



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



2006 Interim Report

* For identification purposes only



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CORPORATE INFORMATION

Stock code: 2333

Executive directors

Mr. Wei Jian Jun (*Chairman*)
Mr. Liu Ping Fu
Ms. Wang Feng Ying
Mr. Liang He Nian
Ms. Yang Zhi Juan

Non-executive directors

Mr. He Ping
Mr. Niu Jun

Independent nonexecutive directors

Mr. Han Chuan Mo
Mr. Zhang Ming Yu
Mr. Zhao Yu Dong
Mr. Wong Chi Keung

Supervisors

Mr. Zhu En Ze

Independent supervisors

Ms. Yuan Hong Li
Ms. Luo Jin Li

Company secretary

Mr. Bai Xue Fei

Audit committee

Mr. Han Chuan Mo
Mr. Zhang Ming Yu
Mr. Zhao Yu Dong
Mr. Wong Chi Keung

Remuneration Committee

Mr. Zhang Ming Yu
Mr. Zhao Yu Dong
Mr. Liang He Nian

Authorised representatives

Ms. Wang Feng Ying
Mr. Bai Xue Fei

Registered office

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

Principal place of business in Hong Kong

35th Floor, Cheung Kong Center
2 Queen's Road Central
Hong Kong

Legal adviser to the Company

(as to Hong Kong law)
Simmons & Simmons

Legal adviser to the Company

(as to PRC law)
King and Wood

Auditors

Ernst & Young
Ernst & Young Hua Ming

**Hong Kong share registrar
and transfer office**

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

Investors and media relations consultant

CorporateLink Limited
17th Floor, Winsome House
73 Wyndham 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,
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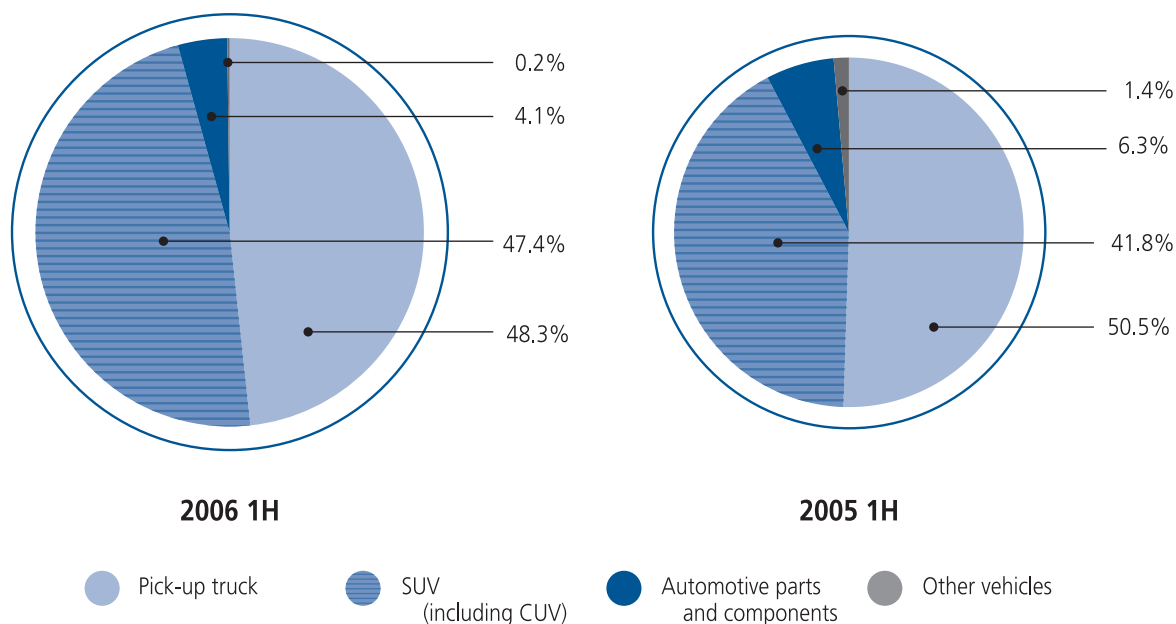


The board of directors (the "Board") of Great Wall Motor Company Limited (the "Company") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2006 (the "period"). The unaudited interim results have been reviewed by the Company's auditor, Ernst & Young.

FINANCIAL HIGHLIGHTS

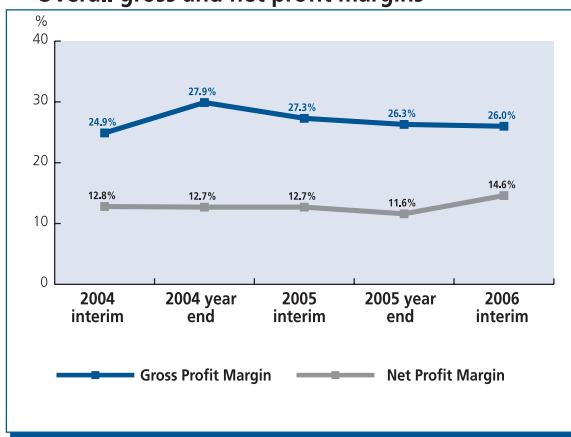
Financial Highlights			
	For the six months ended 30 June 2006 Unaudited	For the six months ended 30 June 2005 Unaudited	Change (%)
Revenue (RMB million)	2,519	1,597	57.7
Profit before tax (RMB million)	417	246	69.5
As % of revenue	16.6%	15.4%	
Profit after tax attributable to equity holders of the parent (RMB million)	367	203	80.8
Earnings per share	RMB0.39	RMB0.21	85.7

Revenue Breakdown By Major Products

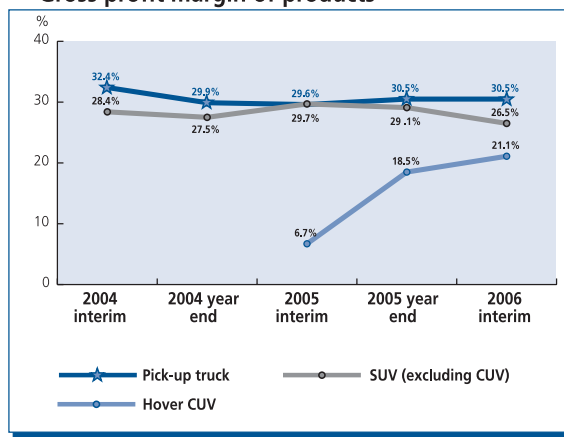




Overall gross and net profit margins



Gross profit margin of products



Summary of Financial Position

	For the six months ended 30 June 2006	For the six months ended 30 June 2005
Equity Attributable to Equity Holders of The Parent (RMB million)	3,778	3,267
Total Assets (RMB million)	6,198	5,266
Bank Loans (RMB million)	0	0
Return on Equity (%) note 1	9.7	6.2
Return on Assets (%)	5.9	3.9
Gearing Ratio (%) note 2	0	0
Accounts Receivables Turnover (Day) (incl. Bills Receivables)	41	64
Inventory Turnover (Day)	49	64

note 1: Profit after tax attributable to equity holders of the parent divided by equity attributable to equity holders of the parent

note 2: Total bank loans divided by total assets



MANAGEMENT DISCUSSION AND ANALYSIS

Operating Environment

In the first half of 2006, the Chinese government launched a series of measures targeted at the domestic automobile industry, such as new adjustments to the automobile consumption tax, fuel prices as well as the tariff rate on automobiles and automotive components, etc.

The new consumption tax became effective on 1 April 2006, of which the tax rate for automobiles from 2.0 litres to 2.5 litres engine displacement has been increased from 5% to 9%, which will affect the Group's SUV sales in the domestic market. To reduce the impact of the increased consumption tax, the Group will enhance management to effectively lower costs, augment product quality and raise sales volume.

In June 2006, the State Council of the PRC promulgated that the reduction of tariff rate on automobiles and automotive components would begin on 1 July 2006. With the completion of the final downward adjustment to the tariff rate on automobiles, the price of imported vehicles in the PRC will gradually become stable. This will lead to more rational and regulated competition among automobiles produced locally and overseas, thereby facilitating healthy competition in the PRC automobile market.

During the period, the price of petroleum products increased. In spite of increased oil price, the rise in demand of the PRC automobile market had not been deterred. Growth in the automobile market remained strong, and performance, quality, brand, service, fashion and uniqueness of automobile products continued to be the major features for attracting consumers.

In the first half of 2006, driven by the continued rapid growth of the PRC economy, the PRC automobile industry demonstrated signs of positive development. According to China Association of Automobile Manufacturers, the total production volume and total sales volume of automobiles in the PRC for the first half of 2006 was 3,630,300 units and 3,535,200 units respectively, representing increases of 28.94% and 26.71% from those of the same period in the previous year respectively. In addition, the statistics from China Association of Automobile Manufacturers showed a strong demand in the PRC automobile market and rapid growth in the export of automobiles.

2006 is the first year of the "11th Five-Year Plan" of the PRC, which emphasises that the automobile industry should strengthen the ability to innovate its own products, and play a key role in increasing the market share of automobiles of self-owned brand. As one of the largest automobile enterprises with self-owned brands in the PRC, the Group is in line with and benefits from the PRC's long-term planning on the automobile market.

Financial Review

Revenue

During the period, the revenue of the Group was RMB2,518,988,000, representing an increase of 57.7% as compared to that of the same period last year.



Sales analysis

	For the six months ended 30 June 2006			For the six months ended 30 June 2005		
	Sales volume (units)	Revenue RMB'000	Percentage (%)	Sales volume (units)	Revenue RMB'000	Percentage (%)
Pick-up truck	24,591	1,216,769	48.3	15,250	806,014	50.5
SUV (including CUV)	13,876	1,193,016	47.4	9,484	668,232	41.8
Other vehicles	42	5,027	0.2	146	21,958	1.4
Automotive parts and components	—	104,176	4.1	—	100,922	6.3
Total	38,509	2,518,988	100.0	24,880	1,597,126	100.0

Gross profit and gross profit margin

During the period, the Group's gross profit increased by approximately 50.4% from RMB435,615,000 for the corresponding period of last year to RMB654,968,000. The increase in the Group's gross profit was mainly due to the increase in the sales volume of automobiles. The gross profit margin of the Group decreased from 27.3% for the corresponding period of last year to 26.0%. The decrease in gross profit margin was mainly due to (1) the increase in total sales percentage of lower profit margin Hover CUV and (2) slight reduction in the price of various models of automobiles since the second half of 2005.

Profit after tax attributable to equity holders of the parent company and earnings per share

During the period, the Group's profit after tax attributable to equity holders of the parent company increased from RMB202,916,000 of the same period of the previous year to RMB367,452,000. The rise in the Group's profit after tax attributable to equity holders of the parent company was mainly due to the upsurges in sales volume and sales revenue, which led to increase in profit.

For the six months ended 30 June 2006, the basic earnings per share of the Company were RMB0.39. The Company did not present diluted earnings per share as it did not have any potential ordinary share for dilution during the period.

Selling and distribution costs and administrative expenses

The selling and distribution costs and administrative expenses of the Group rose from RMB161,479,000 in the first half of 2005 to RMB201,939,000 in the first half of 2006, representing an increase of 25.1%. The percentage of selling and distribution costs and administrative expenses to total revenue decreased from 10.1% in the first half of 2005 to 8.0% for the first half of 2006. The increase was mainly due to: (1) increase in transportation expenses as a result of the increase in sales volume of automobiles; (2) increase in the provision for product warranties resulting from increase in the sales volume of automobiles; (3) increase in port expenses resulting from increased export volume; (4) increase in advertising expenses.



Finance costs

During the first half of 2006, the Group's finance costs were approximately RMB821,000 as compared to approximately RMB259,000 for the first half of 2005.

Liquidity and financial resources

As at 30 June 2006, the Group's current assets mainly included cash and cash equivalents of approximately RMB2,570,548,000, trade receivables of approximately RMB68,884,000, inventories of approximately RMB690,622,000, bills receivable of approximately RMB509,565,000, held-for-trading financial assets of approximately RMB609,000 and other receivables of approximately RMB190,122,000. The Group's current liabilities mainly included dividend payable of approximately RMB137,153,000, other payables of approximately RMB569,774,000, tax payable of approximately RMB58,379,000, bills payable of approximately RMB201,010,000, trade payables of approximately RMB1,024,263,000 and, provision for product warranties of approximately RMB30,102,000.

Acquisitions

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

Capital structure

The Group generally finances its operation with internally generated cash flows. As at 30 June 2006, the Group was at a debt-free position.

Exposure to foreign exchange risk

All the Group's domestic sales were settled in RMB while sales to overseas customers were settled in US dollars. During the period, the Group did not experience any material difficulties or negative effects on its operations or liquidity as a result of fluctuations in currency exchange rates. The Board believes that the Group will have sufficient foreign exchange reserves to meet its foreign exchange requirements.

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

Employment, training and development

As at 30 June 2006, the Group employed a total of approximately 7,474 employees. Employees were remunerated on the basis of 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 4.3% of the Group's revenue for the six months ended 30 June 2006.



Taxation

Tax payable by the Group increased from RMB15,035,000 in the first half of 2005 to RMB33,286,000 in the first half of 2006, representing a rise of 121.4%. The rise in tax was mainly due to the increase in profit.

Segment information

During the period, about 90% of the Group's revenue and results were derived from the manufacture and sales of automobiles, and therefore, no business segmental analysis is presented.

Geographical segmental analysis has been analysed according to the location of customers. As most of the assets and liabilities of the Group are located in the PRC, no geographical segmental analysis of assets, liabilities and capital expenditure information is presented.

	For the six months ended 30 June 2006			For the six months ended 30 June 2005		
	PRC RMB'000	Overseas RMB'000	Combined RMB'000	PRC RMB'000	Overseas RMB'000	Combined RMB'000
Segment revenue	1,795,764	723,224	2,518,988	1,346,344	250,782	1,597,126
Segment result	450,370	204,598	654,968	361,818	73,797	435,615
Unallocated expenses			(237,542)			(189,559)
Finance costs			(821)			(259)
Income tax			(33,286)			(15,035)
Profit after tax			383,319			230,762
Attributable to:						
Equity holders of the parent			367,452			202,916
Minority interests			15,867			27,846

Interim Dividends

The directors do not recommend the payment of any interim dividend for the period.

Business Review

Automobile sales

During the period, the Group's total sales volume was 38,509 units, representing an increase of 54.8% as compared to that of the same period last year. According to the statistics issued by China Association of Automobile Manufacturers in June 2006, the sales volume of Great Wall's pick-up trucks had continued to lead the market in the first half of 2006. During the period, the sales volume of pick-up trucks was 24,591 units, representing an increase of 61.3% as compared to that of the same period last year. Sales revenue amounted to RMB1,216,769,000, representing an increase of approximately 51.0% as compared to that of the same period in 2005.



Sales of the Group's sport utility vehicles ("SUVs") were satisfactory, with sales volume and sales revenue amounting to 13,876 units and RMB1,193,016,000, representing increases of approximately 46.3% and approximately 78.5% from those of the same period of 2005.

Despite the adverse impact of surging oil prices, the Group's automobile sales volume still sustained rapid growth as a result of the Group's continued improvement of its product mix. The Group's successful establishment of a leading position in the budget and medium-end automobiles market segments in the PRC was due to several factors, including: continued enhancement of product quality, good brand image, product meeting customer's demand, premium after-sales service and extensive distribution network, etc.

Sales revenue of other products of the Group for the period amounted to RMB5,027,000.

Sales of automotive parts and components

During the period, the sales revenue of automotive parts and components amounted to RMB104,176,000, representing an increase of approximately 3.2% as compared to that of the same period in 2005 and accounting for 4.1% of the total sales revenue. The increase in the sales of automotive parts and components was mainly due to the increase in the sales volume of automobiles, which led to the rise in the revenue from parts and components sold for after-sales operation.

Domestic market

During the period, the Group's domestic sales volume and sales revenue amounted to 25,570 units and RMB1,691,588,000, representing increases of 22.5% and 35.8% respectively. Of the Group's domestic sales, 13,741 units and 11,787 units of pick-up trucks and SUVs were sold respectively, with sales revenue amounting to RMB690,795,000 and RMB995,766,000 respectively. The sales revenue from the two main groups of customers, namely (1) dealers; and (2) government entities and individual customers amounted to RMB1,616,642,000 and RMB74,946,000 respectively.

	For the six months ended 30 June 2006			For the six months ended 30 June 2005		
	Sales volume (units)	Revenue RMB'000	Percentage share of domestic automobile sales (%)	Sales volume (units)	Revenue RMB'000	Percentage share of domestic automobile sales (%)
Dealers	24,438	1,616,642	95.6	19,853	1,178,231	94.6
Government entities and individual customers	1,132	74,946	4.4	1,028	67,191	5.4
Total	25,570	1,691,588	100.0	20,881	1,245,422	100.0



Overseas markets

During the period, the automobile export market of the Group had displayed outstanding performance, with a continuous growth. The Group's export volume of automobiles continued to set new records. For the six months ended 30 June 2006, the export volume exceeded 10,000 units, reaching 12,939 units, representing an increase of 223.6% from that of the same period last year. The Group thus became the largest automobile export enterprise in the PRC. The total export value amounted to RMB723,224,000, representing an increase of 188.4% from that of the same period of the previous year and accounting for approximately 28.7% of the total sales revenue of the Group. The export volume of pick-up trucks and SUVs during the period amounted to 10,850 units and 2,089 units respectively, with export value amounting to RMB525,974,000 and RMB197,250,000 respectively, representing increases of 169.3% and 261.9% from those of the same period in 2005 respectively. Pick-up trucks and SUVs accounted for 72.7% and 27.3% of the total export value respectively. The Group's export markets were mainly concentrated in four regions, namely Eastern Europe, Middle East, America and Africa, spanning across 80 countries and regions including Russia, Ukraine, Iraq, Saudi Arabia.

In view of the great demand for the Group's products in the Russian market, the Group has established Russia Great Wall Company Limited in Moscow, which is responsible for the Group's export business, related sales and after-sales services in the local market.

Launch of new products

The Group has a diversified product portfolio to satisfy different market needs.

During the period, the Group launched four new types of four-wheel drive vehicles including Sailor (pick-up truck), Pegasus (SUV), Sing (SUV) and So Cool (pick-up truck), which meet Euro III emission standards. These four new types of four-wheel drive vehicles have been developed with enhanced stability, safety, body stiffness and reliability to overcome adverse road conditions. A new type of two-wheel drive model has also been added to each of the series of Sailor, Pegasus and Sing. The major engine of these vehicles has been upgraded, leading to a reduction of fuel consumption by 1.2 litres per hundred kilometre and a 4.6% increase in power, which signifies a new milestone of the Group in creating products with energy saving features.

To meet the needs of export markets, the Group launched the latest right-hand drive Sailor and Sing during the period.

Hover• π , the latest product developed by the Group, is the first domestic limousine that leads the avant-garde of fashion and trend for uniqueness. The limousine stretches 6.72 metres in length, with a streamlined bodywork and a stunning look. With a luxurious, comfortable interior, Hover• π can be used for business purposes or as a place to carry out business work. The limousine has attracted the attention of the automobile industry, and gained positive response from the markets of ceremony services, rental services, wedding organisers, and foreign trading and business.



New technology

During the period, the Group has developed a diesel engine with an electronic control high pressure common rail, using the world's latest high pressure common rail fuel injection technology. This engine is powerful and stable, as well as energy saving and environmental friendly, meeting Euro III emission standards. This is a technological breakthrough in diesel engine with a self-owned brand name. This engine can be installed in all of the product series of the Group.

During the first half of the year, the Group was engaged in the design and development of two gasoline engines as well as the mapping of a diesel engine. Up till now, the testing and product design of the components of the gasoline engines has been completed, and preparations are being made for the trial production of the components.

OUTLOOK

New products

The Group is currently conducting research and development of a total of seven models for small passenger vehicles and multi-purpose vehicles ("MPV"). Car design of some of the models has been completed, and trial production of these automobiles has started. It is expected that the Group will begin launching certain models at the end of 2007. The Group will continue to maintain its market position in pick-up trucks, to optimise the product mix of SUVs and to leverage the existing production platform to actively develop new products.

Wingle, a new model of pick-up truck, has reached the stage of Good Manufacturing Practice inspection. It is expected that this model will be launched in the second half of 2006. Wingle is a high-end pick-up truck with a diesel engine using high pressure common rail technology. The design and production of this model has reached excellent level. Wingle combines the features of a tractor, cross-country vehicle and passenger car.

In the second half of 2006, the Group will launch a new model of vehicle — "Proteus" van, which is now at the trial assembly stage. "Proteus" van is equipped with excellent passenger seats and load-carrying ability, which satisfy the needs for carrying both passenger and cargo. It has a high quality price ratio.

In addition, a 2006 version of Hover CUV, being a new model intended for upgrading the Hover CUV series, is scheduled to be launched in the third quarter of 2006. By the end of 2006, the Group plans to launch a right-hand drive Hover CUV to satisfy the demand of export markets.

New export markets

After years of dedication, the Group has achieved remarkable export results in overseas markets. The number of export markets and regions has increased from more than 60 to over 80. The Group will continue to consolidate its existing global market presence, while focusing on the development of markets for right-hand drive vehicles.

New facilities

To cater to the needs for the production of new models, the Group commenced the construction of Phase 3 of Great Wall Industrial Zone in July 2005. At present, construction of part of the infrastructure has been completed. Production is expected to commence in the second half of 2007, with an initial annual capacity of 100,000 units.



Establishing a factory in Russia

The establishment of a factory in Russia by the Group is now pending for approval by the Russian Federation Government. The Group plans to make its investment in Russia by phase upon obtaining the official approval of the Russian government.

Future objectives

The Group will maintain its leading position in the pick-up truck and SUV markets, while actively engaging in the development of new vehicle models, continuing to launch new products and upgrade its existing products to satisfy various customers' needs, with the aim of producing premium products with high quality price ratio. The Group will also maintain its position as the PRC's largest automobile exporter with self-owned brand through increasing export, developing more new international markets and actively enlarging its client base. The Group will continue to launch products that meet international standards, in order to increase its share in the international market through introducing premium products. Such a move is aimed at facilitating the Group achieving the ratio of 1:1 for domestic sales and overseas sales in 2008.

At present, the automobile industry is still undergoing consolidation. The Group believes that only enterprises with strong development capabilities and competitive products will eventually remain in the market, while enterprises with inferior products will be eliminated. The Group will seize the opportunities arising from this industry consolidation. It will upgrade its product quality through continued enhancement of development capabilities; further enhance the Company's competitiveness in the PRC automobile industry by accelerating the launch of premium products that have energy saving, low fuel consumption, environmental-friendly, small engine displacement and economical features. While the Group will continue to augment its in-house research and development capabilities, it will maintain collaboration with renowned domestic and overseas automobile companies, and components manufacturers, in order to enable its products to keep pace with international technology and trend.



SUPPLEMENTARY INFORMATION

Directors' and Supervisors' Interest in Securities

As at 30 June 2006, the interests and short positions of each of the directors, supervisors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")), which were required to be notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") upon listing of the H shares on 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 deemed or taken 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 deemed or taken to have under such provisions of the SFO) or were otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies set out in Appendix 10 (the "Model Code") in the Listing Rules, are as follows:

Name of Director/ Supervisor	Capacity/ Nature of Interest	No. of Shares	Approximate Percentage of Domestic Shares %	Approximate Percentage of H Shares %	Approximate Percentage of Total Shares %
Mr. Wei Jian Jun	Interest of a controlled company	398,726,760 (L)*	58.46	—	42.23
	Total:	398,726,760 (L)*	58.46	—	42.23

Note:

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

* represents domestic shares.

Save as disclosed above, as at 30 June 2006, none of the directors, supervisors or chief executive of the Company has any interest 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), 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 deemed or taken to have), or which were required to be recorded in the register referred to in section 352 of the SFO or were otherwise notified to the Company and the Stock Exchange pursuant to the Model Code. For this purpose, the relevant provisions of the SFO shall be construed as if they were applicable to the supervisors.



Shares held by Substantial Shareholders

As at 30 June 2006, the following persons, other than a Director, supervisor or chief executive of the Company, had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or had direct or indirect interests amounting to 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any members of the Group:

Name	No. of Shares	Approximate Percentage of Domestic Shares %	Approximate Percentage of H Shares %	Approximate Percentage of Total Shares %
保定市沃爾特管理諮詢有限公司 (Baoding Woerte Management Consultant Company) (Note 1)	381,920,000(L)*	56.00	—	40.45
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) ("The Management Centre") (Note 2)	283,273,240(L)*	41.54	—	30.00
保定市螞蟻物流網絡有限公司 (Baoding Ants Logistics Company Limited) (Note 3)	16,806,760(L)*	2.46	—	1.78
Cheah Cheng Hye (Note 4)	34,168,000(L)	—	13.03	3.62
Value Partners Limited	34,168,000(L)	—	13.03	3.62
Baring Asset Management Ltd.	18,905,000(L)	—	7.21	2.00

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

* represents domestic shares.

Note:

- (1) 保定市沃爾特管理諮詢有限公司 (Baoding Woerte Management Consultant Company) ("Woerte") was established on 1 December 2005 with a registered capital of RMB7,638,400. Its place of incorporation is Baoding, Hebei Province, the PRC and its registered address is No. 1588 Great Wall Street South, Baoding, Hebei Province. It is engaged in corporate planning and management consultancies (operations that require pre-approvals according to the law, administrative regulations and the State Council can only be conducted after obtaining approvals). Mr. Wei Jian Jun and his associates are beneficially interested in the entire equity interests of Woerte.
- (2) The Management Centre was established on 28 March 2001 as an enterprise under collective ownership with a registered capital of RMB17,260,000. Its place of incorporation is Baoding, Hebei Province, the PRC and its registered address is 210, Nandayuan Town, Nanshi District, Baoding. It is engaged in the management of the equity interests of the collective assets of the town.



(3) 保定市螞蟻物流網絡有限公司 (Baoding Ants Logistics Company Limited) ("Ants Logistics") was established on 4 March 2002 with a registered capital of RMB120,000,000. Its place of incorporation is Baoding, Hebei Province, the PRC and its registered address is Guihua Road No. 2, Phase II, High and New Technology Zone, Baoding, Hebei Province. It is engaged in the transport, warehousing and delivery of goods (other than those operations prohibited under the national law and regulation). Mr. Wei Jian Jun and his associates beneficially own the entire share capital of Ants Logistics.

(4) Cheah Cheng Hye is deemed or taken to be interested in the 34,168,000 H Shares owned by Value Partners Limited, a company controlled by him.

Save as disclosed above, as at 30 June 2006, so far as the directors, supervisors or chief executive of the Company are aware, no person other than a Director, supervisor or chief executive of the Company, had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or had direct or indirect interests amounting to 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any members of the Group.

Public Float

As at the date of this report, the directors confirm that 27.77% of the issued capital of the Company was held by the public.

Material Litigations

The litigation regarding 北京佳美亞投資有限公司 (Beijing Jiameiya Investment Company Limited) and 保定中信內燃機製造有限公司 (Baoding Zhongxin Internal Combustion Engine Manufacturing Company Limited) as disclosed in the 2005 annual report of the Company was being judged by the Higher People's Court of Hebei Province on 28 June 2006. The case is still pending for verdict.

Save and except for the above case, the Company is not involved in nor aware of any other significant proceedings instituted against the Company.

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

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

Corporate Governance

To the knowledge of the Board, the Company has complied with all the provisions in the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange of Hong Kong Ltd (the "Stock Exchange") throughout the period.



Audit Committee

The Company has set up an audit committee (the “Audit Committee”) for the purposes of reviewing and providing supervision over financial reporting process and internal controls of the Group. The Audit Committee comprises four independent non-executive directors of the Company. The Audit Committee held a meeting on 21 August 2006 to consider and review the interim report and interim financial statements of the Group and to give their opinion and recommendations to the Board. The Audit Committee considers that the 2006 interim report and interim financial statements of the Company have complied with the applicable accounting standards and the Company has made appropriate disclosure thereof.

Remuneration Committee

The remuneration committee of the Company was set up on 3 March 2006, comprising 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, pension rights and compensation payments.

Compliance with the model code for securities transactions by directors of listed issuers

The Company has adopted the Model Code as code of conduct for securities transactions by all Directors. Upon specific enquiries made to the Directors and in accordance with information provided, the Board confirmed that all Directors have complied with all the provisions under the Model Code during the period.



INDEPENDENT REVIEW REPORT



To the board of directors

GREAT WALL MOTOR COMPANY LIMITED

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

Introduction

We have been instructed by the Company to review the interim financial report set out on pages 18 to 40 which has been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective Responsibilities of Directors and Auditors

The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors. It is our responsibility to form an independent conclusion, based on our review, on the interim financial report 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.

Review Work Performed

We conducted our review in accordance with Statement of Auditing Standard 700 "Engagements to review interim financial reports" issued by the Hong Kong Institute of Certified Public Accountants. A review consists principally of making enquiries of group management and applying analytical procedures to the interim financial report and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

Review Conclusion

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30 June 2006.

Ernst & Young

Certified Public Accountants

Hong Kong

22 August 2006



CONDENSED CONSOLIDATED INCOME STATEMENT

Six months ended 30 June 2006

		Six months ended 30 June	
		2006 Unaudited RMB'000	2005 Unaudited RMB'000
	Notes		
REVENUE	4	2,518,988	1,597,126
Cost of sales		(1,864,020)	(1,161,511)
Gross profit		654,968	435,615
Other income and gains	4	27,943	14,309
Selling and distribution costs		(119,262)	(86,599)
Administrative expenses		(82,677)	(74,880)
Other expenses		(69,905)	(41,530)
Finance costs	6	(821)	(259)
Share of profits and losses of jointly-controlled entities		6,359	(859)
PROFIT BEFORE TAX	5	416,605	245,797
Tax	7	(33,286)	(15,035)
PROFIT AFTER TAX		383,319	230,762
ATTRIBUTABLE TO:			
Equity holders of the parent		367,452	202,916
Minority interests		15,867	27,846
		383,319	230,762
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT — Basic	9	RMB0.39	RMB0.21
DIVIDEND PER SHARE	8	Nil	Nil



CONDENSED CONSOLIDATED BALANCE SHEET

30 June 2006

	Notes	30 June 2006 Unaudited RMB'000	31 December 2005 Audited RMB'000
Non-current assets			
Property, plant and equipment	10	1,237,376	1,220,601
Prepaid land premium		209,892	201,175
Construction in progress	11	649,856	301,064
Goodwill		2,164	2,164
Interests in jointly-controlled entities		35,873	29,514
Deferred tax assets	20	32,224	28,125
		2,167,385	1,782,643
Current assets			
Inventories	12	690,622	691,837
Trade receivables	13	68,884	54,981
Bills receivable	14	509,565	496,267
Held for trading financial assets		609	394
Other receivables	15	190,122	180,304
Pledged deposits	16	71,618	118,240
Cash and cash equivalents	16	2,498,930	2,438,436
		4,030,350	3,980,459
Current liabilities			
Trade payables	17	1,024,263	966,714
Bills payable		201,010	251,180
Tax payable		58,379	53,024
Other payables	18	569,774	497,952
Dividend payable to shareholders		118,124	52,923
Dividend payable to minority shareholders		19,029	9,480
Provision for product warranties	19	30,102	23,820
		2,020,681	1,855,093
NET CURRENT ASSETS		2,009,669	2,125,366
TOTAL ASSETS LESS CURRENT LIABILITIES		4,177,054	3,908,009
NON-CURRENT LIABILITIES			
Deferred income		56,485	57,459
NET ASSETS		4,120,569	3,850,550
EQUITY			
Share capital	21	944,200	944,200
Reserves	22	2,833,553	2,466,101
Proposed final dividend		—	94,420
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		3,777,753	3,504,721
MINORITY INTERESTS		342,816	345,829
TOTAL EQUITY		4,120,569	3,850,550

Wei Jian Jun
(Executive director)

Wang Feng Ying
(Executive director)



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30 June 2006

	Note	Attributable to equity holders of the parent						Minority interests	Total equity
		Share capital	Share premium account	Capital reserves (Note i)	Statutory reserves	Retained profits	Proposed final dividend		
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2005 (audited)		472,100	1,642,500	(13,134)	535,857	426,391	94,420	3,158,134	3,509,548
Capitalisation of bonus share		472,100	(472,100)	—	—	—	—	—	—
Net profit for the period		—	—	—	—	202,916	—	202,916	230,762
Contribution from minority shareholders		—	—	—	—	—	—	250	250
Transfer to statutory reserves		—	—	—	36,395	(36,395)	—	—	—
Final 2004 dividend declared		—	—	—	—	—	(94,420)	(94,420)	(56,487)
									(150,907)
Balance at 30 June 2005 (unaudited)		944,200	1,170,400	(13,134)	572,252	592,912	—	3,266,630	3,589,653
Balance at 1 January 2006 (audited)		944,200	1,170,400	(12,160)	690,150	617,711	94,420	3,504,721	3,850,550
Contribution from minority shareholders		—	—	—	—	—	—	149	149
Net profit for the period		—	—	—	—	367,452	—	367,452	383,319
Transfer to capital reserves	(ii)	—	—	974	—	(974)	—	—	—
Transfer to statutory reserves		—	—	—	43,338	(43,338)	—	—	—
Final 2005 dividend declared		—	—	—	—	—	(94,420)	(94,420)	(19,029)
									(113,449)
Balance at 30 June 2006 (unaudited)		944,200	1,170,400	(11,186)	733,488	940,851	—	3,777,753	4,120,569

Notes:

- (i) The capital reserves of the Group include non-distributable reserves of the Company and its subsidiaries created in accordance with accounting and financial regulations in the PRC.
- (ii) In accordance with the relevant PRC regulations, an amount arising from revenue recognised for the current portion of deferred income related to subsidised assets was transferred to non-distributable reserve.



CONDENSED CONSOLIDATED CASH FLOW STATEMENT

Six months ended 30 June 2006

	For the six months ended 30 June	
	2006 Unaudited RMB'000	2005 Unaudited RMB'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	525,791	254,660
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(473,369)	(172,777)
NET CASH OUTFLOW FROM FINANCING ACTIVITIES	(38,550)	(33,571)
NET INCREASE IN CASH AND CASH EQUIVALENTS	13,872	48,312
Cash and cash equivalents at beginning of period	2,556,676	2,196,877
CASH AND CASH EQUIVALENTS AT END OF PERIOD	2,570,548	2,245,189
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Pledged deposits	71,618	130,575
Cash and cash equivalents	2,498,930	2,114,614
	2,570,548	2,245,189



NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT

1. Corporate Information

The registered office of Great Wall Motor Company Limited (the “Company”) is located at No. 2266 ChaoYang Road South, Baoding, Hebei Province, the People’s Republic of China (the “PRC”). The H shares (RMB1 per share) of the Company amounting to 131,100,000 shares are listed on The Stock Exchange of Hong Kong Limited. On 26 October 2004, the Company’s shareholders approved the capitalisation of RMB472,100,000 in the share premium account of the Company into share capital by issuing new shares at no consideration to all shareholders registered on the Company’s register of members on 25 October 2004 on the basis of 10 new shares for every 10 existing shares held at the extraordinary general meeting (the “EGM”) and the increase of the registered capital to RMB944,200,000 upon completion of the capitalisation issue. On 24 January 2005, the capitalisation issue was approved by the Ministry of Commerce of the PRC. The new shares were issued and allotted on 1 February 2005.

On 7 July 2006, approval in respect of the change of business scope and registered address of the Company was granted by the Ministry of Commerce of the PRC. The Company changed its registered address from “No. 115 Gongnong Road South, Nanshi District, Baoding, Hebei Province, the PRC” to “No. 2266 ChaoYang Road South, Baoding, Hebei Province, the PRC”. The Company changed its scope of business to “production and manufacturing, development, design, consignment processing and sales of vehicles and parts, components and accessories, and related after-sales services and consulting services; manufacturing of electronic equipment and machinery; mould making and manufacturing; vehicle repair; warehousing and logistics; the export of automotive parts, components and accessories manufactured and purchased by the Company; import and export of goods and technologies (unless otherwise restricted by the State)”.

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

2. Accounting Policies

The condensed consolidated interim financial statements are prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, “Interim Financial Reporting”. The accounting policies and basis of preparation adopted in the preparation of the interim financial statements are the same as those used in the annual financial statements for the year ended 31 December 2005, except in relation to the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”, which also include HKASs and Interpretations) that affect the Group and are adopted the first time for the current period’s financial statements:

HKAS 19 Amendment	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 39 Amendment	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 Amendment	The Fair Value Option
HKAS 39 & HKFRS 4 Amendments	Financial Guarantee Contracts
HKFRSs 1 & 6 Amendments	First-time Adoption of Hong Kong Financial Reporting Standards and Exploration for and Evaluation of Mineral Resources
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease
HK(IFRIC)-Int 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
HK(IFRIC)-Int 6	Liabilities arising from Participating in a Special Market — Waste Electrical and Electrical Equipment

The adoption of the above new and revised HKFRSs has no material impact on the accounting policies of the Group and the methods of computation in the Group’s condensed consolidated financial statements.



3. Segment Information

During the period, over 90% of the Group's revenue and results were derived from the manufacture and sale of automobiles, therefore, no business segmental analysis is presented.

Geographical segmental analysis is presented based on the geographical location of customers. The Group's assets and liabilities are almost entirely situated in the PRC and accordingly, no information on segment assets, liabilities and capital expenditure is provided.

	Six months ended 30 June 2006			Six months ended 30 June 2005		
	PRC unaudited RMB'000	Overseas unaudited RMB'000	Combined unaudited RMB'000	PRC unaudited RMB'000	Overseas unaudited RMB'000	Combined unaudited RMB'000
Segment revenue	1,795,764	723,224	2,518,988	1,346,344	250,782	1,597,126
Segment result	450,370	204,598	654,968	361,818	73,797	435,615
Unallocated expenses			(237,542)			(189,559)
Finance costs			(821)			(259)
Income tax			(33,286)			(15,035)
Profit after tax			383,319			230,762
Attributable to:						
Equity holders of the parent			367,452			202,916
Minority interests			15,867			27,846

4. Revenue, other Income and Gains

Revenue represents the net invoiced value of goods sold, after allowances for trade discounts and returns, and excludes sales taxes and intra-group transactions.

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

	Six months ended 30 June	
	2006 Unaudited RMB'000	2005 Unaudited RMB'000
Revenue		
Sale of automobiles	2,414,812	1,496,204
Sale of automotive parts and components	104,176	100,922
	2,518,988	1,597,126
Other income and gains		
Bank interest income	17,578	10,560
Government grants:		
Recognition of deferred income	974	—
Others*	9,391	3,749
	27,943	14,309

* It represents government subsidies and value-added tax refunds. The government grants are unconditional, except for the grants which must be utilised for the development of the Company and its subsidiaries.



5. Profit before Tax

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

	Six months ended 30 June	
	2006 Unaudited RMB'000	2005 Unaudited RMB'000
Cost of inventories sold (including depreciation)	1,864,020	1,161,511
Depreciation	69,564	47,937
Recognition of prepaid land premium	1,341	791
Loss on disposal of items of property, plant and equipment	283	834
Research and development costs included in other expenses	65,946	30,234
Minimum lease payments under operating lease:		
Land and buildings	—	75
Auditor's remuneration	600	600
Employee benefits expenses:		
Wages and salaries	102,765	66,927
Retirement benefits contributions	5,911	4,636
	108,676	71,563
Foreign exchange differences, net	(198)	1,724
Provision for doubtful receivables	3,675	7,835
Write-down of inventories to net realisable value	9,508	9,079
Product warranty provisions	13,479	9,452
Bank interest income	(17,578)	(10,560)
Government grants included in other income and gains	(10,365)	(3,749)
Unrealised (gain)/loss on revaluation of short term listed investments	(215)	171



6. Finance Costs

	Six months ended 30 June	
	2006 Unaudited RMB'000	2005 Unaudited RMB'000
Interest on bank loans wholly repayable within five years	—	—
Other finance costs	821	259
	821	259

7. Tax

Income tax

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

	Six months ended 30 June	
	2006 Unaudited RMB'000	2005 Unaudited RMB'000
Hong Kong profits tax	—	—
PRC corporate income tax:		
Current corporate income tax	37,385	7,081
Deferred income tax	(4,099)	7,954
	33,286	15,035

Hong Kong profits tax has not been provided as the Group had no assessable profits arising in Hong Kong during the period. Under PRC income tax law, except for certain preferential treatment available to the Company and certain of its subsidiaries, the entities within the Group are subject to corporate income tax at a rate of 33%, on their taxable income.



7. Tax (continued)

Pursuant to the Income Tax Law of the PRC for Enterprises with Foreign Investment and Foreign Enterprises and applicable local tax regulations, the Company was exempted from corporate income tax for the two years ending 31 December 2006, and will be entitled to a 50% reduction in tax rate for corporate income tax for the three years ending 31 December 2009. Macs (Baoding) Auto A/C System Company Limited was exempted from corporate income tax for the two years ending 31 December 2006, and will be entitled to a 50% reduction in tax rate for corporate income tax for the three years ending 31 December 2009. Baoding Changcheng Vehicle Axles Industries Company Limited was exempted from corporate income tax for the two years ended 31 December 2002, and was entitled to a 50% reduction in tax rate for corporate income tax for the three years ended 31 December 2005. Beijing Great Automotive Components Company Limited was exempted from corporate income tax for the two years ended 31 December 2003, and is subject to a preferential corporate income tax rate of 12% for the three years ending 31 December 2006. Baoding Changfu Pressings Company Limited was exempted from corporate income tax for the two years ended 31 December 2004 and is entitled to a 50% reduction in tax rate for corporate income tax for the three years ending 31 December 2007.

Pursuant to applicable laws and regulations on welfare enterprises in the PRC, Baoding Great Wall Automobile Accessories Company Limited, Baoding Xincheng Automobile Development Company Limited, Baoding Great Machinery Company Limited, Baoding Riwa Automobile System Accessories Company Limited, Baoding Deer Automobile System Company Limited and Baoding Huanqiu Auto Spare Parts Company Limited, all being recognised as welfare enterprises by the relevant authorities, are entitled to apply for exemption in corporate income tax on a year-by-year basis. For the six months ended 30 June 2006, corporate income tax exemption recognized in the period by these welfare enterprises amounted to approximately RMB20,650,000 (six months ended 30 June 2005: RMB13,915,000).

A reconciliation of income tax expenses applicable to profit from operating activities before income tax at the statutory income tax rate to income tax expenses at the Group's effective income tax rate for the period ended 30 June 2006 is as follows:

	Six months ended 30 June	
	2006 Unaudited RMB'000	2005 Unaudited RMB'000
Profit before tax	416,605	245,797
At PRC corporate income tax rate of 33%	137,480	81,113
Tax effect of expenses not deductible for tax purposes	15,971	14,539
Tax holiday	(120,165)	(80,617)
Tax expense	33,286	15,035



7. Tax (continued)

Value Added Tax ("VAT") and Consumption Tax

The general VAT rate applicable to the Company and its subsidiaries in the PRC is 17%. Certain automobiles of the Company are also subject to consumption tax at standard rates of 3% or 5%. On 5 July 2004, the State Tax Bureau approved a 30% reduction in the consumption tax previously paid by the Company for certain products. The amount exempted for the six months ended 30 June 2006, amounting to approximately RMB10,152,000 (six months ended 30 June 2005: RMB16,944,000), was recorded as income. On 20 March 2006, the State Tax Bureau issued a new regulation regarding consumption tax. In accordance with the regulation, certain automobiles of the Company are subject to consumption tax at standard rates of 5%, 9% and 12% since 1 April 2006.

8. Dividend per share

The directors do not recommend the payment of any interim dividend for the six months ended 30 June 2006 (six months ended 30 June 2005: Nil).

9. Earnings per share

The calculation of basic earnings per share is based on the Group's profit attributable to equity holders of the parent for the six months ended 30 June 2006 of RMB367,452,000 (six months ended 30 June 2005: RMB202,916,000), and the weighted average of 944,200,000 shares in issue during the period.

No diluting events existed during the current and prior periods and therefore no diluted earnings per share amount has been disclosed.



10. Property, Plant and Equipment

	Buildings Unaudited RMB'000	Plant and machinery Unaudited RMB'000	Motor vehicles Unaudited RMB'000	Furniture, fixtures and office equipment Unaudited RMB'000	Total Unaudited RMB'000
Cost:					
At 1 January 2006	602,868	809,410	27,292	124,506	1,564,076
Additions	928	2,309	2,035	5,992	11,264
Transfer from construction in progress	10,661	43,889	533	21,265	76,348
Disposals	(31)	(1,738)	(749)	(130)	(2,648)
At 30 June 2006	614,426	853,870	29,111	151,633	1,649,040
Accumulated depreciation:					
At 1 January 2006	59,183	256,163	10,014	18,115	343,475
Provided for the period	11,185	45,001	1,781	11,597	69,564
Disposals	(7)	(1,091)	(190)	(87)	(1,375)
At 30 June 2006	70,361	300,073	11,605	29,625	411,664
Net book value:					
At 30 June 2006	544,065	553,797	17,506	122,008	1,237,376
At 1 January 2006	543,685	553,247	17,278	106,391	1,220,601

11. Construction in Progress

	Unaudited RMB'000
At 1 January 2006	301,064
Additions	425,140
Transfer to property, plant and equipment	(76,348)
At 30 June 2006	649,856

The major additions to the construction in progress during the period mainly include plant, machinery and construction costs incurred for the construction of the new car manufacturing facilities of approximately RMB310 million.



12. Inventories

	30 June 2006 Unaudited RMB'000	31 December 2005 Audited RMB'000
Raw materials	228,572	215,673
Semi-finished goods	83,127	108,914
Work in progress	65,958	62,878
Finished goods	345,390	327,116
Spare parts and consumables	8,579	8,752
	731,626	723,333
Provision for inventory impairment	(41,004)	(31,496)
	690,622	691,837

13. Trade Receivables

The Group normally receives payments or bills in advance for the sale of automobiles. For other customers, the Group normally allows a credit period of not more than 90 days. The Group closely monitors overdue balances and a provision for doubtful debts is made when it is considered that the amounts due may not be recovered.

An aged analysis of the trade receivables of the Group is as follows:

	30 June 2006 Unaudited RMB'000	31 December 2005 Audited RMB'000
Outstanding balances aged:		
Within 6 months	66,660	56,957
7 to 12 months	11,093	1,701
Over 1 year	13,835	15,526
	91,588	74,184
Less: Provision for doubtful debts	(22,704)	(19,203)
	68,884	54,981

**14. Bills Receivable**

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

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

	30 June 2006 Unaudited RMB'000	31 December 2005 Audited RMB'000
Falling due:		
Within 3 months	281,287	243,305
4 to 6 months	228,278	252,962
	509,565	496,267

As at 30 June 2006, the Group's bills receivable, amounting to RMB143,510,000 (31 December 2005: RMB165,600,000), are pledged to banks for issuing an equivalent amount of bills payable.

15. Other Receivables

	30 June 2006 Unaudited RMB'000	31 December 2005 Audited RMB'000
Prepayments	107,306	103,355
Export VAT refund	55,402	69,423
Others	27,414	7,526
	190,122	180,304

16. Cash and Cash Equivalents and Pledged Deposit

	30 June 2006 Unaudited RMB'000	31 December 2005 Audited RMB'000
Cash and bank balances	2,570,548	2,556,676
Less: Pledged to bank for issuing bills payable	(71,618)	(118,240)
Cash and cash equivalents	2,498,930	2,438,436



17. Trade Payables

An aged analysis of the trade payables of the Group is analysed as follows:

	30 June 2006 Unaudited RMB'000	31 December 2005 Audited RMB'000
Outstanding balances aged:		
Within 6 months	888,624	893,526
7 to 12 months	66,545	33,097
1 to 2 years	41,996	17,511
Over 2 years	27,098	22,580
	1,024,263	966,714

18. Other Payables

	30 June 2006 Unaudited RMB'000	31 December 2005 Audited RMB'000
Advances from customers	377,100	321,019
Accruals	26,821	22,223
Others	165,853	154,710
	569,774	497,952

19. Provision for Product Warranties

	30 June 2006 Unaudited RMB'000	31 December 2005 Audited RMB'000
At beginning of period/year	23,820	25,335
Additional provision	13,479	22,874
Amounts utilised during the period/year	(7,197)	(24,389)
At end of period/year	30,102	23,820



20. Deferred Tax

The movements in the deferred tax accounts are as follows:

Deferred tax assets:

	30 June 2006 Unaudited RMB'000	31 December 2005 Audited RMB'000
At beginning of period/year	28,125	49,191
Increase during the period/year	4,099	8,498
Effect on opening deferred taxes of reduction in tax rate	—	(29,564)
At end of period/year	32,224	28,125
Provisions in respect of:		
Provision for doubtful receivables	5,415	5,847
Provision for inventory impairment	13,400	10,041
Liabilities for accrued expenses that are deductible for tax purpose only when paid	4,739	3,406
Provision for impairment of property, machinery and equipment	2,036	2,036
Revenue in nature received in advance that was not taxable when settled	1,320	793
Temporary differences arising from transfer of intangible assets among group companies	5,314	6,002
	32,224	28,125

Deferred tax liabilities:

	30 June 2006 Unaudited RMB'000	31 December 2005 Audited RMB'000
At beginning of period/year	—	1,109
Decrease during the period/year	—	(1,109)
At end of period/year	—	—



21. Share Capital

	30 June 2006 Unaudited RMB'000	31 December 2005 Audited RMB'000
Issued and fully paid:		
Domestic shares of RMB1 each	682,000	682,000
H shares of RMB1 each	262,200	262,200
	944,200	944,200

On 3 March 2006, Nandayuan Management Centre reached a share transfer agreement with Baoding Ants Logistic Company Limited, a related company controlled by Mr. Wei Jianjun, a director of the Company. In accordance with the agreement, Nandayuan Management Centre will transfer a 2% equity interest in the Company to Baoding Ants Logistic Company Limited. The cash consideration of the acquisition was RMB70,585,000. On 7 July 2006, the agreement has been approved by the Ministry of Commerce of the PRC.

22. Reserves

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

In accordance with the Company Law of the PRC and the articles of associations of the Company and certain of its subsidiaries, they are required to allocate 10% of their profit after tax, as determined in accordance with PRC accounting standards and regulations applicable to these companies, to the statutory surplus reserve (the "SSR") until such reserves reach 50% of the registered capital of these companies. Part of the SSR may be capitalised as these company's share capital, provided that the remaining balances after the capitalisation are not less than 25% of the registered capital of these companies.

In previous years, the Company and certain of its subsidiaries are required to transfer 5% to 10% of their profit after tax, as determined in accordance with PRC accounting standards and regulations applicable to these companies, to statutory public welfare fund (the "PWF"). According to the "Company Law of the PRC (2005 revised)" that become effective on 1 January 2006 and the revised articles of associations of the Company and its subsidiaries, they do not make appropriation to the PWF commencing from 2006. The balance of PWF as at 31 December 2005 was transferred to the SSR for future use.

Certain of the Company's subsidiaries are Chinese-foreign equity joint ventures. In accordance with the "Law of the PRC on Chinese-Foreign Equity Joint Ventures" and their respective articles of associations, these subsidiaries are required to allocate certain of their profit after tax as determined in accordance with PRC accounting standards and related regulations to enterprise expansion fund, reserve fund and employee bonus and welfare fund. The allocation rates are determined by their respective board of directors.



23. Contingent Liabilities

The Group did not have any significant contingent liabilities at the balance sheet date.

24. Capital Commitments

The Group had the following capital commitments at the end of the period/year:

	30 June 2006 Unaudited RMB'000	31 December 2005 Audited RMB'000
Contracted, but not provided for	610,252	329,370
Authorised but not contracted for	1,055,297	1,581,340
	1,665,549	1,910,710

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

	30 June 2006 Unaudited RMB'000	31 December 2005 Audited RMB'000
Acquisition of plant and machinery	1,032,099	1,377,936
Construction commitment	342,454	429,563
Others	290,996	103,211
	1,665,549	1,910,710

25. Changes in Composition of the Group

On 29 March 2006, the Company and Baoding Ants Logistic Company Limited, a related party of the Company, entered into an equity transfer agreement. In accordance with the agreement, the Company acquired a 75% equity interest in Baoding Mind Auto Component Co., Ltd. for a cash consideration of RMB450,000 from Baoding Ants Logistics Company Limited. No goodwill arose from the acquisition. As at 30 June 2006, Baoding Mind Auto Component Co., Ltd. has not commenced its operation yet.



26. Related Party Transactions

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

Name of related parties	Notes	Nature of transactions	Pricing Policy	Six months ended 30 June	
				2006 Unaudited RMB'000	2005 Unaudited RMB'000
Wenzhou Huanqiu Automobile Gasket Company Limited (溫州環球汽車襯墊有限公司)	(i)	Purchases of automotive parts and components	(a)	12	271
Gaobeidian Zhongke Huabei Automobile Company Limited (高碑店市中客華北汽車有限責任公司)	(ii)	Sales of automotive parts and components	(a)	60	—
		Purchases of automotive parts and components	(b)	—	9
		Utilities fee received	(b)	—	92
		Processing service fee paid	(b)	—	457
Hebei Baoding Tai Hang Group Company Limited (河北保定太行集團有限責任公司)	(iii)	Purchases of automotive parts and components	(b)	23	30
		Construction services fee paid	(a)	325	128
Baoding Taihang Pump Manufacturing Company Limited (保定市太行製泵有限公司)	(iv)	Purchases of automotive parts and components	(a)	425	494
		Purchases of property, plant and equipment	(a)	27	257
Baoding Tai Hang Steel Structure Construction Company Limited (保定太行鋼結構工程有限公司)	(v)	Construction services fee paid	(a)	35,266	8,181



26. Related Party Transactions (continued)

Name of related parties	Notes	Nature of transactions	Pricing Policy	Six months ended	
				30 June 2006 Unaudited RMB'000	2005 Unaudited RMB'000
Beijing Beiqi Momeiya Automobile Manufacturing Company Limited & Tianjin Tianqi Group Meiya Automobile Manufacturing Company Limited (北京北汽摩美亞汽車製造有限公司及天津天汽集團美亞汽車製造有限公司)	(vi)	Sales of automotive parts and components	(a)	6,804	13,330
Beijing Jiayou Trading Company Limited (北京佳友興業商貿有限公司)	(vii)	Sales of automotive parts and components	(a)	1	102
Baoding Tai Hang Rosemex Industrial Company Limited (保定太行熱士美工業有限公司)	(viii)	Construction services fee paid	(a)	54	107
Baoding Ants Logistics Company Limited ("Ants Logistics") (保定市螞蟻物流網絡有限公司)	(ix)	Transportation fee paid	(a)	38,903	31,377
		Equity transfer	(b)	450	—
Shunping Ante Transport Company Limited (順平安特運輸有限公司)	(ix)	Transportation fee paid	(a)	944	924



26. Related Party Transactions (continued)

(2) The outstanding balances with related parties at the end of period are as follows:

Trade receivables	Notes	30 June 2006 Unaudited RMB'000	31 December 2005 Audited RMB'000
Tianjin Tianqi Group Meiya Automobile Manufacturing Company Limited (天津天汽集團美亞汽車製造有限公司)	(vi)	144	351
Gaobeidian Zhongke Huabei Automobile Company Limited (高碑店市中客華北汽車有限責任公司)	(ii)	—	1,686
Beijing Jiayou Trading Company Limited (北京佳友興業商貿有限公司)	(vii)	6	5
Baoding Tai Hang Rosemex Industrial Company Limited (保定太行熱士美工業有限公司)	(viii)	6	6
Hebei Baoding Tai Hang Group Company Limited (河北保定太行集團有限責任公司)	(iii)	—	15
Baoding Ants Logistics Company Limited (保定市螞蟻物流網絡有限公司)	(ix)	2	3
		158	2,066
Other receivables			
Hebei Baoding Tai Hang Group Company Limited (河北保定太行集團有限責任公司)	(iii)	149	99
Baoding Tai Hang Steel Structure Construction Company Limited (保定太行鋼結構工程有限公司)	(v)	9	67
		158	166



26. Related Party Transactions (continued)

Trade payables	Notes	30 June 2006 Unaudited RMB'000	31 December 2005 Audited RMB'000
Beijing Oriental Riwa Technology and Trading Company Limited (北京東方日瓦科貿有限公司)	(x)	796	628
Beijing Weide Automobile System Accessories Company Limited (北京威德汽車系統配套有限公司)	(xi)	2,599	2,656
Baoding Ants Logistics Company Limited (保定市螞蟻物流網絡有限公司)	(ix)	10,482	7,213
Wenzhou Huanqiu Automobile Gasket Company Limited (溫州環球汽車襯墊有限公司)	(i)	47	107
Baoding Tai Hang Steel Structure Construction Company Limited (保定太行鋼結構工程有限公司)	(v)	2,405	2,254
Baoding Tai Hang Rosemex Industrial Company Limited (保定太行熱士美工業有限公司)	(viii)	73	126
Baoding Taihang Pump Manufacturing Company Limited (保定市太行製泵有限公司)	(iv)	370	374
Shunping Ante Transport Company Limited (順平安特運輸有限公司)	(ix)	169	1,787
Hebei Baoding Tai Hang Group Company Limited (河北保定太行集團有限責任公司)	(iii)	141	270
		17,082	15,415



26. Related Party Transactions (continued)

(3) Compensation of key management personnel of the Group

	For the six months ended 30 June	
	2006 Unaudited RMB'000	2005 Unaudited RMB'000
Short term employee benefits	601	508
Post-employment benefits	6	9
Share-based payments	—	—
Total compensation paid to key management personnel	607	517

Notes:

- (a) The price was determined with reference to the then prevailing market prices/rates and the prices/rates charged to third parties.
- (b) The consideration was in accordance with the terms of the underlying agreement.
- (i) Wenzhou Huanqiu Automobile Gasket Company Limited is a minority shareholder of Baoding Huanqiu Auto Spare Parts Company Limited.
- (ii) Gaobeidian Zhongke Huabei Automobile Company Limited is controlled by a shareholder of Great Wall Huabei Company.
- (iii) Hebei Baoding Tai Hang Group Company Limited is controlled by the associate of a director of the Company.
- (iv) Baoding Tai Hang Pump Manufacturing Company Limited is beneficially owned by a director of the Company.
- (v) Baoding Tai hang Steel Structure Construction Company Limited is controlled by the associate of a director of the Company.
- (vi) Beijing Beiqi Momeiya Automobile Manufacturing Company Limited and Tianjin Tianqi Group Meiya Automobile Manufacturing Company Limited are controlled by a director of Great Wall Internal Combustion Engine Company.
- (vii) Beijing Jiayou Trading Company Limited is beneficially owned by a director of Great Wall Internal Combustion Engine Company.
- (viii) Baoding Tai Hang Rosemex Industrial Company Limited is controlled by an associate of a director of the Company.
- (ix) Baoding Ants Logistics Company Limited and Shunping Ante Transport Company Limited are controlled and beneficially owned by a director of the Company.
- (x) Beijing Oriental Riwa Technology and Trading Company Limited is controlled and beneficially owned by a director of the Company.
- (xi) Beijing Weide Automobile System Accessories Company Limited is controlled by a director of the Company.



27. Approval of the Interim Financial Report

The unaudited interim financial report for the six months ended 30 June 2006 was approved and authorised for issue by the board of directors on 22 August 2006.