

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

2009 Interim Report

* For identification purposes only



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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
Mr. He Bao Yin
Mr. Li Ke Qiang
Mr. Kenneth Tseung Yuk Hei
(appointed on 5 June 2009)
Mr. Wong Chi Keung (resigned on 5 June 2009)

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
Mr. He Bao Yin
Mr. Li Ke Qiang
Mr. Kenneth Tseung Yuk Hei
(appointed on 5 June 2009)
Mr. Wong Chi Keung (resigned on 5 June 2009)

Remuneration Committee

Ms. Wei Lin
Mr. He Bao Yin
Mr. Wei Jian Jun

Authorised Representatives

Ms. Wang Feng Ying
Mr. Bai Xue Fei

Registered Office

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

Principal Place of Business in Hong Kong

9th Floor, Gloucester Tower, The Landmark,
15 Queen's Road Central, Hong Kong

Legal Adviser to the Company

(as to Hong Kong law)

Huen Wong & Co in association with
Fried, Frank, Harris, Shriver & Jacobson LLP

Legal Adviser to the Company

(as to PRC law)

King and Wood

Auditors

Ernst & Young
Ernst & Young Hua Ming

Hong Kong Share Registrar and Transfer Office

Computershare Hong Kong Investor Services Limited
46th Floor, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

Investors and Media Relations Consultant

CorporateLink Limited
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

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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 30 June 2009 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

Summary of Financial Position		
	As at 30 June 2009 (unaudited)	As at 30 June 2008 (unaudited)
Equity attributable to equity holders of the parent (RMB million)	6,832	6,631
Total assets (RMB million)	12,638	10,512
Bank loans (RMB million)	0	4
Cash on hand (RMB million)	3,891	3,150
Return on equity (%) Note 1	3.8	6.2
Return on assets (%) Note 2	2.1	3.9
Gearing ratio (%) Note 3	0	<0.1
Accounts receivable turnover (Day) (including bills receivable)	25	29
Inventory turnover (Day)	36	43
Capital expenditure (RMB million)	720	510

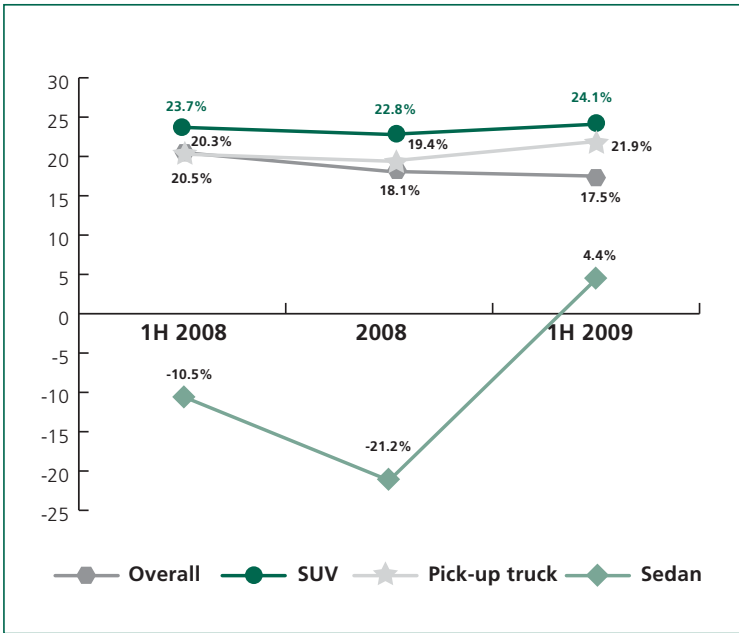
Note:

1. Profit for the period attributable to equity holders of the parent divided by equity attributable to equity holders of the parent
2. Profit for the period attributable to equity holders of the parent divided by total assets
3. Total bank loans divided by total assets

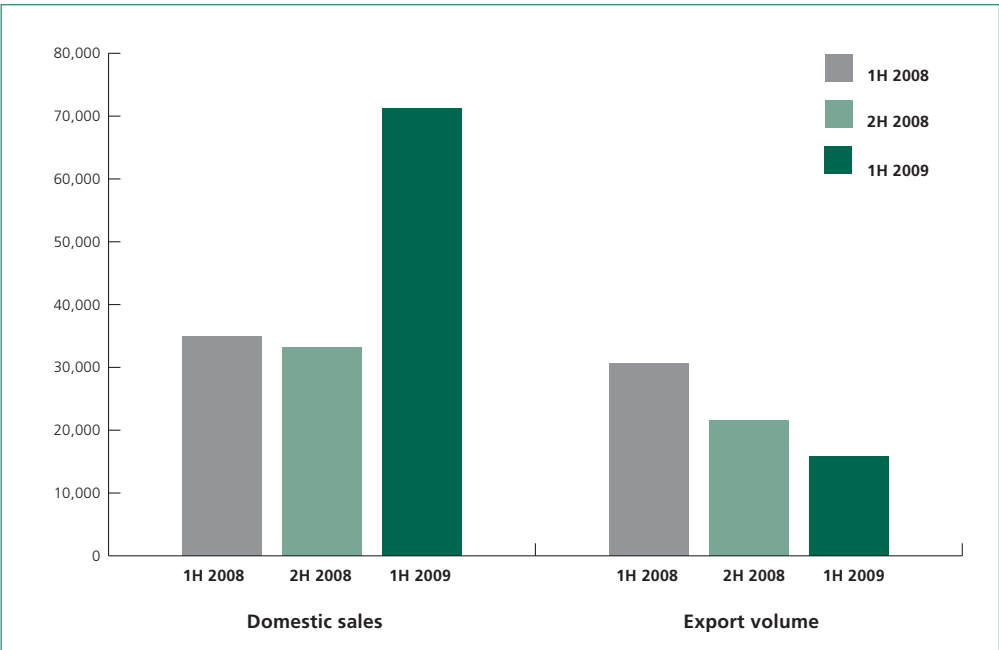
Result Highlights			
	For the six months ended 30 June 2009 (unaudited)	For the six months ended 30 June 2008 (unaudited)	Changes (%)
REVENUE (RMB million)	5,155	4,610	11.8
Profit before tax (RMB million)	317	486	-34.8
Profit for the period attributable to equity holders of the parent (RMB million)	262	408	-35.8
Earnings per share	RMB0.24	RMB0.37	-35.1



Gross Profit Margin



Domestic Sales and Export Volume of Automobiles



MANAGEMENT DISCUSSION AND ANALYSIS

Operating Environment

Although the global economy in the first half of 2009 slightly improved from that in the second half of the previous year, the PRC automobile industry still encountered various challenges. Nevertheless, the State's automobile subsidies for rural areas, introduction of vehicle purchase tax reduction policy at the beginning of the year, fuel tax reform and "Implementation Plan of Replacing Old Vehicles and Home Appliances with New Ones in order to Stimulate Domestic Demand" had positive impact on the domestic automobile industry. According to the China Association of Automobile Manufacturers, the sales volume of automobiles for the first half of 2009 amounted to 6,098,800 units, representing an increase of 17.69% over the same period last year; the sales volume of passenger vehicles increased by 25.61% from that of the same period last year to 4,533,800 units; and the sales volume of commercial vehicles slightly dropped by 0.52% to 1,565,000 units.

The growth in the Group's sales volume is primarily attributable to the favourable State policies and optimization of the Group's product mix. During the first half of 2009, the sales volume of the Group's vehicles reached 86,855 units, with the sales volume rising by 32.2% from the corresponding period last year. However, affected by the international financial crisis, the Group's export volume declined. All in all, the overall sales volume sustained satisfactory growth due to encouraging domestic sales.

Financial Review

Revenue

During the period, the revenue of the Group was RMB5,154,864,000, representing an increase of 11.8% when compared to that of the same period in 2008. The increase was mainly attributable to the increase in the sales volume of automobiles.

Sales analysis

	For the six months ended 30 June 2009			For the six months ended 30 June 2008		
	Sales volume (units)	Revenue (RMB'000)	Percentage (%)	Sales volume (units)	Revenue (RMB'000)	Percentage (%)
Pick-up trucks	37,176	1,986,437	38.5	33,461	1,831,639	39.7
SUVs (CUVs included)	18,672	1,504,051	29.2	28,026	2,319,689	50.3
Sedans	29,177	1,292,290	25.1	3,657	134,226	2.9
Other vehicles	1,830	130,684	2.5	531	47,825	1.0
Automotive parts and components and others		241,402	4.7		276,309	6.1
Total	86,855	5,154,864	100.0	65,675	4,609,688	100.0

Gross profit and gross profit margin

During the period, the Group's gross profit was RMB903,273,000, representing a decrease of 4.5% from RMB945,696,000 in the same period of last year. The decrease in the Group's gross profit was mainly due to the decline in gross profit margin of automobiles. The gross profit margin decreased from 20.5% last year to 17.5%, mainly due to a lower gross profit margin from sedans where economies of scale was yet to achieve.

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

During the period, the Group's profit for the period attributable to equity holders of the parent was RMB262,348,000.

For the six months ended 30 June 2009, the basic earnings per share attributable to ordinary equity holders of the parent were RMB0.24.

Selling and distribution costs and administrative expenses

For the first half year of 2009, the selling and distribution costs and administrative expenses of the Group were RMB443,720,000, representing an increase of 15.8% from RMB383,064,000 in the first half of 2008. The percentage of selling and distribution costs and administrative expenses to total revenue was 8.6%. The main reasons for the increase in the selling and distribution costs and administrative expenses included: 1) increase in transportation expenses as a result of the rise in the sales volume of automobiles and 2) increase in advertising expenses as a result of extensive marketing of sedans.

Finance costs

During the first half of 2009, the Group's finance costs were approximately RMB20,742,000 as compared to approximately RMB7,161,000 for the first half of 2008. Finance costs were primarily the discount interest paid in discounting bills receivable.

Liquidity and financial resources

As at 30 June 2009, the Group's current assets mainly included cash and cash equivalents of approximately RMB3,891,413,000, trade receivables of approximately RMB144,899,000, inventories of approximately RMB1,039,532,000, bills receivable of approximately RMB557,943,000 and prepayments and other receivables of approximately RMB344,442,000. The Group's current liabilities mainly included dividend payable of approximately RMB136,633,000, other payables and accruals of approximately RMB1,412,108,000, tax payable of approximately RMB59,908,000, bills payable of approximately RMB1,199,807,000, trade payables of approximately RMB2,479,938,000 and provision for product warranties of approximately RMB53,746,000.

Acquisitions

During the period, the Company and its subsidiaries did not have any material acquisitions.

Capital structure

The Group generally finances its operations with internally generated cash flows. As at 30 June 2009, the Group was in a debt-free position.

Exposure to foreign exchange risk

All the Group's domestic sales were settled in RMB while sales to overseas customers were settled in US dollars and Euro. During the period, the Group did not experience any material difficulties in or negative effects on its operations or liquidity as a result of fluctuations in currency exchange rates.

As the materials, parts and components used by the Group were purchased from the domestic market, the appreciation of RMB did not create any impact on the Group's business. With respect to the export business, the pricing of the Group's products is relatively competitive and hence its current sales have not been materially affected.

Employment, training and development

As at 30 June 2009, the Group employed a total of approximately 20,635 employees. Employees were remunerated by the Group based on 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 to employees based on individual performance evaluation. Total staff cost accounted for 6.4% of the Group's revenue for the six months ended 30 June 2009.

Taxation

Tax of the Group decreased from RMB58,823,000 in the first half of 2008 to RMB37,298,000 in the first half of 2009, representing a fall of 36.6%. The decrease in tax was mainly due to decline in profit.

Segment information

For management purposes, the Group is organised as a single business unit focusing on the manufacture and sales of automobiles and automotive parts and components, and, therefore, has no separable operating segment.

Revenue from external customers based on the location of customers is analysed as follows:

	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
	Unaudited	Unaudited
The PRC	4,328,360	2,490,287
Iraq	207,494	119,279
Libya	146,010	—
Algeria	84,401	46,679
Italy	48,570	64,031
Australia	44,797	49
Chile	28,018	117,704
South Africa	22,508	391,434
Russia	453	784,182
Ukraine	—	95,237
Other overseas countries	244,253	500,806
	5,154,864	4,609,688

Revenue from external customers for each group of similar products and services is set out in Note 4 to the interim condensed consolidated financial statements.

The Group's non-current assets for segment information presentation purpose (which consist of property, plant and equipment, prepaid land premiums, construction in progress and interests in jointly-controlled entities and associates) are almost entirely situated in the PRC.

The Group has not placed reliance on any single external customer amounting to 10% or more of its revenue.

Business Review

Sales of automobiles

During the period, the Group's total sales volume was 86,855 units, representing an increase of 32.2% as compared to that of the same period last year. The sales volume and revenue of pick-up trucks amounted to 37,176 units and RMB1,986,437,000, representing increases of 11.1% and approximately 8.5% respectively, as compared to those of the same period in 2008. The sales volume and revenue of SUVs amounted to 18,672 units and RMB1,504,051,000, representing decreases of 33.4% and approximately 35.2% respectively, as compared to those of the same period in 2008. The sales volume of sedans amounted to 29,177 units, with a revenue of RMB1,292,290,000, representing an increase of 862.8% as compared to that of the same period in 2008. The sales volume and revenue of other vehicles amounted to 1,830 units and RMB130,684,000 respectively.

Sales of automotive parts and components and others

During the period, the revenue of automotive parts and components and others amounted to RMB241,402,000, representing a decrease of approximately 12.6% as compared to that of the same period in 2008 and accounting for 4.7% of the total revenue. The decrease in the sales of automotive parts and components was mainly due to a decrease in revenue from the export of automotive parts and components as a result of significant decline in export volume.

Domestic market

During the period, the Group's domestic automobile sales volume and revenue amounted to 71,092 units and RMB4,105,060,000, representing increases of 103.2% and 79.1% respectively when compared with those of the corresponding period of the previous year. Of the Group's domestic sales, 23,229 units, 17,812 units and 28,420 units of pick-up trucks, SUVs and sedans were sold respectively, with revenue amounting to RMB1,294,825,000, RMB1,433,841,000 and RMB1,260,909,000 respectively. The revenue from the two main groups of customers, namely (1) dealers; and (2) government entities and individual customers amounted to RMB4,018,787,000 and RMB86,273,000, respectively.

	For the six months ended 30 June 2009			For the six months ended 30 June 2008		
	Sales volume (units)	Revenue (RMB'000)	Percentage share of domestic automobile sales (%)	Sales volume (units)	Revenue (RMB'000)	Percentage share of domestic automobile sales (%)
Dealers	69,587	4,018,787	97.9	33,945	2,225,777	97.1
Government entities and individual customers	1,505	86,273	2.1	1,046	65,800	2.9
Total	71,092	4,105,060	100.0	34,991	2,291,577	100.0

Overseas markets

Affected by the financial crisis, the export market shrank when compared with the same period in 2008. The Group's export volume of automobiles for the six months ended 30 June 2009 reached 15,763 units, with a total automobile export value of RMB808,402,000, accounting for approximately 15.7% of the total revenue of the Group. The Company exported to 128 countries forming a reliable international sales network.

During the period, the export volume of pick-up trucks, SUVs and sedans amounted to 13,947 units, 860 units and 757 units respectively, with export value of RMB691,612,000, RMB70,211,000 and RMB31,381,000 respectively.

During the period, overseas markets still witnessed uncertain factors, and self-owned brands, which rely on overseas markets, were struck severely. In 2009, the Group focuses on maintaining overseas sales network, fine-tuning product quality and exploring more overseas markets with potential, in order to overcome external challenges. The Group expected that sales in overseas markets will gradually improve as the global economy recovers steadily.

Launch of new products

In 2009, the Group plans to launch various new products, the majority of which are small-sized vehicles. The Group will consolidate the leading positions of SUVs and pick-up trucks, while highlighting the strengths of sedans. This year, the Group will continue to launch new models under the above-mentioned three product categories. In particular, the Group will focus on launching sedans and small-sized SUVs. In the second half of the year, in addition to the introduction of modified versions of existing vehicle models, the Group will launch a new sedan model with a displacement engine of less than 1.6L.

During the period, the Group launched its third sedan model, Coolbear. Its masculine design attracts young consumers looking for unique style. Since its debut, Coolbear has reported stable sales. In February, the Group launched the energy-saving Florid, which is installed with a 1.5L all-aluminium VVT engine. The newly launched Cowry 09 and Peri 09 also displayed satisfactory sales performance.

In April, the Group launched Hover H3. With its supreme quality and reasonable pricing, Hover H3 has since been the growth driver of the Group's SUV sales.

The "Mini" 1.3L SUV Hover M1, which will be launched in the second half of the year, is the smallest SUV produced by the Group. Hover M1 is available in two drive systems — two-wheel drive and four-wheel drive. Another SUV model — Hover H5 will be launched under the SUV series featuring Hover in the second half of the year. Hover H5 will have substantial modifications to its exterior design and further upgrade of its power and interior features.

In response to the fluctuation in oil prices and the growing awareness of environmental protection in the PRC, the Group's research and development direction for the future is focusing on gasoline-powered automobiles with small displacement engine (1.0L–2.0L), 2.0L–2.8L diesel-powered automobiles, mixed power vehicles as well as the active development of energy-saving vehicles such as those using new fuels.

Technology development

During the period, the Group successfully developed a 4AT automatic gearbox, which boasts six patented techniques and can be used in different models of automobiles produced by the Group. In addition, construction of Phase I of the Group's production plant with an aggregate annual production capacity of 150,000 units of gearboxes has been completed. Phase II is now under construction. Upon completion of Phase II, the aggregate annual capacity will reach 300,000 units.

The Group launched four engine models ranging from 1.3L to 2.0L in the first half of the year, and planned to launch a new 2.0L gasoline engine and a 2.0L diesel engine in the second half of the year.

The emission levels of the newly developed gasoline engines of the Group meet the requirements of Euro V standards.

Outlook

2009 will be a year where cautious optimism permeates the PRC automobile market. Despite a challenging macro-environment of the international automobile market due to the lingering effect of the global financial crisis on various sectors and industries, 2009 also marks the first year of the implementation of the “Restructuring and Revitalisation Plan for the Automobile Industry (《汽車產業調整和振興規劃》)” in the PRC. A series of government policies on stimulating domestic consumption, restructuring and consolidation of the industry is expected to roll out later. The Group believes these policies will be beneficial to its production and sales. In addition, the Group will strive to target its sales strategy at the second and third tier markets, and further expand the points of sales in the domestic market.

In the second half of the year, the Group will continue to push ahead with the development of small displacement automobiles, and to seize opportunities to increase its market share in the small SUV segment. In addition, the Group will develop clean, energy-saving automobiles using new fuels, and will explore the opportunities for expanding its pick-up trucks and A-grade sedans to the rural markets.

The Group’s product mix is further enriched with the introduction of sedans. In addition to the development of pick-up trucks and SUVs, the Group will further expand the sedan market. It is expected that sedan will become a new sales growth driver for the Group in the future. The Group will continue to conduct research and development of small displacement automobiles. At present, sedan models including Peri, Florid and Coolbear are small displacement vehicles with an engine below 1.6L, which not only can benefit from the revitalisation policy on the PRC automobile industry, but also carve a niche in the global markets.

The Group is now constructing Great Wall Motor-Tianjin Logistic Base for Automobiles and Automotive Parts and Components in the Tianjin Development Zone. The construction is expected to be completed in 18 months.

Research and development of new products

In accordance with the environmental protection requirement set forth by the State, the Group’s research and development direction for the future is focusing on energy-saving and environment-friendly automobiles such as gasoline-powered with small displacement engine (1.0L–2.0L), 2.0L–3.0L diesel-powered and mixed power vehicles as well as electricity powered vehicles.

The Group’s product mix is fine-tuned with the launch of its sedan car. The Group will further develop the sedan car market, in addition to consolidating its market shares in the pick-up truck and SUV segments.

The Group’s research and development will focus on the development of distinctive features, energy saving and the products for global market.

Along with its expansion, the Group has strengthened its research and development capability of core automotive parts and components. During the period, the 1.3L and 1.5L gasoline engines and manual gearboxes developed by the Group were launched successfully, which further strengthen the Group’s core competitiveness.

SUPPLEMENTARY INFORMATION

Interests of Directors and Supervisors in Securities

As at 30 June 2009, the interests and short positions of each of the directors, supervisors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), 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 Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), were as follows:

Name of Director/ Supervisor	Capacity/Nature of Interests	No. of Shares	Approximate Percentage of Domestic Shares %	Approximate Percentage of H Shares %	Approximate Percentage of Total Shares %
Mr. Wei Jian Jun	Interests in controlled companies	417,610,760(L)*	61.23	—	38.13
Total:		417,610,760(L)*	61.23	—	38.13

Note:

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

* represents domestic shares

Interests in controlled companies: 保定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 30 June 2009, none of the directors, supervisors or chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO), which were required to be recorded in the register referred to in Section 352 of the SFO or were otherwise notified to the Company and the Stock Exchange pursuant to the Model Code under the Listing Rules. For this purpose, the relevant provisions of the SFO shall be construed as if they were applicable to the supervisors.

Shares Held by Substantial Shareholders

As at 30 June 2009, the following shareholders (excluding the directors, supervisors or chief executive of the Company) had interests or short positions in any shares and underlying shares of the Company as recorded in the register required to be kept under 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資產經營中心 (The Management Centre of Collective Assets of Nandayuan Town, Nanshi District, Baoding) (Note 3)	264,389,240(L)*	38.77	—	24.14
Cheah Capital Management Limited	58,118,500(L)		14.06(L)	5.31
Cheah Company Limited	58,118,500(L)		14.06(L)	5.31
Hang Seng Bank Trustee International Limited	58,118,500(L)		14.06(L)	5.31
Value Partners Group Limited	58,118,500(L)		14.06(L)	5.31
Value Partners Limited	58,118,500(L)		14.06(L)	5.31
杜巧賢 (To Hau Yin)	58,118,500(L)		14.06(L)	5.31
謝清海 (Cheah Cheng Hye)	58,118,500(L)		14.06(L)	5.31
JPMorgan Chase & Co.	32,407,900(L)		7.84(L)	2.96
	32,292,900(P)		7.81(P)	2.95
AllianceBernstein L.P. (formerly "Alliance Capital Management L.P.")	24,687,500(L)		5.97(L)	2.25
Han Xue Juan (Note 4)	417,610,760(L)*	61.23	—	38.13


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

(P) denotes shares available to be borrowed

* represents domestic shares.

Note:

- (1) 保定創新長城資產管理有限公司 (Baoding Innovation Great Wall Asset Management Company Limited) ("Innovation GW") (formerly known as 保定市沃爾特管理諮詢有限公司 (Baoding Woerte Management Consultant Company Limited) ("Woerte")) was established on 1 December 2005 with a registered capital of RMB7,638,400. Its place of incorporation is Baoding, Hebei Province, the PRC and its registered address is 1588 Chang Cheng South Road, Nanshi District, Baoding, Hebei Province. It is engaged in corporate planning and management consultancies, the operations of which can only be conducted after obtaining prior approvals as stipulated under the applicable laws and administrative regulations and as prescribed by the State Council. Mr. Wei Jian Jun and his associates were beneficially interested in all the share capital of Innovation GW.
- (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 with a registered capital of RMB150,000 wholly-owned by a legal person. 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資產經營中心 (The Management Centre of Collective Assets 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 incorporation is Baoding, Hebei Province, the PRC and its registered address is Room 210, Government Office Building, Nandayuan Town, Nanshi District, Baoding. It is engaged in the management of the equity interests of the collective assets of the town. 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) Ms. Han Xue Juan is deemed to be interested in the shares of the Company as she is the spouse of Mr. Wei Jian Jun.



Save as disclosed above, as at 30 June 2009, so far as the directors, supervisors or chief executive of the Company are aware, no other persons (excluding the directors, supervisors or chief executive 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 pursuant to Section 336 of the SFO.

Public Float

Based on the public information available to the Company as at the date of this interim report and to the knowledge of the directors as at the latest practicable date the directors confirm that there was sufficient public float as approximately 37.73% of the issued share capital of the Company was held by the public.

Material Litigations

During the period, save for the legal proceedings at Torino Court between the Company and Fiat Group Automobiles SPA of Italy in respect of the patent of the frame design of the Company's Peri model, the Company did not have other material litigations.

The announcements relating to the above-mentioned litigations of the Company were published on 24 July 2008, 26 July 2008, 25 September 2008 and 5 January 2009 respectively on the websites of the Hong Kong Stock Exchange and the Company.

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

There was no purchase, sale or redemption by the Company or its subsidiaries of the Company's listed securities during the period.

Corporate Governance

To the knowledge of the Board, the Company has complied with all the code provisions in the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules throughout the period.

Audit Committee

The Company has established an audit committee (the "Audit Committee") for the purposes of reviewing and providing supervision over financial reporting process and internal controls of the Group. The Audit Committee comprises four independent non-executive directors of the Company. The Audit Committee held a meeting on 10 August 2009 to consider and review the interim report and interim financial statements of the Group and to give their opinions and recommendations to the Board. The Audit Committee considers that the 2009 interim report and interim financial statements of the Company have complied with the applicable accounting standards and the Company has made appropriate disclosure thereof.

Remuneration Committee

The Group has set up a remuneration committee for the purposes of making recommendations, determining the remuneration packages of executive directors and the senior management of the Group. The remuneration committee comprises two independent non-executive directors and one executive director.

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as its code of conduct for securities transactions by all directors. Having made specific enquiries to the directors and in accordance with the information provided, the Board confirmed that all directors have complied with all provisions under the Model Code during the period.

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



To the shareholders of

GREAT WALL MOTOR COMPANY LIMITED

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

Introduction

We have reviewed the interim condensed consolidated financial statements of Great Wall Motor Company Limited set out on pages 17 to 50, which comprises the interim consolidated statement of financial position as at 30 June 2009 and the related interim consolidated statements of income, comprehensive income, changes in equity and cash flows for the six months then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 *Interim Financial Reporting* ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants.

The directors are responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Ernst & Young

Certified Public Accountants

Hong Kong

11 August 2009

INTERIM CONSOLIDATED INCOME STATEMENT

Six months ended 30 June 2009

	Notes	Six months ended 30 June	
		2009 RMB'000 Unaudited	2008 RMB'000 Unaudited
REVENUE	4	5,154,864	4,609,688
Cost of sales		(4,251,591)	(3,663,992)
Gross profit		903,273	945,696
Other income and gains	4	38,779	42,133
Selling and distribution costs		(314,527)	(228,284)
Administrative expenses		(129,193)	(154,780)
Other expenses		(166,132)	(117,399)
Finance costs	6	(20,742)	(7,161)
Share of profits and losses of:			
Jointly-controlled entities		4,226	2,244
Associates		911	3,531
PROFIT BEFORE TAX	5	316,595	485,980
Tax	7	(37,298)	(58,823)
PROFIT FOR THE PERIOD		279,297	427,157
ATTRIBUTABLE TO:			
Equity holders of the parent		262,348	408,327
Minority interests		16,949	18,830
		279,297	427,157
BASIC EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8	RMB0.24	RMB0.37
DIVIDEND	9	Nil	Nil

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Six months ended 30 June 2009

	Six months ended 30 June	
	2009 RMB'000 Unaudited	2008 RMB'000 Unaudited
PROFIT FOR THE PERIOD	279,297	427,157
Exchange differences on translation of foreign operations	2	(108)
Other comprehensive income/(loss) for the period	2	(108)
Total comprehensive income for the period, net of tax	279,299	427,049
ATTRIBUTABLE TO:		
Equity holders of the parent	262,350	408,219
Minority interests	16,949	18,830
	279,299	427,049

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2009

	Notes	30 June 2009 RMB'000 Unaudited	31 December 2008 RMB'000 Audited
NON-CURRENT ASSETS			
Property, plant and equipment	10	3,810,178	2,775,611
Prepaid land premiums		1,247,568	854,615
Construction in progress	11	1,161,049	1,830,388
Goodwill		2,164	2,164
Interests in jointly-controlled entities		202,241	178,015
Interests in associates		17,009	17,767
Available-for-sale financial assets	15	1,200	1,200
Deferred tax assets	22	129,994	73,174
Total non-current assets		6,571,403	5,732,934
CURRENT ASSETS			
Inventories	12	1,039,532	876,392
Trade receivables	13	144,899	251,936
Bills receivable	14	557,943	958,101
Available-for-sale financial assets	15	—	107,000
Prepaid tax		88,512	108,124
Prepayments and other receivables	16	344,442	689,366
Pledged bank balances	17	1,027,453	575,941
Cash and cash equivalents	17	2,863,960	1,516,524
Total current assets		6,066,741	5,083,384
CURRENT LIABILITIES			
Trade payables	18	2,479,938	1,413,364
Bills payable	19	1,199,807	1,318,212
Tax payable		59,908	8,537
Other payables and accruals	20	1,412,108	937,889
Dividends payable to equity holders of the parent		102,300	—
Dividends payable to minority shareholders		34,333	13,120
Provision for product warranties	21	53,746	40,692
Total current liabilities		5,342,140	3,731,814
NET CURRENT ASSETS		724,601	1,351,570
TOTAL ASSETS LESS CURRENT LIABILITIES		7,296,004	7,084,504

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

30 June 2009

	Notes	30 June 2009 RMB'000 Unaudited	31 December 2008 RMB'000 Audited
NON-CURRENT LIABILITIES			
Deferred income	23	224,826	67,062
Total non-current liabilities		224,826	67,062
NET ASSETS			
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	24	1,095,272	1,095,272
Reserves	25	5,737,189	5,474,839
Proposed final dividend		—	164,291
Minority interests		6,832,461 238,717	6,734,402 283,040
TOTAL EQUITY		7,071,178	7,017,442

Wei Jian Jun
Executive director

Wang Feng Ying
Executive director

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30 June 2009

	Attributable to equity holders of the parent									
	Issued capital	Share premium account	Capital reserves (Note 25)	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
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
At 1 January 2009	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
Profit for the period	—	—	—	—	—	262,348	—	262,348	16,949	279,297
Other comprehensive income	—	—	—	—	2	—	—	2	—	2
Total comprehensive income	1,095,272	2,561,788	(16,664)	1,018,893	(1,789)	2,174,961	164,291	6,996,752	299,989	7,296,741
Acquisition of minority interests	—	—	—	—	—	—	—	—	(40,059)	(40,059)
Transfer to statutory reserves	—	—	—	42,092	—	(42,092)	—	—	—	—
Dividends paid to minority shareholders	—	—	—	—	—	—	—	—	(21,213)	(21,213)
Final 2008 dividend declared	—	—	—	—	—	—	(164,291)	(164,291)	—	(164,291)
At 30 June 2009	1,095,272	2,561,788*	(16,664)*	1,060,985*	(1,789)*	2,132,869*	—	6,832,461	238,717	7,071,178

* These reserve accounts comprise the consolidated reserves of RMB5,737,189,000 as at 30 June 2009 in the interim consolidated statement of financial position.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

Six months ended 30 June 2009 (RESTATEd)

	Attributable to equity holders of the parent									
	Issued capital	Share premium account	Capital reserves (Note 25)	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
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
At 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
Profit for the period	—	—	—	—	—	408,327	—	408,327	18,830	427,157
Other comprehensive loss	—	—	—	—	(108)	—	—	(108)	—	(108)
Total comprehensive income	1,095,272	2,561,788	(16,664)	1,029,601	(171)	1,961,380	219,054	6,850,260	434,580	7,284,840
Contribution from minority shareholders	—	—	—	—	—	—	—	—	3,500	3,500
Acquisition of minority interests	—	—	—	—	—	—	—	—	(133,517)	(133,517)
Transfer to statutory reserves	—	—	—	1,324	—	(1,324)	—	—	—	—
Dividends paid to minority shareholders	—	—	—	—	—	—	—	—	(23,971)	(23,971)
Final 2007 dividend declared	—	—	—	—	—	—	(219,054)	(219,054)	—	(219,054)
At 30 June 2008	1,095,272	2,561,788*	(16,664)*	1,030,925*	(171)*	1,960,056*	—	6,631,206	280,592	6,911,798

* These reserve accounts comprise the consolidated reserves of RMB5,535,934,000 as at 30 June 2008 in the interim consolidated statement of financial position.

INTERIM CONSOLIDATED CASH FLOW STATEMENT

Six months ended 30 June 2009

	Six months ended 30 June	
	2009 RMB'000 Unaudited	2008 RMB'000 Unaudited
NET CASH INFLOW FROM OPERATING ACTIVITIES	1,390,533	699,284
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(374,543)	(621,039)
NET CASH OUTFLOW FROM FINANCING ACTIVITIES	(61,991)	(235,385)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	953,999	(157,140)
Cash and cash equivalents at beginning of period	2,092,465	3,312,063
Effect of foreign exchange rate changes, net	(1,301)	(5,086)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	3,045,163	3,149,837
ANALYSIS OF BALANCE OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	3,045,163	3,149,837

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2009

1. CORPORATE INFORMATION

The registered office of Great Wall Motor Company Limited (the "Company") is located at No. 2266 Chao Yang Road South, Baoding, Hebei Province, the People's Republic of China (the "PRC"). As at 30 June 2009, the H shares (RMB1 per share) of the Company amounting to 413,272,000 shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited.

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

2. ACCOUNTING POLICIES

The interim condensed consolidated financial statements are prepared in accordance with HKAS 34. The accounting policies and basis of preparation adopted in the preparation of the interim condensed consolidated financial statements are the same as those used in the annual financial statements for the year ended 31 December 2008, except for the following:

On 1 January 2009, the Group adopted revised HKAS 1 "Presentation of Financial Statements" (HKAS 1). The revised standard aims to improve users' ability to analyse and compare information given in financial statements. The adoption of this revised standard has no effect on the results reported in the Group's interim condensed consolidated financial statements. It does, however, result in certain presentational changes in the Group's primary financial statements, including:

- the adoption of revised title "Statement of financial position" for the "Balance sheet"; and
- the presentation of all items of income and expenditure in two financial statements, the "Income statement" and "Statement of comprehensive income".

Besides, the Group also adopted a number of new and revised standards and interpretations that have no material impact on the accounting policies of the Group and the methods of computation in the Group's interim condensed consolidated financial statements. These are described under Note 2.3 of the Company's 2008 Annual Report and Accounts.

3. SEGMENT INFORMATION

For management purposes, the Group is organised as a single business unit focusing on the manufacture and sales of automobiles and automotive parts and components, and, therefore, has no separable operating segment.

Revenue from external customers based on the location of customer is analysed as follows:

	Six months ended 30 June	
	2009 RMB'000 Unaudited	2008 RMB'000 Unaudited
The PRC	4,328,360	2,490,287
Iraq	207,494	119,279
Libya	146,010	—
Algeria	84,401	46,679
Italy	48,570	64,031
Australia	44,797	49
Chile	28,018	117,704
South Africa	22,508	391,434
Russia	453	784,182
Ukraine	—	95,237
Other overseas countries	244,253	500,806
	5,154,864	4,609,688

Revenue from external customers for each group of similar products and services are set out in Note 4 to these interim condensed consolidated financial statements.

The Group's non-current assets for segment information presentation purpose (which consist of property, plant and equipment, prepaid land premiums, construction in progress and interests in jointly-controlled entities and associates) are almost entirely situated in the PRC.

The Group has not placed reliance on any single external customers, amounting to 10% or more of its revenues.

4. 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:

	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
	Unaudited	Unaudited
Revenue		
Sale of automobiles	4,913,462	4,333,380
Sale of automotive parts and components and others	241,402	276,308
	5,154,864	4,609,688
Other income and gains		
Bank interest income	22,622	16,094
Government grants:		
Recognition of deferred income	4,490	1,861
Others*	1,200	986
Gain on disposal of items of property, plant and equipment	41	—
Gain on transfer of prepaid land premiums as capital contributions to equity investments	—	7,245
Gain on acquisition of minority interests	10,059	13,517
Income from disposal of available-for-sale financial assets	367	2,430
	38,779	42,133

* Representing government grants. The grants must be utilised for the business development of the Company and certain of its subsidiaries.

5. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2009 RMB'000 Unaudited	2008 RMB'000 Unaudited
Cost of inventories sold	4,251,591	3,663,992
Depreciation	167,080	98,625
Recognition of prepaid land premiums	8,357	2,179
Minimum lease payments under operating leases in respect of land and buildings	109	101
Auditors' remuneration	822	1,343
Employee benefits expenses (including directors' and supervisors' remuneration):		
Wages and salaries	304,690	232,875
Retirement benefits contributions	27,572	18,544
	332,262	251,419
Provision for product warranties	21,914	10,349
Research costs included in other expenses	163,484	113,597
Foreign exchange differences, net	1,823	8,844
Loss on disposal of an associate	1,564	—
Write-down of inventories to net realisable value	9,383	11,031
(Gain)/Loss on disposal of items of property, plant and equipment	(41)	734
Write-back of impairment of receivables, net	(739)	(5,776)

6. FINANCE COSTS

The finance costs represented bank charges incurred during the period.

7. TAX

Income tax

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

	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
	Unaudited	Unaudited
Hong Kong profits tax	—	—
PRC corporate income tax:		
Current corporate income tax	94,118	56,983
Deferred tax	(56,820)	1,840
	37,298	58,823

Hong Kong profits tax has not been provided as the Group had no assessable profits arising in Hong Kong during the period. The Company and its subsidiaries in the PRC are subject to corporate income tax at a rate of 25% on their taxable income.

Pursuant to the original PRC Corporate Income Tax Law of the PRC for Enterprises with Foreign Investment and Foreign Enterprises and applicable local tax regulations, the 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 and its subsidiary, Macs (Baoding) Auto A/C System Company Limited, were exempted from corporate income tax for the two years ended 31 December 2006, and are 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 is 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 Circular of the Ministry of Finance and the State Administration of Taxation on Issues Concerning the Corporate Income Tax Incentives on Enterprises Which Recruit the Disabled effective from 1 January 2008, Baoding Huanqiu Auto Spare Parts Company Limited, Baoding Nuobo Rubber Manufacturing Company Limited, Baoding Xincheng Automobile Development Company Limited, Baoding Great Machinery Company Limited and Baoding Great Wall Internal Combustion Engine Manufacturing Company Limited, subsidiaries of the Company, satisfying the relevant conditions, were entitled to deduct double of the actual wages paid to disabled staff from the taxable income.

7. TAX (CONTINUED)

Income tax (continued)

Pursuant to the Tentative Regulation Regarding Income Tax Benefit for Investment in the PRC Made Equipment Used in Technical Reform, Baoding Great Wall Internal Combustion Engine Manufacturing Company Limited and Baoding Changcheng Vehicle Axles Industries Company Limited, subsidiaries of the Company, were entitled to deduct corporate income tax in an amount of RMB15,056,520 for the six months ended 30 June 2008. No such tax deduction is available to the Group for the six months ended 30 June 2009.

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:

	Six months ended 30 June			
	2009		2008	
	RMB'000	%	RMB'000	%
	Unaudited		Unaudited	
Profit before tax	316,595		485,980	
At the PRC corporate income tax rate	79,149	25.0	121,495	25.0
Profits and losses attributable to jointly-controlled entities and associates	(1,284)	(0.4)	(1,444)	(0.3)
Additional deduction of expenses	(18,829)	(5.9)	(15,022)	(3.1)
Staff welfare and bonus fund	116	—	245	0.1
Income not subject to tax	(2,516)	(0.8)	(6,256)	(1.3)
Tax effect of expenses not deductible for tax purposes	698	0.2	304	0.1
Tax holiday and exemptions	(20,036)	(6.3)	(40,499)	(8.4)
Actual income tax expenses	37,298	11.8	58,823	12.1

The share of tax attributable to jointly-controlled entities and associates amounting to RMB983,000 (Six months ended 30 June 2008: RMB309,000) is included in "Share of profits and losses of jointly-controlled entities and associates" on the face of the interim consolidated income statement.

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.

7. TAX (CONTINUED)

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.

8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's profit attributable to ordinary equity holders of the parent for the six months ended 30 June 2009 of RMB262,348,000 (Six months ended 30 June 2008: RMB408,327,000) and the weighted average of 1,095,272,000 (Six months ended 30 June 2008: 1,095,272,000) ordinary shares in issue during the period.

No diluting events existed during the six months ended 30 June 2009 and 2008 and therefore diluted earnings per share amounts have not been disclosed.

9. DIVIDEND

The directors do not recommend the payment of any interim dividend for the six months ended 30 June 2009 (Six months ended 30 June 2008: Nil).

10. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000 Unaudited	Plant and machinery RMB'000 Unaudited	Motor vehicles RMB'000 Unaudited	Office equipment and others RMB'000 Unaudited	Total RMB'000 Unaudited
Cost:					
At 1 January 2009	1,213,732	1,879,639	83,281	460,300	3,636,952
Additions	453	24,415	7,149	16,825	48,842
Reclassification	—	(12,052)	—	12,052	—
Transfer from construction in progress	369,113	646,189	1,991	148,910	1,166,203
Transfer to construction in progress	—	(53,719)	—	—	(53,719)
Disposals	(613)	(5,997)	(2,630)	(73,406)	(82,646)
At 30 June 2009	1,582,685	2,478,475	89,791	564,681	4,715,632
Accumulated depreciation and impairment:					
At 1 January 2009	135,090	585,773	19,727	120,751	861,341
Depreciation provided for the period	21,315	95,340	5,329	45,096	167,080
Reclassification	—	(11,632)	—	11,632	—
Transfer to construction in progress	—	(47,485)	—	—	(47,485)
Disposals	(500)	(3,730)	(1,398)	(69,854)	(75,482)
At 30 June 2009	155,905	618,266	23,658	107,625	905,454
Net book value:					
At 30 June 2009	1,426,780	1,860,209	66,133	457,056	3,810,178
At 1 January 2009	1,078,642	1,293,866	63,554	339,549	2,775,611

11. CONSTRUCTION IN PROGRESS

	RMB'000 Unaudited
At 1 January 2009	1,830,388
Additions	490,630
Transfer from property, plant and equipment	6,234
Transfer to property, plant and equipment	(1,166,203)
At 30 June 2009	1,161,049

12. INVENTORIES

	30 June 2009 RMB'000 Unaudited	31 December 2008 RMB'000 Audited
Raw materials	310,248	353,495
Work in progress	124,040	116,746
Finished goods	595,084	413,150
Spare parts and consumables	16,510	15,505
	1,045,882	898,896
Provision for inventories	(6,350)	(22,504)
	1,039,532	876,392

The carrying amount of inventories carried at net realisable value included in the above balances was RMB250,216,000 (31 December 2008: RMB119,080,000).

13. TRADE RECEIVABLES

	30 June 2009 RMB'000 Unaudited	31 December 2008 RMB'000 Audited
Trade receivables	153,485	262,241
Impairment	(8,586)	(10,305)
	144,899	251,936

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, based on invoice date, is as follows:

	30 June 2009 RMB'000 Unaudited	31 December 2008 RMB'000 Audited
Outstanding balances aged:		
Within 6 months	144,405	249,742
7 to 12 months	4,536	5,945
Over 1 year	4,544	6,554
	153,485	262,241
Impairment	(8,586)	(10,305)
	144,899	251,936

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

	RMB'000 Unaudited
At 1 January 2009	10,305
Impairment losses recognised	4,271
Amount written off as uncollectible	(336)
Impairment losses reversed	(5,654)
At 30 June 2009	8,586

13. TRADE RECEIVABLES (CONTINUED)

As at 30 June 2009, included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of RMB8,586,000 (31 December 2008: RMB10,305,000) with a carrying amount of RMB13,537,000 (31 December 2008: RMB14,280,000). 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:

	30 June 2009 RMB'000 Unaudited	31 December 2008 RMB'000 Audited
Neither past due nor impaired	139,948	247,961
Less than 6 months past due	4,951	3,975
	144,899	251,936

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, and most of the receivables are secured by letters of credit.

As at 30 June 2009, 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 RMB602,000 (31 December 2008: RMB1,258,000), which are unsecured, non-interest bearing and repayable on credit terms similar to those offered to the major customers of the Group.

14. BILLS RECEIVABLE

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

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

	30 June 2009 RMB'000 Unaudited	31 December 2008 RMB'000 Audited
Falling due:		
Within 3 months	148,609	407,501
4 to 6 months	409,334	550,600
	557,943	958,101

As at 30 June 2009, the Group's bills receivable amounting to RMB54,545,000 (31 December 2008: RMB274,485,000) were pledged to banks for issuing an equivalent amount of bills payable.

15. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	30 June 2009 RMB'000 Unaudited	31 December 2008 RMB'000 Audited
Unlisted equity investment, at cost	1,200	1,200
Unlisted investments, at fair value	—	107,000

16. PREPAYMENTS AND OTHER RECEIVABLES

	30 June 2009 RMB'000 Unaudited	31 December 2008 RMB'000 Audited
Prepayments	317,132	401,065
Export VAT refund	3,546	173,737
Other receivables	27,747	117,909
	348,425	692,711
Impairment	(3,983)	(3,345)
	344,442	689,366

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

	RMB'000 Unaudited
At 1 January 2009	3,345
Impairment losses recognised	886
Amount written off as uncollectible	(6)
Impairment losses reversed	(242)
At 30 June 2009	3,983

16. PREPAYMENTS AND OTHER RECEIVABLES (CONTINUED)

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

	30 June 2009 RMB'000 Unaudited	31 December 2008 RMB'000 Audited
Neither past due nor impaired	26,500	287,617
Less than 6 months past due	810	684
	27,310	288,301

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 30 June 2009, included in the Group's prepayments and other receivables are amounts due from companies that are controlled by the Group's key management personnel or their close family members amounting to RMB14,338,000 (31 December 2008: RMB41,155,000), which are unsecured, non-interest-bearing and are repayable on demand.

17. CASH AND CASH EQUIVALENTS AND PLEDGED BANK BALANCES

	30 June 2009 RMB'000 Unaudited	31 December 2008 RMB'000 Audited
Cash and bank balances	1,997,286	1,371,965
Time deposits on demand	1,894,127	720,500
	3,891,413	2,092,465
Less: Time deposits pledged to banks for issuing bills payable	(846,250)	—
Less: Bank balances pledged to banks for issuing bills payable and letters of credit	(181,203)	(575,941)
Cash and cash equivalents in the interim consolidated statement of financial position	2,863,960	1,516,524
Add: Pledged bank balances for issuing bills payable and letters of credit	181,203	575,941
Cash and cash equivalents in the interim consolidated cash flow statement	3,045,163	2,092,465

18. TRADE PAYABLES

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

	30 June 2009	31 December 2008
	RMB'000	RMB'000
	Unaudited	Audited
Within 6 months	2,380,973	1,308,421
7 to 12 months	39,719	12,595
1 to 2 years	25,442	56,643
Over 2 years	33,804	35,705
	2,479,938	1,413,364

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:

	30 June 2009	31 December 2008
	RMB'000	RMB'000
	Unaudited	Audited
Jointly-controlled entities	35,752	3,861
Associates	76,722	34,705
Companies that are controlled by the Group's key management personnel or their close family members	37,705	21,744
	150,179	60,310

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

19. BILLS PAYABLE

An aged analysis of the bills payable of the Group is as follows:

	30 June 2009 RMB'000 Unaudited	31 December 2008 RMB'000 Audited
Within 3 months	381,266	859,619
4 to 6 months	818,541	458,593
	1,199,807	1,318,212

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

	30 June 2009 RMB'000 Unaudited	31 December 2008 RMB'000 Audited
Jointly-controlled entities	4,020	14,360
Associates	12,120	3,590
Companies that are controlled by the Group's key management personnel or their close family members	602	315
	16,742	18,265

20. OTHER PAYABLES AND ACCRUALS

	30 June 2009 RMB'000 Unaudited	31 December 2008 RMB'000 Audited
Advances from customers	558,257	355,013
Accruals	68,624	23,589
Deferred income	6,566	4,251
Other payables	778,661	555,036
	1,412,108	937,889

As at 30 June 2009, 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 RMB11,079,000 (31 December 2008: RMB7,961,000), which are unsecured, non-interest bearing and are repayable on demand.

21. PROVISION FOR PRODUCT WARRANTIES

	RMB'000 Unaudited
At 1 January 2009	40,692
Additional provision	21,914
Amounts utilised during the period	(8,860)
At 30 June 2009	53,746

22. DEFERRED TAX ASSETS

An analysis of deferred tax assets is as follows:

	30 June 2009 RMB'000 Unaudited	31 December 2008 RMB'000 Audited
Impairment of receivables	2,105	2,267
Write-down of inventories to net realisable value	18,701	23,639
Impairment of items of property, plant and equipment	242	242
Accumulated depreciation difference between carrying amount and tax base	9,142	9,007
Unused tax losses	2,266	4,681
Liabilities for accrued expenses that are deductible for tax purpose only when paid	28,360	7,696
Receipt in advance (revenue in nature) that is taxable	9,422	9,393
Receipt of government grants that is taxable	42,298	2,462
Unrealised profit eliminated on consolidation	14,352	9,786
Temporary differences arising from transfer of assets among intra-group companies	2,955	3,750
Others	151	251
	129,994	73,174

23. DEFERRED INCOME

	RMB'000 Unaudited
Deferred income:	
At 1 January 2009	81,222
Additions during the period	164,569
At 30 June 2009	245,791
Accumulated income recognised in other income and gains:	
At 1 January 2009	9,909
Recognised during the period	4,490
At 30 June 2009	14,399
Net book value:	
At 30 June 2009	231,392
Current portion included in other payables and accruals	(6,566)
Non-current portion	224,826

24. SHARE CAPITAL

Issued and fully paid-up	Number of shares '000	30 June 2009 RMB'000 Unaudited	31 December 2008 RMB'000 Audited
Domestic share (RMB1 each)	682,000	682,000	682,000
H shares (RMB1 each)	413,272	413,272	413,272
	1,095,272	1,095,272	1,095,272

25. RESERVES

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

The capital reserves of the Group include non-distributable reserves of the Company and its subsidiaries created in accordance with accounting and financial regulations in the PRC.

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. Such 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.

26. 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 heard this case with a procedure of first instance on 15 July 2009 without issuing any verdict. The court required both sides to submit the relevant evidence before 9 February 2010. The Torino Court will hear this case with a procedure of second instance on 24 March 2010.

2. On 30 January 2007, the Company received a petition from a court in Paris raised by France Valeo Wiper Systems Ltd. ("Valeo") against the Company for alleged patent infringement over the rain wiper installed in the Company's product, Hover CUV. Valeo required the Company to stop using the rain wiper and claimed for 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.

26. CONTINGENT LIABILITIES (CONTINUED)

3. 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 without issuing any verdict. Up to the approval date of these interim condensed consolidated financial statements, the verdict has not been issued.

4. 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. The Patent Reexamination Board held an oral hearing on 29 April 2009 and issued the verdict on 25 June 2009, announcing that the patent rights maintained to be effective. It is also possible for Toyota Motor Corporation 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 interim condensed consolidated financial statements, the Company has not yet received any condescendence raised by Toyota Motor Corporation.

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 interim condensed consolidated financial statements as at 30 June 2009.

27. OPERATING LEASE COMMITMENTS

The Group had total future minimum lease payments under non-cancellable operating leases in respect of office premises falling due as follows:

	30 June 2009 RMB'000 Unaudited	31 December 2008 RMB'000 Audited
Within one year	633	61
In the second to fifth years, inclusive	—	—
After the fifth year	—	—
	633	61

28. COMMITMENTS

In addition to the operating lease commitments detailed in Note 27 above, the Group had the following commitments:

(a) Capital commitments

	30 June 2009 RMB'000 Unaudited	31 December 2008 RMB'000 Audited
Contracted, but not provided for	603,688	1,081,954
Authorised, but not contracted for	1,165,888	1,549,095
	1,769,576	2,631,049

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

	30 June 2009 RMB'000 Unaudited	31 December 2008 RMB'000 Audited
Acquisition of items of property, plant and equipment	1,769,576	2,320,513
Acquisition of leasehold land	—	310,536
	1,769,576	2,631,049

28. 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 were not included in the above, are as follows:

	30 June 2009 RMB'000 Unaudited	31 December 2008 RMB'000 Audited
Contracted, but not provided for	13,544	34,851

(b) Other commitments

The Group had the following commitments for research projects:

	30 June 2009 RMB'000 Unaudited	31 December 2008 RMB'000 Audited
Contracted, but not provided for	105,789	168,189
Authorised, but not contracted for	11,580	7,870
	117,369	176,059

29. RELATED PARTY TRANSACTIONS

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

Name of related parties	Nature of transaction	Pricing policy	Six months ended 30 June	
			2009 RMB'000 Unaudited	2008 RMB'000 Unaudited
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)	4,910	43,661
	Purchases of services	(b)	—	30
	Sales of spare parts	(b)	—	99
	Others	(a)	—	2
Baoding Tai Hang Rosemex Engineering Company Limited (i) (保定太行熱土美工業有限公司)	Construction service fee paid	(a)	27	231
	Purchases of spare parts	(b)	—	7
Taihang Jiamei Industry Company Limited (i) (保定太行加美工業有限公司)	Purchases of machinery	(b)	154	—
Baoding Ants Logistics Network Company Limited (i) (保定市螞蟻物流網絡有限公司)	Transportation fee paid	(b)	7,057	37,749
	Purchases of services	(b)	—	204
	Sales of automobiles	(b)	—	212
	Others	(a)	—	48
Shunping County Modern Logistics Company (i) Limited(i) (順平縣現代物流有限公司)	Transportation fee paid	(b)	—	25,910
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)	52	73
	Purchases of machinery	(a)	860	43
	Purchases of services	(b)	—	2
	Sales of spare parts	(b)	16	—
	Sales of machinery	(b)	147	—
	Others	(b)	6	—
Hebei Baocang Highway Company Limited (i) (河北保滄高速公路有限公司)	Sales of automobiles	(b)	328	829
	Rental income	(b)	216	277
Baoding Tai Hang Pump Manufacturing Company Limited (i) (保定市太行製泵有限公司)	Purchases of spare parts	(b)	735	868
	Purchases of machinery	(b)	453	44
	Purchases of services	(b)	2	1
	Others	(b)	2	1

29. RELATED PARTY TRANSACTIONS (CONTINUED)

Name of related parties	Nature of transaction	Pricing policy	Six months ended 30 June	
			2009 RMB'000 Unaudited	2008 RMB'000 Unaudited
Beijing Weide Automobile System Accessories Company Limited (i) (北京威德汽車系統配套有限公司)	Sales of raw materials	(a)	—	35
	Purchases of raw materials	(a)	931	2,376
	Others	(a)	—	38
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)	119,472	103,215
	Sales of spare parts*	(a)	12	14
	Sales of automobiles*	(a)	379	—
	Purchases of machinery*	(a)	287	—
	Rendering of services*	(a)	81	—
	Others*	(a)	75	369
Baoding Xinchang Auto Parts Company Limited (ii) (保定信昌汽車零部件有限公司)	Sales of automobiles*	(a)	60	—
	Sales of raw materials*	(a)	35	—
	Rendering of services*	(a)	1	—
Baoding Shuanghua Automotive Components Company Limited (iii) (保定雙樺汽車零部件有限公司)	Purchases of spare parts	(b)	17	—
	Sales of spare parts	(b)	—	2
Baoding Great Wall Jiehua Automobile Inner Decorations Company Limited (iii) (保定長城傑華汽車內飾件有限公司)	Sales of spare parts	(a)	1	—
	Purchases of spare part	(a)	119,186	102,164
	Rendering of services	(a)	112	—
	Sales of automobiles	(a)	—	42
	Others	(a)	11	145
Baoding Best Automobile Spare Parts Company Limited (iii) (保定佰思特汽車零部件有限公司)	Purchases of spare parts*	(a)	9,640	—
	Sales of spare parts*	(a)	127	—
	Rendering of services*	(a)	2	—
	Purchases of services*	(a)	389	—

29. RELATED PARTY TRANSACTIONS (CONTINUED)

Name of related parties	Nature of transaction	Pricing policy	Six months ended 30 June	
			2009 RMB'000 Unaudited	2008 RMB'000 Unaudited
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
Baoding Ruifeng Corporation Plan Company Limited (iv) (保定市瑞豐企業策劃有限公司)	Sales of automobiles	(b)	122	—
The Management Centre of Collective Assets of Nandayuan Town, Nanshi District, Baoding (iv) (保定市南市區南大園鄉集體資產經管中心)	Sales of automobiles	(b)	—	119
Wenzhou Feili Mould Manufacturing Company Limited (v) (溫州飛利模具製造有限公司)	Purchases of machinery	(b)	395	367
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 spare parts	(a)	34,975	—
Shanghai Youshen Industry Company Limited (v) (上海友申實業有限公司)	Purchases of raw materials	(b)	14	—
Wenzhou Huanqiu Automobile Gasket Company Limited (vi) (溫州市環球汽車襯墊有限公司)	Purchases of raw materials	(a)	128	—

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

29. RELATED PARTY TRANSACTIONS (CONTINUED)

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.

Other transaction with related parties:

Pursuant to "Capital increase Agreement" of 26 March 2009, the Company and Dragonet International Company Limited (joint venture partners of Baoding Smart Automobile Accessories Company Limited ("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 contributed 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%.

Except for items *, the above related party transactions also constituted connected transactions or continuing connected transactions as defined in Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

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

	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
	Unaudited	Unaudited
Short-term employee benefits	1,046	975
Post-employment benefits	18	12
Total compensation paid to key management personnel	1,064	987

The Group's trade receivables, other receivables, trade payables, bills payable and other payables with related parties are disclosed in Notes 13, 16, 18, 19 and 20, respectively.

30. EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

On 27 July 2009, the Company entered into an “Equity Transfer Agreement” with Wenzhou Huanqiu Automobile Gasket Company Limited, a related party. Pursuant to the agreement, the Company acquired 49% of equity interests in Baoding Huanqiu Auto Spare Parts Company Limited (“Baoding Huanqiu”), a 51% owned subsidiary of the Company, at a cash consideration of RMB7,500,000.

Upon the completion of the agreement, Baoding Huanqiu will be a wholly-owned subsidiary of the Company.

31. APPROVAL OF THE INTERIM FINANCIAL REPORT

The interim condensed consolidated financial statements for the six months ended 30 June 2009 were approved and authorised for issue by the board of directors on 11 August 2009.