長城汽車股份有限公司

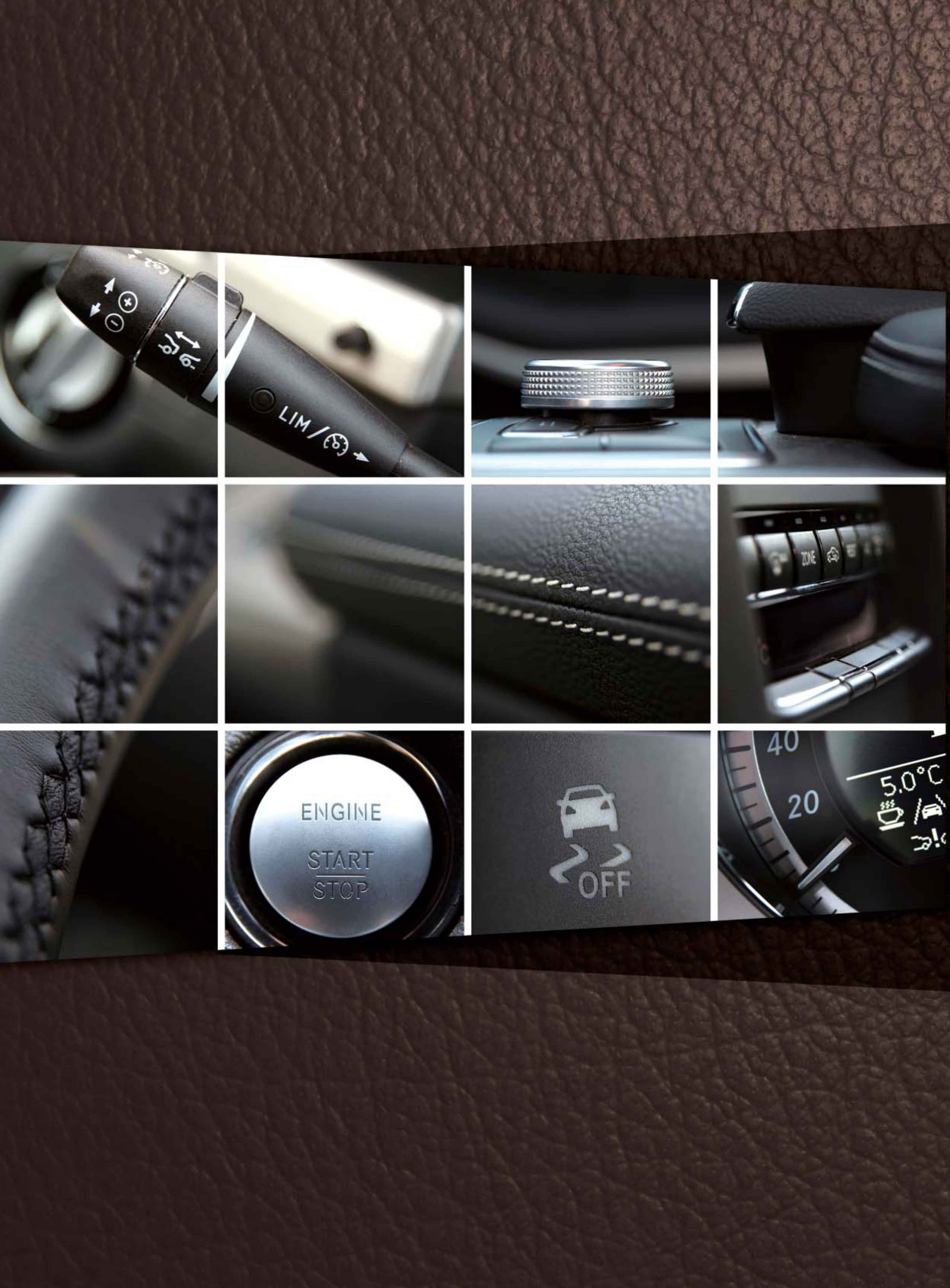
GREAT WALL MOTOR COMPANY LIMITED*

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

Stock Code: 2333

2009 Annual Report

* For identification purposes only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CONTENTS

Great Wall Motor Company Limited

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 nonexecutive 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)
Fried, Frank, Harris, Shriver & Jacobson

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
Shops 1712–1716, 17th Floor, Hopewell Centre,
183 Queen's Road East,
Wanchai, Hong Kong.

Investor 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

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86(312)-2197813

Facsimile
86(312)-2197812

Website
www.gwm.com.cn

Share Information

Place of listing:	Main Board of The Stock Exchange of Hong Kong Limited
Listing date:	15 December 2003
Number of issued shares:	As at 31 December 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

Result Highlights

	Year ended 31 December				
	2009	2008	2007	2006	2005
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	**12,396,387**	8,210,581	7,579,356	4,918,622	3,809,958
Gross profit	**2,148,328**	1,489,350	1,795,929	1,236,891	1,000,690
Profit before tax	**932,261**	584,638	1,044,203	742,656	561,568
Profit attributable to owners of the parent	**1,022,553**	513,143	937,451	702,844	441,007
Basic earnings per share attributable to ordinary equity holders of the parent	**RMB0.93**	RMB0.47	RMB0.91	RMB0.74	RMB0.47

Summary of Financial Position

	As at 31 December				
	2009	2008	2007	2006	2005
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Equity attributable to owners of the parent	**7,593**	6,734	6,442	4,113	3,505
Total assets	**15,063**	10,816	10,162	6,472	5,763
Bank loans	**38**	—	—	—	—
Return on equity (%)#	**13.5**	7.6	14.6	17.1	12.6
Return on assets (%)	**6.8**	4.7	9.2	10.9	7.7
Gearing ratio (%)*	**0.3**	—	—	—	—
Accounts receivable turnover (Day) (including bills receivable)	**98**	53	38	38	53
Inventory turnover (Day)	**56**	38	45	48	66

Profit attributable to owners of the parent divided by equity attributable to owners of the parent

* Total bank loans divided by total assets

Revenue Breakdown By Products

Trade Receivables

	As at 31 December 2009 RMB'000	As at 31 December 2008 RMB'000
Trade receivables	**152,016**	262,241
Impairment	**(4,189)**	(10,305)
	147,827	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, as at the end of the reporting period, based on the invoice date, is as follows:

	As at 31 December 2009 RMB'000	As at 31 December 2008 RMB'000
Outstanding balances aged:		
Within 6 months	**147,383**	249,742
7 to 12 months	**1,598**	5,945
Over 1 year	**3,035**	6,554
	152,016	262,241
Impairment	**(4,189)**	(10,305)
	147,827	251,936

Trade payables

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

	As at 31 December 2009 *RMB'000*	As at 31 December 2008 *RMB'000*
Within 6 months	**2,974,475**	1,308,421
7 to 12 months	**65,983**	12,595
1 to 2 years	**19,322**	56,643
Over 2 years	**35,618**	35,705
	3,095,398	1,413,364

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

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 2009 ("the Year").

For the year ended 31 December 2009, the Group continued to record a satisfactory growth in its operating results with the revenue and profit attributable to owners of the parent amounting to RMB12,396,387,000 and RMB1,022,553,000 respectively, representing increases of 51.0% and 99.3% respectively over those of 2008.

Despite the influence of the global financial crisis and economic downturn, the PRC economy in 2009 saw a quick rebound benefiting from a series of economic stimulus measures implemented by the PRC government. In 2009, the production and sales volume of the PRC automobiles outnumbered that of the US, making the PRC the world's largest automobile market. During the Year, the automobile production and sales volume reached 13,791,000 units and 13,644,800 units respectively. Export sales remained at a relatively low level, as the overseas markets were struck by the financial crisis. However, the situation began to improve when compared with that in the second half of 2008. With the recovery of the global economy, the export market will gradually pick up.

With respect to sedans, the Company continued to focus on the research and development of small displacement automobiles, with the aim to meet the State's requirements for environmental protection. During the Year, the Group launched two small displacement sedans, Coolbear and Phenom. Sales volume of these two models are in line with our expectations and they have built up a good reputation in the sedan market.

Changes in the business environment have intensified competition in the PRC automobile market, fostering the continuous improvement in the performance and quality of automobiles. In terms of domestic market segments, Great Wall Motor's pick-up trucks have dominated the pick-up truck market while its SUVs maintained the largest share of the market for self-owned brand. As a newcomer to the sedan market, the Group exposed to plenty of opportunities for its development with the support of the State's policies. On the front of product development, Great Wall Motor has complied with the European Union ("EU") standards. The Group obtained the European Community Whole Vehicle Type Approval for four automobile models in 2009. With such international recognition of its brand, the Group will be able to achieve steady growth in export sales.

2010 will be a year of challenges and opportunities. Against the changing market, the Group will further adjust and optimise its product mix. It will also strive to enhance its competitiveness in the industry in order to meet the growing demand in the domestic and overseas markets driven by the global economic recovery. In addition, the Group will maintain a sound financial position. The Group is committed to taking a great leap forward in the coming year.

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 and trust in the Group. Committing to our motto of "improving little by little every day", we adopt a refined management approach and strive to bring maximum returns to our shareholders.

Wei Jian Jun
Chairman

Baoding, Hebei Province, the PRC
26 March 2010

Management Discussion and Analysis

Operating Environment

Despite the lingering effect of the international financial crisis, the PRC economy saw its 2009 growth driven by a series of government stimulus measures and exceed forecast made at the beginning of the Year.

During the Year, the global automobile industry was in recession brought by an uncertain outlook for the financial market. Notwithstanding this, the PRC automobile market still performed satisfactorily, with its sales volume surpassing that of the US, and played an important role in facilitating the development of the automobile industry. According to China Association of Automobile Manufacturers, the production and sales volume of automobiles for 2009 increased by 48.3% and 46.15%, respectively, to 13,791,000 units and 13,644,800 units respectively.

During the Year, the PRC government introduced a series of favourable policies to boost the development of the automobile industry. In January 2009, the office of the State Council approved the revitalisation plan for the steel and automobile industry, reducing the purchase tax of passenger vehicles with a displacement engine of 1.6L or less by 50%. This policy effectively boosted sales of small displacement passenger vehicles. Great Wall Motor's existing models namely GW Peri, Florid, Coolbear and Phenom are small displacement sedans with an engine below 1.6L, which benefited from this policy during the Year. Although the government increased the purchase tax rate from 5% to 7.5% in December, it is believed that this policy will continue to stimulate the sales of small displacement passenger vehicles.

The government's automobile subsidies for rural areas which came into effect since 1 March 2009 had not only raised the purchasing power of farmers, but had also boosted the Company's pick-up truck sales in the second and third-tier markets. With the continued implementation of this policy in 2010, the Company's pick up truck sales will further improve.

"The Notice of the State Council on Implementing the Price and Tax Reform of Refined Petroleum Products" became effective since 2009. Pursuant to this notice, road maintenance and management fees were cancelled, which to a certain extent encouraged car purchase. In addition, the government implemented the policy of replacing old vehicles and electrical home appliances with new ones to facilitate the development of the automobile industry. This policy will continue to be implemented in 2010, and will have positive impact on vehicle sales.

In view of the current economic conditions in the PRC, domestic auto sales in 2010 will remain stable. With the gradual economic recovery in various countries, the sales volume in overseas markets will rise steadily.

Financial Review

Revenue

During the Year, the Group's revenue amounted to RMB12,396,387,000, representing an increase of 51.0% 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 2009			For the year ended 31 December 2008		
	Sales volume *(units)*	**Revenue** *(RMB'000)*	**As a percentage of revenue** *(%)*	Sales volume *(units)*	Revenue *(RMB'000)*	As a percentage of revenue *(%)*
Pick-up trucks	**75,341**	**4,114,379**	**33.2**	63,235	3,447,344	42.0
SUVs	**51,278**	**3,986,984**	**32.2**	44,006	3,628,096	44.2
Sedans	**76,811**	**3,247,229**	**26.2**	9,754	367,826	4.5
Other vehicles	**6,430**	**435,530**	**3.5**	3,451	258,253	3.1
Automotive parts and components	**—**	**567,078**	**4.6**	—	509,062	6.2
Transportation	**—**	**45,187**	**0.3**	—	—	0.0
Total	**209,860**	**12,396,387**	**100.0**	120,446	8,210,581	100.0

Automobile sales

During the Year, the Group sold 209,860 units of automobiles, representing an increase of 74.2% as compared to 120,446 units sold in 2008. Automobiles sold in 2009 included 75,341 units of pick-up trucks, representing an increase of 19.1% as compared to 63,235 units sold in 2008; 51,278 units of SUVs, representing an increase of 16.5% as compared to 44,006 units sold in 2008; 76,811 units of sedans and 6,430 units of other vehicles, representing increases of 687.5% and 86.3% respectively when compared with those of the previous year.

Sales of automotive parts and components

In addition to the production of automobiles, the Group is also engaged in the sale of major automotive parts and components used in the production of pick-up trucks, SUVs and sedans. These mainly include self-manufactured engines, front and rear axles, air-conditioning equipment, drag ball pins, lever assembly and other parts and components for the production of automobiles. Sales of automotive parts and components not only contribute to the Group's revenue but also enable the Group to secure the availability of parts and components for after-sales services. During the Year, the Group reported a 11.4% increase in the sales of automotive parts and components from RMB509,062,000 in 2008 to RMB567,078,000 in 2009. The increase was mainly attributable to an increase in revenue from parts and components for after-sales services, as a result of a significant growth in the sales volume of automobiles. During the Year, the sales of engines represented 14.8% of the Group's sales of automotive parts and components.

Gross profit and gross profit margin

During the Year, the Group's gross profit rose from RMB1,489,350,000 in 2008 to RMB2,148,328,000, representing an increase of approximately 44.2%. The increase in the Group's gross profit was mainly due to increase in sales revenue. The Group's gross profit margin slightly decreased from 18.1% of the previous year to 17.3%, which was mainly due to the change in product mix.

Profit attributable to owners of the parent and earnings per share

The Group's profit attributable to owners of the parent for the Year increased from RMB513,143,000 in 2008 to RMB1,022,553,000, owing to an increase in profit driven by growth in sales.

For the year ended 31 December 2009, the basic earnings per share of the Company were RMB0.93. 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 by 32.8% from RMB753,701,000 in 2008 to RMB1,001,170,000 in 2009. The percentage of selling and distribution costs and administrative expenses to total revenue decreased from 9.2% in 2008 to 8.1% in 2009. The increase in selling and distribution costs and administrative expenses was mainly due to (1) an increase in transportation expenses as a result of the rise in the sales volume of automobiles; (2) an increase in advertising expenses in the promotion of sedans; and (3) an increase in the provision for product warranties resulting from the rise in the automobile sales.

Finance costs

The Group's finance costs for 2009 were approximately RMB26,986,000, as compared with approximately RMB10,267,000 in 2008. Finance costs were primarily the discount interest paid in discounting bills receivable.

Liquidity and financial resources

As at 31 December 2009, the Group's current assets mainly included cash and cash equivalents of approximately RMB2,591,785,000, trade receivables of approximately RMB147,827,000, inventories of approximately RMB1,589,925,000, bills receivable of approximately RMB3,237,728,000, available-for-sale financial investments of approximately RMB150,000,000, and prepayments and other receivables of approximately RMB459,670,000. The Group's current liabilities as at the same date mainly included dividend payable to minority shareholders of approximately RMB11,342,000, other payables and accruals of approximately RMB2,116,105,000, tax prepayments of approximately RMB23,332,000, bills payable of approximately RMB1,177,300,000, trade payables of approximately RMB3,095,398,000, provision for product warranties of approximately RMB71,673,000 and interest-bearing bank and other borrowings of approximately RMB75,596,000.

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 2009, 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 is relatively competitive and hence its current sales have not been affected.

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.

During the Year, 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.

Employment, training and development

As at 31 December 2009, the Group employed a total of 25,434 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 employees, bonuses and cash awards may also be given based on individual performance evaluation results. Total staff cost accounted for 5.7% of the Group's revenue for the Year.

Taxation

Tax of the Group in 2009 was RMB-139,619,000. The negative amount of tax was mainly due to deferred income tax.

Segment information

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

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

	For the year ended 31 December	
	2009	2008
	RMB'000	*RMB'000*
Mainland China	**10,585,655**	4,750,313
Iraq	**386,684**	262,098
Australia	**236,168**	89
Libya	**146,010**	—
South Africa	**129,744**	460,708
Italy	**117,068**	140,843
Chile	**101,075**	222,902
Russia	**48,759**	1,125,963
Other countries	**645,224**	1,247,665
	12,396,387	8,210,581

Revenue from external customers for each group of similar products and services are set out in Note 5 to these financial statements.

The Group's non-current assets for segmental 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 the Group's revenues.

Business Review

Products

The Group's principal products are pick-up trucks, SUVs and sedans. The Group is also engaged in 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 automobiles was 209,860 units, representing an increase of 74.2% as compared to that of 2008. The continued growth in the Group's sales volume was attributable to the strong branding effect, as well as continued product improvement and diversification. The Group was able to maintain its leading position in the segmented markets with its premium product quality, comprehensive after-sales services and extensive sales network.

According to the Joint Advisory Committee of China Passenger Car Market, Great Wall Motor's technological breakthrough in diesel engine had enabled the Group to hold almost 30% of the market for pick-up trucks and to continue to top the PRC pick-up truck market for 12 consecutive years.

(1) Sedan

During the Year, the Group launched two sedan models — Coolbear and Phenom, and Florid Cross. In addition, the Group modified its existing models to diversify its range of sedans. During the year, the Group's sales volume of sedans reached 76,811 units, including approximately 50,349 units of Florid. The sales volume of sedans evidenced that the Company's stylish compact cars concept was recognised by consumers. The Group will continue to focus on stylish compact vehicles, step up its efforts to enhance the quality of sedan series and establish Great Wall Motor's stylish compact cars concept.

(2) Pick-up trucks

According to China Association of Automobile Manufacturers, the Company's pick-up trucks continued to rank first in the PRC market in terms of sales volume, for 12 consecutive years, reflecting its solid leading market position. During the Year, the sales volume of pick-up trucks reached 75,341 units, with sales revenue of RMB4,114,379,000, representing increases of 19.1% and approximately 19.3% respectively when compared with those in 2008. The Company will continue to launch new models, in order to consolidate its leadership in the pick-up truck market.

(3) SUVs

The launch of the brand new model — Hover H3 — during the Year had attracted widespread market attention. A small displacement SUV introduced by the Group in the second half of the year also received very satisfactory market response. The Group remained dominant in the PRC SUV market. During the Year, the sales volume of SUVs rose by 16.5% to 51,278 units when compared with that of the previous year. The sales revenue of SUVs amounted to RMB3,986,984,000, representing an increase of approximately 9.9% from that of 2008.

(4) Automotive parts and components

During the Year, the revenue of automotive parts and components amounted to RMB567,078,000, representing an increase of approximately 11.4% as compared to that in 2008 and accounting for 4.6% of the total revenue.

(5) Other vehicles

Revenue of the Group's other vehicles (such as motor-homes and special vehicles) amounted to RMB435,530,000 during the Year, representing an increase of 68.6% when compared to that of 2008.

Domestic market

Clientele

During the Year, the Group's domestic sales volume and revenue amounted to 177,177 units and RMB10,019,647,000, representing increases of 159.7% and 128.9% respectively from those of 2008 respectively. Of the Group's domestic sales, 74,484 units, 48,670 units and 47,998 units of sedans, pick-up trucks and SUVs were sold respectively, with revenue amounting to RMB3,147,206,000, RMB2,729,783,000 and RMB3,737,691,000 respectively. The revenue from the two main groups of customers, namely (1) dealers; and (2) government entities and individual customers amounted to RMB9,775,601,000 and RMB244,046,000 respectively.

	For the year ended 31 December 2009			For the year ended 31 December 2008		
	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	**172,909**	**9,775,601**	**97.6**	61,639	3,990,847	91.2
Government entities and individual customers	**4,268**	**244,046**	**2.4**	6,577	386,048	8.8
Total	**177,177**	**10,019,647**	**100.0**	68,216	4,376,895	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 2009 and 2008:

	2009		2008	
	Sales revenue *(RMB'000)*	**As a percentage of domestic automobile sales** *(%)*	Sales revenue *(RMB'000)*	As a percentage of domestic automobile sales *(%)*
Northern region	**1,978,410**	**19.7**	965,203	22.1
Northeastern region	**761,974**	**7.6**	413,423	9.4
Northwestern region	**1,160,923**	**11.6**	452,196	10.3
Southwestern region	**1,860,505**	**18.6**	757,306	17.3
Eastern region	**2,310,998**	**23.1**	918,898	21.0
Central region	**1,946,837**	**19.4**	869,870	19.9
Total	**10,019,647**	**100.0**	4,376,895	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

Under the continued influence of the global financial crisis, sales in the Company's existing overseas markets still did not pick up in 2009. Yet, with the gradual recovery of the global economy, the export sales volume began to improve in the fourth quarter when compared with the previous three quarters. With the increase in the sales volume of the Company's newly developed markets and the recovery of the existing markets, the Company expected its export volume would rebound in 2010.

As at 31 December 2009, the export volume of automobiles reached 32,683 units, representing a decrease of 37.4% from that of the previous year. The total export value of automobiles amounted to RMB1,810,732,000, representing a decrease of 47.7% from that of the previous year and accounting for approximately 14.6% of the total revenue of the Group.

The export volume of pick-up trucks, SUVs and sedans during the Year amounted to 26,671 units, 3,280 units and 2,327 units respectively, with export value amounting to RMB1,384,596,000, RMB249,293,000 and RMB100,023,000 respectively, representing decreases of 7.9%, 85.1% and 11.9% from those of the previous year respectively. Pick-up trucks, SUVs and sedans accounted for 78.5%, 14.1% and 5.7% of the total export value respectively.

In September 2009, Hover, Florid, Coolbear and Wingle, the four star models of the Company, obtained the European Community Whole Vehicle Type Approval ("ECWVTA"). The Company therefore became the first and the only PRC enterprise which received the approval to sell cars with ECWVTA without restrictions within the European Union ("EU"). Such approval reflected the widespread recognition of Great Wall Motor's product quality in the European markets.

During the Year, the Group's SUV model — GW Hover was the representative for the PRC automobile industry to participate in and complete the Dakar Rally, which was a proof of excellence of Hover and enhanced the Group's global profile.

The Group's major export markets included the Middle East, Africa, Asia Pacific, Central America and South America, which formed a solid international sales network. In 2009, the Group exported its products to 121 countries and regions.

During the Year, the Company participated in the 13th Auto Shanghai, the 7th Guangzhou Auto Show, 2009 Changchun International Auto Expo and other international automobile exhibitions. The automobiles exhibited by the Group at the shows received positive response from the industry and consumers. The Group's participation in the exhibitions has helped enhance the brand image of the Company's products.

Launch of new products

During the Year, the Company launched two small displacement sedans — Coolbear and Phenom, and introduced news models with different accessories and automatic transmission. During the Year, the Company launched a SUV model — Hover H3, which was well received by the market, thus boosting the Company's SUV sales volume further.

Florid 1.3L and 1.5L VVT, Florid CVT, Cowry 09, GW Peri 09 were models modified on existing models of the Group. Florid CVT was the Company's first sedan model with automatic transmission.

Outlook

Despite the influence of the global financial crisis, the PRC economy sustained a stable growth that surpassed other countries in 2009. With the gradual recovery in the international market, export volume is expected to rise accordingly.

In the coming year, Great Wall Motor will continue to develop its business in SUVs and pick-up trucks, while striving to expand its sedan's operations.

In addition, in order to meet the growing demand in the domestic and overseas markets driven by the global economic recovery, Great Wall Motor will further increase its investment in production facilities, as well as research and new product development of automobiles and automotive parts and components.

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 internationalisation process, while strengthening its leading position in the PRC's pick-up truck market and its competitive edges in the SUV market.

For the SUV product series, the Company plans to launch two new models with engines of 2.0L, 2.4L and 2.5L in the first half of 2010.

In 2010, the Group will launch a brand new model of a 3-cabin sedan and will modify existing models by installing different accessories in order to offer consumers a wider selection.

With respect to automotive parts and components, the Company will introduce an engine for a 3-cabin vehicle and two transmissions which is due to be launched in the market. Trials have already been carried out with these three new products, which are expected to complete and commence production in the second half of 2010.

With government support for small displacement vehicles and people's more rational consumption, small displacement vehicles and diesel cars, which are more fuel economic, gain extensive market attention. The Group will focus on small displacement sedans, with an aim to further expand its sedan market and its market share.

Export markets

The Group expects it will still take some time for the overseas markets to pick up from the global financial crisis. With the gradual recovery of the worldwide economy, the overall export market will gradually improve.

The Group will continue to tap into new markets abroad, as well as increase its brand competitiveness and influence. The Group will develop different vehicle models to meet the specific demands of individual markets, and scale up its overseas knocked down ("KD") kit operations to satisfy overseas demand. In 2010, the Company's complete knock down ("CKD") assembly plant in Russia will complete construction and commence operation, which will boost sales in Russia.

With regard to overseas markets, the Company will not only consolidate its existing markets in the Middle East, Africa, Asia Pacific and South America, but will also intensify its efforts in the development of the markets in Australia and South Asia.

During the Year, the Company entered into a collaborative agreement with Litaikesi Grisa Gancev Commercial Co., Ltd., Bulgaria, regarding the construction of an assembly plant there. The agreement enables Great Wall Motor to assemble and distribute vehicles using a CKD approach, as well as to export to nearby EU or non-EU countries. This collaboration is significant for the Group to tap into the European markets. Construction of the Bulgaria plant is expected to be substantially completed in 2010, and operation will commence in 2011.

New facilities

During the Year, construction of the automobile production base and its relevant auxiliary facilities in Tianjin has commenced and it is expected that production will start in the first quarter of 2011. Up to now, the first phase of lightings and transmission projects has been completed and production has commenced.

Construction of Phase I of the Company's Tianjin production base, with an annual production capacity of 250,000 units, will be completed in 2010, while that of Phase II with the same annual production capacity will be completed in 2012.

Future objectives

This year, Great Wall Motor will extend its sales network to include the second and third tier markets, and provide products according to the market demand. The Group will actively develop quality yet affordable products for the rural markets, while increasing its support to dealers. Great Wall Motor will strive to expand its points of sales by 100 per cent in the coming year.

The Company aims to be the number one in the market segment of A0-class 2-cabin sedans and strives to be a leading A-grade family sedan producer.

The Group will adhere to its existing operating strategies: proceed with product diversification while maintaining its share in the segmented markets; expand production volume, while ensuring product quality; increase investment in the R&D of automobiles and automotive parts and component to enhance R&D capacity and expedite the launch of new products; maintain steady growth in the production and sales volume, export volume, sales revenue and profit as well as market leadership.

EXECUTIVE DIRECTORS

魏建軍先生 (Mr. Wei Jian Jun) ("Mr. Wei"), aged 46, is the chairman of the Company. He is responsible for formulating the management philosophy, determining the business strategies of the Group and providing guidance for the development of new products. Mr. Wei graduated from 中共河北省委黨校 (the Committee College of Hebei Province of the PRC Communist Party) in 1999 specializing 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. He joined 保定長城汽車工業公司 Baoding Great Wall Motor Industry Company (the predecessor of the Company) as a general manager in 1990. In 1991, he undertook contractual operation of 長城汽車工業公司 (Great Wall Motor 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), "中國民營企業傑出代表" (China Privately-owned Enterprise Outstanding Representative) in 2003, "中國汽車工業基礎人物" (Key Figure in the China Auto Industry) in 2008 and "河北省個體私營經濟領軍人物" (Leader for Individual, Privately-owned Enterprises in Hebei) in 2009. Mr. Wei is currently the deputy chairman of "保定市工商聯合會" (the Baoding Industry and Commerce Association) and the representative to the People's Congress of Hebei Province. In addition, Mr. Wei is also a director of the Company's substantial shareholder, 保定創新長城資產管理有限公司 (Baoding Innovation Great Wall Asset Management Company Limited). Details of the disclosed interests of the aforementioned substantial shareholder are set out under the section of "Shares held by substantial shareholders".

劉平福先生 (Mr. Liu Ping Fu) ("Mr. Liu"), aged 60, is an assistant political work professional and the vice chairman of the Company. Mr. Liu graduated from 河北師範學院 (Hebei Normal College) specializing in Chinese language and literature 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 as a director of 保定市瑞豐企業策劃有限公司 (Boading 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) ("Ms. Wang"), aged 39, is an executive director and 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's degree in economics. Ms. Wang was accredited as 第五屆保定市十大傑出青年 (The fifth Baoding 10 Outstanding Young People) in 1999 and 河北省傑出青年企業家 (Hebei Outstanding Young Entrepreneur) and was awarded 中國行銷人「金鼎獎」傑出行銷總經理獎 (the Chinese Marketing Professional "Golden Tripod" Outstanding Marketing General Manager Award) in 2000, 中國汽車營銷總經理鹿鼎獎 (the "Luding Award" for PRC Marketing General Manager) and 中國改革開放30年百名女性新聞人物獎 ("Top 100 female newsmakers in the 30 years since PRC's economic reform) in 2008, 營銷風雲人物獎 (Top Marketing Professional of the Year) in 2009. Ms. Wang has over 10 years of experience in sales and marketing management. She joined the Company in 1991 and is concurrently the general manager of 保定長城汽車銷售有限公司 (Baoding Great Wall Automobile Sales Company Limited).

胡克剛先生 (Mr. Hu Ke Gang) ("Mr. Hu"), aged 64, is an executive director and deputy general manager of the Company. Mr. Hu graduated from 河北大學 (Hebei University) in 1987, majoring in laws. He was recognised 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 Qualifi cation 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 (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) ("Ms. Yang"), aged 43, is an executive director of the Company. She graduated from 河北大學 (Hebei University) in 1987, majoring in laws and was admitted to practise law in the PRC 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 Company in 1999 as the 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 also participated 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) ("Mr. He"), aged 33, is a non-executive director of the Company. He graduated from 復旦大學 (Fudan University) in 1997, majoring in international economic laws and obtained a bachelor's degree in laws. He worked as an intern in Shanghai branch of 君合律師事務所 (Jun He Law Offices) in 1996. From June 1997, he worked in the Investment Bank Headquarters of 南方證券有限責任公司 (China Southern Securities Company Limited). From March 2002 to December 2005, Mr. He Ping successively acted as 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) ("Mr. Niu"), aged 35, is a non-executive director of the Company, graduated from 河北科技大學 (Hebei University of Science and Technology) in 1996, majoring in marketing. 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). From 2002 to 2008, he acted as 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

黃之強先生 (Mr. Wong Chi Keung) ("Mr. Wong"), aged 55, 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, International Entertainment Corporation, PacMOS Technology Holdings Limited, Paliburg Holdings Limited, Regal Hotels International Holdings Limited and TPV Technology Limited, all of which are listed on The Stock Exchange of Hong Kong Limited. Mr. Wong has over 29 years of experience in finance, accounting and management. In 2009, Mr. Wong resigned from his position as an independent non-executive director of the Company.

韋琳女士 (Ms. Wei Lin) ("Ms. Wei"), aged 47, is an independent non-executive director of the Company. Ms. Wei graduated from Tianjin University of Finance & Economics in 1986 with a major in accounting and acted as a teaching fellow in the university. She also obtained an MBA degree from the MBA programme jointly organised by Tianjin University of Finance & Economics and 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 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.

李克強先生 (Mr. Li Ke Qiang) ("Mr. Li"), aged 48, is 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 head 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 and special expert of the Society of Automotive Engineers of China and a member of the editorial board of International Journal of ITS Research. He is specialising in the 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.

賀寶銀先生 (Mr. He Bao Yin) ("Mr. He"), aged 46, is an independent non-executive director of the Company. He graduated from 中國政法大學 (China University of Political Science and Law) with a LLM in 1987. He taught at 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 (Jincheng Tongda & NEAL) in 1993 and since then he has been practicing as a lawyer. He is currently a legal advisor of 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).

蔣旭熙先生 (Mr. Kenneth Tseung Yuk Hei) ("Mr. Tseung"), aged 46, is an independent non-executive director of the Company. Mr Tseung graduated from 澳洲麥覺理大學 (Macquarie University Australia) with a bachelor's degree of economics. He is the member of the CPA Australia and have 20 years of experience in finance and accounting. Mr. Tseung is the Managing Director of the Equity Corporate Finance Department of Standard Chartered Bank.

SUPERVISORS

朱恩澤先生 (Mr. Zhu En Ze), aged 65, graduated from Agricultural University of Hubei 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 50, graduated from the College of Economics Studies at 河北大學 (Hebei University), majoring in economic management in 1999 and has 18 years of experience in administrative management.

羅金莉女士 (Ms. Luo Jin Li) ("Ms Luo"), aged 50, graduated from 河北師範大學 (Hebei Normal University), majoring in physics in 1982. In July 1982, Ms. Luo taught 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), responsible for 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 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) ("Mr. Hu"), aged 38, is a deputy general manager of the Company. Mr. Hu graduated from 河北大學 (Hebei University), majoring 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 Company in 1996 and worked in 保定市長城汽車營銷網絡有限公司 (Baoding Great Wall Automobile Sales Network Company Limited) as a head of external affairs department, and successively acted as 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) ("Mr. Huang"), aged 41, is a deputy general manager of the Company. Mr. Huang graduated from Beihang University in Beijing in 1991. He joined the Company in 1992, serving 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) ("Mr. Zhang"), aged 40, is a deputy general manager of the Company. Mr. Zhang graduated from 河北黨校 (Hebei Party School), majoring 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 a deputy general manager of the Company on 20 June 2006.

鄭春來先生 (Mr. Zheng Chun Lai) ("Mr. Zheng"), aged 40, is a 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 acted as the general manager until 2008. He is the general manager of 保定市諾博橡膠製品有限公司 (Baoding Nuobo Rubber Manufacturing Company Limited). 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) ("Mr. Hao"), aged 37, is a 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 the general manager of the tooling center in March 2005. He is currently the general manager of External Investment and Development Department, and is principally responsible for external investment and development of the Group. He was appointed as a deputy general manager of the Company on 27 March 2007.

柴萬寶先生 (Mr. Chai Wan Bao) ("Mr. Chai"), aged 62, graduated from 空軍工程學院 (Airforce Engineering Institute), majoring 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) ("Ms. Li"), aged 47, is the chief financial controller of the Company. Ms. Li graduated from 河北財經學院 (Hebei Finance Institute), majoring 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 completed the relevant qualification examination on securities business for registered accountants and obtained a certificate of qualification. Ms. Li had been 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 enterprises 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 the management department. Ms. Li also worked as the 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 Company in 2001 and was appointed as the chief financial controller of the Company in May 2005.

COMPANY SECRETARY

白雪飛先生 (Mr. Bai Xue Fei) ("Mr. Bai"), aged 36, is a deputy general manager and company secretary of the Company. He graduated from 河北農業大學經濟管理學院 (Economic Management Faculty of Agricultural University of Hubei) with a bachelor's degree in economics in 1997. Mr. Bai had worked for 南大園鄉政府 (Nandayuan Town Government) and held the positions of a party commissioner and the director of government office, and a 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 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 2009 (the "Year").

PRINCIPAL BUSINESS

The Company is principally engaged in the design, research and development, manufacture and sales as well as distribution of SUVs, pick-up trucks, sedans and automobile-related parts and components. There has not been any significant change to the nature of the Group's principal activities during the Year.

The subsidiaries of the Company established in the PRC during the year ended 31 December 2009 or in previous years 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 2009 and the financial positions of the Company and the Group for the year ended 31 December 2009 are set out in the audited financial statements on pages 61 to 152.

The Board has proposed to declare a final dividend of RMB0.25 per H share and domestic share of the Company (before withholding enterprise income tax) for the year ended 31 December 2009, which accounted for approximately 31% of the distributable profit for 2009.

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				
Consolidated Results	**2009**	2008	2007	2006	2005
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	**12,396,387**	8,210,581	7,579,356	4,918,622	3,809,958
Costs of sales	**(10,248,059)**	(6,721,231)	(5,783,427)	(3,681,731)	(2,809,268)
Gross Profit	**2,148,328**	1,489,350	1,795,929	1,236,891	1,000,690
Other revenue and gains	**133,174**	143,599	62,443	66,798	42,003
Selling and distribution costs	**(704,830)**	(461,665)	(354,340)	(241,950)	(219,300)
Administrative expenses	**(296,340)**	(292,036)	(236,617)	(178,030)	(155,392)
Other expenses	**(342,644)**	(291,181)	(235,372)	(151,681)	(111,571)
Finance costs	**(26,986)**	(10,267)	(8,428)	(1,732)	(669)
Share of profits and losses of jointly-controlled entities	**15,149**	2,683	13,776	12,362	5,807
Share of profits and losses of associates	**6,410**	4,155	6,812	(2)	—
Profit before tax	**932,261**	584,638	1,044,203	742,656	561,568
Income tax expense	**139,619**	(33,478)	(36,838)	(9,799)	(69,659)
Profit after tax	**1,071,880**	551,160	1,007,365	732,857	491,909
Profit after tax attributable to owners of the parent	**1,022,553**	513,143	937,451	702,844	441,007
Profit after tax attributable to minority interests	**49,327**	38,017	69,914	30,013	50,902
	1,071,880	551,160	1,007,365	732,857	491,909

	As at 31 December				
Assets and Liabilities	**2009**	2008	2007	2006	2005
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Total assets	**15,063,397**	10,816,318	10,162,412	6,471,716	5,763,102
Total liabilities	**7,225,236**	3,798,876	3,304,621	2,011,673	1,912,552

USE OF PROCEEDS OF PUBLIC OFFERING (ADDITIONAL OFFERING)

In May 2007, the Company exercised the specific mandate granted at the general meeting held on 13 November 2006 to issue additional 151,072,000 H Shares at HK$10.65 per H Share to independent investors by way of placement. The net proceeds from the further issue of overseas listed shares (H shares), net of relevant expenses, amounted to approximately RMB1,542,460,000 (approximately HK$1,576,738,000). As at 31 December 2009, the actual uses of proceeds were as follows:

	Planned Use *RMB million*	Actual Use *RMB million*
Automobile engine parts and components		366
Automobile gearboxes	1,543	465
Cast parts		157
Plastic automobile fuel tanks		—
Rubber parts		69
Total	1,543	1,057

SHARE CAPITAL

Details of movements of the share capital of the Company as at 31 December 2009, together with the reasons for such movements, are set out in note 34 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the changes in property, plant and equipment of the Group and the Company during the year ended 31 December 2009, 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 the Consolidated Statement of Changes in Equity and note 35 to the consolidated financial statements, respectively.

DISTRIBUTABLE RESERVE

As at 31 December 2009, pursuant to the Company Law and the Articles of the Company, the distributable cash reserve of the Company was RMB2,254,869,000, of which RMB273,818,000 was proposed to be distributed as final dividend for 2009. In addition, the aggregate amount of the capital premium reserve and part of the capital reserves was RMB2,558,856,000, which may be distributed through capitalization issue in the future.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2009, the percentages of purchases and sales attributable to the Group's major suppliers and customers were as follows:

Purchases	
Largest supplier	4.93%
Five largest suppliers in aggregate	12.77%
Sales	
Largest customer	3.28%
Five largest customers in aggregate	11.96%

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 respectively. 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
Tseung Yuk Hei Kenneth	Appointed on 5 June 2009
Wong Chi Keung	Resigned on 5 June 2009

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

In May 2008, the Company entered into new service agreements with each of the executive directors and supervisors, and entered into appointment letters with each of the non-executive directors and independent non-executive directors appointed or re-appointed in 2008. Pursuant to the above service agreements and appointment letters, the terms of directors are three years expiring in May 2011, and that of supervisors will expire until the expiry of the third session of the Supervisory Committee. The Company has also entered into an appointment letter with Tseung Yuk Hei Kenneth, an independent non-executive director appointed on 5 June 2009, with a term of two years expiring in May 2011. Save as disclosed above, none of the directors or supervisors had entered into or proposed 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.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

All independent non-executive directors, including those resigned and appointed in 2009, namely Ms. Wei Lin, Mr. Li Ke Qiang, Mr. He Bao Yin and Mr. Tseung Yuk Hei Kenneth, 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 note 40 to the financial statements headed "Related Party Transactions" 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 2009 or at the end of 2009 which was significant to the business of the Company or any of its subsidiaries.

MATERIAL CONTRACTS

The material contracts as at 31 December 2009 include:

On 27 July 2009, the Company entered into an Equity Transfer Agreement in Chinese with Wenzhou Huanqiu Automobile Gasket Company Limited (溫州市環球汽車襯墊有限公司), pursuant to which the Company acquired 49% of equity interest in Baoding Huanqiu Auto Spare Parts Company Limited (保定環球汽車零部件有限公司) from Wenzhou Huanqiu Automobile Gasket Company Limited at a consideration of RMB7.5 million. The agreement was approved and a business licence for enterprise legal person was re-issued by the Baoding Municipal Administration for Industry and Commerce on 25 August 2009.

MANAGEMENT CONTRACTS

No contract concerning the management or administration of the entire 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 2009, 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 of Hong Kong (the "SFO")), 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 required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers under 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") is controlled by Mr. Wei Jian Jun. Accordingly, pursuant to the SFO, Mr. Wei Jian Jun is deemed to be interested in the 417,610,760 domestic shares directly and indirectly held by Innovation GW.

Save as disclosed above, as at 31 December 2009, 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 required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers 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 2009 are as follows:

Holders of Domestic Shares	2
Holders of H Shares	1,623
Total number of shareholders	1,625

SHARES HELD BY SUBSTANTIAL SHAREHOLDERS

As at 31 December 2009, the following shareholders (excluding the directors, supervisors and 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 %
Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司) (Note 1)	417,610,760(L)*	61.23		38.13
Boading Ruifeng Corporation Plan Company (保定市瑞豐企業策劃有限公司) (Note 2)	264,389,240(L)*	38.77		24.14
The Management Centre of Collective Asset of Nandayuan Town, Nanshi District, Baoding) (保定市南市區南大園鄉集體資產經管中心) (Note 3)	264,389,240(L)*	38.77		24.14
Cheah Capital Management Limited	45,111,500(L)		10.91	4.12
Cheah Company Limited	45,111,500(L)		10.91	4.12
Hang Seng Bank Trustee International Limited	45,111,500(L)		10.91	4.12
Value Partners Group Limited	45,111,500(L)		10.91	4.12
Value Partners Limited	45,111,500(L)		10.91	4.12
Du Qiaoxian (杜巧賢)	45,111,500(L)		10.91	4.12
Xie Qinghai (謝清海)	45,111,500(L)		10.91	4.12
JPMorgan Chase & Co.	28,905,300(L) 28,516,300(P)		6.99 6.90	2.64 2.60
AllianceBernstein L.P. (Formerly "Alliance Capital Management L.P.")	25,132,500(L)		6.08	2.29

(L) denotes a long 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 approvals as stipulated under the applicable laws and administrative regulations and as prescribed by the State Council. Pursuant to the SFO, 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.

(2) 保定市瑞豐企業策劃有限公司 (Baoding Ruifeng Corporation Plan Company) ("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資產經營中心 (The Management Centre of Collective Asset of Nandayuan Town, Nanshi District, Baoding) ("the Management Centre") was established on 28 March 2001 as a collectively-owned enterprise 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 collectively-owned assets of the town. As Ruifeng is controlled by the Management Centre, the Management Centre is deemed to be interested in the share capital of the Company held by Ruifeng pursuant to the SFO.

Save as disclosed above, as at 31 December 2009, so far as the directors, supervisors or chief executive officer of the Company are aware, no other person (excluding the directors, supervisors and 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 maintained pursuant to Section 336 of the SFO.

PUBLIC FLOAT

Based on the public information available and to the knowledge of the directors of the Company, as at the date of this report, the directors confirm that approximately 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 Company confirms that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules. 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 agreements governing them; and

4. on terms that are fair and reasonable and in the interests of the shareholders 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 caps previously disclosed.

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 of non-exempted continuing connected transaction during 2009	Aggregate value for the year ended 31 December 2009
		RMB'000	*RMB'000*
1.	Transportation and delivery services provided by logistics companies	60,000	7,057
2.	Fixed assets transactions between 魏氏集團 and the Group	135,000	10,588
3.	Purchase of automobile parts and components between 魏氏集團 and the Group	60,000	5,468
4.	Purchase of automobile air-conditioning components from Shanghai Shuanghua	122,000	81,367

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

Connected Transaction	Date of Transaction	Parties involved Party A	Party B	Nature and extent of interests attributable to connected parties	Purpose of Transaction	Consideration *RMB'000*	Date of Announcement
Capital injection of Baoding Smart Automobile Accessories Company Limited (保定斯瑪特汽車配件有限公司)	26 March 2009	The Company	Dragonet International Company Limited (驕龍國際有限公司)	Party B is the substantial shareholder of some subsidiaries	Expansion	20,000	26 March 2009
49% equity interests in Baoding Huanqiu Auto Spare Parts Company Limited	27 July 2009	The Company	Wenzhou Huanqiu Automobile Gasket Company Limited	Party B is the controlling shareholder of a subsidiary	Strengthening control over the subsidiary by the Company	7,497	27 July 2009

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 benefits in kind.

Details of the remuneration of the directors for 2009 are set out in note 8 to the financial statements.

Non-executive Directors

In connection with the remuneration of the non-executive directors, an amount of no less than RMB40,000 per annum as the remuneration to each of them 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 remuneration in recruiting, retaining and motivating employees. Bonuses and incentives may also be awarded to employees based on their individual performance as incentives and rewards for individual employees.

UNCOLLECTED DIVIDENDS

As at 31 December 2009, as for the Company's 2005 final dividend, there were 83 unclaimed final dividends, amounting to HK$7,541.60. As for the Company's 2006 final dividend, there were 71 unclaimed dividends, amounting to HK$10,092.15, and as for the Company's 2007 final dividend, there were 65 unclaimed dividends, amounting to HK$12,248.50, and as for the Company's 2008 final dividend, there were 72 unclaimed dividends, amounting to HK$10,552.40.

MATERIAL LITIGATIONS

During the period, save for the litigation between the Company and Fiat Group Automobiles S.p.A of Italy at the Court of Turin in Italy regarding the patent of the automobile model GWPeri of the Company, the Company was not involved in any material litigation. The first hearing of the case was held on 14 July 2009 at the Court of Turin and the second hearing was held on 24 March 2010. No judgment has yet been made.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

CORPORATE GOVERNANCE

To the knowledge of directors, throughout the year ended 31 December 2009, the Company has complied with all 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 25 March 2010 to review the annual report and annual financial statements of the Group and to give their opinions and recommendations to the Board. The Audit Committee is of the opinion that the annual report and the annual financial statements for 2009 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 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 own code of conduct regarding securities transactions by all directors. Having made specific enquiry to the directors and based on the information available, the Board considers 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 2009. 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

26 March 2010

Report on Corporate Governance Practices

The Company is committed to enhancing its standard of corporate governance by improving its transparency, independence, accountability and fairness. 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 the explanation of deviation from the "Code on Corporate Governance Practices" (if any).

Principal Corporate Governance Principles and Practices of the Company

A. Board of Directors

The board should have a balance of skills and experience appropriate for the requirements of the business of the company.

- The Board of the Company comprised five executive directors, two non-executive directors and four independent non-executive directors.

- All independent non-executive directors complied with the guidelines on independence set out under Rule 3.13 of the Listing Rules and have not violated any provision thereunder throughout the year.

- There is no 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 26 to 31 and 36 respectively.

Deviation: 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 day-to-day operations of the Company and other matters authorized by the Board.

Deviation: 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 at 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 and Mr. Li Ke Qiang who were appointed as Independent Non-executive Directors by the Company and Mr. Kenneth Tseung Yuk Hei who was elected as an Independent Non-executive Director for a term of two years on 5 June 2009, the remaining directors of the Company, including non-executive directors, were re-elected on 10 May 2008 for a term of three years. Mr. Wong Chi Keung resigned as an Independent Non-executive Director on 5 June 2009.

Deviation: NIL

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

- The board meets regularly and board meetings are held at least four times a year. 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 extraordinary meetings to discuss matters requiring a decision by the Board. The management is authorized to exercise discretion on day-to-day operation.

- The Board is accountable to the general meeting and discharges 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 annual 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 in 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 day-to-day operations.

- The Articles of the Company clearly stipulate that the general manager of the Company is responsible for implementing various strategies and overseeing the day-to-day 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 authority. The management is authorized and entrusted by the Board to implement the strategies and oversee the day-to-day 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 policies of the Company and supervising its implementation. The Strategy Committee will provide recommendations to the management from time to time in accordance with the prevailing market environment and changes in policies. The Audit Committee, Strategic Committee and Remuneration Committee report to the Board on a regular basis.

Audit Committee	**Strategy 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
Kenneth Tseung Yuk Hei (appointed on 5 June 2009)	He Bao Yin	
	He Ping	
Wong Chi Keung (resigned on 5 June 2009)		

Deviation: 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 eight 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 mid-year and at the end of the year. Additional meetings were also held to consider important matters arising from time to time. Directors may attend such meetings in person or through other electronic means of communication.

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

- 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 are available for inspection by the directors at any time. 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 have a conflict of interests or deemed to be materially interested 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 advice 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 2009:

Attendance of individual directors in meetings of the Board in 2009

	Full Meeting of the Board of Directors No. of attendance/ No. of Meetings	Attendance rate
No. of meetings		8
Chairman		
Wei Jian Jun	8/8	100%
Executive directors		
Liu Ping Fu	8/8	100%
Wang Feng Ying	8/8	100%
Hu Ke Gang	8/8	100%
Yang Zhi Juan	8/8	100%
Non-executive directors		
Niu Jun	8/8	100%
He Ping	8/8	100%
Independent non-executive directors		
Wei Lin	8/8	100%
He Bao Yin	8/8	100%
Li Ke Qiang	8/8	100%
Kenneth Tseung Yuk Hei (appointed on 5 June 2009)	4/4	100%
Wong Chi Keung (resigned as a director on 5 June 2009)	4/4	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 relating to day-to-day operation are subject to the decision of the management, which reports to the Board.

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

Deviation: 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 up-to-date information on trading of H shares of the Company in Hong Kong on each trading day 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 the committees of the Company currently comprise non-executive directors.

Deviation: 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.

Deviation: NIL

B. Remuneration of Directors and Senior Management

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

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

Attendance of committee members in meetings of the Remuneration Committee in 2009

No. of meetings		1
Time and Business	**16 April 2009 To review the remuneration policies for directors and senior management of the Company**	
	No. of attendance/ No. of Meetings	**Attendance rate**
Wei Lin	1/1	100%
He Bao Yin	1/1	100%
Wei Jian Jun	1/1	100%
Average attendance rate		100%

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

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

- In May 2008, the Company and each of the directors (except Mr. Kenneth Tseung Yuk Hee) entered into a Director's Service Contract for a term of three years, which set out their respective entitlements to the Directors' remuneration. In June 2009, the Company entered into an appointment letter with Mr. Kenneth Tseung Yuk Hee for a term of two years which also set out that he is entitled to the Directors remuneration.

Deviation: 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 at general meetings. The criteria for nomination of directors for re-election include the past performance of the respective directors and the suitability of the nominee as a director of a listed company. The Board as a whole is responsible for the recommendation, election and appointment of senior management of the Company. A board meeting was held on 17 April 2009 recommending that Mr. Kenneth Tseung Yuk Hei be elected as an Independent Non-Executive Director to fill the seat left vacant by Mr. Wong Chi Keung. All directors of the Company attended the meeting.

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 are 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 for the year ended 31 December 2009, 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.

Deviation: NIL

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

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

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

- The management is responsible for overseeing the day-to-day operations of the Company and regularly reviewing operational control.

- 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 management reviews.

Deviation: NIL

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

- Ernst & Young Hua Ming and Ernst & Young are the domestic and foreign external 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 Hua Ming and Ernst & Young amounted to RMB2.2 million and RMB630,000 respectively. Apart from these, for 2009 there was no charge payable for non-audit services by Ernst & Young Hua Ming and Ernst & Young.

- The Company set up an Audit Committee comprising all independent non-executive directors of the Company, including Ms. Wei Lin (as chairman), Mr. Li He Qiang, Mr. He Bao Yin, Mr. Kenneth Tseung Yuk Hei who was appointed on 5 June 2009 and Mr. Wong Chi Keung who resigned on 5 June 2009.

- 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, which stipulates 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 2009

No. of meetings		2
Time and Business	**16 April 2009 To review the annual financial report for 2008 10 August 2009 To review the interim financial report for 2009**	
	No. of Attendance/ No. of Meetings	**Attendance rate**
Wei Lin	2/2	100%
Li He Qiang	2/2	100%
He Bao Yin	2/2	100%
Kenneth Tseung Yuk Hei (appointed to the post on 5 June 2009)	1/1	100%
Wong Chi Keung (resigned from the post on 5 June 2009)	1/1	100%
Average attendance rate		100%

- The Audit Committee held a meeting on 25 March 2010 to review the audited results and annual financial report for the year ended 31 December 2009.

- 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 2009. Ernst & Young was reappointed as the foreign external auditor of the Company for 2009;

- 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 2008 Financial Report of the Company;

- At the meeting on 25 March 2010, the Audit Committee concluded that the Group's internal control system was effective and adequate, and that the Group had adopted the necessary control mechanisms to monitor and rectify non-compliance throughout 2009. The Audit Committee also reviewed and was satisfied with the adequacy of resources, qualifications and experience of the employees of the Group's accounting and financial reporting function, and their training programmes and budget.

Review of the Company's connected transactions in 2008.

- 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 matters relating to appointment, 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 substantially separate issue.

- At the annual general meeting, the chairman of the Board will answer and provide proper explanations to questions raised by shareholders, their proxies and members of the Audit Committee.

- The details of the procedures for voting by poll and the rights for demanding a poll are set out in the circular despatched to shareholders.

Deviation: NIL

Report of the Supervisory Committee

To all Shareholders,

During the year 2009, 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 third meeting of the second Supervisory Committee was held on 16 April 2009 at the conference room of the Company, whereupon the financial statements, profit allocation proposal and report of the Supervisory Committee for 2008 were reviewed and approved.

2. TASKS OF THE SUPERVISORY COMMITTEE IN THE REPORTING PERIOD

During the Reporting Period, not only did the Supervisory Committee attend all the meetings of the board of directors (the "Directors") of the Company (the "Board") in 2009, 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 2009.

(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 2009, 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 People's Republic of China, 26 March 2010

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 2009 will be held at 9:00 a.m. on Tuesday, 18 May 2010 at the 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 2009;

2. to declare a final dividend of RMB0.25 per share for the year ended 31 December 2009 to shareholders of the Company who are registered on the register of members of the Company as at the close of business on Friday, 16 April 2010;

3. to receive and adopt the report of the Board of Directors of 2009;

4. to receive and adopt the report of the Supervisory Committee of 2009;

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 2010 and the authorisation to the Board to fix the respective remunerations of the Company's PRC and international auditors;

6. to approve the resignation of Mr. Tseung Yuk Hei, Kenneth as an independent non-executive director of the Company; and

7. to elect Mr. Chan Yuk Tong 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;

By way of special resolution:

8. 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 placement 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.

By Order of the Board
Wei Jian Jun
Chairman

Baoding, People's Republic of China,
26 March 2010

Notes:

(A) The share register of the Company will be closed from Saturday, 17 April 2010 to Tuesday, 18 May 2010 (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 Friday, 16 April 2010, 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 Friday, 16 April 2010.

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

Computershare Hong Kong Investor Services Limited
Shops 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 Wednesday, 28 April 2010.

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

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

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

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

(E) To be valid, the proxy form, and if the proxy form is signed by a person under a power of attorney or other authority on behalf of the appointor, a notarially certified copy of that power of attorney or other authority, must be delivered to the Company's H shares share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than 24 hours before the time fixed 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 fixed 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.

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 63 to 152, which comprise the consolidated and company statements of financial position as at 31 December 2009, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows 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 Great Wall Motor Company Limited and of the Group as at 31 December 2009 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 Center
8 Finance Street, Central
Hong Kong
26 March 2010

Consolidated Income Statement

Year ended 31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
REVENUE	4, 5	**12,396,387**	8,210,581
Cost of sales		**(10,248,059)**	(6,721,231)
Gross profit		**2,148,328**	1,489,350
Other income and gains	5	**133,174**	143,599
Selling and distribution costs		**(704,830)**	(461,665)
Administrative expenses		**(296,340)**	(292,036)
Other expenses		**(342,644)**	(291,181)
Finance costs	7	**(26,986)**	(10,267)
Share of profits and losses of:			
Jointly-controlled entities		**15,149**	2,683
Associates		**6,410**	4,155
PROFIT BEFORE TAX	6	**932,261**	584,638
Income tax expense	10	**139,619**	(33,478)
PROFIT FOR THE YEAR		**1,071,880**	551,160
Attributable to:			
Owners of the parent	11	**1,022,553**	513,143
Minority interests		**49,327**	38,017
		1,071,880	551,160
BASIC EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	13	**RMB0.93**	RMB0.47

Details of the dividends payable and proposed for the year are disclosed in Note 12 to the financial statements.

Consolidated Statement of Comprehensive Income

Year ended 31 December 2009

	2009 *RMB'000*	2008 *RMB'000*
PROFIT FOR THE YEAR	**1,071,880**	551,160
OTHER COMPREHENSIVE INCOME		
Exchange differences on translation of foreign operations	**–**	(1,728)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**–**	(1,728)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**1,071,880**	549,432
ATTRIBUTABLE TO:		
Owners of the parent	**1,022,553**	511,415
Minority interests	**49,327**	38,017
	1,071,880	549,432

	Notes	2009 RMB'000	2008 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**4,205,777**	2,775,611
Prepaid land premiums	15	**971,978**	854,615
Construction in progress	16	**1,085,234**	1,830,388
Goodwill	17	**2,164**	2,164
Interests in jointly-controlled entities	19	**213,163**	178,015
Interests in associates	20	**22,507**	17,767
Available-for-sale financial investments	21	**1,200**	1,200
Deferred tax assets	32	**290,699**	73,174
Total non-current assets		**6,792,722**	5,732,934
CURRENT ASSETS			
Inventories	22	**1,589,925**	876,392
Trade receivables	23	**147,827**	251,936
Bills receivable	24	**3,237,728**	958,101
Available-for-sale financial investments	21	**150,000**	107,000
Prepaid tax		**93,740**	108,124
Prepayments and other receivables	25	**459,670**	689,366
Pledged bank balances	26	**470,452**	575,941
Cash and cash equivalents	26	**2,121,333**	1,516,524
Total current assets		**8,270,675**	5,083,384
CURRENT LIABILITIES			
Trade payables	27	**3,095,398**	1,413,364
Bills payable	28	**1,177,300**	1,318,212
Interest-bearing bank and other borrowings	29	**75,596**	—
Tax payable		**23,332**	8,537
Other payables and accruals	30	**2,116,105**	937,889
Dividends payable to minority shareholders		**11,342**	13,120
Provision for product warranties	31	**71,673**	40,692
Total current liabilities		**6,570,746**	3,731,814
NET CURRENT ASSETS		**1,699,929**	1,351,570
TOTAL ASSETS LESS CURRENT LIABILITIES		**8,492,651**	7,084,504
NON-CURRENT LIABILITY			
Deferred income	33	**654,490**	67,062
Total non-current liability		**654,490**	67,062
NET ASSETS		**7,838,161**	7,017,442

	Notes	2009 RMB'000	2008 RMB'000
EQUITY			
Equity attributable to owners of the parent			
Issued capital	34	**1,095,272**	1,095,272
Reserves	35	**6,223,574**	5,474,839
Proposed final dividends	12	**273,818**	164,291
		7,592,664	6,734,402
Minority interests		**245,497**	283,040
TOTAL EQUITY		**7,838,161**	7,017,442

Wei Jian Jun
Executive Director

Wang Feng Ying
Executive Director

Consolidated Statement of Changes In Equity

Year ended 31 December 2009

	Attributable to owners of the parent									
	Issued capital	Share premium account	Capital reserves (Note 35(i))	Statutory reserves	Exchange fluctuation reserve	Retained profits	Proposed final dividends	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 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**
Total comprehensive income for the year	–	–	–	–	–	1,022,553	–	1,022,553	49,327	1,071,880
Acquisition of minority interests	–	–	–	–	–	–	–	–	(57,154)	(57,154)
Transfer to statutory reserves	–	–	–	147,480	–	(147,480)	–	–	–	–
Dividends paid to minority shareholders	–	–	–	–	–	–	–	–	(29,716)	(29,716)
Final 2008 dividend declared	–	–	–	–	–	–	(164,291)	(164,291)	–	(164,291)
Proposed final dividend	–	–	–	–	–	(273,818)	273,818	–	–	–
At 31 December 2009	**1,095,272**	**2,561,788***	**(16,664)***	**1,166,373***	**(1,791)***	**2,513,868***	**273,818**	**7,592,664**	**245,497**	**7,838,161**

* These reserve accounts comprise the consolidated reserves of RMB6,223,574,000 as at 31 December 2009 in the consolidated statement of financial position.

Year ended 31 December 2008 (restated)

	Attributable to owners of the parent									
	Issued capital	Share premium account	Capital reserves (Note 35(i))	Statutory reserves	Exchange fluctuation reserve	Retained profits	Proposed final dividends	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 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
Total comprehensive income for the year	–	–	–	–	(1,728)	513,143	–	511,415	38,017	549,432
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 as at 31 December 2008 in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**932,261**	584,638
Adjustments for:			
Share of profits and losses of jointly-controlled entities		**(15,149)**	(2,683)
Share of profits and losses of associates		**(6,410)**	(4,155)
Gain on acquisition of a subsidiary	5	**—**	(231)
Gain on acquisition of minority interests	5	**(19,657)**	(13,517)
Foreign exchange differences, net		**8,980**	24,694
Interest on a bank loan	7	**92**	136
Recognition of deferred income	5	**(28,116)**	(4,639)
Income from disposal of available-for-sale financial investments	5	**(1,215)**	(8,334)
Loss on disposal of items of property, plant and equipment	6	**3,005**	387
Gain on transfer of prepaid land premiums as capital contribution to a jointly-controlled entity and an associate	5	**—**	(7,244)
Depreciation	6	**378,792**	230,731
Recognition of prepaid land premiums	6	**21,035**	7,134
Write-back of impairment of receivables, net	6	**(4,818)**	(2,399)
Loss on disposal of an associate	6	**1,563**	—
Write-down of inventories to net realisable value	6	**22,274**	37,677
Provision for product warranties	31	**52,048**	28,525
		1,344,685	870,720
Increase in inventories		**(468,232)**	(30,033)
Decrease/(increase) in trade receivables		**109,887**	(97,486)
Increase in bills receivable		**(2,279,627)**	(300,338)
Decrease in prepayments and other receivables		**151,545**	75,180
Increase/(decrease) in trade payables		**1,675,093**	(289,991)
(Decrease)/increase in bills payable		**(191,518)**	860,817
Increase/(Decrease) in other payables and accruals		**1,100,981**	(140,978)
Decrease in provision for product warranties		**(21,067)**	(27,229)
Cash generated from operations		**1,421,747**	920,662
Income taxes paid		**(48,728)**	(94,540)
Net cash flows from operating activities		**1,373,019**	826,122

	Notes	2009 RMB'000	2008 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment and construction in progress		**(959,966)**	(1,105,673)
Prepayments of land premiums		**(326,900)**	(664,723)
Acquisitions of subsidiaries		**—**	4,960
Acquisitions of minority interests		**(37,497)**	(120,000)
Disposal of an associate		**105**	—
Investments in jointly-controlled entities		**(20,000)**	(13,420)
Purchases of available-for-sale financial investments		**(1,942,160)**	(268,200)
Proceeds from disposal of items of property, plant and equipment		**3,199**	5,403
Proceeds from disposal of land premiums		**407**	—
Proceeds from disposal of available-for-sale financial investments		**1,899,160**	370,000
Dividend received from an associate		**2**	4,947
Income received from disposal of available-for-sale financial investments	5	**1,215**	8,334
Receipt of government grants	33	**634,159**	6,060
Net cash flows used in investing activities		**(748,276)**	(1,772,312)
CASH FLOWS FROM FINANCING ACTIVITIES			
New borrowings		**39,379**	3,594
Repayment of a bank loan		**—**	(3,594)
Interest paid		**—**	(136)
Dividends paid to minority shareholders		**(31,077)**	(29,524)
Dividends paid		**(164,291)**	(219,054)
Net cash flows used in financing activities		**(155,989)**	(248,714)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**468,754**	(1,194,904)
Cash and cash equivalents at beginning of year		**2,092,465**	3,312,063
Effect of foreign exchange rate changes, net		**(8,980)**	(24,694)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**2,552,239**	2,092,465
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents	26	**2,552,239**	2,092,465

Statement of Financial Position

31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**3,465,919**	2,070,377
Prepaid land premiums	15	**402,122**	479,817
Construction in progress	16	**969,054**	1,759,963
Investments in subsidiaries	18	**1,532,511**	1,014,628
Investments in jointly-controlled entities	19	**150,405**	130,405
Investments in associates	20	**14,635**	16,575
Available-for-sale financial investments	21	**1,200**	1,200
Deferred tax assets	32	**119,557**	17,407
Total non-current assets		**6,655,403**	5,490,372
CURRENT ASSETS			
Inventories	22	**485,321**	437,167
Trade receivables	23	**114,932**	248,936
Bills receivable	24	**2,606,677**	566,776
Dividends receivable		**13,244**	13,244
Prepaid tax		**91,310**	91,309
Prepayments and other receivables	25	**444,599**	659,101
Pledged bank balances	26	**233,728**	462,503
Cash and cash equivalents	26	**1,343,621**	938,447
Total current assets		**5,333,432**	3,417,483
CURRENT LIABILITIES			
Trade payables	27	**3,172,720**	1,457,923
Bills payable	28	**633,209**	1,003,555
Other payables and accruals	30	**1,293,744**	621,954
Provision for product warranties	31	**60,624**	26,857
Total current liabilities		**5,160,297**	3,110,289
NET CURRENT ASSETS		**173,135**	307,194
TOTAL ASSETS LESS CURRENT LIABILITIES		**6,828,538**	5,797,566
NON-CURRENT LIABILITY			
Deferred income	33	**311,286**	67,062
Total non-current liability		**311,286**	67,062
NET ASSETS		**6,517,252**	5,730,504

	Notes	2009 RMB'000	2008 RMB'000
EQUITY			
Issued capital	34	**1,095,272**	1,095,272
Reserves	35	**5,148,162**	4,470,941
Proposed final dividends	12	**273,818**	164,291
TOTAL EQUITY		**6,517,252**	5,730,504

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 2009, 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 investments 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 2009. 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 in prior 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 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's 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*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment — Vesting Conditions and Cancellations*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures — Improving Disclosures about Financial Instruments*
HKFRS 8	*Operating Segments*
HKAS 1 (Revised)	*Presentation of Financial Statements*
HKAS 18 Amendment*	Amendment to Appendix to HKAS 18 *Revenue — Determining whether an entity is acting as a principal or as an agent*
HKAS 23 (Revised)	*Borrowing Costs*
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*
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC)-Int 9 *Reassessment of Embedded Derivatives* and HKAS 39 *Financial Instruments: Recognition and Measurement — Embedded Derivatives*
HK(IFRIC)-Int 13	*Customer Loyalty Programmes*
HK(IFRIC)-Int 15	*Agreements for the Construction of Real Estate*
HK(IFRIC)-Int 16	*Hedges of a Net Investment in a Foreign Operation*
HK(IFRIC)-Int 18	*Transfers of Assets from Customers* (adopted from 1 July 2009)
Improvements to HKFRSs (October 2008)	Amendments to a number of HKFRSs

* Included in Improvements to HKFRSs 2009 (as issued in May 2009).

Other than as further explained below regarding the impact of HKAS 1 (Revised), HKFRS 7 Amendments and HKFRS 8, the adoption of these new and revised HKFRSs has had no financial effect on these financial statements and there have been no significant changes to the accounting policies applied in these financial statements.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (continued)

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

(a) HKAS 1 (Revised) *Presentation of Financial Statements*

HKAS 1 (Revised) introduces changes in the presentation and disclosures of financial statements. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, this standard introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group has elected to present two statements.

(b) Amendments to HKFRS 7 *Financial Instruments: Disclosures — Improving Disclosures about Financial Instruments*

The HKFRS 7 Amendments require additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by sources of inputs using a three-level fair value hierarchy, by class, for all financial instruments recognised at fair value. In addition, a reconciliation between the beginning and ending balance is now required for level 3 fair value measurements, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The fair value measurement disclosures are presented in Note 42 to the financial statements while the revised liquidity risk disclosures are presented in Note 43 to the financial statements.

(c) HKFRS 8 *Operating Segments*

HKFRS 8, which replaces HKAS 14 *Segment Reporting*, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group concluded that the operating segments determined in accordance with HKFRS 8 are the same as the business segments previously identified under HKAS 14. These revised disclosures, including the related revised comparative information, are shown in Note 4 to the financial statements.

2.3 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 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards*[1]
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards — Additional Exemptions for First-time Adopters*[2]
	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards — Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters*[4]
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment — Group Cash-settled Share-based Payment Transactions*[2]
HKFRS 3 (Revised)	*Business Combinations*[1]
HKFRS 9	*Financial Instruments*[6]
HKAS 24 (Revised)	*Related Party Disclosures*[5]
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*[1]
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation — Classification of Rights Issues*[3]
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement — Eligible Hedged Items*[1]
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement*[5]
HK(IFRIC)-Int 17	*Distributions of Non-cash Assets to Owners*[1]
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*[4]
Amendments to HKFRS 5 included in *Improvements to HKFRSs* issued in October 2008	Amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations — Plan to Sell the Controlling Interest in a Subsidiary*[1]
HK Interpretation 4 (Revised in December 2009)	*Leases-Determination of the Length of Lease Term in respect of Hong Kong Land Leases*[2]

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2009* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 2, HKAS 38, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16 are effective for annual periods beginning on or after 1 July 2009 while the amendments to HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, HKAS 36 and HKAS 39 are effective for annual periods beginning on or after 1 January 2010 although there are separate transitional provisions for each standard or interpretation.

1 Effective for annual periods beginning on or after 1 July 2009
2 Effective for annual periods beginning on or after 1 January 2010
3 Effective for annual periods beginning on or after 1 February 2010
4 Effective for annual periods beginning on or after 1 July 2010
5 Effective for annual periods beginning on or after 1 January 2011
6 Effective for annual periods beginning on or after 1 January 2013

2.3 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 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 statement of financial position 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 statement of financial position 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 and is not individually tested for impairment.

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 statement of financial position 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 in the consolidated statement of financial position.

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, 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.

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.

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

An assessment is made at the end of each reporting period 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).

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 the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation.

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

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 financial year end.

An item of property, plant and equipment and any significant part initially recognised 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.

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.

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Initial recognition and measurement

Financial assets within 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 investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. 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.

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 marketplace.

The Group's financial assets include cash and bank balances, pledged bank balances, available-for-sale financial investments, trade receivables, bills receivable, prepayments, and other receivables.

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

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. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognised in the income statement. These net fair value changes do 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.

The Group evaluates its financial assets at fair value through profit or loss (held for trading) to assess whether the intent to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management’s intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets in rare circumstances. The reclassification from financial assets at fair value through profit or loss to loans and receivables, available-for-sale financial investments or held-to-maturity investments depends on the nature of the assets.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement. 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.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in the income statement. The loss arising from impairment is recognised in the income statement in other operating expenses.

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment valuation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the income statement in other income, or until the investment is determined to be impaired, at which time the cumulative gain or loss is recognised in the income statement and removed from the available-for-sale investment valuation reserve. 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.

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.

The Group evaluates its available-for-sale financial investments whether the ability and intention to sell them in the near term are still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or to maturity. The reclassification to the held-to-maturity category is permitted only when the entity has the ability and intent to hold until the maturity date of the financial asset.

For a financial asset reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the income statement.

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 when:

- the rights to receive cash flows from the asset have expired;
- the Group has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement;
- and either (a) the Group has transferred substantially all the risks and rewards of the asset; or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, 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. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss 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). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. 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 estimated impairment loss increases or decreases because an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the income statement.

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.

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

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 removed from other comprehensive income and recognised in the income statement.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. The determination of what is "significant" or "prolonged" requires judgement. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement — is removed from other comprehensive income and recognised in the income statement. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement. Increases in their fair value after impairment are recognised directly in other comprehensive income.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of HKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, bills payable, and interest-bearing loans and borrowings.

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the income statement.

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.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is currently an enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate 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; and a discounted cash flow analysis.

Inventories

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

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories (continued)

Properties under development comprises prepaid land premium stated at cost and development expenditure which is stated at the aggregate amount of costs incurred up to the date of completion.

Cash and cash equivalents

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

For the purpose of the statements of financial position, 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 end of the reporting period 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 relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or 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, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

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

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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.

Deferred tax assets are recognised for all deductible temporary differences, carry forward 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 carry forward 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 the end of each reporting period 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. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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 by the end of the reporting period.

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.

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 the mainland of the PRC (the "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 expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, 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.

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 recorded by the entities in the Group are initially recorded using their respective 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 end of the reporting period. 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 end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the end of the reporting period and their income statements are translated into RMB at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated statement of cash flows, 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 end of the reporting period. 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 end of the reporting period, 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.

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 the end of each reporting period, 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 at the end of each reporting period.

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 the end of each reporting period 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 at the end of each reporting period.

3.2 SUMMARY OF SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Impairment of available-for-sale financial investments

The Group classifies certain financial assets as available for sale and recognises movements of their fair values in other comprehensive income. 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 2009, no impairment losses have been recognised for available-for-sale financial investments (2008: Nil). The carrying amount of available-for-sale financial investments measured at fair value was RMB150,000,000 (2008: RMB107,000,000).

Income tax

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

Deferred tax assets

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary difference and unused tax credit can be utilised. Significant management 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 2009 was RMB308,237,000 (2008: RMB416,776,000). Further details are contained in Note 32 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 2009 was RMB71,673,000 (2008: RMB40,692,000). Further details are contained in Note 31 to the financial statements.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised as a single business unit focusing on the manufacture and sale 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:

	2009	2008
	RMB'000	*RMB'000*
Mainland China	**10,585,655**	4,750,313
Iraq	**386,684**	262,098
Australia	**236,168**	89
Libya	**146,010**	—
South Africa	**129,744**	460,708
Italy	**117,068**	140,843
Chile	**101,075**	222,902
Russia	**48,759**	1,125,963
Other countries	**645,224**	1,247,665
	12,396,387	8,210,581

Revenue from external customers for each group of similar products and services are set out in Note 5 to these 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 Mainland China.

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

5. REVENUE, OTHER INCOME AND GAINS

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

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

	Note	2009 RMB'000	2008 RMB'000
Revenue			
Sale of automobiles		**11,784,122**	7,701,519
Sale of automotive parts and components and others		**612,265**	509,062
		12,396,387	8,210,581
Other income and gains			
Bank interest income		**58,307**	77,983
Government grants:			
Recognition of deferred income	33	**28,116**	4,639
Others*		**25,879**	31,651
Income from disposal of available-for-sale financial investments		**1,215**	8,334
Gains on transfer of prepaid land premiums as capital contributions to a jointly-controlled entity and an associate		**—**	7,244
Gain on acquisition of a subsidiary		**—**	231
Gain on acquisition of minority interests		**19,657**	13,517
		133,174	143,599

* Mainly representing value-added tax refunds for welfare companies.

6. PROFIT BEFORE TAX

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

	Notes	2009 RMB'000	2008 RMB'000
Cost of inventories sold		**10,248,059**	6,721,231
Depreciation	14	**378,792**	230,731
Recognition of prepaid land premiums	15	**21,035**	7,134
Minimum lease payments under operating leases in respect of land and buildings		**567**	61
Auditors' remuneration		**2,830**	3,864
Employee benefit expenses (including directors' and supervisors' remuneration (Note 8)):			
Wages and salaries		**638,410**	465,450
Retirement benefit contributions		**62,190**	48,786
		700,600	514,236
Provision for product warranties	31	**52,048**	28,525
Research costs included in other expenses		**335,152**	268,046
Foreign exchange differences, net		**7,741**	10,524
Write-down of inventories to net realisable value		**22,274**	37,677
Loss on disposal of items of property, plant and equipment		**3,005**	387
Loss on disposal of an associate		**1,563**	—
Write-back of impairment of receivables, net		**(4,818)**	(2,399)

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Group 2009 RMB'000	Group 2008 RMB'000
Interest on a bank loan	**92**	136
Discount interests of bills receivable and others	**26,894**	10,131
	26,986	10,267

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:

	2009 *RMB'000*	2008 *RMB'000*
Fees	**48**	48
Other emoluments:		
Salaries, allowances, and benefits in kind	**1,035**	1,012
Bonuses	**—**	—
Retirement benefit contributions	**9**	9
	1,092	1,069

(a) Independent non-executive directors

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

	2009 *RMB'000*	2008 *RMB'000*
Han Chuan Mo	**—**	16
Zhang Ming Yu	**—**	16
Zhao Yu Dong	**—**	16
He Bao Yin	**48**	32
Wei Lin	**48**	32
Li Ke Qiang	**48**	32
Wong Chi Keung	**96**	211
Tseung Yuk Hei	**103**	—
	343	355

There were no other emoluments payable to the independent non-executive directors during the year (2008: Nil).

8. DIRECTORS' AND SUPERVISORS' REMUNERATION (continued)

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

	Fees *RMB'000*	Salaries, allowances and benefits in kind *RMB'000*	Bonuses *RMB'000*	Retirement benefit contributions *RMB'000*	Total emoluments *RMB'000*
2009					
Executive directors:					
Wei Jian Jun	—	184	—	3	187
Liu Ping Fu	—	100	—	—	100
Wang Feng Ying	—	148	—	3	151
Yang Zhi Juan	—	62	—	3	65
Hu Ke Gang	—	102	—	—	102
Non-executive directors:					
He Ping	48	—	—	—	48
Niu Jun	—	—	—	—	—
Supervisors:					
Yuan Hong Li	—	—	—	—	—
Zhu En Ze	—	96	—	—	96
Luo Jin Li	—	—	—	—	—
	48	692	—	9	749

8. DIRECTORS' AND SUPERVISORS' REMUNERATION (continued)

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

	Fees *RMB'000*	Salaries, allowances and benefits in kind *RMB'000*	Bonuses *RMB'000*	Retirement benefit contributions *RMB'000*	Total emoluments *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

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:

	2009	2008
Directors	**1**	2
Employees	**4**	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 RMB881,000 (equivalent to HK$1,000,000), are as follows:

	2009	2008
	RMB'000	*RMB'000*
Salaries, allowances, and benefits in kind	**868**	617
Bonuses	**—**	—
Retirement benefit contributions	**—**	—
	868	617

10. TAX

Income tax

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

	2009	2008
	RMB'000	*RMB'000*
Hong Kong profits tax	**—**	—
PRC corporate income tax:		
Current corporate income tax	**77,906**	38,972
Deferred tax (Note 32)	**(217,525)**	(5,494)
	(139,619)	33,478

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 Mainland China are subject to corporate income tax at a rate of 25% on their taxable income for the two years ended 31 December 2009 and 2008.

10. TAX (continued)

Income tax (continued)

Pursuant to the original PRC Corporate Income Tax Law of the PRC for Enterprises with Foreign Investment and Foreign Enterprises and applicable local tax regulations, the 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 was entitled to a 50% reduction in the tax rate for corporate income tax for the three years ended 31 December 2009. Macs (Baoding) Auto A/C System Company Limited was exempted from corporate income tax for the two years ended 31 December 2006, and was entitled to a 50% reduction in the tax rate for corporate income tax for the three years ended 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 was exempted from corporate income tax for the two years ended 31 December 2009 and is entitled to a 50% reduction in the tax rate for corporate income tax for the three years ending 31 December 2012. Tianjin Great Wall Lean Automotive Parts Company Limited was exempted from corporate income tax for the two years ended 31 December 2009 and is entitled to a 50% reduction in the tax rate for corporate income tax for the three years ending 31 December 2012. Tianjin Great Wall Wantong Automotive Parts Company Limited was exempted from corporate income tax for the two years ended 31 December 2009 and is 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, Baoding Great Wall Internal Combustion Engine Manufacturing Company Limited and Baoding Yixin Auto Parts 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.

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 and Macs (Baoding) Auto A/C System Company Limited were entitled to deduct corporate income tax in the amount of RMB108,539,000 for the year ended 31 December 2009 (2008: RMB49,614,000).

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:

	2009		2008	
	RMB'000	**%**	*RMB'000*	*%*
Profit before tax	**932,261**		584,638	
At the PRC corporate income tax rate	**233,065**	**25.0**	146,160	25.0
Profits and losses attributable to jointly-controlled entities and associates	**(5,390)**	**(0.6)**	(1,709)	(0.3)
Additional deduction of expenses	**(40,520)**	**(4.4)**	(32,457)	(5.6)
Tax effect of expenses not deductible for tax purposes	**4,775**	**0.5**	6,451	1.1
Income not subject to tax	**(4,914)**	**(0.5)**	(10,643)	(1.8)
Tax holiday and exemptions	**(326,635)**	**(35.0)**	(74,324)	(12.7)
Actual income tax expense	**(139,619)**	**(15.0)**	33,478	5.7

The share of tax attributable to jointly-controlled entities and associates amounting to RMB638,000 (2008: RMB50,000) 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 an 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 Mainland China 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 OWNERS OF THE PARENT

The consolidated profit attributable to owners of the parent for the year ended 31 December 2009 includes a profit of RMB951,039,000 (2008: RMB393,566,000) which has been dealt with in the financial statements of the Company (Note 35).

12. PROPOSED FINAL DIVIDEND

	2009	2008
	RMB'000	*RMB'000*
Proposed final dividend — RMB0.25 (2008: RMB0.15) per ordinary share	**273,818**	164,291

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 RMB1,022,553,000 (2008: RMB513,143,000) and the weighted average number of ordinary shares of 1,095,272,000 (2008: 1,095,272,000) in issue during the year.

No diluting events existed during the years ended 31 December 2009 and 2008 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*
2009					
Cost:					
At 1 January 2009	1,213,732	1,879,639	83,281	460,300	3,636,952
Additions	1,455	59,877	7,495	32,956	101,783
Transfer from construction in progress (Note 16)	510,328	976,493	4,557	229,890	1,721,268
Reclassification	—	(83,685)	—	83,685	—
Transfer to construction in progress (Note 16)	—	(63,869)	—	—	(63,869)
Disposals	(4,217)	(8,251)	(4,859)	(4,117)	(21,444)
At 31 December 2009	1,721,298	2,760,204	90,474	802,714	5,374,690
Accumulated depreciation and impairment:					
At 1 January 2009	135,090	585,773	19,727	120,751	861,341
Depreciation provided during the year	48,513	217,715	10,977	101,587	378,792
Reclassification	—	(80,387)	—	80,387	—
Transfer to construction in progress (Note 16)	—	(56,934)	—	—	(56,934)
Disposals	(2,543)	(5,989)	(2,542)	(3,212)	(14,286)
At 31 December 2009	181,060	660,178	28,162	299,513	1,168,913
Net book value:					
At 31 December 2009	1,540,238	2,100,026	62,312	503,201	4,205,777

14. PROPERTY, PLANT AND EQUIPMENT (continued)

Group (continued)

	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

14. PROPERTY, PLANT AND EQUIPMENT (continued)

Company

	Buildings	Plant and machinery	Motor vehicles	Office equipment and others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
2009					
Cost:					
At 1 January 2009	**914,621**	**1,119,756**	**14,221**	**371,211**	**2,419,809**
Additions	**—**	**5,150**	**137**	**21,755**	**27,042**
Transfer from construction in progress (Note 16)	**487,910**	**934,140**	**3,993**	**225,443**	**1,651,486**
Disposals	**(216)**	**(9,690)**	**(2,300)**	**(1,739)**	**(13,945)**
At 31 December 2009	**1,402,315**	**2,049,356**	**16,051**	**616,670**	**4,084,392**
Accumulated depreciation:					
At 1 January 2009	**59,971**	**195,768**	**4,825**	**88,868**	**349,432**
Depreciation provided during the year	**33,220**	**157,567**	**1,412**	**86,377**	**278,576**
Disposals	**(52)**	**(6,728)**	**(1,206)**	**(1,549)**	**(9,535)**
At 31 December 2009	**93,139**	**346,607**	**5,031**	**173,696**	**618,473**
Net book value:					
At 31 December 2009	**1,309,176**	**1,702,749**	**11,020**	**442,974**	**3,465,919**
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

15. PREPAID LAND PREMIUMS

Group

	2009 RMB'000	2008 RMB'000
Carrying amount at 1 January	**854,615**	283,578
Prepaid land premiums during the year	**404,525**	585,244
Disposal of prepaid land premiums	**(407)**	—
Transfer out as capital contribution to a jointly-controlled entity	**—**	(3,555)
Transfer out as capital contribution to an associate	**—**	(3,518)
Transfer to inventories	**(265,720)**	—
Recognised during the year	**(21,035)**	(7,134)
Carrying amount at 31 December	**971,978**	854,615

Company

	2009 RMB'000	2008 RMB'000
Carrying amount at 1 January	**479,817**	225,630
Prepaid land premiums during the year	**198,798**	266,020
Transfer out as capital contribution to subsidiaries	**(267,575)**	—
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	**(8,918)**	(4,760)
Carrying amount at 31 December	**402,122**	479,817

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

	Notes	2009 RMB'000	2008 RMB'000
At 1 January		**1,830,388**	2,173,680
Additions		**969,179**	946,837
Transfer from property, plant and equipment	14	**6,935**	—
Transfer to property, plant and equipment	14	**(1,721,268)**	(1,290,129)
At 31 December		**1,085,234**	1,830,388

Company

	Note	2009 RMB'000	2008 RMB'000
At 1 January		**1,759,963**	2,059,795
Additions		**860,577**	897,337
Transfer to property, plant and equipment	14	**(1,651,486)**	(1,197,169)
At 31 December		**969,054**	1,759,963

17. GOODWILL

Group

	2009 RMB'000	2008 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

	2009 RMB'000	2008 RMB'000
Unlisted investments, at cost	**1,532,511**	1,014,628

The Company's other receivables, trade payables, bills payable and other payables with the subsidiaries are disclosed in Notes 25, 27, 28 and 30, 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 '000	Percentage of equity interests attributable to the Company Direct	Indirect	Principal activities
Baoding Great Wall Huabei Automobile Company Limited (保定長城華北汽車有限責任公司)	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 ("Engine Company")(i) (保定長城內燃機製造有限公司)	Mainland China 25 May 2000	RMB40,816	100	—	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#(ii) (保定長城汽車橋業有限公司)	Mainland China 13 December 2000	RMB68,720	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 (保定市諾博橡膠製品有限公司)	Mainland China 18 June 2001	RMB40,800	100	—	Manufacture of automotive parts and components
Baoding Changfu Pressings Company Limited#(ii) (保定長福沖壓有限公司)	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）空調系統有限公司)	Mainland China 18 January 2004	RMB20,339	51	—	Manufacture of automotive parts and components
Baoding Huanqiu Auto Spare Parts Company Limited ("Baoding Huanqiu")(iii) (保定環球汽車零部件有限公司)	Mainland China 5 April 2004	RMB15,300	100	—	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$8,500	100	—	Provision of advisory services relating to automobile technology and trading activities
Russia Great Wall Closed Joint-Stock Company Limited (俄羅斯長城股份有限公司)	Russia 13 October 2005	US$50	100	—	Export and import of automobile and related spare parts and provision of after-sale services

18. INVESTMENTS IN SUBSIDIARIES (continued)

Particulars of the subsidiaries are as follows: (continued)

Company name	Place and date of incorporation and operations	Nominal value of paid-up capital/ registered capital	Percentage of equity interests attributable to the Company Direct	Indirect	Principal activities
		'000			
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	RMB140,000	—	100	Manufacture of automotive parts and components
Great Wall Alabuga Motor Open Joint Stock Company(iv) ("Alabuga Company") (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
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	RMB85,000	100	—	Manufacture steel casting and provision of after-sale services
Tianjin Great Wall Motor Company Limited (天津長城汽車有限公司)	Mainland China 18 February 2008	RMB500,000	100	—	Manufacture of automotive parts and components
Baoding Great Wall Ants Logistics Company Limited (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 (億新發展有限公司)	Hong Kong 16 November 2005	HK$0.1	—	100	Investment holding

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
Tianjin Great Wall Wantong Automotive Parts Company Limited# (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	RMB10,000	—	100	Manufacture of automotive parts and components
Baoding Yixin Auto Parts Company Limited# (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# (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# (保定億美汽車零部件有限公司)	Mainland China 11 December 2006	RMB1,000	75	25	Inactive
Baoding Lean Automotive Occupational Training School(v) (保定市精益汽車職業培訓學校)	Mainland China 19 January 2009	RMB100	100	—	Inactive
Baoding Bochuang Real Estate Developing Company Limited(v) (保定市博創房地產開發有限公司)	Mainland China 7 May 2009	RMB380,000	100	—	Development of residential properties
Tianjin Boshi Automobile Parts Co., Ltd.(v) (天津博信汽車零部件有限公司)	Mainland China 4 November 2009	RMB10,000	—	100	Inactive

18. INVESTMENTS IN SUBSIDIARIES (continued)

Notes:

\# Sino-foreign joint ventures

(i) In February 2009, the Company acquired 9.8% of equity interests in Engine Company from Great Wall Motor Labour Union Committee for a total cash consideration of RMB30,000,000. Upon completion of this acquisition, the Company's equity interests in Engine Company increased from 90.2% to 100%.

(ii) In February 2009, Baoding Changcheng Vehicle Axles Industries Company was approved to combine with Baoding Changfu Pressings Company Limited. In December 2009, Baoding Changfu Pressings Company Limited completed dissolution.

(iii) In July 2009, the Company acquired 49% of equity interests in Baoding Huanqiu from Wenzhou Huanqiu Automobile Gasket Company Limited for a total cash consideration of RMB7,497,000. Upon completion of this acquisition, the Company's equity interests in Baoding Huanqiu increased from 51% to 100%.

(iv) 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. In June 2009, Alabuga Company completed dissolution.

(v) The Company established three new wholly-owned subsidiaries, Baoding Lean Automotive Occupational Training School, Baoding Bochuang Real Estate Developing Company Limited and Tianjin Boshi Automobile Parts Co., Ltd., in January, May and November 2009, respectively.

19. INTERESTS/INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES

	Group		**Company**	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Unlisted investments, at cost	**—**	—	**150,405**	130,405
Share of net assets	**213,163**	178,015	**—**	—
	213,163	178,015	**150,405**	130,405

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.

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

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 Automobile 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	54.67	50	54.67	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, the shareholding in which is held through a wholly-owned subsidiary of the Company, Baoding Xincheng Automobile Development Company Limited.

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

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

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

	2009 **RMB'000**	2008 *RMB'000*
Non-current assets	**173,458**	37,822
Current assets	**59,042**	151,952
Current liabilities	**(19,337)**	(11,759)
Net assets	**213,163**	178,015

Share of the jointly-controlled entities' results:

	2009 **RMB'000**	2008 *RMB'000*
Total revenue	**145,055**	84,910
Total expenses	**(129,994)**	(82,197)
Tax	**88**	(30)
Profit for the year	**15,149**	2,683

20. INTERESTS/INVESTMENTS IN ASSOCIATES

	Group		**Company**	
	2009 **RMB'000**	2008 *RMB'000*	**2009** **RMB'000**	2008 *RMB'000*
Unlisted investments, at cost	**—**	—	**14,635**	16,575
Share of net assets	**22,507**	17,767	**—**	—
	22,507	17,767	**14,635**	16,575

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.

20. INTERESTS/INVESTMENTS IN ASSOCIATES (continued)

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[(i)] (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[(i)] (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 ("Baoding Best")[(ii)] (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

(i) They are directly held by the Company.

(ii) It was held by Billion Sunny Development Limited, a wholly-owned subsidiary of the Company. During the year, it was disposed.

Share of associates' assets and liabilities:

	2009 *RMB'000*	2008 *RMB'000*
Non-current assets	**15,914**	15,073
Current assets	**35,485**	18,513
Current liabilities	**(28,892)**	(15,819)
Net assets	**22,507**	17,767

20. INTERESTS/INVESTMENTS IN ASSOCIATES (continued)

Share of associates' results:

	2009 RMB'000	2008 RMB'000
Total revenue	**83,831**	48,141
Total expenses	**(76,695)**	(43,966)
Tax	**(726)**	(20)
Profit for the year	**6,410**	4,155

21. AVAILABLE-FOR-SALE FINANCIAL INVESTMENTS

Group

	2009 RMB'000	2008 RMB'000
Unlisted equity investment, at cost	**1,200**	1,200
Unlisted investments, at fair value (note)	**150,000**	107,000

Company

	2009 RMB'000	2008 RMB'000
Unlisted equity investment, at cost, net of impairment	**1,200**	1,200

Note: The above investments comprised investments in financial products issued by banks at fair value of RMB150,000,000 (2008: RMB90,000,000), which were designated as available-for-sale financial investments with no fixed coupon rate. Besides, the Group held units of certain funds at fair value of RMB17,000,000 as at 31 December 2008.

22. INVENTORIES

Group

	2009 RMB'000	2008 RMB'000
Raw materials	**247,565**	353,495
Work in progress	**121,569**	116,746
Finished goods	**931,857**	413,150
Spare parts and consumables	**23,754**	15,505
Properties under development	**274,926**	—
	1,599,671	898,896
Provision for inventories	**(9,746)**	(22,504)
	1,589,925	876,392

The carrying amount of inventories carried at net realisable value included in the above balances was RMB127,447,000 (2008: RMB119,080,000).

Company

	2009 RMB'000	2008 RMB'000
Raw materials	**171,088**	145,660
Work in progress	**98,766**	38,471
Finished goods	**207,939**	262,408
Spare parts and consumables	**11,152**	3,728
	488,945	450,267
Provision for inventories	**(3,624)**	(13,100)
	485,321	437,167

The carrying amount of inventories carried at net realisable value included in the above balances was RMB46,377,000 (2008: RMB67,667,000).

23. TRADE RECEIVABLES

Group

	2009 RMB'000	2008 RMB'000
Trade receivables	**152,016**	262,241
Impairment	**(4,189)**	(10,305)
	147,827	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, as at the end of the reporting period, based on the invoice date, is as follows:

	2009 RMB'000	2008 RMB'000
Outstanding balances aged:		
Within 6 months	**147,383**	249,742
7 to 12 months	**1,598**	5,945
Over 1 year	**3,035**	6,554
	152,016	262,241
Impairment	**(4,189)**	(10,305)
	147,827	251,936

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

	2009 RMB'000	2008 RMB'000
At 1 January	**10,305**	12,348
Impairment losses recognised	**1,611**	6,516
Amount written off as uncollectible	**(338)**	197
Impairment losses reversed	**(7,389)**	(8,756)
At 31 December	**4,189**	10,305

23. TRADE RECEIVABLES (continued)

Group (continued)

As at 31 December 2009, included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of RMB4,189,000 (2008: RMB10,305,000) with a carrying amount before provision of RMB5,468,000 (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:

	2009 RMB'000	2008 RMB'000
Neither past due nor impaired	**146,548**	247,961
Less than 6 months past due	**1,279**	3,975
	147,827	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.

As at 31 December 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 RMB287,000 (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.

Company

	2009 RMB'000	2008 RMB'000
Trade receivables	**116,173**	256,836
Impairment	**(1,241)**	(7,900)
	114,932	248,936

23. TRADE RECEIVABLES (continued)

Company (continued)

An aged analysis of the trade receivables of the Company, as at the end of the reporting period, based on the invoice date, is as follows:

	2009 RMB'000	2008 RMB'000
Outstanding balances aged:		
Within 6 months	**114,760**	248,483
7 to 12 months	**567**	3,812
Over 1 year	**846**	4,541
	116,173	256,836
Impairment	**(1,241)**	(7,900)
	114,932	248,936

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

	2009 RMB'000	2008 RMB'000
At 1 January	**7,900**	3,688
Impairment losses recognised	**644**	5,687
Amount written off as uncollectible	**(6,965)**	—
Impairment losses reversed	**(338)**	(1,475)
At 31 December	**1,241**	7,900

As at 31 December 2009, included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of RMB1,241,000 (2008: RMB7,900,000) with a carrying amount before provision of RMB1,759,000 (2008: RMB11,655,000). The individually impaired trade receivables relate to customers that were in financial difficulties and only a portion of the receivables is expected to be recovered. The Company does not hold any collateral or other credit enhancements over these balances.

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

	2009 RMB'000	2008 RMB'000
Neither past due nor impaired	**114,414**	245,181
Less than 6 months past due	**518**	3,755
	114,932	248,936

23. TRADE RECEIVABLES (continued)

Company (continued)

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

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, 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:

	2009	2008
	RMB'000	*RMB'000*
Falling due:		
Within 3 months	**1,251,933**	407,501
4 to 6 months	**1,985,795**	550,600
	3,237,728	958,101

As at 31 December 2009, the Group's bills receivable amounting to RMB635,198,000 (2008: RMB274,485,000) were pledged to banks for issuing an equivalent amount of bills payable.

Company

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

	2009	2008
	RMB'000	*RMB'000*
Falling due:		
Within 3 months	**1,040,417**	238,392
4 to 6 months	**1,566,260**	328,384
	2,606,677	566,776

24. BILLS RECEIVABLE (continued)

Company (continued)

As at 31 December 2009, the Company's bills receivable amounting to RMB176,458,000 (2008: Nil) were pledged to banks for issuing an equivalent amount of bills payable.

25. PREPAYMENTS AND OTHER RECEIVABLES

Group

	2009 RMB'000	2008 RMB'000
Prepayments	**435,589**	401,065
Export VAT refunds	**92**	173,737
Other receivables	**28,288**	117,909
	463,969	692,711
Impairment	**(4,299)**	(3,345)
	459,670	689,366

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

	2009 RMB'000	2008 RMB'000
At 1 January	**3,345**	3,504
Impairment losses recognised	**1,139**	514
Amount written off as uncollectible	**(6)**	—
Impairment losses reversed	**(179)**	(673)
At 31 December	**4,299**	3,345

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

	2009 RMB'000	2008 RMB'000
Neither past due nor impaired	**23,004**	287,617
Less than 6 months past due	**1,077**	684
	24,081	288,301

25. PREPAYMENTS AND OTHER RECEIVABLES (continued)

Group (continued)

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 2009, included in the Group's prepayments are amounts due from companies that are controlled by the Group's key management personnel or their close family members amounting to RMB1,144,000 (2008: RMB41,155,000), which are unsecured, non-interest-bearing and are repayable on demand.

Company

	2009	2008
	RMB'000	*RMB'000*
Prepayments	**426,438**	446,757
Export VAT refunds	**—**	173,621
Other receivables	**20,381**	39,989
	446,819	660,367
Impairment	**(2,220)**	(1,266)
	444,599	659,101

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

	2009	2008
	RMB'000	*RMB'000*
At 1 January	**1,266**	1,426
Impairment losses recognised	**1,139**	514
Amount written off as uncollectible	**(6)**	—
Impairment losses reversed	**(179)**	(674)
	2,220	1,266

25. PREPAYMENTS AND OTHER RECEIVABLES (continued)

Company (continued)

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

	2009 *RMB'000*	2008 *RMB'000*
Neither past due nor impaired	**17,084**	211,660
Less than six months past due	**1,077**	684
	18,161	212,344

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:

	2009 *RMB'000*	2008 *RMB'000*
Subsidiaries	**298,702**	164,804
Companies that are controlled by the Group's key management personnel or their close family members	**278**	33,000
	298,980	197,804

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

26. CASH AND CASH EQUIVALENTS AND PLEDGED BANK BALANCES

Group

	2009 RMB'000	2008 RMB'000
Cash and bank balances	**2,127,278**	1,371,965
Time deposits on demand	**464,507**	720,500
	2,591,785	2,092,465
Less: Bank balances pledged to bank for a bank loan	**(39,546)**	—
Bank balances pledged to banks for issuing bills payable and letters of credit	**(430,906)**	(575,941)
	(470,452)	(575,941)
Cash and cash equivalents in the consolidated statement of financial position	**2,121,333**	1,516,524
Add: Pledged bank balances for issuing bills payable and letters of credit	**430,906**	575,941
Cash and cash equivalents in the consolidated statement of cash flows	**2,552,239**	2,092,465

Company

	2009 RMB'000	2008 RMB'000
Cash and bank balances	**1,218,842**	891,950
Time deposits on demand	**358,507**	509,000
	1,577,349	1,400,950
Less: Bank balances pledged to banks for issuing bills payable and letters of credit	**(233,728)**	(462,503)
Cash and cash equivalents in the statement of financial position	**1,343,621**	938,447

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to RMB1,887,320,000 (2008: RMB1,298,742,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash and cash equivalents in the statements of financial position 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 statements of financial position 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 letters of credit, they are included in cash and cash equivalents in the consolidated statement of cash flows.

27. TRADE PAYABLES

Group

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

	2009	2008
	RMB'000	*RMB'000*
Within 6 months	**2,974,475**	1,308,421
7 to 12 months	**65,983**	12,595
1 to 2 years	**19,322**	56,643
Over 2 years	**35,618**	35,705
	3,095,398	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:

	2009	2008
	RMB'000	*RMB'000*
Jointly-controlled entities	**59,671**	3,861
Associates	**118,242**	34,705
Companies that are controlled by the Group's key management personnel or their close family members	**48,773**	21,744
	226,686	60,310

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

Company

An aged analysis of the trade payables of the Company, as at the end of the reporting period, based on the invoice date, is as follows:

	2009	2008
	RMB'000	*RMB'000*
Within 6 months	**2,965,344**	1,273,230
7 to 12 months	**131,236**	44,653
1 to 2 years	**26,123**	119,609
Over 2 years	**50,017**	20,431
	3,172,720	1,457,923

27. TRADE PAYABLES (continued)

Company (continued)

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:

	2009	2008
	RMB'000	*RMB'000*
Subsidiaries	**1,232,663**	713,684
Jointly-controlled entities	**55,529**	2,144
Associates	**116,500**	23,049
Companies that are controlled by the Group's key management personnel or their close family members	**691**	390
	1,405,383	739,267

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 end of the reporting period, is as follows:

	2009	2008
	RMB'000	*RMB'000*
1 to 3 months	**679,273**	859,619
4 to 6 months	**498,027**	458,593
	1,177,300	1,318,212

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

	2009	2008
	RMB'000	*RMB'000*
Jointly-controlled entities	**2,680**	14,360
Associates	**1,900**	3,590
Companies that are controlled by the Group's key management personnel or their close family members	**2,268**	315
	6,848	18,265

28. BILLS PAYABLE (continued)

Company

An aged analysis of the bills payable of the Group, as at the end of the reporting period, is as follows:

	2009 RMB'000	2008 RMB'000
1 to 3 months	405,155	692,087
4 to 6 months	228,054	311,468
	633,209	1,003,555

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

	2009 RMB'000	2008 RMB'000
Subsidiaries	25,430	7,100
Jointly-controlled entities	1,490	12,630
Associates	930	3,590
Companies that are controlled by the Group's key management personnel or their close family members	1,676	230
	29,526	23,550

29. INTEREST-BEARING BANK AND OTHER BORROWINGS

Group

	2009		
	Effective interest rate (%)	Maturity	RMB'000
Current			
Bank loan — secured (Note c)	1.5138	2010	38,367
Other loan — unsecured	—	2010	37,229
			75,596

29. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

Group (continued)

	2009 RMB'000	2008 RMB'000
Analysed into:		
Bank loan:		
Within one year	**38,367**	—
Other borrowing repayable:		
Within one year	**37,229**	—
	75,596	—

Notes:

(a) All the borrowings are denominated in Euro.

(b) The carrying amounts of the Group's current borrowings approximate to their fair values.

(c) The bank loan is secured by bank balances amounting to RMB39,546,000.

As at 31 December 2009, included in the Group's interest-bearing bank and other borrowings are amounts due to a minority shareholder of subsidiaries of the Company amounting to RMB37,229,000 (2008: nil), which are unsecured, non-interest-bearing and are repayable within one year.

30. OTHER PAYABLES AND ACCRUALS

Group

	2009 RMB'000	2008 RMB'000
Advances from customers	**1,320,489**	355,013
Accruals	**72,788**	23,589
Deferred income (Note 33)	**22,866**	4,251
Other payables	**699,962**	555,036
	2,116,105	937,889

As at 31 December 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 RMB17,486,000 (2008: RMB7,961,000), which are unsecured, non-interest-bearing and are repayable on demand.

30. OTHER PAYABLES AND ACCRUALS (continued)

Company

	2009 RMB'000	2008 RMB'000
Advances from customers	**772,060**	223,901
Accruals	**22,634**	14,858
Deferred income (Note 33)	**19,064**	4,251
Other payables	**479,986**	378,944
	1,293,744	621,954

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

	2009 RMB'000	2008 RMB'000
Subsidiaries	**–**	161,424
Companies that are controlled by the Group's key management personnel or their close family members	**17,486**	224
	17,486	161,648

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

31. PROVISION FOR PRODUCT WARRANTIES

Group

	2009 RMB'000	2008 RMB'000
At beginning of year	**40,692**	39,396
Additional provision	**52,048**	28,525
Amounts utilised during the year	**(21,067)**	(27,229)
At end of year	**71,673**	40,692

31. PROVISION FOR PRODUCT WARRANTIES (continued)

Company

	2009 RMB'000	2008 RMB'000
At beginning of year	**26,857**	26,538
Additional provision	**46,078**	12,800
Amounts utilised during the year	**(12,311)**	(12,481)
At end of year	**60,624**	26,857

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 36 months or 200,000 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.

32. DEFERRED TAX

The movements in the deferred tax accounts are as follows:

Group

Deferred tax assets

	2009 RMB'000	2008 RMB'000
At beginning of year	**73,174**	67,680
Deferred tax charged to income statement during the year (Note 10)	**217,525**	5,494
At end of year	**290,699**	73,174
Provisions in respect of:		
Impairment of receivables	**2,122**	2,267
Write-down of inventories to net realisable value	**20,546**	23,639
Liabilities for accrued expenses that are deductible for tax purpose only when paid	**33,300**	7,696
Impairment of items of property, plant and equipment	**242**	242
Accumulated depreciation difference between carrying amount and tax base	**10,214**	9,007
Receipt in advance (revenue in nature) that is taxable	**32,333**	9,393
Receipt of government grants that is taxable	**155,643**	2,462
Unrealised profit eliminated on consolidation	**28,857**	9,786
Temporary differences arising from transfer of assets among group companies	**4,222**	3,750
Pre-operation expenses	**2,828**	4,681
Others	**392**	251
	290,699	73,174

32. DEFERRED TAX (continued)

Group (continued)

As at 31 December 2009, 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 RMB308,237,000 (2008: RMB416,776,000), which have not been recognised because it is uncertain sufficient taxable profit will be available to allow the deferred tax assets to be utilised.

Company

Deferred tax assets

	2009 *RMB'000*	2008 *RMB'000*
At beginning of year	**17,407**	11,513
Deferred tax charged to income statement during the year	**102,150**	5,894
At end of year	**119,557**	17,407
Provisions in respect of:		
Impairment of receivables	**866**	1,146
Write-down of inventories to net realisable value	**906**	1,637
Accumulated depreciation difference between carrying amount and tax base	**1,132**	—
Receipt in advance (revenue in nature) that is taxable	**24,816**	7,124
Liabilities for accrued expenses that are deductible for tax purpose only when paid	**21,395**	4,905
Receipt of government grants that is taxable	**70,170**	2,462
Others	**272**	133
	119,557	17,407

As at 31 December 2009, 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 RMB279,525,000 (2008:RMB381,732,000), which have not been recognised because it is uncertain sufficient taxable profit will be available to allow the deferred tax assets to be utilised.

33. DEFERRED INCOME

Group

	2009 RMB'000	2008 RMB'000
Deferred income:		
At 1 January	**81,222**	75,162
Additions during the year	**634,159**	6,060
At 31 December	**715,381**	81,222
Accumulated income recognised in other income and gains:		
At 1 January	**9,909**	5,270
Recognised during the year (Note 5)	**28,116**	4,639
At 31 December	**38,025**	9,909
Net book value:		
At 31 December	**677,356**	71,313
Current portion included in other payables and accruals (Note 30)	**(22,866)**	(4,251)
Non-current portion	**654,490**	67,062

Company

	2009 RMB'000	2008 RMB'000
Deferred income:		
At 1 January	**81,222**	75,162
Additions during the year	**283,200**	6,060
At 31 December	**364,422**	81,222
Accumulated income recognised in other income and gains:		
At 1 January	**9,909**	5,270
Recognised during the year	**24,163**	4,639
At 31 December	**34,072**	9,909
Net book value:		
At 31 December	**330,350**	71,313
Current portion included in other payables and accruals (Note 30)	**(19,064)**	(4,251)
Non-current portion	**311,286**	67,062

33. DEFERRED INCOME (continued)

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

34. SHARE CAPITAL

Group and Company

Issued and fully paid-up	Number of shares	2009	2008
	'000	***RMB'000***	*RMB'000*
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

35. 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 pages 67 of the financial statements.

Company

	Share premium account	Capital reserves	Statutory reserves	Retained profits	Total
	RMB'000	*RMB'000* *(Note (i))*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2008	2,561,788	(23,963)	492,743	1,211,098	4,241,666
Total comprehensive income for the year	—	—	—	393,566	393,566
Proposed final 2008 dividend	—	—	—	(164,291)	(164,291)
At 31 December 2008	2,561,788	(23,963)	492,743	1,440,373	4,470,941
Total comprehensive income for the year	—	—	—	951,039	951,039
Transfer to statutory reserves	—	—	136,543	(136,543)	—
Proposed final 2009 dividend	—	—	—	(273,818)	(273,818)
At 31 December 2009	2,561,788	(23,963)	629,286	1,981,051	5,148,162

35. RESERVES

Company (continued)

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 RMB462,000 (2008: RMB983,000) was made to the staff welfare and incentive bonus fund for the year ended 31 December 2009.

36. NOTE TO CONSOLIDATED STATEMENT OF CASH FLOWS

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

In July 2009, the Company re-invested in Baoding Great Wall Jiehua Automobile Inner Decorations Company Limited, a 25% owned associate, by using the profit distributed by that associate amounting to RMB4,415,000, with the equity interest unchanged.

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 the Company sells 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.

37. CONTINGENT LIABILITIES (continued)

1. (continued)

   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 sale 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 the first instance on 15 July 2009 and the second instance on 24 March 2010. Upon the approval date of these financial statements, no verdict has been issued.

2. 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.

3. 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.

   Toyota Motor Corporation appealed to No.1 Intermediate People's Court of Beijing on 16 October 2009. The court heard the case on 9 December 2009 and issued the administrative judgement, annulling the verdict made by the Patent Reexamination Board and requiring the Board to rehear the application made by Toyota Motor Corporation. The Company was dissatisfied with the judgement and appealed to the People's High Court of Beijing on 29 January 2010. Up to the approval date of these financial statements, the People's High Court of Beijing has not scheduled the hearing.

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 2009.

38. OPERATING LEASE COMMITMENTS

At the end of the reporting period, 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	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within one year	**253**	61	**—**	461
In the second to fifth years, inclusive	**—**	—	**—**	—
After the fifth year	**—**	—	**—**	—
	253	61	**—**	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 end of the reporting period:

(a) Capital commitments

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Contracted, but not provided for	**1,285,543**	1,081,954	**1,211,195**	723,944
Authorised, but not contracted for	**1,041,683**	1,549,095	**287,079**	894,834
	2,327,226	2,631,049	**1,498,274**	1,618,778

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

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Acquisition of property, plant and equipment	**2,327,226**	2,320,513	**1,498,274**	1,618,778
Acquisition of leasehold land	**—**	310,536	**—**	—
	2,327,226	2,631,049	**1,498,274**	1,618,778

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:

	2009 RMB'000	2008 RMB'000
Contracted, but not provided for:	**7,434**	34,851

(b) Other commitments

The Group and the Company had the following commitments for research projects at the end of the reporting period:

	2009 RMB'000	2008 RMB'000
Contracted, but not provided for	**110,106**	168,189
Authorised, but not contracted for	**3,243**	7,870
	113,349	176,059

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	2009 RMB'000	2008 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)	**8,142**	90,736
	Purchases of spare parts	(a)	**—**	4
	Purchases of services	(a)	**8**	—
	Rendering of services	(a)	**2**	—
	Sales of spare parts	(a)	**—**	99
	Others	(a)	**1**	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)	**127**	574
	Purchases of spare parts	(a)	**—**	26
	Purchases of services	(a)	**—**	7
	Sales of spare parts	(a)	**—**	5

40. RELATED PARTY TRANSACTIONS (continued)

Name of related parties	Nature of transaction	Pricing policy	2009 RMB'000	2008 RMB'000
Taihang Jiamei Industry Company Limited[i] (保定太行加美工業有限公司)	Purchases of machinery	(a)	**154**	—
Baoding Ants Logistics Network Company Limited[i] (保定市螞蟻物流網絡有限公司)	Transportation fee paid	(a)	**7,057**	84,006
	Purchases of motor vehicles	(a)	**—**	3,580
	Purchases of buildings	(a)	**—**	12,811
	Purchases of office equipment	(a)	**21**	758
	Rendering of services	(a)	**—**	455
	Sales of spare parts	(a)	**—**	204
	Others	(a)	**—**	212
Shunping County Modern Logistics Company Limited[i] (順平縣現代物流有限公司)	Transportation fee paid	(a)	**—**	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)	**1,712**	132
	Purchases of machinery	(a)	**1,013**	151
	Purchases of services	(a)	**349**	7
	Sales of machinery	(a)	**128**	—
	Sales of spare parts	(a)	**398**	33
	Rendering of services	(a)	**7**	—
	Others	(a)	**6**	—
Hebei Baocang Highway Company Limited[i] (河北保滄高速公路有限公司)	Sales of automobiles	(a)	**408**	994
	Rental income	(a)	**380**	467
	Others	(a)	**85**	—
Baoding Tai Hang Pump Manufacturing Company Limited[i] (保定市太行製泵有限公司)	Purchases of spare parts	(a)	**1,920**	1,321
	Purchases of machinery	(a)	**470**	55
	Purchases of services	(a)	**13**	35
	Sales of machinery	(a)	**—**	15
	Rendering of services	(a)	**11**	—
	Others	(a)	**1**	2
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)	Purchases of motor vehicles	(a)	**173**	—

40. RELATED PARTY TRANSACTIONS (continued)

Name of related parties	Nature of transaction	Pricing policy	2009 RMB'000	2008 RMB'000
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)	**—**	41
	Purchases of raw materials	(a)	**993**	4,027
	Sales of automobiles	(a)	**230**	—
	Others	(a)	**—**	35
Baoding Furui Garden Company Limited[(i)] (保定市富瑞園林有限公司)	Sales of spare parts	(a)	**—**	1
	Rendering of services	(a)	**3**	—
Baoding Great Wall Pioneer Enterprise Investment Company Limited[(i)] (保定長城創業投資有限公司)	Sales of automobiles	(a)	**—**	37
Baoding Deye Automobile Inner Decoration Company Limited[(ii)] (保定德業汽車內飾件有限公司)	Purchases of spare parts*	(a)	**288,533**	171,417
	Rendering of services*	(a)	**527**	—
	Sales of spare parts*	(a)	**724**	19
	Purchases of machinery*	(a)	**287**	—
	Others*	(a)	**702**	1,068
Baoding Xinchang Auto Parts Company Limited[(ii)] (保定信昌汽車零部件有限公司)	Sales of automobiles*	(a)	**61**	75
	Purchases of spare part*	(a)	**3,021**	—
	Rendering of services*	(a)	**3**	—
	Others*	(a)	**289**	—
Baoding Smart Automobile Accessories Company Limited[(ii)] (保定斯瑪特汽車配件有限公司)	Rental income	(a)	**225**	110
Baoding Shuanghua Automotive Components and Accessories Company Limited[(iii)] (保定雙樺汽車零部件有限公司)	Sales of spare parts	(a)	**—**	102
	Purchases of spare parts	(a)	**885**	—
	Rendering of services	(a)	**1**	—
	Others	(a)	**18**	—
Baoding Great Wall Jiehua Automobile Inner Decoration Company Limited[(iii)] (保定長城傑華汽車內飾件有限公司)	Sales of automobile*	(a)	**74**	42
	Purchases of spare parts*	(a)	**313,753**	176,872
	Rendering of services*	(a)	**918**	3
	Others*	(a)	**243**	590

40. RELATED PARTY TRANSACTIONS (continued)

Name of related parties	Nature of transaction	Pricing policy	2009 RMB'000	2008 RMB'000
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)	**6,583**	24,992
	Sales of spare parts*	(a)	**127**	5,143
	Sales of machinery*	(a)	**—**	1,859
	Rendering of services*	(a)	**1**	3
	Purchases of services*	(a)	**389**	—
	Others*	(a)	**1**	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	(a)	**—**	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體資產經管中心)	Sales of automobiles	(a)	**163**	119
Wenzhou Feili Mould Manufacturing Company Limited[v] (溫州飛利模具製造有限公司)	Purchases of machinery	(a)	**420**	404
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)	**81,367**	42,737
Shanghai Youshen Industry Company Limited[v] (上海友申實業有限公司)	Purchases of raw material	(a)	**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)	**187**	29
Wei De Yi[vii] (魏德義)	Sales of automobiles	(a)	**165**	—

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

40. RELATED PARTY TRANSACTIONS (continued)

Notes:

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

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

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

(iii) 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.

(vii) This person is a close family member of the Group's key management personnel.

Other transactions with related parties:

(1) Pursuant to "Capital increase Agreement" of 26 March 2009, the Company and Dragonet International Company Limited ("Dragonet", a joint venture partners of Baoding Smart) agreed to increase the registered capital of Baoding Smart by RMB20,000,000 from RMB194,000,000 to RMB214,000,000, and the Company contributed cash of RMB20,000,000 for the increase. Upon the completion of the capital injection in April 2009, the Company's equity interests in Baoding Smart increased from 50% to 54.67%.

(2) In July 2009, the Company acquired 49% of equity interests in Baoding Huanqiu from Wenzhou Huanqiu Automobile Gasket Company Limited for a total cash consideration of RMB7,497,000.

(3) In November 2009, the Group borrowed a short term loan of EUR3,800,000 from Dragonet. The loan is unsecured and non-interest bearing.

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.

40. RELATED PARTY TRANSACTIONS (continued)

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

	2009 *RMB'000*	2008 *RMB'000*
Short term employee benefits	**1,714**	2,195
Post-employment benefits	**40**	33
Total compensation paid to key management personnel	**1,754**	2,228

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, other borrowings and other payables with the related parties are disclosed in Notes 23, 25, 27, 28, 29 and 30, respectively.

41. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Group

Financial assets

	2009			2008		
	Loans and receivables *RMB'000*	**Available-for-sale financial investments** *RMB'000*	**Total** *RMB'000*	Loans and receivables *RMB'000*	Available-for-sale financial investments *RMB'000*	Total *RMB'000*
Available-for-sale financial investments	**—**	**151,200**	**151,200**	—	108,200	108,200
Trade receivables	**147,827**	**—**	**147,827**	251,936	—	251,936
Bills receivable	**3,237,728**	**—**	**3,237,728**	958,101	—	958,101
Financial assets included in prepayments and other receivables	**24,081**	**—**	**24,081**	288,301	—	288,301
Pledged bank balances	**470,452**	**—**	**470,452**	575,941	—	575,941
Cash and cash equivalents	**2,121,333**	**—**	**2,121,333**	1,516,524	—	1,516,524
	6,001,421	**151,200**	**6,152,621**	3,590,803	108,200	3,699,003

41. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (continued)

Group (continued)

Financial liabilities

	2009 Financial liabilities at amortised cost *RMB'000*	2008 Financial liabilities at amortised cost *RMB'000*
Trade payables	**3,095,398**	1,413,364
Bills payable	**1,177,300**	1,318,212
Interest-bearing bank and other borrowings	**75,596**	—
Financial liabilities included in other payables and accruals	**699,962**	555,036
	5,048,256	3,286,612

Company

Financial assets

	2009			2008		
	Loans and receivables *RMB'000*	**Available-for-sale financial investments *RMB'000***	**Total *RMB'000***	Loans and receivables *RMB'000*	Available-for-sale financial investments *RMB'000*	Total *RMB'000*
Available-for-sale financial investments	**—**	**1,200**	**1,200**	—	1,200	1,200
Trade receivables	**114,932**	**—**	**114,932**	248,936	—	248,936
Bills receivable	**2,606,677**	**—**	**2,606,677**	566,776	—	566,776
Financial assets included in prepayments and other receivables	**18,161**	**—**	**18,161**	212,344	—	212,344
Pledged bank balances	**233,728**	**—**	**233,728**	462,503	—	462,503
Cash and cash equivalents	**1,343,621**	**—**	**1,343,621**	938,447	—	938,447
	4,317,119	**1,200**	**4,318,319**	2,429,006	1,200	2,430,206

41. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (continued)

Company (continued)

Financial liabilities

	2009 Financial liabilities at amortised cost *RMB'000*	2008 Financial liabilities at amortised cost *RMB'000*
Trade payables	**3,172,720**	1,457,923
Bills payable	**633,209**	1,003,555
Financial liabilities included in other payables and accruals	**479,986**	378,944
	4,285,915	2,840,422

42. FAIR VALUE HIERARCHY

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

As at 31 December 2009, the Group held the following financial instruments measured at fair value:

Assets measured at fair value as at 31 December 2009:

	Level 1 *RMB'000*	**Level 2** *RMB'000*	**Level 3** *RMB'000*	**Total** *RMB'000*
Available-for-sale investments:				
Unlisted investments	—	150,000	—	150,000

42. FAIR VALUE HIERARCHY (continued)

As at 31 December 2009, there were no financial instruments measured at fair value held by the Company.

During the year ended 31 December 2009, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and short term deposits and available-for-sale financial investments. 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 investments 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 end of the reporting period, the Group has certain concentrations of credit risk as 16% (2008: 23%) and 57% (2008: 66%) 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.

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank borrowings.

The maturity profile of the financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

Group

	Within 6 months and on demand	6 to less than 12 months	Over 1 year	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2009				
Trade payables	**3,095,398**	**—**	**—**	**3,095,398**
Bills payable	**1,177,300**	**—**	**—**	**1,177,300**
Interest-bearing bank and other borrowings	**—**	**76,472**	**—**	**76,472**
Other payables	**699,962**	**—**	**—**	**699,962**
Total	**4,972,660**	**76,472**	**—**	**5,049,132**
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

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Company

	Within 6 months and on demand *RMB'000*	**6 to less than 12 months** *RMB'000*	**Over 1 year** *RMB'000*	**Total** *RMB'000*
31 December 2009				
Trade payables	**3,172,720**	**—**	**—**	**3,172,720**
Bills payable	**633,209**	**—**	**—**	**633,209**
Other payables	**479,986**	**—**	**—**	**479,986**
Total	**4,285,915**	**—**	**—**	**4,285,915**
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

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 14.6% (2008: 42.1%) 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.

Majority of the Group's export sales are denominated in United States dollar ("US$"). However, the Group has certain trade payables, bank balances and debt obligations that are denominated in foreign currencies. As a result, the Group is exposed to fluctuations in foreign exchange rates. In order to mitigate the currency risk, the Group has entered into forward currency contracts to minimize its foreign currencies risk in respect of foreign currencies dominated bank loan and letters of credit . The Group continues reviewing the effectiveness of these instruments and the underlying strategies in monitoring currency risk. The fair value of the forward currency contracts held by the Group was insignificant as at 31 December 2009 (31 December 2008: Nil).

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk (continued)

As at 31 December 2009, 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 end of reporting period to a reasonably possible changes in the 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*
2009		
If RMB strengthens against US$	**5%**	**(8,408)**
If RMB weakens against US$	**(5%)**	**8,408**
2008		
If RMB strengthens against US$	5%	(8,904)
If RMB weakens against US$	(5%)	8,904

	Increase/ (decrease) in rate	Increase/ (decrease) in profit before tax *RMB'000*
2009		
If RMB strengthens against Euro	**5%**	**(3,216)**
If RMB weakens against Euro	**(5%)**	**3,216**
2008		
If RMB strengthens against Euro	5%	(558)
If RMB weakens against Euro	(5%)	558

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management

The primary objectives of the Group's capital management are 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 years ended 31 December 2009 and 2008.

The Group monitors capital using a gearing ratio, which is net debt divided by the capital plus net debt. Net debt includes interest-bearing bank and other borrowings, trade, bills and other payables, accruals, and dividends payables to minority shareholders, less cash and cash equivalents and pledged bank balances for issuing bills payable and letters of credit. Capital includes equity attributable to owners of the parent.

The gearing ratios as at the end of the reporting periods were as follows:

Group

	2009 *RMB'000*	2008 *RMB'000*
Interest-bearing bank and other borrowings	**75,596**	—
Trade payables	**3,095,398**	1,413,364
Bills payable	**1,177,300**	1,318,212
Other payables and accruals	**772,750**	578,625
Dividends payable to minority shareholders	**11,342**	13,120
Less: Cash and cash equivalents	**(2,121,333)**	(1,516,524)
Pledged bank balances	**(470,452)**	(575,941)
Net debt	**2,540,601**	1,230,856
Capital — Equity attributable to owners of the parent	**7,775,650**	6,738,566
Capital and net debt	**10,316,251**	7,969,422
Gearing ratio	**25%**	15%

44. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 26 March 2010.

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GREAT WALL MOTOR COMPANY LIMITED*