

长城汽车
中国造 长城车



長城汽車股份有限公司

GREAT WALL MOTOR COMPANY LIMITED*

(a joint stock company incorporated in the People's Republic of China with limited liability)
Stock Code: 2333

2011
Interim Report

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Corporate Information

Stock Code: 2333

Executive Directors

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

Non-executive Directors

Mr. He Ping
Mr. Niu Jun

Independent Non-executive Directors

Ms. Wei Lin
Mr. He Bao Yin
Mr. Li Ke Qiang
Mr. Wong Chi Hung, Stanley

Supervisor

Mr. Zhu En Ze

Independent Supervisors

Ms. Yuan Hong Li
Ms. Luo Jin Li

Company Secretary

Mr. Xu Hui

Audit Committee

Ms. Wei Lin
Mr. He Bao Yin
Mr. Li Ke Qiang
Mr. Wong Chi Hung, Stanley

Remuneration Committee

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

Authorised Representatives

Ms. Wang Feng Ying
Mr. Xu Hui

Registered Office

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

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.
Deloitte Touche Tohmatsu

Hong Kong Share Registrar and Transfer Office

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor, Hopewell Centre,
183 Queen's Road East,
Wanchai, Hong Kong

Investor and Media Relations Consultant

CorporateLink Limited
18/F, Shun Ho Tower,
Nos 24–30, Ice House Street,
Central, Hong Kong

Principal Bankers

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

Telephone

86(312)-2197812

Facsimile

86(312)-2197812

Website

www.gwm.com.cn

Share Information

Place of listing:	Main Board of The Stock Exchange of Hong Kong Limited
Listing date:	15 December 2003
Number of issued shares:	As at 30 June 2011: 2,738,180,000 shares (1,705,000,000 domestic shares and 1,033,180,000 H shares)
Board lot:	500 shares
Stock code:	2333
Financial year-end date:	31 December

Financial Highlights

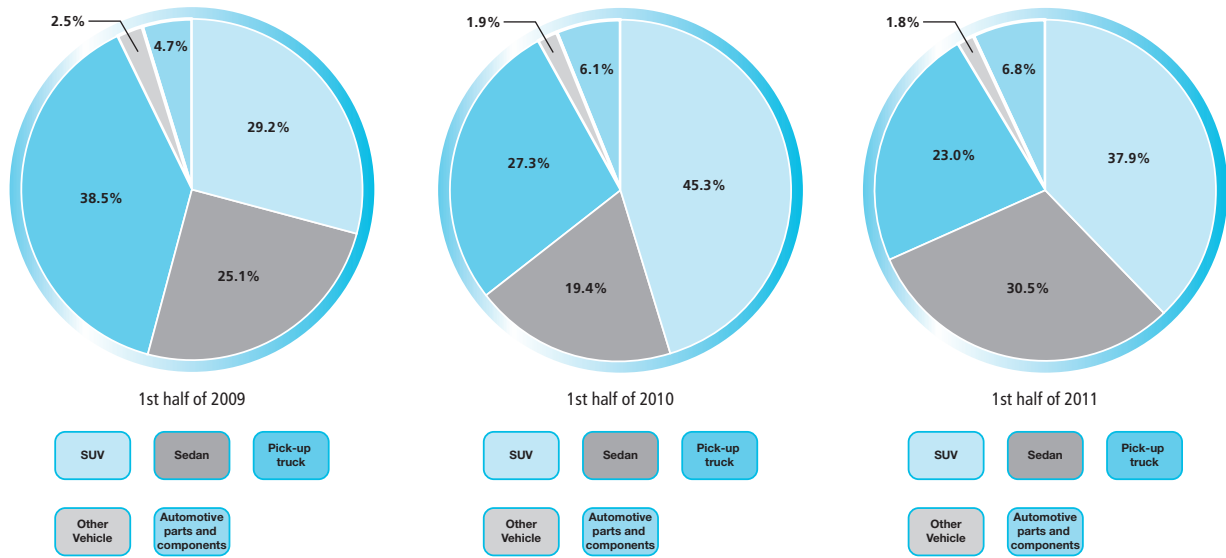
SUMMARY OF FINANCIAL POSITION		
	As at 30 June 2011 (unaudited)	As at 30 June 2010 (unaudited)
Equity attributable to owners of the Company (RMB million)	11,230	8,186
Total assets (RMB million)	27,846	17,436
Bank loans (RMB million)	185	0
Return on equity (%) Note 1	16.1	10.6
Return on assets (%) Note 2	6.5	5.0
Gearing ratio (%) Note 3	0.66	0

Note:

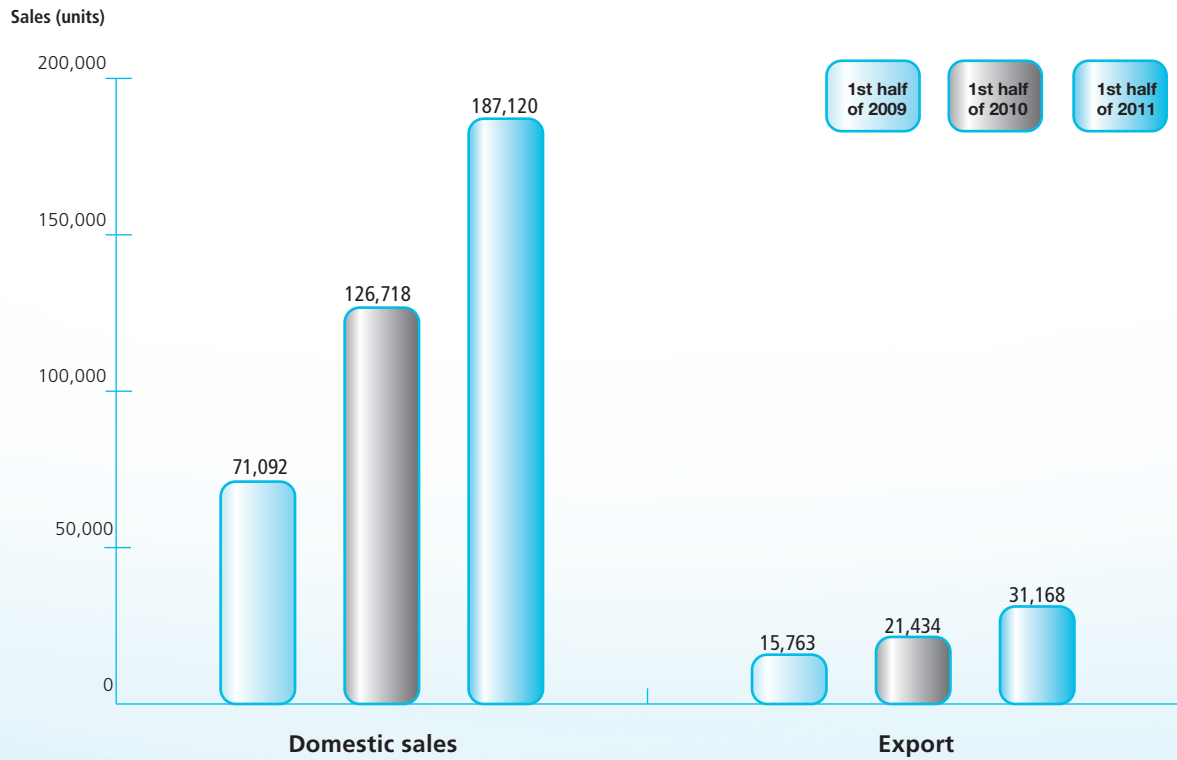
- 1 Profit for the period attributable to owners of the Company divided by equity attributable to owners of the Company
- 2 Profit for the period attributable to owners of the Company divided by total assets
- 3 Total bank loans divided by total assets

RESULTS HIGHLIGHTS			
	For the six months ended 30 June 2011 (unaudited)	For the six months ended 30 June 2010 (unaudited)	Changes (%)
Revenue (RMB million)	13,669	9,125	49.8
Gross Profit (RMB million)	3,172	1,949	62.8
Profit before tax (RMB million)	2,181	1,156	88.7
Profit for the period attributable to owners of the Company (RMB million)	1,812	867	109.0
Earnings per share (RMB)	0.66	0.32	106.3

REVENUE BREAKDOWN BY PRODUCTS



DOMESTIC SALES AND EXPORT VOLUME ANALYSIS



Management Discussion and Analysis

OPERATING ENVIRONMENT

In the first half of 2011, both domestic and international economies showed signs of stable development. With the adjustment in the State's macroeconomic policies, the automobile industry in the People's Republic of China (the "PRC") has changed from a state of rapid growth to stable development. According to the statistics of China Association of Automobile Manufacturers, the production and sales volume of automobiles in the PRC for the first half of 2011 amounted to 9,156,000 units and 9,325,200 units respectively, representing increases of 2.48% and 3.35% respectively from those of the same period last year. The domestic production and sales volume of passenger vehicles amounted to 7,044,900 units and 7,110,300 units respectively, representing increases of 5.36% and 5.75% respectively from those of the corresponding period last year.

Although some incentive policies for the automobile industry, such as subsidised trade-in of vehicles, automobile subsidies in rural areas and preferential purchase tax incentive, were no longer in place during the Period, the PRC government continued the subsidy policy for energy-saving vehicles. In line with the direction of the State's policies, the Company will continue to increase its research efforts to launch energy-saving automobiles that are suitable for the PRC market. Meanwhile, the State continued to encourage domestic automobile manufacturers to optimise their export mix. This, together with steady improvement in the international market environment, had helped the PRC automobile industry to gradually overcome export challenges and see a significant turnaround in its overseas sales. During the Period, the export volume of automobiles from the PRC amounted to 381,100 units, representing an increase of 56.99 % from that of the same period last year.

FINANCIAL REVIEW

Revenue

During the Period, the revenue of the Group was RMB13,669,112,000, representing an increase of 49.8% when compared to that of the same period in 2010. The increase in revenue was mainly attributable to growth in the sales volume of automobiles.

Sales Analysis

	For the six months ended 30 June 2011			For the six months ended 30 June 2010		
	Sales volume (units)	Revenue (RMB'000)	As a percentage of revenue (%)	Sales volume (units)	Revenue (RMB'000)	As a percentage of revenue (%)
SUVs	71,795	5,187,203	37.9	60,999	4,132,241	45.3
Sedans	85,530	4,166,766	30.5	38,875	1,768,943	19.4
Pick-up trucks	57,157	3,149,543	23.0	45,691	2,493,584	27.3
Other vehicles	3,806	241,217	1.8	2,587	171,061	1.9
Automotive parts and components and others		924,383	6.8		558,711	6.1
Total	218,288	13,669,112	100.0	148,152	9,124,540	100.0

Gross profit and gross profit margin

During the Period, the Group's gross profit was RMB3,171,757,000, representing an increase of 62.8% from RMB1,948,631,000 for the corresponding period last year. The increase in the Group's gross profit was mainly due to an increase in sales revenue and gross profit margin. The gross profit margin of the Group increased from 21.4% in the corresponding period of 2010 to 23.2%, mainly due to (1) a rise in the gross profit margin of sedans, (2) economies of scale as a result of enlarged sales volume, and (3) the enhancement in the brand's ability to boost its premium as a result of the Company's continued quality improvement.

Profit for the period attributable to owners of the Company and earnings per share

During the Period, the Group's profit for the period attributable to owners of the Company was RMB1,811,804,000.

For the six months ended 30 June 2011, the basic earnings per share attributable to ordinary equity holders of the Company were RMB0.66.

Selling and distribution costs and administrative expenses

For the first half of 2011, the selling and distribution costs and administrative expenses of the Group were RMB816,494,000, representing an increase of 27.0% from RMB642,752,000 in the first half of 2010. The percentage of selling and distribution costs and administrative expenses to total revenue decreased from 7.0% in the first half of 2010 to 6.0% in the first half of 2011. The main reasons for the increase in the selling and distribution costs and administrative expenses included: (1) increase in transportation costs and product warranty and maintenance costs due to the growth in the sales volume of automobiles; (2) increase in staff costs and office overheads as a result of the enlarged scale of operation.

Finance costs

During the first half of 2011, the Group's finance costs were approximately RMB7,338,000 as compared to approximately RMB6,412,000 for the first half of 2010.

Liquidity and financial resources

As at 30 June 2011, the Group's current assets mainly included cash and bank balances and pledged bank deposits of approximately RMB3,905,359,000, trade receivables of approximately RMB380,019,000, inventories of approximately RMB2,888,121,000, bills receivables of approximately RMB8,941,882,000 and other receivables and prepayments of approximately RMB1,158,157,000. The Group's current liabilities mainly included dividends payable to non-controlling interests of approximately RMB75,235,000, other payables and accruals of approximately RMB3,575,790,000, current income tax liabilities of approximately RMB104,709,000, bills payable of approximately RMB5,729,233,000 and trade payables of approximately RMB5,189,076,000 and provision for product warranties of approximately RMB105,146,000.

Management Discussion and Analysis

Acquisition and disposal of assets

On 26 May 2011, the Company entered into an equity transfer agreement with the Liquidators (a group which was designated by the People's Court of Gaobeidian City, Hebei Province, the PRC on 18 May 2004 to take over the management and disposal of the assets of Baoding Great Wall Huabei Automobile Company Limited from Gaobeidian City Huabei Automobile Works) for the acquisition of 47.029% equity interests of Baoding Great Wall Huabei Automobile Company Limited held by the Liquidators for a consideration of RMB173,175,000. After the completion of the acquisition, Baoding Great Wall Huabei Automobile Company Limited will become a wholly-owned subsidiary of the Company.

Baoding Great Wall Huabei Automobile Company Limited renewed its enterprise legal person business licence on 27 June 2011.

Save as the abovementioned acquisition, the Company and its subsidiaries and associates did not have other material acquisition or disposal of assets.

Capital structure

The Group generally finances its operations with its internal cash flows.

Exposure to foreign exchange risk

All the Group's domestic sales were settled in RMB, while sales to overseas customers were settled in US dollars or Euros. During the Period, the Group did not experience any material difficulties in or encounter any events which have material impacts on its operations or liquidity as a result of the fluctuations in currency exchange rates.

Since the Group's exported products had a high price-performance and were very competitive, its export business was not affected by the pressure of RMB appreciation.

Employment, training and development

As at 30 June 2011, the Group employed a total of approximately 42,589 employees. Employees were remunerated by the Group based on their performance, experience and prevailing industry practices. The Group's remuneration policies and packages were reviewed on a regular basis. As an incentive for the employees, bonuses and cash awards may also be given to employees based on individual performance evaluation. Total staff cost accounted for 5.8% of the Group's revenue for the six months ended 30 June 2011.

Income tax expenses

Income tax expenses of the Group increased from RMB248,435,000 in the first half of 2010 to RMB317,812,000 in the first half of 2011, representing a 27.9% increase. The increase in income tax expenses was mainly due to an increase in profit.

Segment information

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

	Manufacture and sale of automobiles and automotive parts and components	
	Six months ended	
	30/6/2011	30/6/2010
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Segment revenue	13,669,112	9,124,540
Segment profit	1,863,063	907,310

	30/6/2011		31/12/2010
	RMB'000	(Unaudited)	RMB'000
			(Audited)
Segment assets	27,845,674		23,770,127
Segment liabilities	16,364,668		13,369,821

Revenue of the Group by geographical distribution of external customers is set out as follows:

	Six months ended	
	30/6/2011	30/6/2010
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Mainland China	11,746,975	7,805,009
Russia	570,273	159,304
Australia	220,263	269,797
Chile	208,747	103,620
South Africa	153,961	124,941
Iraq	108,894	114,763
Italy	42,717	139,914
Other countries	617,282	407,192
	13,669,112	9,124,540

Revenue from external customers of the Group by products and services is set out in Note (i) of the interim condensed consolidated financial statements.

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

The Group has not placed reliance on any single external customer which accounts for 10% or more of its revenue.

Management Discussion and Analysis

BUSINESS REVIEW

Sales of automobiles

During the Period, the Group's total sales volume was 218,288 units, representing an increase of approximately 47.3% as compared to that of the same period last year. The sales volume and revenue of SUVs amounted to 71,795 units and RMB5,187,203,000, representing increases of approximately 17.7% and approximately 25.5% respectively, as compared to those of the corresponding period in 2010. The sales volume and revenue of sedans amounted to 85,530 units and RMB4,166,766,000, representing increases of approximately 120.0% and approximately 135.6% respectively, as compared to those of the corresponding period in 2010. The sales volume and revenue of pick-up trucks amounted to 57,157 units and RMB3,149,543,000, representing increases of approximately 25.1% and approximately 26.3% respectively as compared to those of the same period in 2010. The sales volume and revenue of other vehicles amounted to 3,806 units and RMB241,217,000 respectively.

Sales of automotive parts and components and others

During the Period, the revenue of automotive parts and components and others amounted to RMB924,383,000, representing an increase of approximately 65.4% as compared to that of the corresponding period in 2010 and accounting for 6.8% of the total revenue. The increase in the sales of automotive parts and components was mainly due to an increase in the revenue from automotive parts and components for after-sales services as a result of the growth in the sales volume of automobiles.

Domestic market

During the Period, the Group's domestic automobile sales volume and revenue amounted to 187,120 units and RMB10,906,246,000, representing increases of 47.7% and 49.8% respectively when compared with those of the corresponding period of the previous year. Of the Group's domestic sales, 59,088 units, 79,907 units and 44,440 units of SUVs, sedans and pick-up trucks were sold respectively, generating revenue which amounts to RMB4,288,561,000, RMB3,921,511,000 and RMB2,463,626,000 respectively. The revenue from the two main groups of customers, namely (1) dealers; and (2) government entities and individual customers amounted to RMB10,834,387,000 and RMB71,859,000 respectively.

	For the six months ended 30 June 2011			For the six months ended 30 June 2010		
	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	186,101	10,834,387	99.3	124,426	7,156,971	98.3
Government entities and individual customers	1,019	71,859	0.7	2,292	123,131	1.7
Total	187,120	10,906,246	100.0	126,718	7,280,102	100.0

Overseas markets

Benefiting from the State's favourable export policy and gradual economic recovery in overseas markets, automobile exports significantly increased as compared from that of the same period last year. In the first half of 2011, the export volume of automobiles reached 31,168 units, and the total export value amounted to RMB1,838,483,000, accounting for 13.4% of the total revenue of the Group. The Group exported its products to more than 120 countries and regions, forming a solid international sales network.

The export volume of SUVs, sedans and pick-up trucks during the Period amounted to 12,707 units, 5,623 units and 12,717 units respectively, with export value amounting to RMB898,641,000, RMB245,255,000 and RMB685,917,000 respectively. The export value of SUVs, sedans and pick-up trucks increased by 79.4%, 78.0% and 8.1% respectively as compared with those of the same period last year.

Driven by the economic recovery in overseas markets and the State's favourable automobile export policy, the automobile exports from the PRC had displayed satisfactory performance. Meanwhile, the Group continued to strengthen its research and development capability to enhance product quality. All these had led to the Group's rapid resumption of growth in export volume in the first half of 2011. The Group was in the forefront of the PRC automobile manufacturing industry in terms of export volume and export value. In the second half of 2011, the Group will speed up the progress of product and technology innovation, and will continue to develop new products and enhance product quality. With the commencement of operation of overseas assembly plants, the Group's overseas sales volume is expected to further increase.

To ensure sustainable development of its export business and continued growth in overseas sales volume and profit in the ever-changing overseas market environment, the Group has taken the following measures: improving the performance of its products and optimising its product mix using advanced technology while enhancing the price competitiveness of its products through stringent production cost control to meet the market demand. In addition, the Group kept increasing the export volume of semi-knocked down (SKD) and complete knock-down (CKD) kits, and further consolidated its position in the overseas market through a comprehensive after-sales service network.

Launch of new products

The Group focuses on three major categories, namely SUVs, sedans and pick-up trucks. With energy conservation and environmental protection as its business philosophy, the Group continues to develop affordable car models that are energy-saving and environmental friendly. During the Period, the Group launched Florid Cross 2011, with enhanced safety features. This model was well received by consumers for its safety and stylish properties.

It is expected that two new models, namely Haval H6 and Voleex C50, will be launched by the Group in the second half of the year. The new car models expected to be launched in the second half of 2011 will help further lift the Group's profit due to their excellent performance and high price-performance.

Technology innovation

The Group aims at leveraging advanced technology to design high performance and quality products, and has established extensive partnership with world's top parts and components manufacturing companies.

In future, the Group plans to join hands with leading international automotive components companies in the development of key parts and components including powertrain, air management system, vehicle thermal system, high-end engine piston and air charge valve.

Management Discussion and Analysis

OUTLOOK

In the first half of 2011, with the withdrawal of the favourable policies for automobile industry, the PRC automobile market showed signs of more rational development. To ensure sustainable product development, the Group has established a product segmentation strategy, brand positioning and development roadmap. The Group has established a “3-high Strategy” for this year, to create premium products with high technology equipment and high performance-oriented design.

Great Wall Motor will continue to deepen technology cooperation with various internationally renowned enterprises to ensure greater improvement in the quality of all the car models of Great Wall Motor. With the aim of developing itself as a self-owned brand with global recognition, the Group makes it a top priority to enhance product quality in its internationalisation strategy. It will strive to create an international brand through launching products with high price performance.

In addition, Great Wall Motor will accelerate its development of new energy vehicles, and will conduct research and development of new energy automobiles according to the stringent product development procedures.

The Group’s production base for automobiles and automotive parts and components in the Tianjin Economic-Technological Development Area is now under construction. Phase I construction is now in the final stage of testing, and upon its completion, new models, including Haval H6 and Voleex C50, will be manufactured here.

New product research and development direction

Under a market-oriented strategy, the Company’s new product development will focus on SUVs, sedans and pick-up trucks. The Company will reinforce its brand image by continuous quality improvement.

The Company will continue to strengthen its research and development on SUVs to launch different lines of SUV models. The Group will also intensify its efforts in the development of low-emission SUVs and introduce energy-saving and environmental-friendly models in line with the State’s policy. Great Wall Motor will consolidate its leading position in domestic SUV markets, while further expanding overseas markets to increase exports.

Under the guidance of the State’s policy to promote energy-saving products, the Group will continue to develop energy-saving, environmental-friendly and economical sedans. The Group will persistently launch middle and high-end sedans incorporating the above-mentioned features to broaden its share in the sedan market.

As for pick-up trucks, the Group will sustain its market share through constant new product development and product performance enhancement.

Supplementary Information

INTERESTS OF DIRECTORS AND SUPERVISORS IN SECURITIES

As at 30 June 2011, the interests and short positions of each of the directors, supervisors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning as defined in Part XV of the Securities and Futures Ordinance (the "SFO")), which were required to be recorded in the register required to be kept as referred to in Section 352 of the SFO (including the interests and short positions in which they were taken or deemed to have under such provisions of the SFO) or were otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), were as follows:

Name of Director/ Supervisor	Capacity/Nature of Interests	No. of Shares	Approximate Percentage of Domestic Shares %	Approximate Percentage of H Shares %	Approximate Percentage of Total Shares %
Mr. Wei Jian Jun	Interests in a controlled company	1,705,000,000(L)*	100.00	—	62.27
	Total:	1,705,000,000(L)*	100.00	—	62.27

Note:

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

* represents domestic shares

Interests in a controlled company: 保定創新長城資產管理有限公司 (Baoding Innovation Great Wall Asset Management Company Limited) ("Innovation GW") is controlled by Mr. Wei Jian Jun pursuant to the SFO. Accordingly, Mr. Wei Jian Jun is deemed to be interested in the 1,705,000,000 domestic shares held by Innovation GW.

Save as disclosed above, so far as the directors of the Company are aware, as at 30 June 2011, none of the directors, supervisors or chief executives of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any associated entities (within the meaning of Part XV of the SFO), which were required to be recorded in the register required to be kept as referred to in Section 352 of the SFO or were otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code under the Listing Rules. For this purpose, the relevant provisions of the SFO shall be deemed to apply to the supervisors to the same extent as they apply to directors.

Supplementary Information

SHARES HELD BY SUBSTANTIAL SHAREHOLDERS

As at 30 June 2011, the following shareholders (excluding the directors, supervisors or chief executives of the Company) had interests or short positions in any shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Name	No. of Shares	Approximate Percentage of Domestic Shares %	Approximate Percentage of H Shares %	Approximate Percentage of Total Shares %
Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司) (Note 1)	1,705,000,000(L)*	100.00	—	62.27
Morgan Stanley	142,794,270(L)	—	13.82(L)	5.21
	120,668,786(S)	—	11.68(S)	4.41
	0(P)	—	0.00(P)	0.00
HSBC Global Asset Management (Hong Kong) Limited (滙豐環球投資管理(香港)有限公司)	81,642,729(L)	—	7.90(L)	2.98
JPMorgan Chase & Co.	64,112,711(L)	—	6.21(L)	2.34
	3,511,411(S)	—	0.34(S)	0.13
	45,235,110(P)	—	4.38(P)	1.65
FIL Limited	56,774,380(L)	—	5.50(L)	2.07
Templeton Asset Management Limited	53,201,750(L)	—	5.15(L)	1.94
Han Xue Juan (Note 2)	1,705,000,000 (L)*	100.00	—	62.27

(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.

* represents domestic shares.

Note:

- (1) Baoding Innovation Great Wall Asset Management Company Limited ("Innovation GW") (保定創新長城資產管理有限公司) (formerly known as Baoding Woerte Management Consultant Company Limited ("Woerte") (保定市沃爾特管理諮詢有限公司)) was established on 1 December 2005. As at the date of this interim report, its registered capital is RMB7,788,400. Its place of incorporation is Baoding, Hebei Province, the PRC and its registered address is 1588 Chang Cheng South Road, Nanshi District, Baoding, Hebei Province. It is engaged in corporate planning and management consultancies, the operations of which can only be conducted after obtaining prior approvals as stipulated under the applicable laws and administrative regulations and as prescribed by the State Council. As Innovation GW is a company controlled by Mr. Wei Jian Jun, Mr. Wei Jian Jun is deemed to be interested in the share capital of the Company held by Innovation GW pursuant to the SFO.
- (2) Ms. Han Xue Juan is deemed to be interested in the shares of the Company as she is the spouse of Mr. Wei Jian Jun.

Save as disclosed above, as at 30 June 2011, so far as the directors, supervisors or chief executives of the Company are aware, no other persons (excluding the directors, supervisors or chief executives of the Company) had interests or short positions in the shares and underlying shares of the Company which were required to be recorded in the register required to be kept pursuant to Section 336 of the SFO.

PUBLIC FLOAT

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

MATERIAL LITIGATIONS

During the Period, save for the litigation between the Company and Fiat Group Automobiles S.p.A of Italy at the Court of Turin in Italy regarding the patent of the exterior design of the automobile model GW Peri of the Company, the Company was not involved in any material litigation. The Court of Turin (the "Court") in Italy made a civil judgment dated 8 April 2011, against the Company (the "Judgment") for the infringement or alleged infringement of all the patented European Community exterior designs numbered 00044722-0001 dated 11 November 2003. The Judgment prohibited the Company from engaging in acts of, among others, any advertisement, marketing, sales offer, import and operation of the "Peri" brand automobiles in the territory of the European Union (the "Prohibition"). The "Peri" brand automobiles imported into or operated in the European Union in violation of the Judgment will be confiscated temporarily. Upon the Judgment comes into effect, for each violation, non-compliance and postponement of the Prohibition, the Company will be liable to a penalty of €15,000. The Company was ordered to publish the key points of the Judgment in the following newspapers and magazines namely, LA Stampa (The Press), Corriere Della Sera, La Repubblica, Quattroruote, Automotive News Europe and the Wall Street Journal Europe. The relevant content shall be prepared by Fiat and the expenses for publication shall be borne by the Company, and the Company shall reimburse Fiat for the relevant expenses upon presentation of the supporting documents. The claim for damages by Fiat was dismissed. The Company was ordered to reimburse to Fiat the litigation costs in the sum of €29,344.67 (including tax of €3,320.00, counsel fee of €25,000.00 and reporting expenses of €1,024.67) and at the same time, to pay Fiat 12.5% of the general expense, value-added tax and fee for lawyers' insurance fund as compensation.

The automobile model GW Peri ("GW Peri") of the Company, which commenced production in January 2008, had ceased production in September 2010. The Company has never exported GW Peri to the territory of the European Union and will not do so in the future.

The Directors expect that the Judgment will not have any material adverse effect on the operation, business or financial conditions of the Company.

The Judgment is a verdict and any appeal may be lodged by 15 October 2011. The Company will determine whether or not to lodge an appeal before then.

Supplementary Information

OTHER EVENTS

Capitalisation issue

The Company issued a circular on 10 January 2011. As a return to the long-term support of the Shareholders and to improve the liquidity of the Shares, the Company issued up to 619,908,000 new H shares and 1,023,000,000 new domestic shares 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 in the proportion of fifteen (15) Capitalisation H Shares for every ten (10) H Shares of the Company and fifteen (15) Capitalisation Domestic Shares for every ten (10) domestic shares of the Company held on the Record Date (the "Capitalisation Issue"). Relevant matters were approved on the extraordinary general meeting held on 26 February 2011 and the total equity of the Group increased to 2,738,180,000 shares after the Capitalisation Issue.

Proposed A share issue

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

Shareholders at the extraordinary general meeting, H shareholders class meeting and domestic shareholders class meeting of the Company held on 26 February 2011 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 capitalization 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 capitalization issue) upon the issue of the A shares".

On 29 August 2011, the Company received written approval from China Securities Regulatory Commission for the proposed A share issue. It is proposed that up to 304,243,000 A shares will be issued and listed on the Shanghai Stock Exchange. As at the Latest Practicable Date, the Company has determined that 304,243,000 A shares will be issued at RMB13 per share. The A shares are expected to be listed and traded on the Shanghai Stock Exchange from 28 September 2011. 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.

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

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

CORPORATE GOVERNANCE

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

AUDIT COMMITTEE

The Company has set up an audit committee (the "Audit Committee") for the purposes of reviewing and supervising the financial reporting process and internal controls of the Group. The Audit Committee comprises four independent non-executive directors of the Company. During the meeting held on 18 August 2011, the Audit Committee had reviewed the interim report and interim financial statements of the Group and given their opinions and recommendations to the Board. The Audit Committee is of the opinion that the 2011 interim report and interim financial statements of the Company comply with the applicable accounting standards and the Company has made appropriate disclosure thereof.

REMUNERATION COMMITTEE

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

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

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions by all directors. Having made specific enquiry to the directors and based on the information available, the Board is of the opinion that all directors had complied with the provisions under the Model Code during the period under review.

Report on Review of Interim Financial Information



To The Board of Directors of

GREAT WALL MOTOR COMPANY LIMITED

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

INTRODUCTION

We have reviewed the interim financial information set out on pages 19 to 46, which comprises the condensed consolidated statement of financial position of Great Wall Motor Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") as of 30 June 2011 and the related condensed consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

Deloitte Touche Tohmatsu

Certified Public Accountants

35/F, One Pacific Place

88 Queensway

Hong Kong

19 August 2011

Condensed Consolidated Income Statement

For the Six Months ended 30 June 2011

	Notes	Six months ended	
		30/6/2011 RMB'000 (Unaudited)	30/6/2010 RMB'000 (Unaudited)
REVENUE	3, 4	13,669,112	9,124,540
Cost of sales		(10,497,355)	(7,175,909)
Gross profit		3,171,757	1,948,631
Other income	5	54,777	31,643
Other gains and losses		25,533	1,241
Selling and distribution expenses		(525,243)	(468,076)
Administrative expenses		(291,251)	(174,676)
Other expenses		(256,286)	(197,605)
Finance costs		(7,338)	(6,412)
Share of profit of jointly controlled entities		7,895	14,005
Share of profit of associates		1,031	6,994
PROFIT BEFORE TAX		2,180,875	1,155,745
Income tax expenses	6	(317,812)	(248,435)
PROFIT FOR THE PERIOD	7	1,863,063	907,310
PROFIT FOR THE PERIOD ATTRIBUTABLE TO:			
Owners of the Company		1,811,804	867,072
Non-controlling interests		51,259	40,238
		1,863,063	907,310
EARNINGS PER SHARE	9		
Basic		RMB0.66	RMB0.32
Diluted		N/A	N/A

Condensed Consolidated Statement of Comprehensive Income

For the Six Months ended 30 June 2011

	Six months ended	
	30/6/2011 RMB'000 (Unaudited)	30/6/2010 RMB'000 (Unaudited)
PROFIT FOR THE PERIOD	1,863,063	907,310
OTHER COMPREHENSIVE INCOME		
Exchange differences arising on translation	(1,298)	—
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	1,861,765	907,310
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
Owners of the Company	1,810,506	867,072
Non-controlling interests	51,259	40,238
	1,861,765	907,310

Condensed Consolidated Statement of Financial Position

At 30 June 2011

	Notes	30/6/2011 RMB'000 (Unaudited)	31/12/2010 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	5,356,864	5,380,460
Prepaid lease payments	11	1,408,561	1,069,327
Investment property		5,762	2,079
Construction in progress	12	3,345,444	1,952,520
Goodwill		2,164	2,164
Interests in jointly controlled entities		40,733	116,104
Interests in associates		27,490	26,459
Available-for-sale investments		4,200	4,200
Deferred tax assets	23	343,501	297,216
		10,534,719	8,850,529
CURRENT ASSETS			
Inventories	13	2,888,121	2,103,680
Trade receivables	14	380,019	326,996
Bills receivable	15	8,941,882	7,726,100
Other receivables and prepayments	16	1,158,157	1,596,353
Prepaid tax		12,417	71,853
Available-for-sale financial investments		25,000	—
Pledged bank deposits	17	1,759,062	1,020,989
Cash and bank balances	17	2,146,297	2,073,627
		17,310,955	14,919,598
CURRENT LIABILITIES			
Trade payables	18	5,189,076	4,903,564
Bills payable	19	5,729,233	3,375,710
Other payables and accruals	20	3,575,790	3,491,345
Borrowings	21	185,071	—
Derivative financial instruments		—	1,953
Current tax liabilities		104,709	48,812
Dividends payable to non-controlling interests		75,235	37,742
Provision for product warranties	22	105,146	100,219
		14,964,260	11,959,345
NET CURRENT ASSETS		2,346,695	2,960,253
TOTAL ASSETS LESS CURRENT LIABILITIES		12,881,414	11,810,782

Condensed Consolidated Statement of Financial Position

At 30 June 2011

	Notes	30/6/2011 RMB'000 (Unaudited)	31/12/2010 RMB'000 (Audited)
Capital and Reserves			
Share capital	25	2,738,180	1,095,272
Reserves		8,491,630	8,919,876
Equity attributable to owners of the Company		11,229,810	10,015,148
Non-controlling interests		251,196	385,158
Total Equity		11,481,006	10,400,306
Non-Current Liability			
Deferred income	24	1,400,408	1,410,476
		1,400,408	1,410,476
		12,881,414	11,810,782

Condensed Consolidated Statement of Changes in Equity

For the Six Months ended 30 June 2011

	Attributable to owners of the Company							Non-controlling interests	Total equity
	Share capital	Share premium	Capital reserve	Statutory reserves	Translation reserve	Retained profits	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
For the six months ended 30 June 2010 (unaudited)									
At 1 January 2010	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 and total comprehensive income for the period	—	—	—	—	—	867,072	867,072	40,238	907,310
Acquisition of a subsidiary	—	—	—	—	—	—	—	52,712	52,712
Transfer to statutory reserves	—	—	—	13,284	—	(13,284)	—	—	—
Dividends paid to non-controlling shareholders	—	—	—	—	—	—	—	(24,700)	(24,700)
Dividends recognised as distribution	—	—	—	—	—	(273,818)	(273,818)	—	(273,818)
At 30 June 2010	1,095,272	2,561,788	(16,664)	1,179,657	(1,791)	3,367,656	8,185,918	313,747	8,499,665
For the six months ended 30 June 2011 (unaudited)									
At 1 January 2011	1,095,272	2,561,788	(16,664)	1,215,564	(3,566)	5,162,754	10,015,148	385,158	10,400,306
Profit for the period	—	—	—	—	—	1,811,804	1,811,804	51,259	1,863,063
Other comprehensive income for the period — exchange differences arising on translation of foreign operations	—	—	—	—	(1,298)	—	(1,298)	—	(1,298)
Total comprehensive income for the period	—	—	—	—	(1,298)	1,811,804	1,810,506	51,259	1,861,765
Acquisition of additional interests in a subsidiary (note (i))	—	—	(48,208)	—	—	—	(48,208)	(124,968)	(173,176)
Acquisition of a subsidiary (note 26)	—	—	—	—	—	—	—	23,064	23,064
Share capitalisation (note 25)	1,642,908	(1,642,908)	—	—	—	—	—	—	—
Transfer to statutory reserves	—	—	—	2,502	—	(2,502)	—	—	—
Dividends paid to non-controlling shareholders	—	—	—	—	—	—	—	(83,317)	(83,317)
Dividends recognised as distribution	—	—	—	—	—	(547,636)	(547,636)	—	(547,636)
At 30 June 2011	2,738,180	918,880	(64,872)	1,218,066	(4,864)	6,424,420	11,229,810	251,196	11,481,006

Note:

- (i) During the six months ended 30 June 2011, the Group acquired additional 47.03% equity interests in Baoding Great Wall Huabei Automobile Company Limited ("Great Wall Huabei") for a cash consideration of RMB173,176,000. Great Wall Huabei was previously a 52.97% owned subsidiary of the Company and thus became a wholly owned subsidiary of the Company after the acquisition. The above acquisition has been accounted for as equity transaction. The difference of RMB48,208,000 between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid is recognised directly in equity and attributed to owners of the Company.

Condensed Consolidated Statement of Cash Flows

For the Six Months ended 30 June 2011

	Six months ended	
	30/6/2011 RMB'000 (Unaudited)	30/6/2010 RMB'000 (Unaudited)
OPERATING ACTIVITIES		
Profit before tax	2,180,875	1,155,745
Adjustments for:		
Share of profit of jointly controlled entities	(7,895)	(14,005)
Share of profit of associates	(1,031)	(6,994)
Gain on acquisition of a subsidiary	(14,568)	—
Other gains	(7,599)	—
Net foreign exchange losses	3,612	7,815
Interest on a bank loan	—	270
Release of deferred income	(13,412)	(11,815)
Gain on disposal of available-for-sale investments	(746)	(1,241)
Loss on disposal of items of property, plant and equipment	146	251
Depreciation of property, plant and equipment	319,190	240,208
Depreciation of investment property	31	—
Release of prepaid lease payments	6,436	10,423
Impairment loss (reversal of impairment loss) on receivables, net	(759)	6,607
Gain from changes in fair value of derivative financial instruments	(2,007)	—
Write-down of inventories to net realisable value	8,690	9,210
Provision for product warranties	64,275	39,205
Operating cash flows before movements in working capital	2,535,238	1,435,679
Increase in inventories	(784,889)	(1,087,192)
(Increase) decrease in trade receivables	16,367	(129,240)
Increase in bills receivable	(1,165,102)	(602,767)
Increase in other receivables	(184,385)	(413,364)
Increase in trade payables	272,409	927,498
Increase in bills payable	2,350,861	109,516
Increase in other payables and accruals	141,532	425,404
Decrease in provision for product warranties	(59,348)	(25,900)
Cash generated from operations	3,122,683	639,634
Income taxes paid	(246,857)	(69,536)
NET CASH FROM OPERATING ACTIVITIES	2,875,826	570,098

	Six months ended	
	30/6/2011 RMB'000 (Unaudited)	30/6/2010 RMB'000 (Unaudited)
INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment and construction in progress	(1,606,533)	(810,425)
Purchases of available-for-sale investments	(558,000)	(1,005,500)
Prepayments of land lease payments	(52,672)	(2,079)
Increase in pledged bank deposits	(738,073)	(56,167)
Acquisitions of subsidiaries	1,705	(33,741)
Proceeds from disposal of available-for-sale investments	533,746	1,006,741
Receipt of government grants	3,488	
Proceeds from disposal of items of property, plant and equipment	2,309	3,371
Proceeds from disposal of a subsidiary in previous reporting period	246,885	—
NET CASH USED IN INVESTING ACTIVITIES	(2,167,145)	(897,800)
FINANCING ACTIVITIES		
Dividends paid to owners of the Company	(547,636)	(103,318)
Dividends paid to non-controlling shareholders	(93,348)	(5,000)
Acquisitions of non-controlling interests	(173,176)	—
Proceeds from borrowings	186,262	—
Interests paid	—	(270)
NET CASH USED IN FINANCING ACTIVITIES	(627,898)	(108,588)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	80,783	(436,290)
Cash and cash equivalents at 1 January	2,073,627	2,420,035
Effect of foreign exchange rate changes	(8,113)	11,563
CASH AND CASH EQUIVALENTS AT 30 JUNE	2,146,297	1,995,308
CASH AND CASH EQUIVALENTS AT 30 JUNE, represented by		
Bank balances and cash	2,146,297	1,995,308

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011

1. COMPANY 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 30 June 2011, 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 period.

Pursuant to the Company's announcement dated 3 August 2011, the Company announced that the proposed allotment and issue of not more than 304,243,000 A shares of the Company has been passed in a meeting held by the Public Offering Review Committee of China Securities Regulatory Commission on 3 August 2011 while the formal written approval from China Securities Regulatory Commission is still pending. A shares are proposed to be listed on the Shanghai Stock Exchange.

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

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

2.1 BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard 34 *Interim Financial Reporting*.

2.2 SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2011 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2010 except as described below.

In the current interim period, the Group has applied, for the first time, the following new or revised standards and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"):

Improvements to HKFRSs issued in 2010

HKAS24 (as revised in 2009)

Amendments to HKAS 32

Amendments to HK (IFRIC)-Int14

HK (IFRIC)-Int19

Related Party Disclosure

Classification of Rights Issues

Prepayments of a Minimum Funding Requirement

Extinguishing Financial Liabilities with Equity Instruments

2.2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The application of the above new or revised HKFRSs in the current interim period has had no material impact on the amounts reported in these condensed consolidated financial statements and/or disclosure set out in these condensed consolidated financial statements.

The Group has not early applied the following new standards, amendments or interpretations that have been issued but are not yet effective.

HKFRS 7 (Amendments)	Disclosures — Transfers of Financial Assets ¹
HKFRS 9	Financial Instruments ²
HKFRS 10	Consolidated Financial Statements ²
HKFRS 11	Joint Arrangements ²
HKFRS 12	Disclosure of Interests in Other Entities ²
HKFRS 13	Fair Value Measurement ²
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income ⁴
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets ³
HKAS 19 (Revised 2011)	Employee Benefits ²
HKAS 27 (Revised 2011)	Separate Financial Statements ²
HKAS 28 (Revised 2011)	Investments in Associates and Joint Ventures ²

¹ Effective for annual periods beginning on or after 1 July 2011

² Effective for annual periods beginning on or after 1 January 2013

³ Effective for annual periods beginning on or after 1 January 2012

⁴ Effective for annual periods beginning on or after 1 July 2012

The Group is in the process of making an assessment of the impact of these new and revised standards, amendments and interpretations upon initial application.

3. SEGMENT INFORMATION

HKFRS 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 chairman, 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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011

3. SEGMENT INFORMATION (CONTINUED)

Segment information

	Manufacture and sale of automobiles and automotive parts and components	
	Six months ended	
	30/6/2011	30/6/2010
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Segment revenue	13,669,112	9,124,540
Segment profit	1,863,063	907,310

	30/6/2011	31/12/2010
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Segment assets	27,845,674	23,770,127
Segment liabilities	16,364,668	13,369,821

4. 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:

	Six months ended	
	30/6/2011	30/6/2010
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Sale of automobiles	12,744,729	8,565,829
Sale of automotive parts and components, and others	898,573	535,980
Revenue from providing services	25,810	22,731
	13,669,112	9,124,540

5. OTHER INCOME

	Note	Six months ended	
		30/6/2011 RMB'000 (Unaudited)	30/6/2010 RMB'000 (Unaudited)
Bank interest income		19,126	15,256
Government grants:			
Release of deferred income	24	13,412	11,815
Other government grant*		4,723	4,572
Rental income		950	—
Others		16,566	—
		54,777	31,643

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

6. INCOME TAX EXPENSES

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

	Six months ended	
	30/6/2011 RMB'000 (Unaudited)	30/6/2010 RMB'000 (Unaudited)
Current tax:		
PRC enterprise income tax	364,097	306,266
Deferred tax (note 23)		
Current year	(46,285)	(57,831)
	317,812	248,435

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 at November 2010, is entitled to a concessionary income tax rate of 15% for the three years ended 31 December 2012.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011

7. PROFIT FOR THE PERIOD

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

	Six months ended	
	30/6/2011 RMB'000 (Unaudited)	30/6/2010 RMB'000 (Unaudited)
Cost of inventories recognised as an expense	10,488,665	7,166,699
Write-down of inventories, net	8,690	9,210
	10,497,355	7,175,909
Depreciation of property, plant and equipment	319,190	240,208
Depreciation of investment property	31	—
Total depreciation and amortisation	319,221	240,208
Release of prepaid lease payments	6,436	10,423
Employee benefit expenses (including directors' and supervisors' remuneration):		
Wages, salaries and bonus	739,317	502,436
Retirement benefit contributions	53,172	34,351
	792,489	536,787
Provision for product warranties	64,275	39,205
Research and development costs recognised as an expense (included in other expenses)	252,674	182,764
Net foreign exchange losses	3,612	7,815
Loss on disposal of items of property, plant and equipment	146	251
Impairment loss (reversal of impairment loss) of receivables, net	(759)	6,607

8. DIVIDENDS

During the current interim period, a final dividend of RMB0.2 per share in respect of the year ended 31 December 2010 (Six months ended 30 June 2010: RMB0.25 per share in respect of the year ended 31 December 2009) was declared and paid to the owners of the Company. The aggregate amount of the final dividend declared and paid in the current interim period amounted to RMB547,636,000 (Six months ended 30 June 2010: RMB273,818,000).

The directors do not recommend the payment of any interim dividend for the six months ended 30 June 2011 (Six months ended 30 June 2010: Nil).

9. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's profit for the period attributable to the owners of the Company of RMB1,811,804,000 (Six months ended 30 June 2010: RMB867,072,000) and the number of ordinary shares of 2,738,180,000 (Six months ended 30 June 2010: 2,738,180,000). The weighted average number of ordinary shares for the six months ended 30 June 2010 for the purpose of basic earnings per share has been adjusted for the share capitalisation on 26 February 2011 (note 25).

There were no potential ordinary shares existed during the six months ended 30 June 2011 and 2010 and therefore diluted earnings per share have not been presented.

10. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Office equipment and others RMB'000	Total RMB'000
COST					
At 1 January 2011	1,867,520	3,895,382	139,793	1,143,625	7,046,320
Additions	40,581	27,104	1,617	13,909	83,211
Acquired on acquisition of a subsidiary (note 26)	18,432	26,618	949	11,428	57,427
Transfer from construction in progress	41,844	94,219	5,252	24,814	166,129
Transfer to construction in progress	(3,747)	(6,100)	(41)	(141)	(10,029)
Disposals	—	(2,260)	(1,009)	(2,027)	(5,296)
At 30 June 2011 (unaudited)	1,964,630	4,034,963	146,561	1,191,608	7,337,762
DEPRECIATION AND IMPAIRMENT					
At 1 January 2011	240,634	945,477	39,190	440,559	1,665,860
Depreciation provided during the period	48,903	173,394	9,671	87,222	319,190
Transfer to construction in progress	(479)	(725)	(13)	(94)	(1,311)
Disposals	—	(1,988)	(281)	(572)	(2,841)
At 30 June 2011 (unaudited)	289,058	1,116,158	48,567	527,115	1,980,898
CARRYING VALUES					
At 30 June 2011 (unaudited)	1,675,572	2,918,805	97,994	664,493	5,356,864
At 1 January 2011	1,626,886	2,949,905	100,603	703,066	5,380,460

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011

11. PREPAID LEASE PAYMENTS

	Six months ended 30/6/2011 RMB'000 (Unaudited)
Carrying amount at 1 January	1,092,510
Prepaid lease payments during the period	335,309
Acquired on acquisition of a subsidiary (note 26)	18,382
Released during the period	(6,436)
Carrying amount at 30 June	1,439,765
Analysed for reporting purpose as:	
Current asset (included in other receivables)	31,204
Non-current assets	1,408,561
	1,439,765

As at 30 June 2011, the legal formalities for the transfer of titles of certain land use rights in the PRC, which have been acquired by the Group in 2011 with an aggregate carrying value of RMB138,716,000 were still in progress. In the opinion of the directors, the transfer procedures will be completed by the end of 2011.

12. CONSTRUCTION IN PROGRESS

	Six months ended 30/6/2011 RMB'000 (Unaudited)
At 1 January	1,952,520
Additions	1,545,932
Acquired on acquisition of a subsidiary (note 26)	8,117
Transfer from property, plant and equipment	8,718
Transfer to property, plant and equipment	(166,129)
Transfer to investment property	(3,714)
At 30 June	3,345,444

13. INVENTORIES

	30/6/2011 RMB'000 (Unaudited)	31/12/2010 RMB'000 (Audited)
Raw materials	583,300	494,274
Work in progress	194,372	193,649
Finished goods	2,094,093	1,400,518
Spare parts and consumables	29,646	23,839
	2,901,411	2,112,280
Less: provision for inventories	(13,290)	(8,600)
	2,888,121	2,103,680

14. TRADE RECEIVABLES

	30/6/2011 RMB'000 (Unaudited)	31/12/2010 RMB'000 (Audited)
Trade receivables	393,856	341,005
Less: allowance for doubtful debts	(13,837)	(14,009)
	380,019	326,996

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 net trade receivables of the Group, as at the end of the reporting period, based on the invoice date, is as follows:

	30/6/2011 RMB'000 (Unaudited)	31/12/2010 RMB'000 (Audited)
Outstanding balances aged:		
Within 6 months	379,578	326,950
7 to 12 months	439	24
Over 1 year	2	22
	380,019	326,996

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15. BILLS RECEIVABLE

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

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

	30/6/2011 RMB'000 (Unaudited)	31/12/2010 RMB'000 (Audited)
Falling due:		
Within 3 months	4,758,937	3,313,222
4 to 6 months	4,182,945	4,412,878
	8,941,882	7,726,100

As at 30 June 2011, the Group's bills receivable amounting to RMB5,734,905,000 (31 December 2010: RMB3,112,067,000) were pledged to banks for issuing an equivalent amount of bills payable.

16. OTHER RECEIVABLES AND PREPAYMENTS

	30/6/2011 RMB'000 (Unaudited)	31/12/2010 RMB'000 (Audited)
Prepayments	403,584	354,834
Prepaid lease payments	31,204	23,183
Deposit for land lease payments (note (i))	581,363	870,000
Other receivables (note (ii))	145,497	352,416
	1,161,648	1,600,433
Less: allowance for doubtful debts	(3,491)	(4,080)
	1,158,157	1,596,353

Note:

- (i) Balances as at 30 June 2011 and 31 December 2010 represented the deposit for bidding of land use right located in Hebei Province. The bidding and auction process has not been completed as at 30 June 2011. During the current period, the Company has acquired part of the above-mentioned land use right.
- (ii) The balance as at 31 December 2010 included an amount of RMB246,885,000 which represented deferred cash consideration for disposal of a subsidiary in 2010 and was due from Innovation GW, the parent of the Company. The above balance has been fully settled during the current interim period.

17. CASH AND BANK BALANCES AND PLEDGED BANK DEPOSITS

Bank balances carry interest at prevailing saving rates ranging from 0.0001% to 0.50% (31 December 2010: from 0.0001% to 0.36%) per annum. The pledged deposits carry fixed interest rates ranging from 2.50% to 3.05% (31 December 2010: from 1.98% to 2.50%) per annum. The pledged bank deposits will be released upon the settlement of relevant bank borrowings and bills payable.

As at 30 June 2011, pledged bank deposits of RMB1,566,926,000 (31 December 2010: RMB1,020,989,000) were pledged to banks for issuing bills payable (note 19) and letters of credit. As at 30 June 2011, the remaining pledged bank deposits of RMB192,136,000 (31 December 2010: Nil) were pledged for bank loans (note 21).

18. 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:

	30/6/2011 RMB'000 (Unaudited)	31/12/2010 RMB'000 (Audited)
Within 6 months	5,097,112	4,789,207
7 to 12 months	50,474	51,155
1 to 2 years	22,460	30,802
Over 2 years	19,030	32,400
	5,189,076	4,903,564

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:

	30/6/2011 RMB'000 (Unaudited)	31/12/2010 RMB'000 (Audited)
Jointly controlled entities	69,671	126,885
Associates	72,452	80,925
Companies that are controlled by the Group's key management personnel or their close family members	4,818	6,717
	146,941	214,527

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

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19. BILLS PAYABLE

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

	30/6/2011 RMB'000 (Unaudited)	31/12/2010 RMB'000 (Audited)
1 to 3 months	2,767,053	1,117,731
4 to 6 months	2,962,180	2,257,979
	5,729,233	3,375,710

The bills issued to related parties included above are as follows:

	30/6/2011 RMB'000 (Unaudited)	31/12/2010 RMB'000 (Audited)
Jointly controlled entities	7,770	26,903
Associates	74,014	32,384
Companies that are controlled by the Group's key management personnel or their close family members	4,674	532
	86,458	59,819

20. OTHER PAYABLES AND ACCRUALS

	30/6/2011 RMB'000 (Unaudited)	31/12/2010 RMB'000 (Audited)
Advances from customers	2,697,371	2,439,879
Accruals	76,651	70,560
Deferred income (note 24)	25,927	25,783
Payables for purchase of property, plant and equipment	254,143	221,019
Salary and welfare payable	228,119	341,030
Other tax payable	83,247	202,097
Other payables	210,332	190,977
	3,575,790	3,491,345

As at 30 June 2011, 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 RMB10,423,000 (31 December 2010: RMB12,054,000), which are unsecured, non-interest-bearing and are repayable on demand.

21. BORROWINGS

	30/6/2011 RMB'000 (Unaudited)	31/12/2010 RMB'000 (Audited)
Secured bank loans	185,071	—

The bank loans bear interest rates ranging from 1.28% to 4.54% per annum and are repayable within one year. The bank loans are secured by bank balance amounting to RMB192,136,000 (note 17).

22. PROVISION FOR PRODUCT WARRANTIES

	Six months ended 30/6/2011 RMB'000 (Unaudited)
At 1 January	100,219
Additional provision in the period	64,275
Utilisation of provision	(59,348)
At 30 June	105,146

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 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.

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23. DEFERRED TAX ASSETS

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

	At 1 January 2011 RMB'000	Deferred tax (charge) credit to profit or loss during the period (note 6) RMB'000	At 30 June 2011 RMB'000
Deferred tax assets in respect of:			
Receipt of government grants that is taxable upon receipt	124,827	(1,291)	123,536
Liabilities for accrued expenses that are deductible for tax purpose only when paid	11,765	1,154	12,919
Receipt in advance (revenue in nature) that is taxable upon receipt	46,198	(7,032)	39,166
Unrealised profit eliminated on consolidation	73,696	46,929	120,625
Write-down of inventories to net realisable value	20,025	(1,557)	18,468
Accumulated depreciation difference between carrying amount and tax base	7,089	295	7,384
Pre-operation expenses	4,324	5,665	9,989
Impairment of receivables	4,179	(143)	4,036
Others	5,113	2,265	7,378
	297,216	46,285	343,501

24. DEFERRED INCOME

	Six months ended 30/6/2011 RMB'000 (Unaudited)
At 1 January	1,436,259
Additions during the period	3,488
Recognised in other income during the period (note 5)	(13,412)
At 30 June	1,426,335
Current portion included in other payables and accruals (note 20)	(25,927)
Non-current portion	1,400,408

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.

25. SHARE CAPITAL

	Number of shares			Share capital		
	Domestic share	H shares	Total	Domestic share	H shares	Total
	(RMB1 each) '000	(RMB1 each) '000		(RMB1 each) RMB'000	(RMB1 each) RMB'000	
As at 1 January 2010 and 30 June 2010	682,000	413,272	1,095,272	682,000	413,272	1,095,272
As at 1 January 2011	682,000	413,272	1,095,272	682,000	413,272	1,095,272
Share capitalisation (note (i))	1,023,000	619,908	1,642,908	1,023,000	619,908	1,642,908
As at 30 June 2011	1,705,000	1,033,180	2,738,180	1,705,000	1,033,180	2,738,180

Note:

- (i) 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.

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26. ACQUISITION OF A SUBSIDIARY

The Group previously held 49% equity interests in Baoding Deye Automobile Inner Decoration Company Limited ("Baoding Deye") and accounted for this investment as a joint controlled entity as at 31 December 2010. On 1 June 2011, the Group acquired additional 26% equity interests in Baoding Deye for a cash consideration of RMB9,419,000. Baoding Deye became a subsidiary of the Group since then. This acquisition had been accounted for as acquisition of business. Baoding Deye is engaged in manufacture of automotive parts and components and was required so as to maintain constant supply of automotive parts and components.

	Acquiree's fair value at the date of acquisition RMB'000
Property, plant and equipment	57,427
Prepaid lease payments	18,382
Construction in progress	8,117
Inventories	8,242
Bills receivable	50,680
Trade receivables (note (i))	69,218
Other receivables and prepayments (note (i))	2,098
Cash and bank balances	11,124
Bills payable	(4,500)
Trade payables	(33,657)
Other payables	(94,875)
Net assets acquired	92,256
Non-controlling interests at the share of recognised identifiable net assets of the acquiree	(23,064)
Fair value of 49% equity interests held by the Group in Baoding Deye	(45,205)
Discount on acquisition	(14,568)
Total consideration	9,419

Net cash inflow on acquisition of Baoding Deye

	RMB'000
Cash and cash equivalent balances acquired	11,124
Less: cash consideration paid	(9,419)
Total	1,705

26. ACQUISITION OF A SUBSIDIARY (CONTINUED)

- (i) The fair value of trade and other receivables and prepayments at the date of acquisition and the gross contractual amounts of those trade and other receivables acquired amounted to RMB71,316,000.
- (ii) The excess of the Group's interest in the net fair value of Baoding Deye's identifiable assets, liabilities and contingent liabilities over the cash consideration amounting to RMB14,568,000 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 six months ended 30 June 2011 is approximately RMB2,367,000 attributable to the additional business generated by Baoding Deye. Revenue for the period includes RMB16,530,000 generated from Baoding Deye.
- (iv) Had the acquisition of Baoding Deye been effected at 1 January 2011, the revenue of the Group for the six months ended 30 June 2011 would have been RMB13,748,104,000, and the profit for the period would have been increased by RMB7,277,000. The proforma 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 at 1 January 2011, nor is it intended to be a projection of future results.

27. OPERATING LEASES

The Group as lessee

	Six months ended	
	30/6/2011 RMB'000 (Unaudited)	30/6/2010 RMB'000 (Unaudited)
Minimum lease payments paid under operating leases during the period:		
Plant and machinery	36	99
Premises	1,360	997
Other assets	65	—
	1,461	1,096

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:

	30/6/2011 RMB'000 (Unaudited)	31/12/2010 RMB'000 (Audited)
Within one year	50	4,576
In the second to fifth year inclusive	25	6,200
	75	10,776

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.

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27. OPERATING LEASES (CONTINUED)

The Group as lessor

Property rental income earned during the period was RMB950,000 (Six months ended 30 June 2010: nil) (note 7). The property held has committed a tenant for the next four years.

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

	30/6/2011 RMB'000 (Unaudited)	31/12/2010 RMB'000 (Audited)
Within one year	1,900	1,900
In the second to fifth year inclusive	5,700	6,650
	7,600	8,550

28. COMMITMENTS

(a) Capital commitments

	30/6/2011 RMB'000 (Unaudited)	31/12/2010 RMB'000 (Audited)
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	2,967,666	2,123,869
Capital expenditure in respect of the acquisition of property, plant and equipment authorised but not contracted for	4,475,570	8,225,888

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:

	30/6/2011 RMB'000 (Unaudited)	31/12/2010 RMB'000 (Audited)
Contracted, but not provided for:	641	3,646

28. COMMITMENTS (CONTINUED)

(b) Other commitments

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

	30/6/2011 RMB'000 (Unaudited)	31/12/2010 RMB'000 (Audited)
Contracted, but not provided for	132,311	98,701
Authorised, but not contracted for	5,502	12,735
	137,813	111,436

29. RELATED PARTY TRANSACTIONS

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

Name of related parties	Nature of transaction	Six months ended	
		30/6/2011 RMB'000 Unaudited	30/6/2010 RMB'000 Unaudited
Baoding Tai Hang Steel Structure Construction Company Limited (i) (保定太行鋼結構工程有限公司)	Construction service fee paid	4,127	5,529
	Purchases of services	—	67
	Others	—	17
Baoding Tai Hang Rosemex Engineering Company Limited (i) (保定太行熱土美工業有限公司)	Construction service fee paid	—	2
Hebei Baoding Tai Hang Group Company Limited (i) (河北保定太行集團有限公司)	Purchases of spare parts	17,138	5,166
	Sales of spare parts	2,694	1,499
	Purchases of machinery	—	860
	Purchases of services	181	617
	Rendering of services	44	16
	Others	2	13
Hebei Baocang Highway Company Limited (vi) (河北保滄高速公路有限公司)	Others	—	3

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29. RELATED PARTY TRANSACTIONS (CONTINUED)

Name of related parties	Nature of transaction	Six months ended	
		30/6/2011 RMB'000 Unaudited	30/6/2010 RMB'000 Unaudited
Baoding Tai Hang Pump	Purchases of spare parts	2,005	2,030
Baoding Tai Hang Pump Manufacturing Company Limited (i) (保定市太行制泵有限公司)	Purchases of services	21	2
	Rendering of services	27	5
	Others	4	2
Beijing Weide Automobile System Accessories Company Limited (i) (北京威德汽車系統配套有限公司)	Purchases of spare parts	—	58
Baoding Furui Garden Company Limited (i) (保定市富瑞園林有限公司)	Rendering of services	68	—
Baoding Deye Automobile Inner Decoration Company Limited (v) (保定德業汽車內飾件有限公司)	Purchases of spare parts	58,305	168,057
	Sales of spare parts	20,294	3,093
	Purchases of services	118	—
	Rendering of services	104	102
	Others	44	213
Baoding Xinchang Auto Parts Company Limited (ii) (保定信昌汽車零部件有限公司)	Purchases of spare part	142,830	23,898
	Sales of spare parts	240	16
	Rendering of services	35	36
	Others	1,247	—
Baoding Great Wall Boxiang Automotive Parts Manufacturing Company Limited (iii) (保定長城博翔零部件製造有限公司)	Purchases of spare parts	—	6,648
	Rendering of services	—	3
Baoding Yanfeng Johnson Controls Automobile Seating Company Limited (iii) (保定延鋒江森汽車座椅有限公司)	Purchases of spare parts	95,003	212,897
	Rendering of services	103	400
	Sales of spare parts	5	—
	Others	47	—

29. RELATED PARTY TRANSACTIONS (CONTINUED)

Name of related parties	Nature of transaction	Six months ended	
		30/6/2011 RMB'000 Unaudited	30/6/2010 RMB'000 Unaudited
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	—	229
Baoding Bochuang Real Estate Developing Company Limited (vii) (保定博創房地產有限公司)	Rental income	23	—
	Others	13	—
Baoding Tianqiu Electrical Company Limited (iii) (保定天球電器有限公司)	Purchases of spare parts	24,640	—
	Rendering of services	15	—
	Sales of spare parts	8	—
	Others	189	—

Notes:

- (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 company was a jointly-control entity of the Group before it becomes a subsidiary of the Group during the current period (note 26).
- (vi) This company is significantly influenced by the Group's key management personnel.
- (vii) This company is a fellow subsidiary of the Company.

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

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29. RELATED PARTY TRANSACTIONS (CONTINUED)

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

	Six months ended	
	30/6/2011 RMB'000 (Unaudited)	30/6/2010 RMB'000 (Unaudited)
Short term employee benefits	10,797	1,895
Post-employment benefits	47	23
Total compensation paid to key management personnel	10,844	1,918

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

30. APPROVAL OF THE INTERIM FINANCIAL REPORT

The interim condensed consolidated financial statements for the six months ended 30 June 2011 were approved and authorised for issue by the board of directors on 19 August 2011.