

**长城汽车**  
中国造 长城车



**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

**2010**

Interim Report



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# Corporate Information

## Stock Code: 2333

### Executive Directors

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

### Non-executive Directors

Mr. He Ping  
Mr. Niu Jun

### Independent Non-executive Directors

Ms. Wei Lin  
Mr. He Bao Yin  
Mr. Li Ke Qiang  
Mr. Chan Yuk Tong (appointed on 18 May 2010)  
Mr. Kenneth Tseung Yuk Hei  
(resigned on 18 May 2010)

### Supervisor

Mr. Zhu En Ze

### Independent Supervisors

Ms. Yuan Hong Li  
Ms. Luo Jin Li

### Company Secretary

Mr. Xu Hui (appointed on 7 June 2010)  
Mr. Bai Xui Fei (resigned on 7 June 2010)

### Audit Committee

Ms. Wei Lin  
Mr. He Bao Yin  
Mr. Li Ke Qiang  
Mr. Chan Yuk Tong (appointed on 18 May 2010)  
Mr. Kenneth Tseung Yuk Hei  
(resigned on 18 May 2010)

### Remuneration Committee

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

### Authorised Representatives

Ms. Wang Feng Ying  
Mr. Xu Hui (appointed on 7 June 2010)  
Mr. Bai Xui Fei (resigned on 7 June 2010)

### Registered Office

No. 2266 Chao Yang Road South,  
Baoding, Hebei Province,  
the People's Republic of China ("PRC")

### Principal Place of Business in Hong Kong

29th Floor, Edinburgh Tower, The Landmark,  
15 Queen's Road Central,  
Central, Hong Kong

### Legal Adviser to the Company

(as to Hong Kong law)  
Jones Day

### 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

### Telephone

86(312)-2197812

### Facsimile

86(312)-2197812

### Website

www.gwm.com.cn

# Share Information

<b>Place of listing:</b>	Main Board of The Stock Exchange of Hong Kong Limited
<b>Listing date:</b>	15 December 2003
<b>Number of issued shares:</b>	As at 30 June 2010: 1,095,272,000 shares (682,000,000 domestic shares and 413,272,000 H shares)
<b>Board lot:</b>	500 shares
<b>Stock code:</b>	2333
<b>Financial year-end date:</b>	31 December

# Financial Highlights

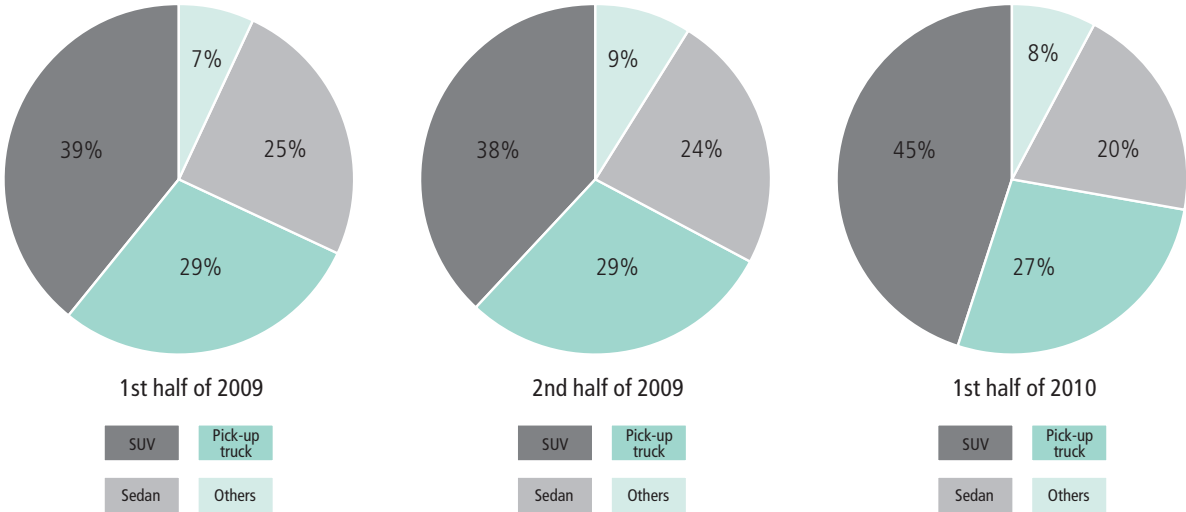
SUMMARY OF FINANCIAL POSITION		
	As at 30 June 2010 (unaudited)	As at 30 June 2009 (unaudited)
Equity attributable to owners of the parent (RMB million)	<b>8,186</b>	6,832
Total assets (RMB million)	<b>17,436</b>	12,638
Bank loans (RMB million)	<b>0</b>	0
Return on equity (%) Note 1	<b>10.6</b>	3.8
Return on assets (%) Note 2	<b>5.0</b>	2.1
Gearing ratio (%) Note 3	<b>0</b>	0

Note:

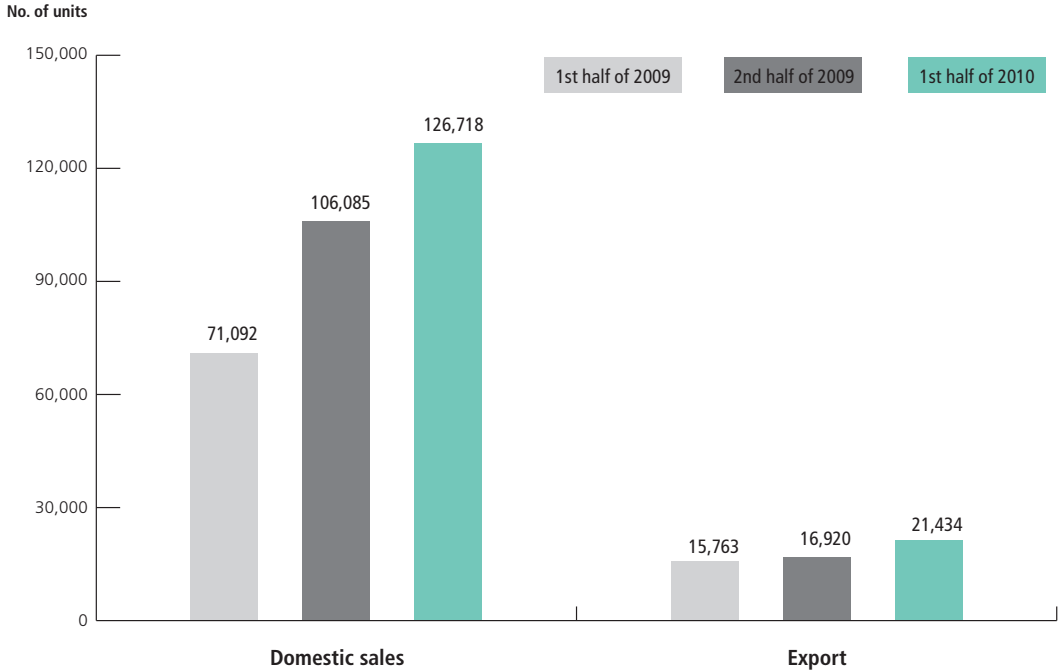
1. Profit for the period attributable to owners of the parent divided by equity attributable to owners of the parent
2. Profit for the period attributable to owners of the parent divided by total assets
3. Total bank loans divided by total assets

RESULT HIGHLIGHTS			
	For the six months ended 30 June 2010 (unaudited)	For the six months ended 30 June 2009 (unaudited)	Changes (%)
Revenue (RMB million)	<b>9,125</b>	5,155	77.0
Gross Profit (RMB million)	<b>1,949</b>	903	115.8
Profit before tax (RMB million)	<b>1,156</b>	317	264.7
Profit for the period attributable to owners of the parent (RMB million)	<b>867</b>	262	230.9
Earnings per share (RMB)	<b>0.79</b>	0.24	230.9

**REVENUE BY CAR MODEL**



**DOMESTIC SALES AND EXPORT VOLUME ANALYSIS**



# Management Discussion and Analysis

## OPERATING ENVIRONMENT

In the first half of 2010, the global economy has gradually come out of the shadow casted by the international financial crisis, while the overall automobile industry in the People's Republic of China (the "PRC") also showed signs of stable and relatively rapid development. According to the statistics of China Association of Automobile Manufacturers, the production and sales volume of automobiles in the PRC for the first half of 2010 amounted to 8,927,300 units and 9,016,100 units respectively, representing increases of 48.84% and 47.67% respectively from those of the same period last year, and the domestic production and sales volume of passenger vehicles amounted to 6,683,800 units and 6,720,800 units respectively, representing increases of 51.20% and 48.20% respectively.

During the period under review, the PRC government continued to implement relevant policies, which are beneficial to the public, including subsidised trade-in of vehicles, subsidies for energy-saving vehicles and automobile subsidies in rural areas and villages. These policies will further expand the domestic market and increase domestic demand. As to export, with the international economy gradually picking up and the State's continued encouragement for domestic automobile makers to optimise their export marketing mix, the PRC automobile industry has gradually overcome the challenges in export and seen a significant rebound in its overseas sales.

## FINANCIAL REVIEW

### Revenue

During the period under review, the revenue of the Group was RMB9,124,540,000, representing an increase of 77.0% when compared to that of the same period in 2009. The increase was mainly attributable to growth in the sales volume of automobiles.

### Sales Analysis

	For the six months ended 30 June 2010			For the six months ended 30 June 2009		
	Sales volume (units)	Revenue (RMB'000)	Percentage (%)	Sales volume (units)	Revenue (RMB'000)	Percentage (%)
Pick-up trucks	45,691	2,493,584	27.3	37,176	1,986,437	38.5
SUVs	60,999	4,132,241	45.3	18,672	1,504,051	29.2
Sedans	38,875	1,768,943	19.4	29,177	1,292,290	25.1
Other vehicles	2,587	173,667	1.9	1,830	130,684	2.5
Automotive parts and components and others	—	556,105	6.1	—	241,402	4.7
Total	148,152	9,124,540	100.0	86,855	5,154,864	100.0



### Gross profit and gross profit margin

During the period under review, the Group's gross profit was RMB1,948,631,000, representing an increase of 115.7% from RMB903,273,000 for the corresponding period of last year. The increase in the Group's gross profit was mainly due to an increase in sales revenue and rise in gross profit margin. The gross profit margin increased from 17.5% in the corresponding period of 2009 to 21.4%, mainly due to (1) a rise in the gross profit margin of sedans; (2) an increase in the sales volume as a result of the realisation of economies of scale; and (3) the Company's enhancement of product quality and further exercise of effective cost control.

### Profit attributable to owners of the parent and earnings per share

During the period under review, the Group's profit attributable to owners of the parent was RMB867,072,000.

For the six months ended 30 June 2010, the basic earnings per share attributable to ordinary equity holders of the parent were RMB0.79.

### Selling and distribution costs and administrative expenses

For the first half of 2010, the selling and distribution costs and administrative expenses of the Group were RMB642,752,000, representing an increase of 44.9% from RMB443,720,000 in the first half of 2009. The percentage of selling and distribution costs and administrative expenses to total revenue was 7.0%. The main reasons for the increase in the selling and distribution costs and administrative expenses included: (1) an increase in the advertising expenses as a result of increased marketing efforts to promote new models such as sedans; (2) an increase in the transportation expenses as a result of the rise in the sales volume of automobiles; and (3) an increase in staff costs.

### Finance costs

During the first half of 2010, the Group's finance costs were approximately RMB6,412,000 as compared to approximately RMB20,742,000 for the first half of 2009.

### Liquidity and financial resources

As at 30 June 2010, the Group's current assets mainly included cash and cash equivalents of approximately RMB2,398,973,000, trade receivables of approximately RMB270,460,000, inventories of approximately RMB2,630,929,000, bills receivables of approximately RMB3,840,495,000 and other receivables of approximately RMB939,296,000. The Group's current liabilities mainly included dividend payable of approximately RMB201,542,000, other payables and accruals of approximately RMB2,505,725,000, tax payable of approximately RMB166,164,000, bills payable of approximately RMB1,252,379,000, trade payables of approximately RMB4,014,226,000 and provision for product warranties of approximately RMB84,978,000.

### Acquisition and disposal of assets

During the period under review, the Company and its subsidiaries and associates did not have any material acquisitions and disposals of assets.

# Management Discussion and Analysis

## Capital structure

The Group generally finances its operations with its internal cash flows. As at 30 June 2010, the Group was in a debt-free position.

## Exposure to foreign exchange risk

All the Group's domestic sales were settled in RMB while sales to overseas customers were settled in US dollars or Euros. During the period under review, the exchange rate of RMB to US dollar basically remained stable, while the RMB exchange rate against Euro fluctuated. However, as the fluctuations in the RMB exchange rate against Euro were small and the Group's overseas sales were mainly settled in US dollars, the Group did not experience any material difficulties in or encounter any events which have material impacts on its operations or liquidity as a result of the fluctuations in currency exchange rates during the period under review.

Since the materials, parts and components used by the Group were purchased from the domestic market and the Group's exported products, which had high price-performance ratio, were very competitive, the pressure on the appreciation of RMB did not create any impact on the Group's export business.

## Employment, training and development

As at 30 June 2010, the Group employed a total of approximately 33,568 employees. Employees were remunerated by the Group based on their performance, experience and prevailing industry practices. The Group's remuneration policies and packages were reviewed on a regular basis. As an incentive for the employees, bonuses and cash awards may also be given to employees based on individual performance evaluation. Total staff cost accounted for 5.9% of the Group's revenue for the six months ended 30 June 2010.

## Taxation

Tax of the Group increased from RMB37,298,000 in the first half of 2009 to RMB248,435,000 in the first half of 2010, representing a 566.1% increase. The increase in tax was mainly due to an increase in profit.

## 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 six months ended 30 June	
	2010 RMB'000 Unaudited	2009 RMB'000 Unaudited
Mainland China	7,805,009	4,328,360
Australia	269,797	44,797
Russia	159,304	453
Italy	139,914	48,570
South Africa	124,941	22,508
Iraq	114,763	207,494
Chile	103,620	28,018
Algeria	58,189	84,401
Libya	4,470	146,010
Other countries	344,533	244,253
	<b>9,124,540</b>	<b>5,154,864</b>

Revenue from external customers for each group of similar products and services is set out in Note (i) to this announcement.

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 its revenue.

## BUSINESS REVIEW

### Sales of automobiles

During the period under review, the Group's total sales volume was 148,152 units, representing an increase of 70.6% as compared to that of the same period last year. The sales volume and revenue of pick-up trucks amounted to 45,691 units and RMB2,493,584,000, representing increases of 22.9% and approximately 25.5% respectively as compared to those of the same period in 2009. The sales volume and revenue of SUVs amounted to 60,999 units and RMB4,132,241,000, representing increases of 226.7% and approximately 174.7% respectively, as compared to those of the corresponding period in 2009. The sales volume of sedans amounted to 38,875 units, with a revenue of RMB1,768,943,000, representing an increase of 33.2% and approximately 36.9% as compared to that of the corresponding period in 2009. The sales volume and revenue of other vehicles amounted to 2,587 units and RMB173,667,000 respectively.

# Management Discussion and Analysis

## Sales of automotive parts and components and others

During the period under review, the revenue of automotive parts and components and others amounted to RMB556,105,000, representing an increase of approximately 130.4% as compared to that of the corresponding period in 2009 and accounting for 6.1% of the total revenue. The increase in the sales of automotive parts and components was mainly due to an increase in the revenue from automotive parts and components for after sales services as a result of the growth in the sales volume of automobiles.

## Domestic market

During the period under review, the Group's domestic automobile sales volume and revenue amounted to 126,718 units and RMB7,282,708,000, representing increases of 78.2% and 77.4% respectively when compared with those of the corresponding period of the previous year. Of the Group's domestic sales, 34,094 units, 54,428 units and 35,802 units of pick-up trucks, SUVs and sedans were sold respectively, with revenue amounting to RMB1,859,319,000, RMB3,631,340,000 and RMB1,631,128,000 respectively. The revenue from the two main groups of customers, namely (1) dealers; and (2) government entities and individual customers amounted to RMB7,159,577,000 and RMB123,131,000 respectively.

	For the six months ended 30 June 2010			For the six months ended 30 June 2009		
	Sales volume (units)	Revenue (RMB'000)	Percentage share of domestic automobile sales (%)	Sales volume (units)	Revenue (RMB'000)	Percentage share of domestic automobile sales (%)
Dealers	124,426	7,159,577	98.3	69,587	4,018,787	97.9
Government entities and individual customers	2,292	123,131	1.7	1,505	86,273	2.1
Total	126,718	7,282,708	100.0	71,092	4,105,060	100.0

## Overseas markets

Driven by the PRC's favourable export policy, the export volume of automobiles had increased as compared to that of the corresponding period last year. The Group's export volume of automobiles for the first half of 2010 reached 21,434 units, with a total automobile export value of RMB1,285,727,000, accounting for approximately 14.1% of the total revenue of the Group. The Company exported to 121 countries, forming a strong international sales network.

During the period under review, the export volume of pick-up trucks, SUVs and sedans amounted to 11,597 units, 6,571 units and 3,073 units respectively, with export value of RMB634,265,000, RMB500,901,000 and RMB137,815,000 respectively, representing a decrease of 8.3%, and increases of 613.4% and 339.2% when compared with those of the corresponding period last year respectively.

With the global economic recovery, the PRC automobile export has made notable improvement. For the first half of the year, the Group ranked among the top PRC automobile manufacturing enterprises in terms of export. In 2010, the Group will continue to enhance its competitive advantages by speeding up its technological innovation on products, continuously developing new products and enhancing product quality. The Group will maintain its existing overseas markets, and continue to explore new markets which have potentials for development.

### Launch of new products

In respect of new product development, the Group launched various high quality and competitive products with a high price-performance ratio, with an aim to continue to consolidate its leading positions in the pick-up truck and SUV markets. On the front of sedans, the Group will follow closely the pace of a low carbon economy by continuing to develop energy-saving, environmental-friendly and affordable sedans.

During the period under review, the Group introduced Haval H5 European style, which has an outstanding price-performance ratio. This model has obtained the European Community Whole Vehicle Type Approval, and can be sold without restrictions within the European Union. This model has comfortable and spacious interior with luxurious decoration. The cabin space is on a par with that of mainstream B-class high-end sedans. It also has numerous advantages in various aspects such as interior decorations and accessories that can meet the various demands of domestic and overseas customers. In addition, the Group has also introduced the first “family SUV” in the PRC market — Haval M2, which has a super large interior space, with emphasis on energy-saving, and driving and passenger comfort, all of which can satisfy the dual demand for family use and leisure.

As to sedans, the Group has introduced a series of more competitive products in the market. In May 2010, the Group launched a brand new three-box sedan — Voleex C30. It is a small and compact sedan, featuring an elegant and sporty design. In addition, this model, which has a spacious interior, has the edge of being environmental friendly, due to its low fuel consumption.

### Technological Innovation

During the period under review, the Group introduced 5 speed AMT (automated manual transmission), using electric control system to shift gears and actuate the clutch, which allows automatic control of the gearshift and the clutch, with an aim to enhance the driving experience by boosting the operational comfort and convenience. The Group also continued to accelerate the pace in its research and development of automatic transmission.

The engine (GW4G15) installed on Voleex C30 was successfully launched in the first half of 2010. The Group had also strengthened its in-house capacity to develop engines. The engine to be used on Haval H5, which has a displacement of 2.0L, is scheduled to be launched in the market in September 2010. In addition, the Company has developed its own technologies and standards as well as possessed intellectual property rights on engines, transmission, automobile body shape modelling design, automobile design, CAE (computer-aided engineering) and testing.

# Management Discussion and Analysis

## OUTLOOK

Boosting domestic consumption and promoting industry consolidation will continue to be the targets of the PRC government in 2010. The government continues to implement the policy on automobile subsidies in rural areas and villages and has introduced the “Energy-saving Products Benefiting the People Project”. All these will further boost the automobile consumption. The sales volume of the Company’s pick-up truck series is expected to have further growth as this series has met the demand of the rural markets. The Group’s sedan series, benefiting from the green car subsidies, will see its competitive strengths continue to grow. Various benchmarks of the Group’s Florid AMT model have met the standards for its inclusion in the government’s promotional catalogue on the first batch of vehicles eligible for the green car subsidies under the “Energy-saving Products Benefiting the People Project”.

In future, the Group will produce differentiated products targeting for different consumer segments. Haval H6, a medium-sized urban SUV model, will be launched next year. With respect to sedans, the Group will build on the foundations of their energy-saving and environmental friendly features and continue to enhance their performance, with an aim to offer sedans that suit the market demands.

In addition, the Group is now constructing a production base for automobiles and automotive parts and components in Tianjin. Upon the completion of this production centre, the Group’s production capacity will be further enhanced, which will boost the Group’s overall competitive edge.

### Research and development of new products

The Group will focus its research and development work on technological innovation, while taking a market-oriented approach. The Group will accelerate the development of its core proprietary technology, build up China’s automobile brands, and continue to satisfy the diverse demands in the domestic and overseas markets.

Regarding pick-up trucks and SUVs, the Group will further enhance their price-performance ratio through improving quality and their performance, with an aim to consolidate the Group’s market position both domestically and abroad.

For sedans, product development will adhere to the principles of energy saving and environmental friendly, and continue with its positioning in small displacement, low fuel consumption and affordable green cars.

To achieve long-term, rapid development of the automobile business, the Group will put more effort on the research and development of its core parts and components, while accelerating the development of engines and transmissions.

# Supplementary Information

## INTERESTS OF DIRECTORS AND SUPERVISORS IN SECURITIES

As at 30 June 2010, the interests and short positions of each of the directors, supervisors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning as defined in Part XV of the Securities and Futures Ordinance (the "SFO")), which were required to be recorded in the register required to be kept as 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 (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), were as follows:

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

Note:

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

\* represents domestic shares

Interests in a controlled company: 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 pursuant to the SFO. Accordingly, Mr. Wei Jian Jun is deemed to be interested in the 417,610,760 domestic shares held by Innovation GW.

Save as disclosed above, so far as the directors of the Company are aware, as at 30 June 2010, none of the directors, supervisors or chief executives of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any associated entities (within the meaning of Part XV of the SFO), which were required to be recorded in the register required to be kept as referred to in Section 352 of the SFO or were otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code under the Listing Rules. For this purpose, the relevant provisions of the SFO shall be deemed to apply to the supervisors to the same extent as they apply to directors.

# Supplementary Information

## SHARES HELD BY SUBSTANTIAL SHAREHOLDERS

As at 30 June 2010, the following shareholders (excluding the directors, supervisors or chief executives of the Company) had interests or short positions in any shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Name	No. of Shares	Approximate Percentage of Domestic Shares %	Approximate Percentage of H Shares %	Approximate Percentage of Total Shares %
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
Baoding 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 Assets 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
Ceah Capital Management Limited	41,752,524(L)		10.10(L)	3.81
Ceah Company Limited	41,752,524(L)		10.10(L)	3.81
Hang Seng Bank Trustee International Limited	41,752,524(L)		10.10(L)	3.81
Value Partners Group Limited	41,752,524(L)		10.10(L)	3.81
Value Partners Limited	41,752,524(L)		10.10(L)	3.81
To Hau Yin (杜巧賢)	41,752,524(L)		10.10(L)	3.81
Ceah Cheng Hye (謝清海)	41,752,524(L)		10.10(L)	3.81
JPMorgan Chase & Co.	41,343,885(L)		10.00(L)	3.77
	26,113,885(P)		6.32(P)	2.38
Capital Research and Management Company	20,929,500(L)		5.06(L)	1.91
Han Xue Juan (Note 4)	417,610,760(L)*	61.23	—	38.13

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

(P) denotes shares available to be borrowed

\* represents domestic shares.

Note:

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

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



- (3) The Management Centre of Collective Assets of Nandayuan Town, Nanshi District, Baoding (the "Management Centre") (保定市南市區南大園鄉集體資產經管中心) was established on 28 March 2001 as an enterprise under collective ownership with a registered capital of RMB17,260,000. Its place of incorporation is Baoding, Hebei Province, the PRC and its registered address is Room 210, Government Office Building, Nandayuan Town, Nanshi District, Baoding. It engages in the management of the equity interests of the collective assets of the town. As Baoding Ruifeng is controlled by the Management Centre, the Management Centre is deemed to be interested in the share capital of the Company held by Baoding Ruifeng pursuant to the SFO.
- (4) Ms. Han Xue Juan is deemed to be interested in the shares of the Company as she is the spouse of Mr. Wei Jian Jun.

Save as disclosed above, as at 30 June 2010, so far as the directors, supervisors or chief executives of the Company are aware, no other persons (excluding the directors, supervisors or chief executives 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 required to be kept pursuant to Section 336 of the SFO.

## PUBLIC FLOAT

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

## MATERIAL LITIGATIONS

During the period, save for the 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.

## OTHER EVENTS

### Change in a director's information during the period under review

Set out below are the changes in the information required to be disclosed pursuant to Rule 13.51(2)(c) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"):

Mr. Chan Yuk Tong, an independent non-executive director of the Company, is an independent non-executive director of Jia Sheng Holdings Limited (stock code: 00729), which was renamed as Thunder Sky Battery Limited on 27 May 2010.

Apart from being a director of the listed companies disclosed in the Company's circular dated 26 March 2010, Mr. Chan also assumed the post of independent non-executive director of Trauson Holdings Company Limited (stock code: 00325), which was listed on the main board of The Stock Exchange of Hong Kong Limited ("Stock Exchange") on 29 June 2010, during the period under review (effective since 10 June 2010). Mr. Chan confirms that there are no matters that need to be brought to the attention of the shareholders, and there is no other information to be disclosed pursuant to the provisions under Rule 13.51(2) of the Listing Rules.

# Supplementary Information

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

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

## **CORPORATE GOVERNANCE**

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

## **AUDIT COMMITTEE**

The Company has established an audit committee (the "Audit Committee") for the purposes of reviewing and supervising the financial reporting process and internal controls of the Group. The Audit Committee comprises four independent non-executive directors of the Company. The Audit Committee held a meeting on 19 August 2010 to consider and review the interim report and interim financial statements of the Group and to give their opinions and recommendations to the Board. The Audit Committee considers that the 2010 interim report and interim financial statements of the Company have complied with the applicable accounting standards and the Company has made appropriate disclosure thereof.

## **REMUNERATION COMMITTEE**

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

## **COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS**

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

# Report on Review of Interim Condensed Consolidated Financial Statements



To the Board of Directors of  
**GREAT WALL MOTOR COMPANY LIMITED**  
*(Incorporated in the People's Republic of China with limited liability)*

## INTRODUCTION

We have reviewed the interim condensed consolidated financial statements of Great Wall Motor Company Limited set out on pages 17 to 50, which comprises the interim consolidated statement of financial position as at 30 June 2010 and the related interim consolidated statements of income, comprehensive income, changes in equity and cash flows for the six months then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 *Interim Financial Reporting* ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants.

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

## SCOPE OF REVIEW

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

## CONCLUSION

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

**Ernst & Young**  
*Certified Public Accountants*

18/F, Two International Finance Centre  
8 Finance Street, Central  
Hong Kong  
20 August 2010

# Interim Consolidated Income Statement

Six months ended 30 June 2010

	Notes	Six months ended 30 June	
		2010 RMB'000 Unaudited	2009 RMB'000 Unaudited
REVENUE	4	<b>9,124,540</b>	5,154,864
Cost of sales		<b>(7,175,909)</b>	(4,251,591)
Gross profit		<b>1,948,631</b>	903,273
Other income and gains	4	<b>32,884</b>	38,779
Selling and distribution costs		<b>(468,076)</b>	(314,527)
Administrative expenses		<b>(174,676)</b>	(129,193)
Other expenses		<b>(197,605)</b>	(166,132)
Finance costs	6	<b>(6,412)</b>	(20,742)
Share of profits and losses of:			
Jointly-controlled entities		<b>14,005</b>	4,226
Associates		<b>6,994</b>	911
PROFIT BEFORE TAX	5	<b>1,155,745</b>	316,595
Income tax expense	7	<b>(248,435)</b>	(37,298)
PROFIT FOR THE PERIOD		<b>907,310</b>	279,297
ATTRIBUTABLE TO:			
Owners of the parent		<b>867,072</b>	262,348
Minority interests		<b>40,238</b>	16,949
		<b>907,310</b>	279,297
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
— BASIC AND DILUTED	8	<b>RMB0.79</b>	RMB0.24

# Interim Consolidated Statement of Comprehensive Income

Six months ended 30 June 2010

	Six months ended 30 June	
	2010 RMB'000 Unaudited	2009 RMB'000 Unaudited
PROFIT FOR THE PERIOD	<b>907,310</b>	279,297
OTHER COMPREHENSIVE INCOME		
Exchange differences on translation of foreign operations	—	2
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	—	2
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<b>907,310</b>	279,299
ATTRIBUTABLE TO:		
Owners of the parent	<b>867,072</b>	262,350
Minority interests	<b>40,238</b>	16,949
	<b>907,310</b>	279,299

# Interim Consolidated Statement of Financial Position

30 June 2010

	Notes	30 June 2010 RMB'000 Unaudited	31 December 2009 RMB'000 Audited
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	10	4,594,972	4,205,777
Prepaid land premiums		963,634	971,978
Construction in progress	11	1,154,169	1,085,234
Goodwill		2,164	2,164
Interests in jointly-controlled entities		111,728	213,163
Interests in associates		29,501	22,507
Available-for-sale financial investments	15	1,200	1,200
Deferred tax assets	23	348,530	290,699
<b>Total non-current assets</b>		<b>7,205,898</b>	6,792,722
<b>CURRENT ASSETS</b>			
Inventories	12	2,630,929	1,589,925
Trade receivables	13	270,460	147,827
Bills receivable	14	3,840,495	3,237,728
Available-for-sale financial investments	15	150,000	150,000
Prepaid tax		155	93,740
Prepayments and other receivables	16	939,296	459,670
Pledged bank balances	17	403,665	470,452
Cash and cash equivalents	17	1,995,308	2,121,333
<b>Total current assets</b>		<b>10,230,308</b>	8,270,675
<b>CURRENT LIABILITIES</b>			
Trade payables	18	4,014,226	3,095,398
Bills payable	19	1,252,379	1,177,300
Interest-bearing bank and other borrowings	20	69,797	75,596
Tax payable		166,164	23,332
Other payables and accruals	21	2,505,725	2,116,105
Dividends payable to shareholders		170,500	—
Dividends payable to minority shareholders		31,042	11,342
Provision for product warranties	22	84,978	71,673
<b>Total current liabilities</b>		<b>8,294,811</b>	6,570,746
<b>NET CURRENT ASSETS</b>		<b>1,935,497</b>	1,699,929
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>9,141,395</b>	8,492,651

	Notes	<b>30 June 2010</b> <b>RMB'000</b> <b>Unaudited</b>	31 December 2009 RMB'000 Audited
<b>NON-CURRENT LIABILITY</b>			
Deferred income	24	<b>641,730</b>	654,490
Total non-current liability		<b>641,730</b>	654,490
<b>NET ASSETS</b>			
<b>EQUITY</b>			
Equity attributable to owners of the parent			
Issued capital	25	<b>1,095,272</b>	1,095,272
Reserves	26	<b>7,090,646</b>	6,223,574
Proposed final dividends		—	273,818
<b>Minority interests</b>			
		<b>8,185,918</b>	7,592,664
		<b>313,747</b>	245,497
<b>TOTAL EQUITY</b>		<b>8,499,665</b>	7,838,161

**Wei Jian Jun**  
*Executive director*

**Wang Feng Ying**  
*Executive director*

# Interim Consolidated Statement of Changes in Equity

Six months ended 30 June 2010

	Attributable to owners of the parent									
	Issued capital	Share premium account	Capital reserves (Note 26)	Statutory reserves	Exchange fluctuation reserve	Retained profits	Proposed final dividend	Total	Minority interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
<b>At 1 January 2010</b>	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
<b>Total comprehensive income</b>	—	—	—	—	—	867,072	—	867,072	40,238	907,310
Acquisition of a subsidiary	—	—	—	—	—	—	—	—	52,712	52,712
Transfer to statutory reserves	—	—	—	13,284	—	(13,284)	—	—	—	—
Dividends paid to minority shareholders	—	—	—	—	—	—	—	—	(24,700)	(24,700)
Final 2009 dividend declared	—	—	—	—	—	—	(273,818)	(273,818)	—	(273,818)
<b>At 30 June 2010</b>	1,095,272	2,561,788*	(16,664)*	1,179,657*	(1,791)*	3,367,656*	—	8,185,918	313,747	8,499,665

\* These reserve accounts comprise the consolidated reserves of RMB7,090,646,000 as at 30 June 2010 in the interim consolidated statement of financial position.

Six months ended 30 June 2009

	Attributable to owners of the parent									
	Issued capital	Share premium account	Capital reserves (Note 26)	Statutory reserves	Exchange fluctuation reserve	Retained profits	Proposed final dividend	Total	Minority interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
<b>At 1 January 2009</b>	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
<b>Total comprehensive income</b>	—	—	—	—	2	262,348	—	262,350	16,949	279,299
Acquisition of minority interests	—	—	—	—	—	—	—	—	(40,059)	(40,059)
Transfer to statutory reserves	—	—	—	42,092	—	(42,092)	—	—	—	—
Dividends paid to minority shareholders	—	—	—	—	—	—	—	—	(21,213)	(21,213)
Final 2008 dividend declared	—	—	—	—	—	—	(164,291)	(164,291)	—	(164,291)
<b>At 30 June 2009</b>	1,095,272	2,561,788	(16,664)	1,060,985	(1,789)	2,132,869	—	6,832,461	238,717	7,071,178



# Interim Consolidated Statement of Cash Flows

Six months ended 30 June 2010

	Note	Six months ended 30 June	
		2010 RMB'000 Unaudited	2009 RMB'000 Unaudited
NET CASH FLOWS FROM OPERATING ACTIVITIES		<b>570,099</b>	1,390,533
NET CASH FLOWS USED IN INVESTING ACTIVITIES		<b>(665,886)</b>	(374,543)
NET CASH FLOWS USED IN FINANCING ACTIVITIES		<b>(108,588)</b>	(61,991)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		<b>(204,375)</b>	953,999
Cash and cash equivalents at beginning of period	17	<b>2,552,239</b>	2,092,465
Effect of foreign exchange rate changes, net		<b>11,563</b>	(1,301)
CASH AND CASH EQUIVALENTS AT END OF PERIOD		<b>2,359,427</b>	3,045,163
ANALYSIS OF BALANCE OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	17	<b>2,359,427</b>	3,045,163

# Notes to Interim Condensed Consolidated Financial Statements

30 June 2010

## 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 30 June 2010, 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 period, the Company and its subsidiaries (collectively the "Group") were principally engaged in the manufacture and sale of automobiles and automotive parts and components.

## 2. ACCOUNTING POLICIES

The interim condensed consolidated financial statements are prepared in accordance with Hong Kong Accounting Standard 34 Interim Financial Reporting ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The accounting policies and basis of preparation adopted in the preparation of the interim condensed consolidated financial statements are the same as those used in the annual financial statements for the year ended 31 December 2009, except for the following:

HKFRS 1 (Revised)	<i>First-time Adoption of Hong Kong Financial Reporting Standards</i>
HKFRS 1 Amendments	<i>Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards — Additional Exemptions for First-time Adopters</i>
HKFRS 2 Amendments	<i>Amendments to HKFRS 2 Share-based Payment — Group Cash-settled Share-based Payment Transactions</i>
HKFRS 3 (Revised)	<i>Business Combinations</i>
HKAS 27 (Revised)	<i>Consolidated and Separate Financial Statements</i>
HKAS 39 Amendment	<i>Amendment to HKAS 39 Financial Instruments: Recognition and Measurement — Eligible Hedged Items</i>
HK(IFRIC) — Int 17	<i>Distributions of Non-cash Assets to Owners</i>
Amendments to HKFRS 5 included in <i>Improvements to HKFRSs</i> issued in October 2008	<i>Amendments to HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations — Plan to Sell the Controlling Interest in a Subsidiary</i>
HK Interpretation 4 (Revised in December 2009)	<i>Leases-Determination of the Length of Lease Term in respect of Hong Kong Land Leases</i>
Improvements to HKFRSs 2009	<i>Amendments to a number of HKFRSs</i>

The application of these new and revised standards and interpretations has no material impact on the accounting policies of the Group and the methods of computation in the Group's interim condensed consolidated financial statements.

### 3. OPERATING SEGMENT INFORMATION

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

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

	<b>Six months ended 30 June</b>	
	<b>2010</b>	2009
	<b>RMB'000</b>	RMB'000
	<b>Unaudited</b>	Unaudited
Mainland China	<b>7,805,009</b>	4,328,360
Australia	<b>269,797</b>	44,797
Russia	<b>159,304</b>	453
Italy	<b>139,914</b>	48,570
South Africa	<b>124,941</b>	22,508
Iraq	<b>114,763</b>	207,494
Chile	<b>103,620</b>	28,018
Algeria	<b>58,189</b>	84,401
Libya	<b>4,470</b>	146,010
Other countries	<b>344,533</b>	244,253
	<b>9,124,540</b>	5,154,864

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

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

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

# Notes to Interim Condensed Consolidated Financial Statements

30 June 2010

## 4. REVENUE, OTHER INCOME AND GAINS

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

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

	Six months ended 30 June	
	2010 RMB'000 Unaudited	2009 RMB'000 Unaudited
<b>Revenue</b>		
Sale of automobiles	8,565,829	4,913,462
Sale of automotive parts and components and others	558,711	241,402
	<b>9,124,540</b>	5,154,864
<b>Other income and gains</b>		
Bank interest income	15,256	22,622
Government grants:		
Recognition of deferred income	11,815	4,490
Others*	4,572	1,200
Income from disposal of available-for-sale financial investments	1,241	367
Gain on disposal of items of property, plant and equipment	—	41
Gain on acquisition of minority interests	—	10,059
	<b>32,884</b>	38,779

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

## 5. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2010 RMB'000 Unaudited	2009 RMB'000 Unaudited
Depreciation	240,208	167,080
Recognition of prepaid land premiums	10,423	8,357
Minimum lease payments under operating leases in respect of land and buildings	380	109
Auditors' remuneration	500	822
Employee benefits expenses (including directors' and supervisors' remuneration):		
Wages and salaries	502,436	304,690
Retirement benefits contributions	34,351	27,572
	<b>536,787</b>	332,262
Provision for product warranties	39,205	21,914
Research costs included in other expenses	182,764	163,484
Foreign exchange differences, net	7,815	1,823
Loss on disposal of an associate	—	1,564
Write-down of inventories to net realisable value	9,210	9,383
Loss/(gain) on disposal of items of property, plant and equipment	251	(41)
Impairment/(write-back) of impairment of receivables, net	6,607	(739)

## 6. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 June	
	2010 RMB'000 Unaudited	2009 RMB'000 Unaudited
Interest on a bank loan	245	—
Discount interests of bills receivable and others	6,167	20,742
	<b>6,412</b>	20,742

# Notes to Interim Condensed Consolidated Financial Statements

30 June 2010

## 7. TAX

### Income tax

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

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
	Unaudited	Unaudited
Hong Kong profits tax	—	—
PRC corporate income tax:		
Current corporate income tax	306,266	94,118
Deferred tax	(57,831)	(56,820)
	<b>248,435</b>	37,298

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

Pursuant to the original PRC Corporate Income Tax Law of the PRC for Enterprises with Foreign Investment and Foreign Enterprises and applicable local tax regulations, the Law of the PRC on Enterprise Income Tax and the Circular of the State Council Concerning Issues Relevant to Implementation of Transitional Preferential Policies for Enterprise Income Tax effective from 1 January 2008, 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 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.

## 7. 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:

	Six months ended 30 June			
	2010 RMB'000 Unaudited	%	2009 RMB'000 Unaudited	%
Profit before tax	<b>1,155,745</b>		316,595	
At the PRC corporate income tax rate	<b>288,936</b>	<b>25.0</b>	79,149	25.0
Profits and losses attributable to jointly-controlled entities and associates	<b>(5,249)</b>	<b>(0.5)</b>	(1,284)	(0.4)
Additional deduction of expenses	<b>(22,444)</b>	<b>(1.9)</b>	(18,829)	(5.9)
Income not subject to tax	<b>(1,461)</b>	<b>(0.1)</b>	(2,516)	(0.8)
Tax effect of expenses not deductible for tax purposes	<b>1,843</b>	<b>0.2</b>	814	0.2
Tax holiday and exemptions	<b>(13,190)</b>	<b>(1.2)</b>	(20,036)	(6.3)
Actual income tax expenses	<b>248,435</b>	<b>21.5</b>	37,298	11.8

The share of tax attributable to jointly-controlled entities and associates amounting to RMB5,572,000 (Six months ended 30 June 2009: RMB983,000) is included in "Share of profits and losses of jointly-controlled entities and associates" on the face of the interim consolidated income statement.

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

## 8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's profit attributable to ordinary equity holders of the parent for the six months ended 30 June 2010 of RMB867,072,000 (Six months ended 30 June 2009: RMB262,348,000) and the weighted average of 1,095,272,000 (Six months ended 30 June 2009: 1,095,272,000) ordinary shares in issue during the period.

No adjustment has been made to basic earnings per share amounts presented for the period ended 30 June 2010 and 2009 in respect of a dilution as the Group has no potentially dilutive ordinary shares in issue during those periods.

# Notes to Interim Condensed Consolidated Financial Statements

30 June 2010

## 9. DIVIDEND

The directors do not recommend the payment of any interim dividend for the six months ended 30 June 2010 (Six months ended 30 June 2009: Nil).

## 10. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000 Unaudited	Plant and machinery RMB'000 Unaudited	Motor vehicles RMB'000 Unaudited	Office equipment and others RMB'000 Unaudited	Total RMB'000 Unaudited
<b>Cost:</b>					
At 1 January 2010	1,721,298	2,760,204	90,474	802,714	5,374,690
Additions	1,939	25,210	21,578	15,212	63,939
Transfer from construction in progress	35,183	401,624	1,401	130,878	569,086
Disposals	(16)	(4,885)	(2,870)	(2,073)	(9,844)
At 30 June 2010	1,758,404	3,182,153	110,583	946,731	5,997,871
<b>Accumulated depreciation and impairment:</b>					
At 1 January 2010	181,060	660,178	28,162	299,513	1,168,913
Depreciation provided for the period	29,220	138,988	5,699	66,301	240,208
Disposals	(10)	(4,368)	(1,428)	(416)	(6,222)
At 30 June 2010	210,270	794,798	32,433	365,398	1,402,899
<b>Net book value:</b>					
At 30 June 2010	1,548,134	2,387,355	78,150	581,333	4,594,972
At 1 January 2010	1,540,238	2,100,026	62,312	503,201	4,205,777



## 11. CONSTRUCTION IN PROGRESS

	<b>RMB'000</b> <b>Unaudited</b>
At 1 January 2010	<b>1,085,234</b>
Additions	<b>435,246</b>
Acquisition of a subsidiary	<b>202,775</b>
Transfer to property, plant and equipment	<b>(569,086)</b>
At 30 June 2010	<b>1,154,169</b>

## 12. INVENTORIES

	<b>30 June 2010</b> <b>RMB'000</b> <b>Unaudited</b>	31 December 2009 RMB'000 Audited
Raw materials	<b>474,095</b>	247,565
Work in progress	<b>124,799</b>	121,569
Finished goods	<b>1,740,334</b>	931,857
Spare parts and consumables	<b>23,733</b>	23,754
Properties under development (note)	<b>281,683</b>	274,926
	<b>2,644,644</b>	1,599,671
Provision for inventories	<b>(13,715)</b>	(9,746)
	<b>2,630,929</b>	1,589,925

The carrying amount of inventories carried at net realisable value included in the above balances was RMB261,301,000 (31 December 2009: RMB127,447,000).

Note: The above properties under development represented inventories of Baoding Bochuang Real Estate Developing Company Limited, a wholly-owned subsidiary of the Company which is engaged in development of residential properties.

# Notes to Interim Condensed Consolidated Financial Statements

30 June 2010

## 13. TRADE RECEIVABLES

	<b>30 June 2010</b>	31 December 2009
	<b>RMB'000</b>	RMB'000
	<b>Unaudited</b>	Audited
Trade receivables	<b>280,518</b>	152,016
Impairment	<b>(10,058)</b>	(4,189)
	<b>270,460</b>	147,827

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

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

	<b>30 June 2010</b>	31 December 2009
	<b>RMB'000</b>	RMB'000
	<b>Unaudited</b>	Audited
Outstanding balances aged:		
Within 6 months	<b>271,524</b>	147,383
7 to 12 months	<b>4,701</b>	1,598
Over 1 year	<b>4,293</b>	3,035
Impairment	<b>280,518</b>	152,016
	<b>(10,058)</b>	(4,189)
	<b>270,460</b>	147,827

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

	<b>RMB'000</b>
	<b>Unaudited</b>
At 1 January 2010	<b>4,189</b>
Impairment losses recognised	<b>6,094</b>
Impairment losses reversed	<b>(225)</b>
At 30 June 2010	<b>10,058</b>

### 13. TRADE RECEIVABLES (CONTINUED)

As at 30 June 2010, included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of RMB10,058,000 (31 December 2009: RMB4,189,000) with a carrying amount of RMB15,892,000 (31 December 2009: RMB5,468,000). 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:

	<b>30 June 2010</b> <b>RMB'000</b> <b>Unaudited</b>	31 December 2009 RMB'000 Audited
Neither past due nor impaired	<b>264,626</b>	146,548
Less than 6 months past due	<b>5,834</b>	1,279
	<b>270,460</b>	147,827

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default, and most of the receivables are secured by letters of credit.

As at 30 June 2010, 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 RMB443,000 (31 December 2009: RMB287,000), which are unsecured, non-interest bearing and repayable on credit terms similar to those offered to the major customers of the Group.

### 14. BILLS RECEIVABLE

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

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

	<b>30 June 2010</b> <b>RMB'000</b> <b>Unaudited</b>	31 December 2009 RMB'000 Audited
Falling due:		
Within 3 months	<b>2,696,701</b>	1,251,933
4 to 6 months	<b>1,143,794</b>	1,985,795
	<b>3,840,495</b>	3,237,728

As at 30 June 2010, the Group's bills receivable amounting to RMB990,755,000 (31 December 2009: RMB635,198,000) were pledged to banks for issuing an equivalent amount of bills payable.

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## 15. AVAILABLE-FOR-SALE FINANCIAL INVESTMENTS

	<b>30 June 2010</b>	31 December 2009
	<b>RMB'000</b>	RMB'000
	<b>Unaudited</b>	Audited
Unlisted equity investment, at cost	<b>1,200</b>	1,200
Unlisted investments, at fair value (note)	<b>150,000</b>	150,000

Note: The above investments comprised investments in financial products issued by banks at fair value of RMB150,000,000 (31 December 2009: RMB150,000,000), which were designated as available-for-sale financial investments with no fixed coupon rate.

## 16. PREPAYMENTS AND OTHER RECEIVABLES

	<b>30 June 2010</b>	31 December 2009
	<b>RMB'000</b>	RMB'000
	<b>Unaudited</b>	Audited
Prepayments	<b>852,985</b>	435,589
Export VAT refunds	<b>6,145</b>	92
Other receivables	<b>85,203</b>	28,288
	<b>944,333</b>	463,969
Impairment	<b>(5,037)</b>	(4,299)
	<b>939,296</b>	459,670

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

	<b>RMB'000</b>
	<b>Unaudited</b>
At 1 January 2010	<b>4,299</b>
Impairment losses recognised	<b>802</b>
Impairment losses reversed	<b>(64)</b>
At 30 June 2010	<b>5,037</b>

## 16. PREPAYMENTS AND OTHER RECEIVABLES (CONTINUED)

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

	<b>30 June 2010</b> <b>RMB'000</b> <b>Unaudited</b>	31 December 2009 RMB'000 Audited
Neither past due nor impaired	<b>85,824</b>	23,004
Less than 6 months past due	<b>487</b>	1,077
	<b>86,311</b>	24,081

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

As at 30 June 2010, included in the Group's prepayments and other receivables are amounts due from companies that are controlled by the Group's key management personnel or their close family members amounting to RMB3,317,000 (31 December 2009: RMB1,144,000), which are unsecured, non-interest-bearing and repayable on demand.

## 17. CASH AND CASH EQUIVALENTS AND PLEDGED BANK BALANCES

	<b>30 June 2010</b> <b>RMB'000</b> <b>Unaudited</b>	31 December 2009 RMB'000 Audited
Cash and bank balances	<b>1,785,356</b>	2,127,278
Time deposits on demand	<b>613,617</b>	464,507
	<b>2,398,973</b>	2,591,785
Less: Bank balances pledged to bank for a bank loan	<b>(39,546)</b>	(39,546)
Bank balances pledged to banks for issuing bills payable and letters of credit	<b>(364,119)</b>	(430,906)
	<b>(403,665)</b>	(470,452)
Cash and cash equivalents in the interim consolidated statement of financial position	<b>1,995,308</b>	2,121,333
Add: Pledged bank balances for issuing bills payable and letters of credit	<b>364,119</b>	430,906
Cash and cash equivalents in the interim consolidated statement of cash flows	<b>2,359,427</b>	2,552,239

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## 18. TRADE PAYABLES

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

	<b>30 June 2010</b> <b>RMB'000</b> <b>Unaudited</b>	31 December 2009 RMB'000 Audited
Within 6 months	<b>3,917,396</b>	2,974,475
7 to 12 months	<b>34,273</b>	65,983
1 to 2 years	<b>32,985</b>	19,322
Over 2 years	<b>29,572</b>	35,618
	<b>4,014,226</b>	3,095,398

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

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

	<b>30 June 2010</b> <b>RMB'000</b> <b>Unaudited</b>	31 December 2009 RMB'000 Audited
Jointly-controlled entities	<b>176,628</b>	59,671
Associates	<b>115,434</b>	118,242
Companies that are controlled by the Group's key management personnel or their close family members	<b>6,500</b>	48,773
	<b>298,562</b>	226,686

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

## 19. BILLS PAYABLE

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

	<b>30 June 2010</b> <b>RMB'000</b> <b>Unaudited</b>	31 December 2009 RMB'000 Audited
Within 3 months	<b>534,103</b>	679,273
4 to 6 months	<b>718,276</b>	498,027
	<b>1,252,379</b>	1,177,300

## 19. BILLS PAYABLE (CONTINUED)

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

	<b>30 June 2010</b> <b>RMB'000</b> <b>Unaudited</b>	31 December 2009 RMB'000 Audited
Jointly-controlled entities	<b>26,621</b>	2,680
Associates	<b>6,292</b>	1,900
Companies that are controlled by the Group's key management personnel or their close family members	<b>1,410</b>	2,268
	<b>34,323</b>	6,848

## 20. INTEREST-BEARING BANK AND OTHER BORROWINGS

	<b>30 June 2010</b>			31 December 2009		
	<b>Effective Interest rate (%)</b>	<b>Maturity</b>	<b>RMB'000</b>	Effective Interest rate (%)	Maturity	RMB'000
Current						
Bank loan — secured (Note c)	<b>1.5138</b>	<b>2010</b>	<b>38,367</b>	1.5138	2010	38,367
Other loan — unsecured	—	<b>2010</b>	<b>31,430</b>	—	2010	37,229
			<b>69,797</b>			75,596

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## 20. INTEREST-BEARING BANK AND OTHER BORROWINGS (CONTINUED)

	<b>30 June 2010</b>	31 December 2009
	<b>RMB'000</b>	RMB'000
	<b>Unaudited</b>	Audited
Analysed into:		
Bank loan:		
within one year	<b>38,367</b>	38,367
Other borrowings repayable:		
within one year	<b>31,430</b>	37,229
	<b>69,797</b>	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 30 June 2010, 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 RMB31,430,000 (31 December 2009: RMB37,229,000), which are unsecured, non-interest-bearing and repayable within one year.

## 21. OTHER PAYABLES AND ACCRUALS

	<b>30 June 2010</b>	31 December 2009
	<b>RMB'000</b>	RMB'000
	<b>Unaudited</b>	Audited
Advances from customers	<b>1,720,163</b>	1,320,489
Accruals	<b>92,307</b>	72,788
Deferred income	<b>23,811</b>	22,866
Other payables	<b>669,444</b>	699,962
	<b>2,505,725</b>	2,116,105

As at 30 June 2010, 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 RMB13,354,000 (31 December 2009: RMB17,486,000), which are unsecured, non-interest bearing and repayable on demand.



## 22. PROVISION FOR PRODUCT WARRANTIES

	<b>RMB'000</b> <b>Unaudited</b>
At 1 January 2010	<b>71,673</b>
Additional provision	<b>39,205</b>
Amounts utilised during the period	<b>(25,900)</b>
At 30 June 2010	<b>84,978</b>

## 23. DEFERRED TAX ASSETS

An analysis of deferred tax assets is as follows:

	<b>30 June 2010</b> <b>RMB'000</b> <b>Unaudited</b>	31 December 2009 RMB'000 Audited
Impairment of receivables	<b>3,774</b>	2,122
Write-down of inventories to net realisable value	<b>21,492</b>	20,546
Liabilities for accrued expenses that are deductible for tax purpose only when paid	<b>51,262</b>	33,300
Impairment of items of property, plant and equipment	<b>238</b>	242
Accumulated depreciation difference between carrying amount and tax base	<b>9,606</b>	10,214
Receipt in advance (revenue in nature) that is taxable	<b>30,408</b>	32,333
Receipt of government grants that is taxable	<b>153,147</b>	155,643
Unrealised profit eliminated on consolidation	<b>72,619</b>	28,857
Temporary differences arising from transfer of assets among group companies	<b>3,904</b>	4,222
Pre-operation expenses	<b>1,951</b>	2,828
Others	<b>129</b>	392
	<b>348,530</b>	290,699

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## 24. DEFERRED INCOME

	<b>RMB'000</b> <b>Unaudited</b>
Deferred income:	
At 1 January and 30 June 2010	<b>715,381</b>
Accumulated income recognised in other income and gains:	
At 1 January 2010	<b>38,025</b>
Recognised during the period	<b>11,815</b>
At 30 June 2010	<b>49,840</b>
Net book value:	
At 30 June 2010	<b>665,541</b>
Current portion included in other payables and accruals	<b>(23,811)</b>
Non-current portion	<b>641,730</b>

## 25. SHARE CAPITAL

Issued and fully paid-up	Number of shares '000	30 June 2010	31 December 2009
		<b>RMB'000</b> <b>Unaudited</b>	RMB'000 Audited
Domestic share (RMB1 each)	682,000	<b>682,000</b>	682,000
H shares (RMB1 each)	413,272	<b>413,272</b>	413,272
	1,095,272	<b>1,095,272</b>	1,095,272

## 26. RESERVES

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

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

## 26. RESERVES (CONTINUED)

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

As stipulated by the relevant laws and regulations for foreign-investment enterprises in the PRC, certain of the Company's subsidiaries, being Sino-foreign joint ventures, are required to maintain discretionary dedicated capital, which includes a general reserve fund, an enterprise expansion fund and a staff welfare and incentive bonus fund. The dedicated capital is to be appropriated from the statutory profit after tax as stipulated by the statute or by the board of directors and recorded as a component of shareholders' equity. The appropriation for the staff welfare and incentive bonus fund is charged to the income statement and any unutilised balance is included in current liabilities.

## 27. BUSINESS COMBINATION

In May 2010, the Group acquired 20.33% of equity interests in Baoding Smart Automobiles Accessories Company Limited ("Baoding Smart"), a then 54.67%-owned jointly-controlled entity of the Group, from Dragonet International Company Limited ("Dragonet"), a minority shareholder of Baoding Smart, for a cash consideration of RMB42,866,000. Upon the completion of this transaction, the Company's equity interests in Baoding Smart increased from 54.67% to 75%. Baoding Smart is mainly engaged in the manufacture of automotive parts and provision of after-sale service. Baoding Smart has not yet commenced operation up to the approval date of these interim condensed consolidated financial statements.

The fair values of the identifiable assets and liabilities for the aforesaid company as at the date of the acquisition were as follows:

	<b>RMB'000</b>
Cash and cash equivalents	<b>9,126</b>
Construction in progress	<b>202,775</b>
Other assets	<b>316</b>
Other payables	<b>(1,366)</b>
<b>Total identifiable net assets at fair value</b>	<b>210,851</b>
Non-controlling interests measured at fair value	<b>(52,712)</b>
Previously held interests measured at fair value	<b>(115,273)</b>
<b>Satisfied by cash</b>	<b>42,866</b>

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## 27. BUSINESS COMBINATION (CONTINUED)

An analysis of the net outflow of cash and cash equivalents in respect of the aforesaid acquisition are as follows:

	RMB'000
Cash consideration paid	(42,866)
Cash and cash equivalents acquired	9,126
Net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary	(33,740)

Since the acquisition, Baoding Smart did not contribute significant revenue and profit to the Group for the six months ended 30 June 2010.

Had the aforesaid acquisition taken place at the beginning of the year, the revenue of the Group and the profit of the Group for the year would have remained RMB9,124,540,000 and RMB907,310,000, respectively.

## 28. 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.

## 28. CONTINGENT LIABILITIES (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. Up to the approval date of these interim condensed consolidated financial statements, the verdict has not 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 interim condensed consolidated 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.

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## 28. CONTINGENT LIABILITIES (CONTINUED)

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. The People's High Court of Beijing held a hearing on 19 July 2010. Up to the approval date of these interim condensed consolidated financial statements, the verdict has not been issued.

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 30 June 2010.

## 29. OPERATING LEASE COMMITMENTS

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

	<b>30 June 2010</b> <b>RMB'000</b> <b>Unaudited</b>	31 December 2009 RMB'000 Audited
Within one year	<b>540</b>	253

## 30. COMMITMENTS

In addition to the operating lease commitments detailed in Note 29 above, the Group had the following commitments:

### (a) Capital commitments

	<b>30 June 2010</b> <b>RMB'000</b> <b>Unaudited</b>	31 December 2009 RMB'000 Audited
Contracted, but not provided for	<b>1,841,273</b>	1,285,543
Authorised, but not contracted for	<b>721,409</b>	1,041,683
	<b>2,562,682</b>	2,327,226

### 30. COMMITMENTS (CONTINUED)

#### (a) Capital commitments (continued)

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

	<b>30 June 2010</b> <b>RMB'000</b> <b>Unaudited</b>	31 December 2009 RMB'000 Audited
Acquisition of items of property, plant and equipment	<b>2,562,682</b>	2,327,226

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

	<b>30 June 2010</b> <b>RMB'000</b> <b>Unaudited</b>	31 December 2009 RMB'000 Audited
Contracted, but not provided for	<b>4,171</b>	7,434

#### (b) Other commitments

The Group had the following commitments for research projects:

	<b>30 June 2010</b> <b>RMB'000</b> <b>Unaudited</b>	31 December 2009 RMB'000 Audited
Contracted, but not provided for	<b>66,114</b>	110,106
Authorised, but not contracted for	<b>68,083</b>	3,243
	<b>134,197</b>	113,349

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## 31. RELATED PARTY TRANSACTIONS

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

Name of related parties	Nature of transaction	Pricing policy	Six months ended 30 June	
			2010 RMB'000 Unaudited	2009 RMB'000 Unaudited
Baoding Tai Hang Steel Structure Construction Company Limited (i) (保定太行鋼結構工程有限公司)	Construction service fee paid	(a)	<b>5,529</b>	4,910
	Purchases of services	(a)	<b>67</b>	—
	Others	(a)	<b>17</b>	—
Baoding Tai Hang Rosemex Engineering Company Limited (i) (保定太行熱土美工業有限公司)	Construction service fee paid	(a)	<b>2</b>	27
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
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)	<b>5,166</b>	52
	Purchases of machinery	(a)	<b>860</b>	860
	Purchases of services	(a)	<b>617</b>	—
	Sales of spare parts	(a)	<b>1,499</b>	16
	Sales of machinery	(a)	—	147
	Rendering of services	(a)	<b>16</b>	—
	Others	(a)	<b>13</b>	6
Hebei Baocang Highway Company Limited (i) (河北保滄高速公路有限公司)	Sales of automobiles	(a)	—	328
	Others	(a)	<b>3</b>	216



### 31. RELATED PARTY TRANSACTIONS (CONTINUED)

Name of related parties	Nature of transaction	Pricing policy	Six months ended 30 June	
			2010 RMB'000 Unaudited	2009 RMB'000 Unaudited
Baoding Tai Hang Pump	Purchases of spare parts	(a)	<b>2,030</b>	735
Manufacturing Company	Purchases of machinery	(a)	—	453
Limited (i)	Purchases of services	(a)	<b>2</b>	2
(保定市太行制泵有限公司)	Rendering of services	(a)	<b>5</b>	—
	Others	(a)	<b>2</b>	2
Beijing Weide Automobile	Purchases of raw materials	(a)	<b>58</b>	931
System Accessories				
Company Limited (i)				
(北京威德汽車系統配套有限公司)				
Baoding Deye Motor Inner	Purchases of spare parts*	(a)	<b>168,057</b>	119,472
Decoration Company	Sales of spare parts*	(a)	<b>751</b>	12
Limited (ii)	Sales of automobiles*	(a)	—	379
(保定德業汽車內飾件有限公司)	Purchases of machinery*	(a)	—	287
	Rendering of services*	(a)	<b>102</b>	81
	Sales of raw materials*	(a)	<b>2,342</b>	—
	Others*	(a)	<b>213</b>	75
Baoding Xinchang Auto Parts	Sales of automobiles*	(a)	—	60
Company Limited (ii)	Sales of raw materials*	(a)	—	35
(保定信昌汽車零部件有限公司)	Rendering of services*	(a)	<b>36</b>	1
	Sales of spare parts*	(a)	<b>16</b>	—
	Purchases of spare parts*	(a)	<b>23,898</b>	—
Baoding Shuanghua	Purchases of spare parts	(a)	<b>6,648</b>	17
Automotive Components	Rendering of services	(a)	<b>3</b>	—
Company Limited (iii)				
(保定雙樺汽車零部件有限公司)				
Baoding Yanfeng Johnson Controls	Sales of spare parts*	(a)	—	1
Automobile Seating	Purchases of spare part*	(a)	<b>212,897</b>	119,186
Company Limited (iii)	Rendering of services*	(a)	<b>400</b>	112
(保定延峰江森汽車座椅有限公司)	Others*	(a)	—	11

# Notes to Interim Condensed Consolidated Financial Statements

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## 31. RELATED PARTY TRANSACTIONS (CONTINUED)

Name of related parties	Nature of transaction	Pricing policy	Six months ended 30 June	
			2010 RMB'000 Unaudited	2009 RMB'000 Unaudited
Baoding Best Automobile Spare Parts Company Limited (iv) (保定佰思特汽車零部件有限公司)	Purchases of spare parts* Sales of spare parts* Rendering of services* Purchases of services*	(a) (a) (a) (a)	— — — —	9,640 127 2 389
Baoding Ruifeng Corporation Plan Company Limited (v) (保定市瑞豐企業策劃有限公司)	Sales of automobiles	(a)	—	122
The Management Centre of Collective Assets of Nandayuan Town, Nanshi District, Baoding (v) (保定市南市區南大園鄉集體資產經管中心)	Sales of automobiles	(a)	<b>229</b>	—
Wenzhou Feili Mould Manufacturing Company Limited (vi) (溫州飛利模具製造有限公司)	Purchases of machinery	(a)	—	395
Shanghai Shuanghua Automobile Air-Conditioning Accessories Company Limited (vi) (上海雙樺汽車零部件股份有限公司)	Purchases of spare parts	(a)	<b>57,247</b>	34,975
Shanghai Youshen Industry Company Limited (vi) (上海友申實業有限公司)	Purchases of raw materials	(a)	—	14

### 31. RELATED PARTY TRANSACTIONS (CONTINUED)

Name of related parties	Nature of transaction	Pricing policy	Six months ended 30 June	
			2010 RMB'000 Unaudited	2009 RMB'000 Unaudited
Wenzhou Huanqiu Automobile Gasket Company Limited (vii) (溫州市環球汽車襯墊有限公司)	Purchases of raw materials	(a)	110	128
Baoding Smart Automobile Accessories Limited Company (viii) (保定斯瑪特汽車配件有限公司)	Rental income	(a)	94	—

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

Notes:

- (a) These transactions were conducted in accordance with the terms of the relevant agreements.
- (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) This company was an associate of the Company in 2009.
- (v) These companies are shareholders of the Company.
- (vi) These companies are controlled by minority shareholders of subsidiaries of the Company.
- (vii) This company was a minority shareholder of a subsidiary of the Company.
- (viii) This company was a jointly-controlled entity of the Company before May 2010.

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## 31. RELATED PARTY TRANSACTIONS (CONTINUED)

Other transaction with related parties:

As disclosed in Note 27, the Group entered into an "Equity Transfer Agreement" with Dragonet for the transfer of 20.33% of equity interests from Dragonet to the Group in Baoding Smart for a cash consideration of RMB42,866,000. The transaction was completed in May 2010 and the Group's equity interests in Baoding Smart increased from 54.67% to 75%.

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

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

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
	Unaudited	Unaudited
Short-term employee benefits	1,895	1,046
Post-employment benefits	23	18
Total compensation paid to key management personnel	1,918	1,064

The Group's trade receivables, other receivables, trade payables, bills payable, other borrowings and other payables with related parties are disclosed in Notes 13, 16, 18, 19, 20 and 21, respectively.

## 32. APPROVAL OF THE INTERIM FINANCIAL REPORT

The interim condensed consolidated financial statements for the six months ended 30 June 2010 were approved and authorised for issue by the board of directors on 20 August 2010.