interests in Baoding Best Automobile Spare Parts Company ("Baoding Best").

Upon completion of this transaction, the Group recognised a gain on acquisition of a subsidiary amounting to RMB231,000, and Billion Sunny, Baoding Yixin, Baoding Yimei, Tianjin Wantong, Baoding Xinghui and GW Lean became wholly-owned subsidiaries of the Company and Baoding Best became a 25%-owned associate of the Group.

35. BUSINESS COMBINATIONS (continued)

The fair values of the identifiable assets and liabilities for the aforesaid companies as at the respective dates of the acquisition were as follows:

	RMB'000
Cash and cash equivalents	8,269
Shareholder's loan to Billion Sunny	6,656
Interests in associates	3,006
Other payables	(6,635)
	11,296
Excess over the cost of a business combination recognised in the income statement	(231)
Satisfied by cash	11,065

An analysis of the net inflow of cash and cash equivalents in respect of the aforesaid acquisitions are as follows:

	RMB'000
Cash consideration paid*	(3,309)
Cash and cash equivalents acquired	8,269
Net inflow of cash and cash equivalents in respect of the acquisitions of subsidiaries	4,960

* As at 31 December 2008, the remaining cash consideration of RMB7,756,000 was included in other payables.

Since their acquisitions, these companies did not contribute significant revenue and profit to the Group for the year ended 31 December 2008.

Had the aforesaid acquisitions taken place at the beginning of the year, the revenue of the Group and the profit of the Group for the year would have been RMB8,210,581,000 and RMB551,160,000, respectively.

36. NOTE TO CONSOLIDATED CASH FLOW STATEMENT

During the year, the Group had the following major non-cash transactions:

(a) In June 2008, the Group further invested in Baoding Shuanghua Automobile Components and Accessories Company Limited, an associate of the Group, by transferring to it leasehold land with a carrying amount of RMB3,518,000.

(b) In May 2008, the Group acquired a 21.45% interest in Baoding Xinchang, a jointly-controlled entity of the Group, by transferring to it a leasehold land with a carrying amount of RMB3,555,000.

37. 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 passenger vehicles, 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 Company has engaged a lawyer to respond to the lawsuit. The court heard the case on 20 September 2007 and 4 July 2008, and announced an interim judgement of summary procedures on 16 July 2008: (1) ban the entrance of the Peri model to the European Union market; (2) fine EUR15,000 for each Peri if they sell in the European Union market against the injunction and EUR50,000 for each of other acts against the injunction since the date of the judgement; (3) order the Company to publish the injunction on newspapers and magazines; and (4) order the Company to bear the legal costs. This interim judgement is a temporary injunction made by the court upon the request of Fiat SPA only to prevent the entrance of the Peri model to the European market. The case has not been heard with a general procedure and no substantive verdict of whether the Peri model had infringed the patent of Fiat SPA's Nuova Panda model has been issued yet. The Company was dissatisfied with the interim judgement and appealed against the interim judgement on 30 July 2008. The court dismissed the appeal and affirmed the original temporary injunction on 8 September 2008.

   On 30 November 2008, the Company received the ordinary petition, which solicited the Torino Court to (1) announce that the Peri model of the Company infringed the patent of the frame design of the Fiat SPA's Nuova Panda model; (2) restrict any kind of dissemination, spread, export and sales of the Peri model in Europe; (3) confiscate the Peri model imported and sold in the European market; (4) order the Company to pay fine for against the injunction; (5) order the Company to announce the injunction on newspapers and magazines; and (6) order the Company to compensate Fiat SPA for all economic losses arising from the infringement that will be liquidated in another judgement and a tax of EUR340. The Torino Court will hear this case on 14 July 2009.

37. CONTINGENT LIABILITIES (continued)

2. In addition, on 11 and 12 September 2007, the Company received the application by Fiat-Auto Limited ("Fiat-Auto") for denying two "Peri" automobile related patent right applications of the Company. Fiat-Auto, the denying applicant, claimed the patent in question was similar to its design patent, and asked the Patent Reexamination Board to deny the two patent right applications. The Company engaged a patent agency to actively defend against the denying application. The Patent Reexamination Board conducted an oral hearing on 10 March 2008 and issued the verdict on 25 December 2008 and 29 December 2008, announced the two patent rights maintained to be effective. It is also possible for Fiat-Auto to appeal to No. 1 Intermediate People's Court of Beijing within three months from receiving the verdict if dissatisfying with the verdict. Up to the approval date of these financial statements, the Company has not yet received any condescendence raised by Fiat-Auto.

3. 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 EUR15,000 as penalty and EUR130,000 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 suspended and the parties shall resolve the case through consultation. The Company has entrusted a lawyer to communicate with Valeo for the settlement and the negotiation is still in progress.

4. On 23 July 2007, the Company received the litigation 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 and the relevant legal expenses of RMB20,000. The Company has entrusted a lawyer to respond to the litigation jointly with the other two defendants. The court heard the case on 29 April 2008, and issued a verdict that the court dismissed the claim of plaintiff and announced that the plaintiff bears all legal costs. The plaintiff was dissatisfied with the trial of first instance and appealed to the Supreme People's Court of Guangzhou City, requiring each defendant to (1) terminate patent infringement activities immediately and offer a compensation of RMB7,690,000 and pay legal costs of RMB20,000 jointly; and (2) bear the legal costs of trial of second instance. Up to the approval date of these consolidated financial statements, the date for the trial of second instance has not been decided.

37. CONTINGENT LIABILITIES (continued)

5. The Company received a petition on 6 October 2007, in which the Company was sued by Kautex (Shanghai) Plastic 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.

   Besides, on 17 January 2008, the Company also sued Kautex to the Intermediate People's Court of Baoding, requiring 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 compensation for other economic losses; and (3) order Kautex to bear the all relevant legal expenses. The defendant raised objection over jurisdiction of The Intermediate People's Court of Baoding on 14 February 2008. On 26 April 2008, The Intermediate People's Court of Baoding issued the civil order under [Reference: (2008) Bao Li Min Chu Zi No. 8], deciding to transfer the case to The No. 2 Intermediate People's Court of Shanghai for trial.

   The No. 2 Intermediate People's Court of Shanghai combined the aforesaid two cases for trial and heard them on 13 February 2009. Up to the approval date of these financial statements, the verdict has not been issued.

6. On 2 February 2009, the Company received an application made by Toyota Motor Corporation requiring to declare the design patent of "Florid" Model [Reference No. 200630003744.5] applied by the Company invalid. Toyota Motor Corporation claims that the patent model is similar to photograph of its automobile model published on the recent publication before that patent application date, so the patent has lost the novelty. Up to the approval date of these consolidated financial statements, the date for oral procedure has not been decided and the Company has entrusted a lawyer to respond to the litigation.

In the opinion of the directors, based on legal advice, it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of such obligation cannot be measured with sufficient reliability. Accordingly, no provision has been made in the financial statements as at 31 December 2008.

38. 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 in respect of office premises falling due as follows:

	Group		Company	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within one year	**61**	—	**461**	461
In the second to fifth years, inclusive	**—**	—	**—**	—
After the fifth year	**—**	—	**—**	—
	61	—	**461**	461

39. COMMITMENTS

In addition to the operating lease commitments detailed in Note 38 above, the Group and the Company had the following commitments at the balance sheet date:

(a) Capital commitments

	Group		Company	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Contracted, but not provided for	**1,081,954**	970,325	**723,944**	949,505
Authorised, but not contracted for	**1,549,095**	4,481,788	**894,834**	4,166,462
	2,631,049	5,452,113	**1,618,778**	5,115,967

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

	Group		Company	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Acquisition of property, plant and equipment	**2,320,513**	5,452,113	**1,618,778**	5,115,967
Acquisition of leasehold land	**310,536**	—	**—**	—
	2,631,049	5,452,113	**1,618,778**	5,115,967

39. COMMITMENTS (continued)

(a) Capital commitments (continued)

In addition, the Group's shares of the jointly-controlled entities' commitments in respect of acquisition of property, plant and equipment, which are not included in the above, were as follows:

	2008	2007
	RMB'000	*RMB'000*
Contracted, but not provided for:	**34,851**	13,532

(b) Other commitments

(i) Based on the Board of Directors resolution on 10 November 2008, the Company will set up a branch in Tianjin Technical Development Zone ("Tianjin Branch") with total investment amounting to RMB788,660,000. Tianjin Branch is designed to achieve a production capacity of 50,000 units and engaged in production and trading of automotive parts and mould; designing, manufacturing and trading of electronic equipment; supplying after-sale services; goods import and export, and technology import and export. Up to the approval date of these financial statements, the Company has not set up and made contribution to Tianjin Branch.

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

	2008	2007
	RMB'000	*RMB'000*
Contracted, but not provided for	**168,189**	138,820
Authorised, but not contracted for	**7,870**	—
	176,059	138,820

40. RELATED PARTY TRANSACTIONS

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

Name of related parties	Nature of transaction	Pricing policy	2008 RMB'000	2007 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	(a)	**90,736**	65,441
	Purchases of spare parts	(b)	**4**	2
	Purchases of services	(b)	**–**	316
	Sales of spare parts	(b)	**99**	73
	Others	(a)	**2**	–
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	(a)	**574**	1,174
	Purchases of spare parts	(b)	**26**	–
	Purchases of services	(b)	**7**	1
	Sales of spare parts	(b)	**5**	–
Taihang Jiamei Industry Company Limited (i) (保定太行加美工業有限公司)	Purchases of raw materials	(b)	**–**	1
Baoding Ants Logistics Network Company Limited (i) (保定市螞蟻物流網絡有限公司)	Transportation fee paid	(b)	**84,006**	785
	Purchases of services	(b)	**–**	2
	Purchases of motor vehicles	(b)	**3,580**	–
	Purchases of buildings	(b)	**12,811**	–
	Purchases of office equipment	(b)	**758**	–
	Rendering of services	(b)	**455**	43
	Sales of spare parts	(b)	**204**	12
	Others	(a)	**212**	29
Shunping County Modern Logistics Company Limited (i) (順平縣現代物流有限公司)	Transportation fee paid	(b)	**25,910**	118,586
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)	**132**	119
	Purchases of machinery	(a)	**151**	221
	Purchases of services	(b)	**7**	–
	Sales of spare parts	(b)	**33**	143
Hebei Baocang Highway Company Limited (i) (河北保滄高速公路有限公司)	Sales of spare parts	(b)	**994**	1,069
	Rental income	(b)	**467**	380

40. RELATED PARTY TRANSACTIONS (continued)

Name of related parties	Nature of transaction	Pricing policy	2008 RMB'000	2007 RMB'000
Baoding Tai Hang Pump Manufacturing Company Limited [i] (保定市太行製泵有限公司)	Purchases of spare parts	(b)	**1,321**	835
	Purchases of machinery	(b)	**55**	332
	Purchases of services	(b)	**35**	3
	Sales of machinery	(a)	**15**	—
	Others	(a)	**2**	1
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
Beijing Weide Automobile System Accessories Company Limited [i] (北京威德汽系统配套有限公司)	Sales of raw materials	(a)	**41**	73
	Purchases of raw materials	(a)	**4,027**	369
	Others	(a)	**35**	—
Baoding Furui Garden Company Limited [i] (保定市富瑞園林有限公司)	Sales of spare parts	(b)	**1**	—
Baoding Great Wall Pioneer Enterprise Investment Company Limited [i] (保定長城創業投資有限公司)	Sales of automobiles	(b)	**37**	—
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*	(a)	**171,417**	160,988
	Sales of spare parts*	(a)	**19**	4
	Others*	(a)	**1,068**	247
Baoding Jiehua Automobile Components and Accessories Company Limited [ii] (保定傑華汽車零部件有限公司)	Rendering of services*	(a)	**—**	40

40. RELATED PARTY TRANSACTIONS (continued)

Name of related parties	Nature of transaction	Pricing policy	2008 RMB'000	2007 RMB'000
Baoding Xinchang Auto Parts Company Limited (ii) (保定信昌汽車零部件有限公司)	Sales of automobiles*	(a)	**75**	–
Baoding Smart Automobile Accessories Company Limited (ii) (保定斯瑪特汽配件有限公司)	Rental income	(b)	**110**	80
Baoding Shuanghua Automotive Components Company Limited (iii) (保定雙樺汽零部件有限公司)	Sales of spare parts	(b)	**102**	–
Baoding Great Wall Jiehua Automobile Inner Decorations Company Limited (iii) (保定長城傑華汽內飾件有限公司)	Sales of spare parts*	(a)	**42**	78
	Purchases of spare parts*	(a)	**176,872**	157,413
	Rendering of services*	(a)	**3**	397
	Others*	(a)	**590**	157
Baoding Best Automobile Spare Parts Company Limited (iii) (保定佰思特汽零部件有限公司)	Purchases of spare parts*	(a)	**24,992**	–
	Sales of spare parts*	(a)	**5,143**	–
	Sales of machinery*	(a)	**1,859**	–
	Rendering of services*	(a)	**3**	–
	Others*	(a)	**15**	–
Baoding Innovation Great Wall Assets Management Company Limited (iv) (保定創新長城資產管理有限公司)	Sales of automobiles	(b)	**37**	–
The Management Centre of Collective Assets of Nandayuan Town, Nanshi District, Baoding (iv) (保定市南市區南大園鄉集資產經管中心)	Sales of automobiles	(b)	**119**	–

40. RELATED PARTY TRANSACTIONS (continued)

Name of related parties	Nature of transaction	Pricing policy	2008 RMB'000	2007 RMB'000
Wenzhou Feili Mould Manufacturing Company Limited [v] (温州飛利模具製造有限公司)	Purchases of machinery	(b)	**404**	146
Shanghai Shuanghua Automobile Air-conditioning Accessories Company Limited [v] (上海雙樺汽車零部件股份有限公司)	Purchases of services	(b)	**—**	1,317
	Purchases of spare parts	(a)	**42,737**	—
Wenzhou Huanqiu Automobile Gasket Company Limited [vi] (温州市環球汽車襯墊有限公司)	Purchases of raw materials	(a)	**29**	—

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

Notes:

(a) These transactions were conducted in accordance with the terms of the relevant agreements.

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

(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) These companies are associates of the Company.

(iv) These companies are shareholders of the Company.

(v) These companies are controlled by minority shareholders of subsidiaries of the Company.

(vi) This company is a minority shareholder of a subsidiary of the Company.

40. RELATED PARTY TRANSACTIONS (continued)

Other transactions with related parties:

(1) In January 2008, the Company acquired 19.6% of equity interests in Baoding Great Wall Internal Combustion Engine Manufacturing Company Limited ("Engine Company"), a then 51%-owned subsidiary of the Company, each from Beijing Jiameiya Investment Company Limited and Baoding Zhongxin Internal Combustion Engine Manufacturing Company Limited for a total cash consideration of RMB120,000,000. Upon completion of this acquisition, the Company's equity interests in Engine Company increased from 51% to 90.2% and recognised a gain of RMB13,517,000.

(2) In April 2008, the Group acquired the entire of 45% of equity interests in Baoding Xinchang Auto Parts Company Limited ("Baoding Xinchang") owned by Innovation GW, which is controlled by the Group's key management personnel and their close family members, for a cash consideration of RMB450,000. Upon completion of this transaction, Baoding Xinchang is accounted for as a jointly-controlled entity of the Group.

(3) In May and August 2008, the Group acquired 75% of equity interests in Baoding Yixin and Baoding Yimei from Ants Logistics, which is controlled by the Group's key management personnel and their close family members, for a cash consideration of RMB750,000 each. Further details of these acquisitions, please refer to Note 35 (a) to the financial statements.

(4) In June and August 2008, the Group acquired 75% of equity interests in Tianjin Wantong and Baoding Xinghui from Innovation GW, which is controlled by the Group's key management personnel and their close family members, for a cash consideration of RMB750,000 each. Further details of these acquisitions, please refer to Note 35 (b) to the financial statements.

(5) In August 2008, the Group acquired a 100% interest in Billion Sunny from Dragonet, which is a minority shareholder of subsidiaries of the Company, for a cash consideration of US$1,180,000 (approximately RMB8,065,000), which is determined based on the aggregate of the audited net asset value of Billion Sunny and the outstanding shareholder's loan advanced by Dragonet to Billion Sunny with a carrying amount of US$975,000. Further details of this acquisition, please refer to Note 35 (c) to the financial statements.

Except for items*, the above related party 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:

	2008	2007
	RMB'000	*RMB'000*
Short term employee benefits	**2,195**	1,821
Post-employment benefits	**33**	28
Total compensation paid to key management personnel	**2,228**	1,849

40. RELATED PARTY TRANSACTIONS (continued)

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

The Group's trade receivables, other receivables, trade payables, bills payable and other payables with the related parties are disclosed in Notes 23, 25, 27, 28 and 29, respectively.

41. 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.

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 23% (2007: 35%) and 66% (2007: 71%) 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.

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 2008, the Group had no borrowings.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

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

Group

	Within six months and on demand RMB'000	Over six months RMB'000	Total RMB'000
31 December 2008			
Trade payables	**1,413,364**	**—**	**1,413,364**
Bills payable	**1,318,212**	**—**	**1,318,212**
Other payables	**555,036**	**—**	**555,036**
Total	**3,286,612**	**—**	**3,286,612**
31 December 2007			
Trade payables	1,712,381	—	1,712,381
Bills payable	457,395	—	457,395
Other payables	469,116	—	469,116
Total	2,638,892	—	2,638,892

Company

	Within six months and on demand RMB'000	Over six months RMB'000	Total RMB'000
31 December 2008			
Trade payables	**1,457,923**	**—**	**1,457,923**
Bills payable	**1,003,555**	**—**	**1,003,555**
Other payables	**378,944**	**—**	**378,944**
Total	**2,840,422**	**—**	**2,840,422**
31 December 2007			
Trade payables	1,663,422	—	1,663,422
Bills payable	182,510	—	182,510
Other payables	308,442	—	308,442
Total	2,154,374	—	2,154,374

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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 42.1% (2007: 40.8%) 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.

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 2008, 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 ("US$") 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) in rate	**Increase/ (decrease) in profit before tax** *RMB'000*
2008		
If RMB strengthens against US$	**5%**	**(8,904)**
If RMB weakens against US$	**(5%)**	**8,904**
2007		
If RMB strengthens against US$	5%	(6,852)
If RMB weakens against US$	(5%)	6,852

	Increase/ (decrease) in rate	**Increase/ (decrease) in profit before tax** *RMB'000*
2008		
If RMB strengthens against Euro	**5%**	**(558)**
If RMB weakens against Euro	**(5%)**	**558**
2007		
If RMB strengthens against Euro	5%	(448)
If RMB weakens against Euro	(5%)	448

41. 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 shareholders' 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 for managing capital during the two years ended 31 December 2008.

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

	2008	2007
	RMB'000	*RMB'000*
Trade payables	**1,413,364**	1,712,381
Bills payable	**1,318,212**	457,395
Other payables and accruals	**578,625**	529,503
Dividends payable to minority shareholders	**13,120**	7,384
Less: Cash and cash equivalents	**(1,516,524)**	(3,073,577)
Pledged bank balances for issuing bills payable	**(575,941)**	(238,486)
Net debt/(assets)	**1,230,856**	(605,400)
Capital — Equity attributable to equity holders of the parent	**6,738,566**	6,442,041
Capital and net debt	**7,969,422**	5,836,641
Gearing ratio	**15%**	-10%

42. POST BALANCE SHEET EVENTS

(a) On 8 February 2009, the Company entered into an "Acquisition Agreement" with Great Wall Motor Labour Union Committee. Pursuant to the Acquisition Agreement, the Company acquired 9.8% of equity interests in Baoding Great Wall Internal Combustion Engine Manufacturing Company Limited ("Engine Company") at a cash consideration of RMB30,000,000.

This transaction was completed in February 2009 and Engine Company became the Company's wholly-owned subsidiary.

(b) On 18 February 2009, an announcement was published for the combination between Baoding Changcheng Vehicle Axles Industries Company Limited ("Baoding Axles") with registered capital of RMB40,720,000 and Baoding Changfu Pressing Company Limited ("Baoding Changfu") with registered capital of RMB28,000,000. Both companies are owned as to 75% by the Company and 25% by Dragonet, a related party. Upon completion of the combination, Baoding Changfu will be deregistered, whose assets and liabilities are entirely transferred to Baoding Axles. Baoding Axles will be principally engaged in the manufacture and sale of automotive axles and components. The registered capital will amount to RMB68,720,000, with ownership structure unchanged.

(c) Pursuant to "Capital Increase Agreement" of 26 March 2009, the Company and Dragonet (joint venture partners of Baoding Smart) agreed to increase the registered capital of Baoding Smart (a 50% owned jointly-controlled entity of the Company) by RMB20,000,000 from RMB194,000,000 to RMB214,000,000 and the Company contributes cash of RMB20,000,000 for the increase in the capital of Baoding Smart. The capital increase of Baoding Smart was completed in April 2009, the Company's equity interests in Baoding Smart increased from 50% to 54.67%.

43. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 17 April 2009.