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 Annual Report

* For identification purpose only

CONTENTS

Corporate Information

Stock code
2333

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

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

Independent non-executive directors
Ms. Wei Lin
Mr. He Bao Yin
Mr. Li Ke Qiang
Mr. Wong Chi Hung, Stanley *(appointed on 26 November 2010)*
Mr. Chan Yuk Tong *(appointed on 18 May 2010, resigned on 26 November 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. Wong Chi Hung, Stanley *(appointed on 26 November 2010)*
Mr. Chan Yuk Tong *(appointed on 18 May 2010, resigned on 26 November 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 South Street,
Baoding, Hebei Province,
the People's Republic of China (the "**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
Deloitte Touche Tohmatsu Certified Public Accountants Ltd. *(appointed on 26 November 2010)*
Deloitte Touche Tohmatsu *(appointed on 26 November 2010)*
Ernst & Young *(resigned on 26 November 2010)*
Ernst & Young Hua Ming *(resigned on 26 November 2010)*

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

Telephone
86(312)-2197812

Facsimile
86(312)-2197812

Website
www.gwm.com.cn

Share Information

Place of listing:	Main Board of The Stock Exchange of Hong Kong Limited
Listing date:	15 December 2003
Number of issued shares:	As at 31 December 2010: 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

Results Highlights

	Year ended 31 December				
	2010	2009	2008	2007	2006
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	**22,174,985**	12,396,387	8,210,581	7,579,356	4,918,622
Gross Profit	**4,860,786**	2,148,328	1,489,350	1,795,929	1,236,891
Profit before tax	**3,038,577**	932,261	584,638	1,044,203	742,656
Profit for the year attributable to owners of the Company	**2,698,077**	1,022,553	513,143	937,451	702,844
Earnings per share (calculated based on the number of shares outstanding prior to the capitalisation issue)	**RMB2.46**	RMB0.93	RMB0.47	RMB0.91	RMB0.74
Earnings per share (calculated based on the number of shares outstanding after the capitalisation issue)	**RMB0.99**	RMB0.37	RMB0.19	RMB0.35	RMB0.27

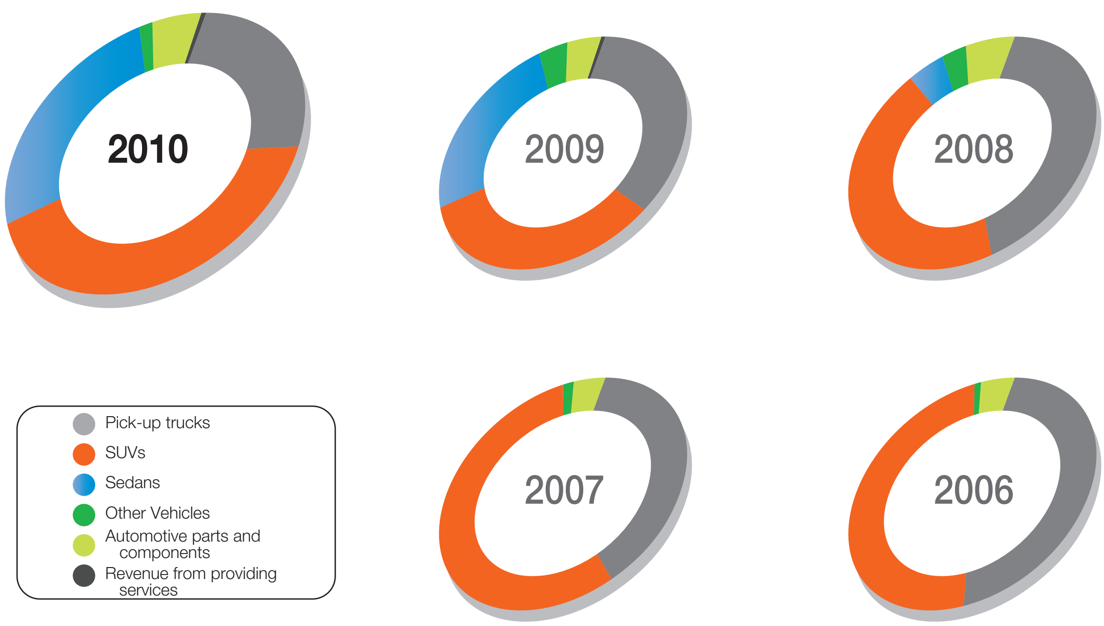
Summary of Financial Position

	As at 31 December				
	2010	2009	2008	2007	2006
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Equity attributable to owners of the Company	**10,015**	7,593	6,734	6,442	4,113
Total assets	**23,770**	15,063	10,816	10,162	6,472
Bank loans	**—**	38	—	—	—
Return on equity (%)#	**26.9**	13.5	7.6	14.6	17.1
Return on assets (%)	**11.4**	6.8	4.7	9.2	10.9
Gearing ratio (%)*	**—**	0.3	—	—	—
Accounts receivable turnover (Day) (including bills receivable)	**131**	98	53	38	38
Inventory turnover (Day)	**34**	56	38	45	48

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

* Total bank loans divided by total assets

Revenue Breakdown by Products



Trade Receivables

	As at 31 December 2010 RMB'000	As at 31 December 2009 RMB'000
Trade receivables	**341,005**	152,016
Less: allowance for doubtful debts	**(14,009)**	(4,189)
	326,996	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, as at the end of the reporting period, based on the invoice date, is as follows:

	As at 31 December 2010 RMB'000	As at 31 December 2009 RMB'000
Outstanding balances aged:		
Within 6 months	**326,950**	146,990
7 to 12 months	**24**	837
Over 1 year	**22**	—
	326,996	147,827

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 2010 *RMB'000*	As at 31 December 2009 *RMB'000*
Within 6 months	**4,789,207**	2,974,475
7 to 12 months	**51,155**	65,983
1 to 2 years	**30,802**	19,322
Over 2 years	**32,400**	35,618
	4,903,564	3,095,398

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

To all shareholders:

I am pleased to present the audited consolidated results of Great Wall Motor Company Limited (the "**Company**" or "**Great Wall Motor**") and its subsidiaries (the "**Group**") for the year ended 31 December 2010 ("**the Year**").

For the year ended 31 December 2010, the Group continued to record a satisfactory growth in its operating results with the revenue and profit for the year attributable to owners of the company amounting to RMB22,174,985,000 and RMB2,698,077,000 respectively, representing increases of 78.9% and 163.9% respectively over those of 2009.

Recovery of the world economy, in particular the PRC economy, regained momentum during the Year. The PRC government implemented a series of economic stimulus policies during the Year and achieved steady economic growth. In 2010, the automobile production and sales volume in the PRC ranked first among the world. During the Year, the automobile production and sales volume reached 18,264,667 units and 18,061,936 units respectively. The continuous growth of the overseas market, coupled with the commencement of operation of overseas assembly plants by the dealers of the Company led to a significant increase in the export volume. In 2011, in addition to consolidating sales in the existing markets, the Company will expand the scale of its sales in automobiles in the emerging markets and speed up the construction of overseas assembly plants. The export market is expected to pick up as economies of other countries gradually improved.

The Company's principal products are SUVs, sedans and pick-up trucks. It also focuses on the research and development of small displacement passenger vehicles which are in line with the government policy and a change in the consumption mindset. During the Year, the Group launched the first model of 3-compartment sedan "Voleex C30" and achieved remarkable results which are attributable to its premium quality, trendy outlook and the market recognition of the quality of the Company's sedans. "Haval M2", a small model of the M-series SUV, and "Haval H5 European style" and "Haval H5 Technology Style" were launched during the Year. Sales performance of SUVs was satisfactory during the Year.

In the face of intensifying market competition, the Company emphasized on enhancing performance and quality of its products, developing a "star-type" car model, consolidating and gradually expanding its market shares. In terms of the domestic market segments, Great Wall Motor's pick-up trucks have all along been in a leading position in the pick-up truck market. For the SUV market, the SUV products of the Company include H-series and M-series SUVs which cover the small and medium-sized SUV market and have maintained the largest market shares among different brands in the market. The Company has adjusted its strategies to strengthen its promotion of "star-type" sedan model, which resulted in a significant increase in its sales volume and contributed to the growth in the performance of the Company during the Year. On the front of product development, the Company has complied with the European Union ("EU") standards in developing new car model. Pick-up trucks, SUVs and sedans are exported overseas. The export volume is expected to continue to increase upon completion of the CKD assembly plant construction.

2011 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 and steady 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 create maximum returns for our shareholders.

Wei Jian Jun
Chairman

Baoding, Hebei Province, the PRC
15 March 2011


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Management Discussion and Analysis

OPERATING ENVIRONMENT

In 2010, the recovery momentum of the global economy was stronger than expected. China had rapidly moved out of the recession, marked by a substantial growth in the production and sales volume of automobile industry. Driven by the effect of various policies, the production and sales volume of automobiles increased steadily and reached a record high.

According to the statistics of China Association of Automobile Manufacturers, the People's Republic of China (the "**PRC**") ranked first again in the world in terms of production and sales volume of automobiles in 2010, reaching 18,264,667 units and 18,061,936 units respectively, representing increases of 32.44% and 32.37% respectively when compared with those of the same period last year. Export of automobiles continued to show signs of recovery, with export volume in 2010 amounting to 544,900 units, representing a year-on-year increase of 63.94%. The Group also achieved satisfactory performance in export markets during the year under review. While continuing to consolidate its existing overseas markets, the Group had been actively exploring new markets in accordance with the changes in the international market.

During the year under review (the "**Year**"), the PRC government continued to implement relevant policies that were favourable to the sales of automobiles. The "Energy-saving Products Benefiting the People Project" jointly announced by the National Development and Reform Commission, Ministry of Industry and Information Technology, and Ministry of Finance not only promoted technological advancement, energy saving and emission reduction, but also effectively stimulated the demand for automobiles. According to the implementation details of the policy, gasoline-powered and diesel-powered passenger vehicles with engines of 1.6 litres displacement or below and those vehicles with an integrated fuel consumption which is approximately 20% less than the existing standards for fuel consumption in the PRC will be included in the "Energy-saving Products Benefiting the People Project". The specifications of the Group's car models such as "Florid", "Voleex C30" and "Haval M2" meet the relevant requirements. These car models had been included in the promotional catalogue on energy-saving vehicles and are entitled to the relevant government subsidies.

The extension of policies such as automobile subsidies in rural areas, subsidized trade-in of vehicles, and preferential purchase tax incentive for low displacement vehicles during the Year further boosted automobile consumption, which to a certain extent had boosted the sales of the Group's automobiles.

With the general improvement in the people's income, it is expected that automobile sales in the country will maintain a stable growth in 2011. Export sales volume will also gradually increase as the economies in various countries are gradually picking up.

FINANCIAL REVIEW

Revenue

During the Year, the Group's revenue amounted to RMB22,174,985,000, representing an increase of 78.9% as compared to that of the previous year. The increase in revenue was mainly due to an increase in the sales volume of automobiles.

Sales analysis

	For the year ended 31 December 2010			For the year ended 31 December 2009		
	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	**98,643**	**5,376,830**	**24.2**	75,341	4,114,379	33.2
SUVs	**136,982**	**9,431,513**	**42.5**	58,299	4,225,400	34.1
Sedans	**122,843**	**5,782,046**	**26.1**	69,790	3,008,813	24.3
Other vehicles	**5,014**	**331,012**	**1.5**	6,430	435,530	3.5
Automotive parts and components, and others	**—**	**1,199,058**	**5.4**	—	567,078	4.6
Revenue from providing services	**—**	**54,526**	**0.3**	—	45,187	0.3
Total	**363,482**	**22,174,985**	**100.0**	209,860	12,396,387	100.0

Automobile sales

During the Year, the Group sold 363,482 units of automobiles, representing an increase of 73.2% as compared to 209,860 units sold in 2009. Automobiles sold in 2010 included 98,643 units of pick-up trucks, representing an increase of 30.9% as compared to 75,341 units sold in 2009; 136,982 units of SUVs, representing an increase of 135.0% as compared to 58,299 units sold in 2009; 122,843 units of sedans, representing an increase of 76.0% as compared to 69,790 units sold in 2009; and 5,014 units of other vehicles, representing an decrease of 22.0% when compared with those of the previous year.

Sales of automotive parts and components

In addition to the production of automobiles, the Group 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 111.4% increase in the revenue generated from the sale of automotive parts and components and others from RMB567,078,000 in 2009 to RMB1,199,058,000 in 2010. The increase was mainly attributable to an increase in the revenue generated 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 revenue generated from the sale of engines accounted for 8.7% of the Group's revenue generated from the sale of automotive parts and components and others.

Gross profit and gross profit margin

During the Year, the Group's gross profit rose from RMB2,148,328,000 in 2009 to RMB4,860,786,000, representing an increase of approximately 126.3%. The increase in the Group's gross profit was mainly due to an increase in the sales revenue and the rise of gross profit margin. The Group's gross profit margin increased from 17.3% in the previous year to 21.9%, which was mainly due to (1) a substantial increase in the gross profit margin of sedans; (2) economies of scale as a result of enlarged sales volume; (3) the effective cost control and enhanced product quality.

Profit attributable to owners of the Company and earnings per share

The Group's profit attributable to owners of the Company for the Year increased from RMB1,022,553,000 in 2009 to RMB2,698,077,000, owing to an increase in the profit driven by the growth in the sales of automobiles and an increase in the gross profit margin.

For the year ended 31 December 2010, basic earnings per share of the Company were RMB0.99. During the Year, the Company did not present any diluted earnings per share as there was no ordinary share which may cause any dilution effect.

Selling and distribution costs and administrative expenses

The selling and distribution expenses and administrative expenses of the Group rose by 50.2% from RMB1,001,170,000 in 2009 to RMB1,504,016,000 in 2010. The percentage of selling and distribution costs and administrative expenses to the total revenue decreased from 8.1% in 2009 to 6.8% in 2010. The increase in the 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 due to increased promotion of new car models such as sedans; (3) an increase in the provision for product warranties resulting from the rise in automobile sales volume; and (4) an increase in staff cost.

Finance costs

The Group's finance costs for 2010 were approximately RMB12,287,000, as compared with approximately RMB26,986,000 in 2009.

Liquidity and financial resources

As at 31 December 2010, the Group's current assets mainly included cash, cash equivalents and pledged bank deposits of approximately RMB3,094,616,000, trade receivables of approximately RMB326,996,000, inventories of approximately RMB2,103,680,000, bills receivables of approximately RMB7,726,100,000, other receivables and prepayments of approximately RMB1,596,353,000. The Group's current liabilities as at the same date mainly included dividends payable to non-controlling interests of approximately RMB37,742,000, other payables and accruals of approximately RMB3,491,345,000, current tax liabilities of approximately RMB48,812,000, bills payables of approximately RMB3,375,710,000, trade payables of approximately RMB4,903,564,000 and provision for product warranties of approximately RMB100,219,000.

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 2010, 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 by fluctuations in currency exchange rates.

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

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 2010, the Group employed a total of 38,268 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 5.6% of the Group's revenue for the year ended 31 December 2010.

Taxation

Tax of the Group in 2010 was RMB214,151,000.

Segment information

For operational management purposes, the Group is organized 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 analyzed as follows:

	For the year ended 31 December	
	2010	2009
	RMB'000	*RMB'000*
	Audited	Audited
Mainland China	**19,148,563**	10,585,655
Australia	**518,443**	236,265
Russia	**514,162**	48,759
South Africa	**277,931**	129,744
Chile	**275,578**	101,075
Italy	**257,712**	117,068
Iraq	**247,183**	386,684
Libya	**13,799**	146,010
Ukraine	**536**	—
Other countries	**921,078**	645,127
	22,174,985	12,396,387

Revenue from external customers for each group of similar products and services are set out in note 5 of the consolidated financial statements.

The Group's non-current assets for segment information presentation purpose amounting to RMB8,849,980,000 (2009: RMB6,792,054,000) are situated in the PRC and the remaining non-current assets amounting to RMB549,000 (2009: RMB668,000) are situated in overseas countries.

The Group has not placed reliance on any single external customers amounting to 10% or more of the Group's revenue.

BUSINESS REVIEW

Products

The Group's principal products are pick-up trucks, SUVs and sedans. The Group 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 363,482 units, representing an increase of 73.2% as compared to that of 2009. The continued growth in the Group's sales volume was attributable to the strong branding effect and constant launch of high quality products. 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.

Great Wall Motor made a breakthrough in diesel engine technology during the Year. It launched "Green and Quiet 2.0", a self-developed diesel engine, which is more energy-saving and environmental-friendly.

(1) Sedans

During the Year, the Group launched "Voleex C30", the first three-box sedan model. The sales volume of "Voleex C30" reached 59,021 units within six months of its debut. In addition, the Group modified its existing models to diversify its range of sedans. During the year, the sales volume and revenue of the Group's sedans reached 122,843 units and RMB5,782,046,000, representing increases of 76.0% and 92.2% when compared with those of the previous year respectively. The sales volume of "Florid" and "Voleex C30" models reached 50,402 units and 59,021 units respectively during the Year. The sales volume of sedans evidenced that the Group's concept of stylish compact sedans was recognised by consumers. The Group will continue to focus on stylish compact vehicles, and step up its efforts to enhance the quality of its sedan series in order to establish the branding of Great Wall Motor's stylish compact car.

(2) Pick-up trucks

According to the statistics of China Association of Automobile Manufacturers, Great Wall Motor's pick-up trucks continued to rank first in the PRC market in terms of sales volume for 13 consecutive years. With a market share of almost 30%, the Company maintains its solid leading market position in this respect. During the Year, the sales volume of pick-up trucks was 98,643 units, representing an increase of 30.9% when compared with that of the previous year. The sales revenue reached RMB5,376,830,000, representing an increase of approximately 30.7% when compared with that of 2009. The Group 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 models — "Haval M2", "Haval H5 European style" and "Haval H5 Technology Style" — during the Year had been well received by the market. The Group's SUV models maintained a leading position in terms of sales volume in the PRC market. During the Year, the sales volume and revenue of SUVs rose by 135.0% and approximately 123.2% to 136,982 units and RMB9,431,513,000 respectively when compared with those of 2009.

(4) *Automotive parts and components*

During the Year, the revenue generated from automotive parts and components amounted to RMB1,199,058,000, representing an increase of approximately 111.4% as compared with that of 2009, and accounting for 5.4% of the Group's total revenue.

(5) *Other vehicles*

Revenue of the Group's other vehicles (such as special vehicles) amounted to RMB331,012,000 during the Year, representing an decrease of 24% when compared to that of 2009.

DOMESTIC MARKET

Clientele

During the Year, the Group's domestic sales volume and revenue amounted to 313,527 units and RMB17,977,775,000, representing increases of 77.0% and 79.4% respectively from those of 2009 respectively. Of the Group's domestic sales, 115,171 units, 73,763 units and 119,807 units of sedans, pick-up trucks and SUVs were sold respectively, with revenue amounting to RMB5,453,080,000, RMB4,045,796,000 and RMB8,163,066,000 respectively. The revenue from the two main groups of customers, namely (1) dealers; and (2) government entities and individual customers amounted to RMB17,770,387,000 and RMB207,388,000 respectively.

	For the year ended 31 December 2010			For the year ended 31 December 2009		
	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	**310,011**	**17,770,387**	**98.8**	172,909	9,775,601	97.6
Government entities and individual customers	**3,516**	**207,388**	**1.2**	4,268	244,046	2.4
Total	**313,527**	**17,977,775**	**100.0**	177,177	10,019,647	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 2010 and 2009:

	2010		2009	
	Sales revenue *(RMB'000)*	**As a percentage of domestic automobile sales** *(%)*	Sales revenue *(RMB'000)*	As a percentage of domestic automobile sales *(%)*
Northern region	**3,681,221**	**20.5**	1,978,410	19.7
Northeastern region	**1,396,493**	**7.8**	761,974	7.6
Northwestern region	**2,018,155**	**11.2**	1,160,923	11.6
Southwestern region	**2,799,311**	**15.6**	1,860,505	18.6
Eastern region	**4,659,593**	**25.9**	2,310,998	23.1
Central region	**3,423,002**	**19.0**	1,946,837	19.4
Total	**17,977,775**	**100.0**	10,019,647	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, Guangdong province, the Guangxi Zhuangzu Autonomous Region and Hainan province

OVERSEAS MARKETS

The global economy continued to pick up in 2010, although the recovery rate had yet returned to the pre-financial crisis level. Against such a backdrop, the Group's export performance had not reached the level attained before the financial crisis. However, with the continuous recovery of the Group's established overseas markets and the development of new markets, the Group saw constant improvement in its export performance. Compared with that of 2009, the Group's export sales volume in 2010 had grown substantially.

As at 31 December 2010, the export volume of automobiles reached 49,955 units, representing an increase of 52.8% from that of the previous year. The total export value of automobiles amounted to RMB3,026,422,000, representing an increase of 67.1% from that of the previous year and accounting for approximately 13.6% of the total revenue of the Group.

The export volume of pick-up trucks, SUVs and sedans during the Year amounted to 24,880 units, 17,175 units and 7,672 units respectively, with export value amounting to RMB1,331,034,000, RMB1,268,447,000 and RMB328,966,000 respectively. The export value of pick-up trucks decreased by 3.9% as compared with that of last year, while the export value of SUVs and Sedans increased by 408.8% and 228.9% respectively as compared with those of last year. Pick-up trucks, SUVs and sedans accounted for 45.2%, 43.1% and 11.2% of the total export value respectively.

The Group's major export markets included the Middle East, Africa, Asia Pacific, South America and Europe, which formed a solid international sales network. In 2010, the Group exported its products to more than 100 countries and regions. Australia's share in the Group's export increased significantly from that of 2009, ranking among one of the top export countries of the Group. There was also a remarkable annual growth in the Russian market due to the commencement of operation of the CKD (complete knock-down) assembly plant.

In the face of competition both domestically and abroad, the Company outperformed for its stable and reliable product quality, high price performance, well-established sales network and effective after-sales service. At the same time, the Group joined hands with local dealers to launch promotion campaigns, actively participated in overseas large auto exhibitions and motor sports events. This continuously enhanced the international reputation of the Group's products as well as the global image of PRC-made automobile products.

In 2010, in response to the constant policy changes in the overseas markets, the Group adopted proactive strategies for various countries and regions. Not only had the Group expanded its vehicle export business, it also sustained growth in the export volume of SKD (semi-knocked down) and CKD kits. In view of the impacts on the Group's export of SKD which resulted from the import tariffs on car body levied by the Russian government, the Group began to develop its CKD operation. In March 2010 the CKD assembly plant in Russia commenced operation which resulted in a continuous growth in export in the Russia market.

LAUNCH OF NEW PRODUCTS

In respect of new product development, the Group launched various quality products with high price performance, with a view to continuously consolidate its leading positions in the domestic pick-up truck and SUV markets. Among the various new SUV models were the highly competitive Haval H5 European style and Haval M2, being the first family SUV in the PRC market. The cabin space of Haval H5 is on a par with that of mainstream B-class high-end sedans, meeting the various demands of domestic and overseas customers. Haval M2, which has a super large interior space and with emphasis on energy-saving, and driving and passenger comfort, all of which can satisfy the dual demand for family use and leisure. In addition, the Group introduced a people-oriented model — "Haval H5 Technology Style", providing extra safety for drivers with innovative design. As for pick-up trucks, in line with the consistent "excellent design, reasonable price" principle of Great Wall Motor, the Group launched the "Wingle 2010 series". Its large loading capacity, high performance and energy-saving as well as comfortable driving features satisfy commercial users' practical needs.

On the front of sedans, the Group focused on small displacement vehicles. During the year under review, the Group introduced high-quality sports sedan — Phenom, characterized by its stylish and sleek exterior design, strong power and low fuel consumption. The Group also launched a brand new three-box sedan — "Voleex C30", which has the competition edges of being economic, environmental-friendly and with low fuel consumption and a spacious interior.

OUTLOOK

China's economy will continue to have stable growth in 2011. Although the policies on preferential purchase tax reduction, subsidized trade-in of vehicles and automobile subsidies in rural areas have ended, the government has promulgated the vehicle and vessel tax reform. Consumption in the automobile market in China is expected to continue to grow, driven by the enormous consumption potential in China.

In the coming year, Great Wall Motor will concentrate on its three major businesses, namely pick-up trucks, SUVs and sedans, and enhance its branding through continuous product upgrade and the launch of products with high price performance.

In addition, Great Wall Motor will inject more investment in the research and development of vehicles and automotive parts and components, in order to cope with the competition domestically and abroad.

New products

To meet the market demand, the Group will optimize its product mix and launch various competitive products with high price performance in 2011. New models to be introduced include the 1.5L–2.0L Haval SUV series, the 1.5L sedan series and the Wingle pick-up truck of 2011.

On the front of SUV series, Great Wall Motor will not only introduce traditional small and medium sized SUVs such as "Haval M3" and "Haval M4", but also high-end urban-style SUV, "Haval H6", in an attempt to exploit the opportunities arising from domestic SUV market expansion. As for sedans, the Group will continue to develop energy-saving, environmental-friendly and economical sedans. It will launch medium-end sedan models — "new Voleex C30" and "Voleex C50" — to further solidify the Group's market share in the sedan sector.

To achieve long-term and rapid growth in the vehicle business, the Group will expand the construction of its automobile production base, boost its production capacity of automotive parts and components and intensify its efforts in new product development, accelerate the development of engines and transmission. All these will further enhance the Group's competitive edges in the industry.

As the State attaches more and more importance to energy-saving and environmental-friendly automobiles, the Group will intensify its efforts in the development of low-emission automobiles and fuel-saving engines.

Export markets

With the continuous improvement in the global economy, the Group expects that export markets will gradually pick up. As the scale of export continuously expands, the revenue generated from export is expected to grow and account for a higher percentage of the Group's total revenue.

As for its export market coverage, the Group will intensify its penetration of the markets in South Asia and Australia, while consolidating its established position in the Middle East, Africa, Asia Pacific and South America.

In order to intensify the penetration of the international market, the Group will not only continuously expand its export volume of automobiles, but also speed up construction of knocked down ("**KD**") assembly plant. At present, the Group has constructed its CKD assembly plants in Russia and Bulgaria to meet the demand from overseas markets.

New facilities

During the Year, construction of the automobile production base and its relevant auxiliary facilities in Tianjin has basically completed and the Company is fine-tuning its facilities. It is expected that production, primarily of new models of SUV and sedans, will commence in the Tianjin production base in the first half of 2011.

Preferential enterprise income tax rate for high-tech enterprises

The Company obtained the High-Tech Enterprise Certificate jointly issued by the Hebei Provincial Department of Science and Technology, Department of Finance of Hebei Province, Hebei Provincial Office of the State Administration of Taxation and Hebei Local Taxation Bureau on 10 November 2010. The Certificate is valid for three years. Article 28 of "Enterprise Income Tax Law of the People's Republic of China" stipulates that "the key high-tech enterprises which receive support from the State shall be entitled to a reduced enterprise income tax rate of 15%". Accordingly, the Company will pay its income tax at the rate of 15% from 2010 to 2012.

Future objectives

With the guidance of the State's industry policy, Great Wall Motor will, focus on premium products which are energy-saving, environmental friendly, of a high quality and with excellent performance. To maintain its dominant market position in terms of sales in pick-up trucks, Great Wall Motor will rely on its integrated competitive edges of branding, technology and cost. The Group will highlight its market niche for affordable SUVs through high price performance, and make its sedan models stand out through its low-emission and energy-saving features.

As for sales distribution, the Group will gradually extend its market penetration to second and third-tier cities, and continue to increase its points of sale. The Group is also planning to gradually diversify its sales network in accordance with the product types and market demand. The Group aims at enhancing its overall brand image by boosting the competitive edge for each individual brand under the Group. The Group will also strengthen its support for distributors to enhance their quality of service, thereby boosting customer satisfaction and loyalty.

On the front of new product development, Great Wall Motor aims for long-term development. The Group's goal is to strengthen the competitive edge of its self-owned brands by enhancing the overall quality of its research team, and increasing its resources in the research and development in automobile and parts and components to enhance its research and development capacity.

Proposed A share issue and capitalisation issue

On 26 November 2010, shareholders of the Company at the extraordinary general meeting, the H shareholders class meeting and domestic shareholders class meeting of the Company approved the respective resolution regarding the proposed allotment and issue of not more than 121,697,000 A shares.

On 26 February 2011, shareholders at the extraordinary general meeting, H Shareholders class meeting and domestic shareholders class meeting of the Company approved the respective resolution regarding the proposed capitalisation issue by way of the conversion of the Company's capital reserve and the respective resolution regarding the proposed increase in the size of the proposed number of A shares to be issued from "not more than 121,697,000 A shares (not exceeding approximately 11.12% of the existing total issued share capital and not exceeding approximately 10.01% of the total issued share capital of the Company upon the issue of the A Shares)" to "not more than 304,243,000 A shares (not exceeding approximately 11.12% of the total issued share capital (taking into account the shares to be issued pursuant to the capitalisation issue) but not the issue of A shares and not exceeding approximately 10.01% of the total issued share capital of the Company (taking into account the shares to be issued pursuant to the capitalisation issue) upon the issue of the A shares". The Company has submitted an application to the China Securities Regulatory Commission for the proposed A share issue.

Pursuant to the capitalisation shares, up to 619,908,000 new H shares (the "Capitalisation H Shares") and 1,023,000,000 new domestic shares of the Company (the "Capitalisation Domestic Shares") have been issued to the respective holders of H shares and domestic shares of the Company standing in the register of members of the Company on 26 February 2011 (the "Record Date") in the proportion of 15 Capitalisation H Shares for every 10 H shares of the Company and 15 Capitalisation Domestic Shares for every 10 domestic shares of the Company held by them on the Record Date ("Capitalisation Issue").

Under the proposed A share issue, not more than 304,243,000 A Shares are to be issued and proposed to be listed on the Shanghai Stock Exchange, and the proceeds from the issue of A shares will be applied to the following projects: annual production of 100,000 sets of diesel engines of model number GW4D20, annual production of 300,000 sets of EG engines, annual production of 200,000 sets of six-speed manual transmissions, annual production of 400,000 sets of aluminum alloy casting, annual production of 400,000 sets of axles and brakes, annual production of 400,000 sets of interior and exterior decorations and annual production of 400,000 sets of automotive lightings. The proposed A share issue, including the final number of A shares to be issued, is subject to the approval by the China Securities Regulatory Commission.

Directors, Supervisors and Senior Management

EXECUTIVE DIRECTORS

Mr. Wei Jian Jun (魏建軍先生) ("**Mr. Wei**"), aged 47, 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".

Mr. Liu Ping Fu (劉平福先生) ("**Mr. Liu**"), aged 61, 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. Mr. Liu joined the Group in the same year.

Ms. Wang Feng Ying (王鳳英女士) ("**Ms. Wang**"), aged 40, 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).

Mr. Hu Ke Gang (胡克剛先生) ("**Mr. Hu**"), aged 65, 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 Qualification Review of Senior Positions in Private Technology Institutions, Hebei) in 1996. Mr. Hu held the positions of deputy factory head of 郵電器材機械廠 (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 he was appointed as the deputy general manager of the Company with effect from May 2005.

Ms. Yang Zhi Juan (楊志娟女士) ("**Ms. Yang**"), aged 44, 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). Ms. Yang is the assistant to dean of the company's engineering centre.

NON-EXECUTIVE DIRECTORS

Mr. He Ping (何平先生) ("**Mr. He**"), aged 34, 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). Since December 2010, Mr. He Ping worked as the director of the investment department of 北京弘毅遠方投資顧問有限公司 (Beijing Hong Yi Yuan Fang Investment Consultants Advisor Company Limited).

Mr. Niu Jun (牛軍先生) ("**Mr. Niu**"), aged 36, 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). In 2002, 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). Since October 2007, Mr. Niu has been the general manager of 河北保滄高速公路有限公司 (Hebei Baocang Expressway Co., Ltd.). Mr. Niu has extensive experience in sales management.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Wei Lin (韋琳女士) ("**Ms. Wei**"), aged 47, is a professor and 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.

Mr. Li Ke Qiang (李克強先生) ("**Mr. Li**"), aged 48, is a professor and an independent non-executive director of the Company. Mr. Li graduated from the Department of Automotive Engineering at Tsinghua University in 1985 and obtained a doctorate degree in engineering from 重慶大學 (Chongqing University) in 1995. He is currently the 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.

Mr. He Bao Yin (賀寶銀先生) ("**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).

Mr. Wong Chi Hung, Stanley (黃志雄先生) ("**Mr. Wong**"), aged 47, is an independent non-executive director of the Company. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Mr. Wong holds a Bachelor's degree in Accounting from the University of Kent at Canterbury, the United Kingdom. Mr. Wong has more than 23 years of experience in auditing, accounting and financial advisory services. In November 2009, Mr. Wong joined Hongri International Company Limited（紅日國際控股有限公司）as the chief financial officer. Mr. Wong was appointed as an independent non-executive director of the Company on 26 November 2010.

Mr. Chan Yuk Tong (陳育棠) ("**Mr. Chan**"), aged 48, was an independent non-executive director of the Company. He is a practising fellow member of the Hong Kong Institute of Certified Public Accountants and a member of CPA Australia. Mr. Chan holds a Bachelor's degree in Commerce from the University of Newcastle in Australia and a Master's degree in Business Administration from the Chinese University of Hong Kong. He has more than 20 years of experience in auditing, accounting, management consultancy and financial advisory services. Mr. Chan is an executive director of Asia Cassava Resources Holdings Limited (the share of which are listed on the main Board of the Hong Kong Stock Exchange), Mr. Chan is a non-executive director and was an executive director from 30 September 2005 to 25 February 2008 of Vitop Bioenergy Holdings Limited, the shares of which are listed on the Main Board of the Hong Kong Stock Exchange. Mr. Chan is an independent non-executive director of Jia Sheng Holding Limited (formerly known as Carico Holdings Limited), Daisho Microline Holdings Limited, BYD Electronics (International) Company Limited, Kam Hing International Holdings Limited, Sichuan Xinhua Winshare Chainstore Co., Ltd., Global Sweeteners Holding Limited and Ausnutria Dairy Company Ltd., all of which are listed on the Main Board of the Hong Kong Stock Exchange in Hong Kong. Mr. Chan is an independent non-executive director of Anhui Conch Cement Company Limited, the shares of which are listed on both the Main Board of the Hong Kong Stock Exchange and the Shanghai Stock Exchange. He was also an independent non-executive director of China Pipe Group Limited (formerly known as World Trade Bun Kee Limited), a listed company in Hong Kong from 1 January 2007 to 3 July 2007. Mr. Chan was appointed as the independent non-executive director of the Company on 18 May 2010 and resigned from this position on 26 November 2010.

Mr. Kenneth Tseung Yuk Hei (蔣旭熙先生) ("**Mr. Tseung**"), aged 47, was 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 in 1989. He is the member of the CPA Australia and has 20 years of experience in finance and accounting. Mr. Tseung is the Managing Director of the Equity Corporate Finance Department of Standard Chartered Bank. Mr. Tseung resigned from his office as the independent non-executive director of the Company on 18 May 2010.

SUPERVISORS

Mr. Zhu En Ze (朱恩澤先生), aged 65, graduated from Agricultural University of Hubei in 1970. Prior to joining the Company, he was the Deputy Chief of Nanshi District, Baoding 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.

Ms. Yuan Hong Li (袁紅麗女士), aged 51, 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.

Ms. Luo Jin Li (羅金莉女士) ("**Ms Luo**"), aged 51, 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

Mr. Hu Shu Jie (胡樹傑先生) ("**Mr. Hu**"), aged 39, 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.

Mr. Huang Yong (黃勇先生) ("**Mr. Huang**"), aged 42, 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.

Mr. Zhang Xin (張鑫先生) ("**Mr. Zhang**"), aged 41, 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.

Mr. Zheng Chun Lai (鄭春來先生) ("**Mr. Zheng**"), aged 41, 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). From 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.

Mr. Hao Jian Jun (郝建軍先生) ("**Mr. Hao**"), aged 38, 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.

Mr. Chai Wan Bao (柴萬寶先生) ("**Mr. Chai**"), aged 63, 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.

Ms. Li Feng Zhen (李鳳珍女士) ("**Ms. Li**"), aged 48, 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

Mr. Xu Hui (徐輝先生) ("**Mr. Xu**"), aged 32, joined the Company in July 2001 and had since held various positions in the Company. Since the Company's successful listing on the Hong Kong Stock Exchange in 2003, Mr. Xu has been the key personnel in organising the Company's general meetings and board meetings. He was the deputy head of the Investment and Development Department of the Company between March 2006 and July 2008. In July 2008, he was appointed as the head of the Investment and Development Department of the Company and has since held the position. He has been actively engaged in, among other things, the Company's corporate governance and corporate compliance work for years. He also attended relevant training sessions provided by securities regulatory authorities in both the mainland and Hong Kong. Mr. Xu was appointed as the Secretary of the Board on 7 June 2010.

Mr. Bai Xue Fei (白雪飛先生), aged 37, was the deputy general manager and Secretary of the Board, graduated from 河北農業大學經濟管理學院 (Economics Management Faculty of the Hebei Agricultural University) with a bachelor degree in economics in 1997. Mr. Bai had worked for 南大園鄉政府 (Nandayuan Town Government) and held the positions of party commissioner and director of government office, and member of the disciplinary committee. Mr. Bai joined the 長城汽車集團有限公司 (Great Wall Motor Group Company Limited) (the predecessor of the Company) in October 2000 and held the position of department head of the securities department. He was responsible for the corporate reorganisation for listing, corporate governance and investment management of the Company. He was re-appointed as the company secretary of the Company with effect from May 2005, and was appointed as the deputy general manager of the Company on 27 March 2006. Mr. Bai resigned from his office as the Secretary of the Board on 7 June 2010.

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 2010 (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 2010 or in previous years are limited companies. Details of the subsidiaries are set out in note 48 to the financial statements.

Results and Dividends

The Group's operating results for the year ended 31 December 2010 and the financial positions of the Company and the Group for the year ended 31 December 2010 are set out in the audited financial statements on pages 61 to 144.

The Board has proposed to declare a final dividend of RMB0.2 per H share and domestic share of the Company (before withholding enterprise income tax) for the year ended 31 December 2010.

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:

Consolidated Results	Year ended 31 December				
	2010	2009	2008	2007	2006
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	**22,174,985**	12,396,387	8,210,581	7,579,356	4,918,622
Cost of Sales	**(17,314,199)**	(10,248,059)	(6,721,231)	(5,783,427)	(3,681,731)
Gross Profit	**4,860,786**	2,148,328	1,489,350	1,795,929	1,236,891
Other income	**109,784**	112,302	114,273	60,483	66,322
Other gains and losses	**3,782**	20,872	29,326	1,960	476
Selling and Distribution expenses	**(1,070,203)**	(704,830)	(461,665)	(354,340)	(241,950)
Administrative expenses	**(433,813)**	(296,340)	(292,036)	(236,617)	(178,030)
Other expenses	**(461,523)**	(342,644)	(291,181)	(235,372)	(151,681)
Finance costs	**(12,287)**	(26,986)	(10,267)	(8,428)	(1,732)
Share of profit of jointly controlled entities	**33,082**	15,149	2,683	13,776	12,362
Share of profit of associates	**8,969**	6,410	4,155	6,812	(2)
Profit before tax	**3,038,577**	932,261	584,638	1,044,203	742,656
Income tax expenses	**(214,151)**	139,619	(33,478)	(36,838)	(9,799)
Profit for the year	**2,824,426**	1,071,880	551,160	1,007,365	732,857
Profit for the year attributable to:					
Owners of the Company	**2,698,077**	1,022,553	513,143	937,451	702,844
Non-controlling interests	**126,349**	49,327	38,017	69,914	30,013
	2,824,426	1,071,880	551,160	1,007,365	732,857

Assets and Liabilities	As at 31 December				
	2010	2009	2008	2007	2006
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Total assets	**23,770,127**	15,063,397	10,816,318	10,162,412	6,471,716
Total liabilities	**13,369,821**	7,225,236	3,798,879	3,304,621	2,011,673

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 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 2010, the actual uses of proceeds were as follows:

	Planned Use *RMB million*	**Actual Use** *RMB million*
Automobile engine parts and components		558.80
Automobile gearboxes		549.68
Cast parts	1,542.46*	189.97
Plastic automobile fuel tanks		—
Rubber parts		88.54
Total	1,542.46	1,386.99

Note:

* The planned use of the proceeds include automobile engine parts and components, automobile gearboxes, cast parts, plastic automobile fuel tanks and rubber parts

Share Capital

Details of movements of the share capital of the Company as at 31 December 2010, together with the reasons for such movements, are set out in note 38 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 2010, together with the reasons for such changes, are set out in note 17 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 39 to the consolidated financial statements, respectively.

Distributable Reserve

As at 31 December 2010, pursuant to the Company Law and the Articles of the Company, the distributable cash reserve of the Company was RMB4,268,132,000, of which RMB547,636,000 was proposed to be distributed as final dividend for 2010. 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.

Note: On 26 February 2011, in accordance with a resolution passed on the general meeting, capital reserves of RMB1,642,908,000 were transferred into equities, after which, the capital premium reserve and partial of the capital reserves of the Company amounted to RMB915,948,000.

Charitable Donations

Charitable donations made by the Group during the Year totaled RMB1,459,000.

Major Customers and Suppliers

For the year ended 31 December 2010, the percentages of purchases and sales attributable to the Group's major suppliers and customers were as follows:

Purchases	
Largest supplier	4.81%
Five largest suppliers in aggregate	12.73%
Turnover	
Largest customer	2.66%
Five largest customers in aggregate	11.72%

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
Wong Chi Hung, Stanley	Appointed on 26 November 2010
Chan Yuk Tong	Appointed on 18 May 2010, and resigned on 26 November 2010
Tseung Yuk Hei Kenneth	Resigned on 18 May 2010
Supervisor:	
Zhu En Ze	Re-appointed on 2 March 2011
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 also entered into an appointment letter with Chan Yuk Tong, an independent non-executive director appointed on 18 May 2010, whose term will expire until the expiry of the third session of the Board. Mr. Chan resigned as an independent non-executive director on 26 November 2010. The Company has also entered into an appointment letter with Wong Chi Hung, Stanley, an independent non-executive director appointed on 26 November 2010, whose term will expire until the expiry of the third session of the Board. 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.

Biographies of Directors, Supervisors and Senior Management

The biographies of directors, supervisors and senior management are set out on pages 26 to 31 of this report.

Independence of Independent Non-Executive Directors

All independent non-executive directors, including those resigned and appointed in 2010, 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 45 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 2010 or at the end of 2010 which was significant to the business of the Company or any of its subsidiaries.

Material Contracts

The material contracts as at 31 December 2010 include:

On 23 June 2010, the Company entered into an Equity Transfer Agreement in Chinese with Dragonet International Company Limited（驕龍國際有限公司）, pursuant to which the Company acquired 25% of the equity interest in Baoding Tianqiu Electronic Appliance Company Limited（保定天球電器有限公司）from Dragonet International Company Limited（驕龍國際有限公司）at a consideration of RMB3.6775 million. The agreement was approved by the Baoding Bureau of Commerce on 14 July 2010 and a business license for enterprise legal person was re-issued on 22 July 2010.

On 4 October 2010, the Company entered into an Equity Transfer Agreement in Chinese with Shanghai Shuanghua Autoparts Co., Ltd.（上海雙樺汽車零部件股份有限公司）, pursuant to which the Company acquired 68% of equity interest in Baoding Shuanghua Automobile Components and Accessories Company Limited（保定雙樺汽車零部件有限公司）from Shanghai Shuanghua Autoparts Co., Ltd.（上海雙樺汽車零部件股份有限公司）at a consideration of RMB19.38 million. The business license for enterprise legal person was re-issued on 18 October 2010.

On 25 November 2010, the Company entered into an Equity Transfer Agreement in Chinese with Baoding Innovation Great Wall Asset Management Company Limited（保定創新長城資產管理有限公司）, pursuant to which the Company sold 100% of equity interest in Bochuang Real Estate Developing Company Limited（博創房地產開發有限公司）to Baoding Innovation Great Wall Asset Management Company Limited（保定創新長城資產管理有限公司）at a consideration of RMB386.8854 million. The business license for enterprise legal person was re-issued on 29 November 2010.

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 2010, 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	682,000,000(L)*	100.00	—	62.27
	Total:	682,000,000(L)*	100.00	—	62.27

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 682,000,000 domestic shares directly and indirectly held by Innovation GW.

Save as disclosed above, as at 31 December 2010, 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 2010 are as follows:

Holders of Domestic Shares	1
Holders of H Shares	1,333
Total number of shareholders	1,334

Shares Held by Substantial Shareholders

As at 31 December 2010, 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)	682,000,000(L)*	100		62.27
Cheah Capital Management Limited	32,672,748(L)		7.90(L)	2.98
Cheah Company Limited	32,672,748(L)		7.90(L)	2.98
Hang Seng Bank Trustee International Limited	32,672,748(L)		7.90(L)	2.98
Value Partners Group Limited	32,672,748(L)		7.90(L)	2.98
Value Partners Limited	32,672,748(L)		7.90(L)	2.98
To Hau Yin (杜巧賢)	32,672,748(L)		7.90(L)	2.98
Cheah Cheng Hye (謝清海)	32,672,748(L)		7.90(L)	2.98
Morgan Stanley	31,040,406(L) 28,533,520(P)		7.51(L) 6.90(S)	2.83 2.61
JPMorgan Chase & Co.	28,135,372(L) 1,730,000(S) 25,258,372(L)		6.81(L) 0.42(P) 6.11(L)	2.57 0.16 2.31

(L) denotes a long position in shares of the Company
(P) denotes shares available for lending
(S) denotes a short position in shares of the Company
* 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 RMB7,788,400, 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.

Save as disclosed above, as at 31 December 2010, 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 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 auditor of the Company has conducted an engagement with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Auditors or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants and has provided a letter dated 7 March 2011 to the board of directors of the Company confirming that the relevant procedures have been carried out on the continuing connected transactions by the auditor of the Company. The conclusion reported by the auditor of the Company in the letter is extracted as follows:

a. nothing has come to our attention that causes us to believe that the disclosed continuing connected transactions have not been approved by the Company's board of directors.

b. for transactions involving the provision of goods or services by the Group, nothing has come to our attention that causes us to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Company.

c. nothing has come to our attention that causes us to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions.

d. with respect to each of the disclosed continuing connected transactions set out in the list of continuing connected transactions[1], nothing has come to our attention that causes us to believe that the disclosed continuing connected transactions have exceeded the maximum aggregate annual value disclosed in the previous announcements as listed below[2] made by the Company in respect of each of the disclosed continuing connected transactions.

Notes:

1 *refers to the continuing connected transactions as set out in the table below.*

2 *refers to announcements dated 19 June 2009 and 15 January 2010 made by the company*

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 2010** *RMB'000*	**Aggregate value for the year ended 31 December 2010** *RMB'000*
1. Fixed assets transactions between 魏氏集團 and the Group	135,000	18,491
2. Transactions related to automobile parts and components between 魏氏集團 and the Group	60,000	22,689
3. Purchase of automobile parts and components from Shanghai Shuanghua and Baoding Shuanghua	200,000	147,476

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**
Disposal of Bochuang Real Estate	25 November 2010	the Company	Innovation Great Wall Assets Management Company Limited (iv) (創新長城資產管理有限公司)	Party B is a substantial shareholder of the Company	To better focus on principal business	386,885	25 November 2010

Post Balance Sheet Events

Details of significant post balance sheet events of the Company are set out in note 38 to the financial statements.

Pension Scheme

Details of the Group's pension scheme are set out in note 3 and 11 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 2010 are set out in note 13 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 2010, as for the Company's 2005 final dividend, there were 73 unclaimed final dividends, amounting to HK$6,672.30. As for the Company's 2006 final dividend, there were 54 unclaimed dividends, amounting to HK$7,466.55, and as for the Company's 2007 final dividend, there were 62 unclaimed dividends, amounting to HK$11,691.75. As for the Company's 2008 final dividend, there were 69 unclaimed dividends, amounting to HK$10,126.90, and as for the Company's 2009 final dividend, there were 69 unclaimed dividends, amounting to HK$16,256.40.

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.

Save for the above-mentioned litigation, the Company was not involved in any material litigation during the year.

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 2010, 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 14 March 2011 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 2010 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

Deloitte Touche Tohmatsu Certified Public Accountants Ltd. and Deloitte Touche Tohmatsu were the Group's PRC auditors and international auditors respectively for the year ended 31 December 2010. A resolution for the re-appointment of Deloitte Touche Tohmatsu Certified Public Accountants Ltd. and Deloitte Touche Tohmatsu as the Group's PRC auditors and international auditors, respectively, for the year ending 31 December 2011, will be proposed at the forthcoming annual general meeting.

Ernst & Young Hua Ming and Ernst & Young were appointed as the Company's PRC and international auditors respectively at the annual general meeting held on 18 May 2010, and were responsible for the auditing of the PRC and international financial statements of the Company respectively between 18 May 2010 and 26 November 2010. Deloitte Touche Tohmatsu Certified Public Accountants Ltd. and Deloitte Touche Tohmatsu were appointed as the Group's PRC and international auditors for the year ended 31 December 2010 since the resignation of Ernst & Young Hua Ming and Ernst & Young on 26 November 2010.

By order of the Board
Wei Jian Jun
Chairman

15 March 2011

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and have not violated any provision thereunder throughout the year.
- There is no relationship, whether financial, operational or family, among members of the Board.
- The list of directors, their biographies and roles in the Board and various committees are set out on pages 26 to 29 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 elected as Independent Non-executive Directors of the Company on 10 May 2008, the remaining directors of the Company (except Mr. Kenneth Tseung Yuk Hei, Mr. Chan Yuk Tong and Mr. Wong Chi Hung, Stanley) were all re-elected on 10 May 2008 for a term of three years. Mr. Kenneth Tseung Yuk Hei and Mr. Chan Yuk Tong have resigned from the past of Independent Non-executive Director on 18 May 2010 and 26 November 2010, respectively. Mr. Wong Chi Hung was elected as an Independent Non-executive Director of the Company on 26 November 2010.

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
Wong Chi Hung, Stanley (appointed on 26 November 2010)	He Bao Yin	
Chan Yuk Tong (appointed on 18 May 2010, and resigned on 26 November 2010)	He Ping	
Kenneth Tseung Yuk Hei (resigned on 18 May 2010)		

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 minutes of the meetings recorded opinions and suggestions raised by the directors in the meetings. 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 resolutions. 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 2010:

Attendance of individual directors in meetings of the Board in 2010

No. of meetings		8
	Full meeting of the Board of Directors	
	No. of attendance/ No. of meetings	**Attendance rate**
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%
Wong Chi Hung, Stanley (appointed on 26 November 2010)	0/0	N/A
Chan Yuk Tong (appointed on 18 May 2010, and resigned on 26 November 2010)	5/6	83%
Kenneth Tseung Yuk Hei (resigned as a director on 18 May 2010)	2/2	100%
Average attendance rate		98.6%

Note:

N/A: Not applicable

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 the Model Code set out in Appendix 10 of the Listing Rules 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 2010

No. of meetings 1

Time and Business	**14 March 2010 To review the remuneration policies for directors and senior management of the Company No. of attendance/ No. of meeting**	**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 Hei and Mr. Wong Chi Hung, Stanley) entered into a Director's service contract for a term of three years, which set out their respective entitlements to the Director's remuneration. Mr. Kenneth Tseung Yuk Hei, who was on a two-year term of appointment with the Company, resigned from the post in May 2010. His post was first filled by Mr. Chan Yuk Tong in the same month and then by Mr. Wong Chi Hung, Stanley in November of the same year. Mr. Chan, who was on a one-year term of appointment, resigned from the post in November 2010.

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 26 November 2010 recommending that Mr. Wong Chi Hung, Stanley be elected as an Independent Non-Executive Director to fill the seat left vacant by Mr. Chan Yuk Tong. 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 2010, 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 for the period between 18 May 2010 and 26 November 2010. Auditing fees in respect of the interim review service charged by Ernst & Young Hua Ming and Ernst & Young amounted to RMB500,000. Apart from this, there was no charge payable for non-audit services by Ernst & Young Hua Ming and Ernst & Young for 2010. Since 26 November 2010, Deloitte Touche Tohmatsu Certified Public Accountants Ltd. and Deloitte Touche Tohmatsu are the domestic and foreign external auditors of the Company for the year ended 31 December 2010. Auditing fees in respect of the annual audit service and other audit services charged by Deloitte Touche Tohmatsu Certified Public Accountants Ltd. and Deloitte Touche Tohmatsu amounted to a total of RMB2.1 million. Apart from this, there was no charge payable for non-audit services by Deloitte Touche Tohmatsu Certified Public Accountants Ltd. and Deloitte Touche for 2010.
- The Company set up an Audit Committee comprising all independent non-executive directors of the Company, including Ms. Wei Lin (as chairman), Mr. Li Ke Qiang, Mr. He Bao Yin and Mr. Wong Chi Hung, Stanley (appointed on 26 November 2010). Mr. Kenneth Tseung Yuk Hei (appointed on 7 June 2009) and Mr. Chan Yuk Tong (appointed on 18 May 2010) have resigned from the post on 18 May 2010 and 26 November 2010, respectively.
- 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; (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 2010

No. of meetings		2
Time and Business	**25 March 2010** **To review the annual financial report for 2009** **19 August 2010** **To review the interim financial report for 2010**	
	No. of Attendance	**Attendance rate**
Wei Lin	2/2	100%
Li Ke Qiang	2/2	100%
He Bao Yin	2/2	100%
Wong Chi Hung, Stanley (appointed to the post on 26 November 2010)		
Mr. Chan Yuk Tong (appointed on 18 May 2010, and resigned from the post on 26 November 2010)	1/1	100%
Kenneth Tseung Yuk Hei (resigned from the post on 18 May 2010)	1/1	100%
Average attendance rate		100%

- The Audit Committee held a meeting on 14 March 2011 to review the audited results and annual financial report for the year ended 31 December 2010.

- 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 2010. Ernst & Young was re-appointed as the foreign external auditor of the Company for 2010. Ernst & Young Hua Ming and Ernst & Young resigned as the Company's PRC and international auditors on 9 October 2010 respectively. Deloitte Touche Tohmatsu Certified Public Accountants Ltd. and Deloitte Touche Tohmatsu were appointed as the Group's PRC and international auditors for the year ended 31 December 2010 by the Company at the extraordinary general meeting of the Company held on 26 November 2010.

- The Committee reviewed the independence and objectiveness as well as the effectiveness of the auditing procedures adopted by Deloitte Touche Tohmatsu Certified Public Accountants Ltd. and Deloitte Touche Tohmatsu, the external auditor of the Company.

- The Committee reviewed the 2009 Financial Report of the Company.

- The Committee reviewed the connected transactions of the Company in 2009.

- The minutes of meetings of the Audit Committee are duly kept by the secretary to the Board. Such minutes of the meetings recorded opinions and suggestions raised by the committee members at the meetings. 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 Hua Ming and Ernst & Young have been the PRC and international auditors of the Company since the listing of the Company. As the Company could not reach an agreement on the audit fees with Ernst & Young Hua Ming and Ernst & Young, its PRC and international auditors, the Company proposed to change the auditors. Ernst & Young Hua Ming and Ernst & Young resigned as the Company's PRC and international auditors on 9 October 2010 respectively. Deloitte Touche Tohmatsu Certified Public Accountants Ltd. and Deloitte Touche Tohmatsu were appointed as the Group's PRC and international auditors for the year ended 31 December 2010 at the extraordinary general meeting of the Company held on 26 November 2010.

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 2010, 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 second meeting of the third Supervisory Committee was held on 26 March 2010 at the conference room of the Company, whereupon the financial statements, profit allocation proposal and report of the Supervisory Committee for 2009 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 in 2010, 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 2010.

(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 2010 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 accountants' firm 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 2010, and the operating results of the Group for the year then ended.

By Order of the Supervisory Committee
Zhu En Ze
Supervisor

Hebei Province, the People's Republic of China, 15 March 2011

Notice of the Annual General Meeting

NOTICE IS HEREBY GIVEN that an annual general meeting (the "**AGM**") of GREAT WALL MOTOR COMPANY LIMITED (the "**Company**") for the year ended 31 December 2010 will be held at 9:00 a.m. on Friday, 29 April 2011 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 2010;

2. to declare a final dividend of RMB0.2 per share (H shares and domestic shares of the Company) for the year ended 31 December 2010 to shareholders of the Company who are registered on the register of members of the Company as at the close of business on Tuesday, 29 March 2011;

3. to receive and adopt the report of the Board of Directors of 2010;

4. to receive and adopt the report of the Supervisory Committee of 2010;

5. to approve the reappointment of Deloitte Touche Tohmatsu Certified Public Accountants Ltd. as the Company's PRC auditors and Deloitte Touche Tohmatsu as the Company's international auditors for the year ending 31 December 2011 and the authorisation of the board of directors of the Company (the "**Board**") to fix their respective remunerations; and

6. to elect Mr. Wei Jian Jun as an executive director of the Company for a term of office commencing from 10 May 2011 and ending on the expiry of the term of the fourth session of the Board, and to authorise the Board to determine his remuneration and to enter into the relevant service agreement on behalf of the Company with him;

7. to elect Mr. Liu Ping Fu as an executive director of the Company for a term of office commencing from 10 May 2011 and ending on the expiry of the fourth session of the Board, and to authorise the Board to determine his remuneration and to enter into the relevant service agreement on behalf of the Company with him and;

8. to elect Ms. Wang Feng Ying as an executive director of the Company for a term of office commencing from 10 May 2011 and ending on the expiry of the fourth session of the Board, and to authorise the Board to determine her remuneration and to enter into the relevant service agreement on behalf of the Company with her;

9. to elect Mr. Hu Ke Gang as an executive director of the Company for a term commencing from 10 May 2011 and ending on the expiry of the fourth session of the Board, and to authorise the Board to determine his remuneration and to enter into the relevant service agreement on behalf of the Company with him;

10. to elect Ms. Yang Zhi Juan as an executive director of the Company for a term commencing from 10 May 2011 and ending on the expiry of the fourth session of the Board, and authorise the Board to determine her remuneration and to enter into the relevant service agreement on behalf of the Company with her;

11. to elect Mr. He Ping as a non-executive director of the Company for a term commencing from 10 May 2011 and ending on the expiry of the fourth session of the Board, and authorise the Board to determine his remuneration and to enter into the relevant appointment letter on behalf of the Company with him;

12. to elect Mr. Niu Jun as a non-executive director of the Company for a term commencing from 10 May 2011 and ending on the expiry of the fourth session of the Board, and authorise the Board to determine his remuneration (if any) and enter into the relevant appointment letter on behalf of the Company with him;

13. to elect Ms. Wei Lin as an independent non-executive director of the Company for a term of office commencing from 10 May 2011 and ending on the expiry of the fourth session of the Board, and authorise the Board to determine her remuneration and enter into the relevant appointment letter on behalf of the Company with her;

14. to elect Mr. He Bao Yin as an independent non-executive director of the Company for a term of office commencing from 10 May 2011 and ending on the expiry of the fourth session of the Board and authorise the Board to determine his remuneration and enter into the relevant appointment letter on behalf of the Company with him;

15. to elect Mr. Li Ke Qiang as an independent non-executive director of the Company for a term of office commencing from 10 May 2011 and ending on the expiry of the fourth session of the Board, and authorise the Board to determine his remuneration and to enter into the relevant appointment letter on behalf of the Company with him;

16. to elect Mr. Wong Chi Hung, Stanley as an independent non-executive director of the Company for a term of office commencing from 10 May 2011 and ending on the expiry of the fourth session of the Board, and authorise the Board to determine his remuneration and to enter into the relevant appointment letter on behalf of the Company with him;

17. to elect Ms. Yuan Hong Li as an independent supervisor of the Company for a term of office commencing from 10 May 2011 and ending on the expiry of the fourth session of the supervisory committee of the Company ("Supervisory Committee"), and authorise the Board to determine her remuneration and to enter into the relevant service agreement on behalf of the Company with her; and

18. to elect Ms. Luo Jin Li as an independent supervisor of the Company for a term of office commencing from 10 May 2011 and ending on the expiry of the fourth session of the Supervisory Committee, and authorise the Board to determine her remuneration and enter into the relevant service agreement on behalf of the Company with her.

By way of special resolution:

19. 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 341,000,000 Domestic Shares, of the aggregate nominal amount of Domestic Shares in issue; and

            (II) 20 per cent, being 206,636,000 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 whichever is 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,
15 March 2011

Notes:

(A) Please refer to the circular for the annual general meeting of the Company for biographical details of Mr. Wei Jian Jun, Mr. Liu Ping Fu, Ms. Wang Feng Ying, Mr. Hu Ke Gang, Ms. Yang Zhi Juan, Mr. He Ping, Mr. Niu Jun, Ms. Wei Lin, Mr. He Bao Yin, Mr. Li Ke Qiang, Mr. Wong Chi Hung, Stanley, Ms. Yuan Hong Li and Ms. Luo Jin Li.

(B) The register of members of the Company will be closed from Wednesday, 30 March 2011 to Friday, 29 April 2011 (both days inclusive), during which period no transfer of shares will be effected. Any members of the Company, whose names appear on the Company's register of members at the close of business on Tuesday, 29 March 2011, 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 Share registrar not later than 4:30 p.m. on Tuesday, 29 March 2011.

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

(C) 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 Saturday, 9 April 2011.

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

(D) 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.

(E) 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.

(F) 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 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.

(G) 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 (C) above, not less than 24 hours before the time fixed for holding the AGM or any adjournment thereof.

(H) 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.

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

Deloitte.
德勤

TO THE SHAREHOLDERS OF GREAT WALL MOTOR COMPANY LIMITED
(established in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of Great Wall Motor Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 63 to 144, which comprise the consolidated statement of financial position as at 31 December 2010, 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 information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view 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 and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion 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. 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 about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view 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 consolidated 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 consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2010 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.

Deloitte Touche Tohmatsu
Certified Public Accountants
35/F, One Pacific Place
88 Queensway
Hong Kong
15 March 2011

Consolidated Income Statement

For the year ended 31 December 2010

	Notes	Year ended 31/12/2010 RMB'000	Year ended 31/12/2009 RMB'000
Revenue	5, 6	**22,174,985**	12,396,387
Cost of sales		**(17,314,199)**	(10,248,059)
Gross profit		**4,860,786**	2,148,328
Other income	7	**109,784**	112,302
Other gains and losses	8	**3,782**	20,872
Selling and Distribution expenses		**(1,070,203)**	(704,830)
Administrative expenses		**(433,813)**	(296,340)
Other expenses		**(461,523)**	(342,644)
Finance costs	9	**(12,287)**	(26,986)
Share of profit of jointly controlled entities		**33,082**	15,149
Share of profit of associates		**8,969**	6,410
Profit before tax		**3,038,577**	932,261
Income tax expenses	10	**(214,151)**	139,619
Profit for the year	12	**2,824,426**	1,071,880
Profit for the year attributable to:			
Owners of the Company		**2,698,077**	1,022,553
Non-controlling interests		**126,349**	49,327
		2,824,426	1,071,880
EARNINGS PER SHARE	16		
Basic		**RMB0.99**	RMB0.37
Diluted		**N/A**	N/A

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2010

	Year ended 31/12/2010 ***RMB'000***	Year ended 31/12/2009 *RMB'000*
Profit for the year	**2,824,426**	1,071,880
Other comprehensive income		
Exchange differences arising on translation	**(1,775)**	—
Total comprehensive income for the year	**2,822,651**	1,071,880
Total comprehensive income attributable to:		
Owners of the Company	**2,696,302**	1,022,553
Non-controlling interests	**126,349**	49,327
	2,822,651	1,071,880

Consolidated Statement of Financial Position

At 31 December 2010

	Notes	31/12/2010 RMB'000	31/12/2009 RMB'000
Non-current Assets			
Property, plant and equipment	17	**5,380,460**	4,205,777
Prepaid lease payments	18	**1,069,327**	971,978
Investment property	19	**2,079**	—
Construction in progress	20	**1,952,520**	1,085,234
Goodwill	21	**2,164**	2,164
Interests in jointly controlled entities	22	**116,104**	213,163
Interests in associates	23	**26,459**	22,507
Available-for-sale investments	24	**4,200**	1,200
Deferred tax assets	36	**297,216**	290,699
		8,850,529	6,792,722
Current Assets			
Inventories	25	**2,103,680**	1,589,925
Trade receivables	26	**326,996**	147,827
Bills receivable	27	**7,726,100**	3,237,728
Other receivables and prepayments	28	**1,596,353**	459,670
Prepaid tax		**71,853**	93,740
Available-for-sale investments	24	**—**	150,000
Pledged bank deposits	29	**1,020,989**	470,452
Cash and bank balances	29	**2,073,627**	2,121,333
		14,919,598	8,270,675
Current Liabilities			
Trade payables	30	**4,903,564**	3,095,398
Bills payable	31	**3,375,710**	1,177,300
Other payables and accruals	33	**3,491,345**	2,116,105
Borrowings	32	**—**	75,596
Derivative financial instruments	34	**1,953**	—
Current tax liabilities		**48,812**	23,332
Dividends payable to non-controlling interests		**37,742**	11,342
Provision for product warranties	35	**100,219**	71,673
		11,959,345	6,570,746
Net Current Assets		**2,960,253**	1,699,929
Total Assets Less Current Liabilities		**11,810,782**	8,492,651

	Notes	**31/12/2010** *RMB'000*	31/12/2009 *RMB'000*
Capital and Reserves			
Share capital	*38*	**1,095,272**	1,095,272
Reserves	*39*	**8,919,876**	6,497,392
Equity attributable to owners of the Company		**10,015,148**	7,592,664
Non-controlling interests		**385,158**	245,497
Total Equity		**10,400,306**	7,838,161
Non-Current Liability			
Deferred income	*37*	**1,410,476**	654,490
		1,410,476	654,490
		11,810,782	8,492,651

The consolidated financial statements set out on page 63 to 144 were approved and authorised for issue by the board of directors on 15 March 2011 and are signed on its behalf by:

Wei Jian Jun
Executive Director

Wang Feng Ying
Executive Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2010

	Attributable to owners of the company							Non-	
	Share capital	Share premium	Capital reserve	Statutory reserves	Translation reserve	Retained profits	Total	controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
			(note 39(i))	*(note 39(ii))*					
At 1 January 2009	1,095,272	2,561,788	(16,664)	1,018,893	(1,791)	2,076,904	6,734,402	283,040	7,017,442
Profit and total comprehensive income for the year	–	–	–	–	–	1,022,553	1,022,553	49,327	1,071,880
Acquisition of additional interests in subsidiaries	–	–	–	–	–	–	–	(57,154)	(57,154)
Transfer to statutory reserves	–	–	–	147,480	–	(147,480)	–	–	–
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	–	(29,716)	(29,716)
Dividends recognised as distribution	–	–	–	–	–	(164,291)	(164,291)	–	(164,291)
At 31 December 2009	**1,095,272**	**2,561,788**	**(16,664)**	**1,166,373**	**(1,791)**	**2,787,686**	**7,592,664**	**245,497**	**7,838,161**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**2,698,077**	**2,698,077**	**126,349**	**2,824,426**
Other comprehensive income for the year — exchange differences arising on translation of foreign operations	**–**	**–**	**–**	**–**	**(1,775)**	**–**	**(1,775)**	**–**	**(1,775)**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**(1,775)**	**2,698,077**	**2,696,302**	**126,349**	**2,822,651**
Acquisition of a subsidiary (note 40(a))	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**52,712**	**52,712**
Transfer to statutory reserves	**–**	**–**	**–**	**49,191**	**–**	**(49,191)**	**–**	**–**	**–**
Dividends paid to non-controlling shareholders	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(39,400)**	**(39,400)**
Dividends recognised as distribution	**–**	**–**	**–**	**–**	**–**	**(273,818)**	**(273,818)**	**–**	**(273,818)**
At 31 December 2010	**1,095,272**	**2,561,788**	**(16,664)**	**1,215,564**	**(3,566)**	**5,162,754**	**10,015,148**	**385,158**	**10,400,306**

Consolidated Statement of Cash Flows

For the year ended 31 December 2010

	Year ended 31/12/2010 *RMB'000*	Year ended 31/12/2009 *RMB'000*
OPERATING ACTIVITIES		
Profit before tax	**3,038,577**	932,261
Adjustments for:		
Share of profit of jointly controlled entities	**(33,082)**	(15,149)
Share of profit of associates	**(8,969)**	(6,410)
Gain on acquisition of a subsidiary	**(3,043)**	—
Gain on disposal of a subsidiary	**(8,003)**	—
Other gains	**(1,687)**	—
Gain on acquisition of non-controlling interests	**—**	(19,657)
Net foreign exchange losses	**14,135**	8,980
Interest on a bank loan	**515**	92
Release of deferred income	**(24,507)**	(28,116)
Gain on disposal of available-for-sale investments	**(4,573)**	(1,215)
Loss on disposal of items of property, plant and equipment	**297**	3,005
Impairment loss recognised in respect of property, plant and equipment	**1,673**	—
Depreciation of property, plant and equipment	**528,165**	378,792
Depreciation of investment property	**28**	—
Release of prepaid lease payments	**21,229**	21,035
Impairment loss (reversal of impairment loss) on receivables, net	**9,601**	(4,818)
Loss from changes in fair value of derivative financial instruments	**1,953**	—
Loss on disposal of an associate	**—**	1,563
Write-down of inventories to net realisable value	**15,818**	22,274
Provision for product warranties	**84,376**	52,048
Operating cash flows before movements in working capital	**3,632,503**	1,344,685
Increase in inventories	**(922,915)**	(468,232)
(Increase) decrease in trade receivables	**(184,087)**	109,887
Increase in bills receivable	**(4,488,372)**	(2,279,627)
(Increase) decrease in other receivables	**(93,397)**	151,545
Increase in trade payables	**1,796,054**	1,675,093
Increase (decrease) in bills payable	**2,205,459**	(191,518)
Increase in other payables and accruals	**1,473,731**	1,100,981
Decrease in provision for product warranties	**(55,830)**	(21,067)
Cash generated from operations	**3,363,146**	1,421,747
Income taxes paid	**(171,673)**	(48,728)
NET CASH FROM OPERATING ACTIVITIES	**3,191,473**	1,373,019

	Year ended 31/12/2010 *RMB'000*	Year ended 31/12/2009 *RMB'000*
INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment and construction in progress	**(2,220,857)**	(959,966)
Purchases of available-for-sale investments	**(1,651,500)**	(1,942,160)
Prepayments of land lease payments	**(997,572)**	(326,900)
(Decrease) increase in pledged bank deposits	**(849,239)**	193,801
Acquisitions of subsidiaries	**(52,800)**	—
Proceeds from disposal of available-for-sale investments	**1,803,073**	1,900,375
Receipt of government grants	**783,410**	634,159
Dividend received from an associate	**14,700**	2
Proceeds from disposal of items of property, plant and equipment	**12,390**	3,199
Disposal of a subsidiary	**5,363**	—
Acquisitions of non-controlling interests	**—**	(37,497)
Investments in jointly controlled entities	**—**	(20,000)
Proceeds from disposal of land lease payments	**—**	407
Disposal of an associate	**—**	105
Investments in associates	**(3,678)**	—
NET CASH USED IN INVESTING ACTIVITIES	**(3,156,710)**	(554,475)
FINANCING ACTIVITIES		
Dividends paid to owners of the company	**(273,818)**	(164,291)
Repayment of borrowings	**(76,203)**	—
Dividends paid to non-controlling shareholders	**(13,000)**	(31,077)
Proceeds from borrowings	**—**	39,379
NET CASH USED IN FINANCING ACTIVITIES	**(363,021)**	(155,989)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(328,258)**	662,555
Cash and cash equivalents at 1 January	**2,420,035**	1,766,460
Effect of foreign exchange rate changes	**(18,150)**	(8,980)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	**2,073,627**	2,420,035
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, represented by		
Bank balances and cash	**2,073,627**	2,121,333
Bank deposits with designated use with original maturity of less than three months when acquired	**—**	298,702
	2,073,627	2,420,035

1. CORPORATE INFORMATION

Great Wall Motor Company Limited (the "Company") is a public limited company established in the People's Republic of China (the "PRC"). As at 31 December 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. Its parent and ultimate parent is Baoding Innovation Great Wall Asset Management Company Limited ("Innovation GW") which was established in the PRC. The registered office of the Company is located at No. 2266 ChaoYang Road South, Baoding, Hebei Province, the PRC in the current year.

The consolidated financial statements are presented in Renminbi, which is also the functional currency of the Company.

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. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and revised Standards and Interpretations applied in the current year

In the current year, the Group has applied the following new and revised Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

HKFRS 2 (Amendments)	*Group Cash-settled Share-based Payment Transactions*
HKFRS 3 (as revised in 2008)	*Business Combinations*
HKAS 27 (as revised in 2008)	*Consolidated and Separate Financial Statements*
HKAS 39 (Amendments)	*Eligible Hedged Items*
HKFRSs (Amendments)	*Improvements to HKFRSs issued in 2009*
HKFRSs (Amendments)	Amendments to HKFRS 5 as *part of Improvements to HKFRSs issued in 2008*
HK (IFRIC)-Int 17	*Distributions of Non-cash Assets to Owners*
HK-Int 5	Presentation of Financial Statements — *Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause*

Except as described below, the application of the new and revised Standards and Interpretations in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

HKFRS 3 Business Combinations (as revised in 2008)

HKFRS 3 (as revised in 2008) has been applied in the current year prospectively to business combinations of which the acquisition date is on or after 1 January 2010 in accordance with the relevant transitional provisions. Its application has resulted in changes in the Group's accounting policies for business combination in the current year.

- HKFRS 3 (as revised in 2008) allows a choice on a transaction-by-transaction basis for the measurement of non-controlling interests at the date of acquisition (previously referred to as "minority" interests) either at fair value or at the non-controlling interests' share of recognised identifiable net assets of the acquiree. In the current year, in accounting for the acquisition of Baoding Smart Automobile Accessories Company Limited (note 40(a)), the Group has elected to measure the non-controlling interests at the non-controlling interests' share of recognised identifiable net assets of the acquiree.

- HKFRS 3 (as revised in 2008) requires the acquirer to remeasure the previously-held interest to fair value as at the date of obtaining control and to recognise any resulting gain or loss in profit or loss where the acquirer has a pre-existing equity interest in the entity acquired. In current year, in accounting for the acquisition of Baoding Great Wall Boxiang Automotive Parts Manufacturing Company Limited (note 40 (b)), the Group has remeasured its previously held equity interest in Baoding Boxiang at the acquisition-date fair value and recognised a gain of RMB1,816,000 included in other gains and losses in the consolidated income statement for the year ended 31 December 2010.

- HKFRS 3 (as revised in 2008) requires acquisition-related costs to be accounted for separately from the business combination, generally leading to those costs being recognised as an expense in profit or loss as incurred, whereas previously they were accounted for as part of the cost of the acquisition.

HKAS 27 Consolidated and Separate Financial Statements (as revised in 2008)

The application of HKAS 27 (as revised in 2008) has resulted in changes in the Group's accounting policies for changes in ownership interests in subsidiaries of the Group. These changes have been applied prospectively from 1 January 2010 in accordance with the relevant transitional provisions and have had no significant impact on the Group's results of operations and financial position.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

New and revised Standards and Interpretations issued but not yet effective

The Group has not early applied the following new and revised Standards and Interpretations that have been issued but are not yet effective:

HKFRSs (Amendments)	*Improvements to HKFRSs issued in 2010*[1]
HKFRS 7 (Amendments)	*Disclosures — Transfers of Financial Assets*[3]
HKFRS 9	*Financial Instruments*[4]
HKAS 12 (Amendments)	*Deferred Tax: Recovery of Underlying Assets*[5]
HKAS 24 (as revised in 2009)	*Related Party Disclosures*[6]
HKAS 32 (Amendments)	*Classification of Rights Issues*[7]
HK (IFRIC)-Int 14 (Amendments)	*Prepayments of a Minimum Funding Requirement*[6]
HK (IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*[2]

1 Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate.
2 Effective for annual periods beginning on or after 1 July 2010.
3 Effective for annual periods beginning on or after 1 July 2011.
4 Effective for annual periods beginning on or after 1 January 2013.
5 Effective for annual periods beginning on or after 1 January 2012.
6 Effective for annual periods beginning on or after 1 January 2011.
7 Effective for annual periods beginning on or after 1 February 2010.

The Group is in the process of making an assessment of the impact of these new and revised Standards and Interpretations upon initial application. So far, it has concluded that except as described below, these new and revised Standards and Interpretations are unlikely to have a significant impact on the Group's results of operations and financial position.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

HKFRS 9 Financial Instruments

HKFRS 9 Financial Instruments (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 Financial Instruments (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

- Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

- In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors of the Company anticipate that HKFRS 9 that will be adopted in the Group's consolidated financial statements for financial year ending 31 December 2013 and that the application of the new Standard may result in changes in accounting policies of the Groups' financial assets and financial liabilities.

HKFRS 7 (Amendments) Disclosures — Transfers of Financial Assets

The amendments to HKFRS 7 titled Disclosures — Transfers of Financial Assets increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

The directors of the Company anticipate that the Group's disclosures regarding discount and endorsement of bills receivable may be affected by these amendments to HKFRS 7.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries on or after 1 January 2010

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill) and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained profits). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

Changes in the Group's ownership interests in existing subsidiaries prior to 1 January 2010

Increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised where appropriate. For decreases in interests in subsidiaries, regardless of whether the disposals would result in the Group losing control over the subsidiaries, the difference between the consideration received and the adjustment to the non-controlling interests was recognised in profit or loss.

Business combinations

Business combinations that took place on or after 1 January 2010

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs are generally recognised in profit or loss as incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations (continued)

Business combinations that took place on or after 1 January 2010 (continued)

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment transactions with share-based payment transactions of the Group are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquire (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or another measurement basis required by another Standard.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

Changes in the value of the previously held equity interest recognised in other comprehensive income and accumulated in equity before the acquisition date are reclassified to profit or loss when the Group obtains control over the acquiree.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations (continued)

Business combinations that took place prior to 1 January 2010

Acquisition of businesses was accounted for using the purchase method. The cost of the acquisition was measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that met the relevant conditions for recognition were generally recognised at their fair value at the acquisition date.

Goodwill arising on acquisition was recognised as an asset and initially measured at cost, being the excess of the cost of the acquisition over the Group's interest in the recognised amounts of the identifiable assets, liabilities and contingent liabilities recognised. If, after assessment, the Group's interest in the recognised amounts of the acquiree's identifiable assets, liabilities and contingent liabilities exceeded the cost of the acquisition, the excess was recognised immediately in profit or loss.

The non-controlling interest in the acquiree was initially measured at the non-controlling interest's proportionate share of the recognised amounts of the assets, liabilities and contingent liabilities of the acquiree.

Business combinations achieved in stages were accounted for as separate steps. Goodwill was determined at each step. Any additional acquisition did not affect the previously recognised goodwill.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently whenever there is indication that the unit may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated income statement. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

From 1 January 2010 onwards, upon disposal of an associate that results in the Group losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with HKAS 39. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that associate.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the jointly controlled entities. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of a jointly controlled entity recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in a jointly controlled entity. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

From 1 January 2010 onwards, upon disposal of a jointly controlled entity that results in the Group losing joint control over that jointly controlled entity, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with HKAS 39. The difference between the previous carrying amount of the jointly controlled entity attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the jointly controlled entity. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that jointly controlled entity on the same basis as would be required if that jointly controlled entity had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that jointly controlled entity would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses joint control over that jointly controlled entity.

When a group entity transacts with its jointly controlled entity, profits and losses resulting from the transactions with the jointly controlled entity are recognised in the Group's consolidated financial statements only to the extent of interests in the jointly controlled entity that are not related to the Group.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue is recognised on the following bases:

(a) revenue from sale of goods is recognised when the goods are delivered and title has passed;

(b) service income is recognised when services are provided;

(c) interest income is recognised 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 on initial recognition; and

(d) dividend income is recognised when the right to receive payment has been established.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes other than construction in progress as described below are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment other than construction in progress less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Construction in progress

Construction in progress represents buildings, plant and machinery, motor vehicles and other equipment 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 intended use.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the item is derecognised.

3. 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, rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

Where the Group is the lessee, operating lease payments are recognised as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is released over the lease term on a straight-line basis.

Impairment of non-financial assets

Where an indication of impairment exists (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 value in use and 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.

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 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Renminbi) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the translation reserve).

From 1 January 2010 onwards, on the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as 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 eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss over the useful lives of the related assets. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Retirement benefits

Payments to state-managed retirement benefit schemes are charged as an expense when employees have rendered service entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

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 to make the sale.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified as loans and receivables and available-for-sale investments. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, bills receivable, other receivables, pledged bank deposits and cash and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Available-for-sale investments

Available-for-sale investments are non-derivative financial assets in listed and unlisted equity and debt securities.

Available-for-sale investments are measured at fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in the available-for-sale investment valuation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the available-for-sale investment valuation reserve is reclassified to profit or loss (see accounting policy on impairment loss on financial assets below).

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at the end of the reporting period (see accounting policy on impairment loss on financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade receivables, bills receivable and other receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, bills receivable and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable, bills receivable or other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in the available-for-sale investment valuation reserve. For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's financial liabilities are generally classified into financial liabilities at FVTPL and other financial liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Financial liabilities at fair value through profit or loss

The Group's financial liabilities at FVTPL represent derivative financial instruments.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial liabilities at FVTPL are measured at fair value, with changes in fair value arising on remeasurement recognised directly in profit or loss in the period in which they arise.

Other financial liabilities

Other financial liabilities including borrowings, trade payables, bills payable and other payables are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect is material).

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The following are 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.

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 in the year 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. An asset's recoverable amount is calculated at 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. Where the actual cash flows are less than expected, a material impairment loss may arise.

Impairment of receivables

The Group's management determines the impairment of receivables where there is indication of impairment. 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. Where the actual cash flows are less than expected, a material impairment loss may arise.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty (continued)

Allowance for obsolete inventories

The management reviews the condition of inventories of the Group and makes allowance 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 allowance for obsolete items.

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less any estimated costs to be incurred to completion and to make the sale. 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. Where the net realisable value is less than expected, a material impairment loss may arise.

Income tax

The Group is mainly subject to income taxes in various regions within the PRC. Due to the fact that the utilisation of tax credit carried forward from previous years for the income tax arising from the purchase of homemade equipment by the Group amounting to RMB294,507,000 (2009: RMB108,419,000) for the year ended 31 December 2010 (note 10) 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 likelihood of timing and level of future taxable profits together with tax planning strategies. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which will be recognised in profit or loss for the period in which such a reversal takes place. Further details are contained in note 36.

Warranty provision

Provision for product warranties provided 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 2010 was RMB100,219,000 (2009: RMB71,673,000). Where actual claims are more than expected and practices change, changes in these estimates could result in additional allowances or changes to recorded allowances being required in future period. Further details are contained in note 35.

5. SEGMENT INFORMATION

IFRS 8 Operating Segment requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources and to assess performance. 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.

Segment information

	Manufacture and sale of automobiles and automotive parts and components	
	Year ended 31/12/2010 ***RMB'000***	Year ended 31/12/2009 *RMB'000*
Segment revenue	**22,174,985**	12,396,387
Segment profit	**2,824,426**	1,071,880

	31/12/2010 ***RMB'000***	31/12/2009 *RMB'000*
Segment assets	**23,770,127**	15,063,397
Segment liabilities	**13,369,821**	7,225,236

Revenue from major product and services

Revenue from external customers for each group of similar products and services are set out in note 6.

5. SEGMENT INFORMATION (continued)

Geographical information

The Group's revenue from external customers by geographical location of customers are detailed below:

	Year ended 31/12/2010 *RMB'000*	Year ended 31/12/2009 *RMB'000*
The PRC:		
Northeast China	**1,456,647**	831,585
North China	**4,425,177**	2,129,925
East China	**4,796,522**	2,401,609
Central China	**3,518,370**	2,073,067
Northwest China	**2,084,036**	1,274,699
Southwest China	**2,867,811**	1,874,770
	19,148,563	10,585,655
Australia	**518,443**	236,265
Russia	**514,162**	48,759
South Africa	**277,931**	129,744
Chile	**275,578**	101,075
Italy	**257,712**	117,068
Iraq	**247,183**	386,684
Libya	**13,799**	146,010
Ukraine	**536**	—
Other countries	**921,078**	645,127
	22,174,985	12,396,387

The Group's non-current assets for segment information presentation purpose amounting to RMB8,849,980,000 (2009: RMB6,792,054,000) are situated in the PRC and the remaining non-current assets amounting to RMB549,000 (2009: RMB668,000) are situated in overseas countries.

Information about major customers

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

6. REVENUE

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

An analysis of revenue is as follows:

	Year ended 31/12/2010 ***RMB'000***	Year ended 31/12/2009 *RMB'000*
Sale of automobiles	**20,921,401**	11,784,122
Sale of automotive parts and components, and others	**1,199,058**	567,078
Revenue from providing services	**54,526**	45,187
	22,174,985	12,396,387

7. OTHER INCOME

	Note	**Year ended 31/12/2010** ***RMB'000***	Year ended 31/12/2009 *RMB'000*
Bank interest income		**34,242**	58,307
Government grants:			
Release of deferred income	*37*	**24,507**	28,116
Value-added tax refund		**24,836**	18,572
Other government grant*		**14,248**	7,307
Rental income		**950**	—
Others		**11,001**	—
		109,784	112,302

* Various government grants have been received by the Group as immediate financial support. There are no unfulfilled conditions relating to these grants.

8. OTHER GAINS AND LOSSES

	Year ended 31/12/2010 *RMB'000*	Year ended 31/12/2009 *RMB'000*
Gain on disposal of a subsidiary (note 41)	**8,003**	—
Discount on acquisition (note 40(b))	**3,043**	—
Gain on acquisition of non-controlling interests	**—**	19,657
Loss from changes in fair value of derivative financial instruments	**(1,953)**	—
Gain on disposal of available-for-sale investments	**4,573**	1,215
Impairment loss of receivables, net	**(9,601)**	—
Others	**(283)**	—
	3,782	20,872

9. FINANCE COSTS

	Year ended 31/12/2010 *RMB'000*	Year ended 31/12/2009 *RMB'000*
Interest on a bank loan	**515**	92
Discount interests of bills receivable and others	**11,772**	26,894
	12,287	26,986

10. INCOME TAX EXPENSES

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

	Year ended 31/12/2010 *RMB'000*	Year ended 31/12/2009 *RMB'000*
Current tax:		
PRC enterprise income tax	**219,039**	77,906
Deferred tax (note 36):		
Current year	**(58,152)**	(217,525)
Attributable to a change in tax rate	**53,264**	—
	(4,888)	(217,525)
	214,151	(139,619)

10. INCOME TAX EXPENSES (continued)

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

No provision for taxation has been made as the Group's income neither arises in, nor is derived from, Hong Kong.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

Pursuant to the EIT Law and Implementation Regulation of the EIT Law, the Company, being registered as new and high technology enterprises in Hebei province in 2010, is entitled to a concessionary income tax rate of 15% for the year ended 31 December 2010. Pursuant to the original PRC corporate income tax law and applicable local tax regulations, 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.

Pursuant to the original PRC corporate income tax law and applicable local tax regulations, Macs (Baoding) Auto A/C System Company Limited, a subsidiary of the Group, 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, a subsidiary of the Group, 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, a subsidiary of the Group, 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, a subsidiary of the Group, 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, a subsidiary of the Group, 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. Baoding Smart Automobile Accessories Company Limited, a subsidiary of the Group, was exempted from corporate income tax for the two years ended 31 December 2009 and was entitled to a 50% reduction in the tax rate for corporate income tax for the three years ended 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 Great Machinery Company Limited, Baoding Great Wall Internal Combustion Engine Manufacturing Company Limited and Baoding Yixin Auto Parts Company Limited, the subsidiaries of the Group, have satisfied the relevant conditions that entitling them to deduct double of the actual wages paid to disabled staff from their respective taxable income for the years ended 31 December 2010 and 2009. Baoding Xincheng Automobile Development Company Limited has satisfied the relevant conditions that entitling it to deduct double of the actual wages paid to disabled staff from its taxable income for the year ended 31 December 2009. Baoding Changcheng Vehicle Axles Industries Company Limited and Beijing Great Automotive Components Company Limited have satisfied the relevant conditions that entitling them to deduct double of the actual wages paid to disabled staff from their respective taxable income for the year ended 31 December 2010.

10. INCOME TAX EXPENSES (continued)

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 and Baoding Changcheng Vehicle Axles Industries Company Limited, subsidiaries of the Group, were entitled to deduct corporate income tax for the purchase of homemade equipment in previous years in the amount of RMB294,507,000 (2009: RMB108,419,000) for the year ended 31 December 2010.

The tax charge for the year can be reconciled to the profit per the consolidated income statement as follows:

	2010		2009	
	RMB'000	**%**	*RMB'000*	*%*
Profit before tax	**3,038,577**		932,261	
Tax at the domestic income tax rate	**759,644**	**25.0**	233,065	25.0
Tax effect of share of profit of jointly controlled entities	**(8,271)**	**(0.4)**	(3,787)	(0.6)
Tax effect of share of profit of associates	**(2,242)**	**(0.1)**	(1,603)	—
Tax effect of income not taxable for tax purpose	**(1,001)**	**—**	(4,914)	(0.5)
Additional deduction of expenses	**(56,156)**	**(1.8)**	(40,520)	(4.4)
Effect on deferred taxes arising from changes in tax rate	**53,264**	**1.8**	—	—
Tax holidays, exemptions and concessionary rate	**(533,951)**	**(17.6)**	(326,635)	(35.0)
Tax effect of expenses not deductible for tax purposes	**2,864**	**0.1**	4,775	0.5
Tax changes and effective tax rate for the year	**214,151**	**7.0**	(139,619)	(15.0)

11. 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 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 plans. The contributions payable are charged as an expense to the consolidated income statement as incurred. The Group has no obligation for the payment of retirement benefits beyond the contributions.

12. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging (crediting):

	Notes	**Year ended 31/12/2010 *RMB'000***	Year ended 31/12/2009 *RMB'000*
Cost of inventories recognised as an expense		**17,298,381**	10,225,785
Write-down of inventories, net	*25*	**15,818**	22,274
		17,314,199	10,248,059
Depreciation of property, plant and equipment	*17*	**528,165**	378,792
Depreciation of investment property	*19*	**28**	—
Total depreciation and amortisation		**528,193**	378,792
Release of prepaid lease payments	*18*	**21,229**	21,035
Employee benefit expenses (including directors' and supervisors' remuneration (note 13)):			
Wages, salaries and bonus		**1,155,235**	636,293
Retirement benefit contributions		**85,570**	61,890
		1,240,805	698,183
Auditors' remuneration		**2,600**	2,830
Provision for product warranties	*35*	**84,376**	52,048
Research and development costs recognised as an expense (included in other expenses)		**447,388**	335,152
Net foreign exchange losses		**14,135**	7,741
Impairment loss recognised in respect of property, plant and equipment	*17*	**1,673**	—
Loss on disposal of items of property, plant and equipment		**297**	3,005
Impairment loss (reversal of impairment loss) of receivables, net		**9,601**	(4,818)

13. 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 and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Year ended 31/12/2010 ***RMB'000***	Year ended 31/12/2009 *RMB'000*
Fees	**342**	391
Other emoluments:		
Salaries, bonus, allowances, and benefits in kind	**1,621**	692
Retirement benefit contributions	**21**	9
	1,984	1,092

(a) Independent non-executive directors

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

	Year ended 31/12/2010 ***RMB'000***	Year ended 31/12/2009 *RMB'000*
He Bao Yin	**48**	48
Wei Lin	**48**	48
Li Ke Qiang	**48**	48
Wong Chi Keung	**62**	96
Tseung Yuk Hei	**—**	103
Chan Yuk Tong	**88**	—
Wong Chi Hung	**—**	—
	294	343

There were no other emoluments payable to the independent non-executive directors during the year (2009: nil).

13. DIRECTORS' AND SUPERVISORS' REMUNERATION (continued)

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

	Fees RMB'000	Salaries, bonus and other benefits RMB'000	Contribution to retirement benefit schemes RMB'000	Total emoluments RMB'000
2010				
Executive directors:				
Wei Jian Jun	–	539	7	546
Liu Ping Fu	–	192	–	192
Wang Feng Ying	–	395	7	402
Yang Zhi Juan	–	143	7	150
Hu Ke Gang	–	172	–	172
Non-executive directors:				
He Ping	48	–	–	48
Niu Jun	–	–	–	–
Supervisors:				
Yuan Hong Li	–	–	–	–
Zhu En Ze	–	180	–	180
Luo Jin Li	–	–	–	–
	48	1,621	21	1,690

13. DIRECTORS' AND SUPERVISORS' REMUNERATION (continued)

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

	Fees	Salaries, bonus and other benefits	Contribution to retirement benefit schemes	Total emoluments
	RMB'000	*RMB'000*	*RMB'000*	*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

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.

14. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (2009: one) were directors of the Company whose emoluments are included in the disclosures in note 13 above. The emoluments of the remaining three (2009: four) individuals were as follows:

	Year ended 31/12/2010 *RMB'000*	Year ended 31/12/2009 *RMB'000*
Salaries, bonus and other benefits	**743**	868
Contributions to retirement benefits schemes	**21**	—
	764	868

Their emoluments were within the following bands:

	Year ended 31/12/2010 *No. of Employees*	Year ended 31/12/2009 *No. of Employees*
Nil to HK$1,000,000 (equivalent to RMB850,900)	**3**	4

15. DIVIDENDS

	Year ended 31/12/2010 *RMB'000*	Year ended 31/12/2009 *RMB'000*
Dividends recognised as distribution during the year:		
2009 Final — RMB0.25 (2009: 2008 Final — RMB0.15) per share	**273,818**	164,291

The final dividend of RMB547,636,000 at RMB0.2 per share in respect of the year ended 31 December 2010 (2009: final dividend of RMB273,818,000 at RMB0.25 per share in respect of the year ended 31 December 2009) has been proposed by the directors and is subject to approval by the shareholders in general meeting.

16. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's profit for the year attributable to the owners of the Company of RMB2,698,077,000 (2009: RMB1,022,553,000) and the number of ordinary shares of 2,738,180,000 (2009: 2,738,180,000), as adjusted for the share capitalisation on 26 February 2011 (note 38).

There were no potential ordinary shares existed during the years ended 31 December 2010 and 2009 and therefore diluted earnings per share have not been presented.

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and machinery	Motor vehicles	Office equipment and others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
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 20)	510,328	976,493	4,557	229,890	1,721,268
Reclassification	–	(83,685)	–	83,685	–
Transfer to construction in progress (note 20)	–	(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
Additions	14,423	91,364	51,229	46,784	203,800
Acquired on acquisition of a subsidiary (note 40(b))	7,811	8,288	114	921	17,134
Transfer from construction in progress (note 20)	126,726	1,063,554	4,053	302,992	1,497,325
Transfer to investment property	(2,372)	–	–	–	(2,372)
Disposal of a subsidiary (note 41)	–	–	(173)	(302)	(475)
Disposals	(366)	(28,028)	(5,904)	(9,484)	(43,782)
At 31 December 2010	1,867,520	3,895,382	139,793	1,143,625	7,046,320
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 20)	–	(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
Depreciation provided during the year	60,018	306,978	13,953	147,216	528,165
Impairment loss recognised in profit or loss	–	–	–	1,673	1,673
Transfer to investment property	(265)	–	–	–	(265)
Disposal of a subsidiary (note 41)	–	–	(44)	(36)	(80)
Disposals	(179)	(21,679)	(2,881)	(7,807)	(32,546)
At 31 December 2010	240,634	945,477	39,190	440,559	1,665,860
CARRYING VALUES					
At 31 December 2010	1,626,886	2,949,905	100,603	703,066	5,380,460
At 31 December 2009	1,540,238	2,100,026	62,312	503,201	4,205,777

17. PROPERTY, PLANT AND EQUIPMENT (continued)

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Buildings	2.40% to 11.9%
Plant and machinery	9.5% to 19.00%
Motor vehicles	9.5% to 15.8%
Office equipment and others	19.00%

18. PREPAID LEASE PAYMENTS

	2010 *RMB'000*	2009 *RMB'000*
Carrying amount at 1 January	**971,978**	854,615
Prepaid lease payments during the year	**127,572**	404,525
Acquired on acquisition of a subsidiary (note 40(b))	**14,189**	—
Disposal of prepaid lease payments	**—**	(407)
Transfer to inventories	**—**	(265,720)
Released during the year	**(21,229)**	(21,035)
Carrying amount at 31 December	**1,092,510**	971,978
Analysed for reporting purpose as:		
Current asset (included in other receivables)	**23,183**	—
Non-current assets	**1,069,327**	971,978
	1,092,510	971,978

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

As at 31 December 2010, the legal formalities for the transfer of titles of certain land use rights in the PRC, which have been acquired by the Group in 2010 with an aggregate carrying value of RMB117,459,000 were still in progress. In the opinion of the directors, the transfer procedures will be completed by the end of 2011.

19. INVESTMENT PROPERTY

	RMB'000
COST	
At 1 January 2009 and 31 December 2009	—
Transferred from property, plant and equipment (note 17)	2,107
At 31 December 2010	2,107
DEPRECIATION	
At 1 January 2009 and 31 December 2009	—
Provided for the year	28
At 31 December 2010	28
CARRYING VALUE	
At 31 December 2010	2,079
At 31 December 2009	—

The above investment properties are situated in the PRC and are held under a medium term lease. They are depreciated on a straight-line basis over 40 years.

The Group management is unable to arrive at the fair value of the investment properties as the comparable market transactions are infrequent and alternative reliable estimates are not available.

20. CONSTRUCTION IN PROGRESS

	Notes	**Year ended 31/12/2010** ***RMB'000***	Year ended 31/12/2009 *RMB'000*
At 1 January		**1,085,234**	1,830,388
Additions		**2,160,887**	969,179
Acquired on acquisition of subsidiaries	*40*	**203,724**	—
Transfer from property, plant and equipment	*17*	**—**	6,935
Transfer to property, plant and equipment	*17*	**(1,497,325)**	(1,721,268)
At 31 December		**1,952,520**	1,085,234

21. GOODWILL

	Year ended 31/12/2010 *RMB'000*	Year ended 31/12/2009 *RMB'000*
COST AND CARRYING AMOUNT		
At 1 January and 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.

22. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	31/12/2010 *RMB'000*	31/12/2009 *RMB'000*
Cost of unlisted investments in jointly controlled entities	**50,513**	167,513
Share of post-acquisition profits, net of dividend received	**65,591**	45,650
	116,104	213,163

The Group's trade payables and bills payable due to the jointly controlled entities are disclosed in notes 30 and 31 respectively. The amounts due to the jointly controlled entities are unsecured, non-interest-bearing and are repayable on demand.

22. INTERESTS IN JOINTLY CONTROLLED ENTITIES (continued)

As at 31 December 2010 and 2009, the Group had interests in the following jointly controlled entities:

Name of entity	Form of entity	Place of registration	Principal place of operation	Proportion of registered capital held by the Group		Proportion of voting power held		Principal activity
				2010	2009	**2010**	2009	
Baoding Deye Automobile Inner Decoration Company Limited (note (i)) (保定德業汽車內飾件有限公司)	Sino-foreign joint venture	The PRC	The PRC	**49%**	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	The PRC	The PRC	**50%**	50%	**50%**	50%	Manufacture of automotive parts and components
Baoding Smart Automobile Accessories Company Limited (保定斯瑪特汽車配件有限公司) (note (ii))	Sino-foreign joint venture	The PRC	The PRC	**N/A**	54.67%	**N/A**	54.67%	Manufacture of automotive parts and provision of after-sale service
Baoding Xinchang Auto Parts Company Limited (note (i)) (保定信昌汽車零部件有限公司)	Sino-foreign joint venture	The PRC	The PRC	**45%**	45%	**45%**	45%	Manufacture of automotive parts and components

Note:

(i) According to the contractual agreements between the Group and the joint venture partners, the Group is in a position to exercise joint control over these companies and has accounted for the investments as investments in jointly controlled entities.

(ii) Pursuant to contractual agreement between the Group and the joint venture partner, the Group does not have control of Baoding Smart Automobile Accessories Company Limited ("Baoding Smart"), but is in a position to exercise control over this entity jointly with the joint venture partner. As such, the Group accounted for the investment in Baoding Smart as investment in jointly controlled entity as at 31 December 2009. In June 2010, the Group acquired additional 20.33% equity interests in Baoding Smart and holds 75% equity interests in Baoding Smart since then. The Group has accounted for the investment as investment in a subsidiary thereafter. Please refer to note 40(a) for the details.

22. INTERESTS IN JOINTLY CONTROLLED ENTITIES (continued)

The summarised financial information in respect of the Group's interests in the jointly controlled entities attributable to the Group's interest therein which are accounted for using the equity method is set out below:

	31/12/2010	31/12/2009
	RMB'000	*RMB'000*
Non-current assets	**70,492**	173,458
Current assets	**98,942**	59,042
Current liabilities	**(53,330)**	(19,337)
Net assets	**116,104**	213,163

	Year ended	Year ended
	31/12/2010	31/12/2009
	RMB'000	*RMB'000*
Income recognised in profit or loss	**199,315**	145,055
Expenses recognised in profit or loss	**(166,233)**	(129,906)
	33,082	15,149

23. INTERESTS IN ASSOCIATES

	31/12/2010	31/12/2009
	RMB'000	*RMB'000*
Cost of unlisted investments in associates	**8,260**	14,635
Share of post-acquisition profits	**18,199**	7,872
	26,459	22,507

The Group's trade payables and bills payable due to associates are disclosed in notes 30 and 31 respectively. The amounts due to the associates are unsecured, non-interest-bearing and are repayable on demand.

23. INTERESTS IN ASSOCIATES (continued)

As at 31 December 2010 and 2009, the Group had interests in the following associates:

Name of entity	Form of entity	Place of registration	Principal place of operation	Proportion of registered capital held by the Group		Proportion of voting power held		Principal activity
				2010	2009	**2010**	2009	
Baoding Yanfeng Johnson Controls Automobile Seating Co., Ltd (Formerly known as Baoding Great Wall Jiehua Automobile Inner Decoration Company Limited) (保定延鋒江森汽車座椅有限公司) (原名為保定長城傑華汽車內飾件有限公司)	Sino-foreign joint venture	The PRC	The PRC	**25%**	25%	**25%**	25%	Manufacture of automotive parts and components
Baoding Great Wall Boxiang Automotive Parts Manufacturing Company Limited ("Baoding Boxiang") (Formerly known as Baoding Shuanghua Automobile Components and Accessories Company Limited) (保定長城博翔零部件制造有限公司) (原名為保定雙樺汽車零部件有限公司) (note (i))	Corporation	The PRC	The PRC	**N/A**	32%	**N/A**	32%	Manufacture of automotive parts and components
Baoding Tianqiu Electrical Company Limited (保定天球電器有限公司) (Note (ii))	Corporation	The PRC	The PRC	**25%**	N/A	**25%**	N/A	Manufacture of automotive parts and components

Notes:

(i) In November 2010, the Group acquired additional 68% equity interests in Baoding Boxiang and holds 100% equity interests in Baoding Boxiang since then. The Group has accounted for the investment as investment in a subsidiary thereafter. Please refer to note 40(b) for the details.

(ii) In June 2010, the Group acquired 25% equity interests in Baoding Tianqiu Electrical Company Limited for a cash consideration of RMB3,677,500.

23. INTERESTS IN ASSOCIATES (continued)

The summarised financial information in respect of the Group's associates is set out below:

	31/12/2010 RMB'000	31/12/2009 RMB'000
Total assets	**193,069**	201,182
Total liabilities	**(86,111)**	(114,502)
Net assets	**106,958**	86,680
Group's share of net assets of associates	**26,459**	22,507

	Year ended 31/12/2010 RMB'000	Year ended 31/12/2009 RMB'000
Revenue	**366,646**	329,144
Profit for the year	**38,419**	28,445
Group's share of profits of associates for the year	**8,969**	6,410

24. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments comprise:

	Note	31/12/2010 RMB'000	31/12/2009 RMB'000
Unlisted equity investment, at cost		**4,200**	1,200
Unlisted investments, at fair value	*(i)*	**–**	150,000
		4,200	151,200
Analysis for reporting proposes:			
Current assets		**–**	150,000
Non-current assets		**4,200**	1,200
		4,200	151,200

Notes:

(i) As at 31 December 2009, the Group held financial products issued by banks at fair value of RMB150,000,000, which were designated as available-for-sale investments with no fixed coupon rate.

25. INVENTORIES

	Note	31/12/2010 RMB'000	31/12/2009 RMB'000
Raw materials		**494,274**	247,565
Work in progress		**193,649**	121,569
Finished goods		**1,400,518**	931,857
Spare parts and consumables		**23,839**	23,754
Properties under development	*(i)*	**—**	274,926
		2,112,280	1,599,671
Less: provision for inventories		**(8,600)**	(9,746)
		2,103,680	1,589,925

Movement in the provision for inventories

	Year ended 31/12/2010 RMB'000	Year ended 31/12/2009 RMB'000
At 1 January	**9,746**	22,505
Write-down of inventories during the year	**15,818**	22,274
Written-off during the year	**(16,964)**	(35,033)
At 31 December	**8,600**	9,746

Note:

(i) During the year ended 31 December 2010, the Group sold the properties under development together with the disposal of investment in a subsidiary. Please refer to note 41 for details.

(ii) The carrying amount of inventories carried at net realisable value included in the above balances was RMB116,601,000 (2009: RMB127,447,000).

26. TRADE RECEIVABLES

	31/12/2010 RMB'000	31/12/2009 RMB'000
Trade receivables	**341,005**	152,016
Less: allowance for doubtful debts	**(14,009)**	(4,189)
	326,996	147,827

26. TRADE RECEIVABLES (continued)

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:

	31/12/2010	31/12/2009
	RMB'000	*RMB'000*
Outstanding balances aged:		
Within 6 months	**326,950**	146,990
7 to 12 months	**24**	837
Over 1 year	**22**	—
	326,996	147,827

Movement in the allowance for doubtful debts

	Year ended	Year ended
	31/12/2010	31/12/2009
	RMB'000	*RMB'000*
At 1 January	**4,189**	10,305
Impairment losses recognised on receivables	**10,877**	1,611
Amount written off as uncollectible	**—**	(338)
Impairment losses reversed	**(1,057)**	(7,389)
At 31 December	**14,009**	4,189

As at 31 December 2010, included in the allowance for doubtful debts is an allowance for individually impaired trade receivables of RMB14,009,000 (2009: RMB4,189,000) with gross amount before allowance of RMB22,823,000 (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.

26. TRADE RECEIVABLES (continued)

Movement in the allowance for doubtful debts (continued)

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

	31/12/2010	31/12/2009
	RMB'000	*RMB'000*
Neither past due nor impaired	**318,182**	146,548
Past due less than 6 months	**8,792**	1,279
Past due over 6 months	**22**	—
	326,996	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.

27. 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:

	31/12/2010	31/12/2009
	RMB'000	*RMB'000*
Falling due:		
Within 3 months	**3,313,222**	1,251,933
4 to 6 months	**4,412,878**	1,985,795
	7,726,100	3,237,728

As at 31 December 2010, the Group's bills receivable amounting to RMB3,112,067,000 (2009: RMB635,198,000) were pledged to banks for issuing an equivalent amount of bills payable.

28. OTHER RECEIVABLES AND PREPAYMENTS

	31/12/2010 ***RMB'000***	31/12/2009 *RMB'000*
Prepayments	**354,834**	435,589
Prepaid lease payments (note 18)	**23,183**	—
Deposit for land lease payments (note (i))	**870,000**	—
Other receivables	**352,416**	28,380
	1,600,433	463,969
Less: allowance for doubtful debts	**(4,080)**	(4,299)
	1,596,353	459,670

Movement in the allowance for doubtful debts for other receivables

	Year ended **31/12/2010** ***RMB'000***	Year ended *31/12/2009* *RMB'000*
At 1 January	**4,299**	3,345
Impairment losses recognised on receivable	**659**	1,139
Impairment losses reversed	**(878)**	(179)
Amount written off as uncollectible	**—**	(6)
At 31 December	**4,080**	4,299

Note:

(i) Balance as at 31 December 2010 represented the deposit for bidding of land use right located in Hebei Province. In the opinion of the directors, the bidding and auction process has not been completed as at 31 December 2010.

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

	31/12/2010 ***RMB'000***	31/12/2009 *RMB'000*
Neither past due nor impaired	**348,067**	23,004
Less than 6 months past due	**269**	1,077
	348,336	24,081

The balance as at 31 December 2010 included an amount of RMB246,885,000 (2009: nil) which represented deferred cash consideration for disposal of a subsidiary (note 41) and was due from Innovation GW, the parent of the Company. The above balance is unsecured, non-interest-bearing and repayable within one year.

29. CASH AND BANK BALANCES AND PLEDGED BANK DEPOSITS

Bank balances carry interest at prevailing saving rates ranging from 0.1% to 1.17% (31 December 2009: from 0.1% to 1.17%) per annum. The pledged deposits carry fixed interest rates range from 1.91% to 2.5% (31 December 2009: 1.71% to 1.98%) per annum. The pledged bank deposits will be released upon the settlement of relevant bank borrowings and bills payable.

As at 31 December 2010, pledged bank deposits of RMB1,020,989,000 (2009: RMB431,180,000) were pledged to banks for issuing bills payables (note 31) and letters of credit. As at 31 December 2009, the remaining pledged bank deposits of RMB39,272,000 were pledged to a bank for a bank loan (note 32).

30. 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:

	31/12/2010	31/12/2009
	RMB'000	*RMB'000*
Within 6 months	**4,789,207**	2,974,475
7 to 12 months	**51,155**	65,983
1 to 2 years	**30,802**	19,322
Over 2 years	**32,400**	35,618
	4,903,564	3,095,398

The trade payables, except for payable to related parties as detailed below, 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:

	31/12/2010	31/12/2009
	RMB'000	*RMB'000*
Jointly controlled entities	**126,885**	59,671
Associates	**80,925**	118,242
Companies that are controlled by the Group's key management personnel or their close family members	**6,717**	8,350
	214,527	186,263

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

31. BILLS PAYABLE

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

	31/12/2010 RMB'000	31/12/2009 RMB'000
1 to 3 months	**1,117,731**	679,273
4 to 6 months	**2,257,979**	498,027
	3,375,710	1,177,300

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

	31/12/2010 RMB'000	31/12/2009 RMB'000
Jointly controlled entities	**26,903**	2,680
Associates	**32,384**	1,900
Companies that are controlled by the Group's key management personnel or their close family members	**532**	2,268
	59,819	6,848

32. BORROWINGS

	Notes	31/12/2010 RMB'000	31/12/2009 RMB'000
Bank loans	*(ii)*	**–**	38,367
Other loans	*(iii)*	**–**	37,229
		–	75,596
Secured	*(ii)*	**–**	38,367
Unsecured		**–**	37,229
		–	75,596
Carrying amount repayable*:			
Within one year		**–**	75,596
		–	75,596

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

32. BORROWINGS (continued)

Notes:

(i) All the borrowings as at 31 December 2009 are dominated in Euro.

(ii) The bank loan as at 31 December 2009 was secured by bank balance amounting to RMB39,272,000 (note 29).

(iii) Balance as at 31 December 2009 represented borrowings from a non-controlling shareholder of subsidiaries of the Company amounting to RMB37,229,000, which were unsecured, non-interest bearing and had been repaid during the year ended 31 December 2010.

33. OTHER PAYABLES AND ACCRUALS

	31/12/2010	31/12/2009
	RMB'000	*RMB'000*
Advances from customers	**2,439,879**	1,320,489
Accruals	**70,560**	72,788
Deferred income (note 37)	**25,783**	22,866
Payables for purchase of property, plant and equipment	**221,019**	303,875
Salary and welfare payable	**341,030**	176,478
Other tax payable	**202,097**	73,506
Other payables	**190,977**	146,103
	3,491,345	2,116,105

As at 31 December 2010, included in the Group's other payables are amounts due to companies that are controlled by the Group's key management personnel or their close family members amounting to RMB12,054,000 (2009: RMB17,486,000), which are unsecured, non-interest-bearing and are repayable on demand.

34. DERIVATIVE FINANCIAL INSTRUMENTS

	31/12/2010	31/12/2009
	RMB'000	*RMB'000*
Foreign currency forward contracts	**1,953**	—

34. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Major terms of the foreign currency forward contracts are as follows:

Notional amount	Maturity	Exchange Rate
Euro'000		
3,500	20/01/2011	Euro1:RMB8.4365
2,000	15/03/2011	Euro1:RMB8.4598
500	15/04/2011	Euro1:RMB8.8160
USD'000		
3,000	24/01/2011	USD1:RMB6.6517
2,000	22/02/2011	USD1:RMB6.6384
2,000	22/03/2011	USD1:RMB6.6294

35. PROVISION FOR PRODUCT WARRANTIES

	31/12/2010 ***RMB'000***	31/12/2009 *RMB'000*
At 1 January	**71,673**	40,692
Additional provision in the year	**84,376**	52,048
Utilisation of provision	**(55,830)**	(21,067)
At 31 December	**100,219**	71,673

The Group provide free inspection services once or twice to their domestic customers. The Group also provide a standard warranty to their domestic customers for a given period, 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 required. The estimation basis is reviewed on an ongoing basis and is revised where appropriate.

36. DEFERRED TAX ASSETS

The following are the major deferred tax assets recognised and movements therein during the current and prior years.

	At 1 January 2009 *RMB'000*	Deferred tax (charge) credit to profit or loss during the year (note 10) *RMB'000*	Effect of changes in tax rate *RMB'000*	Acquisition of subsidiaries *RMB'000*	Disposal of a subsidiary *RMB'000*	At 31 December 2009 *RMB'000*
Deferred tax assets in respect of:						
Receipt of government grants that is taxable upon receipt	2,462	153,181	–	–	–	155,643
Liabilities for accrued expenses that are deductible for tax purpose only when paid	7,696	25,604	–	–	–	33,300
Receipt in advance (revenue in nature) that is taxable upon receipt	9,393	22,940	–	–	–	32,333
Unrealised profit eliminated on consolidation	9,786	19,071	–	–	–	28,857
Write-down of inventories to net realisable value	23,639	(3,093)	–	–	–	20,546
Accumulated depreciation difference between carrying amount and tax base	9,007	1,207	–	–	–	10,214
Pre-operation expenses	4,681	(1,853)	–	–	–	2,828
Impairment of receivables	2,267	(145)	–	–	–	2,122
Others	4,243	613	–	–	–	4,856
	73,174	217,525	–	–	–	290,699

36. DEFERRED TAX ASSETS (continued)

	At 1 January 2010 *RMB'000*	Deferred tax (charge) credit to profit or loss during the year (note 10) *RMB'000*	Effect of changes in tax rate (note 10) *RMB'000*	Acquisition of subsidiaries (note 40) *RMB'000*	Disposal of a subsidiary (note 41) *RMB'000*	At 31 December 2010 *RMB'000*
Deferred tax assets in respect of:						
Receipt of government grants that is taxable upon receipt	155,643	(2,748)	(28,068)	–	–	124,827
Liabilities for accrued expenses that are deductible for tax purpose only when paid	33,300	(13,272)	(8,308)	45	–	11,765
Receipt in advance (revenue in nature) that is taxable upon receipt	32,333	23,792	(9,927)	–	–	46,198
Unrealised profit eliminated on consolidation	28,857	44,839	–	–	–	73,696
Write-down of inventories to net realisable value	20,546	(159)	(362)	–	–	20,025
Accumulated depreciation difference between carrying amount and tax base	10,214	(3,125)	–	–	–	7,089
Pre-operation expenses	2,828	(88)	–	1,705	(121)	4,324
Impairment of receivables	2,122	2,403	(346)	–	–	4,179
Others	4,856	6,510	(6,253)	–	–	5,113
	290,699	58,152	(53,264)	1,750	(121)	297,216

37. DEFERRED INCOME

	Year ended 31/12/2010	Year ended 31/12/2009
	RMB'000	*RMB'000*
At 1 January	**677,356**	71,313
Additions during the year	**783,410**	634,159
Recognised in other income during the year (note 7)	**(24,507)**	(28,116)
At 31 December	**1,436,259**	677,356
Current portion included in other payables and accruals (note 33)	**(25,783)**	(22,866)
Non-current portion	**1,410,476**	654,490

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

38. SHARE CAPITAL

Registered, issued and fully paid	**Number of shares**	**31/12/2010**	31/12/2009
	'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

Note: On 26 February 2011, the shareholders of the Company passed a resolution at the extraordinary general meeting to approve that the share premium of the Company amounting to RMB1,642,908,000 were capitalised to 1,023,000,000 new domestic shares and 619,908,000 new H shares in proportion of 15 capitalisation shares for every 10 existing shares. Immediately after the capitalisation, the share capital of the Company comprised 1,705,000,000 domestic shares and 1,033,180,000 H shares of RMB1 each.

39. RESERVES

The amounts of the Group's reserves and the movements therein for the year are presented in the consolidated statement of changes in equity on page 67 of the consolidated financial statements.

(i) The capital reserve of the Group represent non-distributable reserve appropriated in accordance with the accounting and financial regulations in the PRC.

(ii) In accordance with the PRC Company Law and the articles of association of the Company and its subsidiaries registered in the PRC, except for Sino-foreign joint ventures, they are required to appropriate 10% of the statutory profit after tax (after offsetting any prior years' losses) to 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 and the discretionary surplus reserve fund 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 appropriated 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 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 owners' 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. Expenses of approximately RMB2,657,000 (2009: RMB462,000) in respect of the staff welfare and incentive bonus fund were charged for the year ended 31 December 2010.

40. ACQUISITION OF SUBSIDIARIES

(a) Acquisition of 20.33% equity interests in Baoding Smart

As disclosed in note 22 (ii), the Group previously held 54.67% equity interests in Baoding Smart and accounted for this investment as a joint controlled entity as at 31 December 2009. On 19 May 2010, the Group acquired additional 20.33% equity interests in Baoding Smart for a cash consideration of RMB42,866,000 and was followed by the renewal of business licence dated 11 June 2010. Baoding Smart became a subsidiary of the Group since then. This acquisition has been accounted for acquisition of business. Baoding Smart is engaged in the manufacture of automotive parts and provision of after-sales service and was acquired so as to maintain constant supply of automotive parts.

	Acquiree's carrying amount and fair value
	RMB'000
Construction in progress	202,775
Deferred tax asset	313
Other receivables	1
Cash and bank balances	9,125
Trade payables	(1,366)
Net assets acquired	210,848
Non-controlling interests	(52,712)
Fair value of 54.67% equity interests held by the Group in Baoding Smart immediately before the acquisition date	(115,270)
Total consideration	42,866

Net cash outflow on acquisition of Baoding Smart

	RMB'000
Cash consideration paid	42,866
Less: cash and cash equivalent balances acquired	(9,125)
Total	33,741

Included in the profit for the year is approximately RMB1,483,000 attributable to the additional business generated by Baoding Smart. Revenue for the year includes RMB10,033,000 generated from Baoding Smart.

40. ACQUISITION OF SUBSIDIARIES (continued)

(b) Acquisition of 68% equity interests in Baoding Boxiang

As disclosed in note 23 (i), the Group previously held 32% equity interests in Baoding Boxiang and accounted this investment as an associate as at 31 December 2009. On 4 October 2010, the Group acquired additional 68% equity interests in Baoding Boxiang for a cash consideration of RMB19,380,000 from Shanghai Shuanghua Autoparts Co., Ltd. ("Shanghai Shuanghua") and was followed by the renewal of business licence dated 18 October 2010. Baoding Boxiang became a wholly-owned subsidiary of the Group since then. This acquisition has been accounted for acquisition of business. Baoding Boxiang is engaged in the manufacture of automotive parts and components and was acquired so as to maintain constant supply of automotive parts and components.

	Acquiree's carrying amount and fair value *RMB'000*
Property, plant and equipment	17,134
Prepaid lease payments	14,189
Construction in progress	949
Deferred tax asset	1,437
Inventories	2,985
Trade receivables (note (i))	4,902
Other receivables (note (i))	315
Cash and bank balances	321
Trade payables	(5,065)
Other payables	(4,192)
Net assets acquired	32,975
Fair value of 32% equity interests held by the Group in Baoding Boxiang immediately before the acquisition date	(10,552)
Discount on acquisition (note (ii))	(3,043)
Total consideration	19,380

Net cash outflow on acquisition of Baoding Boxiang

	RMB'000
Cash consideration paid	19,380
Less: cash and cash equivalent balances acquired	(321)
Total	19,059

40. ACQUISITION OF SUBSIDIARIES (continued)

(b) Acquisition of 68% equity interests in Baoding Boxiang (continued)

Notes:

(i) The fair value of trade and other receivables at the date of acquisition and the gross contractual amounts of those trade and other receivables acquired amounted to RMB5,217,000.

(ii) The excess of the Group's interest in the net fair value of Boxiang's identifiable assets, liabilities and contingent liabilities over the cash consideration amounting to RMB3,043,000 has been recognised as a bargain purchase gain under other gains and losses in the consolidated income statement.

(iii) Included in the profit for the year is loss of RMB251,000 attributable to the additional business generated by Baoding Boxiang. Revenue for the year includes RMB7,652,000 generated from Baoding Boxiang.

(iv) Had the above acquisitions been completed on 1 January 2010, total group revenue for the year would have been RMB22,203,645,000, and profit for the year would have been increased by RMB2,825,185,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2010, nor is it intended to be a projection of future results.

41. DISPOSAL OF A SUBSIDIARY

On 25 November 2010, the Company and Innovation GW, the parent of the Company, have entered into a sale and purchase agreement pursuant to which the Company agreed to sell and Innovation GW agreed to acquire 100% equity interests in Baoding Bochuang Real Estate Developing Company Limited ("Baoding Bochuang"), a wholly-owned subsidiary of the Company, at a cash consideration of RMB386,885,400.

Consideration received:

	RMB'000
Cash received	140,000
Deferred consideration (note 28)	246,885
Total consideration	386,885

41. DISPOSAL OF A SUBSIDIARY (continued)

	RMB'000
Analysis of assets and liabilities over which control was lost:	
Property, plant and equipment	395
Deferred tax assets	121
Inventories	348,328
Other receivables	6,476
Cash and bank balances	134,637
Trade payables	(25,501)
Other payables	(85,574)
Net assets disposed of	378,882
Gain on disposal of a subsidiary:	
Consideration received and receivable	386,885
Net assets disposed of	(378,882)
Gain on disposal	8,003
Net cash inflow arising on disposal:	
Cash consideration	140,000
Less: cash and bank balances disposed of	(134,637)
	5,363

The deferred consideration will be settled in cash by the purchaser on or before 30 June 2011.

42. CONTINGENT LIABILITIES

As at 31 December 2010 and 2009 and up to the approval date of these consolidated financial statements for issuance, the Group has the following significant outstanding lawsuits:

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.

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 has 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 consolidated financial statements for issuance, no verdict has been issued. The Peri model has not ever been sold in the European market.

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 consolidated financial statements as at 31 December 2010 and 2009.

43. OPERATING LEASES

The Group as lessee

	31/12/2010 RMB'000	31/12/2009 RMB'000
Minimum lease payments paid under operating leases during the period:		
Plant and machinery	**193**	—
Premises	**1,745**	567
Other assets	**110**	—
	2,048	567

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	31/12/2010 RMB'000	31/12/2009 RMB'000
Within one year	**4,576**	253
In the second to fifth year inclusive	**6,200**	—
	10,776	253

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for terms ranging from 1 to 3 years.

The Group as lessor

Property rental income earned during the year was RMB950,000 (2009: nil) (note 7). The property held has committed a tenant for the next four and a half years.

At the end of the reporting period, the Group had contracted with the tenant for the following future minimum lease payments:

	31/12/2010 RMB'000	31/12/2009 RMB'000
Within one year	**1,900**	—
In the second to fifth year inclusive	**6,650**	—
Over five years	**—**	—
	8,550	—

44. COMMITMENTS

(a) Capital commitments

	31/12/2010 *RMB'000*	31/12/2009 *RMB'000*
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**2,123,869**	1,285,543
Capital expenditure in respect of the acquisition of property, plant and equipment authorised but not contracted for	**8,225,888**	1,041,683

In addition, the Group's share 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:

	31/12/2010 *RMB'000*	31/12/2009 *RMB'000*
Contracted, but not provided for:	**3,646**	7,434

(b) Other commitments

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

	31/12/2010 *RMB'000*	31/12/2009 *RMB'000*
Contracted, but not provided for	**98,701**	110,106
Authorised, but not contracted for	**12,735**	3,243
	111,436	113,349

45. RELATED PARTY TRANSACTIONS

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

Name of related parties	Nature of transaction	Pricing policy	**Year ended 31/12/2010** ***RMB'000***	Year ended 31/12/2009 *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)	**7,803**	8,142
	Purchases of services	(a)	**215**	8
	Rendering of services	(a)	**–**	2
	Others	(a)	**–**	1
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)	**9**	127
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
	Purchases of office equipment	(a)	**–**	21
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)	**14,963**	1,712
	Purchases of machinery	(a)	**10,645**	1,013
	Purchases of services	(a)	**936**	349
	Sales of machinery	(a)	**–**	128
	Sales of spare parts	(a)	**2,563**	398
	Rendering of services	(a)	**20**	7
	Rental income	(a)	**7**	–
	Others	(a)	**18**	6
Hebei Baocang Highway Company Limited (vi) (河北保滄高速公路有限公司)	Sales of automobiles	(a)	**–**	408
	Rental income	(a)	**–**	380
	Others	(a)	**3**	85
Baoding Tai Hang Pump Manufacturing Company Limited (i) (保定市太行制泵有限公司)	Construction service fee paid	(a)	**34**	–
	Purchases of spare parts	(a)	**5,091**	1,920
	Purchases of machinery	(a)	**–**	470
	Purchases of services	(a)	**5**	13
	Sales of machinery	(a)	**–**	–
	Rendering of services	(a)	**9**	11
	Others	(a)	**–**	1

45. RELATED PARTY TRANSACTIONS (continued)

Name of related parties	Nature of transaction	Pricing policy	**Year ended 31/12/2010 *RMB'000***	Year ended 31/12/2009 *RMB'000*
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
	Other expenses	(a)	**66**	–
Beijing Weide Automobile System Accessories Company Limited (i) (北京威德汽車系统配套有限公司)	Purchases of raw materials	(a)	**72**	993
	Sales of automobiles	(a)	**–**	230
Baoding Furui Garden Company Limited (i) (保定市富瑞園林有限公司)	Rendering of services	(a)	**–**	3
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)	**277,075**	288,533
	Purchases of services	(a)	**751**	527
	Sales of spare parts	(a)	**7,671**	724
	Purchases of machinery	(a)	**–**	287
	Rendering of services	(a)	**420**	–
	Others	(a)	**771**	702
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
	Purchases of spare part	(a)	**136,374**	3,021
	Sales of spare parts	(a)	**310**	–
	Rendering of services	(a)	**53**	3
	Others	(a)	**423**	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
Baoding Great Wall Boxiang Automotive Parts Manufacturing Company Limited ("Baoding Boxiang") (Formerly known as Baoding Shuanghua Automobile Components and Accessories Company Limited) (iii) (保定長城博翔零部件制造有限公司) (原名為保定雙樺汽車零部件有限公司)	Purchases of spare parts	(a)	**11,710**	885
	Rendering of services	(a)	**–**	1
	Others	(a)	**6**	18
Baoding Yanfeng Johnson Controls Automobile Seating Co., Ltd (Formerly known as Baoding Great Wall Jiehua Automobile Inner Decoration Company Limited) (iii) (保定延鋒江森汽車座椅有限公司) (原名為保定長城傑華汽車內飾件有限公司)	Sales of automobile	(a)	**–**	74
	Purchases of spare parts	(a)	**307,151**	313,753
	Rendering of services	(a)	**705**	918
	Purchases of services	(a)	**8**	–
	Others	(a)	**912**	243

45. RELATED PARTY TRANSACTIONS (continued)

Name of related parties	Nature of transaction	Pricing policy	Year ended 31/12/2010 RMB'000	Year ended 31/12/2009 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
	Sales of spare parts	(a)	**–**	127
	Rendering of services	(a)	**–**	1
	Purchases of services	(a)	**–**	389
	Others	(a)	**–**	1
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)	**229**	163
Baoding Bochuang Real Estate Developing Company Limited (vii) (保定博創房地產有限公司)	Rental income	(a)	**12**	–
Baoding Tianqiu Electrical Company Limited (iii) (保定天球電器有限公司)	Purchases of raw material	(a)	**26,466**	–
	Sales of raw material	(a)	**3**	–
	Rendering of services	(a)	**27**	–
	Others	(a)	**441**	–
Wei De Yi (v) (魏德義)	Sales of automobiles	(a)	**–**	165

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 Group.

(iii) These companies are associates of the Group.

(iv) This company has indirect interests in the Company that gives it significant influence over the Company.

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

(vi) This company is significantly influenced by the Group's key management personnel.

(vii) This company is a fellow subsidiary of the Company.

45. RELATED PARTY TRANSACTIONS (continued)

Other transactions with related parties:

On 25 November 2010, the Company disposed 100% equity interests in Baoding Bochuang to Innovation GW for a cash consideration of RMB386,885,400. Please refer to note 41 for details.

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

	Year ended 31/12/2010 ***RMB'000***	Year ended 31/12/2009 *RMB'000*
Short term employee benefits	**4,420**	1,714
Post-employment benefits	**87**	40
Total compensation paid to key management personnel	**4,507**	1,754

Further details of directors' and supervisors' emoluments are set out in note 13 to the consolidated financial statements.

The Group's other receivables, trade payables, bills payable, other borrowings and other payables with the related parties are disclosed in notes 28, 30, 31, 32 and 33, respectively.

46. CAPITAL RISK 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 significant changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2010 and 2009.

The Group monitors capital using a gearing ratio, which is net debt divided by the capital plus net debt. Net debt includes borrowings, trade, bills and other payables, derivative financial instruments and dividends payables to non-controlling interests, less cash and bank balances and pledged bank deposits for bank borrowings and for issuing bills payable and letters of credit. Capital includes equity attributable to owners of the Company.

46. CAPITAL RISK MANAGEMENT (continued)

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

	31/12/2010	31/12/2009
	RMB'000	*RMB'000*
Borrowings	**—**	75,596
Trade payables	**4,903,564**	3,095,398
Bills payable	**3,375,710**	1,177,300
Other payables	**1,025,683**	772,750
Derivative financial instruments	**1,953**	—
Dividends payable to non-controlling interests	**37,742**	11,342
Less: Cash and bank balances	**(2,073,627)**	(2,121,333)
Pledged bank deposits	**(1,020,989)**	(470,452)
Net debt	**6,250,036**	2,540,601
Capital — Equity attributable to owners of the Company	**10,015,148**	7,592,664
Capital and net debt	**16,265,184**	10,133,265
Gearing ratio	**38%**	25%

47. FINANCIAL INSTRUMENTS

47a. Categories of financial instruments

Financial assets

	31/12/2010			31/12/2009		
	Loans and receivables	**Available-for-sale financial investments**	**Total**	Loans and receivables	Available-for-sale financial investments	Total
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*
Available-for-sale investments	**—**	**4,200**	**4,200**	—	151,200	151,200
Trade receivables	**326,996**	**—**	**326,996**	147,827	—	147,827
Bills receivable	**7,726,100**	**—**	**7,726,100**	3,237,728	—	3,237,728
Financial assets included in other receivables and prepayments	**348,336**	**—**	**348,336**	24,081	—	24,081
Pledged bank deposits	**1,020,989**	**—**	**1,020,989**	470,452	—	470,452
Cash and bank balances	**2,073,627**	**—**	**2,073,627**	2,121,333	—	2,121,333
	11,496,048	**4,200**	**11,500,248**	6,001,421	151,200	6,152,621

47. FINANCIAL INSTRUMENTS (continued)

47a. Categories of financial instruments (continued)

Financial liabilities

	31/12/2010			31/12/2009		
	Financial liabilities at amortised cost	**Financial liabilities held for trading**	**Total**	Financial liabilities at amortised cost	Financial liabilities held for trading	Total
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	**4,903,564**	**—**	**4,903,564**	3,095,398	—	3,095,398
Bills payable	**3,375,710**	**—**	**3,375,710**	1,177,300	—	1,177,300
Borrowings	**—**	**—**	**—**	75,596	—	75,596
Financial liabilities included in other payables and accruals	**955,123**	**—**	**955,123**	699,962	—	699,962
Other financial liabilities	**—**	**1,953**	**1,953**	—	—	—
	9,234,397	**1,953**	**9,236,350**	5,048,256	—	5,048,256

47b. Financial risk management objectives and policies

The Group's major financial instruments include cash and short term deposits, pledged bank deposits, trade, bills and other receivables and trade, bills and other payables. Details of the financial instruments are disclosed in respective notes.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk, foreign currency risk and interest rate 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.

As at 31 December 2010 and 2009, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

47. FINANCIAL INSTRUMENTS (continued)

47b. Financial risk management objectives and policies (continued)

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 25% (2009: 16%) and 51% (2009: 57%) of the Group's trade receivables were due from the Group's largest overseas customer and the five largest overseas customers, respectively. The Group's five largest overseas customers are all car dealers engaged in the trading of automobiles manufactured by the Group outside the PRC. Other trade receivables consist of a large number of customers, spread across diverse industries and geographical areas.

Other than concentration of credit risk on trade receivables due from the Group's five largest customers as discussed above and on amount due from the parent of RMB246,885,000 (note 28) as at 31 December 2010, the Group does not have any other significant concentration of credit risk.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and other receivables are disclosed in notes 26 and 28.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group relies on cash generated from operating activities as a significant source of liquidity. For the year ended 31 December 2010, the Group have cash generated from operating activities of approximately RMB3,191,473,000 (2009: RMB1,373,019,000). Trade receivable and bills receivables can be received within six months based on the earliest date on which the Group can require payments and bank balances can be drawn on demand. The directors believe that the Group will have sufficient funds available to meet its financial obligations in the foreseeable future.

47. FINANCIAL INSTRUMENTS (continued)

47b. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

The maturity profile of the financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments and on the earliest date on which the Group can be required to pay, is as follows:

	On demand in less than 6 months	6 to less than 12 months	Over 1 year	Total undiscounted cash flows	Carrying amount at 31 December
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
2010					
Non-derivative financial liabilities					
Trade payables	**4,858,946**	**44,618**	**—**	**4,903,564**	**4,903,564**
Bills payable	**3,375,710**	**—**	**—**	**3,375,710**	**3,375,710**
Other payables	**862,049**	**93,074**	**—**	**955,123**	**955,123**
Total	**9,096,705**	**137,692**	**—**	**9,234,397**	**9,234,397**
Derivatives — gross settlement					
Foreign exchange forward contracts					
— inflow	**(97,346)**	**—**	**—**	**(97,346)**	**(97,346)**
— outflow	**99,299**	**—**	**—**	**99,299**	**99,299**
	1,953	**—**	**—**	**1,953**	**1,953**
Total	**9,098,658**	**137,692**	**—**	**9,236,350**	**9,236,350**
2009					
Non-derivative financial liabilities					
Trade payables	3,095,398	—	—	3,095,398	3,095,398
Bills payable	1,177,300	—	—	1,177,300	1,177,300
Borrowings	—	76,472	—	76,472	75,596
Other payables	632,888	67,074	—	699,962	699,962
Total	4,905,586	143,546	—	5,049,132	5,048,256

47. FINANCIAL INSTRUMENTS (continued)

47b. Financial risk management objectives and policies (continued)

Currency risk

The Group has foreign currency risk exposures. Such limited exposures arise from export sales in currencies other than the relevant group entities' functional currency. Approximately 13.6% (2009: 14.6%) of the Group's sales are denominated in currencies other than the relevant group entities' functional currency, RMB, while almost all the Group's costs are denominated in the relevant group entities' functional currency. The Group exchanged the foreign currencies arising from export sales into RMB upon receipt to eliminate the currency exposures.

In order to mitigate the currency risk, the Group has entered into foreign currency forward contracts to minimise its foreign currencies risk in respect of foreign currencies arising from export sales. The Group continues reviewing the effectiveness of these instruments and the underlying strategies in monitoring currency risk. Further details of the Group's foreign currency forward contracts are disclosed in note 34.

The following table illustrates the sensitivity of the Group's profit after tax to a reasonably possible changes in RMB against US$ and Euro exchange rates. The sensitivity analysis includes only outstanding foreign currency monetary assets and liabilities and adjusts their translation at the end of the reporting period, with all other variables held constant.

	Increase/ (decrease) in rate *%*	(Decrease)/ increase in profit after tax *RMB'000*
2010		
If RMB strengthens against USD	**5**	**(11,349)**
If RMB weakens against USD	**(5)**	**11,349**
2009		
If RMB strengthens against USD	5	(11,737)
If RMB weakens against USD	(5)	11,737

	Increase/ (decrease) in rate *%*	(Decrease)/ increase inprofit after tax *RMB'000*
2010		
If RMB strengthens against Euro	**5**	**(2,761)**
If RMB weakens against Euro	**(5)**	**2,761**
2009		
If RMB strengthens against Euro	5	(968)
If RMB weakens against Euro	(5)	968

47. FINANCIAL INSTRUMENTS (continued)

47b. Financial risk management objectives and policies (continued)

Interest rate risk

The Group is exposed to interest rate risk in relation to bank balances and borrowings carried at variable rate. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rate arising from the Group's bank balances and borrowings carried at variable rate.

The sensitivity analysis below has been determined based on the exposure to bank balances and borrowings carried prevailing interest rate at the end of the reporting period. 0.27% (2009: 0.27%) increase or decrease in interest rate is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 0.27% higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2010 would increase/decrease by approximately RMB8,299,000 for the year ended 31 December 2010 (2009: increase/decrease by RMB6,891,000). This is mainly attributable to the Group's exposure to interest rates on its bank balances and borrowings.

47c. Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis; and

- the fair value of derivative instruments is calculated using quoted prices. Where such prices are not available, use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

47. FINANCIAL INSTRUMENTS (continued)

47c. Fair value (continued)

Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

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 2010, the Group held the following financial instruments measured at fair value:

Liabilities measured at fair value at 31 December 2010:

	Level 1 *RMB'000*	**Level 2** *RMB'000*	**Level 3** *RMB'000*	**Total** *RMB'000*
Foreign exchange forwards contracts	—	1,953	—	1,953

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

As at 31 December 2010, there were no financial assets measured at fair value held by the Group. As at 31 December 2009, there were no financial liabilities measured at fair value held by the Group.

During the years ended 31 December 2010 and 2009, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

48. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Particulars of the subsidiaries for year ended 31 December 2010 and 2009 are as follows:

Company name	Place and date of Incorporation/ establishment and operations	Nominal value of paid-in capital/ registered capital '000	Percentage of equity interests attributable to the Company Direct	Indirect	Principal activities
Baoding Great Wall Huabei Automobile Company Limited (i) (保定長城華北汽車有限責任公司)	The PRC 18 January 2000	RMB177,550	52.97	–	Manufacture of automotive parts and components
Baoding Xincheng Automobile Development Company Limited (i) (保定信誠汽車發展有限公司)	The PRC 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)	The PRC 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) (iii)	The PRC 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)	The PRC 13 December 2000	RMB68,720	75	–	Manufacture of automotive parts and components
Baoding Nuobo Rubber Manufacturing Company Limited (保定市諾博橡膠製品有限公司) (iii)	The PRC 18 June 2001	RMB40,800	100	–	Manufacture of automotive parts and components
Beijing Great Automotive Components Company Limited (ii) (北京格瑞特汽車零部件有限公司)	The PRC 22 January 2002	RMB1,000	75	–	Manufacture of automotive parts and components
After-sales Services Company Limited (iii) (保定市長城汽車售後服務有限公司)	The PRC 13 June 1996	RMB300	100	–	Provision of after-sale services
Baoding Great Wall Automobile Sales Company Limited (i) (保定長城汽車銷售有限公司)	The PRC 26 March 2004	RMB8,000	–	100	Marketing and sale of automobiles

48. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

Company name	Place and date of Incorporation/ establishment and operations	Nominal value of paid-in capital/ registered capital '000	Percentage of equity interests attributable to the Company Direct	Indirect	Principal activities
Macs (Baoding) Auto A/C System Company Limited (ii) (麥克斯(保定)空調系统有限公司)	The PRC 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)	The PRC 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
Baoding Mind Auto Component Company Limited (ii) (保定曼德汽車配件有限公司)	The PRC 26 March 2003	RMB600	75	—	Manufacture of automotive parts and components
Tianjin Great Wall Lean Automotive Parts Company Limited (ii) (天津長城精益汽車零部件有限公司)	The PRC 7 November 2006	RMB140,000	—	100	Manufacture of automotive parts and components
Great Wall Motor Middle East FZE (長城汽車中東公司)	United Arab Emirates 17 June 2007	US$476	100	—	Export and import of automobiles and components and provision of after-sale services

48. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

Company name	Place and date of Incorporation/ establishment and operations	Nominal value of paid-in capital/ registered capital '000	Percentage of equity interests attributable to the Company Direct	Indirect	Principal activities
Baoding Jinggong Foundry Company Limited (i) (保定長城精工鑄造有限公司)	The PRC 28 November 2007	RMB85,000	100	–	Manufacture steel casting and provision of after-sale services
Tianjin Great Wall Motor Company Limited (i) (天津長城汽車有限公司)	The PRC 18 February 2008	RMB500,000	100	–	Manufacture of automotive parts and components
Baoding Great Wall Ants Logistics Company Limited (i) (保定市長城螞蟻物流有限公司)	The PRC 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	HK0.1	–	100	Investment holding
Tianjin Great Wall Wantong Automotive Parts Company Limited (ii) (天津長城萬通汽車零部件有限公司)	The PRC 11 December 2006	RMB10,000	–	100	Manufacture of automotive parts and components
Baoding Yixin Auto Parts Company Limited (ii) (保定億新汽車配件有限公司)	The PRC 11 December 2006	RMB13,000	75	25	Manufacture of automotive parts and components
Baoding Smart Automobile Accessories Company Limited (ii) (保定斯瑪特汽車配件有限公司)	The PRC 16 March 2004	RMB214,000	75	–	Manufacture of automotive parts and provision of after-sales service
Baoding Great Wall Boxiang Automotive Parts Manufacturing Company Limited (i) (保定長城博翔汽車零部件製造有限公司)	The PRC 18 December 2007	RMB28,500	100	–	Manufacture of automotive parts and components

(i) Domestic companies
(ii) Sino-foreign joint ventures
(iii) Wholly foreign owned enterprise

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities at the end of the year.

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GREAT WALL MOTOR COMPANY LIMITED*