



长城汽车
专注 专业 专家

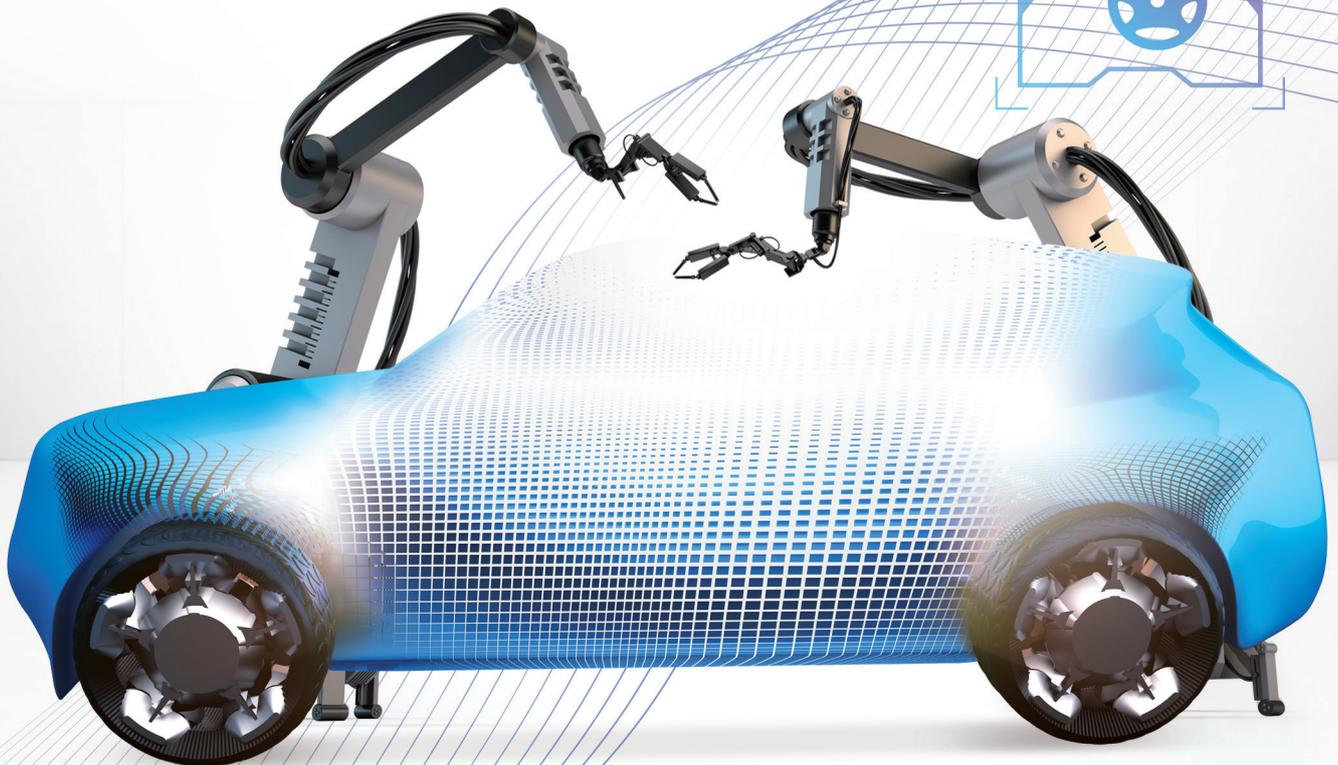
長城汽車股份有限公司

GREAT WALL MOTOR COMPANY LIMITED*

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

H Share Stock Code: 2333

A Share Stock Code: 601633



2018
ANNUAL
REPORT

* For identification purpose only

IMPORTANT NOTICE

I. The Board, the Supervisory Committee and the directors, supervisors and senior management of the Company warrant that the contents of this annual report are true, accurate and complete and do not contain any false representations, misleading statements or material omissions, and jointly and severally take legal liability for its contents.

II. Director(s) absent from the Board meeting

Position of the director(s) absent from the Board meeting	Name of the director(s) absent from the Board meeting	Reasons for being absent from the Board meeting	Representative
Director	Yang Zhi Juan	Work commitment	Wang Feng Ying

III. Deloitte Touche Tohmatsu Certified Public Accountants LLP has issued the standard audited report for the Company without qualified opinion.

The financial information in the annual report was prepared in accordance with China Accounting Standards for Business Enterprises and the relevant laws and regulations.

IV. Wei Jian Jun, person-in-charge of the Company, Li Feng Zhen, person-in-charge of the accounting affairs and Lu Cai Juan, person-in-charge of the accounting department (head of the accounting department), declare that they warrant the truthfulness, accuracy and completeness of the financial report in this annual report.

V. Proposal of profit distribution or capitalization of capital reserve during the Reporting Period reviewed by the Board

As audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP, the net profit of the Group and net profit attributable to shareholders of the Company in 2018 amounted to RMB5,247,639,134.50 and RMB5,207,313,967.76 respectively. The Company proposed to declare a cash dividend of RMB2,646,908,010.00 (representing RMB0.29 per share) (tax inclusive) to the shareholders of the Company for the year ended 31 December 2018. This proposal is subject to the approval at the 2018 annual general meeting of the Company.

VI. Risks relating to forward-looking statements

Applicable Not applicable

Forward-looking statements, such as future plans and development strategies, contained in this report do not constitute any actual commitment of the Company to its investors. Investors should be aware of the investment risks.

VII. Was there any non-operational appropriation of the Company's funds by controlling shareholders and its related parties?

No

VIII. Was there any provision of guarantee for external parties in violation of the stipulated decision-making procedures?

No

IX. Reminder of material risks

During the Reporting Period, there were no material risks resulting in any significant impact on the production and operation of the Company. Risks that the Company may encounter in the course of production and operation and its corresponding measures have been described in "Discussion and Analysis concerning the Future Development of the Company" under item III of Section 5 headed "Discussion and Analysis of the Business Operation of the Company (Management Discussion and Analysis)" of this report.

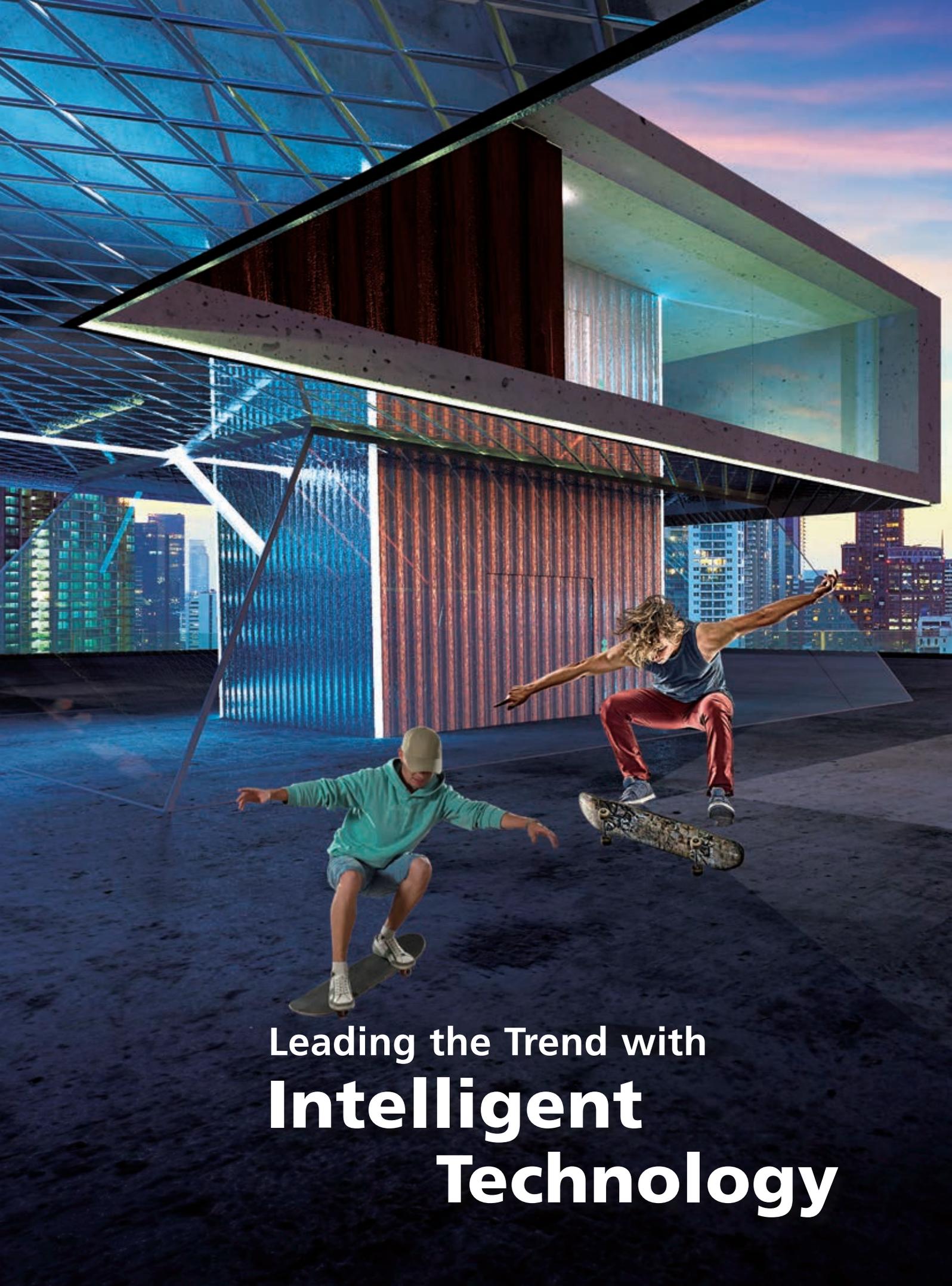
X. Others

Applicable Not applicable

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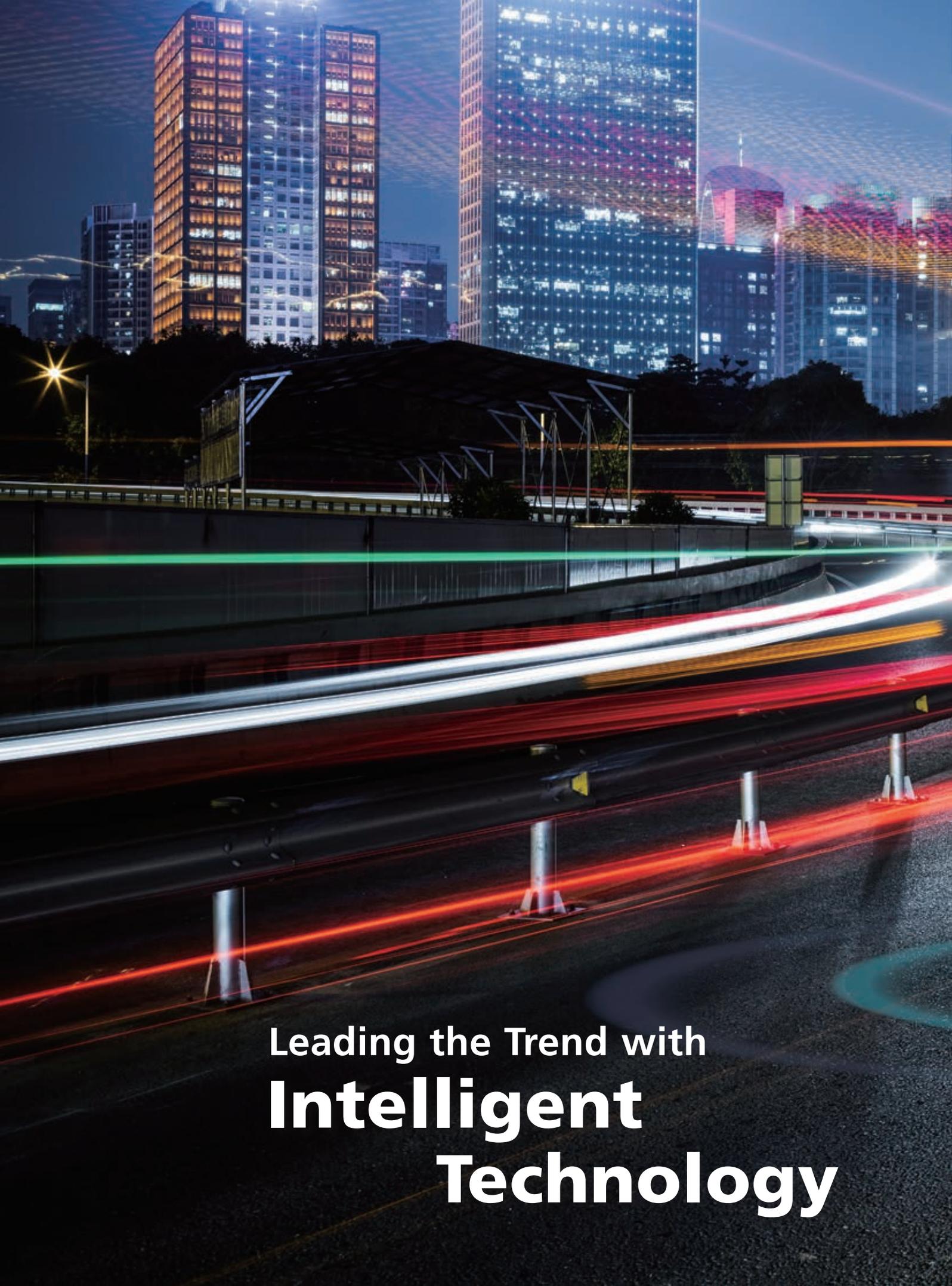


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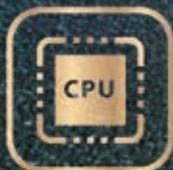
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Driving to the Future



Section 1 Definitions

I. DEFINITIONS

In this report, the following expressions shall, unless the context otherwise requires, have the following meanings:

Definitions for commonly used terms

“A Shares”	domestic share(s) with a nominal value of RMB1.00 each in the share capital of the Company which are listed on the Shanghai Stock Exchange and traded in Renminbi (Stock Code: 601633);
“A Shareholder(s)”	holders of A Share(s);
“Articles”	articles of association of the Company, as amended, modified or otherwise supplemented from time to time;
“Board”	the board of directors of the Company;
“Company” or “Great Wall Motor”	Great Wall Motor Company Limited (長城汽車股份有限公司), a joint stock company incorporated in the PRC with limited liability, the H Shares and A Shares of which are listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange, respectively;
“Company Law”	Company Law of the PRC;
“Competing Business”	a business that is identical with or similar to the principal business and other businesses of Great Wall Motor Company Limited;
“CSRC”	China Securities Regulatory Commission;
“Group”	Great Wall Motor Company Limited and its subsidiaries;
“H Shares”	the overseas-listed foreign share(s) with a nominal value of RMB1.00 each in the share capital of the Company which are listed on the Main Board of the Hong Kong Stock Exchange and traded in Hong Kong dollars (Stock Code: 2333);
“H Shareholder(s)”	holders of H Share(s);
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as amended from time to time;
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules;

Section 1 Definitions

“PRC”	the People’s Republic of China;
“Reporting Period” or “Current Period” or “the Year”	twelve months ended 31 December 2018;
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended from time to time; and
“Shanghai Stock Exchange”	Shanghai Stock Exchange.

Section 2 Corporate Profile and Key Financial Indicators

I. CORPORATE INFORMATION

Chinese name of the Company	長城汽車股份有限公司
Abbreviation of Chinese name of the Company	長城汽車
English name of the Company	Great Wall Motor Company Limited
Abbreviation of English name of the Company	Great Wall Motor
Legal representative of the Company	Wei Jian Jun

II. CONTACT PERSONS AND CONTACT METHODS

	Secretary to the Board	Representative of Securities Affairs
Name	Xu Hui (Company Secretary)	Chen Yong Jun
Address	No. 2266 Chaoyang Road South, Baoding, Hebei Province, the PRC	No. 2266 Chaoyang Road South, Baoding, Hebei Province, the PRC
Telephone	86(312)-2197813	86(312)-2197813
Fax	86(312)-2197812	86(312)-2197812
E-mail address	zqb@gwm.com.cn	zqb@gwm.com.cn

III. BASIC INFORMATION

Registered address of the Company	No. 2266 Chaoyang Road South, Baoding, Hebei Province, the PRC
Postal code of the registered address of the Company	071000
Office address of the Company	No. 2266 Chaoyang Road South, Baoding, Hebei Province, the PRC
Postal code of the office address of the Company	071000
Company's website	www.gwm.com.cn
E-mail address	zqb@gwm.com.cn
Principal place of business in Hong Kong	Room 1903-1904, 19/F, Hong Kong Trade Centre, 161 Des Voeux Road Central, Sheung Wan, Hong Kong

IV. INFORMATION DISCLOSURE AND PLACE OF DOCUMENT INSPECTION

Designated media for information disclosure	China Securities Journal, Shanghai Securities News
Website designated by the CSRC for publishing this annual report	www.sse.com.cn
Place for inspection of the Company's annual reports	Securities Legal Affairs Department of Great Wall Motor Company Limited No. 2266 Chaoyang Road South, Baoding, Hebei Province, the PRC
Website designated by the Hong Kong Stock Exchange for publishing this annual report	www.hkexnews.hk
The Company's website for publishing this annual report	www.gwm.com.cn

Section 2 Corporate Profile and Key Financial Indicators

V. INFORMATION ON THE COMPANY'S SHARES

Information on the Company's Shares				
Stock classes	Stock exchanges for the listing of the Company's Shares	Stock abbreviation	Stock code	Previous stock abbreviation
A Shares	Shanghai Stock Exchange	Great Wall Motor	601633	–
H Shares	Hong Kong Stock Exchange	Great Wall Motor	2333	–

Stock Classes	Stock exchanges for the listing of the Company's Shares	Listing date	Number of issued shares	Board lot
A Shares	Shanghai Stock Exchange	28 September 2011	6,027,729,000 A Shares (Total shares: 9,127,269,000 shares, H Shares: 3,099,540,000 shares)	100 shares
H Shares	Hong Kong Stock Exchange	15 December 2003	3,099,540,000 H Shares (Total shares: 9,127,269,000 shares, A Shares: 6,027,729,000 shares)	500 shares

Section 2 Corporate Profile and Key Financial Indicators

VI. OTHER RELEVANT INFORMATION

Domestic accounting firm appointed by the Company	Name	Deloitte Touche Tohmatsu Certified Public Accountants LLP (the auditor of the Company)
	Office address	30/F, 222 Yan An Road East, Huangpu District, Shanghai
	Names of the signing accountants	Tong Chuan Jiang Xu Zhao Hui
Legal adviser to the Company (as to Hong Kong law)	Herbert Smith Freehills	
Legal adviser to the Company (as to the PRC law)	Jincheng Tongda & Neal Law Firm, Beijing	
H Share registrar and transfer office in Hong Kong	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong	
A Share registrar and transfer office	Shanghai Branch of China Securities Depository and Clearing Corporation Limited 3/F, China Insurance Building, 166 Lujiazui East Road, New Pudong District, Shanghai, the PRC	
Investor and media relations consultant (H Shares)	CorporateLink Limited 18/F, Shun Ho Tower, Nos 24-30 Ice House Street, Central, Hong Kong	
Principal bankers	Bank of China Limited, Baoding Yuhua sub-branch The Industrial and Commercial Bank of China, Baoding Yonghua sub-branch China Construction Bank Corporation, Baoding Hengxiang South Street sub-branch China Everbright Bank Corporation Limited, Shijiazhuang branch China CITIC Bank Corporation Limited, Baoding branch Bank of Communications Co., Ltd., Baoding branch Industrial Bank Co., Ltd., Baoding branch	
Authorised representatives	Ms. Wang Feng Ying Mr. Xu Hui	
Financial year-end date	31 December	

Section 2 Corporate Profile and Key Financial Indicators

Executive Directors	Mr. Wei Jian Jun (Chairman) Ms. Wang Feng Ying (Vice Chairman) Ms. Yang Zhi Juan
Non-Executive Director	Mr. He Ping
Independent Non-Executive Directors	Mr. Ma Li Hui Mr. Li Wan Jun Mr. Ng Chi Kit
Employee Representative Supervisor	Mr. Chen Biao
Independent Supervisors	Ms. Zong Yi Xiang Ms. Luo Jin Li
Audit Committee	Mr. He Ping Mr. Ma Li Hui Mr. Li Wan Jun Mr. Ng Chi Kit
Remuneration Committee	Mr. Wei Jian Jun Mr. Ma Li Hui Mr. Li Wan Jun
Nomination Committee	Mr. Wei Jian Jun Mr. Ma Li Hui Mr. Ng Chi Kit
Strategy Committee	Mr. Wei Jian Jun Ms. Wang Feng Ying Mr. He Ping Mr. Ma Li Hui Mr. Li Wan Jun

Section 2 Corporate Profile and Key Financial Indicators

VII. KEY ACCOUNTING DATA AND FINANCIAL INDICATORS IN THE LAST FIVE YEARS

(I) Key accounting data

Unit: RMB'0000 Currency: RMB

Key accounting data	2018	2017		Increase/ decrease for the Current Period over the corresponding period last year (%)	2016		2015		2014	
		After adjustment	Before adjustment		After adjustment	Before adjustment	After adjustment	Before adjustment	After adjustment	Before adjustment
Total operating revenue	9,922,998.72	10,116,948.88	10,116,948.88	-1.92	9,861,570.24	9,861,570.24	7,603,314.25	7,603,314.25	6,259,910.42	6,259,910.42
Operating revenue	9,779,985.92	10,049,161.82	10,049,161.82	-2.68	9,844,366.51	9,844,366.51	7,595,458.60	7,595,458.60	6,259,077.26	6,259,077.26
Net profit attributable to shareholders of the Company	520,731.40	502,729.80	502,729.80	3.58	1,055,115.89	1,055,115.89	805,933.25	805,933.25	804,153.55	804,153.55
Net profit attributable to shareholders of the Company after extraordinary gains/losses	388,877.21	429,819.69	429,819.69	-9.53	1,035,362.67	1,035,362.67	765,198.58	765,198.58	771,688.17	771,688.17
Net cash flow from operating activities	1,969,782.59	-107,667.01	-107,667.01		883,540.62	883,540.62	1,003,369.04	1,003,369.04	609,578.44	609,578.44
Total operating costs	9,331,065.05	9,577,740.58	9,577,740.58	-2.58	8,636,957.10	8,636,957.10	6,685,060.20	6,685,060.20	5,338,320.60	5,338,320.60
Operating costs	8,148,094.26	8,196,690.36	8,196,690.36	-0.59	7,436,022.35	7,436,022.35	5,686,391.14	5,686,391.14	4,525,176.11	4,525,176.11
Tax and surcharges	362,738.04	390,568.81	390,568.81	-7.13	383,280.64	383,280.64	288,628.58	288,628.58	228,160.70	228,160.70
Selling expenses	457,519.86	440,639.78	440,639.78	3.83	317,542.44	317,542.44	284,156.51	284,156.51	208,475.51	208,475.51
Administrative expenses	167,630.37	159,846.54	496,303.87	4.87	139,446.05	457,469.69	126,999.49	403,060.40	125,076.07	382,234.20
Research and development expenses	174,337.91	336,457.33		-48.18	318,023.64		276,060.91		257,158.12	
Financial expenses	-49,387.52	13,860.11	13,860.11	-456.33	-385.86	-385.86	13,937.09	13,937.09	-12,938.09	-12,938.09
Impairment losses on assets	13,652.92	31,707.87	31,707.87	-56.94	41,315.30	41,315.30	8,185.11	8,185.11	7,212.17	7,212.17
Impairment losses on credit	18,187.91									
Gains or losses from changes in fair value	-14,035.13	17,539.60	17,539.60	-180.02			-21.44	-21.44	-405.57	-405.57
Investment gains	21,927.02	12,422.48	12,422.48	76.51	3,034.78	3,034.78	9,809.67	9,809.67	3,183.85	3,183.85
Share of investment gains of associates and joint ventures							783.58	783.58	2,000.68	2,000.68
Other income	17,580.53	16,625.66	16,625.66	5.74						
Gains (losses) from disposal of assets	5,797.65	-380.81	-380.81		-1,577.44		-4,521.61		-2,240.66	
Operating profit	623,203.73	585,415.24	585,415.24	6.45	1,226,070.49	1,227,647.93	923,520.67	928,042.28	922,127.44	924,368.10
Non-operating income	25,287.99	39,068.85	39,068.85	-35.27	24,757.52	24,892.82	46,532.54	46,734.50	43,909.85	44,057.40
Non-operating expenses	784.53	1,187.50	1,187.50	-33.93	2,521.93	4,234.67	1,195.54	5,919.11	2,029.72	4,417.94
Losses from disposal of non-current assets	7,627.54	2,278.37	2,278.37	234.78	1,712.74	1,712.74	4,723.57	4,723.57	2,388.21	2,388.21
Total profit	647,707.20	623,296.60	623,296.60	3.92	1,248,306.08	1,248,306.08	968,857.68	968,857.68	964,007.56	964,007.56
Income tax expenses	122,943.29	118,957.95	118,957.95	3.35	192,910.61	192,910.61	162,821.20	162,821.20	159,887.92	159,887.92
Net profit	524,763.91	504,338.65	504,338.65	4.05	1,055,395.46	1,055,395.46	806,036.48	806,036.48	804,119.64	804,119.64
Profit or loss attributable to minority interests	4,032.52	1,608.85	1,608.85	150.65	279.58	279.58	103.23	103.23	-33.91	-33.91

Section 2 Corporate Profile and Key Financial Indicators

Unit: RMB'0000 Currency: RMB

Key accounting data	As at the end of 2018	As at the end of 2017		Increase/ decrease for the end of the Current Period over the end of the corresponding period last year (%)	As at the end of 2016		As at the end of 2015		As at the end of 2014	
		After adjustment	Before adjustment		After adjustment	Before adjustment	After adjustment	Before adjustment	After adjustment	Before adjustment
Net assets attributable to shareholders of the Company	5,252,483.11	4,913,453.04	4,913,453.04	6.90	4,729,480.17	4,729,480.17	3,833,086.94	3,833,086.94	3,345,186.05	3,345,186.05
Total assets	11,180,041.13	11,054,707.38	11,054,707.38	1.13	9,230,916.06	9,230,916.06	7,191,062.68	7,191,062.68	6,134,525.21	6,134,525.21
Total liabilities	5,911,182.38	6,128,911.21	6,128,911.21	-3.55	4,495,551.60	4,495,551.60	3,352,371.04	3,352,371.04	2,782,680.60	2,782,680.60
Total share capital as at the end of the Period	912,726.90	912,726.90	912,726.90		912,726.90	912,726.90	912,726.90	912,726.90	304,242.30	304,242.30

(II) Key financial indicators

Key financial indicators	2018	2017		Increase/ decrease for the Current Period over the corresponding period last year (%)	2016		2015		2014	
		After adjustment	Before adjustment		After adjustment	Before adjustment	After adjustment	Before adjustment	After adjustment	Before adjustment
Basic earnings per share (RMB/share)	0.5705	0.5508	0.5508	3.58	1.1560	1.1560	0.8830	0.8830	0.8810	0.8810
Diluted earnings per share (RMB/share)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Basic earnings per share after extraordinary gains/losses (RMB/share)	0.4261	0.4709	0.4709	-9.53	1.1344	1.1344	0.8384	0.8384	0.8455	0.8455
Weighted average return on net assets (%)	10.27	10.48	10.48	decreased by 0.21 percentage point	24.73	24.73	22.47	22.47	26.35	26.35
Weighted average return on net assets after extraordinary gains/losses (%)	7.67	8.96	8.96	decreased by 1.29 percentage points	24.27	24.27	21.34	21.34	25.42	25.42

Description of key accounting data and financial indicators of the Company in the last five years as at the end of the Reporting Period

✓ Applicable ☐ Not applicable

Section 2 Corporate Profile and Key Financial Indicators

In recent years, the Group continuously expanded its business scale, optimised its product mix by focusing on SUV products to develop cost-effective products, and improved customer satisfaction and its brand influence. During the Reporting Period, the Group increased the discounts of products to benefit consumers, resulting in a slight decrease in gross profit margin year on year. The Group carried out fine management of R&D projects and capitalised part of its R&D investments, which, coupled with the increased interest income of the Group, contributed to the year-on-year increase in net profit attributable to the parent.

VIII. DIFFERENCE IN ACCOUNTING DATA UNDER CHINA ACCOUNTING STANDARDS AND OVERSEAS ACCOUNTING STANDARDS

(I) Differences between the net profit and net assets attributable to shareholders of the Company in the financial report disclosed in accordance with the International Accounting Standards and the China Accounting Standards

Applicable Not applicable

(II) Differences between the net profit and net assets attributable to shareholders of the Company in the financial report disclosed in accordance with the overseas accounting standards and the China Accounting Standards

Applicable Not applicable

(III) Differences between overseas and domestic accounting standards:

Applicable Not applicable

IX. QUARTERLY KEY FINANCIAL DATA IN 2018

	<i>Unit: RMB Currency: RMB</i>			
	First Quarter (January to March)	Second Quarter (April to June)	Third Quarter (July to September)	Fourth Quarter (October to December)
Total operating revenue	26,572,916,603.37	22,105,532,248.07	17,966,499,805.33	32,585,038,545.43
Operating revenue	26,228,770,303.34	21,729,051,701.96	17,555,253,787.05	32,286,783,412.31
Net profit attributable to shareholders of the Company	2,080,990,964.01	1,614,808,297.38	230,757,818.18	1,280,756,888.19
Net profit attributable to shareholders of the Company after extraordinary gains/losses	2,124,841,311.71	1,453,434,057.39	50,769,309.23	259,727,451.87
Net cash flow from operating activities	-1,578,132,975.55	15,723,862,711.87	2,312,948,262.42	3,239,147,949.66

Differences between quarterly data and data disclosed in regular reports

Applicable Not applicable

Section 2 Corporate Profile and Key Financial Indicators

X. ITEMS AND AMOUNT OF EXTRAORDINARY GAINS/LOSSES

Applicable Not applicable

Extraordinary gains/losses	2018	Unit: RMB Currency: RMB	
		2017	2016
Profit or loss from disposal of non-current assets	57,976,477.13	-3,808,085.14	-15,774,408.19
Government grants accounted for in profit and loss account of the current period, except for government grants closely related to the Company's normal operations that were granted on an ongoing basis at a fixed standard amount or quantity in accordance with the State's policies and regulations	322,488,351.22	439,093,687.35	133,543,691.38
Non-operating gains and losses other than the above items	98,351,583.15	105,976,484.20	88,812,243.30
Gains from the disposal of long-term equity investments and disposal of wealth management products	219,270,174.59	124,224,830.95	29,663,778.76
Gains from changes in fair value (loss stated with "-")	-140,351,300.70	175,396,032.00	-
Gains from the equity interest in acquiree already held before the date of acquisition measured at fair value	-	-	684,042.36
Interest income on performance bond	1,025,378,584.90	-	-
Effect of minority interests	-717,579.32	-280,190.33	-9,448.47
Effect of income tax	-263,854,453.41	-111,501,675.25	-39,387,736.60
Total	1,318,541,837.56	729,101,083.78	197,532,162.54

XI. ITEMS MEASURED AT FAIR VALUE

Applicable Not applicable

Name of item	Balance at the beginning of the Period	Unit: RMB Currency: RMB		
		Balance at the end of the Period	Changes in the Current Period	Effect on profit for the Current Period
Financial assets classified as at fair value through profit or loss	317,994,432.00	3,177,643,131.30	2,859,648,699.30	-140,351,300.70
Including: Equity instrument investments	317,994,432.00	168,875,000.00	-149,119,432.00	-149,119,432.00
Wealth management products with floating yield	-	3,008,768,131.30	3,008,768,131.30	8,768,131.30
Financial assets classified as at fair value through other comprehensive income	49,082,808,590.70	31,891,367,949.34	-17,191,440,641.36	-
Including: Other current assets – notes receivable (with retroactive adjustment of balance at the beginning of the period)	49,075,108,590.70	31,883,667,949.34	-17,191,440,641.36	-
Other equity instrument investments (with retroactive adjustment of balance at the beginning of the period)	7,700,000.00	7,700,000.00	-	-
Total	49,400,803,022.70	35,069,011,080.64	-14,331,791,942.06	-140,351,300.70

XII. OTHERS

Applicable Not applicable

Section 3 Business Highlights of the Company

I. PRINCIPAL BUSINESS, OPERATING MODEL AND INDUSTRY DEVELOPMENT OF THE COMPANY DURING THE REPORTING PERIOD

1. Principal Business of the Company

Great Wall Motor is one of the largest SUV manufacturers in the PRC, with Haval, WEY, Great Wall pick-up trucks, and ORA as its four current brands. The Company cooperates and has entered into a joint venture contract with BMW to establish a joint venture, Spotlight Automotive Ltd., with a view to offering three major products, namely SUVs, sedans and pick-up trucks, and manufacturing and supplying relevant major automotive parts and components.

2. Operating Model

Focusing on the SUV category and operating innovative product lines, the Group has developed an overall strategy for each of the SUV market segments to satisfy different needs of customers and secure a leading position in market segments, so as to consolidate the position of the Group in the SUV market.

The Group has devoted itself to establishing a sound system comprising research, procurement, production and sale of automobiles.

The Company has continued to step up resource commitment to research and development and enhance the quality of its products to meet the ever-increasing needs of customers. In respect of research and development facilities, as one of the largest finished automobile R&D centers in the PRC with state-of-the-art technologies and world-class capabilities, the Haval technical center has five major functional areas, namely research and development, trial production, testing, modeling and data processing, with a strategy for the research and development of finished automobiles as well as parts and components. Global R&D resources have been pooled to build Baoding as a center for global R&D strategy to continuously improve and diversify global R&D expansion. So far, the Group has established eight worldwide R&D centers and technology incubation laboratories in areas including intelligent driving, intelligent networking, new energy and modeling.

In respect of procurement of parts and components, the Group aims to build a world-class supply chain and control the sources of core parts and components through vertical integration and strategic cooperation with internationally renowned brand suppliers. The Group has combined its parts and components business, establishing four parts and components companies including Honeycomb Yichuang Technology Co., Ltd., Jingcheng Engineering Automotive Systems Co., Ltd., Nuobo Automotive Systems Co., Ltd. and Mind Electronics Company Limited, promoting the independent development of parts and components business in an open manner to put market-based operation into actual practice and improve overall competitiveness. In addition, through entering into a long-term strategic partnership with international top suppliers such as Bosch, ZF, AUTOLIV and BorgWarner, the Company and these suppliers expand their respective advantages in resources and jointly manufacture leading innovative automotive products at home and abroad.

Section 3 Business Highlights of the Company

In respect of production, the Group currently has two major production bases which are located in Baoding (including Xushui District) and Tianjin, respectively. The base in Tianjin has already reached the target production capacity of finished automobiles as well as parts and components, assuring the Group of sufficient production capacity. Xushui Complete Vehicle Factory has commenced operation, while the finished automobile plant in Xushui is equipped with automated and intelligent facilities to enhance the precision of products and speed up production, providing reliable production capacity for new products in future. In 2018, the Company actively expanded factory planning in other cities and completed its layout in Yongchuan, Chongqing, Rizhao, Shandong and Pinghu, Zhejiang, respectively to increase the overall productivity, with the factory in Yongchuan, Chongqing commencing construction in March.

In respect of sale of automobiles, through continuously refining its sales network by launching mall.haval.com.cn, the first fully tailored automobile purchase e-mall in the PRC, the Group can access consumers across the country. In addition, the sales subsidiaries established in Russia, Australia and South Africa are now up and running, aggressively expanding the Group's overseas market.

As to the field of new energy, being proactive in expanding new energy automotive business, the Group launched its battery electric sedan brand ORA in 2018, accelerating the layout in the new energy market. Meanwhile, an investment in an Australian lithium ore company was made to accelerate the pace of development of new energy business.

Furthermore, while expanding services to cover an extended automobile industry chain based on the life cycle of automobiles and proactively exploring and improving automotive aftermarket services, the Group set up Tianjin Great Wall Binyin Automotive Finance Company Limited (天津長城濱銀汽車金融有限公司) in 2014, venturing into the area of automobile finance to diversify business products and expand channels to meet the needs of different customers for car purchases to the maximum extent possible on the back of traditional personal automobile loans and dealer inventory financing services.

3. Industry Overview

(1) Slight decrease in production and sales volume of automobiles

Affected by the withdrawal of purchase tax and the macroeconomic situation, production volume and sales volume of automobiles decreased slightly to 27,809,200 units and 28,080,600 units respectively in 2018, representing a decrease of 4.16% and 2.76% respectively as compared with the same period last year. However, the overall production and sales volume of automobiles continued to rank first in the world.

Section 3 Business Highlights of the Company

(2) Overall decline of passenger vehicles amid fiercer competition

In 2018, the production and sales volume of passenger vehicles amounted to 23,529,400 units and 23,709,800 units respectively, down by 5.15% and 4.08% respectively as compared with the same period last year, resulting from the decline across sedan, SUV, MPV and cross-over utility vehicle models. There was a rising trend for passenger vehicles consumption upgrade, given that the market share of low-end passenger vehicles continued to fall due to the decrease in the proportion of first-time car buyers while products in various market segments kept improving to address high-end needs. Meanwhile, the fierce market competition as evident from the sedan market and the “red ocean” SUV market was further intensified by price reduction of joint venture brands and frequent launch of new models by major automobile companies.

(3) New energy vehicles gaining strong momentum

In 2018, the production and sales volume of new energy vehicles reached 1,270,500 units and 1,256,200 units respectively, up by 59.92% and 61.74% respectively as compared with the same period last year. In particular, the production and sales volume of battery electric passenger vehicles reached 985,600 units and 983,700 units, representing an increase of 47.85% and 50.83% respectively as compared with the same period last year; and the production and sales volume of plug-in hybrid electric passenger vehicles reached 283,300 units and 270,900 units respectively, representing an increase of 121.97% and 117.98% respectively as compared with the same period last year.

(4) Automobile export increasing steadily

In 2018, the global economy posted steady growth, while the automobile export market continued to recover. The automobile export totaled 1,040,700 units in 2018, exceeding 1 million units for the first time since 2012, representing an increase of 16.82% as compared with the same period last year.

Note: The above industry data is derived from China Association of Automobile Manufacturers.

II. SIGNIFICANT CHANGES OF THE MAJOR ASSETS OF THE COMPANY DURING THE REPORTING PERIOD

Applicable Not applicable

Section 3 Business Highlights of the Company

III. ANALYSIS OF THE CORE COMPETITIVENESS DURING THE REPORTING PERIOD

√ Applicable Not applicable

1. Creating fair and equitable corporate culture

Adhering to the principle of “enhancing cooperation with integrity and seeking development through cooperation”, the Company has created a fair, equitable, simple and transparent work environment with an aim to foster sustainable and healthy development.

2. Focusing on principal business to maintain the leading position in categories

Over the years, the Company has put great emphasis on its development strategies and focused on its principal business with which more quality resources were shared. It has also dedicated itself to enhancing development in various segments in order to establish unique competitive advantages and maintain its leading position.

3. Strengthening quality and corporate culture and focusing on the improvement of quality

The Company has been in constant pursuit of perfect quality and aspired to maintain profit growth and sustainable development through high quality products. As such, the Company further enhanced its quality management.

4. Setting up an industrial cluster through vertical integration

The Company has been dedicating itself to the research, development and production of core parts and components, and has been enhancing the level of vertical integration. The Company is able to manufacture engines, transmissions, auto headlights and other core parts and components independently, which significantly enhanced the competitive advantage of automobiles in quality and cost. The Company has expanded the market presence of its parts and components business to raise competitiveness, and has structured such business through strategic planning for automobile production plants.

5. Committing to investment in research and development

Committing itself to investment in research and development, the Company has established a global research and development network headquartered in Baoding and covering Europe, Asia and North America. For research and development facilities, the Company has established one of the largest comprehensive automobile testing plants with the highest specification in the PRC. The Company has also set up the Havel Technical Center for research and development, trial production, testing, modeling and data processing, which has enhanced the research and development strategy for finished automobiles as well as parts and components and strengthened the overall research and development capability of the Company.

Section 4 Chairman's Statement

To all shareholders:

I am pleased to present the audited consolidated results of the Group for the year ended 31 December 2018.

Despite facing a complex and volatile external environment, the macro economy of China still achieved satisfactory results in 2018. The gross domestic product ("GDP") of China increased by 6.6% year-on-year in 2018 to more than RMB90.03 trillion. In 2019, the government will promote deep integration of the advanced manufacturing industry with the modern service sector, with an aim to build a strong manufacturing powerhouse.

In 2018, the overall development of China's automobile industry remained stable. The production and sales volume of automobiles in 2018 amounted to 27,809,000 units and 28,081,000 units respectively, ranking first in the world for the tenth consecutive year. However, affected by government policy and the macro economy, the production volume and sales volume were lower than those expected at the beginning of the year; the production and sales volume decreased by 4.2% and 2.8% year-on-year respectively. On the other hand, new energy automobiles continued to sustain rapid growth, and exports also realised relatively substantial growth.

In 2018, the growth rate of key financial figures of the automobile industry slowed down. This was due to the impact of the ending of the purchase tax cut, decline in macroeconomic growth rate, Sino-US trade friction and consumer confidence. In the short run, the industry will still be under great pressure. At present, China's automobile industry is still in the popularisation stage, with relatively large room for growth. The automobile industry has entered the stage of brand-building and high quality development.

In 2018, the automobile market turned cold. The Group actively adjusted its sales strategy. Since September 2018, the sales volume has steadily increased. The total sales volume for the year had exceeded 1,000,000 units, making the Group's sales volume exceeding 1,000,000 units for the third consecutive year. In 2018, the Group further improved its marketing approach, product mix and product quality, thus leading the development of Chinese brands.

In terms of brand building, the Group had realized independent operation of its four brands.

With respect to the "Haval" brand, the Group launched the F series models in 2018, achieving simultaneous operation of the H series and the F series, while increasing the differences between the models of the two series, thereby boosting the overall sales volume of the "Haval" brand.

Regarding to the "WEY" brand, the Group strove to enhance product quality and the brand. The P8 and VV6 models were launched during the year, which extended the product range from traditional vehicles to plug-in hybrid vehicles, and broadened the product portfolio of the "WEY" brand.

For "Great Wall Pickup", the Group released its new strategy for pick-up trucks in September 2018. In future, "Great Wall Pickup" will take the lead to enter into Industry 3.0 and Industry 4.0 with emphasis on comfortability, network connection, electrification, customization and intelligent technology, and will develop a new ecology of the above five elements. The Group also insisted on the development of the international market. To each individual country, the Group formulated and executed strategies according to the local conditions. The Group also achieved global research and development, manufacturing and sharing.

Section 4 Chairman's Statement

During the year, the Group launched the new electric vehicle brand "ORA". Models under the "ORA" brand were built on the Group's first exclusive electric vehicle platform, boasting five core advantages: greater outlook, more spacious, more intelligent features, safer and higher quality. As vehicles developed under the "ORA" brand adopted new manufacturing methods, a new business model was formed for the brand, covering six aspects including distribution network, mode of transaction, new finance, new mode of travel, new car technologies, second hand vehicle re-use and new marketing.

With changing consumption habits, more consumers used automobile finance to purchase vehicles, which stimulates the growth of the Group's automobile finance business. In 2018, the total amount of loans to customers of the automobile finance business reached RMB17,785 million with an interest income of RMB1,385 million, representing a year-on-year growth of 105.76%. It is expected that the future automobile finance business will sustain stable growth.

The Group is actively engaged in the development of cutting-edge technology. At present, it has realised collaborative development of intelligent driving technology in China, United States and India. The Company's intelligent driving system has obtained the autonomous vehicle testing licenses in Michigan, the U.S.. The 5G-supported remote controlled self-driving technology jointly developed by the Group, China Mobile and Huawei passed the test in China. In addition, the Group carried out strategic cooperation with Baidu on the four major aspects of vehicle intelligent network, self-driving, ride sharing and big data.

SHAREHOLDERS RETURN

The Group achieved a net profit of RMB5,248 million in 2018 through actively improving product quality, management quality and financial position, while better rewarding our shareholders. The Group recommends to distribute a final dividend of RMB0.29 per share (tax inclusive). The actual dividend amount is subject to the consideration and approval at the 2018 annual general meeting.

In 2018, despite the unfavourable situation of a declining automobile market in China, the Group was still able to achieve sales of over 1,000,000 units for three consecutive years, and became China's SUV automotive brand leader as well as the backbone of China's automobile industry. The Group is heading towards a more innovative, open, tolerant and international development.

Wei Jian Jun

Chairman

Baoding, Hebei Province, the PRC

22 March 2019

Section 5 Discussion and Analysis of the Business Operation of the Company (Management Discussion and Analysis)

I. DISCUSSION AND ANALYSIS OF THE BUSINESS OPERATION OF THE COMPANY

Operating Environment

Facing a complex and changing domestic and overseas economic and political environments in 2018, China's economy in general sustained steady growth, with a GDP exceeding RMB90.03 trillion and a year-on-year growth rate of 6.6%.

Affected by the early realisation of the effect of the purchase tax cut policy in 2017, and slowdown in macroeconomic growth rate, Sino-US trade friction as well as consumer confidence in 2018, both the production and sales volume of China's automotive industry for the year decreased year-on-year. However, China's total sales volume of automobiles remained the largest in the world and continued to rank first in the world in 2018.

According to the statistics of China Association of Automobile Manufacturers, the production volume and sales volume of the automotive industry in 2018 amounted to 27,809,000 units and 28,081,000 units, representing year-on-year decreases of 4.2% and 2.8%, respectively. The output and sales volume of passenger vehicles amounted to 23,529,000 units and 23,710,000 units, representing year-on-year decreases of 5.2% and 4.1% respectively. The respective markets of four types of passenger vehicles saw negative growth, with the crossover vehicle segment continuing to contract. In particular, the production and sales volume of sedans decreased by 4% and 2.7% year-on-year respectively; the production and sales volume of SUVs decreased by 3.2% and 2.5% year-on-year respectively; the production and sales volume of MPVs decreased by 17.9% and 16.2% year-on-year respectively; the production and sales volume of crossover passenger vehicles decreased by 20.8% and 17.3% year-on-year respectively.

In 2018, the export volume of automobiles continued on an upward trend, with a year-on-year increase of 16.8%, reaching 1,041,000 units; however, the aforesaid growth rate slowed down when compared with that of the previous year. In particular, the export volume of passenger vehicles amounted to 758,000 units, representing a year-on-year growth rate of 18.5%; the export volume of commercial vehicles rose by 12.5% year-on-year to 283,000 units.

China's automobile industry is currently in the stage of popularisation, with relatively large room for growth. The development of automotive technology is heading in the direction of intelligent technology, network connection, clean energy and sharing. The Group leverages global research and development ("R&D") capability to actively formulate plans for the development of the relevant technology and proactively develop new energy vehicles, and intelligent driving technology.

Section 5 Discussion and Analysis of the Business Operation of the Company (Management Discussion and Analysis)

Financial Review

Unit: RMB Currency: RMB

	From 1 January 2018 to 31 December 2018 (Audited)	From 1 January 2017 to 31 December 2017 (Audited)	Change %
Total operating revenue	99,229,987,202.20	101,169,488,827.86	-1.92
Operating revenue	97,799,859,204.66	100,491,618,178.70	-2.68
Revenue from the sale of automobiles	91,597,050,795.51	95,986,318,413.84	-4.57
Revenue generated from the sale of automotive parts and components and others (Note 1)	6,202,808,409.15	4,505,299,764.86	37.68
Interest income (Note 2)	1,388,705,701.12	673,004,172.25	106.34
Selling expenses	4,575,198,601.16	4,406,397,762.23	3.83
Administrative expenses	1,676,303,700.58	1,598,465,449.58	4.87
Research and development expenses (Note 3)	1,743,379,055.09	3,364,573,281.17	-48.18
Financial expenses (Note 4)	-493,875,195.06	138,601,073.50	-456.33
Gross profit	17,366,131,546.85	19,122,887,416.67	-9.19
Income tax expenses	1,229,432,879.17	1,189,579,538.89	3.35
Net profit attributable to shareholders of the Company	5,207,313,967.76	5,027,297,997.74	3.58
Basic earnings per share	0.57	0.55	3.58
Gross profit margin (%)	17.50	18.90	Decreased by 1.40 percentage points
Percentage of selling expenses to operating revenue (%)	4.68	4.38	Increased by 0.30 percentage point
Percentage of administrative expenses to operating revenue (%)	1.71	1.59	Increased by 0.12 percentage point

(Note 1) The increase in revenue generated from the sale of automotive parts and components and others was mainly due to the increase in the revenue from after-sales services and maintenance services for automotive parts and components during the Reporting Period.

(Note 2) The increase in interest income was mainly due to the increase in the volume of the lending business of Tianjin Great Wall Binyin Automotive Finance Company Limited, a subsidiary of the Company.

(Note 3) The decrease in research and development expenses was mainly due to the capitalization of research and development expenses which met the criteria for capitalization during the Reporting Period.

(Note 4) The decrease in financial expenses was mainly due to the receipt of interest income from performance bond during the Reporting Period.

Section 5 Discussion and Analysis of the Business Operation of the Company (Management Discussion and Analysis)

Assets and liabilities

Please refer to the “Analysis of assets and liabilities” in “The Operation during the Reporting Period” in item II of this section for details.

Gearing ratio

Unit: RMB Currency: RMB

	As at 31 December 2018 (Audited)	As at 31 December 2017 (Audited)
Total liabilities	59,111,823,806.94	61,289,112,131.14
Total equity	52,688,587,490.87	49,257,961,650.46
Gearing ratio	112.19%	124.42%

Note: Gearing ratio refers to the proportion of total liabilities to total equity in the consolidated balance sheet.

Acquisition and disposal of assets

For details, please refer to the relevant descriptions of “Disposal of major assets and equity interest” in “The Operation during the Reporting Period” in item II of this section of this report.

Save as the aforementioned issues, the Company, its subsidiaries and associates did not have other material acquisitions or disposals of assets during the Reporting Period.

Section 5 Discussion and Analysis of the Business Operation of the Company (Management Discussion and Analysis)

Capital structure

The Group generally finances its day-to-day operations with its internal cash flows and bank borrowings. As at 31 December 2018, the Company borrowed short-term loans of RMB12,799,966,582.00, mainly for its auto lending business. The Company borrowed long-term loans of RMB2,157,805,500.00, mainly for the construction of overseas plants as well as for the establishment of the automobile and auto parts project in Chongqing. For details of interest rate of the borrowings, please refer to the relevant descriptions of Note VI to the financial statements in this annual report.

Exposure to foreign exchange risk

Foreign exchange risk represents risks of loss incurred as a result of changes in exchange rates. Foreign currency assets and liabilities which may influence the Group's business performance due to foreign exchange risk are set out as bellow:

Item	RMB	
	As at 31 December 2018	As at 31 December 2017
Cash and cash equivalents	170,563,688.64	494,509,647.74
Held-for-trading financial assets	168,875,000.00	
Financial assets carried at fair value through profit or loss		317,994,432.00
Notes receivable and accounts receivable	170,480,719.74	130,889,030.76
Other receivables	-	6,692.92
Notes payable and accounts payable	-21,456,110.71	-31,423,959.80
Other payables	-82,683,782.26	-252,474,204.60
Short-term borrowings	-573,726,238.81	-
Long-term borrowings	-1,647,805,500.00	-423,754,500.00

The Group paid close attention to the impact of exchange rate changes on the Group's foreign exchange risk. Except for above items, the other financial instruments of the Group were not involved in foreign exchange risk.

Employment, training and development

As at 31 December 2018, the Group employed a total of 63,455 employees (31 December 2017: 68,505 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 employees, bonuses and cash awards may also be given to employees based on individual performance evaluation. Total staff cost accounted for 8.80% of the Group's total operating revenue as at 31 December 2018 (31 December 2017: 8.38%).

Taxation

During the Year, income tax expenses of the Group was RMB1,229,432,879.17 (2017: RMB1,189,579,538.89).

Section 5 Discussion and Analysis of the Business Operation of the Company (Management Discussion and Analysis)

Segment Information

The Group is mainly engaged in the manufacture and sale of automobiles and automotive parts and components in the PRC, and the majority of its assets are located in the PRC. The management determined the reporting segments according to the internal organizational structure, management requirements and internal reporting system of the Group for the purposes of resource allocation and performance evaluation. As the resource allocation and performance evaluation of the Group were carried out based on the overall operation of the production and sales of automobiles and automotive parts and components, the Group had only one business segment for internal reporting purpose.

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

	For the 12 months ended 31 December	
	2018 RMB (Audited)	2017 RMB (Audited)
China	95,915,540,820.51	98,644,672,330.24
South Africa	741,188,254.78	316,813,151.88
Ecuador	496,898,610.48	446,936,779.78
Chile	400,096,185.90	389,938,633.73
Russia	398,144,414.21	380,669,001.85
Iran	166,770,153.40	6,508,973.41
Other overseas countries	1,111,348,762.92	983,949,956.97
Total	99,229,987,202.20	101,169,488,827.86

The Group's major non-current assets for disclosure in the segment information (which consisted of fixed assets and investment properties) were primarily situated in the PRC.

The Group was not dependent on one or a few major customers.

Section 5 Discussion and Analysis of the Business Operation of the Company (Management Discussion and Analysis)

Business Review

Analysis of production and sales volume of automobiles

Car classification	Item	Sales Volume (unit)			Production Volume (unit)		
		Total for the year	Total for last year	Increase/decrease (%)	Total for the year	Total for last year	Increase/decrease (%)
Pick-up truck	Domestic sales	133,283	114,679	16.22			
	Export	12,961	10,432	24.24			
	Sub-total	146,244	125,111	16.89	143,679	125,150	14.81
SUV	Domestic sales	856,290	902,110	-5.08			
	Export	27,778	21,677	28.15			
	Sub-total	884,068	923,787	-4.30	869,783	904,286	-3.82
Sedan (mostly new energy automobiles)	Domestic sales	9,005	6,737	33.66			
	Export	4,390	5,372	-18.28			
	Sub-total	13,395	12,109	10.62	13,956	11,589	20.42
Total	Domestic sales	998,578	1,023,526	-2.44			
	Export	45,129	37,481	20.41			
	Sub-total	1,043,707	1,061,007	-1.63	1,027,418	1,041,025	-1.31

The Group's principal products are pick-up trucks, SUVs and sedans. The Group also engages in the production and sale of major automotive parts and components used in the above mentioned products. During the Year, the Group's sales volume of automobiles remained basically the same as that of the previous year. However, the sales proportion of new products of relatively higher selling prices continued to rise, with continued improvement in product mix.

Section 5 Discussion and Analysis of the Business Operation of the Company (Management Discussion and Analysis)

(1) *Pick-up truck*

According to the statistics of the China Association of Automobile Manufacturers, the Group's pick-up trucks continued to rank first in the PRC market in terms of sales volume for 21 consecutive years, thus entrenching its leading market position. During the Year, the Group launched "Wingle 7", which is equipped with 2.0T direct injection diesel engine. It provides a driving experience similar to that of a high-end SUV. The safety features and intelligent network technology have been greatly improved.

(2) *SUV*

During the Year, the Group accelerates the launch of new car models, introducing more brand new cars. With respect to the Haval brand, the Group, in the first half of the year, launched Haval H4, which enriched the product portfolio of Haval H series. In the second half of the year, the Group introduced Haval F5 and Haval F7 under its brand new F series; the brand new body design and intelligent features complemented the H series, and helped boost the SUV sales volume of the Haval brand. With respect to the WEY brand, the Group rolled out the first plug-in hybrid vehicle P8, and VV6, the third traditional vehicle model under the WEY brand, in the second half of the year. These two models not only expanded the product range of the WEY brand, but also further increased the sales volume of the WEY brand.

(3) *New energy vehicles*

During the Year, the Group announced the debut of the new energy vehicle brand ORA. Two all-electric car models, "iQ" and "R1" were launched under the ORA brand. The two models were manufactured using the Company's brand new electric vehicle platform, with significant improvement in safety, quality and endurance.

Domestic market

During the Year, the domestic automotive industry was under great pressure, with the growth rates of both the production and sales volume lower than those expected in early 2018. This was attributable to the end of purchase tax cut for vehicles with small displacement engine, macroeconomic growth slowdown, uncertainty brought by the Sino-US trade friction, as well as weakened consumer confidence. The growth rate of the industry's key financial figures slowed down. Meanwhile, China's automobile industry is still in the popularisation stage, with relatively large room for growth. The automobile industry has entered the stage of brand building and high quality development. Automobile companies rolled out more brand new models, which further intensified market competition and changed the pattern of market competition.

Facing changing patterns of market competition and continued increase in the level of consumption, the Group continued to enhance its marketing strategies, product mix and product quality, guiding the development of Chinese brands. During the Year, the Group also adapted its product mix to the prevailing market changes. Certain low-end products were gradually phased out of the market, while the proportion of models such as Haval F5, Haval F7 and WEY VV6 was gradually increased; product prices were set at higher levels. The two car models, "iQ" and "R1" launched under the new energy vehicle brand ORA, were well received by the market since their debut. The Group continued to step up its brand building efforts. During the Year, the Group completed the overall planning of its four major brands, namely "Haval", "WEY", "Great Wall Pickup" and "ORA".

Section 5 Discussion and Analysis of the Business Operation of the Company (Management Discussion and Analysis)

Overseas markets

During the Year, the Group stepped up its promotional efforts in overseas markets, and achieved automobile export sales of 45,100 units, representing a year-on-year increase of 20.41%.

The Group's overseas R&D centres in Japan, South Korea, India, Germany, Austria, the United States had been in operation, enabling the Group to achieve global R&D, which facilitated rapid improvement in the Group's product quality.

On the other hand, the Group further fine-tuned the distribution channels of overseas markets. Vehicles under the Haval brand were being promoted in overseas markets. Meanwhile, the Group also actively explored overseas markets with potential, with the aim to continue to increase its sales volume in future.

New energy

The Group concurrently engaged in the development of EV (electric vehicle), HEV (hybrid electric vehicle) and PHEV (plug-in hybrid electric vehicle), which involved three different types of technology, as well as the planning of FCV (fuel cell vehicle). In 2018, the Group launched the first plug-in hybrid vehicle, P8, and iQ and R1 car models under the new ORA brand, which further enriched the Company's product portfolio of new energy vehicles.

Intelligent driving and Internet of Vehicles

The Group has been working with domestic and international information technology giants on an ongoing basis. In March 2018, the 5G-supported self-driving technology jointly developed by the Group, China Mobile and Huawei passed the test carried out in the Group's Xushui proving ground. The response made by the vehicle was within milliseconds. The Group carried out strategic cooperation with Baidu on the four major aspects of vehicle intelligent network, self-driving, ride sharing and big data. In November, the Group's "National Intelligent Connected Vehicles and Smart Mobility (Beijing-Hebei) Demonstration Zone" was inaugurated and commenced operation. The zone's closed proving ground is the country's first high-speed circuit that can test LTE-V2X connectivity and communication. It is also the first closed proving ground with simulated urban road layouts that deploy 5G network.

Entering into a joint venture contract with BMW Holding

In July 2018, the Group and BMW Holding entered into a joint venture contract for the establishment of Spotlight Automotive Ltd. (光東汽車有限公司), which would be held as to 50% by each party. The parties will jointly develop a new generation all-electric vehicle platform, which will produce BMW's MINI electric vehicles as well as self-owned brand electric vehicles. On 13 August, the Group and Zhangjiagang People's Government entered into an automobile joint venture project investment agreement. Spotlight Automotive Ltd. will be established in Zhangjiagang city. As the first automobile joint venture project after the State's reform on joint venture ownership policy, the aforesaid cooperation not only provides strong support to the Group's development of the new energy market, but also entrenches the Group's leading position in the new energy sector. In addition, such will facilitate the Group's completion of a blueprint for internationalization. As at the end of 2018, the establishment of Spotlight Automotive Ltd. was still pending for government approval.

Section 5 Discussion and Analysis of the Business Operation of the Company (Management Discussion and Analysis)

Launch of new products

During the Year, the Group rationalized its four major brands, namely Haval, WEY, Great Wall Pickup and ORA. Each brand launched new car models, which helped boost the Group's sales volume to over 1,000,000 units.

Launch date	Car model	Model characteristics
March 2018	Haval H4	"H4" applies a brand new design language of the Haval family, designed with short front and rear overhangs, making the car look elegant and compact but at the same time extremely sporty. Equipped with a 1.3 GDIT and 1.5 GDIT engine and a 7 wet DCT; the model also has high-tech equipment including a 360 surround view system, blind spot detection and lane departure warning.
April 2018	WEY P8	The average fuel consumption of "P8" is as low as 2.3L per hundred kilometres, and P8 is the first product of the high-end new energy Pi4 platform under the WEY brand and it is exempt from license plate restriction, purchase restriction and purchase tax. It takes merely 6.5 seconds for P8 to accelerate from zero to 100 kilometres per hour. This car model features two modes of energy recovery, and three levels of energy recovery, and it can run up to 50 kilometres in all-electric mode.
August 2018	ORA iQ	"ORA iQ" is positioned as a new generation all-electric, compact and crossover vehicle. With the competitive edge in power control, intelligent network system, safety and protection, comfortable driving control and humanized care, all of which surpass products of the same grade in the industry, ORA iQ offers consumers a more exciting driving experience of new energy vehicles.
August 2018	WEY VV6	Boasting safety and luxury, "VV6" takes drivers experience to a whole new level of intelligent safety and intelligent luxury. In terms of intelligent safety, VV6 is fully equipped with Collie 2.0 intelligent safety system, complementing with intelligent assistance technologies such as AEB, ACC, ICA, TJA, etc. All this raises the intelligent safety standard to an unprecedented level. This model is also loaded with features that enhance driving control experiences, NVH, sitting comfortability and Internet of Vehicles.
September 2018	Haval F5	"F5", the first model under the Haval brand targeting at a younger audience, boasts intelligent technology, intellectual aesthetics and elegant appearance, fully demonstrating that it resonates with a younger clientele and is made for them. "F5" is designed for a younger audience; in view of the four aspects of intelligent network technology, aesthetics of car design, driving control experience, and intelligent safety, it is a trendy car for the post-90s consumer group.

Section 5 Discussion and Analysis of the Business Operation of the Company (Management Discussion and Analysis)

Launch date	Car model	Model characteristics
November 2018	Haval F7	"F7", positioned Artificial Intelligence Connected SUV, boasts an advanced intelligent network design; this model can meet the various personal needs of the car owners. The intelligent safety features installed in "F7" far surpass its peers in the industry.
November 2018	Wingle 7	"Wingle 7" is equipped with the 2.0T direct injection diesel engine, which provides a driving experience similar to that of a high-end SUV. The safety features and intelligent network technology have been greatly improved.
December 2018	ORA R1	The total maximum endurance mileage of "R1" is 351 kilometres. Driving more than 10 kilometres will consume one unit of electricity; and power will automatically be cut off within 60 milliseconds. It boasts 416 safety protection features, and over 60% of the car body use high-strength steel.

In addition, at the Beijing International Automotive Exhibition in April, the Group showcased a number of SUV models, reflecting the Company's strong research and development capabilities..

Outlook

Affected by factors such as macroeconomic downturn, consumer credit decline, and China-US trade friction in 2018, the automobile industry experienced its first decline in 20 years. Despite the aforesaid, the automobile sectors in most of China regions are still in the popularisation stage, and there is still much room for sales growth. China's automotive industry will enter a new era of low growth and high volatility. At the same time, with the gradual liberalisation of the proportion of foreign investment and gradual decrease in import tariffs, the competition between self-owned brands and joint-venture brands will become more intense, and changes in the market competition will cause further concentration in the industry.

The Group will adhere to its strategy of high-quality development, capitalise on the new round of technology revolutions and industry opportunities so as to enhance its soft power and hard power, and to empower China's automotive brands. The Group's four major brands will continue to roll out new models to meet market demand.

Facing the era of 5G, big data, artificial intelligence and Internet of Things, the Group will continue to commit to innovation, so as to be able to adapt to future market technology and models. The Group will also accelerate the pace of internationalization. Through institutional innovation, mechanism innovation, format innovation and cultural innovation, the Group will be well-poised for internationalization and develop the most valuable and world-class international brand.

Section 5 Discussion and Analysis of the Business Operation of the Company (Management Discussion and Analysis)

Overseas market

The Group will continue to step up its efforts in overseas market development. The establishment of plants and subsidiaries in overseas markets will help boost the Group's export sales. In addition, the Group will promote its global sales by increasing its brand marketing efforts in overseas markets, and continuing to enhance the reputation and influence of its products in overseas markets.

New facilities

The Group's plant in Tula Oblast, Russia is expected to complete construction and commence operation in the second quarter of 2019. It will mainly manufacture H9 and F7 models. Upon inauguration, it is expected to improve sales in Russia and extend to Eastern European markets.

After its production bases in Baoding, Xushui and Tianjin, Great Wall Motor's Chongqing Yongchuan production base project is expected to complete construction and commence production at the end of 2019.

Separation from the battery business

The Group saves on its capital expenditures and focuses its resources on the development of core businesses to increase profitability. To facilitate the marketing operation of Honeycomb Energy Technology Company Limited ("Honeycomb Energy") and increase the product competitiveness of the aforesaid, the Company transferred 100% of its equity interests in Honeycomb Energy, being its wholly-owned subsidiary, to Baoding Ruimao Corporate Management and Consulting Company Limited by way of a transfer agreement. The completion of the above-mentioned transfer will help the Group lower its capital expenditure and focus its resources on the development of core businesses and increase the Company's profitability. Such will also facilitate the marketing operation of Honeycomb Energy and increase Honeycomb Energy's product competitiveness.

Increase in shareholding of the largest shareholder

Baoding Great Wall Holdings Company Limited increased the Group's H shareholding in September 2018 and December 2018 respectively; the total number of additional shares held amounted to 30,018,500 shares, representing 0.97% of the H share capital and reflected Mr Wei Jian Jun's confidence in the Company's future development.

Preferential enterprise income tax rate for high-tech enterprises

In accordance with the relevant requirements of the Administrative Measures for the Accreditation of High-Tech Enterprises (高新技術企業認定管理辦法), the Company passed the accreditation of high-tech enterprises in 2016, and obtained the High-Tech Enterprise Certificate (高新技術企業證書) (CERTIFICATE NO: GR201613000025) on 2 November 2016. The certificate was valid for three years. Article 28 of Enterprise Income Tax Law of the People's Republic of China (中華人民共和國企業所得稅法) stipulates that "the key high-tech enterprises which receive support from the State shall be entitled to a reduced enterprise income tax rate of 15%". Accordingly, the Company pays its income tax at the rate of 15% from 2016 to 2018.

Section 5 Discussion and Analysis of the Business Operation of the Company (Management Discussion and Analysis)

II. THE OPERATION DURING THE REPORTING PERIOD

During the Reporting Period, the total operating revenue, operating profit and net profit attributable to shareholders of the Company were RMB99,230 million, RMB6,232 million and RMB5,207 million, representing an decrease of 1.92%, an increase of 6.45% and an increase of 3.58%, respectively, as compared to the corresponding period of last year.

(I) Analysis of principal business

1. Analysis of changes in certain items in income statement and cash flow statement

Unit: RMB Currency: RMB

Item				2016	2015	2014
	For the Current Period	For the corresponding period last year	Changes (%)			
Total operating revenue	99,229,987,202.20	101,169,488,827.86	-1.92	98,615,702,427.24	76,033,142,505.96	62,599,104,189.86
Operating revenue	97,799,859,204.66	100,491,618,178.70	-2.68	98,443,665,116.02	75,954,585,964.64	62,590,772,604.67
Operating costs	81,480,942,550.61	81,966,903,618.84	-0.59	74,360,223,523.10	56,863,911,403.05	45,251,761,068.39
Selling expenses	4,575,198,601.16	4,406,397,762.23	3.83	3,175,424,411.26	2,841,565,090.40	2,084,755,133.80
Administrative expenses	1,676,303,700.58	1,598,465,449.58	4.87	1,394,460,474.44	1,269,994,881.03	1,250,760,748.26
Research and development expenses	1,743,379,055.09	3,364,573,281.17	-48.18	3,180,236,419.29	2,760,609,085.70	2,571,581,207.82
Financial expenses	-493,875,195.06	138,601,073.50	-456.33	-3,858,556.40	139,370,863.43	-129,380,918.13
Net cash flows from operating activities	19,697,825,948.40	-1,059,294,783.95		8,835,406,234.02	10,033,690,411.71	6,095,784,407.40
Net cash flows from investing activities	-10,040,436,458.33	-3,072,997,093.57		-8,367,460,548.39	-6,516,889,077.71	-7,209,952,718.60
Net cash flows from financing activities	-6,500,837,532.69	6,089,261,843.31	-206.76	-1,116,326,659.64	-4,112,054,970.50	-1,309,157,089.95

Section 5 Discussion and Analysis of the Business Operation of the Company (Management Discussion and Analysis)

2. Revenue and cost analysis

√ Applicable □ Not applicable

(1) Principal businesses by industries, products and regions

Unit: RMB Currency: RMB

Principal businesses by industries						
Industry	Operating revenue	Operating costs	Gross profit margin (%)	Increase/decrease in operating revenue over last year (%)	Increase/decrease in operating costs over last year (%)	Increase/decrease in gross profit margin over last year (%)
Automotive industry	96,761,404,723.33	80,722,599,578.15	16.58	-3.12	-0.89	Decreased by 1.87 percentage points

Principal businesses by products						
Product	Operating revenue	Operating costs	Gross profit margin (%)	Increase/decrease in operating revenue over last year (%)	Increase/decrease in operating costs over last year (%)	Increase/decrease in gross profit margin over last year (%)
Sales of automobiles	91,597,050,795.51	77,153,995,718.49	15.77	-4.57	-2.17	Decreased by 2.07 percentage points
Sales of automotive parts and components	3,746,002,331.51	2,285,641,404.34	38.98	17.84	10.32	Increased by 4.16 percentage points
Sales of moulds and others	461,394,060.90	380,119,063.21	17.62	-3.43	16.16	Decreased by 13.89 percentage points
Rendering of services	956,957,535.41	902,843,392.11	5.65	309.99	392.04	Decreased by 15.73 percentage points

Principal businesses by regions						
Region	Operating revenue	Operating costs	Gross profit margin (%)	Increase/decrease in operating revenue over last year (%)	Increase/decrease in operating costs over last year (%)	Increase/decrease in gross profit margin over last year (%)
The PRC	93,465,397,491.39	77,817,314,398.67	16.74	-4.00	-1.81	Decreased by 1.86 percentage points
Overseas	3,296,007,231.94	2,905,285,179.48	11.85	31.06	32.31	Decreased by 0.84 percentage point

Section 5 Discussion and Analysis of the Business Operation of the Company (Management Discussion and Analysis)

Description of principal businesses by industries, products and regions

Applicable Not applicable

The Company is mainly engaged in the research and development, manufacture and sale of automobiles and key automotive parts and components. The principal business of the Company belongs to the automobile industry and its products include automobiles, automotive parts and components, moulds, services and others.

Domestic business is mainly operated in mainland China.

(2) Analysis of output and sales volume

Applicable Not applicable

Major product	Output	Sales volume	Inventory	Increase/ decrease in output over last year (%)	Increase/ decrease in sales volume over last year (%)	Increase/ decrease in inventory over last year (%)
Pick-up trucks	143,679	146,244	2,580	14.81	16.89	-49.93
SUVs	869,783	884,068	13,356	-3.82	-4.30	-51.98
Sedans (mostly new energy automobiles)	13,956	13,395	824	20.42	10.62	178.38
Total	1,027,418	1,043,707	16,760	-1.31	-1.63	-49.61

Section 5 Discussion and Analysis of the Business Operation of the Company (Management Discussion and Analysis)

(3) Cost analysis

Unit: RMB Currency: RMB

		By industries						
Industry	Cost item	Amount for the Current Period	Proportion to total costs for the Current Period (%)	Amount for the corresponding period last year	Proportion to total costs for the corresponding period last year (%)	Changes in the amount for the Current Period over the corresponding period last year (%)	Description	
								Automotive industry

		By products						
Product	Cost item	Amount for the Current Period	Proportion to total costs for the Current Period (%)	Amount for the corresponding period last year	Proportion to total costs for the corresponding period last year (%)	Changes in the amount for the Current Period over the corresponding period last year (%)	Description	
								Finished automobiles
Parts and components	Raw materials, labour wages, depreciation, energy, etc.	2,285,641,404.34	2.81	2,071,873,224.38	2.53	10.32	-	
Moulds and others	Raw materials, labour wages, depreciation, energy, etc.	380,119,063.21	0.47	327,240,134.27	0.40	16.16	-	
Labour services	Finished automobile maintenance service costs, transportation tolls, fuel costs, travel expenses, labour wages, etc.	902,843,392.11	1.11	183,488,536.69	0.22	392.04	The change in labor cost is mainly due to the Group's implementation for the reporting period of the Accounting Standards for Business Enterprises No. 14 – Revenue revised and issued by the Ministry of Finance on in 2017 where free maintenance services of finished automobiles for customers are provided as a single performance obligation, the costs incurred are presented under labor costs. And the Group did not make any adjustments to the comparative financial statement data for previous periods.	

Other description of cost analysis

√ Applicable Not applicable

Section 5 Discussion and Analysis of the Business Operation of the Company (Management Discussion and Analysis)

(4) Major customers and suppliers

√ Applicable Not applicable

Unit: RMB Currency: RMB

Name of customer	Operating revenue	Proportion to total operating revenue of the Company (%)
Customer 1	2,689,830,102.40	2.71
Customer 2	2,617,714,647.71	2.64
Customer 3	1,862,062,359.21	1.88
Customer 4	1,195,913,365.50	1.21
Customer 5	1,122,496,605.77	1.13
Total	9,488,017,080.59	9.57

Sales to the five largest customers amounted to RMB9,488.02 million, accounting for 9.57% of the total sales of the Year, in which sales of RMB0 came from the related parties, accounting for 0% of the total sales of the Year.

During the Year, sales to the Group's five largest customers accounted for less than 30% of the Group's annual total sales. The directors did not consider that any customer had significant influence on the Group.

None of the directors, their associates or any shareholders (which to the knowledge of the directors own more than 5% of the Company's issued share capital) were interested in the major customers mentioned above.

Unit: RMB Currency: RMB

Name of supplier	Purchases	Proportion to total purchases for the Year (%)
Supplier 1	2,554,615,217.53	3.10
Supplier 2	1,874,211,174.06	2.27
Supplier 3	1,585,145,817.17	1.92
Supplier 4	1,432,175,457.59	1.74
Supplier 5	1,163,168,459.17	1.41
Total	8,609,316,125.52	10.45

Section 5 Discussion and Analysis of the Business Operation of the Company (Management Discussion and Analysis)

Purchases from the five largest suppliers amounted to RMB8,609.32 million, accounting for 10.45% of the total purchases of the Year, in which, purchases of RMB0 came from the related parties, accounting for 0% of the total purchases of the Year.

During the Year, purchases from the Group's five largest suppliers accounted for less than 30% of the Group's annual total purchases. The directors did not consider that any supplier had significant influence on the Group.

None of the directors, their associates or any shareholders (which, to the knowledge of the directors, own more than 5% of the Company's issued share capital) was interested in the major suppliers mentioned above.

3. Expenses

Applicable Not applicable

Unit: RMB Currency: RMB

Items	2018	2017	Changes (%)	Reasons
Selling expenses	4,575,198,601.16	4,406,397,762.23	3.83	–
Administrative expenses	1,676,303,700.58	1,598,465,449.58	4.87	–
Financial expenses	-493,875,195.06	138,601,073.50	-456.33	Changes in financial expenses were mainly due to the receipt of the interest income from performance bond during the Reporting Period
Research and development expenses	1,743,379,055.09	3,364,573,281.17	-48.18	Changes in financial expenses were mainly in development expenses were mainly due to the capitalization of development expenses which met the criteria for capitalization during the Reporting Period.

4. Research and development expenses

Statement of research and development expenses

Applicable Not applicable

Unit: RMB Currency: RMB

Research and development expenses for the Current Period	1,743,379,055.09
Research and development expenses capitalised for the Current Period	2,215,524,619.63
Total research and development expenses	3,958,903,674.72
Percentage of total research and development expenses over operating revenue (%)	4.05
Number of research and development employees (person) of the Company	16,972
Percentage of the number of research and development employees over the total number of employees of the Company (%)	26.75
Percentage of research and development expenses capitalised (%)	55.96

Section 5 Discussion and Analysis of the Business Operation of the Company (Management Discussion and Analysis)

Description

Applicable Not applicable

In 2018, the total research and development expenses of the Company amounted to RMB3.959 billion, representing an increase of 17.66% as compared with the same period last year.

The Company has always put a great emphasis on and invested heavily in research and development of new products and technologies. Sparing no effort in investment in research and development, the Company seeks to continuously strengthen its leading position in the market through enhancing the efficiency of research and development, thus laying a solid foundation for consistent independent innovation. During the Reporting Period, the research and development expenses were mainly used in the research and development of complete buildup units, core parts and components and new energy technology. With our continuous efforts in research and development, our various new products have recorded satisfactory sales results.

In the “Notice of 2017-2018 National Enterprise Technology Center Appraisal Result” issued by the National Development and Reform Commission in 2018, the Technology Center of Great Wall Motors was awarded outstanding national enterprise technology center with a score of 93.7, ranking 9th among all the 1,345 enterprises being appraised, 1st among all the Hebei Province-based enterprises, and 2nd among all the automobile manufacturers.

In 2018, the Company was granted 781 patents, including 66 invention patents, 515 utility model patents and 200 designs patents.

5. Cash flow

Applicable Not applicable

Unit: RMB Currency: RMB

Items	2018	2017	Changes (%)	Reasons
Net cash flows from operating activities	19,697,825,948.40	-1,059,294,783.95		Changes in net cash flows from operating activities were mainly due to the collection and discount of bills.
Net cash flows from investing activities	-10,040,436,458.33	-3,072,997,093.57		Changes in net cash flows from investing activities were mainly due to the decrease in the principal of investment and wealth management products recovered during the Reporting Period
Net cash flows from financing activities	-6,500,837,532.69	6,089,261,843.31	-206.76	Changes in net cash flows from financing activities were mainly due to the increase in bank loan repayments during the Reporting Period

(II) Description of significant changes in profit of non-principal businesses

Applicable Not applicable

Section 5 Discussion and Analysis of the Business Operation of the Company (Management Discussion and Analysis)

(III) Analysis of assets and liabilities

√ Applicable □ Not applicable

1. Assets and liabilities

Unit: RMB Currency: RMB

Item	Amount as at the end of the Current Period	Proportion to total assets (%)	Amount as at the end of last year	Proportion to total assets (%)	Changes in the amount as at the end of the Current Period over the corresponding period last year (%)	Description	2016	2015	2014
Cash and bank balances	7,682,083,569.01	6.87	4,831,349,324.85	4.37	59.00	Changes in cash and bank balances were mainly due to the increase in collected and discounted bills as at the end of the Reporting Period.	2,153,603,558.38	3,641,764,292.73	3,394,260,013.36
Financial assets held for trading	3,177,643,131.30	2.84			100.00	Changes in financial assets held for trading were mainly because the Group recognised the purchased "principal-guaranteed floating-income" wealth management products and the equity investments in listed companies as financial assets held for trading according to the Notice of the Ministry of Finance on Revising and Issuing the Format of Financial Statements of General Enterprises (Cai Kuai [2018] No. 15). And the Group did not make any adjustments to the comparative financial statement data for previous periods.			
Financial assets at fair value through profit or loss			317,994,432.00	0.29	-100.00	Changes in financial assets at fair value through profit or loss were mainly because the Group reclassified the equity investments in listed companies originally recognised as financial assets at fair value through profit or loss to "financial assets held for trading" according to the Notice of the Ministry of Finance on Revising and Issuing the Format of Financial Statements of General Enterprises (Cai Kuai [2018] No. 15). And the Group did not make any adjustments to the comparative financial statement data for previous periods.			214,440.00
Notes and accounts receivable	3,343,220,862.42	2.99	49,948,553,567.36	45.18	-93.31	Changes in notes and accounts receivable were mainly because the Group began to hold notes receivable within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets according to the Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments revised by the Ministry of Finance in 2017. For this purpose, on 31 December 2018, the Group reclassified notes receivable to other current assets. As a result, notes receivable originally measured at amortised cost are now measured at fair value. And the Group did not make any adjustments to the comparative financial statement data for previous periods.	40,304,225,610.31	28,837,670,239.24	24,082,479,409.28
Prepayments	440,800,952.34	0.39	579,536,182.06	0.52	-23.94	-	1,057,180,423.77	880,716,835.91	723,332,515.18
Other receivables	651,737,776.25	0.58	326,247,513.83	0.30	99.77	Changes in other receivables were mainly due to the increase in land premium receivables and tax refund receivables during the Reporting Period.	263,429,992.67	116,771,548.65	2,909,685,128.03
Inventories	4,445,104,832.92	3.98	5,574,771,949.63	5.04	-20.26	-	6,061,138,217.68	4,119,805,909.61	3,470,386,550.65
Non-current assets due within one year	12,440,648,243.17	11.13	7,447,875,069.05	6.74	67.04	Changes in non-current assets due within one year were mainly due to the increase in loans to customers due within one year of Tianjin Great Wall Binjin Automotive Finance Co., Ltd., a subsidiary of the Company	1,201,702,064.95	1,023,694,956.31	52,161,068.06

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Item	Amount as at the end of the Current Period	Proportion to total assets (%)	Amount as at the end of last year	Proportion to total assets (%)	Changes in the amount as at the end of the Current Period over the corresponding period last year (%)	Description	2016	2015	2014
Other current assets	33,945,054,443.34	30.36	267,000,053.72	0.24	12,613.50	Changes in other current assets were mainly because financial assets at fair value through other comprehensive income were presented under the item of other current assets based on the subsequent cash inflow of notes receivable during the Reporting Period according to the Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments revised by the Ministry of Finance in 2017. The Group did not make any adjustments to the comparative financial statement data for previous periods.	1,448,753,670.80	1,769,572,570.82	681,225,623.01
Current Assets	66,126,293,810.75	59.15	69,293,328,092.50	62.68	-4.57	-	53,928,033,538.56	40,389,996,353.27	35,313,744,747.57
Issuance of loans and advances	5,816,518,883.33	5.20	4,428,694,699.29	4.01	31.34	Changes in issuance of loans and advances were due to the growth of the lending business of Tianjin Great Wall Binyin Automotive Finance Co., Ltd., a subsidiary of the Company	3,076,249,652.50	561,063,510.14	100,508,080.46
Debt investment	70,000,000.00	0.06			100.00	Debt investments at the end of the Reporting Period represent the investment in Linktour Motors Co., Ltd.			
Available-for-sale financial assets			7,700,000.00	0.01	-100.00	Changes in available-for-sale financial assets were mainly because the Group reclassified the equity investments in non-listed companies originally recognised as available-for-sale financial assets to investments in equity instruments not held for trading measured at fair value through other comprehensive income and presented such assets in "investments in other equity instruments" according to the Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments revised by the Ministry of Finance in 2017. And the Group did not make any adjustments to the comparative financial statement data for previous periods.	7,700,000.00	7,200,000.00	7,200,000.00
Long-term receivables	145,875,825.39	0.13			100.00	Long-term receivables at the end of the Reporting Period represent finance lease rental due in more than one year	1,361,193,481.58	1,613,829,351.48	
Investments in other equity instruments	7,700,000.00	0.01			100.00	Changes in investments in other equity instruments were mainly because the Group reclassified the equity investments in non-listed companies originally recognised as available-for-sale financial assets to investments in equity instruments not held for trading measured at fair value through other comprehensive income and presented such assets in "investments in other equity instruments" according to the Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments revised by the Ministry of Finance in 2017. And the Group did not make any adjustments to the comparative financial statement data for previous periods.			
Investment property	183,718,426.00	0.16	126,047,995.75	0.11	45.75	Changes in investment property were due to the increase in the Group's rental properties during the Reporting Period.	128,146,873.50	21,474,328.15	6,344,662.41

Section 5 Discussion and Analysis of the Business Operation of the Company (Management Discussion and Analysis)

Item	Amount as at the end of the Current Period	Proportion to total assets (%)	Amount as at the end of last year	Proportion to total assets (%)	Changes in the amount as at the end of the Current Period over the corresponding period last year (%)	Description	2016	2015	2014
Development expenses	1,853,380,455.31	1.66	-	-	100.00	Development expenses at the end of the Reporting Period represent the amount of capitalised R&D investments			
Goodwill	4,391,332.13	0.00	2,163,713.00	0.00	102.95	Changes in goodwill were mainly due to the increase in goodwill caused by the Group's acquisition of equity in Oula Information Service Co., Ltd. in June 2018.	4,972,730.90	2,163,713.00	2,163,713.00
Notes payable and accounts payable	29,401,641,240.32	26.30	31,841,388,872.32	28.80	-7.66	-	29,172,317,752.94	21,083,782,121.84	18,231,310,110.07
Receipts in advance			5,457,772,639.50	4.94	-100.00	Changes in receipts in advance were mainly because the Group reclassified the advance payments for goods received from customers in accordance with the relevant contracts from receipts in advance to "contract liabilities" according to the Accounting Standards for Business Enterprises No. 14 – Revenue revised by the Ministry of Finance in 2017 and the Notice of the Ministry of Finance on Revising and Issuing the Format of Financial Statements of General Enterprises (Cai Kuai [2018] No. 15). And the Group did not make any adjustments to the comparative financial statement data for previous periods.	6,311,928,102.18	4,937,845,265.44	3,180,045,338.74
Contract liabilities	3,433,904,092.43	3.07			100.00	Changes in contract liabilities were mainly because the Group recognised the obligations to transfer goods or services to customers for considerations received or receivable from customers as "contract liabilities" according to the Accounting Standards for Business Enterprises No. 14 – Revenue revised by the Ministry of Finance in 2017 and the Notice of the Ministry of Finance on Revising and Issuing the Format of Financial Statements of General Enterprises (Cai Kuai [2018] No. 15). And the Group did not make any adjustments to the comparative financial statement data for previous periods.			
Salaries payable	2,060,853,914.65	1.84	1,872,028,903.98	1.69	10.09	-	1,966,848,264.70	1,534,598,723.77	1,326,601,449.19
Taxes payable	2,551,412,583.25	2.28	2,308,154,256.08	2.09	10.54	-	1,978,393,497.86	979,247,478.39	880,096,384.40
Other payables	2,916,697,689.61	2.61	2,568,250,538.41	2.32	13.57	-	2,044,621,071.17	1,671,822,888.55	1,778,456,154.22
Non-current liabilities due within one year	239,004,480.04	0.21	142,533,396.22	0.13	67.68	Changes in non-current liabilities due within one year were mainly due to the increase in deferred income due within one year during the Reporting Period.	105,170,607.29	83,299,009.08	75,657,544.16
Other current liabilities	1,214,941,169.33	1.09	1,653,117,141.98	1.50	-26.51	-	1,422,960,496.15	1,195,842,038.07	672,530,061.79
Current Liabilities	54,618,421,751.63	48.85	58,881,223,748.49	53.26	-7.24	-	43,252,239,792.29	31,786,437,525.14	26,144,697,042.57
Long-term borrowings	2,157,805,500.00	1.93	423,754,500.00	0.38	409.21	Changes in long-term borrowings were due to the increase in loans obtained from banks during the Reporting Period.	49,800,000.00	50,000,000.00	
Deferred income tax liabilities	252,949,267.07	0.23	20,613,845.65	0.02	1,127.08	Changes in deferred income tax liabilities were mainly due to the increase in taxable temporary difference arising from depreciation of fixed assets during the Reporting Period.	2,328,903.31	1,094,276.88	
Other comprehensive income	-262,321,113.07	-0.23	3,056,451.02	0.00	-8,682.54	Changes in other comprehensive income were due to changes in foreign currency translation differences of subsidiaries operating overseas	-1,502,334.31	-147,973,964.82	-97,592,596.69
Minority Interests	163,756,409.79	0.15	123,431,243.05	0.11	32.67	Changes in minority Interests were due to the growth in profit of Tianjin Great Wall Binyin Automotive Finance Co., Ltd., a subsidiary of the Company	58,842,784.26	56,047,023.99	66,585,630.27

Section 5 Discussion and Analysis of the Business Operation of the Company (Management Discussion and Analysis)

2. Restrictions on major assets as at the end of the Reporting Period

Applicable Not applicable

Items	Carrying amount at the end of the year	Reasons for the restrictions
Cash and bank balances	1,067,472,131.58	Guarantee deposits of bank acceptance bill, deposit reserves, L/C guarantee deposits, guarantee deposits and others
Notes receivable	5,758,816,794.08	Used for issuance of notes payable and short-term borrowings
Intangible assets	86,527,825.88	Used for long-term borrowings
Total	6,912,816,751.54	–

3. Description of other matters

Applicable Not applicable

(IV) Analysis of operation information by industries

Applicable Not applicable

Analysis of operation information of automobile manufacturing industry

1. Production capacity

Applicable Not applicable

Current production capacity

Applicable Not applicable

Major factory	Designated production capacity (Unit 10,000)	Production capacity during the Reporting Period (Unit 10,000)	Utilisation rate of production capacity (%)
Baoding (including Xushui Vehicle Factory)	75	72.2	96.27
Tianjin	45	30.5	67.78
Total	120	102.7	85.58

Section 5 Discussion and Analysis of the Business Operation of the Company (Management Discussion and Analysis)

Production capacity of factories under construction

√ Applicable Not applicable

Unit: 10,000 Currency: RMB

Factory under construction	Planned investment amount	Investment amount during the Reporting Period	Total investment amount	Expected date of commencement of production	Estimated production capacity (Unit 10,000)
Russia automobile plant	345,712.77	143,955.17	249,203.09	April 2019	8
Chongqing automobile plant	203,350.77	50,124.88	50,124.88	December 2019	12

Calculation standards of production capacity

√ Applicable Not applicable

The designated production capacity is calculated based on two shifts (a total of 16 hours) per day for 250 days.

2. Output and sales volume of vehicles

√ Applicable Not applicable

By types of vehicles

√ Applicable Not applicable

For details, please refer to the relevant description in "Analysis of production and sales volume of automobiles" in "Business Review" of item I "Discussion and Analysis of the Business Operation of the Company (Management Discussion and Analysis)" of this section.

By regions

√ Applicable Not applicable

For details, please refer to the relevant description in "Analysis of production and sales volume of automobiles" in "Business Review" of item I "Discussion and Analysis of the Business Operation of the Company (Management Discussion and Analysis)" of this section.

Section 5 Discussion and Analysis of the Business Operation of the Company (Management Discussion and Analysis)

3. Output and sales volume of parts and components

Applicable Not applicable

By types of parts and components

Applicable Not applicable

By types of markets

Applicable Not applicable

The revenue from external sales of manufacturing of automotive parts and components accounted for 3.78% of the total operating revenue of the Company, which is not subject to disclosure.

4. New energy automobile business

Applicable Not applicable

Production capacity of new energy automobile

Applicable Not applicable

Note: Currently, new energy products and traditional automobile products are manufactured on a shared production line with a total production capacity of 1.2 million units. The Company adopts a flexible approach to coordinate the production of these two types of products in response to market conditions.

Output and sales volume of new energy automobiles

Applicable Not applicable

Car classification	Sales Volume (unit)			Production Volume (unit)		
	Total for the year	Total for last year	Increase/decrease (%)	Total for the year	Total for last year	Increase/decrease (%)
New energy automobiles	11,600	2,718	326.78	12,528	3,007	316.63

Section 5 Discussion and Analysis of the Business Operation of the Company (Management Discussion and Analysis)

Revenue from and subsidy for new energy automobile business

Applicable Not applicable

Unit: RMB Currency: RMB

Car classification	Revenue	Subsidy for new energy automobile business	Percentage (%)
New energy automobiles	1,627,123,560.12	406,440,747.47	24.98

5. Description of other matters

Applicable Not applicable

(V) Analysis of investments

1. General analysis of external equity investments

Applicable Not applicable

During the Reporting Period, the total equity investment of the Group was RMB2,607,398,000, representing an increase of 253.37% as compared with RMB737,866,400 in the corresponding period of last year.

(1) Major equity investment

Applicable Not applicable

Name of investee	Principal business	Investment amount (RMB10,000)	Percentage of shareholding
Haval Motor Rus Limited Liability Company (俄羅斯哈弗汽車製造有限責任公司)	<ol style="list-style-type: none"> Marketing, sale, promotion, production and manufacture of automobiles, automotive parts, components and accessories and any other relevant operating activities, including intermediary trading activities and foreign trading activities; Provision of technical maintenance and repair services for automobiles and provision of other types of technical maintenance services for automobiles; Engagement in financial intermediary activities for the sale of automobiles. 	10,977.91	100%

Section 5 Discussion and Analysis of the Business Operation of the Company (Management Discussion and Analysis)

Name of investee	Principal business	Investment amount (RMB10,000)	Percentage of shareholding
Honeycomb Yichuang Technology Co., Ltd. (蜂巢易創科技有限公司)	Research and development, manufacture, examination, testing, trial production, design and technical services, consulting services, transfer of technology, sale and after-sales services of automotive parts, components and accessories, engines and relevant components, transmissions and relevant components, decelerators and relevant components, new energy generators and relevant components, new energy controllers and relevant components, smart steering systems and relevant components, automated driving systems and relevant components, lithium-ion motive batteries and relevant materials, storage batteries, solar equipment and relevant integrated products; development and sale of battery management systems and wind, light and electricity energy storage systems; research and development, manufacture, sale, installation and maintenance of charging piles and charging equipment; construction and operation of charging and battery replacement facilities for new energy vehicles; manufacture of electrical and mechanical equipment; repair of automotive parts and components; transportation of ordinary goods; warehousing services (excluding flammable and explosive hazardous chemicals); leasing of self-owned properties and equipment; proprietary and agency import and export of commodities other than exports centrally and jointly managed by the authorities and imports managed by State-designated companies.	2,087.00	100%
Guangzhou Great Wall Auto Sales Company Limited (廣州長城汽車銷售有限公司)	Retail of automobiles; retail of automotive components and accessories; sale of automobiles; wholesale of automotive parts and components; sale of automotive charging modules; sale of used cars; retail of software; software development; software services; car rental; design of automotive parts and components; design of automotive repair tools; agency service of annual vehicle examination and transfer of vehicle ownership; agency service of motor vehicle management; import and export of commodities (excluding franchised or State-controlled commodities); import and export of technologies; trade agency; commodity information consultation.	3.45	100%
Haval Financial Leasing Company Limited (哈弗融資租賃有限公司)	Financial leasing business; leasing business; purchase of domestic and overseas leasing properties; residual value treatment and maintenance of leasing properties; consultation and guarantee for leasing transactions; commercial factoring business related to principal business.	12,750.00	100%
Lingtu Auto Co., Ltd. (領途汽車有限公司)	Licensed operations: research and development, manufacture and sale of automobiles; research and development, manufacture and sale of motor trikes; research and development, manufacture and sale of vehicle bodies and frames, engines, generators and controllers; import and export of commodities and technologies (excluding items prohibited by laws and regulations and the State Council; items restricted by the State Council subject to approval).	7,000.00	25%

Section 5 Discussion and Analysis of the Business Operation of the Company (Management Discussion and Analysis)

Name of investee	Principal business	Investment amount (RMB10,000)	Percentage of shareholding
Jingcheng Engineering Automotive Systems Co., Ltd. (精誠工科汽車系統有限公司)	Manufacture, design, research and development, technical services, consulting services, sale and after-sales services of automotive parts, components and accessories, vehicle bodies, instruments, moulds, jigs and gauges; research and development, design and manufacture of automated industrial transmission and control equipment, industrial robot integration and instrumentation systems; sale, transfer of technology, technology consultation and after-sales services of automated equipment; information technology consulting services; design, manufacture and sale of metal structures; recycling of renewable resources (excluding solid waste, hazardous waste, scrap cars and other items which have to be approved by the relevant authorities); transportation of ordinary goods; warehousing services (excluding flammable and explosive hazardous chemicals); leasing services of self-owned properties and equipment; proprietary and agency import and export of commodities other than exports centrally and jointly managed by the authorities and imports managed by State-designated companies; domestic trade agency services.	61,881.86	100%
Mind Electronics Company Limited (曼德電子電器有限公司)	Research and development, design, manufacture, sale and after-sales services of automotive parts, components and accessories, cooling and air-conditioning equipment, electronic components, lighting fixtures, wires and cables, transportation equipment, production gauges, moulds, automated industrial control systems and mechanical parts and components; transportation of ordinary goods and specialised transportation (vans); proprietary and agency import and export of commodities other than exports centrally and jointly managed by the authorities and imports managed by State-designated companies (except for commodities and technologies managed by State-designated companies or the import and export of which are prohibited); technology consulting services; corporate governance consulting services; leasing of self-owned properties, facilities and equipment.	15,730.00	100%
Nuobo Automotive Systems Co., Ltd. (諾博汽車系統有限公司)	Manufacture, examination, design, research and development, technical services, consulting services, sale and after-sales services of automotive parts and components, accessories, car seats, rubber products and plastic products; manufacture of electrical and mechanical equipment; processing manufacture of moulds; transportation of ordinary goods; warehousing services (excluding flammable and explosive hazardous chemicals); leasing of self-owned properties and equipment; proprietary and agency import and export of commodities other than exports centrally and jointly managed by the authorities and imports managed by State-designated companies.	90,899.25	100%

Section 5 Discussion and Analysis of the Business Operation of the Company (Management Discussion and Analysis)

Name of investee	Principal business	Investment amount (RMB10,000)	Percentage of shareholding
Xiamen Great Wall Auto Sales Company Limited (廈門長城汽車銷售有限公司)	Wholesale of automobiles; wholesale of automotive components and accessories; import and export of various commodities and technologies (without import and export catalogues) except for those managed by State-designated companies or the import and export of which are prohibited; retail of automobiles; information technology consulting services; business information consultation; other unspecified professional consulting services (excluding projects subject to licensing an approval); wholesale of computers, software and auxiliary equipment; wholesale of other mechanical equipment and electronic products; other unspecified business services (excluding projects subject to licensing and approval); other unspecified services (excluding projects subject to licensing and approval); car rental (excluding operation); used car appraisal and evaluation services.	3.30	100%
Tianjin Oula Financial Leasing Co., Ltd. (天津歐拉融資租賃有限公司)	Financial leasing business; leasing business; purchase of domestic and overseas leasing properties; residual value treatment and maintenance of leasing properties; commercial factoring business related to principal business.	12,750.00	100%
Tianjin Great Wall Car Sharing Service Company Limited (天津長城共享汽車服務有限公司)	Facilitation of car services; car rental; automotive information consultation; labour services; porter services; technology consultation; technology development; technical services; technology transfer; economic information consultation.	46,418.00	100%
Chongqing Yongchuan Great Wall Auto Parts Co., Ltd. (重慶市永川區長城汽車零部件有限公司)	Wholesale, retail, after-sales services, centralised distribution and establishment of distribution networks of automotive parts, components and their raw materials, parts and components of engines and their raw materials; wholesale and retail of metal processing machinery and equipment, automated office equipment and fittings and office software; warehousing services (excluding hazardous chemicals); ordinary transportation; packaging, cargo handling, transportation and logistics information services; automotive technology consulting services; sale of food, textiles, clothing, general merchandise, cultural and sports gear and equipment, electrical household appliances, electronic products (excluding electronic publications), hardware, furniture and interior decoration materials (excluding paints and other hazardous chemicals); proprietary and agency import and export of various commodities and technologies.	637.00	100%

Section 5 Discussion and Analysis of the Business Operation of the Company (Management Discussion and Analysis)

(2) Major investment in non-equity interest

Applicable Not applicable

Unit: RMB Currency: RMB

Project	Total investment amount	Progress	Investment amount during the Reporting Period	Accumulated actual investment amount	Profit generated by project
Great Wall Motor Passenger Vehicles					
Xushui Complete Vehicle Factory No. 3	3,614,304,600.00	80.10%	497,312,172.34	2,894,958,567.22	858,109,395.53
Smart transmission system for new energy vehicle with annual production capacity of 500,000 units	4,142,339,700.00	74.39%	2,530,208,215.64	3,081,550,325.52	23,685,567.01
Russia automobile plant	3,457,127,700.00	72.08%	1,439,551,652.55	2,492,030,924.71	-
Chongqing automotive	2,033,507,657.00	24.65%	501,248,780.97	501,248,780.97	-
Total	13,247,279,657.00	/	4,968,320,821.50	8,969,788,598.42	/

(3) Financial assets measured at fair value

Applicable Not applicable

Unit: RMB Currency: RMB

Item	31 December 2018
Classified as financial assets classified as at fair value through profit or loss	3,177,643,131.30
Including: Equity instrument investments	168,875,000.00
Wealth management products with floating yield	3,008,768,131.30
Total	3,177,643,131.30
Item	31 December 2018
Classified as financial assets classified as at fair value through other comprehensive income	31,891,367,949.34
Other current assets – notes receivable	31,883,667,949.34
Other equity instrument investments	7,700,000.00
Total	31,891,367,949.34

Section 5 Discussion and Analysis of the Business Operation of the Company (Management Discussion and Analysis)

(VI) Disposal of major assets and equity interest

Applicable Not applicable

On 26 October 2018, the Company entered into the equity interest transfer agreement with Baoding Ruimao Corporate Management and Consulting Company Limited (保定市瑞茂企業管理諮詢有限公司), pursuant to which 100% of the equity interest in Honeycomb Energy Technology Company Limited (蜂巢能源科技有限公司) was transferred to Baoding Ruimao Corporate Management and Consulting Company Limited at the consideration of RMB790 million, all of which was paid in cash. The Company would no longer hold any equity interest in Honeycomb Energy Technology Company Limited upon completion of the transfer of equity interest. Such disposal would not have a significant impact on the financial position and operating results of the Company. For details, please refer to the relevant announcement dated 26 October 2018 published by the Company. As at the date of this report, such transfer of equity interest was completed.

On 27 December 2018, the Company entered into transfer contracts with Honeycomb Energy Technology Company Limited and the Baoding branch company of Honeycomb Energy Technology Company Limited respectively, pursuant to which patented and non-patented technical assets and other certain assets were transferred to Honeycomb Energy Technology Company Limited and the Baoding branch company of Honeycomb Energy Technology Company Limited at the consideration of RMB164.1183 million and RMB47.7008 million respectively, all of which was paid in cash. Such disposal would not have a significant impact on the financial position and operating results of the Company. For details, please refer to the relevant announcement dated 27 December 2018 published by the Company. As at the date of this report, such transfer of patented and non-patented technical assets and other certain assets was completed.

On 20 February 2019, the Company entered into the equity interest transfer agreement with Baoding Great Wall Holdings Company Limited (保定市長城控股集團有限公司), pursuant to which 100% of the equity interest in Tianjin Great Wall Car Sharing Service Company Limited (天津長城共享汽車服務有限公司) was transferred to Baoding Great Wall Holdings Company Limited at the consideration of RMB464.18 million, all of which was paid in cash. The Company will no longer hold any equity interest in Tianjin Great Wall Car Sharing Service Company Limited upon completion of the transfer of equity interest. Such disposal will not have a significant impact on the financial position and operating results of the Company. For details, please refer to the relevant announcement dated 20 February 2019 published by the Company. The relevant procedure for changing industrial and commercial registration was completed on 1 March 2019.

Section 5 Discussion and Analysis of the Business Operation of the Company (Management Discussion and Analysis)

(VII) Major subsidiaries and investees

√ Applicable □ Not applicable

Unit: RMB Currency: RMB

Full name of subsidiaries	Business nature	Registered capital (RMB'0000)	Proportion of shareholding (%)	Proportion of voting rights (%)	Total assets as at the end of the Year	Total net assets as at the end of the Year	Operating revenue for the Year	Operating profit for the Year	Net profit for the Year
Tianjin Great Wall Binyin Automotive Finance Company Limited (天津長城濱銀汽車金融有限公司)	Automotive Finance	120,000	90	90	18,702,359,960.87	1,767,979,039.55	1,426,174,840.14	529,488,407.11	403,251,667.44
Chongqing Haval Automobile Company Limited (重慶哈弗汽車有限公司)	Sale of automobiles	500	100	100	4,024,462,558.65	390,887,358.52	24,365,920,323.60	429,041,527.98	390,887,358.52
Jingcheng Engineering Automotive Systems Co., Ltd. (精誠工科汽車系統有限公司)	Manufacture of automotive parts and components	100,000	100	100	5,830,694,838.73	904,907,236.51	2,431,113,282.40	378,569,406.02	286,088,633.65
Mind Electronics Company Limited (曼德電子電器有限公司)	Manufacture of automotive parts and components	100,000	100	100	2,001,441,439.00	522,843,046.22	1,433,951,397.70	272,528,667.61	233,665,253.08
Nuobo Automotive Systems Co., Ltd. (諾博汽車系統有限公司)	Manufacture of automotive parts and components	100,000	100	100	3,559,779,501.87	1,103,354,213.13	1,508,667,062.11	258,170,582.90	194,361,740.74
Rizhao Weiji Motor Company Limited (日照威姿汽車有限公司)	Manufacture of automotive parts and components	200,000	100	100	433,644,774.54	422,940,304.42	542,932,358.17	168,494,493.33	137,223,600.61
Baoding Great Machinery Company Limited (保定市格瑞機械有限公司)	Manufacture of automotive parts and components	2,300	100	100	323,241,843.64	237,034,366.91	239,592,602.89	79,316,792.84	69,156,443.97
Baoding Yixin Automotive Parts Company Limited (保定億新汽車配件有限公司)	Manufacture of automotive parts and components	1,300	100	100	385,534,415.96	87,846,507.96	476,354,965.84	66,069,819.80	53,555,676.99
Haval Logistics Company Limited (哈弗物流有限公司)	Logistics and ordinary goods transportation	8,500	100	100	174,512,722.42	145,449,223.06	271,320,211.87	73,226,710.36	52,949,223.06
Baoding Nuobo Rubber Production Co., Ltd (保定市諾博橡膠製品有限公司)	Manufacture of automotive parts and components	7,224	100	100	373,907,699.34	305,736,419.69	284,040,351.18	62,963,316.91	49,356,229.43

(VIII) Structured entities under the control of the Company

□ Applicable √ Not applicable

Section 5 Discussion and Analysis of the Business Operation of the Company (Management Discussion and Analysis)

III. DISCUSSION AND ANALYSIS CONCERNING THE FUTURE DEVELOPMENT OF THE COMPANY

(I) Landscape and development trend of the industry

√ Applicable Not applicable

Industry landscape in 2018

According to the data released by the China Association of Automobile Manufacturers, the production and sales volume of automobiles in China showed stability despite a marginal drop in 2018, which amounted to 27,809,200 units and 28,080,600 units respectively, representing a year-on-year decrease of 5.15% and 4.08%.

As far as the entire automotive industry is concerned, 9,994,700 units of SUV models were sold, representing a year-on-year decrease of 2.52%. In terms of market segments, 5,800,400 units of China-made SUV models were sold, representing a decrease of 6.7%, and the market share decreased from 60.64% to 58.03%. With the decreasing selling prices of joint venture brands and increasing number of market products, industry competition is expected to intensify in the coming years.

Market position of the Company

Great Wall Motor ranked eighth in the Chinese automotive market in terms of total sales volume in 2018.

Haval SUV continued to outperform the domestic SUV market and topped the sales charts for nine consecutive years.

Pick-up trucks have been the best-selling kind of vehicle in China for 21 consecutive years.

Future development of the automotive industry

① *The market for passenger vehicles will continue to expand given the great potential of the domestic automobile market*

Despite a slight drop in the production and sales volume of automobiles in 2018 due to the withdrawal of vehicle purchase tax policy and the macroeconomic situation, China's economic fundamentals remain sound in the long run. With the growing GDP and household income, car trade-ins and increasing demand for cars in the third- and fourth-tier cities and rural markets, China's automobile market is expected to further expand.

Section 5 Discussion and Analysis of the Business Operation of the Company (Management Discussion and Analysis)

② *Rapid growth in SUVs will be maintained*

SUVs are anticipated to deliver better market performance in 2019, as driven by the increased demand arising from the upgrade of consumption, younger consumer groups and accelerated launch of new SUV models.

③ *Energy-saving and intelligent vehicles will lead the future development of the automotive industry*

Car ownership in China has increased substantially in recent years, resulting in the sharp increase in demand for resources. Therefore, energy conservation and environmental protection will become a top priority in business development. Meanwhile, with the rise and widespread application of intelligent interconnection technology, the industries of energy-saving and intelligent automobiles as well as related auto parts and components will be the new growth drivers for investment, as well as a direction in the future development of the automotive industry.

(II) Development strategy of the Company

Applicable Not applicable

Focusing on SUVs, the Company aspires to build a world-class professional SUV brand and act as an active pathfinder, thereby becoming a global leader in the SUV industry.

As the trends of electrification, interconnection, intellectualization and sharing are sweeping the globe, the Company will increase its investment in advanced technology and provide its customers with integrated smart travel solutions.

(III) Operational plan

Applicable Not applicable

The Group's sales target for 2019 is 1.2 million vehicles.

Setting a foothold surpassing international benchmarks, Great Wall Motor will maintain its focus on product quality with delicate sensation and reliability as core elements. By strengthening the preliminary product planning, it will build up technology development capabilities and improve product quality on an ongoing basis.

The Company will deepen its market-oriented operation and create a new chapter in the market with its four brands.

Section 5 Discussion and Analysis of the Business Operation of the Company (Management Discussion and Analysis)

(IV) Potential risks

√ Applicable Not applicable

Set out below are the four major potential risks that the Company may be exposed to:

1. with the new normal and slowdown of the domestic economy, the automotive industry recorded negative growth for the first time. The future domestic market will probably be characterized by inventory competition;
2. stepping into the Internet era, the new retail model will hit the traditional one, a myriad of Internet companies have emerged rapidly, and enterprises are striving for groundbreaking innovations;
3. due to the reduction in subsidies for the new energy sector, the Group's new energy products may lack competitiveness and face enormous pressure from fuel consumption credits and operational costs;
4. "intellectualization", "interconnection", "cleanliness" and "sharing" are becoming the generally accepted future trends in the automotive industry. Realizing these trends requires disruptive innovation among automotive companies, which calls for a reconstruction of the research and development system and a disruption of creative thinking and product concepts.

In light of the above potential risks, the Company has taken the following major measures:

1. The sales increment in export markets, as the key to boost the overall automobile sales, will help expedite the progress of globalization. In 2019, the Company will execute strategic layout in multiple cities at home and abroad to achieve fruitful results and allocate resources globally to establish footholds in overseas markets. The Group's four major brands, namely Haval, WEY, Great Wall pick-up trucks and ORA will jointly demonstrate their brand images in the overseas market;
2. The Company will upgrade the sales model. Sales company will tap into internal and external resources from automobiles finance, finance release to construct a sales ecosystem of the whole industry chain;
3. The Company will comprehensively establish its layout in the new energy industry chain and gradually master new energy automobiles technology, meanwhile, the Company will continue to accelerate the business layout of new energy automobiles by adopting various technical routes, establishing multiple platforms and brands and producing a variety of products based on different platforms.

Section 5 Discussion and Analysis of the Business Operation of the Company (Management Discussion and Analysis)

4. The Company will consistently adhere to the principle of being committed to research and investment to accelerate the forward-looking technology research, development and application on internet of vehicles, autonomous driving and artificial intelligence based on its global research and development layout. With these initiatives, the Company targets to transform itself from a traditional manufacturer to a technological enterprise in a short period of time, enhancing its corporate image as a technology-oriented enterprise and boosting the brand value.

(V) Others

Applicable Not applicable

IV. DETAILS OF AND REASONS FOR THE ISSUES NOT DISCLOSED BY THE COMPANY IN ACCORDANCE WITH THE STANDARDS DUE TO INAPPLICABILITY OR OTHER SPECIAL REASONS SUCH AS INVOLVEMENT OF STATE OR COMMERCIAL SECRETS

Applicable Not applicable

Section 6 Report of the Board

The Group is principally engaged in the design, research and development, manufacture and sale as well as distribution of SUVs, sedans, pick-up trucks and automobile-related parts and components. There was no significant change in the nature of the Group's principal business during the Year.

The subsidiaries of the Company established in the PRC during the year ended 31 December 2018 or in previous years are limited companies.

I. DISCUSSION AND ANALYSIS OF THE BOARD CONCERNING THE OPERATION OF THE COMPANY DURING THE REPORTING PERIOD

Please refer to the "Discussion and Analysis of the Business Operation of the Company (Management Discussion and Analysis)" in item I and "The Operation during the Reporting Period" in item II of Section 5 of this report.

II. DISCUSSION AND ANALYSIS OF THE BOARD CONCERNING THE FUTURE DEVELOPMENT OF THE COMPANY

Please refer to "Discussion and Analysis concerning the Future Development of the Company" in item III of Section 5 of this report.

III. RESULTS AND DIVIDENDS

The Group's operating results for the year ended 31 December 2018 and the financial positions of the Company and the Group for the year ended 31 December 2018 are set out in the audited financial statements.

Details of distribution of the final dividend for the year ended 31 December 2018 are set out under "Profit Distribution Plan for Ordinary Shares or Plan for Capitalisation of Capital Reserves" of Section 8 "Significant Events" of this report.

IV. SHARE CAPITAL

Details of movements of the share capital of the Company as at 31 December 2018, together with the reasons for such movements, are set out under "Changes in Ordinary Shares and Shareholders" of section 9 of this report.

V. FIXED ASSETS

Details of the fixed assets of the Group and the Company as at 31 December 2018 are set out in the audited financial report.

VI. PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights that require the Company to offer new shares to its existing shareholders on a pro rata basis under the Articles or the Company Law.

Section 6 Report of the Board

VII. RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the Year was the Company, its subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors, supervisors and chief executives of the Company to receive benefits by means of the acquisition of shares in, or debentures of, the Company or any other legal entities.

VIII. UNDISTRIBUTED PROFITS

As at 31 December 2018, pursuant to the Company Law and the Articles, the undistributed profits of the Group amounted to RMB36,619,705,509.19, and the final dividend for the year of 2018 proposed to be distributed amounted to RMB0.29 per share (tax inclusive). In addition, the capital premium and part of the capital reserves may be distributed through capitalisation issue in the future.

IX. MAJOR CUSTOMERS AND SUPPLIERS

Please refer to the “The Operation during the Reporting Period” in item II of Section 5 of this report.

X. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

A list of the Company’s directors, supervisors and senior management who held office during the Year and up to the date of this report and their biographies are set out in Section 11 “Directors, Supervisors, Senior Management and Employees” of this report.

XI. MATERIAL CONTRACTS

Please refer to “Disposal of major assets and equity interest” under item II “The Operation during the Reporting Period” in Section 5 of this report.

XII. MANAGEMENT CONTRACTS

No contract concerning the management or administration of the Company’s entire business or material business was entered into during the Year.

XIII. DIRECTORS’ AND SUPERVISORS’ INTERESTS IN SECURITIES

As at 31 December 2018, 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 of its associated corporations (within the meaning as defined in Part XV of the SFO), which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions which they were taken or deemed to have under such provisions of the SFO), or 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 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 Hong Kong Stock Exchange pursuant to the Model Code as set out in Appendix 10 to the Hong Kong Listing Rules, were as follows:

Section 6 Report of the Board

Name of director/ supervisor	Capacity/ nature of interest	Number of shares	Approximate percentage of A Shares (%)	Approximate percentage of H Shares (%)	Approximate percentage of total number of shares (%)
Mr. Wei Jian Jun	Interests in controlled companies	5,115,000,000 (L) (A Shares)	84.86	–	56.04
Mr. Wei Jian Jun	Interests in controlled companies	30,018,500 (L) (H Shares)	–	0.97	0.33
Total		5,145,018,500 (L) (A Shares and H Shares)	–	–	56.37

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

XIV. INTERESTS IN CONTROLLED COMPANIES

As at 31 December 2018, Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司) was controlled by Baoding Great Wall Holdings Company Limited (保定市長城控股集團有限公司) (Note 1) which was in turn controlled by Mr. Wei Jian Jun. Accordingly, pursuant to the SFO, Mr. Wei Jian Jun was deemed to be interested in the 5,115,000,000 A Shares held by Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司) and the 30,018,500 H Shares held by Baoding Great Wall Holdings Company Limited (保定市長城控股集團有限公司).

Save as disclosed above, so far as the directors of the Company are aware, as at 31 December 2018, 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 of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests or short positions which they were taken or deemed to have under such provisions of the SFO), or 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 Hong Kong 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.

Note 1: On 17 April 2018, Baoding Wangsheng Investment Company Limited (保定市旺盛投資有限公司) was renamed Baoding Great Wall Corporate Management Consultant Company Limited (保定市長城企業管理諮詢有限公司), which was renamed Baoding Great Wall Holdings Company Limited (保定市長城控股集團有限公司) on 28 May 2018.

Section 6 Report of the Board

XV. SHAREHOLDING STRUCTURE AND NUMBER OF SHAREHOLDERS

Please refer to Section 9 “Changes in Ordinary Shares and Shareholders” of this report.

XVI. SHARES HELD BY SUBSTANTIAL SHAREHOLDERS (SFO REQUIREMENTS)

Please refer to Section 9 “Changes in Ordinary Shares and Shareholders” of this report.

XVII. PUBLIC FLOAT

Based on the public information available to the Company prior to the publication of this report and to the knowledge of the directors of the Company, the directors of the Company confirmed as at 31 December 2018, there was sufficient public float with approximately 43.63% of the issued share capital of the Company held by the public.

XVIII. CONNECTED TRANSACTIONS

During the Year, the Group has entered into connected transactions and continuing connected transactions with its connected persons. The independent non-executive directors have reviewed the relevant continuing connected transactions and confirmed that such continuing connected transactions have been entered into:

1. in the ordinary and usual course of business of the Group;
2. either on normal commercial terms or, if there are no sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties;
3. in accordance with the relevant agreements governing them; and
4. on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

For details of the connected transactions, please refer to item XIV “Material Related Party Transactions” of Section 8 of this report.

The connected transactions and the continuing connected transactions conducted by the Group during the Year were exempt from the reporting, annual review, announcement and independent shareholders’ approval requirements under Chapter 14A of the Hong Kong Listing Rules.

XIX. REMUNERATION POLICIES

The Remuneration Committee is responsible for reviewing the remuneration policies for directors and senior management of the Group and formulating the remuneration packages for directors and senior management.

Directors

The Company determines the remuneration of the directors with regard to certain factors, including their business competitiveness in their respective professions, their duties and the performance of the Company. The remuneration package includes basic salaries, bonuses, incentives and benefits in kind.

Non-executive directors

The remuneration of each of the non-executive directors (including the independent non-executive directors) is no less than RMB40,000 per annum.

Employees

Employees are remunerated on the basis of their performance, experience and prevailing industry practices. The Group's remuneration policies and packages are reviewed on a regular basis to ensure the competitiveness of the remuneration in recruiting, retaining and motivating employees. Bonuses and incentives may also be awarded to employees based on their individual performance as incentives and rewards.

XX. UNCLAIMED DIVIDENDS

As at 31 December 2018, the Company's unclaimed dividends are shown below :

Dividends	Unclaimed dividends (number of cases)	Unclaimed amount (in HK\$)
2012 final dividends	47	64,545.82
2013 final dividends	46	88,296.98
2014 final dividends	53	103,754.18
2015 interim dividends	52	28,830.09
2015 final dividends	54	68,691.41
2016 final dividends	55	123,075.94
2017 final dividends	59	74,523.09

Save for the provisions under the Articles in relation to handling unclaimed dividends, the Company did not enter into any agreement with any shareholders for waiving or agreeing to waive the dividends of the Company.

Section 6 Report of the Board

XXI. MATERIAL LITIGATIONS

During the Year, the Company was not involved in any material litigation.

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

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

XXIII. CORPORATE GOVERNANCE

To the knowledge of the Board, the Company has complied with all the code provisions in the Corporate Governance Code as set out in Appendix 14 to the Hong Kong Listing Rules during the Year. The Corporate Governance Report sets out a summary of the corporate governance practices of the Company and, if any, the explanation of deviation from the Corporate Governance Code set out in the Hong Kong Listing Rules.

XXIV. ENVIRONMENT AND SOCIAL RESPONSIBILITIES

For details of environment policy and social responsibility during the Year, please refer to "Fulfilment of Social Responsibilities" in item XVII of Section 8 of this report and the Corporate Social Responsibility Report for 2018 of Great Wall Motor Company Limited (《長城汽車股份有限公司2018年度社會責任報告》) published on the websites of the Shanghai Stock Exchange (www.sse.com.cn) and the Hong Kong Stock Exchange (www.hkexnews.hk).

XXV. DESCRIPTION OF OTHER MATTERS

During the Reporting Period, the Company has complied with relevant laws and regulations that have significant impacts on the Company.

XXVI. AUDIT COMMITTEE

The Company has set up the Audit Committee for the purposes of reviewing and supervising the financial reporting process and internal control of the Group. The Audit Committee comprises three independent non-executive directors and one non-executive director of the Company. At the meeting held on 21 March 2019, the Audit Committee reviewed the 2018 annual report and financial report of the Group and gave their opinions and recommendations to the Board of the Company. The Audit Committee is of the opinion that the 2018 annual report and financial report of the Company comply with the applicable accounting standards and the Company has made appropriate disclosure thereof.

XXVII. REMUNERATION COMMITTEE

The Remuneration Committee of the Company comprises two independent non-executive directors and one executive director. The Remuneration Committee is responsible for making recommendations on the remuneration policies in relation to the directors and senior management of the Company, and determining the remuneration packages of executive directors and senior management, including benefits in kind, pensions and compensation payments.

XXVIII. NOMINATION COMMITTEE

The Nomination Committee of the Company comprises two independent non-executive directors and one executive director. The Nomination Committee is responsible for making recommendations to the Board regarding its size and composition based on business activities, asset scale and shareholding structure of the Company and making recommendations to the Board about the standards and procedures for selecting directors and management members.

XXIX. STRATEGY COMMITTEE

The Strategy Committee of the Company comprises two executive directors, one non-executive director and two independent non-executive directors. The Strategy Committee makes recommendations to the management from time to time in accordance with the prevailing market environment and changes in policies and is responsible for researching and making recommendations on the Company's long-term development strategies and material investment decisions.

XXX. COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code as its own code of conduct regarding securities transactions by all directors. Having made specific enquiry to the directors and based on the information available, the Board is of the opinion that all directors have complied with the provisions under the Model Code during the Year.

XXXI. AUDITOR

Deloitte Touche Tohmatsu Certified Public Accountants LLP (special general partnership) was the Company's external auditor for the year ended 31 December 2018. A resolution for the re-appointment of Deloitte Touche Tohmatsu Certified Public Accountants LLP as the Company's external auditor will be proposed at the annual general meeting. There was no change in the auditor of the Company in any of the preceding three years. For details, please refer to Section 12 "Corporate Governance Report" of this report.

Section 7 Report of the Supervisory Committee

To all shareholders:

During the year 2018, all members of the Supervisory Committee of the Company adhered strictly to the requirements of the Company Law of the PRC and the Articles, discharged their supervisory duties in accordance with the relevant regulations and, actively as well as cautiously, proceeded with various initiatives to safeguard the interests of the Company and all its shareholders based on the principle of integrity. The Supervisory Committee played an effective role in ensuring the formalised operation and sustainable development of the Company.

I. MEETINGS AND RESOLUTIONS OF THE SUPERVISORY COMMITTEE

Session of meeting	Date of meeting	Resolution
The 4th meeting of the 6th session of the Supervisory Committee	23 March 2018	The proposals regarding the Company's audited financial report for the year of 2017, report of the Supervisory Committee for the year of 2017, profit distribution proposal for the year of 2017, annual report for the year of 2017 and its summary report, appointment of the accounting firm, internal control self-evaluation report for the year of 2017, social responsibility report for the year of 2017 and changes in accounting policies were considered and approved.
The 5th meeting of the 6th session of the Supervisory Committee	24 April 2018	The proposals regarding the first quarterly report for the year of 2018 and changes in accounting policies were considered and approved
The 6th meeting of the 6th session of the Supervisory Committee	30 August 2018	The proposal regarding the interim report for the year of 2018 and its summary was considered and approved
The 7th meeting of the 6th session of the Supervisory Committee	26 October 2018	The proposals regarding the third quarterly report for the year of 2018 and connected transaction of equity transfer were considered and approved
The 8th meeting of the 6th session of the Supervisory Committee	27 December 2018	The proposal regarding the connected transaction of asset transfer was considered and approved

Section 7 Report of the Supervisory Committee

II. TASKS OF THE SUPERVISORY COMMITTEE DURING THE REPORTING PERIOD

During the Reporting Period, the members of the Supervisory Committee not only attended the regular Board meetings of the Company in 2018, but also duly supervised and monitored the financial affairs of the Company, operation decisions made by the management, operation of the Company in accordance with the law and the discharge of duties by the directors and the senior management of the Company. The Supervisory Committee is of the opinion that:

1. The Company and its subsidiaries were not involved in any violation of the Company Law, the Articles, the relevant accounting standards, and the laws and regulations of the PRC during their operation in 2018. Acquisitions of assets and connected transactions of the Company were fair and reasonable, and did not prejudice the interests of other shareholders and the Company, nor were there any significant deficiencies in the design or execution of the Company's internal control system. The Company's internal control system was sound and effectively executed.
2. The directors and senior management of the Company have discharged their duties with commitment, due observance of the law, well-regulated management, innovation, and high regard for all shareholders' interest during 2018 and there was no violation of the Company Law, the Articles, the relevant accounting standards, and the laws and regulations of the PRC.
3. The accounting firm issued a standard and unqualified auditor's report. The Company's financial statements reflected a true view of the financial positions of the Group and the Company as at 31 December 2018, and the results of the Group for the year then ended.
4. The Company disclosed information strictly in accordance with relevant provisions of the regulatory authorities and its information disclosure system. The information disclosed by the Company was true, accurate and complete. There was no information which should be disclosed but was not disclosed by the Company.

By Order of the Supervisory Committee

Chen Biao

Supervisor

Hebei Province, the PRC, 22 March 2019

Section 8 Significant Events

I. PROFIT DISTRIBUTION PLAN FOR ORDINARY SHARES OR PLAN FOR CAPITALISATION OF CAPITAL RESERVES

(I) Formulation, implementation or adjustment of cash dividend policy

√ Applicable Not applicable

The Proposal on Amendments to the Articles of Great Wall Motor Company Limited (《關於修改<長城汽車股份有限公司章程>的議案》) was approved at the first extraordinary general meeting of the Company in 2015, in which the provisions on profit distribution policy under the Articles were amended and the cash dividend policy of the Company was specified. For details, please refer to Article 189 of the revised Articles, which are available on the websites of Shanghai Stock Exchange (www.sse.com.cn), Hong Kong Stock Exchange (www.hkexnews.hk) and the Company (www.gwm.com.cn).

During the Reporting Period, the resolution regarding the profit distribution proposal for the year 2017 (《關於2017年度利潤分配方案的議案》) was approved at the 2017 annual general meeting of the Company. Based on the total share capital of 9,127,269,000 shares as at 31 December 2017, a final cash dividend of RMB0.17 for every share (tax inclusive) would be paid, amounting to RMB1,551,635,730 in total. On 22 May 2018, the Board of the Company published the Announcement on the Implementation of the Profit Distribution Plan for A Shares of Great Wall Motor Company Limited for the Year of 2017 (《長城汽車股份有限公司2017年度A股利潤分配實施公告》) on China Securities Journal, Shanghai Securities News and the website of the Shanghai Stock Exchange. The announcement was also published on the website of the Hong Kong Stock Exchange in the form of overseas regulatory announcement. The distribution of dividend to A Shareholders was completed on 28 May 2018. Meanwhile, the dividend for H Shareholders of the Company was distributed in accordance with the relevant requirements of the Hong Kong Stock Exchange.

(II) Plan or proposal for profit distribution or capitalisation of capital reserves of the Company in ordinary shares in the last three years (including the Reporting Period)

Year of distribution	Number of bonus shares for every 10 shares (share)	Dividend for every 10 shares (RMB) (Tax inclusive)	Number of scrip shares for every 10 shares (share)	Total amount of cash dividend (Tax inclusive)	Unit: RMB Currency: RMB	
					Net profits attributable to ordinary shareholders of the Company in the consolidated financial statements for the year during which dividend was distributed	Ratio of the net profits attributable to ordinary shareholders of the Company in the consolidated financial statements (%)
2018	0	2.9	0	2,646,908,010.00	5,207,313,967.76	50.83
2017	0	1.7	0	1,551,635,730.00	5,027,297,997.74	30.86
2016	–	3.5	–	3,194,544,150.00	10,551,158,884.21	30.28

(III) Cash dividend by share repurchase offer in cash

Applicable Not applicable

(IV) If the Parent recorded profits distributable to the ordinary shareholders during the Reporting Period, but has not proposed any plans or proposals for distribution of cash dividend for the ordinary shares, it shall disclose the reasons for non-distribution as well as the use of and future plans for the undistributed profits in detail.

Applicable Not applicable

(V) Other matters

According to the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》) and the Rules of the Implementation of the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法實施條例》) (collectively, "Enterprise Income Tax Law"), which took effect on 1 January 2008 and the Notice of the State Administration of Taxation on Issues Relevant to the Withholding of Enterprise Income Tax on Dividend Paid by PRC Enterprises to Offshore Non-resident Enterprise Holders of H Shares (Guo Shui Han [2008] No. 897) (《國家稅務總局關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》(國稅函[2008]897號)) promulgated on 6 November 2008 by State Administration of Taxation, when the Company distributes the final dividends to non-resident enterprise Shareholders whose names appear on the H Share register of members of the Company, the Company is required to withhold and pay on behalf of such Shareholders an enterprise income tax at the rate of 10%. Any Shares registered in the name of a non-individual Shareholder, including Hong Kong Securities Clearing Company Nominees Limited, other nominees or trustees, or other organisations and groups, are deemed as Shares held by non-resident enterprise Shareholders. As such, the dividends that he or she entitled to are subject to the enterprise income tax.

According to the relevant requirements of the Notice on the Tax Policies Concerning the Pilot Program of the Shanghai-Hong Kong Stock Connect (Cai Shui [2014] No. 81) (《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知(財稅[2014]81號)》) and the Notice on the Tax Policies Concerning the Pilot Program of the Shenzhen-Hong Kong Stock Connect (Cai Shui [2016] No. 127) (《關於深港股票市場交易互聯互通機制試點有關稅收政策的通知(財稅[2016]127號)》) jointly published by the Ministry of Finance, State Administration of Taxation and China Securities Regulatory Commission of the PRC, the Company shall withhold an individual income tax at the rate of 20% on dividends derived from investing in H Shares listed on the Hong Kong Stock Exchange through the Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect by mainland individual investors. As to the withholding tax having been paid abroad, an individual investor may file an application for tax credit with the competent tax authority of China Securities Depository and Clearing Co., Ltd. with an effective credit document. Reference shall be made to individual income tax regulations for dividends received by mainland securities investment funds from investing in shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect. Dividends received by mainland enterprises investors from shares acquired from the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect shall be included in their total income and subject to enterprise income tax. The Company shall not withhold income tax on dividends to mainland enterprise investors who shall report and pay their income tax on their own.

Section 8 Significant Events

II. PERFORMANCE OF UNDERTAKINGS

(I) Undertakings of the de facto controller, shareholders, related parties, acquiring parties of the Company and the Company and other parties involved during the Reporting Period or subsisting to the Reporting Period

√ Applicable Not applicable

Background of undertakings	Type of undertakings	Undertaking party	Description of undertakings	Date and duration of undertakings	Any time frame for performance (yes/no)	Strict and timely performance (yes/no)	Reasons for failure of performance (if undertakings cannot be performed in a timely manner)	Next step (if undertakings cannot be performed in a timely manner)
Undertakings relating to the initial public offering	Termination of related party transaction	Great Wall Motor Company Limited	Since 1 January 2012, Great Wall Motor Company Limited (長城汽車股份有限公司) has ceased to enter into any transactions relating to automotive parts and components with Hebei Baoding Tai Hang Group Company Limited (河北保定太行集團有限公司) and Baoding Tai Hang Pump Manufacturing Company Limited (保定市太行製泵有限公司).	From 1 January 2012, permanent	No	Yes		
	Resolving business competition	Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司)	1. Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司) is not directly or indirectly engaged in any Competing Business.	From 10 December 2010, permanent	No	Yes		

Section 8 Significant Events

Background of undertakings	Type of undertakings	Undertaking party	Description of undertakings	Date and duration of undertakings	Any time frame for performance (yes/no)	Strict and timely performance (yes/no)	Reasons for	
							failure of performance (if undertakings cannot be performed in a timely manner)	Next step (if undertakings cannot be performed in a timely manner)
			<p>2. As long as Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司) remains a related party that has control over Great Wall Motor Company Limited (長城汽車股份有限公司), its directly or indirectly controlled subsidiaries would not in any way, directly or indirectly, engage in any existing or potential Competing Business.</p>					
			<p>3. Subject to the same conditions, Great Wall Motor Company Limited (長城汽車股份有限公司) shall have the right of first refusal on the investment or other business opportunities relating to Competing Businesses that Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司) will pursue or may get in the future.</p>					

Section 8 Significant Events

Background of undertakings	Type of undertakings	Undertaking party	Description of undertakings	Date and duration of undertakings	Any time frame for performance (yes/no)	Strict and timely performance (yes/no)	Reasons for failure of performance (if undertakings cannot be performed in a timely manner)	Next step (if undertakings cannot be performed in a timely manner)
	Resolving business competition	Wei Jian Jun	<p>1. The subsidiaries directly or indirectly controlled by Mr. Wei Jian Jun are not directly or indirectly engaged in any Competing Business.</p> <p>2. As long as Mr. Wei Jian Jun remains a related party who has control over Great Wall Motor Company Limited (長城汽車股份有限公司), the subsidiaries directly or indirectly controlled by him would not in any way, directly or indirectly, engage in any existing or potential Competing Business.</p> <p>3. Subject to the same conditions, Great Wall Motor Company Limited (長城汽車股份有限公司) shall have the right of first refusal on the investment or other business opportunities relating to the Competing Businesses that the subsidiaries directly or indirectly controlled by Mr. Wei Jian Jun will pursue or may get in the future.</p>	From 10 December 2010, permanent	No	Yes		

Section 8 Significant Events

(II) Explanation of the Company for whether the assets or projects on which a profit forecast is subsisting or subsisted during the Reporting Period have reached the original profit forecast and the reasons therefor

Yes No Not applicable

(III) Fulfilment of performance undertakings and their impact on goodwill impairment testing

Applicable Not applicable

III. FUND USED BY OTHER PARTIES AND PROGRESS OF FUND REPAYMENT DURING THE REPORTING PERIOD

Applicable Not applicable

IV. EXPLANATION OF THE COMPANY FOR “NON-STANDARD AUDITOR’S REPORT” ISSUED BY THE ACCOUNTING FIRM

Applicable Not applicable

V. EXPLANATION OF THE COMPANY FOR THE REASONS FOR AND EFFECTS OF CHANGES IN THE ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OR REMEDIES FOR MAJOR ACCOUNTING ERRORS

(I) Explanation of the Company for the reasons for and effects of changes in the accounting policies and accounting estimates

Applicable Not applicable

For details, please refer to item 30 “Changes in significant accounting policies” of section 3 of “Notes to the Financial Statements” of this report.

(II) Explanation of the Company for the reasons for and effects of remedies for major accounting errors

Applicable Not applicable

Section 8 Significant Events

(III) Communication with the former accounting firm

Applicable Not applicable

(IV) Other explanations

Applicable Not applicable

VI. APPOINTMENT AND DISMISSAL OF ACCOUNTING FIRM

Unit: RMB Currency: RMB

	Current appointment
Remuneration for local accounting firm	Deloitte Touche Tohmatsu Certified Public Accountants LLP 2,311,320.76
Audit years of local accounting firm	9 years

	Name	Remuneration
Accounting firm for internal control audit	Deloitte Touche Tohmatsu Certified Public Accountants LLP	330,188.68

Description of appointment and dismissal of accounting firm

Applicable Not applicable

During the Reporting Period, the Company continued to engage Deloitte Touche Tohmatsu Certified Public Accountants LLP (special general partnership) as its auditor and there was no change of the accounting firm.

Change of the accounting firm during the audit period

Applicable Not applicable

VII. RISKS OF SUSPENSION OF LISTING

(I) Reasons for suspension of listing

Applicable Not applicable

(II) Measures to be adopted by the Company

Applicable Not applicable

VIII. DELISTING AND ITS REASONS

Applicable Not applicable

IX. BANKRUPTCY AND RESTRUCTURING

Applicable Not applicable

X. MATERIAL LITIGATION AND ARBITRATION

The Company was involved in material litigation and arbitration during the Year
 The Company was not involved in material litigation and arbitration during the Year

XI. PUNISHMENT AND CORRECTION OF THE COMPANY AND ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, CONTROLLING SHAREHOLDERS, DE FACTO CONTROLLER AND ACQUIRING PARTIES

Applicable Not applicable

XII. INTEGRITY OF THE COMPANY, ITS CONTROLLING SHAREHOLDERS AND DE FACTO CONTROLLER DURING THE REPORTING PERIOD

Applicable Not applicable

XIII. SHARE INCENTIVE SCHEME, EMPLOYEE INCENTIVE SCHEME OR OTHER INCENTIVES FOR EMPLOYEES AND THEIR EFFECTS

(I) Incentives disclosed in preliminary announcements without subsequent development or changes

Applicable Not applicable

(II) Incentives undisclosed in preliminary announcements or followed with subsequent development

Share Incentive Scheme

Applicable Not applicable

Other descriptions

Applicable Not applicable

Employee Incentive Scheme

Applicable Not applicable

Other incentives

Applicable Not applicable

Section 8 Significant Events

XIV. MATERIAL RELATED PARTY TRANSACTIONS

(I) Related party transactions relating to daily operations

1. Matters disclosed in preliminary announcements without subsequent development or changes

Applicable Not applicable

2. Matters disclosed in preliminary announcements with subsequent development or changes

Applicable Not applicable

3. Matters undisclosed in preliminary announcements

Applicable Not applicable

For details of ordinary related party transactions not required for disclosure by preliminary announcements of the Company, please refer to Related Parties and Transactions in note 11 to the financial report.

(II) Related party transactions relating to asset or equity interest acquisition or disposal

1. Matters disclosed in preliminary announcements without subsequent development or changes

Applicable Not applicable

2. Matters disclosed in preliminary announcements with subsequent development or changes

Applicable Not applicable

Related parties	Transaction date	Relationship	Type of related party transactions	Description of the related party transactions	Basis of pricing for the related party transactions	Valuation approach	Assessed value	Carrying value	Amount of related party transactions		Index of related announcements
									Subsequent development		
Baoding Ruimao Corporate Management and Consulting Company Limited (保定市瑞茂企業管理諮詢有限公司)	26 October 2018	a wholly-owned subsidiary 100% directly owned by Baoding Great Wall Holdings Company Limited, the indirect controlling shareholder of the Company	Disposal of equity interest	Transferring the 100% equity interest in Honeycomb Energy Technology Company Limited, a wholly-owned subsidiary, to Baoding Ruimao Corporate Management and Consulting Company Limited	Mainly based on the assessed value as at the Valuation Benchmark Date	Asset-based approach	77,578.49	77,443.70	79,000.00	The transfer of equity interest has been completed	For details, please see the Connected Transaction Announcement of Great Wall Motor Company Limited (announcement no.: 2018-036) published by the Company on 26 October 2018.
Honeycomb Energy Technology Company Limited	27 December 2018	a wholly-owned subsidiary 100% indirectly owned by Baoding Great Wall Holdings Company Limited, the indirect controlling shareholder of the Company	Disposal of the patented and non-patented technology assets	Transferring the patented and non-patented technology assets to Honeycomb Energy Technology Company Limited	Mainly based on the assessed value as at the Valuation Benchmark Date	Income approach	16,411.83	0.00	16,411.83	The transfer of patented and non-patented technology assets has been completed	For details, please see the Connected Transaction Announcement of Great Wall Motor Company Limited (announcement no.: 2018-045) published by the Company on 27 December 2018.
The Baoding Branch of Honeycomb Energy Technology Company Limited			Disposal of certain assets	Transferring certain assets to the Baoding Branch of Honeycomb Energy Technology Company Limited	Mainly based on the assessed value as at the Valuation Benchmark Date	Asset-based approach	4,770.08	4,463.73	4,770.08	The transfer of certain assets has been completed	

3. Matters undisclosed in preliminary announcements

Applicable Not applicable

4. Disclosure about the realization of contracted performance within the Reporting Period

Applicable Not applicable

(III) Significant related party transactions in respect of foreign investments

1. Matters disclosed in preliminary announcements without subsequent development or changes

Applicable Not applicable

2. Matters disclosed in preliminary announcements with subsequent development or changes

Applicable Not applicable

3. Matters undisclosed in preliminary announcements

Applicable Not applicable

(IV) Amounts due to or from related parties

1. Matters disclosed in preliminary announcements without subsequent development or changes

Applicable Not applicable

2. Matters disclosed in preliminary announcements with subsequent development or changes

Applicable Not applicable

3. Matters undisclosed in preliminary announcements

Applicable Not applicable

(V) Others

Applicable Not applicable

Apart from the related party transactions between the Group and Hebei Baocang Expressway Co. Ltd. as well as between the Group and Mr. Zhang Wenhui, Mr. Zhao Guoqing and Mr. Xu Hui, the senior management of the Company, the related party transactions set out in note 11 to the financial statements constitute connected transactions and continuing connected transactions in accordance with Hong Kong Listing Rules. The Company has complied relevant requirements under the Chapter 14A of the Hong Kong Listing Rules and the connected transactions and continuing connected transactions have been exempted from complying with the reporting, annual review, announcement and independent directors' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

Section 8 Significant Events

XV. MATERIAL CONTRACTS AND PERFORMANCE THEREOF

(I) Trust, contracting and leasing

1. Trust

Applicable Not applicable

2. Contracting

Applicable Not applicable

3. Leasing

Applicable Not applicable

(II) Guarantee

Applicable Not applicable

Unit: RMB Currency: RMB

External guarantee of the Company (excluding those provided to subsidiaries)	
Total guaranteed amount during the Reporting Period (excluding guarantees provided for subsidiaries)	0
Total guaranteed balance as at the end of the Reporting Period (A) (excluding guarantees provided for subsidiaries)	0
Guarantees provided by the Company and its subsidiaries for subsidiaries	
Total guaranteed amount to subsidiaries during the Reporting Period	1,211,411,000.00
Total guaranteed balance to subsidiaries as at the end of the Reporting Period (B)	2,221,531,738.81
Total guarantees (including guarantees to subsidiaries) provided by the Company	
Total guaranteed amount (A+B)	2,221,531,738.81
Total guaranteed amount as a percentage of the net asset value of the Company (%)	4.22
Of which:	
Guaranteed amount provided for shareholders, parties which have de facto control and their related parties (C)	0
Debt guaranteed amount provided directly or indirectly for parties with gearing ratio exceeding 70% (D)	0
Total guaranteed amount in excess of 50% of net asset value (E)	0
Total guaranteed amount of the above three items (C+D+E)	0
Statement on the contingent joint liability in connection with unexpired guarantees	

Section 8 Significant Events

Details of guarantee

1. The above guaranteed amounts are subject to the actual borrowing amounts.
2. In 2015, the Board considered and approved the provision of guarantee of RMB1.5 billion for Tianjin Great Wall Binyin Automotive Finance Company Limited (天津長城濱銀汽車金融有限公司), a subsidiary of the Company. As at 31 December 2018, the Company entered into guarantee agreements with the Tianjin Binhai New Area Branch of China Bohai Bank Co., Ltd. (渤海銀行股份有限公司天津濱海新區分行), Tianjin Binhai Branch of Bank of China (中國銀行天津濱海分行) and the Hai Gang Sub-branch of Tianjin Binhai Rural Commercial Bank Corporation (天津濱海農村商業銀行股份有限公司海港支行) for maximum guarantees of RMB300 million (matured), RMB500 million (matured) and RMB500 million (matured), respectively.
3. In 2017, the Board considered and approved the provision of guarantee of USD110 million for Tide Technology and Trade Company Limited (泰德科貿有限公司), a wholly-owned subsidiary of the Company. As at 31 December 2018, the Company entered into a guarantee agreement with a bank.
4. In 2017, the Board considered and approved the provision of guarantee of USD350 million for Billion Sunny Development Limited (億新發展有限公司), an indirect wholly-owned subsidiary of the Company. As at 31 December 2018, the Company entered into a guarantee agreement with the bank for maximum guarantees of EUR230 million and USD80 million.

Note: The exchange rate of US dollar against Renminbi was based on the Renminbi central parity rate (USD1=RMB6.8632) as announced by the People's Bank of China on 31 December 2018; the exchange rate of Euro against Renminbi was based on the Renminbi central parity rate (EUR1=RMB7.8473) as announced by the People's Bank of China on 31 December 2018.

Section 8 Significant Events

(III) Entrustment of cash asset management

1. Entrusted wealth management

(1) Overall entrusted wealth management

Applicable Not applicable

Unit: RMB Currency: RMB

Type	Source of capital	Amount	Amount undue	Amount due and not yet recovered
Guaranteed principal with floating yield	Own funds	10,000,000,000.00	3,000,000,000.00	–
Guaranteed yield	Own funds	3,100,000,000.00	1,200,000,000.00	–

Other matters

Applicable Not applicable

(2) Single item entrusted wealth management

Applicable Not applicable

Unit: RMB Currency: RMB

Trustee	Type of entrusted wealth management	Amount of entrusted wealth management	Commencement date of entrusted wealth management	Termination date of entrusted wealth management	Source of capital	Use of capital	Way of determining remuneration	Annualised yield	Expected gain (if any)	Actual gain or loss	Actual state of recovery	Has it gone through statutory procedures?	Is there any future entrusted wealth management plan?	Amount of provision for impairment (if any)
Bank of Communications, Baoding Branch	Guaranteed principal with floating yield	1,000,000,000	8 November 2018	14 January 2019	Own funds	–	–	4.20%	7,113,027.95			Yes		
Ping An Bank, Guangzhou Branch	Guaranteed principal with floating yield	500,000,000	11 December 2018	14 January 2019	Own funds	–	–	4.31%	1,880,128.27			Yes		
China Everbright Bank, Operation Department of Tianjin Binhai Branch	Guaranteed yield	500,000,000	11 December 2018	14 January 2019	Own funds	–	–	3.92%	1,794,375.00			Yes		
China CITIC Bank, Baoding Branch	Guaranteed with floating yield	800,000,000	14 December 2018	22 February 2019	Own funds	–	–	4.16%	5,977,817.42			Yes		
China Everbright Bank, Operation Department of Tianjin Binhai Branch	Guaranteed yield	700,000,000	14 December 2018	21 January 2019	Own funds	–	–	3.95%	2,841,805.56			Yes		
Bank of Communications, Baoding Branch	Guaranteed principal with floating yield	700,000,000	27 December 2018	21 January 2019	Own funds	–	–	4.10%	1,767,479.67			Yes		

Other matters

Applicable ✓ Not applicable

(3) Provision for entrusted wealth management impairment

Applicable ✓ Not applicable

2. Entrusted loans

(1) General information on entrusted loans

Applicable ✓ Not applicable

Other matters

Applicable ✓ Not applicable

(2) Single item entrusted loans

Applicable ✓ Not applicable

Other matters

Applicable ✓ Not applicable

(3) Provision for impairment of entrusted loans

Applicable ✓ Not applicable

3. Other matters

Applicable ✓ Not applicable

(IV) Other material contracts

Applicable ✓ Not applicable

XVI. DESCRIPTIONS OF OTHER SIGNIFICANT EVENTS

Applicable ✓ Not applicable

Section 8 Significant Events

XVII. FULFILMENT OF SOCIAL RESPONSIBILITIES

(I) Poverty alleviation of listed companies

Applicable Not applicable

1. The accurate poverty alleviation plan

Applicable Not applicable

The Company convened top-down poverty alleviation meetings and assigned specific personnel the task of conducting visits to and investigations of impoverished provincial areas in order to understand the poverty status in such areas and formulate relevant poverty alleviation plans and policies. In line with specific poverty alleviation plans, the Company continued to improve the public welfare of such impoverished areas, including infrastructure, medical care and education.

2. Summary of the accurate poverty alleviation for the Year

Applicable Not applicable

In 2018, the Company offered numerous job opportunities in impoverished areas through accurate identification, and provided local residents with vocational training to improve their skills. The Company also established an employment platform for people with disabilities to help them solve financial and employment difficulties, and visited children at children's homes and older adults at nursing homes to spread care and warmth.

3. Effect of the accurate poverty alleviation

Applicable Not applicable

Unit: 10,000 Currency: RMB

Items	Number and implementation
I. General information	
Of which: 1. Capital	5,104.22
2. Supplies converted to cash	1.19
3. Number of registered poor people lifted out of poverty (person)	14,713
II. Capital injection by project	
1. Poverty alleviation through transferring the form of employment	
Of which: 1.1 Capital injected into vocational training	195.96
1.2 Number of people participating in vocational training (person/time)	13,608
1.3 Number of registered poor people obtaining jobs (person)	0

Section 8 Significant Events

Items	Number and implementation
2. Poverty alleviation through ecological protection Of which: 2.1 Project names	<input checked="" type="checkbox"/> Ecology protection and conservation <input type="checkbox"/> Establishment of a mechanism for ecological compensation <input type="checkbox"/> Establishment of ecology conservation related positions <input type="checkbox"/> Others
2.2 Capital injected	0.31
3. Basic protection	
Of which: 3.1 Capital injected to help left-behind children, elderly and women	1.3
3.2 Number of left-behind children, elderly and women funded (person)	283
3.3 Capital injected to help the poor disabled people	4,907.84
3.4 Number of poor disabled people funded (person)	673
III. Awards (description and grade)	Nil

4. *Subsequent accurate poverty alleviation programmes*

Applicable Not applicable

1. Donations: We donated necessities to elderly homes and orphanages in Baoding City as well as office supplies to the Development Zone No. 2 Primary School, Heshun Kindergarten and other schools near our plant in Tianjin;
2. Employment: We employed poverty-stricken locals as workers in our die casting company and casting company in Shunping County to solve unemployment problem of the poverty-stricken population;
3. Others: We have built a long-term partnership with and purchased agricultural products from Shunping Jinqidian Agricultural Products Cooperative (順平金起點農產品合作社).

Section 8 Significant Events

(II) Social responsibilities

Applicable Not applicable

1. Donations: The Company will improve the living conditions of impoverished areas through various methods, such as making donations, providing support for students, the elderly and people with disabilities as well as offering medical assistance;
2. Human resources and technology: Technology support for poverty alleviation will be offered by leveraging the human resource advantage of the Company as always. Moreover, training schemes will be provided in various areas including practical technologies, production skills and operations management, so as to enhance the self-development ability of underprivileged staff and improve their production skills and livelihoods;
3. Employment: The Company will provide job opportunities for people living in local impoverished areas and more training schemes will be conducted to improve the quality of employment and boost the economic growth of such areas;
4. Others: The Company will encourage its staff to participate in volunteer activities so as to spur the local economic development.

(III) Information on environmental protection

1. ***Environmental protection measures taken by the Company and its major subsidiaries in respect of key pollutant discharging units announced by the environmental protection departments***

Applicable Not applicable

(1) *Pollutant discharge*

Applicable Not applicable

Section 8 Significant Events

Name of company or subsidiary	Major pollutants or specific pollutants	Way of emission	Number of discharge outlets	Location of discharge outlets	Emission concentration	Adopted emission standards for pollutants	Total emissions	Verified total emissions	Excessive emission	
Great Wall Motor Company Limited	Sewage	COD Ammoniacal nitrogen pH value Petroleum fractions Animal fats and vegetable oils Suspended solids Total zinc Total manganese	Intermittent emission	2	The discharge outlet on the factory site of Great Wall Motor Company Limited located at Chaoyang South Avenue	205mg/L	Table 4 Tertiary Standard in Integrated Wastewater Discharge Standards (GB 8978-1996)	33.81 tons	43.51 tons/year 2.53 tons/year	Nil
						20.6mg/L		2.46 tons		
						7.78		-		
						2.16mg/L		0.35 ton		
						3.95mg/L		0.62 ton		
						85mg/L		12.69 tons		
						0.397mg/L		0.09 ton		
						0.824mg/L		0.11 ton		
	Exhaust gas	Particulates Nitrogen oxide Sulphur dioxide CO	Regular emission	9	Within the factory site of Great Wall Motor Company Limited	2.9mg/m ³	Table 2 Secondary Standard in Integrated Emission Standards of Air Pollutants (GB16297-1996)	0.24 ton	-	Nil
						12mg/m ³		0.92 ton		
						6mg/m ³		0.38 ton		
						8mg/m ³		0.13 ton		
						11.2mg/m ³		16.42 tons		
						0.141mg/m ³		0.47 ton		
Shunping Fine Casting Branch of Great Wall Motor Company Limited	Sewage	COD Ammoniacal nitrogen pH value Petroleum fractions Animal fats and vegetable oils Suspended solids	Intermittent emission	1	East side of the factory site	83mg/L	Table 4 Tertiary Standard in Integrated Wastewater Discharge Standards (GB 8978-1996); Influent Water Quality Requirement of Shunping Qingyuan Sewage Treatment Co., Ltd. (順平清源 污水處理有限公司)	16.36 tons	43.67 tons/year 4.368 tons/year	Nil
						10.5mg/L		1.14 tons		
						7.66		-		
						0.87mg/L		0.08 ton		
						1.56mg/L		0.16 ton		
						61mg/L		7.02 tons		
Dingxing Branch of Great Wall Motor Company Limited	Exhaust gas	Particulates Sulphur dioxide Nitrogen oxides	Regular emission	31	Around the factory site	34.3mg/m ³	Table 2 Secondary Standard in Integrated Emission Standards of Air Pollutants (GB16297-1996)	5.25 tons	-	Nil
						22mg/m ³		0.44 ton		
						70mg/m ³		0.69 ton		
						5.39mg/m ³		0.11 ton		
		Non-methane hydrocarbons Benzene Toluene Ammonia				CO	Table 1 in Emission Control Standards of Volatile Organic Compounds for Industrial Enterprises (DB13/2322-2016)	0.085mg/m ³	0.001 ton	
								0.0027mg/m ³	0.00006 ton	
								4.22mg/m ³	0.43 ton	
								36mg/m ³	0.21 ton	
						Table 2 in Emission Standards of Carbon Monoxide as Stationary Source (DB13/487-2002)	0.21 ton	-		

Section 8 Significant Events

Name of company or subsidiary	Major pollutants or specific pollutants	Way of emission	Number of discharge outlets	Location of discharge outlets	Emission concentration	Adopted emission standards for pollutants	Total emissions	Verified total emissions	Excessive emission	
Baoding Nuobo Rubber Production Company Limited	Exhaust gas	Particulates	Regular emission	6	Around the factory site	5.7mg/m ³	Table 2 Secondary Standard in Integrated Emission Standards of Air Pollutants (GB16297-1996)	0.19 ton	-	Nil
						1.16mg/m ³	Table 1 in Emission Control Standards of Volatile Organic Compounds for Industrial Enterprises (DB13/2322-2016)	0.007 ton	-	
Tianjin Haval Branch of Great Wall Motor Company Limited	Sewage	pH value Petroleum fractions Animal fats and vegetable oils Suspended solids COD BOD Ammoniacal nitrogen Total Phosphorus Anionic surface active agent Zinc	Intermittent emission	2	West side of the factory site	7.92	Table 1 Tertiary Standard in Integrated Wastewater Discharge Standards (DB 12/356-2008)	-	-	Nil
						ND		ND		
						1.78mg/L		0.26 ton		
						23mg/L		1.67 tons		
						155mg/L		28.51 tons		
						42.8mg/L		8.06 tons		
						27.4mg/L		3.26 tons		
						0.84mg/L		0.23 ton		
	ND	ND								
	Exhaust gas	Benzene Toluene and Xylene VOCs Non-methane hydrocarbons Particulates Sulphur dioxide Nitrogen oxides	Regular emission	33	Around the painting workshop, general assembly workshop	1.24mg/L	Table 2 in Emission Control Standards of Volatile Organic Compounds for Industrial Enterprises (DB12/524-2014)	0.20 ton	-	
						0.02mg/m ³		0.005 ton		
						0.401mg/m ³		0.658 ton		
						6.12mg/m ³		3.079 tons		
6.25mg/m ³						4.623 tons				
6.4mg/m ³	5.383 tons									
45mg/m ³	4.046 tons									
83mg/m ³	18.266 tons									
Soil	During the Reporting Period, Tianjin Haval Branch of Great Wall Motor Company Limited was on the list of 2018 key soil and environmental pollutant emission entities in Tianjin due to the production of hazardous waste such as sludge, paint waste and waste oil. During the period, a total of 2,211 tons of hazardous waste was produced, which was disposed of by qualified hazardous waste operators in accordance with the law.									
Tianjin Boxin Automotive Parts Company Limited	Soil	During the Reporting Period, Tianjin Boxin Automotive Parts Company Limited was on the list of 2018 key soil and environmental pollutant emission entities in Tianjin due to the production of hazardous waste such as sludge, paint waste and waste oil. During the period, a total of 1,102 tons of hazardous waste was produced, which was disposed of by qualified hazardous waste operators in accordance with the law.								

Noise: there are no cultural, educational or other noise-sensitive sites around the factory sites. The maximum level of noise emitted was lower than the standard stipulated in Table 1 in Boundary Noise Emission Standards for Industrial Enterprises (GB12348-2008).

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In 2018, a total of 17,310 tons of hazardous waste consisting mainly of sludge, paint waste and contaminated waste was produced, representing a unit production of 0.016 ton per vehicle. Such waste was transferred in accordance with the Notice on the Application of Dynamic Solid Waste Information Management Platform (《固體廢物動態信息管理平台應用有關工作的通知》), the Notice on the Relevant Procedures of Launching Tianjin's Hazardous Waste Online Transfer Supervision Platform for the Transfer of Hazardous Wastes in the City of Tianjin (《關於啟動天津市危險廢物在線轉移監管平台辦理危險廢物市內轉移相關手續的通知》) and the procedures for obtaining approval of transfer established by the competent authorities in Tianjin and Baoding. Hazardous waste of the Group was transferred to Tianjin Hejia Veolia Environmental Services Co., Ltd. (天津合佳威立雅環境服務有限公司), Tianjin Binhai Hejia Veolia Environmental Services Co., Ltd. (天津濱海合佳威立雅環境服務有限公司), Cangzhou Jihuan Veolia Environmental Services Co., Ltd. (滄州冀環威立雅環境服務有限公司), Qinhuangdao Xushankou Hazardous Waste Treatment Co., Ltd. (秦皇島市徐山口危險廢物處理有限公司) and other companies for disposal. General solid waste produced by the Company is comprised mainly of domestic waste. In 2018, a total of 16,100 tons of general solid waste was produced, representing a unit production of 0.015 ton per vehicle, which was disposed of by the qualified waste recycling service providers engaged by the Company.

(2) Construction and operation of anti-pollution facilities

Applicable Not applicable

In compliance with national laws and regulations as well as emissions standards, the waste emissions indicators of the Company and its major subsidiaries adhered to the most stringent domestic requirements currently in force. Emissions levels of sewage, exhaust gas, noise and solid waste complied with requirements, and sewage from plant sites was fully treated at sewage treatment plants of the Company, undergoing pre-treatment, biochemical treatment, filtering and disinfection procedures, with the treated grey water used for flushing and greening. Licensed discharge of the remaining grey water was made through the municipal sewage network, and the levels of sewage pollutants discharged were much lower than the emissions limits required by laws and regulations. VOCs and RTO produced by stoving were treated by combustion, exhaust gas from spraying and coating was treated by zeolite rotor and combustion facilities on top of the existing Giovanni treatment facilities based on their characteristics, undergoing adsorption, desorption and combustion procedures so as to achieve the treatment of VOCs in exhaust gas from spraying and coating. Treated exhaust gas was discharged through exhaust vents at height after meeting the required standards. In order to reduce noise, the Company proactively adopted various noise prevention and

Section 8 Significant Events

mitigation measures to reduce the impact on the environment. Installation of anti-vibration bases for noise-generating equipment, constructing green belts in the vicinity of noise sources and provision of acoustic shields (soundproof rooms) were the main measures undertaken for preventing and controlling noise. Effectively keeping off and lowering noise ensured eliminating noise efficiently for meeting the required emissions standards. The Company tackled the process of waste management at source by storing waste by type and setting up temporary storage sites for solid waste. It also placed emphasis on recycling of resources, with all useful waste of value sold to external parties or re-used and worthless waste handled by dedicated waste disposal companies for compliant disposal. Dedicated storage sites meeting requirements, equipped with smart monitoring systems and connected with environmental authorities through the Internet, were set up for all hazardous waste. Real time supervision by government authorities round the clock during the year can ensure that waste storage and disposal meet the required standards.

The Company proactively established sound environmental management systems, received the ISO14001:2004 Environmental Management Systems audit certification in 2008, and passed the revised ISO14001:2015 Environmental Management Systems revision audit in 2017 and ISO14001:2015 Environmental Management Systems surveillance audit in 2018. Rules and regulations on environmental management systems were well implemented.

(3) *Environmental impact assessment of construction projects and administrative permits concerning environmental protection*

Applicable Not applicable

The Company carried out environmental impact assessment for and final environmental protection acceptance check on each of the new construction, conversion and expansion projects, and enforced the requirements of the environmental impact assessment system, the "Three Simultaneities" system and relevant laws and regulations by strictly complying with laws and regulations such as the Regulations on the Administration of Construction Project Environmental Protection (《建設項目環境保護管理條例》) and the Environmental Impact Assessment Law of the People's Republic of China (《中華人民共和國環境影響評價法》) promulgated by the State Council, and the Interim Measures for the Final Environmental Protection Acceptance Check on Construction Projects (《建設項目竣工環境保護驗收暫行辦法》) promulgated by the Ministry of Ecology and Environment.

All projects of the Company and its major subsidiaries obtained approval in environmental impact assessment in accordance with the laws while relevant auxiliary environmental facilities passed the respective environmental protection acceptance check and obtained a pollutant discharge permit (permit number: PWD-130606-0020-16). The Company regularly conducted environmental monitoring, with all results meeting the required standards.

Section 8 Significant Events

(4) *Emergency plan for environmental contingency*

Applicable Not applicable

In order to lower and prevent potential environmental risks effectively, the Company established emergency preparation and response procedures, formulated an environmental contingency plan and filed it with local environmental authorities for record (contingency plan file number:130604-2016-001-L). To ensure the feasibility and effectiveness of the contingency plan, the Company developed measures that should be adopted to control incidents and emergencies with previous occurrences or potential ones that might occur, and drills on the internal environmental contingency plan would be conducted on an annual basis.

(5) *Voluntary environmental monitoring plan*

Applicable Not applicable

1. Regularly monitoring the discharge of sewage, keeping water quality inspection records and installing automatic COD monitoring equipment;
2. Regularly monitoring the discharge of VOCs, keeping VOC inspection records, installing online VOC monitoring equipment and transmitting the real-time data to the environmental authorities;
3. Regularly monitoring noise on a voluntary basis and keeping noise inspection records;
4. Carrying out third-party monitoring of pollutant discharge on schedule in accordance with the environmental protection requirements.

(6) *Other environmental information which shall be disclosed*

Applicable Not applicable

According to the relevant requirements under the Environmental Protection Law of the People's Republic of China and the Measures for the Disclosure of Environmental Information by Enterprise and Institutions (Huanbao Bu No. 31), the key pollutant discharge work units announced by the local environmental protection departments in the places where the Company and its major subsidiaries are located are Great Wall Motor Company Limited, Great Wall Motor Company Limited's Shunping Fine Casting Branch, Great Wall Motor Company Limited's Dingxing Branch, Baoding Nuobo Rubber Production Company Limited, Great Wall Motor Company Limited's Tianjin Haval Branch and Tianjin Boxin Automotive Parts Company Limited. A relevant column/section on environmental information has been created on the Company's official website to publish the Company's environmental-related information.

Section 8 Significant Events

2. *Description of environmental protection of companies other than key pollutant discharging units*

Applicable Not applicable

In order to build the Company as a green factory, develop it as an environmental-friendly enterprise, apply the concept of green development, advocate the build-up of ecological civilization and follow the path towards green manufacturing with determination, the Company's subsidiaries focused on accomplishing the following tasks during the Reporting Period:

1. Stepped up the establishment of management offices and systems to further raise basic management standards. All subsidiaries of the Company had their environmental management offices and management staff, which formed an environmental management network across the Company. Environmental management rules and regulations were formulated and enforced stringently so that environmental work was under management.
2. In compliance with national laws and regulations as well as emissions standards, the waste emissions indicators of the Company and its major subsidiaries adhered to the most stringent domestic requirements currently in force. Emissions levels of sewage, exhaust gas, noise and solid waste complied with requirements, and sewage from plant sites was fully treated at sewage treatment plants of the Company, undergoing pre-treatment, biochemical treatment, filtering and disinfection procedures, with the treated grey water used for flushing and greening. Licensed discharge of the remaining grey water was made through the municipal sewage network, and the levels of sewage pollutants discharged were much lower than the emissions limits required by laws and regulations. VOCs and RTO produced by stoving were treated by combustion, exhaust gas from spraying and coating was treated by zeolite rotor and combustion facilities on top of the existing Giovanni treatment facilities based on their characteristics, undergoing adsorption, desorption and combustion procedures so as to achieve the treatment of VOCs in exhaust gas from spraying and coating. Treated exhaust gas was discharged through exhaust vents at height after meeting the required standards. In order to reduce noise, the Company proactively adopted various noise prevention and mitigation measures to reduce the impact on the environment. Installation of anti-vibration bases for noise-generating equipment, constructing green belts in the vicinity of noise sources and provision of acoustic shields (sound proof rooms) were the main measures undertaken for preventing and controlling noise. Effectively keeping off and lowering noise ensured eliminating noise efficiently for meeting the required emissions standards. The Company tackled the process of waste management at source by storing waste by type and setting up temporary storage sites for solid waste. It also placed emphasis on recycling of resources, with all useful waste of value sold to external parties or re-used and worthless waste handled by dedicated waste disposal companies for compliant disposal. Dedicated storage sites meeting requirements, equipped with smart monitoring systems and connected with environmental authorities through the Internet, were set up for all hazardous waste. Real time supervision by government authorities round the clock during the year helped ensure that waste storage and disposal could meet the required standards.

Section 8 Significant Events

3. Improved the construction of various pollution control facilities by increasing financial commitment to environmental protection on an ongoing basis. All enterprises of the Company had built comprehensive pollution prevention and control facilities for the comprehensive treatment of various types of pollution such as sewage, exhaust gas and noise pollution, and for the lawful and compliant disposal of hazardous waste. In recent years, the Company kept increasing financial commitment to environmental protection, especially the prevention and control of air pollution, thus having made due contributions to improving air quality.
4. Gained access to environmental laws and regulations in a timely manner to conduct compliance evaluation. The regulations governing environmental impact assessment on construction projects were enforced stringently for the new, renovation and expansion projects of all enterprises to make sure the "Three Simultaneities" system for environmental protection was enforced. The application for pollutant discharge permit was completed and self- and third-party monitoring was carried out.
5. Participated in more environmental exhibitions at home and abroad so as to learn and bring in new, state-of-the-art environmental technologies, and carried out whole-process control over pollutant emissions to achieve the management philosophy of waste reduction at source and treatment at the end simultaneously to raise pollution treatment standards and reduce the generation of pollutants.
6. Established a sound environmental risk emergency response mechanism. All enterprises had formulated an Emergency Plan for Unexpected Environmental Pollution Incidents. Environmental training and emergency drills for unexpected environmental incidents would be conducted every year to make sure that environmental management staff are familiar with environmental-related skills and that they can handle emergency quickly, orderly and efficiently when these incidents occur.

3. Explanation for not disclosing environmental protection information by companies other than key pollutant discharging units

Applicable Not applicable

4. Description of subsequent development of or changes in disclosed environmental information during the Reporting Period

Applicable Not applicable

Section 8 Significant Events

(IV) Other information

Applicable Not applicable

XVIII. CONVERTIBLE CORPORATE BONDS

(I) Issue of convertible corporate bonds

Applicable Not applicable

(II) Holders and guarantors of the convertible corporate bonds during the Reporting Period

Applicable Not applicable

(III) Changes in convertible corporate bonds during the Reporting Period

Applicable Not applicable

Accumulated conversion in convertible corporate bonds during the Reporting Period

Applicable Not applicable

(IV) Historical adjustments to the conversion price

Applicable Not applicable

(V) Liabilities, change in credit standing and cash arrangement of repayment in the future

Applicable Not applicable

(VI) Other information about convertible corporate bonds

Applicable Not applicable

Section 9 Changes in Ordinary Shares and Shareholders

I. CHANGES IN ORDINARY SHARE CAPITAL

(I) Table of changes in ordinary shares

1. Table of changes in ordinary shares

During the Reporting Period, there was no change in the total number of ordinary shares and the equity structure of the Company.

2. Explanation for changes in ordinary shares

Applicable Not applicable

3. Impacts of changes in ordinary shares on financial indicators such as gain and net assets per share for the current year and period (if any)

Applicable Not applicable

4. Other discloseable information considered as necessary by the Company or required by the securities regulatory authorities

Applicable Not applicable

(II) Changes in shares with selling restrictions

Applicable Not applicable

II. ISSUE AND LISTING OF SECURITIES

(I) Issue of securities as at the Reporting Period

Applicable Not applicable

Description of the issue of securities as at the Reporting Period (please present separately for securities with different interest rates over their duration):

Applicable Not applicable

(II) Changes in the total number of ordinary shares and shareholding structure as well as changes in the structure of assets and liabilities of the Company

Applicable Not applicable

At the beginning of the Reporting Period, total assets and total liabilities amounted to RMB110,547,073,781.60 and RMB61,289,112,131.14, respectively, with a gearing ratio of 55.44%. At the end of the Reporting Period, total assets and total liabilities amounted to RMB111,800,411,297.81 and RMB59,111,823,806.94, respectively, with a gearing ratio of 52.87%.

Section 9 Changes in Ordinary Shares and Shareholders

(III) Existing employee shares

Applicable Not applicable

The Company did not have any employee shares as at the end of the Reporting Period.

III. SHAREHOLDERS AND THE DE FACTO CONTROLLER

(I) Total number of shareholders

Total number of ordinary shareholders as at the end of the Reporting Period (person)	87,198
Total number of ordinary shareholders as at the end of the last month prior to the date of this annual report (person)	80,036

(II) Shareholding of the top 10 shareholders and the top 10 shareholders of tradable shares or shares without selling restrictions as at the end of the Reporting Period

Unit: Share(s)

Shareholding of the top 10 shareholders

Name of shareholder (full name)	Increase/ decrease during the Reporting Period	Number of shares held at the end of the Reporting Period	Percentage (%)	Number of shares held with selling restrictions	Shares pledged or frozen		Type of shareholder
					Condition of shares	Number	
Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城 資產管理有限公司)	0 (A Shares)	5,115,000,000 (A Shares)	56.04%	0 (A Shares)	Pledged	1,102,230,000 (A Shares)	Domestic non- state-owned legal person
HKSCC NOMINEES LIMITED (香港中央結算(代理人) 有限公司)	1,107,749 (H Shares)	3,083,433,510 (H Shares)	33.78%	—	Unknown	—	Overseas legal person
China Securities Finance Corporation Limited	22,071,463 (A Shares)	196,889,089 (A Shares)	2.16%	—	Unknown	—	Others
National Social Security Fund 108 Package	-80,384,684 (A Shares)	54,113,651 (A Shares)	0.59%	—	Unknown	—	Others

Section 9 Changes in Ordinary Shares and Shareholders

Shareholding of the top 10 shareholders

Name of shareholder (full name)	Increase/ decrease during the Reporting Period	Number of shares held at the end of the Reporting Period	Percentage (%)	Number of shares held with selling restrictions	Shares pledged or frozen		Type of shareholder
					Condition of shares	Number	
Hong Kong Securities Clearing Company Limited	11,734,721 (A Shares)	24,933,390 (A Shares)	0.27%	—	Unknown	—	Others
Central Huijin Asset Management Co., Ltd	0 (A Shares)	22,308,300 (A Shares)	0.24%	—	Unknown	—	Others
Bank of China – Dacheng Blue Chip Steady Securities Investment Fund (中國銀行 – 大成藍籌穩健 證券投資基金)	1,971,500 (A Shares)	21,335,624 (A Shares)	0.23%	—	Unknown	—	Others
Hong Kong Monetary Authority – own funds	-9,680,155 (A Shares)	12,838,517 (A Shares)	0.14%	—	Unknown	—	Others
Liao Fang Hong	908,123 (A Shares)	10,663,923 (A Shares)	0.12%	—	Unknown	—	Domestic natural person
Zhong Tai Securities Co., Ltd	7,321,509 (A Shares)	9,692,509 (A Shares)	0.11%	—	Unknown	—	Others

Section 9 Changes in Ordinary Shares and Shareholders

Shareholding of the top 10 shareholders holding shares without selling restrictions

Name of shareholder	Number of shares without selling restrictions held	Class and number of shares	
		Class	Number
Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司)	5,115,000,000 (A Shares)	RMB-denominated ordinary shares	5,115,000,000 (A Shares)
HKSCC NOMINEES LIMITED (香港中央結算(代理人)有限公司)	3,083,433,510 (H Shares)	Overseas listed foreign shares	3,083,433,510 (H Shares)
China Securities Finance Corporation Limited	196,889,089 (A Shares)	RMB-denominated ordinary shares	196,889,089 (A Shares)
National Social Security Fund 108 Package	54,113,651 (A Shares)	RMB-denominated ordinary shares	54,113,651 (A Shares)
Hong Kong Securities Clearing Company Limited	24,933,390 (A Shares)	RMB-denominated ordinary shares	24,933,390 (A Shares)
Central Huijin Asset Management Co., Ltd	22,308,300 (A Shares)	RMB-denominated ordinary shares	22,308,300 (A Shares)
Bank of China – Dacheng Blue Chip Steady Securities Investment Fund (中國銀行 – 大成藍籌穩健證券投資基金)	21,335,624 (A Shares)	RMB-denominated ordinary shares	21,335,624 (A Shares)
Hong Kong Monetary Authority – own funds	12,838,517 (A Shares)	RMB-denominated ordinary shares	12,838,517 (A Shares)
Liao Fang Hong	10,663,923 (A Shares)	RMB-denominated ordinary shares	10,663,923 (A Shares)
Zhong Tai Securities Co., Ltd	9,692,509 (A Shares)	RMB-denominated ordinary shares	9,692,509 (A Shares)
Description of the related party relationship or acting in concert among the above shareholders	There is no related party relationship between Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司), the controlling shareholder of the Company, and other shareholders. In addition, the Company is not aware of any related party relationship among the other shareholders mentioned above.		
Description of the shareholders holding preference shares with restored voting rights and their shareholding	—		

Section 9 Changes in Ordinary Shares and Shareholders

Number of shares held by the top 10 shareholders with selling restrictions and details of selling restrictions

☐ Applicable √ Not applicable

Shares Held by Substantial Shareholders (SFO Requirements)

As at 31 December 2018, the following shareholders (excluding the directors, supervisors and 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 A Shares (%)	Approximate percentage of H Shares (%)	Approximate percentage of total number of 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)	5,115,000,000 (L) (A Shares)	84.86	—	56.04
Baoding Great Wall Holdings Company Limited (保定市長城控股集團有限公司) (Note 2)	5,145,018,500 (L) (A Shares and H Shares)	—	—	56.37
Citigroup Inc.	309,935,651 (L) (H Shares) 149,427,957 (S) (H Shares)	—	9.99 (L) 4.82 (S)	3.40 (L) 1.64 (S)
BlackRock, Inc.	139,696,573 (P) (H Shares) 182,398,105 (L) (H Shares) 20,680,000 (S) (H Shares)	—	4.50 (P) 5.88 (L) 0.67 (S)	1.64 (P) 2.00 (L) 0.23 (S)
Han Xue Juan (Note 3)	5,115,000,000 (L) (A Shares)	84.86	—	56.04
Management Centre of Collective Assets of Nandayuan Town, Lianchi District, Baoding (保定市蓮池區南大園鄉集體資產經管中心) (Note 4)	5,115,000,000 (L) (A Shares)	84.86	—	56.04

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

(S) denotes a short position in shares of the Company

(P) denotes shares available for lending

Section 9 Changes in Ordinary Shares and Shareholders

Notes:

- (1) Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司) (formerly known as Baoding Woerte Management Consultant Company Limited (保定市沃爾特管理諮詢有限公司)) was established on 1 December 2005. Its place of incorporation is Baoding, Hebei Province, the PRC and its registered address is 638 Yonghua South Street, Baoding. Its scope of business covers investments in manufacturing, real estate and horticulture industries, as well as corporate planning and management consulting (operations that require pre-approval according to laws and administrative regulations or as prescribed by the State Council can only be conducted after obtaining approval). As at 31 December 2018, 62.854%, 0.125%, 0.001% and 37.02% equity interest in Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司) were held by Baoding Great Wall Holdings Company Limited (保定市長城控股集團有限公司), Mr. Wei Jian Jun, Ms. Han Xue Juan and Management Centre of Collective Assets of Nandayuan Town, Lianchi District, Baoding (保定市蓮池區南大園鄉集體資產經管中心) respectively. Further, 99% and 1% equity interest in Baoding Great Wall Holdings Company Limited (保定市長城控股集團有限公司) were held by Mr. Wei Jian Jun and Ms. Han Xue Juan respectively. Therefore, Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司) is a company controlled by Baoding Great Wall Holdings Company Limited (保定市長城控股集團有限公司) which is in turn controlled by Mr. Wei Jian Jun and Mr. Wei Jian Jun is deemed to be interested in all the shares of the Company held by Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司) pursuant to the SFO.
- (2) As at 31 December 2018, Baoding Great Wall Holdings Company Limited (保定市長城控股集團有限公司) held 62.854% equity interest in Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司) and is deemed to be interested in all the shares of the Company held by Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司) for the purposes of the SFO. At the same time, Baoding Great Wall Holdings Company Limited (保定市長城控股集團有限公司) is interested in 30,018,500 H Shares.

On 17 April 2018, Baoding Wangsheng Investment Company Limited (保定市旺盛投資有限公司) was renamed Baoding Great Wall Corporate Management Consultant Company Limited (保定市長城企業管理諮詢有限公司), which was renamed Baoding Great Wall Holdings Company Limited (保定市長城控股集團有限公司) on 28 May 2018.

- (3) As at 31 December 2018, Ms. Han Xue Juan held 0.001% equity interest in Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司) and 1% equity interest in Baoding Great Wall Holdings Company Limited (保定市長城控股集團有限公司), and is the spouse of Mr. Wei Jian Jun. Ms. Han Xue Juan is deemed to be interested in all the shares of the Company in which Mr. Wei Jian Jun is interested for the purposes of the SFO.
- (4) Management Centre of Collective Assets of Nandayuan Town, Lianchi District, Baoding (保定市蓮池區南大園鄉集體資產經管中心) was formerly known as Management Centre of Collective Assets of Nandayuan Town, Nanshi District, Baoding (保定市南市區南大園鄉集體資產經管中心). As at 31 December 2018, Management Centre of Collective Assets of Nandayuan Town, Lianchi District, Baoding (保定市蓮池區南大園鄉集體資產經管中心) held 37.02% equity interest in Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司) and is deemed to be interested in all the shares of the Company held by Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司) for the purposes of the SFO.

Save as disclosed above, as at 31 December 2018, so far as the directors, supervisors and chief executives of the Company are aware, no other person (excluding the directors, supervisors and chief executives of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

(III) Strategic investor or general legal person becoming top ten shareholders as a result of placing of new shares

Applicable Not applicable

Section 9 Changes in Ordinary Shares and Shareholders

IV. CONTROLLING SHAREHOLDERS AND DE FACTO CONTROLLER

(I) Details of controlling shareholders

1. Legal person

Applicable Not applicable

Name	Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司)
Person in charge or legal representative	Wei Jian Jun
Date of establishment	1 December 2005
Principal business	Investments in manufacturing, real estate and horticulture industries, as well as corporate planning and management consulting.
Control of and shareholdings in other domestic or overseas listed companies during the Reporting Period	The company did not have any control of or shareholding in other domestic or overseas listed companies during the Reporting Period.
Others	—

2. Natural person

Applicable Not applicable

3. Specific descriptions of no controlling shareholder in the Company

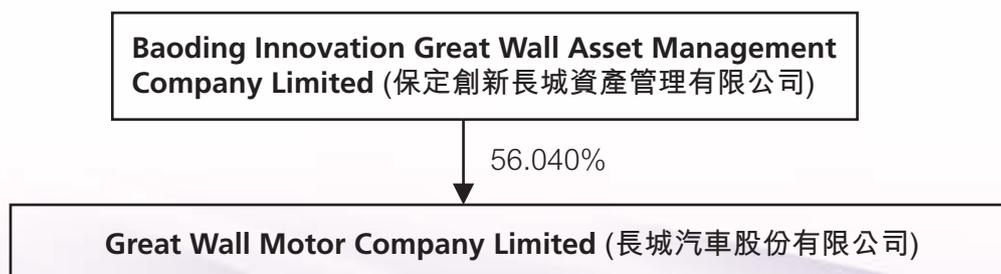
Applicable Not applicable

4. Change in controlling shareholders during the Reporting Period and the relevant date of change

Applicable Not applicable

5. Chart showing the shareholding and controlling relationship between the Company and the controlling shareholder

Applicable Not applicable



Section 9 Changes in Ordinary Shares and Shareholders

(II) Details of the de facto controller

1. Legal person

Applicable Not applicable

2. Natural Person

Applicable Not applicable

Name	Wei Jian Jun
Nationality	Chinese
Right of abode in other countries or regions	Yes
Occupation and position	Chairman of Great Wall Motor Company Limited
Shareholdings in domestic or overseas listed companies in the last ten years	Mr. Wei Jian Jun did not hold any shares in any listed companies other than Great Wall Motor in the last ten years.

3. Specific descriptions of no de facto controller in the Company

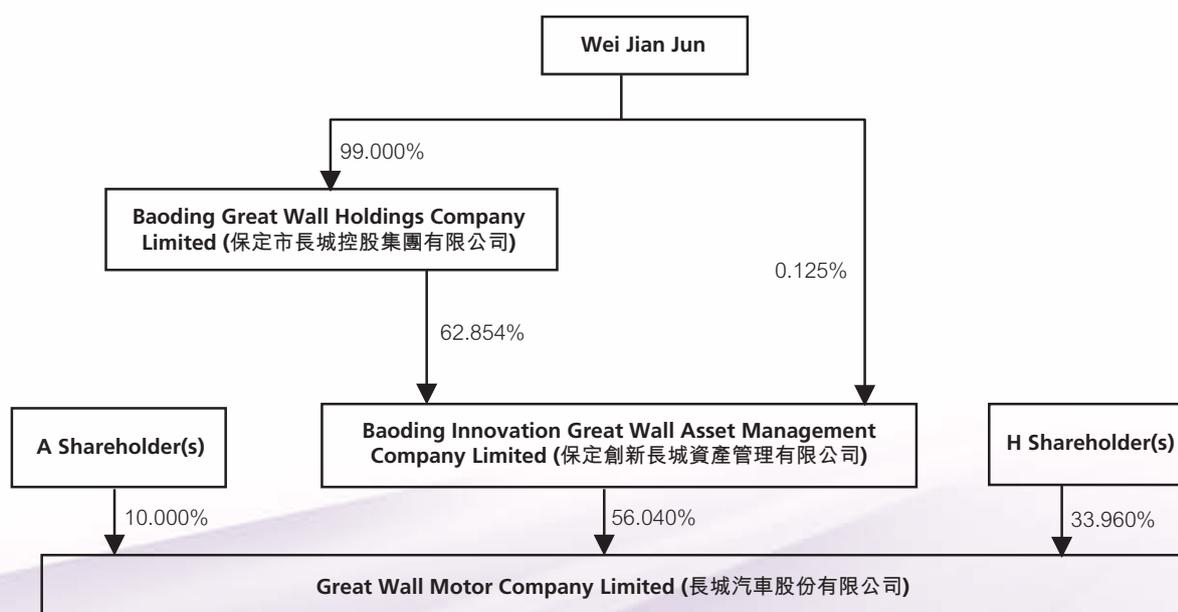
Applicable Not applicable

4. Change in the de facto controller during the Reporting Period and the date of change

Applicable Not applicable

5. Chart showing the shareholding and controlling relationship between the Company and the de facto controller

Applicable Not applicable



Note: Baoding Great Wall Holdings Company Limited (保定市長城控股集團有限公司) holds 30,018,500 H Shares, representing 0.97% of total number of H Shares.

Section 9 Changes in Ordinary Shares and Shareholders

6. *The de facto controller controlling the Company under trust and through other ways of asset management*

Applicable Not applicable

(III) Other information about controlling shareholders and the de facto controller

Applicable Not applicable

V. OTHER LEGAL PERSON SHAREHOLDERS HOLDING 10% OR MORE OF SHARES

Applicable Not applicable

As at 31 December 2018, HKSCC NOMINEES LIMITED, an overseas legal person, held 3,083,433,510 H Shares, representing 33.78% of the total shares of the Company. HKSCC NOMINEES LIMITED held these shares on behalf of a number of customers.

VI. LIMIT ON THE SHAREHOLDING REDUCTION

Applicable Not applicable

Section 10 Description of Preference Shares

Applicable Not applicable

Section 11 Directors, Supervisors, Senior Management and Employees

I. CHANGE IN SHAREHOLDINGS AND REMUNERATION

(I) The change in shareholdings and remuneration of existing and resigned/retired directors, supervisors and senior management during the Reporting Period.

√ Applicable □ Not applicable

Name	Position (Note)	Gender	Age	Term commencement date	Term expiration date	No. of shares held at the beginning of the Year	No. of shares held at the end of the Year	Changes (+/-) in shareholdings during the Year	Reason for changes	Unit: Share(s)	
										Total remuneration before tax from the Company during the Reporting Period (RMB10,000)	Remuneration from related parties
Wei Jian Jun	Chairman and Executive Director	Male	55	11 May 2017	10 May 2020	0	0	0		563.19	No
Wang Feng Ying	Vice Chairman, Executive Director and General Manager	Female	48	11 May 2017	10 May 2020	0	0	0		540.30	No
Yang Zhi Juan	Executive Director	Female	52	11 May 2017	10 May 2020	0	0	0		59.49	No
He Ping	Non-executive Director	Male	42	11 May 2017	10 May 2020	0	0	0		6.00	No
Ma Li Hui	Independent Non-executive Director	Male	51	11 May 2017	10 May 2020	0	0	0		6.00	No
Li Wan Jun	Independent Non-executive Director	Male	55	11 May 2017	10 May 2020	0	0	0		6.00	No
Ng Chi Kit	Independent Non-executive Director	Male	45	11 May 2017	10 May 2020	0	0	0		15.14	No
Chen Biao	Chairman of Supervisory Committee	Male	34	11 May 2017	10 May 2020	0	0	0		58.32	No
Luo Jin Li	Supervisor	Female	59	11 May 2017	10 May 2020	0	0	0		2.08	No
Zong Yi Xiang	Supervisor	Female	48	11 May 2017	10 May 2020	0	0	0		2.08	No
Hu Shu Jie	Deputy General Manager	Male	47	11 May 2017	10 May 2020	0	0	0		415.26	No
Hao Jian Jun	Deputy General Manager	Male	46	11 May 2017	27 December 2019	0	0	0		413.72	No
Zheng Chun Lai	Deputy General Manager	Male	49	11 May 2017	30 August 2019	0	0	0		157.53	No
Zhao Guo Qing	Deputy General Manager	Male	41	11 May 2017	10 May 2020	0	0	0		289.63	No
Li Feng Zhen	Deputy General Manager and Chief Financial Controller	Female	56	11 May 2017	10 May 2020	0	0	0		127.30	No
Zhang Wen Hui	Deputy General Manager	Male	43	11 May 2017	22 March 2019	0	0	0		126.72	No
Xu Hui	Secretary to the Board	Male	40	11 May 2017	10 May 2020	0	0	0		115.66	No
Total	/	/	/	/	/	0	0	0		2,904.42	/

Section 11 Directors, Supervisors, Senior Management and Employees

Name	Major working experience
Wei Jian Jun	<p>Mr. Wei Jian Jun (魏建軍先生) (“Mr. Wei”), aged 55, is the chairman and executive director of the Company. He graduated from the Committee College of Hebei Province of the PRC Communist Party (中共河北省委黨校) in 1999 majoring in corporate management studies. Mr. Wei joined Baoding Great Wall Motor Industry Company (保定長城汽車工業公司) (the predecessor of the Company) as the general manager in 1990. He has been the chairman of the Company since June 2001. He is responsible for the overall strategic planning and business development of the Group. Mr. Wei was appointed as a representative to the Ninth and Tenth National People’s Congress of Hebei Province, as well as a representative to the Eighteenth National Congress of the Communist Party of China. Mr. Wei is concurrently a director of the Company’s substantial shareholder, Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司). Details of the disclosure of interests of the aforementioned substantial shareholder in the Company are set out under “Shares Held by Substantial Shareholders (SFO Requirements)” of Section 9 of this report.</p>
Wang Feng Ying	<p>Ms. Wang Feng Ying (王鳳英女士) (“Ms. Wang”), aged 48, is a vice chairman, executive director and general manager of the Company. She graduated from Tianjin Institute of Finance (天津財經學院) in 1999 and obtained a master’s degree in economics. Ms. Wang joined the Company in 1991. She is responsible for marketing management of the Company. Ms. Wang has been acting as the general manager of the Company since November 2002. She is concurrently the general manager of Baoding Great Wall Automobile Sales Company Limited (保定長城汽車銷售有限公司). She has been acting as an executive director of the Company since June 2001. In addition, Ms. Wang was a representative to the Eleventh and Twelfth National People’s Congress.</p>
Yang Zhi Juan	<p>Ms. Yang Zhi Juan (楊志娟女士) (“Ms. Yang”), aged 52, is an executive director of the Company. She graduated from Hebei University (河北大學) with a major in law in 1987. Ms. Yang joined the Company in 1999, and served as the general office supervisor of Baoding Great Wall Huabei Automotive Company Limited (保定長城華北汽車有限責任公司) and the head of the investment management department of the Company. She has been acting as an executive director of the Company since August 2001.</p>

Section 11 Directors, Supervisors, Senior Management and Employees

Name	Major working experience
He Ping	<p>Mr. He Ping (何平先生) (“Mr. He”), aged 42, is a non-executive director of the Company. He graduated from Fudan University (復旦大學) with a major in international economic law in 1997 and obtained a bachelor’s degree in law. Since June 1997, Mr. He had worked in the investment banking headquarters of China Southern Securities Company Limited (南方證券有限責任公司). From March 2002 to December 2005, Mr. He successively acted as the deputy general manager and general manager of the investment banking headquarters of GuoDu Securities Company Limited (國都證券有限責任公司). Mr. He was appointed as the director of the investment department of Beijing Hony Future Investment Advisor Ltd. (北京弘毅遠方投資顧問有限公司) in December 2010. From October 2012 to April 2014, Mr. He was redesignated as the general manager of the risk control and compliance department. Mr. He was appointed as an executive director and the legal representative of Wuhu Zhuohui Chuangshi Investment Management Company Limited (蕪湖卓輝創世投資管理有限公司) on 22 October 2014. Mr. He was appointed as a director of Beijing Shenogen Pharmaceutical Co., Ltd. (北京盛諾基醫藥科技有限公司) in August 2016; an independent director of Beijing Capital Retailing Group Co., Ltd. (北京首商集團股份有限公司) in June 2017; and a supervisor of Hangzhou Suli Technology Company Limited (杭州速利科技有限公司) in July 2017. Mr. He has been acting as a non-executive director of the Company since May 2002.</p>
Ma Li Hui	<p>Mr. Ma Li Hui (馬力輝先生) (“Mr. Ma”), aged 51, is a professor in mechanical engineering and an independent non-executive director of the Company. Mr. Ma graduated from Hebei Institute of Technology (河北工學院) with a major in machine manufacturing technology and equipment in 1989. He taught in Hebei Institute of Technology (河北工學院) after obtaining a master’s degree in engineering from the same institute in 1992. He obtained a doctoral degree in mechanic design and theory from Hebei University of Technology (河北工業大學) in June 2007. He is currently a professor of School of Quality and Technology Supervision (質量技術監督學院) in Hebei University (河北大學), and a member of the technological innovation committee of China Innovation Method Society (中國創新方法研究會). His research focuses include innovative design of mechanical and electrical products. Mr. Ma has been acting as an independent non-executive director of the Company since May 2014.</p>

Section 11 Directors, Supervisors, Senior Management and Employees

Name	Major working experience
Li Wan Jun	<p>Mr. Li Wan Jun (李萬軍) (“Mr. Li”), aged 55, is a member of the Communist Party. He obtained a master’s degree in management and is a senior accountant, certified public accountant and registered tax advisor. Mr. Li acted as an independent director of Shijiazhuang Changshan Textile Co., Ltd. (石家莊常山紡織股份有限公司) and Cangzhou Mingzhu Plastic Co., Ltd. (滄州明珠塑膠股份有限公司) from 16 August 2012 to 26 August 2014 and from 8 July 2013 to 30 July 2014, respectively. From 19 May 2011 to 6 June 2014, he acted as an independent director of Shijiazhuang Dongfang Thermolectric Co., Ltd. (石家莊東方熱電股份有限公司), which was renamed SPIC Shijiazhuang Dongfang Energy Corporation (石家莊東方能源股份有限公司) on 11 October 2014. Currently, he works as a partner of Asia Pacific (Group) CPAs (special general partnership) (亞太(集團)會計師事務所(特殊普通合夥)), as the legal representative and a director of Hebei Kunhong Asset Management Company Limited (河北錕泓資產管理有限公司) and as the legal representative and a director of Hebei Liqin Tax Accountant Office Co., Ltd (河北力勤稅務師事務所有限公司). Mr. Li has been acting as an independent non-executive director of the Company since May 2017.</p>
Ng Chi Kit	<p>Mr. Ng Chi Kit (吳智傑) (“Mr. Ng”), aged 45, graduated from the Hong Kong Polytechnic University in Hong Kong with a Bachelor of Arts in Accountancy in November 1997. Mr. Ng has been an associate member of Hong Kong Institute of Certified Public Accountants since January 2003 and a fellow member of the Association of Chartered Certified Accountants since June 2006. From March 2000 to December 2009, Mr. Ng worked in the Assurance and Advisory Business Services Department of Ernst & Young and was a senior manager of Ernst & Young from October 2006 to November 2009. From December 2010 to February 2017, Mr. Ng acted as a non-executive director and a member of the audit committee of Chaowei Power Holdings Limited, and was redesignated as an independent non-executive director on 10 February 2017. He is responsible for oversight of financial management and reporting. Since December 2013, Mr. Ng has been acting as the chief financial officer and the company secretary of Suchuang Gas Corporation Limited. Mr. Ng has been acting as an independent non-executive director of the Company since May 2017.</p>
Chen Biao	<p>Mr. Chen Biao (陳彪先生) (“Mr. Chen”), aged 34, is an engineer and an international certified internal auditor. He graduated from Chengde Petroleum College (承德石油高等專科學校) in 2007 majoring in automotive engineering. Mr. Chen joined the Company in 2007 and served as an assistant to the division head of the quality management division and as a deputy division head of the operation and supervision division of the Company. Since October 2014, he has been serving as a division head of the supervision and audit division of the Company. He has also been serving as a supervisor of 43 wholly-owned subsidiaries of the Company since August 2015. Since December 2015, Mr. Chen has been acting as the Company’s supervisor.</p>

Section 11 Directors, Supervisors, Senior Management and Employees

Name	Major working experience
Luo Jin Li	Ms. Luo Jin Li (羅金莉女士) (“Ms. Luo”) , aged 59, is a senior economist, and a supervisor of the Company. She graduated from Hebei Normal University (河北師範大學) with a major in physics in 1982. Ms. Luo has been working at the personnel department of Hebei University (河北大學) since December 1993, responsible for human resources management. Ms. Luo has been acting as a supervisor of the Company since September 2003.
Zong Yi Xiang	Ms. Zong Yi Xiang (宗義湘女士) (“Ms. Zong”) , aged 48, is a professor and a doctoral supervisor of the College of Economics and Trade in Agricultural University of Hebei (河北農業大學經濟貿易學院), a certified asset valuer in the PRC and a supervisor of the Company. Ms. Zong graduated from the Chinese Academy of Agricultural Sciences (中國農業科學院) with a doctoral degree in 2006. She currently serves as a standing committee member of Statistical Association of Hebei (河北省統計學會) and a standing committee member of Research Committee of Legal System for Agriculture and Rural Area under the Law Association of Hebei (河北省法學會農業與農村法制研究會). Her research focuses include industrial economic theories and policies as well as statistics. Ms. Zong has been acting as the Company’s supervisor since May 2014.
Hu Shu Jie	Mr. Hu Shu Jie (胡樹傑先生) (“Mr. Hu”) , aged 47, is a deputy general manager of the Company. Mr. Hu joined the Company in 1996 and worked in Baoding Great Wall Automobile Sales Network Company Limited (保定市長城汽車營銷網絡有限公司) as the head of the external affairs department, the manager of the information department and the manager of the market planning department. He also worked as the general manager of Baoding Great Wall Automobile After-sales Services Company Limited (保定市長城汽車售後服務有限公司), the general manager of the first manufacturing division of the Company and the general manager of the second manufacturing division of the Company. He is currently in charge of the Group’s development of automobile products and has been acting as a deputy general manager of the Company since December 2005.
Hao Jian Jun	Mr. Hao Jian Jun (郝建軍先生) (“Mr. Hao”) , aged 46, is a deputy general manager of the Company. Mr. Hao joined the Company in 1997, and worked as a supervisor of the tooling plant of the Great Wall Baoding Vehicle Axles Company Limited (保定長城汽車橋業有限公司) and the general manager of Company’s tooling centre. He is currently responsible for the Group’s project construction and production process development. Mr. Hao acted as the Company’s deputy general manager from November 2006 to December 2018 and ceased to be the Company’s deputy general manager from 27 December 2018.

Section 11 Directors, Supervisors, Senior Management and Employees

Name	Major working experience
Zheng Chun Lai	Mr. Zheng Chun Lai (鄭春來先生) (“Mr. Zheng”) , aged 49, is a deputy general manager of the Company. He joined the Company in 1991 and acted as the factory head of Baoding Taihang Automobile Parts and Components Factory (保定市太行汽車零部件廠), the general manager of Baoding Xincheng Automobile Development Company Limited (保定市信誠汽車發展有限公司), Baoding Nuobo Rubber Production Co., Ltd. (保定市諾博橡膠製品有限公司), Baoding Yixin Automotive Parts Company Limited (保定億新汽車配件有限公司) and Baoding Nuobo Rubber Production Company Limited (保定市諾博橡膠製品有限公司) (in the molding department and decoration department). He is currently responsible for the Group’s research and development as well as production of seals, vibration absorbers, seats and interior and exterior decoration products. Mr. Zheng acted as a deputy general manager of the Company from March 2007 to August 2018 and resigned from the post on 30 August 2018.
Zhao Guo Qing	Mr. Zhao Guo Qing (趙國慶先生) (“Mr. Zhao”) , aged 41, is a deputy general manager of the Company. He joined the Company in 2000 and acted as the director of the lean promotion department, the deputy director of the technology research institute, the director of the supporting facilities management department and the deputy supervisor of the technology centre. He is currently responsible for the procurement of ancillary parts and equipment. He has been acting as the Company’s deputy general manager since June 2010.
Li Feng Zhen	Ms. Li Feng Zhen (李鳳珍女士) (“Ms. Li”) , aged 56, is the deputy general manager and chief financial controller of the Company. Ms. Li is qualified as a PRC registered accountant, PRC registered valuer and PRC registered tax adviser. Ms. Li has worked as a financial accountant in enterprises for 15 years and has been engaging in auditing in accounting firms for seven years. Ms. Li joined the Company in 2001 and has been acting as the chief financial controller of the Company since May 2005 and a deputy general manager of the Company since June 2010.
Zhang Wen Hui	Mr. Zhang Wen Hui (張文輝先生) (“Mr. Zhang”) , aged 43, is a deputy general manager of the Company. Mr. Zhang joined the Company in 2000 and was responsible for daily management of GW Internal Combustion Engine Company (長城內燃機公司). He acted as the head of the operation management department. He is currently the head of the strategic management department and the secretary of the party committee of the Company. Since January 2012, he has been acting as the Company’s deputy general manager and resigned from the post on 22 March 2019.
Xu Hui	Mr. Xu Hui (徐輝先生) (“Mr. Xu”) , aged 40, is the secretary to the Board. Mr. Xu joined the Company in 2001 and is responsible for corporate finance, equity investment and management authorization. He has been acting as the head of the securities and legal affairs department of the Company since July 2008 and as the secretary to the Board since June 2010.

Section 11 Directors, Supervisors, Senior Management and Employees

Additional Information

√ Applicable Not applicable

Directors' and Supervisors' Service Agreements and Letters of Appointment

The Company entered into service agreements with each of the executive directors and supervisors in May 2017, and entered into appointment letters with each of the non-executive directors and independent non-executive directors in May 2017. Pursuant to the above service agreements and appointment letters, the term of directors is three years expiring upon the expiry of the sixth session of the Board, and that of supervisors will expire upon the expiry of the sixth session of the Supervisory Committee. Save as disclosed above, none of the directors or supervisors had entered into or proposed to enter into any other service contracts with the Company or its subsidiaries or any service contracts not determinable by the employer within one year without payment of compensation (other than statutory compensation).

Independence of Independent Non-Executive Directors

All independent non-executive directors have provided the Company with annual confirmation as to their independence as independent non-executive directors pursuant to Rule 3.13 of the Hong Kong Listing Rules during their terms of appointment. Based on such confirmation, the Company considers all independent non-executive directors to be independent.

Interests of Controlling Shareholders, Directors and Supervisors in Material Contracts

None of the controlling shareholders or their subsidiaries, directors or supervisors or entities connected with such directors or supervisors was or had been materially interested, whether directly or indirectly, in any contract subsisting during 2018 or at the end of 2018 which was significant to the business of the Company or any of its subsidiaries.

Section 11 Directors, Supervisors, Senior Management and Employees

(II) Stock options granted to directors and senior management during the Reporting Period

Applicable Not applicable

II. POSITIONS OF EXISTING AND RESIGNED/RETIRED DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT DURING THE REPORTING PERIOD

(I) Positions held in the Company's shareholders

Applicable Not applicable

Name	Name of the Company's shareholders	Positions held in the Company's shareholders	Term commencement date	Term expiration date
Wei Jian Jun	Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司)	Chairman and general manager	1 December 2005	
Wei Jian Jun	Baoding Great Wall Holdings Company Limited (保定市長城控股集團有限公司)	Chairman and general manager	31 January 2013	
Yang Zhi Juan	Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司)	Vice Chairman	18 January 2016	
Yang Zhi Juan	Management Centre of Collective Assets of Nandayuan Town, Lianchi District, Baoding (保定市蓮池區南大園鄉集體資產經管中心)	General manager	7 January 2016	
Hao Jian Jun	Baoding Great Wall Holdings Company Limited (保定市長城控股集團有限公司)	Director	25 October 2015	
Description of positions held in the Company's shareholders	Baoding Great Wall Holdings Company Limited (保定市長城控股集團有限公司) (controlling shareholder of Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司)) is an indirect shareholder of the Company; and Management Centre of Collective Assets of Nandayuan Town, Lianchi District, Baoding (保定市蓮池區南大園鄉集體資產經管中心) (shareholder of Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司)) is an indirect shareholder of the Company.			

Section 11 Directors, Supervisors, Senior Management and Employees

(II) Positions held in other entities

√ Applicable □ Not applicable

Name	Name of other entities	Positions held in other entities	Term commencement date	Term expiration date
Wei Jian Jun	Baoding Great Wall Pioneer Enterprise Investment Company Limited (保定市長城創業投資有限公司)	Chairman and general manager	14 April 2004	
Wei Jian Jun	Hebei Baocang Expressway Co. Ltd. (河北保滄高速公路有限公司)	Vice Chairman	10 December 2004	
Wei Jian Jun	Baoding Taihang Steel Structure Engineering Co., Ltd. (保定太行鋼結構工程有限公司)	Director	20 September 2000	
Wei Jian Jun	Bochuang Urban Development Company Limited (博創城市建設開發有限公司)	Executive director	7 May 2009	29 Aug 2018
Wei Jian Jun	Baoding Bochuang Park Construction and Development Co., Ltd. (保定博創園區建設開發有限公司)	Executive director	21 May 2015	30 Aug 2018
Wei Jian Jun	Baoding Bochuang Public Facility Investment Co., Ltd. (保定博創公共設施管理有限公司)	Executive director	21 May 2015	30 Aug 2018
Wei Jian Jun	Baoding Kelin Heat Supplying Co., Ltd. (保定科林供熱有限公司)	Executive director	20 July 2012	31 Aug 2018
Yang Zhi Juan	Baoding Great Wall Pioneer Enterprise Investment Company Limited (保定市長城創業投資有限公司)	Vice Chairman	9 May 2018	
He Ping	Wuhu Zhuo Hui Chuang Shi Investment Management Ltd. (蕪湖卓輝創世投資管理有限公司)	Executive director/Legal representative	22 October 2014	
He Ping	Beijing Shenogen Pharmaceutical Co., Ltd. (北京盛諾基醫藥科技有限公司)	Director	August 2016	
He Ping	Beijing Capital Retailing Group Co., Ltd. (北京首商集團股份有限公司)	Independent director	June 2017	
He Ping	Hangzhou Suli Technology Company Limited (杭州速利科技有限公司)	Supervisor	July 2017	
Li Wan Jun	Asia Pacific (Group) CPAs (special general partnership) (亞太(集團)會計師事務所(特殊普通合夥))	Partner	December 2014	
Li Wan Jun	Hebei Kunhong Asset Management Company Limited (河北銀泓資產管理有限公司)	Legal representative and director	March 2016	
Li Wan Jun	Hebei Liqin Tax Accountant Office Co., Ltd. (河北力勤稅務師事務所有限公司)	Director	8 August 2018	
Ng Chi Kit	Suchuang Gas Corporation Limited	Chief financial officer/ Company secretary	December 2013	

Section 11 Directors, Supervisors, Senior Management and Employees

Name	Name of other entities	Positions held in other entities	Term commencement date	Term expiration date
Ng Chi Kit	Chaowei Power Holdings Limited	Independent non-executive director	February 2017	
Hu Shu Jie	China Automobile (Beijing) Automobile Lightweight Technology Research Institute Company Limited (國汽(北京)汽車輕量化技術研究院有限公司)	Director	29 March 2016	
Hao Jian Jun	Baoding Kelin Engineering Test Co., Ltd. (保定科林工程檢測有限公司)	Executive director	4 November 2015	
Hao Jian Jun	Baoding Great Wall Industrial Company Limited (保定市長城實業有限公司)	Executive director and manager	26 October 2018	
Hao Jian Jun	Baoding Great Wall Smart Technology Company Limited (保定市長城智能科技有限公司)	Executive director and manager	21 November 2018	
Hao Jian Jun	Rizhao Great Wall Smart Technology Company Limited (日照長城智能科技有限公司)	Executive director	7 December 2018	
Hao Jian Jun	Chongqing Great Wall Smart Technology Company Limited (重慶長城智能科技有限公司)	Executive director	20 December 2018	
Positions held in other entities				

III. REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

√ Applicable Not applicable

Decision-making process for determining remuneration of directors, supervisors and senior management

The Board has set up a Remuneration Committee, which conducts evaluation of directors and senior management according to the performance appraisal standards and procedures, and makes reasonable recommendations on remuneration of directors and senior management based on their evaluation results and the Company's operating results.

Basis of determining of remuneration of directors, supervisors and senior management

According to the Company's remuneration policy, the annual remuneration of directors, supervisors and senior management is paid by the Company on a monthly basis. Year-end bonuses are given to executive directors and senior management based on the Company's operating results and appraisal results at the end of the year.

Remuneration actually paid to directors, supervisors and senior management

For the actual amount paid to directors, supervisors and senior management according to the above-mentioned principles, please refer to the table under (I) "The change in shareholdings and remuneration of existing and resigned/retired directors, supervisors and senior management during the Reporting Period" of item (I) "Change in Shareholdings and Remuneration" in this section.

Total remuneration actually received by all the directors, supervisors and senior management at the end of the Reporting Period

As at the end of the Reporting Period, the total amount of remuneration actually received by all the directors, supervisors and senior management from the Company was RMB29.0442 million.

Section 11 Directors, Supervisors, Senior Management and Employees

IV. CHANGE IN THE COMPANY'S DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Applicable Not applicable

Name	Position	Change	Reason for change
Hao Jian Jun	Deputy General Manager	Dismissed	Change in duties
Zheng Chun Lai	Deputy General Manager	Dismissed	Change in duties

V. PENALTIES IMPOSED BY SECURITIES REGULATORY AUTHORITIES IN LAST THREE YEARS

Applicable Not applicable

VI. EMPLOYEES OF THE PARENT AND MAJOR SUBSIDIARIES

(I) Employees

Number of serving employees of the Parent	24,837
Number of serving employees of major subsidiaries	38,618
Total number of serving employees	63,455
Number of disengaged and retired employees for whom the Parent and its major subsidiaries shall be liable to expenses	60

Composition of employees by profession

Profession	Number
Manufacturing personnel	30,575
Sales personnel	1,722
Technicians	16,972
Financial personnel	852
Administrative officers	4,324
Others	9,010
Total	63,455

Education level

Education level	Number (person)
Doctor's degree	89
Master's degree	1,805
Bachelor's degree	15,714
University diploma	13,892
Secondary schools and below	31,955
Total	63,455

Section 11 Directors, Supervisors, Senior Management and Employees

(II) Remuneration policy

Applicable Not applicable

In order to facilitate and ensure the Company's sustainable development by increasing its employees' productivity and motivation, the Company has designed a market-based remuneration structure. The remuneration package offered to the Company's employees comprises salaries based on their positions, allowances based on their seniority and incentives based on their performance. Such remuneration structure ensures that high remuneration incentives will be given to those employees whose positions are highly valued by the Company, who are highly capable and who have outstanding performance.

(III) Training Program

Applicable Not applicable

Based on the strategic objective of "a strong enterprise underpinned by talent" and adhering to the principle of "talent is the foundation of car production", the Company actively innovated its talent training method by aligning the training of talent with business needs so as to enhance their capabilities and accelerate their growth.

(IV) Outsourcing

Applicable Not applicable

VII. OTHERS

Applicable Not applicable

Section 12 Corporate Governance Report

I. DESCRIPTION OF CORPORATE GOVERNANCE

Applicable Not applicable

The Company has strictly complied with the Securities Law, the Rules Governing the Listing of Stocks on Shanghai Stock Exchange (《上海證券交易所股票上市規則》), the Code of Corporate Governance for Listed Companies in China (《上市公司治理準則》) and the requirements of the relevant laws and regulations of the CSRC, as well as the Hong Kong Listing Rules and the requirements of the relevant laws and regulations in Hong Kong to establish and perfect its corporate governance structure, regulate its operations, strengthen its information disclosure system, and improve its investor relations management on an on-going basis.

Since the listing of its H Shares in Hong Kong in 2003, the Company has formulated relevant corporate governance rules, including the Rules of General Meetings (《股東大會議事規則》), the Rules of the Meetings of the Board (《董事會議事規則》), the Rules of the Meetings of the Supervisory Committee (《監事會議事規則》), the Terms of Reference for General Manager (《總經理工作細則》), the Implementation Rules for the Audit Committee under the Board (《董事會審計委員會實施細則》), the Working Procedures for the Nomination Committee under the Board (《董事會提名委員會工作制度》), the Working Procedures for the Remuneration Committee under the Board (《董事會薪酬委員會工作制度》) and the Administrative Measures for Strategic Management Plan of Strategy Committee (《戰略委員會戰略規劃管理制度》).

Since the listing of its A Shares in the PRC in 2011, the Company has amended and refined some of its rules, and formulated the Accountability Rules for Material Errors on Information Disclosure in Annual Report (《年報信息披露重大差錯責任追究制度》), the Working Procedures of Independent Directors on Annual Report (《獨立董事年報工作制度》), the Administrative Rules on the Shares of the Company Held by its Directors, Supervisors and Senior Management and the Changes thereof (《董事、監事和高級管理人員持有本公司股份及其變動管理制度》), the Administrative Rules on Information Disclosure (《信息披露管理制度》), the Administrative Rules on the Release of Information to External Parties and the Use of Such Information (《對外信息報送和使用管理制度》), the Administrative Rules on Fund Raising (《籌資管理制度》) and the Administrative Rules on Donation to External Parties (《對外捐贈管理制度》) in accordance with the relevant requirements in the PRC. These rules and procedures help improve the regulatory system of the Company and ensure that the existing corporate governance of the Company can meet the relevant requirements in both Hong Kong and the PRC.

The Board considered and passed the Rules on Registration and Filing of Details of Insiders (《內幕信息知情人登記備案制度》) on 22 November 2011 and coordinated with the Administrative Rules on the Release of Information to External Parties and the Use of Such Information (《對外信息報送和使用管理制度》) and strictly implemented thereof so as to effectively prevent the leak of confidential information of the Company.

Reasons should be provided for any discrepancies between the corporate governance of the Company and the relevant requirements of the CSRC.

Applicable Not applicable

At present, the Company has a sound corporate governance structure and there are no discrepancies between its corporate governance and the relevant requirements of the CSRC.

Section 12 Corporate Governance Report

II. SUMMARY OF THE GENERAL MEETINGS

Session	Date of general meeting	Designated website on which the resolution was published	Publication date of the resolution
2017 annual general meeting	14 May 2018	Shanghai Stock Exchange www.sse.com.cn; Hong Kong Stock Exchange www.hkexnews.hk	14 May 2018
The first A Shareholders' class meeting in 2018	14 May 2018	Shanghai Stock Exchange www.sse.com.cn; Hong Kong Stock Exchange www.hkexnews.hk	14 May 2018
The first H Shareholders' class meeting in 2018	14 May 2018	Shanghai Stock Exchange www.sse.com.cn; Hong Kong Stock Exchange www.hkexnews.hk	14 May 2018

Description of General Meetings

Applicable Not applicable

III. PERFORMANCE OF DUTIES BY DIRECTORS

(I) Attendance of directors at Board meetings and general meetings

Name of director	Independent director	Attendance at Board meetings						Attendance at general meetings		
		No. of meetings during the Year	Attendance in person	Attendance by means of communication	Attendance by proxy	Absence	Absent from meetings for two consecutive times	Attendance rate for Board meetings	Attendance rate for general meetings	
Wei Jian Jun	No	8	8	4	0	0	No	100%	1	100%
Wang Feng Ying	No	8	8	4	0	0	No	100%	1	100%
Yang Zhi Juan	No	8	8	4	0	0	No	100%	1	100%
He Ping	No	8	8	4	0	0	No	100%	0	0%
Ma Li Hui	Yes	8	8	4	0	0	No	100%	0	0%
Li Wan Jun	Yes	8	8	4	0	0	No	100%	0	0%
Ng Chi Kit	Yes	8	8	4	0	0	No	100%	0	0%

Description of the members of the Board who failed to attend Board meetings in person for two consecutive times

Applicable Not applicable

Section 12 Corporate Governance Report

During the Reporting Period, none of the members of the Board failed to attend Board meetings in person for two consecutive times.

No. of Board meetings held during the Year	8
Including: no. of on-site Board meetings	1
No. of Board meetings convened by means of communication	4
No. of Board meetings held both on-site and by communication	3

The Company held one general meeting in 2018 at which one non-executive director and three independent non-executive directors were not present. However, they all attended the relevant Board meetings in connection with the matters to be considered in the general meeting. All the directors, including independent non-executive directors and non-executive directors, are aware that they should attend general meetings and understand the views of the shareholders.

Note: The means of communication mentioned above include electronic means of communication and circulation of written proposals. During the Year, all the directors of the Company attended four regular Board meetings either in person or through electronic means of communication.

(II) Disagreement of the independent directors on matters related to the Company

Applicable Not applicable

(III) Others

Applicable Not applicable

IV. MAJOR OPINIONS AND RECOMMENDATIONS MADE BY SPECIAL COMMITTEES UNDER THE BOARD WHEN PERFORMING THEIR DUTIES DURING THE REPORTING PERIOD AND DETAILS OF ANY DISAGREEMENTS

Applicable Not applicable

The duties performed by the special committees under the Board during the Reporting Period are summarized as follows: the Audit Committee under the Board played an important role in the auditing of the 2018 annual report. During the auditing, the Audit Committee under the Board enhanced the communication with the accountant and solved the relevant problems in a timely manner to ensure the completion of the auditor's report as scheduled. The Audit Committee under the Board also reviewed the auditor's report of the Company and submitted the same to the 17th meeting of the 6th session of the Board for voting. During the Reporting Period, the Audit Committee under the Board reviewed and provided valuable opinions on the relevant financial reports including the quarterly and interim reports. The Company convened a meeting of the Strategy Committee under the Board to consider and approve the operational strategies of the Company for the year of 2018.

Section 12 Corporate Governance Report

V. RISKS OF THE COMPANY IDENTIFIED BY THE SUPERVISORY COMMITTEE

Applicable Not applicable

During the Reporting Period, the Supervisory Committee of the Company had no disagreement with the Board on matters under the Supervisory Committee's supervision.

VI. DESCRIPTION OF THE LACK OF INDEPENDENCY AND OPERATIONAL AUTONOMY OF THE COMPANY FROM ITS CONTROLLING SHAREHOLDER IN RESPECT OF BUSINESS, EMPLOYEES, ASSETS, ORGANISATION AND FINANCE

Applicable Not applicable

Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司), the controlling shareholder of the Company, was independent from the Company in terms of business operation and production. During the Reporting Period, the controlling shareholder did not, directly or indirectly, interfere with the decision-making or operation of the Company by overriding the power of the general meetings of the Company. The Company is independent from the controlling shareholder in respect of employees, assets, finance, organisation and business, and none of its procurement or product sales was conducted via the controlling shareholder. The Company has its own independent business and autonomous operation capability, and the Board, the Supervisory Committee and other internal organisations of the Company can operate independently.

In short, the Company is independent from the controlling shareholder and has independence and operational autonomy in respect of business, employees, assets, organisation and finance.

Corresponding solutions, work progress and follow-up plans of the Company in response to competition among peers in the industry

Applicable Not applicable

VII. APPRAISAL SYSTEM FOR SENIOR MANAGEMENT AND ESTABLISHMENT AND IMPLEMENTATION OF INCENTIVE SYSTEM DURING THE REPORTING PERIOD

Applicable Not applicable

During the Reporting Period, the Company, based on its operation and the achievement of relevant targets, conducted performance appraisals on the senior management and gave awards to or imposed punishments on them accordingly. In addition, the Company continued to develop an effective incentive mechanism to motivate the senior management.

VIII. HAS THE INTERNAL CONTROL SELF-EVALUATION REPORT BEEN DISCLOSED

Applicable Not applicable

For details of the internal control self-evaluation report, please refer to the Self-evaluation Report on Internal Control for the Year of 2018 of Great Wall Motor Company Limited published by the Company on the website of the Shanghai Stock Exchange (www.sse.com.cn) (this report was also published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) in the form of overseas regulatory announcement).

Section 12 Corporate Governance Report

Description of material defect of internal control during the Reporting Period

Applicable Not applicable

IX. RELEVANT MATTERS OF AUDIT REPORT ON INTERNAL CONTROL

Applicable Not applicable

For details of the audit report on internal control, please refer to the Audit Report on Internal Control for the Year of 2018 published by the Company on the website of the Shanghai Stock Exchange (www.sse.com.cn) (this report was also published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) in the form of overseas regulatory announcement).

Has the audit report on internal control been disclosed: Yes

X. INVESTOR RELATIONS

During the Year, the Company enhanced the two-way communication between the Company and its investors so as to enable the general investors to keep abreast of the operation condition of the Company, promote a better relationship between the Company and its investors and help its investors to have a timely and accurate understanding of the operation condition of the Company. During the Year, the Company enabled its investors to have a timely understanding of the Company's operation condition through inviting them to participate in the Company's activities, such as general meetings, exhibitions and launches of new vehicle models. The Company had comprehensive communication with its investors by organising domestic and overseas roadshows, receiving survey and research delegations from investors, organising teleconferences and attending summit meetings organised by investment banks. During the Year, the Company hosted 2 domestic and overseas roadshows, received 24 survey and research delegations from domestic and overseas investors, held 17 teleconferences and attended 12 summit meetings hosted by investment banks in total.

XI. OTHERS

Applicable Not applicable

The Company is committed to enhancing its corporate governance standard by improving its transparency, independence, accountability and fairness. The Company has adopted appropriate measures to comply with the Corporate Governance Code as set out in Appendix 14 to the Hong Kong Listing Rules and its principles. During the Year, the Company met the code provisions of the Corporate Governance Code. Set out below is a summary of the corporate governance practices of the Company and, if any, the explanation of deviation from the Corporate Governance Code set out in the Hong Kong Listing Rules.

Principal Corporate Governance Principles and Practices of the Company

A. Board of Directors

The Board should have a balance of skills and experience appropriate for the requirements of the business of the Company.

Section 12 Corporate Governance Report

The members of the Board are as follows:

Executive Directors:

Mr. Wei Jian Jun (*Chairman*)

Ms. Wang Feng Ying (*Vice-chairman and General Manager*)

Ms. Yang Zhi Juan

Non-Executive Director:

Mr. He Ping

Independent Non-Executive Directors:

Mr. Ma Li Hui

Mr. Li Wan Jun

Mr. Ng Chi Kit

- During the year, the Company complied with the requirements regarding the number of independent non-executive directors and accounting or related financial management expertise set out under Rule 3.10(1) and (2) and Rule 3.10A of the Hong Kong Listing Rules, respectively.
- All independent non-executive directors complied with the guidelines on independence set out under Rule 3.13 of the Hong Kong Listing Rules and did not violate any provision thereunder throughout the Year.
- During the year, none of the directors engaged in or was interested in any business which competed or was likely to compete, directly or indirectly, with the business of the Group.
- There is no financial, business, family or other material relationship among members of the Board.
- The biographies of directors are set out in Section 11.

Deviation: NIL

The unique role of the chairman and the chief executive officer.

- The positions of chairman and general manager were served by different individuals.
- The chairman is responsible for overseeing operations of the Board and formulating the strategies and policies of the Company, while the general manager is responsible for managing the business of the Company.
- Mr. Wei Jian Jun served as the chairman of the Board, which is equivalent to the role of chairman, and is responsible for leading the Board, organising the meeting agenda, and ensuring its effective operation.
- Ms. Wang Feng Ying served as the general manager of the Company, which is equivalent to the role of chief executive officer, and is responsible for the day-to-day operations of the Company and other matters authorised by the Board.

Deviation: NIL

Non-executive directors shall be appointed for a specific term, and all directors appointed to fill casual vacancies shall be subject to election by shareholders at the first general meeting after their appointment.

Section 12 Corporate Governance Report

- Pursuant to the Articles, “the directors shall be elected at a general meeting for a term of three years. Upon expiry of his term of office, a director may offer himself for re-election”. All the directors of the Company, including the independent non-executive directors and non-executive directors, were re-elected or elected and appointed on 11 May 2017 for a term of three years.

Deviation: NIL

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

- The Board shall meet regularly and hold at least four board meetings a year. The Board is responsible for formulating and reviewing the business direction and strategy for the relevant auditing period and for supervising the operating and financial performance of the Group. Where necessary, the Board will also convene extraordinary meetings to discuss matters requiring a decision by the Board on an ad hoc basis. The management is authorised to exercise discretion on day-to-day operations.
- The Board is accountable to the general meeting and discharges the following duties:
 - (1) to convene general meetings and report its work to the general meetings;
 - (2) to implement resolutions of the general meetings;
 - (3) to determine operating plans and investment proposals of the Company;
 - (4) to prepare annual financial budgets and financial statements of the Company;
 - (5) to prepare proposals for profit distribution and making up losses of the Company;
 - (6) to prepare proposals for the increase or decrease in registered capital and issue of bonds of the Company;
 - (7) to prepare proposals for the mergers, segregation and dissolution of the Company;
 - (8) to determine the internal management structure of the Company;
 - (9) to appoint or remove the general manager of the Company, and on the basis of nomination by the general manager, to appoint or remove the deputy general manager, financial controller and other senior management of the Company and to determine their remunerations;
 - (10) to set up the basic management systems of the Company;
 - (11) to prepare proposals for amendments to the Articles; and
 - (12) other authorisations from the general meetings.

Section 12 Corporate Governance Report

Deviation: NIL

The management is authorised at meetings of the Board to exercise powers related to day-to-day operations.

- The Articles clearly stipulate that the general manager of the Company is responsible for implementing various strategies and overseeing the day-to-day operations of the Company and is required to report to the Board on a regular basis.
- The Board will formulate the development strategies of the Company within its scope of authority. The management is authorised and entrusted by the Board to implement the strategies and oversee the day-to-day operations of the Company. The management is accountable to the Board.
- Save for matters of significance of the Company to be determined by the Board, which are set out in the terms of reference of the Board, other issues relating to day-to-day operation are subject to the decision of the management, and shall be reported to the Board by the management.

Deviation: NIL

The Board shall meet regularly to discharge their duties. The Board and its committees shall be provided with sufficient information in a timely manner.

- During the Year, the Board held eight meetings. Pursuant to the Articles, "meetings or extraordinary meetings of the Board may be convened by means of telephone or similar telecommunication facilities".
- Regular meetings of the Board were held in the middle of the Year and at the end of the Year. Additional meetings were also held to consider important matters arising from time to time. Directors may attend such meetings in person or through other electronic means of communication.
- Notice will be given to each director 14 days prior to a Board meeting. Documents containing meeting agenda will be sent to each director four days before the date appointed for the relevant meeting.
- The secretary to the Board assists the chairman of the Board in preparing the meeting agenda. The directors are allowed to submit agenda proposals to the secretary to the Board before the date appointed for the relevant meeting.
- Minutes of Board meetings and meetings of committees are kept by the secretary to the Board and are available for inspection by the directors at any time. Such minutes of the meeting will record opinions and suggestions raised by the directors in the meeting, the final version of which will be sent to directors for signing and confirmation.
- Transactions in which directors are deemed to have a conflict of interests or deemed to be materially interested will not be dealt with by written resolution. The relevant director will be allowed to attend the meeting but may not express any opinion and will be required to abstain from voting.
- The directors may seek independent professional advice on professional matters involved in the agenda at the expense of the Company.

Section 12 Corporate Governance Report

Attendance of individual directors at Board meetings and general meetings in 2018

Please refer to item III. (I) "Attendance of directors at Board meetings and general meetings" in this section.

Deviation: NIL

Every director is required to keep abreast of his responsibilities as a director of the Company and of the conduct, business activities and development of the Company.

- The company secretary provides up-to-date information on trading of H Shares and A Shares in Hong Kong and in the PRC respectively on each trading day to the directors and committee members and keeps them abreast of the latest developments of the Group and business progress of the Company.
- Pursuant to the prevailing "Rules and Procedures of Independent Directors" (獨立董事工作制度), non-executive directors and independent non-executive directors are entitled to attend and propose to convene Board meetings. All the committees of the Company currently comprise independent non-executive directors.
- The Company regularly provides all directors, whose names are set out in this section, with information in relation to their professional conduct and enhancement of their expertise for training purposes in order to ensure all directors are familiar with the operation and business of the Company and relevant laws and regulations (including but not limited to the listing rules of Hong Kong and China).

Deviation: NIL

Compliance with Model Code

- The Company has complied with the Model Code set out in Appendix 10 to the Hong Kong Listing Rules and has not adopted any separate code of conduct on terms more exacting than those set out in the Model Code. The Company has made specific enquiry to each director in respect of securities transactions by directors. None of the directors of the Company violated any provisions of the Model Code.

Deviation: NIL

The Board committees

There are four committees under the Board. The Strategy Committee is responsible for assisting the Board in formulating strategies and providing recommendations to the management from time to time in accordance with the prevailing market environment and changes in policies. The Remuneration Committee is responsible for formulating remuneration policies of the Company and supervising their implementations. The Nomination Committee is responsible for making recommendations to the Board regarding its size and composition as well as the standards and procedures for selecting directors and management. The Audit Committee is responsible for monitoring the financial conditions of the Company. The Strategy Committee, Remuneration Committee, Nomination Committee and Audit Committee report to the Board on a regular basis.

Section 12 Corporate Governance Report

Strategy Committee	Remuneration Committee	Nomination Committee	Audit Committee
Mr. Wei Jian Jun (<i>Chairman</i>)	Mr. Wei Jian Jun	Mr. Wei Jian Jun	Mr. He Ping
Ms. Wang Feng Ying	Mr. Ma Li Hui (<i>Chairman</i>)	Mr. Ma Li Hui (<i>Chairman</i>)	Mr. Ma Li Hui
Mr. He Ping	Mr. Li Wan Jun	Mr. Ng Chi Kit	Mr. Li Wan Jun (<i>Chairman</i>)
Mr. Ma Li Hui			Mr. Ng Chi Kit
Mr. Li Wan Jun			

Deviation: NIL

B. *The Strategy Committee*

The Company has set up the Strategy Committee comprising two independent non-executive directors (Ma Li Hui and Li Wan Jun), one non-executive director (He Ping) and two executive directors (Wei Jian Jun (Chairman) and Wang Feng Ying).

Attendance of committee members at meetings of the Strategy Committee in 2018

No. of meetings		1
Date and Business	22 March 2018 To consider the proposal on the operational strategies of the Company for the year of 2018	
	No. of attendance/ No. of meeting	Attendance rate
Wei Jian Jun	1/1	100%
Wang Feng Ying	1/1	100%
He Ping	1/1	100%
Ma Li Hui	1/1	100%
Li Wan Jun	1/1	100%
Average attendance rate	—	100%

During the Reporting Period, the Company held a meeting of the Strategy Committee to consider and approve the operational strategies of the Company for the year of 2018.

Deviation: NIL

C. *Remuneration of Directors and Senior Management*

There should be formal and transparent procedures for formulating the policy on executive directors' remuneration and for determining the remuneration packages for all directors.

- The Company has set up the Remuneration Committee comprising two independent non-executive directors (Ma Li Hui (Chairman) and Li Wan Jun) and one executive director (Wei Jian Jun).

Section 12 Corporate Governance Report

- 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 for executive directors and senior management, including benefits in kind, pensions and compensation payments. The terms of reference of the Remuneration Committee include the specific duties set out under the Corporate Governance Code.
- The Group proposes the basis of remuneration for directors and employees according to the performance and qualification of the directors and employees as well as the prevailing industry practice. The remuneration policies and packages are reviewed regularly. Based on the performance assessment report, employees may receive bonus and incentive payments as rewards.
- In May 2017, the Company and each of the directors, including non-executive directors and independent non-executive directors, entered into a Director's Service Agreement or an appointment letter for a term of three years, which set out the respective remunerations of the directors.
- Details of directors' and senior management's remuneration as well as the five highest paid individuals in the Group are set out in item I. (I) "The change in shareholdings and remuneration of existing and resigned/retired directors, supervisors and senior management during the Reporting Period" in Section 11 and note (XI) to the financial statements.

The Company did not hold any meetings of the Remuneration Committee in 2018.

Deviation: NIL

Section 12 Corporate Governance Report

D. Nomination Committee

- The Company has set up the Nomination Committee comprising two independent non-executive directors (Ma Li Hui (Chairman) and Ng Chi Kit) and one executive director (Wei Jian Jun).
- The Nomination Committee is responsible for making recommendations to the Board regarding its size and composition based on business activities, asset scale and shareholding structure of the Company and making recommendations about the standards and procedures for selecting directors and management members.

The Company did not hold any meetings of the Nomination Committee in 2018.

Deviation: NIL

Board diversity policy

The Board has adopted a board diversity policy effective on 27 December 2013. When determining the composition of the Board, the Company seeks to achieve board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All appointments of the Board members will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity of the Board. Selection of candidates will be based on a range of diversity factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merits of the candidates and the contribution they will bring to the Board.

The Board has set measurable objectives (in terms of gender, skills and experience) to implement the policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives, and will review the policy, as appropriate, to ensure its continued effectiveness from time to time.

As at the date of this report, the Board comprises seven directors, of which two are female. The educational background of the directors covers accounting, law, management and machine manufacturing, etc. The Company considers that the current composition of the Board has the characteristic of diversity in gender, professional background and skills.

Deviation: NIL

Section 12 Corporate Governance Report

E. Accountability and Audit

The Board should present a balanced, clear and comprehensive assessment of the Company's performance, position and prospects.

- The directors are responsible for supervising the preparation of accounts for each financial period, which are required to give a true and fair view of the operating conditions, results and cash flow of the Group during the relevant period. When preparing the accounts for the year ended 31 December 2018, the directors have:
 1. selected and consistently applied appropriate accounting policies, made prudent and reasonable judgments and estimations and prepared accounts on a going concern basis; and
 2. announced interim and final results of the Group every year in accordance with the Hong Kong Listing Rules and disclosed other financial information as required by the Hong Kong Listing Rules.

Deviation: NIL

The Board should ensure that the Company maintains a sound and effective internal control system to safeguard the shareholders' investment and the company's assets.

- The Board is fully responsible for overseeing the internal control system and evaluating its efficiency at least once a year.
- The Audit Committee is responsible for overseeing the financial affairs of the Group.
- The management is responsible for overseeing the daily operations of the Company and regularly reviewing the operational control.
- The financial control centre and Securities and Legal Affairs Department of the Company are responsible for monitoring compliance affairs of the Group and organising regular training.
- The Board is responsible for risk management and regular risk management reviews.

Deviation: NIL

Section 12 Corporate Governance Report

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

- Deloitte Touche Tohmatsu Certified Public Accountants LLP (special general partnership) was the external auditor of the Company in 2018. Its auditing fees in respect of the interim audit service amounted to RMB0.566 million. The financial statements of the Company's annual report have been prepared in accordance with the China Accounting Standards for Business Enterprises and audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP (special general partnership). In 2018, Deloitte Touche Tohmatsu Certified Public Accountants LLP (special general partnership) charged the Company RMB1.4151 million, RMB0.3302 million, RMB0.3626 million and RMB1.2419 million for the auditing fees in respect of the annual audit, the annual internal control audit, audit service provided by Deloitte (including other entities under Deloitte) to the Company's subsidiaries and the annual consultation fees (including other entities under Deloitte) respectively. Apart from these, there was no fee payable for non-audit services by Deloitte Touche Tohmatsu Certified Public Accountants LLP (special general partnership) in 2018.
- The directors of the Company acknowledge that it is their responsibility for preparing the accounts of the Group.
- A statement by the auditors about their reporting responsibilities is set out in Section 14 "Financial Report".
- During the Year, the Board conducted a review of the effectiveness of the internal control system of the Group.
- The Company has set up an Audit Committee comprising all the current independent non-executive directors (Li Wan Jun (Chairman), Ma Li Hui, Ng Chi Kit) and one non-executive director (He Ping) of the Company.
- The terms of reference of the Audit Committee conformed with the recommendations set out in A Guide for Effective Audit Committees issued by the Hong Kong Institute of Certified Public Accountants, which stipulates the following specific functions:
 - (1) monitoring and evaluating the external auditors;
 - (2) providing guidance on internal audit work;
 - (3) reviewing financial statements, annual reports, interim reports and quarterly reports of the Company and making comments thereon;
 - (4) assessing the effectiveness of internal control and risk management;
 - (5) reviewing and confirming the list of related parties;
 - (6) coordinating communication between the management, internal audit departments and relevant departments with the external auditors;
 - (7) other matters as authorized by the Board and other matters involved in the relevant laws and regulations.

Section 12 Corporate Governance Report

- The principal work of the Audit Committee includes reviewing and supervising the financial reporting procedures and internal control of the Group.
- The Audit Committee holds at least four meetings each year to review the audited annual accounts, unaudited interim accounts and unaudited quarterly accounts. The principal duties of the Audit Committee include reviewing the financial reporting of the Group, auditors' advice on internal control and compliance matters and financial risk management. The Audit Committee performed the above duties at its meetings during the Year.
- In 2018, the Audit Committee considered and passed at its meetings the Resolution on Proposal to the Board in relation to the Appointment of Auditor (提議董事會聘任會計師事務所的議案), Resolution on Auditing of the Independence, Objectivity and Effectiveness of Audit Procedures of the External Auditor of the Company (審核公司外聘會計師事務所的獨立客觀性及審計程序有效性的議案), Resolution on Reviewing of the Changes in Accounting Policies of the Company for the year of 2017 (審核公司2017年度會計政策變更的議案) Resolution on Auditing of the Financial Report for the Year of 2017 of the Company (審核公司2017年度財務決算報告的議案), Resolution on Auditing of the Annual Report for the Year of 2017 of the Company (審核公司2017年年度報告的議案), Resolution on Auditing of Execution of Related Party (Connected) Transactions of the Company for the Year of 2017 (審核公司2017年度關聯(連)交易執行情況的議案), Resolution on Reviewing of the List of Related Parties of the Company for the Year of 2017 (審核公司2017年度關聯人名單的議案), Resolution on Reviewing of the Report on Comprehensive Risk Management of the Company for the year of 2017 (審核公司2017年度全面風險管理報告的議案), Resolution on Reviewing of the Internal Control Self-evaluation Report of the Company for the year of 2017 (審核公司2017年度內部控制自我評價報告的議案), Resolution on Reviewing of the Audit Report on Internal Control of the Company for the year of 2017 (審核2017年度內部控制審計報告的議案), Resolution on Conclusion of Internal Audit for the Year of 2017 and the Reporting of Audit Plan for the Year of 2018 of the Company (審核公司2017年度內部審計工作總結及2018年度審計工作規劃匯報的議案), Resolution on Auditing of the Performance Report of the Audit Committee of the Board of Directors of the Company for the Year of 2017 (審核公司董事會審計委員會2017年度履職情況報告的議案), Resolution on Auditing of the First Quarterly Financial Report for the Year of 2018 of the Company (關於審核公司2018年度第一季度財務報告的議案), Resolution on Reviewing of the Changes in Accounting Policies of the Company (關於審核公司會計政策變更的議案), Resolution on Reviewing of the Capitalization Treatment of R&D expenses of the Company (審核公司研發費用資本化處理的議案), Resolution on Reviewing of the Accounting Treatment of Government Subsidies of the Company (審核公司政府補助會計處理方法的議案), Resolution on Auditing of the Independence, Objectivity and Effectiveness of Review Procedures of the External Auditor of the Company (審核公司外聘會計師事務所的獨立客觀性及審閱程序有效性的議案), Resolution on Auditing of the Interim Financial Report for the Year of 2018 of the Company (審核公司2018年度中期財務報告的議案), Resolution on Auditing of the Interim Report and Its Summary for the Year of 2018 of the Company (審核公司2018年半年度報告及摘要的議案), Resolution on Auditing of Related Party (Connected) Transactions of the Company for the Interim Period of the Year of 2018 (審核公司2018年度半年度關聯(連)交易執行情況的議案), Resolution on Auditing of the List of Related Parties (Connected Persons) of the Company for the Interim Period of the Year of 2018 (審核公司2018年度中期關聯(連)人名單的議案), Resolution on Reviewing of the Internal Audit Report of the Company for the Interim Period of the Year of 2018 (審核公司2018年度中期內部審計工作報告的議案), Resolution on Auditing of the Third Quarterly Financial Report for the Year of 2018 of the Company (關於審核公司2018年度第三季度財務報告的議案), Resolution on Equity Transfer and Related Party (Connected) Transaction (關於股權轉讓暨關聯(連)交易的議案) and Resolution on Asset Transfer and Related Party (Connected) Transaction (關於資產轉讓暨關聯(連)交易的議案).

Section 12 Corporate Governance Report

Attendance of committee members in meetings of the Audit Committee in 2018

No.of meetings			6
Date and Main Business			
		5 January 2018	
		To review the audit plan for the year of 2017	
		22 March 2018	
		To review the annual financial report for the year of 2017	
		23 April 2018	
		To review the first quarterly financial report for the year of 2018	
		29 August 2018	
		To review the interim financial report for the year of 2018	
		25 October 2018	
		To review the third quarterly financial report for the year of 2018	
		27 December 2018	
		To review the asset transfer and related party (connected) transaction	
		No. of attendance/	
		No. of meeting	Attendance rate
He Ping		6/6	100%
Li Wan Jun		6/6	100%
Ma Li Hui		6/6	100%
Ng Chi Kit		6/6	100%
Average attendance rate		—	100%

- The Audit Committee held a meeting on 21 March 2019 and reviewed the audited annual results announcement, annual report and annual financial statements of the Group for the year ended 31 December 2018.
- The terms of reference of the Audit Committee covered all duties set out in the Corporate Governance Code. During the Year, the Audit Committee recommended to the Board for the reappointment of Deloitte Touche Tohmatsu Certified Public Accountants LLP (special general partnership) as the external auditor of the Company for the year of 2018.
- The Audit Committee reviewed the independence and objectivity as well as the effectiveness of the auditing procedures adopted by Deloitte Touche Tohmatsu Certified Public Accountants LLP (special general partnership), the external auditor of the Company.

Section 12 Corporate Governance Report

- The Audit Committee reviewed the Company and its subsidiaries' financial report for the year of 2017, the first quarterly financial report for the year of 2018, the interim financial report for the year of 2018, the third quarterly financial report for the year of 2018.
- The Audit Committee reviewed the related party transactions of the Company for the year of 2017 and for the interim period of the year of 2018.
- The Audit Committee reviewed the internal control system of the Company and its subsidiaries for the year of 2017.
- The minutes of meetings of the Audit Committee are duly kept by the secretary to the Board and provided a detailed record of the opinions and suggestions of the committee members. The minutes are filed for record upon signing and confirmation by the committee members.
- All the current independent non-executive directors and one non-executive director of the Company serve as members of the Audit Committee.
- Deloitte Touche Tohmatsu Certified Public Accountants LLP (special general partnership) was the external auditor of the Company in 2018. In the last three years, the Company had not changed its auditors.

Deviation: NIL

F. Corporate Governance Functions

The Board is responsible for determining the policy for the corporate governance of the Company and performing the corporate governance duties as below:

1. to develop and review the Group's policies and practices on corporate governance;
2. to review and monitor the training and continuous professional development of directors and senior management;
3. to review and monitor the Group's policies and practices in compliance with all legal and regulatory requirements;
4. to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors of the Group; and
5. to review the Group's compliance with the Corporate Governance Code and disclose it in the Corporate Governance Report.

The Board has performed the above corporate governance duties during the Year.

Deviation: NIL

Section 12 Corporate Governance Report

G. Risk Management and Internal Control

The Board confirms that it is obliged to monitor the risk management and internal control system of the Group and review its effectiveness on an annual basis through the Audit Committee. The risk management and internal control system is designed to manage rather than to eliminate the risks of failure to reach operation objectives, and may only provide reasonable instead of absolute assurance against material misstatement or loss. The Audit Committee is responsible for assisting the Board in evaluating the effectiveness of internal control and risk management, which includes monitoring the finance, operation, compliance and other material aspects of the Group. The Board has reviewed the risk management and internal control system of the Group, and confirmed that, for the year ended 31 December 2018, the risk management and internal control system was effective and no material fault or weakness in respect of supervision was identified during the Reporting Period.

1. Main characteristics of risk management and internal control

Risk management and internal control system:

The management is responsible for risk management and internal control, including formulating policies to manage risks, issuing risk warning and preparing risk management report in a timely manner, managing the evaluation of internal control, identifying defect of internal control, formulating rectification plan and giving feedback to the Board and the Audit Committee. The Board and the Audit Committee are responsible for evaluating the effectiveness of internal control and risk management.

Duties:

The Board

- To oversee and review the effectiveness of the risk management and internal control system from time to time, so as to ensure the development and maintenance of an effective risk management and internal control system of the Group;
- To review the risk management and internal control system of the Group at least once a year and to ensure the sufficiency of resources on accounting, internal audit and financial reporting, qualification and experience of employees and training provided to employees and relevant budgets. The chairman shall decide whether to report ad hoc matters, if any, to the Board;
- To oversee the design, implementation and supervision of the risk management and internal control system by the management.

Audit Committee

- To review the risk management and internal control system of the Company;
- To assess the evaluation and review results in respect of the risk management and internal control system and to supervise the rectification of relevant defects;
- To discuss with the management on the risk management and internal control system in order to ensure that the management has performed its duties to establish an effective system;

Section 12 Corporate Governance Report

- To analyse the findings of important investigation on risk management and internal control and the management's response to the relevant findings on its own or upon request of the Board.

The management

- To assume the duties of risk management and internal control and management of related aspects
- To report relevant information regarding the risk management and internal control to the Board and the Audit Committee

The risk management and internal control departments of the Group shall report to the Audit Committee and the Board regarding the risk management and internal control of the Group at the annual meeting, so as to facilitate the Board's evaluation on the effectiveness of control and risk management of the Group.

The Group has implemented policies and procedures to review the effectiveness of risk management and internal control and remedy the material defects of internal control, including requesting the management to conduct evaluation on a regular basis to keep abreast of related information in a timely manner. Furthermore, the Group has set up a system to safeguard integrity and honesty, combat corruption and facilitate case report and supervision.

2. Procedures to identify, evaluate and manage material risks and the Group's ability to respond to changes in its business and the external environment

Relevant procedures:

(1) Risk identification

The Company formulates risk evaluation criteria to identify risks which may affect the Group.

(2) Risk evaluation

The Company evaluates the identified risks and classifies them into different risk levels.

(3) Risk management

The Company adopts different strategies to manage risks based on their levels and the risk management department supervises the effectiveness of the strategies. In addition, the Company formulates relevant countermeasures to prevent the recurrence of or lower the risks.

(4) Risk monitoring

The Company monitors risks in a consistent and regular manner and promptly amends the risk management and internal control procedures to ensure their appropriateness and effectiveness. The Company also regularly reports the result of risk monitoring to the management and the Board.

Section 12 Corporate Governance Report

Ability to respond to changes in its business and the external environment

In order to respond to changes in the external environment and maintain its profitability, the Company has optimized its business process and transformed its business and management models through management innovation, business reform and other measures. The medium to long-term visions of the Group have also been formulated. Efforts have been made to lower costs, enhance organisation and process and improve its ability, in order to ensure the implementation of the strategies and annual policies of the Group.

3. Internal audit

The internal audit department is responsible for internal audit of the Group and shall report directly to the Audit Committee. The internal audit department plays an important role in the evaluation of the effectiveness of risk management and internal control system of the Group and shall report the operation of such system directly to the Audit Committee on a regular basis.

4. The effectiveness of processes for financial reporting and compliance with the Hong Kong Listing Rules

The Board and the Audit Committee have confirmed that the processes for financial reporting and compliance with the Hong Kong Listing Rules of the Group are effective.

5. Information disclosure rules

The Group has formulated the Administrative Rules on Information Disclosure, the Rules on Registration and Filing of Details of Insiders and the Administrative Rules on the Release of Information to External Parties and the Use of Such Information to regulate the channels for disclosing information to the public and the procedures for handling insider information of the Group, and define the processes for the preparation, review and release of information in order to ensure the confidentiality of insider information until timely disclosure in accordance with the Hong Kong Listing Rules.

Deviation: NIL

H. Company Secretary

In compliance with Rule 3.29 of the Hong Kong Listing Rules, Mr. Xu Hui, secretary to the Board of the Company, took has taken no less than 15 hours of relevant professional training during the year ended 31 December 2018.

Deviation: NIL

Section 12 Corporate Governance Report

I. Corporate Communications

The Board should endeavour to maintain an on-going dialogue with shareholders and in particular, to communicate with shareholders at annual general meetings.

- The Company communicates with shareholders by publishing the latest resolutions of the Board in its annual and interim reports and announcements. Contact details of secretary to the Board of the Company are contained in the “Investor Relations” channel on the Company’s website. The Company also responds to queries raised by investors.
- At the general meetings, the chairman of the meeting will put forward separate resolutions for each substantially independent issue.
- At the annual general meeting, the chairman of the Board will answer and provide proper explanations of questions raised by shareholders, their proxies and members of the Audit Committee.
- The details of the procedures for voting by poll and the shareholders’ rights for demanding a poll are set out in the circulars despatched to shareholders.

Deviation: NIL

J. Shareholders’ Rights

- Two or more shareholders holding, solely or jointly, 10% or more of the shares carrying voting rights at the proposed extraordinary general meeting may sign one or more written requisition(s) with the same form and contents, and submit the same with the agenda to the Board for holding an extraordinary general meeting or a class meeting. The Board shall, upon receipt of the written requisition(s), hold an extraordinary general meeting or a class meeting as soon as possible.
- Shareholders can attend the general meeting by presenting the proof of their identities, such as identity cards or other valid identification documents, and can put forward their proposals at the general meeting.
- Shareholders can make enquiries to the Board of the Company and submit their enquiry applications by fax (86-312-2197812).

Deviation: NIL

K. Investor Relations

During the Year, there were no significant changes in the Articles.

Deviation: NIL

Section 12 Corporate Governance Report

L. Procedures for Nomination of Candidates for Directors by Shareholders

The Company's shareholders may nominate candidates for directors according to the following procedures:

1. Shareholders holding more than 3% of the Company's shares individually or collectively may propose candidates for directors to the shareholders' meeting in writing. The written proposal submitted by shareholders to the Company shall be served on the Company at least 14 days before the date of the shareholders' meeting.
2. Shareholders proposing to nominate candidates for directors shall submit the following documents to the Company at least 14 days before the date of the shareholders' meeting:
 - (1) the written proposal of nominees;
 - (2) written notice of each nominee's willingness to accept the nomination;
 - (3) the personal biographies of the candidates for directors as required to be disclosed under the Hong Kong Listing Rules and the Listing Rules of Shanghai Stock Exchange; and
 - (4) the written consent of each director candidate to publish his/her personal information.

Section 13 Description of Corporate Bonds

Applicable Not applicable

Auditor's Report

Deloitte.

德勤

De Shi Bao (Shen) Zi (19) No. P01360

(Page 1 of 6)

TO THE SHAREHOLDERS OF GREAT WALL MOTOR COMPANY LIMITED:

I. OPINION

We have audited the accompanying financial statements of Great Wall Motor Company Limited (hereinafter referred as "Great Wall Motor"), which comprise the consolidated and the company's balance sheets as at 31 December 2018, the consolidated and the company's income statements, the consolidated and the company's cash flow statements and the consolidated and the company's statements of changes in shareholders' equity for the year then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and the company's financial position as at 31 December 2018, and Great Wall Motor's and consolidated results of operations and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises ("ASBEs").

II. BASIS FOR OPINION

We conducted our audit in accordance with China Standards on Auditing ("CSAs"). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of Great Wall Motor in accordance with the Code of Ethics for Chinese Certified Public Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

III. KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be key audit matters to be communicated in our report.

III. KEY AUDIT MATTERS (continued)

1. Capitalization of research and development expenditure

Description

As disclosed in Note (VI) 16, the development expenditure by Great Wall Motor was RMB1,853,380,455.31 as at 31 December 2018. As disclosed in Note (IV), the key assumptions and uncertainties in the application of accounting estimates – the capitalization of development expenditures, considering that whether the research and development expenditure meets the capitalization conditions stipulated in the ASBEs involves significant management judgment, the research and development expenditure is identified as a key audit matter.

Audit response

Our main procedures in relation to this key audit matter included:

- (1) Testing and evaluating of the design and implementation effectiveness of key internal controls related to the capitalization of research and development expenditure;
- (2) Understanding relevant accounting policies and estimates for capitalization conditions of research and development expenditure determined by the management, and evaluating the reasonableness of capitalization conditions of research and development expenditure and whether the provisions of ASBEs are complied with;
- (3) Sampling the supporting documents such as meeting minutes, project approvals and feasibility analysis etc. related to research and development projects, and evaluating whether the conditions and basis for the capitalization of research and development projects are sufficient and reasonable;
- (4) Sample testing the project development expenditure to check and evaluate the authenticity, and accuracy of research and development expenditure.

Auditor's Report (continued)

De Shi Bao (Shen) Zi (19) No. P01360
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III. KEY AUDIT MATTERS (continued)

2. Provision for after-sale service expenses

Description

As disclosed in Note (VI) 26, the provisions for after-sales service made by Great Wall Motor was RMB395,295,875.68 as at 31 December 2018. As disclosed in Note (IV) the key assumptions and uncertainties in the application of accounting estimates – After-sales service expense, the Great Wall Motor also undertakes warranty obligations within a specific warranty period regarding to automobiles sold. Great Wall Motor estimated provisions for after-sales service based on sales volume and estimated expenses per maintenance, which involves accounting estimates and judgment made by management. Accordingly, provision for after-sales expenses is identified as a key audit matter.

Audit response

Our main procedures in relation to the provision for after-sales service expenses included:

- (1) Testing and evaluating of the design and implementation effectiveness of key internal controls related to the provisions for after-sales service;
- (2) Understanding and evaluating accounting policies related to the provision whether were applied appropriately and consistently applied;
- (3) Understanding and evaluating the reasonableness of the methodology and calculation models used by Great Wall Motor in determining the provisions based on the requirements of laws and contracted terms;
- (4) Evaluating the reasonableness of the underlying data used by the Great Wall Motor in the calculation models by analyzing on historical repairment, maintenance records and sales data and, on a sample basis, checking relevant underlying data;
- (5) On a sample basis, recalculating the provision for after-sales service for major automobile models to verify the accuracy of calculation made by management.

Auditor's Report (continued)

De Shi Bao (Shen) Zi (19) No. P01360
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IV. OTHER INFORMATION

Great Wall Motor's management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

V. RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

Great Wall Motor's management is responsible for the preparation and fair presentation of the financial statements in accordance with ASBEs, and designing, implementing and maintaining the internal control that is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing Great Wall Motor's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern assumption unless management either intends to liquidate Great Wall Motor or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Great Wall Motor's financial reporting process.

Auditor's Report (continued)

De Shi Bao (Shen) Zi (19) No. P01360

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VI. AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with CSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the management's use of going concern assumption and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required by CSAs to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Great Wall Motor to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Great Wall Motor to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Auditor's Report (continued)

De Shi Bao (Shen) Zi (19) No. P01360

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VI. AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

(continued)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte Touche Tohmatsu CPA LLP.
Shanghai, China

Chinese Certified Public Accountants:
Tong Chuan Jiang

Xu Zhaohui

22 March, 2019

The auditors' report and the accompanying financial statements are English translations of the Chinese auditors' report and statutory financial statements prepared under accounting principles and practices generally accepted in the People's Republic of China. These financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in other countries and jurisdictions. In case the English version does not conform to the Chinese version, the Chinese version prevails.

Consolidated Balance Sheet

At 31 December 2018

RMB

Item	Notes	2018.12.31	2017.12.31
Current Assets:			
Cash and bank balances	(VI)1	7,682,083,569.01	4,831,349,324.85
Held-for-trading financial assets	(VI)2	3,177,643,131.30	
Financial assets at fair value through profit or loss			317,994,432.00
Notes receivable and accounts receivable	(VI)3	3,343,220,862.42	49,948,553,567.36
Including: Notes receivable	(VI)3.2	—	49,075,108,590.70
Accounts receivable	(VI)3.3	3,343,220,862.42	873,444,976.66
Prepayments	(VI)4	440,800,952.34	579,536,182.06
Other receivables	(VI)5	651,737,776.25	326,247,513.83
Including: Interest receivable	(VI)5.2	741,275.17	28,355,788.71
Inventories	(VI)6	4,445,104,832.92	5,574,771,949.63
Non-current assets due within one year	(VI)7	12,440,648,243.17	7,447,875,069.05
Other current assets	(VI)8	33,945,054,443.34	267,000,053.72
Total Current Assets		66,126,293,810.75	69,293,328,092.50
Non-Current Assets:			
Loans and advances to customers	(VI)9	5,816,518,883.33	4,428,694,699.29
Debt investments		70,000,000.00	
Available-for-sale financial assets			7,700,000.00
Long-term receivables	(VI)10	145,875,825.39	—
Other equity instrument investments	(VI)11	7,700,000.00	
Investment properties	(VI)12	183,718,426.00	126,047,995.75
Fixed assets	(VI)13	28,993,553,495.38	27,718,007,519.19
Construction in progress	(VI)14	4,405,617,743.58	4,878,838,563.57
Intangible assets	(VI)15	3,391,095,601.61	3,268,606,352.49
Development expenditure	(VI)16	1,853,380,455.31	—
Goodwill	(VI)17	4,391,332.13	2,163,713.00
Long-term prepaid expenses		125,728,779.61	132,678,241.54
Deferred tax assets	(VI)18	676,536,944.72	691,008,604.27
Total Non-current Assets		45,674,117,487.06	41,253,745,689.10
TOTAL ASSETS		111,800,411,297.81	110,547,073,781.60

Consolidated Balance Sheet

At 31 December 2018

RMB

Item	Notes	2018.12.31	2017.12.31
Current Liabilities:			
Short-term borrowings	(VI)19	12,799,966,582.00	13,037,978,000.00
Notes payable and accounts payable	(VI)20	29,401,641,240.32	31,841,388,872.32
Receipts in advance		—	5,457,772,639.50
Contract liabilities	(VI)21	3,433,904,092.43	
Employee benefits payable	(VI)22	2,060,853,914.65	1,872,028,903.98
Taxes payable	(VI)23	2,551,412,583.25	2,308,154,256.08
Other payables	(VI)24	2,916,697,689.61	2,568,250,538.41
Including: Interest payable		—	55,350,659.12
Non-current liabilities due within one year	(VI)25	239,004,480.04	142,533,396.22
Other current liabilities	(VI)26	1,214,941,169.33	1,653,117,141.98
Total Current Liabilities		54,618,421,751.63	58,881,223,748.49
Non-current Liabilities:			
Long-term borrowings	(VI)19	2,157,805,500.00	423,754,500.00
Deferred income	(VI)27	2,082,647,288.24	1,963,520,037.00
Deferred tax liabilities	(VI)18	252,949,267.07	20,613,845.65
Total Non-current Liabilities		4,493,402,055.31	2,407,888,382.65
TOTAL LIABILITIES		59,111,823,806.94	61,289,112,131.14
SHAREHOLDERS' EQUITY:			
Share capital	(VI)28	9,127,269,000.00	9,127,269,000.00
Capital reserve	(VI)29	1,411,231,014.42	1,411,231,014.42
Other comprehensive income	(VI)49	(262,321,113.07)	3,056,451.02
Surplus reserve	(VI)30	5,628,946,670.54	5,062,440,729.64
Undistributed profits	(VI)31	36,619,705,509.19	33,530,533,212.33
Total Equity Attributable to Shareholders of the Company		52,524,831,081.08	49,134,530,407.41
Minority Interests		163,756,409.79	123,431,243.05
TOTAL SHAREHOLDERS' EQUITY		52,688,587,490.87	49,257,961,650.46
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		111,800,411,297.81	110,547,073,781.60

The accompanying notes form part of the financial statements.

The financial statements on pages 152 to 321 were signed by:

Wei Jian Jun	Wang Feng Ying	Li Feng Zhen	Lu Cai Juan
Legal Representative	General Manager	Chief Financial Officer	Head of the Finance Section

Balance Sheet of the Company

At 31 December 2018

Item	Notes	<i>RMB</i>	
		2018.12.31	2017.12.31
Current Assets:			
Cash and bank balances	(XIV)1	11,614,944,510.31	9,134,056,315.96
Held-for-trading financial assets		3,008,768,131.30	
Notes receivable and accounts receivable	(XIV)2	9,983,638,409.35	50,019,374,971.40
Including: Notes receivable	(XIV)2.2	—	48,761,099,726.21
Accounts receivable	(XIV)2.3	9,983,638,409.35	1,258,275,245.19
Prepayments		354,560,193.02	564,271,709.16
Other receivables	(XIV)3	983,288,876.36	476,143,805.12
Including: Interest receivable		145,581,547.72	92,022,313.91
Dividends receivable		13,211,499.87	—
Inventories	(XIV)4	3,296,413,880.20	3,934,171,562.88
Non-current assets due within one year		695,309,958.75	850,339,958.75
Other current assets	(XIV)5	32,900,274,095.59	184,564,259.52
Total Current Assets		62,837,198,054.88	65,162,922,582.79
Non-current Assets:			
Available-for-sale financial assets			7,700,000.00
Other equity instrument investments		7,700,000.00	
Debt investments		70,000,000.00	
Long-term equity investments	(XIV)6	5,828,792,010.05	5,273,861,404.26
Investment properties	(XIV)7	155,127,278.60	99,008,358.76
Fixed assets	(XIV)8	24,031,494,030.40	26,016,325,677.29
Construction in progress	(XIV)9	1,445,346,971.48	3,698,255,219.71
Intangible assets	(XIV)10	3,071,622,464.86	2,995,386,690.09
Development expenditure	(XIV)11	1,625,608,507.97	—
Long-term prepaid expenses		123,366,270.51	130,687,917.26
Deferred tax assets		153,042,792.89	234,019,468.70
Total Non-Current Assets		36,512,100,326.76	38,455,244,736.07
TOTAL ASSETS		99,349,298,381.64	103,618,167,318.86

Balance Sheet of the Company

At 31 December 2018

Item	Notes	RMB	
		2018.12.31	2017.12.31
Current Liabilities:			
Short-term borrowing	(XIV)12	3,003,768,187.50	9,099,900,000.00
Notes payable and accounts payable	(XIV)13	32,023,494,212.83	34,236,979,629.63
Receipts in advance		—	5,813,568,597.73
Contract liabilities	(XIV)14	4,101,500,468.08	
Employee benefits payable		1,537,313,713.52	1,698,280,513.96
Taxes payable		2,108,286,230.54	1,993,598,785.05
Other payables		3,938,416,073.24	2,233,248,508.01
Including: Interest payable		—	27,912,465.37
Non-current liabilities due within one year		220,074,996.49	73,834,294.74
Other current liabilities		927,291,346.23	781,949,682.96
Total Current Liabilities		47,860,145,228.43	55,931,360,012.08
Non-current Liabilities:			
Deferred income		1,220,043,885.20	1,275,155,776.35
Total Non-current Liabilities		1,220,043,885.20	1,275,155,776.35
TOTAL LIABILITIES		49,080,189,113.63	57,206,515,788.43
SHAREHOLDERS' EQUITY:			
Share capital		9,127,269,000.00	9,127,269,000.00
Capital reserve	(XIV)15	1,458,753,185.58	1,464,187,305.77
Surplus reserve		4,890,446,242.43	3,967,512,617.15
Undistributed profits	(XIV)16	34,792,640,840.00	31,852,682,607.51
TOTAL SHAREHOLDERS' EQUITY		50,269,109,268.01	46,411,651,530.43
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		99,349,298,381.64	103,618,167,318.86

Consolidated Income Statement

For the year ended 31 December 2018

Item	Notes	2018	RMB 2017
I. Total operating income		99,229,987,202.20	101,169,488,827.86
Including: Operating income	(VI)32	97,799,859,204.66	100,491,618,178.70
Interest income	(VI)33	1,388,705,701.12	673,004,172.25
Fee and commission income		41,422,296.42	4,866,476.91
Less: Total operating costs		93,310,650,473.92	95,777,405,781.80
Including: Operating costs	(VI)32	81,480,942,550.61	81,966,903,618.84
Interest expenses		371,172,721.02	79,697,792.35
Fee and commission expenses		11,740,383.72	—
Taxes and levies	(VI)34	3,627,380,378.39	3,905,688,130.98
Selling expenses	(VI)35	4,575,198,601.16	4,406,397,762.23
Administrative expenses	(VI)36	1,676,303,700.58	1,598,465,449.58
Research and development expenses		1,743,379,055.09	3,364,573,281.17
Financial expenses	(VI)37	(493,875,195.06)	138,601,073.50
Including: Interest expenses		461,638,282.31	190,277,354.54
Interest income		1,158,028,639.33	69,649,756.26
Impairment losses on assets	(VI)38	136,529,190.55	317,078,673.15
Impairment losses on credit	(VI)39	181,879,087.86	—
Add: Other income	(VI)40	175,805,267.89	166,256,585.75
Investment income	(VI)41	219,270,174.59	124,224,830.95
Gains or losses from changes in fair values	(VI)42	(140,351,300.70)	175,396,032.00
Gains or losses from disposal of assets	(VI)43	57,976,477.13	(3,808,085.14)
II. Operating profit		6,232,037,347.19	5,854,152,409.62
Add: Non-operating income	(VI)44	252,879,918.78	390,688,537.05
Less: Non-operating expenses	(VI)45	7,845,252.30	11,874,951.25
III. Total profit		6,477,072,013.67	6,232,965,995.42
Less: Income tax expenses	(VI)46	1,229,432,879.17	1,189,579,538.89
IV. Net profit	(VI)47	5,247,639,134.50	5,043,386,456.53
(I) Classification by going concern:			
Net profit under going concern		5,247,639,134.50	5,043,386,456.53
(II) Classification by attribution of ownership:			
1. Net profit attributable to shareholders of the Company		5,207,313,967.76	5,027,297,997.74
2. Profit or loss attributable to minority interests		40,325,166.74	16,088,458.79
V. Net other comprehensive income after taxes		(265,377,564.09)	4,558,785.33
Net other comprehensive income attributable to shareholders of the Company after taxes		(265,377,564.09)	4,558,785.33
Other comprehensive income that may be reclassified to profit or loss		(265,377,564.09)	4,558,785.33
Foreign currency translation differences	(VI)49	(265,377,564.09)	4,558,785.33
Net other comprehensive income attributable to minority interests after taxes		—	—
VI. Total comprehensive income		4,982,261,570.41	5,047,945,241.86
Total comprehensive income attributable to shareholders of the Company		4,941,936,403.67	5,031,856,783.07
Total comprehensive income attributable to minority interests		40,325,166.74	16,088,458.79
VII. Earnings per share:			
(I) Basic earnings per share	(VI)48	0.57	0.55
(II) Diluted earnings per share	(VI)48	N/A	N/A

Income Statement of the Company

For the year ended 31 December 2018

Item	Notes	2018	RMB 2017
I. Total Operating income	(XIV)17	98,767,595,236.77	94,694,068,784.21
Less: Operating costs	(XIV)17	85,896,856,525.60	81,427,360,856.08
Taxes and levies	(XIV)18	3,534,768,356.58	3,789,627,366.67
Selling expenses	(XIV)19	3,519,563,832.22	2,429,895,768.55
Administrative expenses	(XIV)20	1,339,717,425.05	1,342,382,868.01
Research and development expenses		1,567,674,946.94	3,263,049,394.28
Financial expenses	(XIV)21	(901,007,920.20)	(6,980,207.22)
Including: Interest expenses		454,413,945.57	173,871,577.58
Interest income		1,399,162,407.39	148,486,176.08
Impairment losses on assets	(XIV)22	150,265,513.51	206,344,851.85
Impairment losses on credit	(XIV)23	36,997,536.96	
Add: Other income		103,595,485.37	100,487,115.06
Investment income	(XIV)24	926,566,538.45	2,101,638,922.24
Gains from changes in fair values		8,768,131.30	—
Gains or losses from disposal of assets		68,999,990.61	(5,964,617.85)
II. Operating profit		4,730,689,165.84	4,438,549,305.44
Add: Non-operating income		197,338,000.60	291,641,213.69
Less: Non-operating expenses		6,983,632.45	9,374,524.10
III. Total profit		4,921,043,533.99	4,720,815,995.03
Less: Income tax expenses	(XIV)25	548,401,970.78	262,830,537.87
IV. Net profit		4,372,641,563.21	4,457,985,457.16
Net profit under going concern		4,372,641,563.21	4,457,985,457.16
V. Net other comprehensive income after taxes		—	—
VI. Total comprehensive income		4,372,641,563.21	4,457,985,457.16

Consolidated Cash Flow Statement

For the year ended 31 December 2018

Item	Notes	2018	RMB 2017
I. Cash Flows from Operating Activities:			
Cash received from the sales of goods and rendering of services		126,174,840,593.43	118,613,788,260.60
Cash received from interest, fee and commissions		2,236,866,828.97	1,115,463,597.77
Cash received for net increase by borrowing from other financial institutions		5,755,710,000.00	3,099,800,000.00
Tax rebate received		332,327,931.20	125,818,768.70
Net increase in deposits for leases and prepaid rents		2,761,768.00	-
Other cash received relating to operating activities	(VI)50(1)	2,492,209,038.33	544,387,372.61
Sub-total of cash inflow from operating activities		136,994,716,159.93	123,499,257,999.68
Cash payments for goods purchased and services received		88,169,921,169.35	96,239,337,184.87
Net increase in customers' loans and advance		7,681,396,712.96	7,551,549,800.55
Cash payments for interest, fees and commissions		343,189,142.80	53,183,975.34
Net increase in customers' leases		227,785,797.30	-
Cash payments to and on behalf of employees		8,552,438,830.07	8,571,805,776.31
Payments of various types of taxes		7,385,445,951.61	7,004,353,613.92
Other cash payments relating to operating activities	(VI)50(2)	4,936,712,607.44	5,138,322,432.64
Sub-total of cash outflow from operating activities		117,296,890,211.53	124,558,552,783.63
Net Cash Flows from Operating Activities	(VI)51(1)	19,697,825,948.40	(1,059,294,783.95)
II. Cash Flows from Investing Activities:			
Cash received from disposal of investments		23,034,100,000.00	31,162,500,000.00
Cash received from investment income		205,692,836.22	136,875,617.76
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		415,764,191.42	65,115,253.61
Net cash received from disposal of subsidiaries and other business units	(VI)51(3)	72,396,865.59	-
Other cash received relating to investing activities	(VI)50(3)	155,030,000.00	-
Sub-total of cash inflow from investing activities		23,882,983,893.23	31,364,490,871.37
Cash paid to purchase and construct fixed assets, intangible assets and other long-term assets		6,662,489,810.42	5,822,414,764.94
Net cash paid for acquisition of subsidiaries and other business units	(VI)51(2)	3,280,452.50	-
Cash paid for investments		27,257,650,088.64	28,615,073,200.00
Sub-total of cash outflow from investing activities		33,923,420,351.56	34,437,487,964.94
Net Cash Flow from Investing Activities		(10,040,436,458.33)	(3,072,997,093.57)
III. Cash Flows from Financing Activities:			
Cash receipts from capital contributions		-	65,000,000.00
Cash received from borrowings		14,871,411,000.00	17,262,037,734.33
Other cash received relating to financing activities		-	-
Sub-total of cash inflow from financing activities		14,871,411,000.00	17,327,037,734.33
Cash repayments of borrowings		19,249,900,000.00	7,150,305,234.33
Cash payments for distribution of dividends or profits or settlement of interest expenses		2,042,135,996.39	3,361,970,286.04
Including: Payments for distribution of dividends or profits to minority shareholders of subsidiaries		-	16,500,000.00
Other cash payments relating to financing activities	(VI)50(4)	80,212,536.30	725,500,370.65
Sub-total of cash outflow from financing activities		21,372,248,532.69	11,237,775,891.02
Net Cash Flow from Financing Activities		(6,500,837,532.69)	6,089,261,843.31
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents		(386,030,249.52)	(4,724,569.97)
V. Net Increase in Cash and Cash Equivalents		2,770,521,707.86	1,952,245,395.82
Add: Opening balance of cash and cash equivalents		3,844,089,729.57	1,891,844,333.75
VI. Closing balance of cash and cash equivalents		6,614,611,437.43	3,844,089,729.57

Cash Flow Statement of the Company

For the year ended 31 December 2018

Item	Notes	2018	RMB 2017
I. Cash Flows from Operating Activities:			
Cash received from the sales of goods and rendering of services		124,051,838,200.70	105,157,134,278.11
Tax rebate received		1,443,496.09	396,511.21
Other cash received relating to operating activities		1,765,192,798.65	570,264,622.00
Sub-total of cash inflow from operating activities		125,818,474,495.44	105,727,795,411.32
Cash payments for goods purchased and services received		89,948,344,056.04	89,259,225,720.82
Cash payments to and on behalf of employees		7,301,341,573.37	7,585,091,675.65
Payments of various types of taxes		6,497,597,715.04	5,558,905,727.27
Other cash payments relating to operating activities		3,265,422,304.15	2,442,189,176.78
Sub-total of cash outflow from operating activities		107,012,705,648.60	104,845,412,300.52
Net Cash Flows from Operating Activities	(XIV)26(1)	18,805,768,846.84	882,383,110.80
II. Cash Flows from Investing Activities:			
Cash received from disposal of investments		23,329,176,592.06	29,737,514,038.40
Cash received from investment income		427,372,947.46	2,104,844,336.71
Cash received from merging subsidiaries by absorbing		124,765,140.80	-
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		385,017,336.60	65,733,510.65
Other cash received relating to investing activities		156,035,437.50	-
Sub-total of cash inflow from investing activities		24,422,367,454.42	31,908,091,885.76
Cash paid to purchase and construct fixed assets, intangible assets and other long-term assets		3,375,117,078.28	5,338,252,002.93
Cash paid for investments		29,551,317,588.64	27,788,846,756.24
Other cash payments relating to investing activities		1,000,000.00	-
Sub-total of cash outflow from investing activities		32,927,434,666.92	33,127,098,759.17
Net Cash Flow from Investing Activities		(8,505,067,212.50)	(1,219,006,873.41)
III. Cash Flows from Financing Activities:			
Cash received from borrowings		13,150,000,000.00	15,340,205,234.33
Other cash received relating to financing activities		533,562,904.13	-
Sub-total of cash inflow from financing activities		13,683,562,904.13	15,340,205,234.33
Cash payments for repayments of borrowings		19,249,900,000.00	6,240,305,234.33
Cash payments for distribution of dividends or profits or settlement of interest expenses		2,020,042,224.05	3,329,064,509.08
Other cash payments relating to financing activities		100,000,000.00	429,084,815.78
Sub-total of cash outflow from financing activities		21,369,942,224.05	9,998,454,559.19
Net Cash Flow from Financing Activities		(7,686,379,319.92)	5,341,750,675.14
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents			
		128,784.06	(6,901,900.95)
V. Net Increase in Cash and Cash Equivalents			
Add: Opening balance of cash and cash equivalents		2,614,451,098.48	4,998,225,011.58
		8,621,442,696.58	3,623,217,685.00
VI. Closing balance of cash and cash equivalents			
	(XIV)26(2)	11,235,893,795.06	8,621,442,696.58

Consolidated Statement of Changes in Shareholders' Equity

For the year ended 31 December 2018

RMB

Item	2018							
	Attributable to shareholders of the Company							
	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	General risk reserve	Undistributed profits	Minority interests	Total equity
I. Balance at the beginning of the year	9,127,269,000.00	1,411,231,014.42	3,056,451.02	5,062,440,729.64	—	33,530,533,212.33	123,431,243.05	49,257,961,650.46
II. Changes in the current year	—	—	(265,377,564.09)	566,505,940.90	—	3,089,172,296.86	40,325,166.74	3,430,625,840.41
(I) Total comprehensive income	—	—	(265,377,564.09)	—	—	5,207,313,967.76	40,325,166.74	4,982,261,570.41
(II) Owners' contributions and reduction in capital	—	—	—	—	—	—	—	—
1. Capital contributions from owners	—	—	—	—	—	—	—	—
2. Acquisition of subsidiaries	—	—	—	—	—	—	—	—
3. Acquisition of minority interests of subsidiaries	—	—	—	—	—	—	—	—
(III) Profit distribution	—	—	—	571,015,376.78	—	(2,122,651,106.78)	—	(1,551,635,730.00)
1. Transfer to statutory reserve	—	—	—	571,015,376.78	—	(571,015,376.78)	—	—
2. Transfer to discretionary reserve	—	—	—	—	—	—	—	—
3. Transfer to enterprise expansion fund	—	—	—	—	—	—	—	—
4. Transfer to reserve fund	—	—	—	—	—	—	—	—
5. Distributions to shareholders	—	—	—	—	—	(1,551,635,730.00)	—	(1,551,635,730.00)
6. Transfer to employee bonus and welfare fund	—	—	—	—	—	—	—	—
7. Tax refund for welfare enterprises	—	—	—	—	—	—	—	—
(IV) Transfer of shareholders' equity	—	—	—	(4,509,435.88)	—	4,509,435.88	—	—
1. Transfer of capital reserve to share capital	—	—	—	—	—	—	—	—
2. Transfer of surplus reserve to share capital	—	—	—	—	—	—	—	—
3. Surplus reserve making up of losses	—	—	—	—	—	—	—	—
4. Others (Note (VI), 30)	—	—	—	(4,509,435.88)	—	4,509,435.88	—	—
(V). Others	—	—	—	—	—	—	—	—
III. Balance at the end of the year	9,127,269,000.00	1,411,231,014.42	(262,321,113.07)	5,628,946,670.54	—	36,619,705,509.19	163,756,409.79	52,688,587,490.87

Consolidated Statement of Changes in Shareholders' Equity

For the year ended 31 December 2018

RMB

Item	2017							
	Attributable to shareholders of the Company							
	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	General risk reserve	Undistributed profits	Minority interests	Total equity
I. Balance at the beginning of the year	9,127,269,000.00	1,411,231,014.42	(1,502,334.31)	4,575,014,412.83	—	32,182,789,641.00	58,842,784.26	47,353,644,518.20
II. Changes in the current year	—	—	4,558,785.33	487,426,316.81	—	1,347,743,571.33	64,588,458.79	1,904,317,132.26
(I) Total comprehensive income	—	—	4,558,785.33	—	—	5,027,297,997.74	16,088,458.79	5,047,945,241.86
(II) Owners' contributions and reduction in capital	—	—	—	—	—	—	65,000,000.00	65,000,000.00
1. Capital contributions from owners	—	—	—	—	—	—	65,000,000.00	65,000,000.00
2. Acquisition of subsidiaries	—	—	—	—	—	—	—	—
3. Acquisition of minority interests of subsidiaries	—	—	—	—	—	—	—	—
(III) Profit distribution	—	—	—	531,277,557.81	—	(3,725,821,707.81)	(16,500,000.00)	(3,211,044,150.00)
1. Transfer to statutory reserve	—	—	—	531,277,557.81	—	(531,277,557.81)	—	—
2. Transfer to discretionary reserve	—	—	—	—	—	—	—	—
3. Transfer to enterprise expansion fund	—	—	—	—	—	—	—	—
4. Transfer to reserve fund	—	—	—	—	—	—	—	—
5. Distributions to shareholders	—	—	—	—	—	(3,194,544,150.00)	(16,500,000.00)	(3,211,044,150.00)
6. Transfer to employee bonus and welfare fund	—	—	—	—	—	—	—	—
7. Tax refund for welfare enterprises	—	—	—	—	—	—	—	—
(IV) Transfer of shareholders' equity	—	—	—	(43,851,241.00)	—	43,851,241.00	—	—
1. Transfer of capital reserve to share capital	—	—	—	—	—	—	—	—
2. Transfer of surplus reserve to share capital	—	—	—	—	—	—	—	—
3. Surplus reserve making up of losses	—	—	—	—	—	—	—	—
4. Others	—	—	—	(43,851,241.00)	—	43,851,241.00	—	—
(V) Others (Note (VI), 31)	—	—	—	—	—	2,416,040.40	—	2,416,040.40
III. Balance at the end of the year	9,127,269,000.00	1,411,231,014.42	3,056,451.02	5,062,440,729.64	—	33,530,533,212.33	123,431,243.05	49,257,961,650.46

Statement of Changes in Shareholders' Equity of the Company

For the year ended 31 December 2018

RMB

Item	2018				
	Share capital	Capital reserve	Surplus reserve	Undistributed profits	Total equity
I. Balance at the beginning of the year	9,127,269,000.00	1,464,187,305.77	3,967,512,617.15	31,852,682,607.51	46,411,651,530.43
II. Changes in the current year	—	(5,434,120.19)	922,933,625.28	2,939,958,232.49	3,857,457,737.58
(I) Total comprehensive income	—	—	—	4,372,641,563.21	4,372,641,563.21
(II) Owners' contributions and reduction in capital	—	—	—	—	—
1. Capital contributions from owners	—	—	—	—	—
2. Share-based payment recognized in shareholders' equity	—	—	—	—	—
3. Others	—	—	—	—	—
(III) Profit distribution	—	—	437,264,156.33	(1,988,899,886.33)	(1,551,635,730.00)
1. Transfer to surplus reserve	—	—	437,264,156.33	(437,264,156.33)	—
2. Transfer to general risk reserve	—	—	—	—	—
3. Distributions to shareholders	—	—	—	(1,551,635,730.00)	(1,551,635,730.00)
(IV) Transfer of shareholders' equity	—	—	—	—	—
1. Transfer of capital reserve to share capital	—	—	—	—	—
2. Transfer of surplus reserve to share capital	—	—	—	—	—
3. Surplus reserve making up of losses	—	—	—	—	—
4. Others	—	—	—	—	—
(V) Special reserve	—	—	—	—	—
1. Transfer to special reserve in the year	—	—	—	—	—
2. Amount utilized in the year	—	—	—	—	—
(VI) Others (Note)	—	(5,434,120.19)	485,669,468.95	556,216,555.61	1,036,451,904.37
III. Balance at the end of the year	9,127,269,000.00	1,458,753,185.58	4,890,446,242.43	34,792,640,840.00	50,269,109,268.01

Note: Other changes are mainly generated from merging subsidiaries, referring to Note (XIV) 15 and 16.

Statement of Changes in Shareholders' Equity of the Company

For the year ended 31 December 2018

Item	2017					RMB
	Share capital	Capital reserve	Surplus reserve	Undistributed profits	Total equity	
I. Balance at the beginning of the year	9,127,269,000.00	1,464,187,305.77	3,521,714,071.43	31,035,039,846.07	45,148,210,223.27	
II. Changes in the current year	—	—	445,798,545.72	817,642,761.44	1,263,441,307.16	
(I) Total comprehensive income	—	—	—	4,457,985,457.16	4,457,985,457.16	
(II) Owners' contributions and reduction in capital	—	—	—	—	—	
1. Capital contributions from owners	—	—	—	—	—	
2. Share-based payment recognized in shareholders' equity	—	—	—	—	—	
3. Others	—	—	—	—	—	
(III) Profit distribution	—	—	445,798,545.72	(3,640,342,695.72)	(3,194,544,150.00)	
1. Transfer to Surplus reserve	—	—	445,798,545.72	(445,798,545.72)	—	
2. Transfer to general risk reserve	—	—	—	—	—	
3. Distributions to shareholders	—	—	—	(3,194,544,150.00)	(3,194,544,150.00)	
4. Others	—	—	—	—	—	
(IV) Transfer of shareholders' equity	—	—	—	—	—	
1. Transfer of capital reserve to share capital	—	—	—	—	—	
2. Transfer of surplus reserve to share capital	—	—	—	—	—	
3. Surplus reserve making up of losses	—	—	—	—	—	
4. Others	—	—	—	—	—	
(V) Special reserve	—	—	—	—	—	
1. Transfer to special reserve in the year	—	—	—	—	—	
2. Amount utilized in the year	—	—	—	—	—	
(VI) Others	—	—	—	—	—	
III. Balance at the end of the year	9,127,269,000.00	1,464,187,305.77	3,967,512,617.15	31,852,682,607.51	46,411,651,530.43	

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

I. BASIC CORPORATE INFORMATION

1. Company overview

Great Wall Motor Company Limited (hereinafter referred as “the Company”) is registered in Baoding, Hebei Province which is the main city for its core business as well. The controlling shareholder is Baoding Innovation Great Wall Asset Management Company Limited and the ultimate controlling shareholder is Wei Jianjun.

The Company was originally named as Baoding Great Wall Motor Group Company Limited. On 5 June 2001, upon the approval by Office of the Stock Reform Leading Panel of *the People’s Government of Hebei Province with Ji Gu Ban [2001] No. 62*, Baoding Great Wall Motor Group Company Limited was reorganized to Baoding Great Wall Motor Company Limited. On 28 May 2003, upon the approval by Hebei Administration for Industry and Commerce, Baoding Great Wall Motor Company Limited was renamed Great Wall Motor Company Limited.

The Company and its subsidiaries (the “Group”) are principally engaged in the manufacturing and sales of automobiles and components and parts of automobiles and related after-sales services, processing and manufacturing of moulds, repairing of automobiles, transportation of general goods and specific transportation (by truck). The legal representative of the Company is Wei Jian Jun.

2. The scope of consolidated financial statements

The Company’s and consolidated financial statements have been approved by the Board of Directors on 22 March 2019.

For the scope of consolidated financial statements of this year refer to Note (VIII) “interest in other entities”. Changes in the scope of consolidated financial statements for the current year mainly refer to Note (VII) “changes in consolidation scope.”

II. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

Basis of preparation

The Group has applied the *Accounting Standards for Business Enterprises* (“ASBE”) and guidelines, interpretations and other related provisions promulgated by the Ministry of Finance (“MoF”). In addition, the Group also discloses relevant financial information according to the requirements of *Rules on Compiling the Information Disclosure of the Company that Issue Stocks Publicly No.15-General Provision on Financial Report* (revised in 2014) by China’s Securities Regulatory Commission, the “Companies Ordinance” of Hong Kong and the “Listing Rules of The Stock Exchange of Hong Kong Limited”.

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

II. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (continued)

Basic of preparation and principle of measurement

The Group's financial statements have been prepared on an accrual basis. Except for certain financial instruments which are measured at fair value, the financial statements are prepared under the historical cost convention. In the event that impairment of assets occurs, a provision for impairment is made accordingly in accordance with the relevant regulations.

Under historical cost method, the amount of assets was measured at the fair value of cash or cash equivalents or consideration paid at the time of purchase. Liabilities were measured at the amount of money or assets and liabilities due to the current obligations actually received, or a present obligation of the contract amount, or the measurement of cash or cash equivalents in accordance with daily activities to repay the debts of the amount expected to be paid.

The fair value refers to the amount, at which both willing parties engaged to a fair transaction who are familiar with the condition exchange their assets or clear off their debts under fair conditions. Whether fair value is observable or measured by valuation techniques, the measurement and disclosure in this financial statement were all based on it.

Fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly;
- Level 3 inputs are unobservable inputs for the asset or liability.

Going concern

The Group has evaluated its ability of going concern for the next 12 month since 31 December 2018. There is no indication of major events that may affect the ability of going concern. Thus, the financial statements have been prepared under the assumption of going concern.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

1. Statement of compliance

The financial statements have been prepared in compliance with the ASBEs to truly and completely reflect the Company's and consolidated financial position of the Company as at 31 December 2018 and the Company's and consolidated operating results and cash flows for the year ended 31 December 2018.

2. Accounting year

The Group has adopted the calendar year as its accounting year, i.e. from 1 January to 31 December.

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

3. Operating cycle

Operating cycle refers to year from assets purchased for production to cash or cash equivalents realized. The operating cycle of the Company is 12 months.

4. Functional currency

Renminbi (“RMB”) is the currency of the primary economic environment in which the Company and its domestic subsidiaries operate. The Company’s foreign subsidiary chooses its functional currency on the basis of the primary economic environment in which it operates. The Group adopts RMB to prepare its financial statements.

5. The accounting treatment of business combinations involving enterprises under common control and business combinations not involving enterprises under common control

Business combination includes business combinations involving enterprises under common control and business combinations not involving enterprises under common control.

5.1 *Business combinations involving enterprises under common control*

A business combination involving enterprises under common control is a business combination in which all of the combining enterprises are ultimately controlled by the same party or parties both before and after the combination, and that control is not transitory.

Assets and liabilities obtained in the business combination are recognized at their carrying amounts at the date of merger as recorded by the party being combined. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination (or aggregate face values of the shares issued) is adjusted to capital reserves. If the capital reserve is not sufficient to absorb the difference, any excess is adjusted to retained profits.

Costs that are directly attributable to the combination are charged to profit or loss when incurred by the combining party.

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

5. The accounting treatment of business combinations involving enterprises under common control and business combinations not involving enterprises under common control (continued)

5.2 *Business combinations not involving enterprises under common control and goodwill*

A business combination not involving enterprises under common control is a business combination in which all of the combining enterprises are not ultimately controlled by the same party or parties before and after the combination.

The combination costs of the combining party shall be the fair value of the assets paid, the liabilities incurred or assumed and the equity instruments issued by the acquirer in exchange for the control over the acquiree on the acquisition date. The overhead for the business combination of the combining party, including the expenses for audit, legal services, assessment, and other administrative expenses, shall be recorded in profit or loss for the current year when incurred.

Identifiable assets, liabilities and contingent liabilities of acquiree qualifying for the conditions of recognition acquired by the acquirer in business combination are measured at fair value on the acquisition date.

For the difference that the combination cost is larger than the portion of fair value of net identifiable assets of acquiree acquired in combination, it is recognized as goodwill as an asset, and initially measured at cost. For those with combination cost lower than the portion of fair value of net identifiable assets of acquiree acquired in combination, re-verification is first carried out on the measurement of the fair value of all identifiable assets, liabilities and contingent liabilities as well as the combination cost. For those with combination cost still lower than the portion of fair value of net identifiable assets of acquiree acquired in combination after re-verification, they are credited to profit or loss for the current year.

Goodwill occurred as a result of combination shall be recognized separately in the consolidated financial statement and measured at cost less accumulated impairment losses.

6. Basis for preparation of consolidated financial statements

The scope of consolidated financial statements is determined on the basis of control. Control is achieved when the Group has power over the investee; is exposed, or has rights to achieve returns from its involvement with the investee; and has the ability to use its power to affect its returns. Once the relevant facts and situation changed that altered the elements define control, the Group shall re-evaluate control.

The date of acquisition and disposal shall be the day on which the Group obtains or loses the controlling right over its subsidiaries. For the subsidiaries being disposed, their operating results and cash flow prior to the disposal have already been properly included in the consolidated income statement and the consolidated cash flow statement. Subsidiaries that are disposed in the current year do not require any adjustment on the opening balance of the year of the consolidated balance sheet. For subsidiaries acquired through the business combination of enterprises not under common control, their operating results and cash flow after the acquisition date have been properly included in the consolidated income statement and the consolidated cash flow statement, and will not be subject to adjustment on the opening balance of the year and the comparative figures of the consolidated financial statements.

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

6. Basis for preparation of consolidated financial statements (continued)

Major accounting policies and accounting years adopted by the subsidiaries are defined according to the standardized accounting policies and accounting years stipulated by the Company.

All significant intra-group accounts and transactions between the parent company and its subsidiaries or between subsidiaries are eliminated on consolidation.

The portion of a subsidiary's equity that is not attributable to the parent is treated as minority interests and presented as "minority interest" in the consolidated balance sheet within owners' equity. The portion of net profits or losses of subsidiaries for the year attributable to minority interests is presented in the consolidated income statement under the "net profit" item as "profit or losses attributable to minority interests".

The loss of the subsidiary attributable to minority interest is more than minority interests in that subsidiary at beginning of the year, the minority interest shall be reversed by the balance of the loss of the subsidiary attributable to minority interests.

For the transaction of acquiring minority interests of its subsidiaries, treated as equity transaction, the book value of shareholder's equity attributed the Company and that of minority interest should be adjusted to reflect the change in the company's interest in the subsidiaries. Differences between the adjustment of minority interests and the fair value of consideration are adjusted to capital reserve. If the differences exceed capital reserve, retained earnings shall be adjusted.

7. Recognition Criterion of Cash and cash equivalents

Cash comprises cash on hand and deposits that can be readily withdrawn on demand. Cash equivalents are the Group's short-term (usually due within three months from the purchase date on), highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

8. Translation of transactions and financial statements denominated in foreign currencies

8.1 Transactions denominated in foreign currencies

On initial recognition, foreign currency transactions are translated into the reporting currency using the spot exchange rate prevailing at the date of transaction.

As at the balance sheet date, monetary items denominated in foreign currency are exchanged to Renminbi by adopting the prevailing exchange rate on that date. Foreign exchange difference arising from the difference between the prevailing exchange rate on that date and the prevailing exchange rate on initial reorganization or on the previous balance sheet date are all credited to profit or loss for the current year, with the exception that foreign exchange differences for specific borrowings denominated in foreign currency and qualifying for conditions of capitalization are capitalized during the capitalization year and credited to the cost of relevant assets.

Non-monetary items denominated in foreign currency that are measured at historical cost are still measured at amount denominated in reporting currency exchanged at the prevailing exchange rate at the transaction date. Foreign currency non-monetary items measured at fair value are translated at the spot exchange rate on the date when the fair value is determined. The difference between the translated functional currency amount and the original functional currency amount is treated as a change in fair value (including exchange rate changes) and included in the current profit and loss or recognized as other comprehensive income.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

8. Translation of transactions and financial statements denominated in foreign currencies (continued)

8.2 Translation of financial statements denominated in foreign currency

The financial statements denominated in foreign currency of a foreign operation are translated to RMB in compliance with the following requirement: assets and liabilities on the balance sheet are translated at the spot exchange rate prevailing at the balance sheet date; all equity (except undistributed profits) items are translated at the spot exchange rates at the dates on which such items arose; income and expenses and profit appropriation items in the income statement are translated at the spot exchange rate at the date of transaction; Undistributed profits at the beginning of the year is the translated undistributed profits at the end of prior year; undistributed profits at the end of year is presented as the translated items of profit distribution ; all exchange differences of assets, liabilities and shareholders' equity resulting from the translation are recognized separately as "other comprehensive income" in the shareholders' equity on the balance sheet.

Cash flow dominated in foreign currency or from foreign subsidiaries shall be translated at the spot exchange rate when it incurs. Effects arising from changes of exchange rate of cash and cash equivalents is regarded as a reconciling item and presented separately as "Effect of changes in exchange rates on cash and cash equivalents" in the cash flow statement.

The opening balances of the year and prior year's figures are presented according to the translated amounts of the financial statements of the prior year.

When the control on foreign operation is lost due to the disposal of ownership interests of foreign operation or partial disposal of equity investment or other reasons, exchange differences of foreign currency statements attributable to the shareholders of the parent company related to such foreign operation and presented under shareholder's equity item in the balance sheet are all transferred to profit or loss for the current year.

9. Financial instruments

The Group shall recognise a financial asset or a financial liability in its statement of financial position when, and only when, the Group becomes party to the contractual provisions of the instrument.

Where financial assets are purchased or sold in a regular way, assets to be received and liabilities to be borne for it are recognized on the date of transaction, or sold assets are derecognized on the date of transaction.

The financial assets and liabilities were initially recognized at fair value. For the financial assets and liabilities measured at fair value through profit or loss (FVTPL), related transaction expenses are directly charged to the profit or loss for the year; for other financial assets and liabilities, related transaction expenses are included in the initial recognized amount. For accounts receivable excluding significant financing components or regardless of financing components of contracts less than one year recognised based on ASBEs No.14-Revenue ("Standard--Revenue"), accounts receivable initially recognised shall be measured at transaction price defined based on the Standard--Revenue on initial recognition.

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

9. Financial instruments (continued)

Effective interest method is the method that is used in the calculation of the amortized cost of a financial asset or a financial liability and in the allocation and recognition of the interest revenue or interest expense in profit or loss over the relevant year.

Effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset or to the amortized cost of a financial liability. When calculating the effective interest rate, the Group shall estimate the expected cash flows by considering all the contractual terms of the financial instrument (for example, prepayment, extension, call and similar options) but shall not consider the expected credit losses.

Amortized cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

9.1 Classification and measurement of the financial assets

After initial recognition, the Group shall measure a financial asset at amortized cost, fair value through other comprehensive income or fair value through profit or loss.

If the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding and the financial asset is held within a business model whose objective is achieved by collecting contractual cash flows, the Group shall classify the financial asset into the financial asset measured at amortized cost. Such financial assets mainly include: accounts receivable, other receivables belong to financial assets, loans and advances to customers, other current assets-wealth management products, long-term receivables and debt investments.

If the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding and the financial asset is held within a business model whose objective is achieved by collecting contractual cash flows and selling such financial assets, the Group shall classify the financial asset into the financial asset at fair value through other comprehensive income. Such financial assets mainly include other current assets – notes receivable.

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

9. Financial instruments (continued)

9.1 Classification and measurement of the financial assets (continued)

Financial assets at FVTPL include financial assets classified as at FVTPL and those designated as at FVTPL which are presented in held-for-trading financial assets. Those due over one year or non-fixed term and expected to be held for over one year since the balance sheet date are presented in other non-current financial assets.

- A financial asset shall be measured at fair value through profit or loss unless it is measured at amortized cost or at fair value through other comprehensive income.
- At initial recognition, the Group may irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency.

On initial recognition, the Group may, based on a individual financial asset, irrevocably designate a non-tradable equity instrument investment which is non-contingent consideration and recognized in business combination not involving enterprises under common control as financial asset measured at FVTOCI. Such financial assets are presented as other equity instrument investments.

The Group's purpose of holding the financial assets is for trading if one of the following conditions is satisfied:

- The purpose of acquiring the financial assets is to sell the assets in the near future.
- The relevant financial assets are, on initial recognition, a part of the centrally-managed identifiable financial instrument portfolio, and the objective evidence indicates that short-term profit model exists in the near future.
- The relevant financial assets are derivative instruments. However, derivatives that meet the definition of financial guarantee contracts and those designated as effective hedging instruments are excluded.

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

9. Financial instruments (continued)

9.1 Classification and measurement of the financial assets (continued)

9.1.1 Financial assets at amortised cost

The financial asset at amortized cost is subsequently measured at amortized cost using the effective interest method. Gain or loss arising from derecognition, impairment or amortization is recognized in profit or loss.

The Group recognizes interest income on financial assets measured at amortized cost using the effective interest method. Except for the following circumstances, the Group calculates interest income based on the book balance of financial assets multiplied by the actual interest rate.

- Purchased or originated credit-impaired financial assets. For those financial assets, the Group shall apply the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
- Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Group shall apply the effective interest rate to the amortised cost of the financial asset in subsequent reporting periods. If the financial assets no longer has credit impairment during the follow-up period as a result of an improvement in its credit risk, and this improvement may be linked to an event that occurred after the application of the above regulations, the Group calculates interest income based on the book balance of financial assets multiplied by the actual interest rate.

9.1.2 Financial assets classified as at FVTOCI

Impairment gains or losses on a financial asset classified as at FVTOCI and the interest income calculated using the effective interest method shall be recognized in profit or loss. Except for them, changes in fair value of such financial assets shall be recognized in other comprehensive income. The amount of such financial asset recognized in profit or loss of each period is equal to the amount deemed as measured at amortized cost all the time and recognized in profit or loss of each period. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is transferred from other comprehensive income to profit or loss.

9.1.3 Financial assets designated as at FVTOCI

After designating a non-tradable equity instrument investment as a financial asset at FVTOCI, the changes in fair value of such financial assets are recognized in other comprehensive income. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income are transferred from other comprehensive income to retained earnings. During the period that the Group holds these non-tradable equity instrument, the Group has established the right of collecting dividends, whose economic benefit is probably flow into the Group, and the amount of the dividends can be reliably measured, then the Group will recognize dividends in profit or loss.

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

9. Financial instruments (continued)

9.1 Classification and measurement of the financial assets (continued)

9.1.4 Financial assets at FVTPL

Financial assets at FVTPL shall be subsequently measured at fair value. Gains or losses from change in fair value and dividends and interest income related to such financial assets shall be recognized in profit or loss.

9.2 Impairment of financial assets

The Group shall recognise a loss allowance for expected credit losses on financial assets at amortized cost, financial assets classified as FVTOCI and a lease receivable.

The Group makes a loss allowance against amount of expected credit losses during the whole life of the contract assets or accounts receivable that exclude significant financing component or do not consider the financing component in the contract within one year arising from transactions adopting Standards for Revenue and the financing lease receivables arising from transactions adopting *ASBEs No. 21 – Leases*.

For other financial instrument, other than purchased or originated credit-impaired financial assets, the Group assesses changes in credit risks of the relevant financial asset since initial recognition at each balance sheet date. If the credit risks of the financial instrument has been significantly increased since initial recognition, the Group will make a loss allowance at an amount of expected credit loss during the whole life; if not, the Group will make a loss allowance for the financial instrument at an amount in the future 12-month expected credit losses. Increase in or reversal of credit loss allowance is included in profit or loss as loss/gain on impairment, except for financial assets classified as at fair value through other comprehensive income. The Group recognizes credit loss allowance for financial assets at FVTOCI in other comprehensive income and recognizes loss/gain on impairment in profit or loss for the period, without reducing the carrying amount of the financial assets presented in the balance sheet.

The Group has made a loss allowance against amount of expected credit losses during the whole life in the prior accounting period. However, at the balance sheet date, the credit risk on a financial instrument has not increased significantly since initial recognition; the Group will measure the loss allowance for that financial instrument at an amount in the future 12-month expected credit losses. Reversed amount of loss allowance arising from such circumstances shall be included in profit or loss as impairment gains.

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

9. Financial instruments (continued)

9.2 Impairment of financial assets (continued)

9.2.1 Significant increase in credit risk

The Group will make use of reasonable and supportable forward-looking information that is available to determine whether credit risk has increased significantly since initial recognition through comparing the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition.

The Group will take the following factors into consideration when assessing whether credit risk has increased significantly:

- (1) Significant changes in internal price indicators of credit risk as a result of a change in credit risk.
- (2) Other changes in the rates or terms of an existing financial instrument that would be significantly different if the instrument was newly originated or issued at the reporting date (such as more stringent covenants, increased amounts of collateral or guarantees, or higher income coverage).
- (3) Significant changes in external market indicators of credit risk for a particular financial instrument or similar financial instruments with the same expected life. Changes in market indicators of credit risk include, but are not limited to: (i) the credit spread; (ii) the credit default swap prices for the borrower; (iii) the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost; and (iv) other market information related to the borrower, such as changes in the price of a borrower's debt and equity instruments.
- (4) An actual or expected significant change in the financial instrument's external credit rating.
- (5) An actual or expected internal credit rating downgrade for the borrower.
- (6) Existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant change in the borrower's ability to meet its debt obligations.
- (7) An actual or expected significant change in the operating results of the borrower.
- (8) Significant increases in credit risk on other financial instruments of the same borrower.
- (9) A significant adverse change in the regulatory, economic, or technological environment of the borrower.
- (10) Significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements, which are expected to reduce the borrower's economic incentive to make scheduled contractual payments or to otherwise have an effect on the probability of a default occurring.

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

9. Financial instruments (continued)

9.2 Impairment of financial assets (continued)

9.2.1 Significant increase in credit risk (continued)

- (11) Significant changes that are expected to reduce the borrower's economic incentive to make scheduled contractual payments.
- (12) Expected changes in the loan documentation including an expected breach of contract that may lead to covenant waivers or amendments, interest payment holidays, interest rate step-ups, requiring additional collateral or guarantees, or other changes to the contractual framework of the instrument.
- (13) Significant changes in the expected performance and behaviour of the borrower.
- (14) Changes in the Group's credit management approach in relation to the financial instrument.

The Group may assume that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. If the risk of default of a financial instrument is low, the borrower is highly capable of meeting its contract cash flow obligations in the short term, and the financial instrument is considered to have a lower credit risk even if there is a negative change in the economic situation and operating environment over a longer period of time, but it may not necessarily reduce the borrower's performance of its contract cash obligations.

9.2.2 Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

- (1) Significant financial difficulty of the issuer or the borrower;
- (2) A breach of contract by the debtor, such as a default or delinquency in interest or principal payments;
- (3) The creditor, for economic or legal reasons relating to the debtor's financial difficulty, granting a concession to the debtor;
- (4) It becoming probable that the debtor will enter bankruptcy or other financial reorganizations;
- (5) The disappearance of an active market for that financial asset because of financial difficulties of the issuer or the debtor;
- (6) The purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

9. Financial instruments (continued)

9.2 Impairment of financial assets (continued)

9.2.3 Recognition of expected credit losses

The Group recognises the credit loss on lease receivables on an individual asset basis, and the credit loss on related financial instruments of accounts receivable, other financial assets classified as at amortised cost and debt instrument classified as at FVTOCI with impairment matrix on a collective basis. The Group can group financial instruments on the basis of shared credit risk characteristics. Examples of shared credit risk characteristics may include, but are not limited to, the:

- (a) Instrument type;
- (b) Credit risk ratings;
- (c) Collateral type;
- (d) Date of initial recognition;
- (e) Remaining term to maturity;
- (f) Industry;
- (g) Geographical location of the borrower; and
- (h) The value of collateral relative to the financial asset.

The Group determines expected credit losses of relevant financial instruments using the following methods:

- For financial assets, a credit loss is the present value of the difference between: (a) The contractual cash flows that are due to the Group under the contract; and (b) the cash flows that the Group expects to receive.
- For lease receivables, a credit loss is the present value of the difference between: (a) The contractual cash flows that are due to the Group under the contract; and (b) the cash flows that the Group expects to receive.
- For a financial asset that is credit-impaired at the reporting date, but that is not a purchased or originated credit-impaired financial asset, the Group shall measure the expected credit losses as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

The factors reflected in methods of measurement of expected credit losses include an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes; time value of money; reasonable and supportable information about past events, current conditions and forecasts on future economic status at balance sheet date without unnecessary additional costs or efforts.

9.2.4 Written-off of financial assets

The Group shall directly reduce the gross carrying amount of a financial asset when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. A write-off constitutes a derecognition event.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

9. Financial instruments (continued)

9.3 Transfer of financial assets

The Group shall derecognise a financial asset when: (1) the contractual rights to the cash flows from the financial asset expire, (2) the financial asset has been transferred and substantially all the risks and rewards of ownership of the financial asset is transferred to the transferee; or (3) although the financial asset has been transferred, the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but has not retained control of the financial asset.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, and it retains control of the financial asset, the Group will recognize the financial asset to the extent of its continuing involvement in the transferred financial asset and recognize an associated liability. Relevant liabilities are measured using the following methods:

- If the transferred financial asset is measured at amortized cost, the carrying amount of relevant liabilities is the carrying amount of continuing involvement in the transferred financial asset less the amortized cost of the rights retained by the Group (if the Group retains rights for the transfer of the financial asset) plus the amortized cost of the obligations undertaken by the Group (if the Group undertakes relevant obligations for the transfer of the financial asset), and the relevant liabilities are not designated as financial liabilities at fair value through profit or loss.
- If the transferred financial asset is measured at fair value, the carrying amount of relevant liabilities is the carrying amount of continuing involvement in the transferred financial asset less the fair value of the rights retained by the Group (if the Group retains rights for the transfer of the financial asset) plus the fair value of the obligations undertaken by the Group (if the Group undertakes relevant obligations for the transfer of the financial asset), and the fair value of the rights and liabilities is measured on a stand-alone basis.

For a transfer of a financial asset in its entirety that satisfies the derecognition criteria, for financial assets classified as at amortized cost and financial assets at FVTOCI, the difference between the carrying amount of the financial asset transferred and the sum of the consideration received from the transfer and accumulated amount originally recognized in changes in fair value of other comprehensive income is recognized in profit or loss. For the non-tradable equity instrument designated as financial assets at FVTOCI, cumulative gain or loss that has been recognized in other comprehensive income should be removed from other comprehensive income but be recognized in retained earnings.

For a part of transfer of a financial asset that satisfies the derecognition criteria, the carrying amount of the transferred financial asset is allocated between the part that is derecognized and the part that is continuously involved, based on the respective fair values of those parts on transfer date. The difference between (1) the sum of the consideration received for the part derecognized and any cumulative gain or loss allocated to the part derecognized which has been previously recognized in other comprehensive income; and (2) the carrying amount allocated to the part derecognized on derecognition date; is recognized in profit or loss or retained earnings.

For a transfer of a financial asset in its entirety that does not satisfy the derecognition criteria, the Group will continuously recognize the transferred financial asset in its entirety. Considerations received should be recognized as a financial liability.

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

9. Financial instruments (continued)

9.4 Classification and measurement of financial liabilities and equity instruments

Financial instruments issued by the Group are classified into financial liabilities or equity instruments on the basis of the substance of the contractual arrangements and the economic nature not only its legal form, together with the definition of financial liability and equity instruments on initial recognition.

9.4.1 Classification and measurement of financial liabilities

On initial recognition, financial liabilities are classified into financial liabilities at fair value through profit or loss and other financial liabilities.

Other financial liabilities, other than financial liabilities arising from financial assets of which the transfer does not meet the conditions for derecognition or continue to be involved in transferred financial assets, financial guarantee contracts and loan commitments, are classified as financial liabilities measured at amortized cost. Subsequent measurement, gain or loss arising from derecognition or amortization is recognized in profit or loss.

Such financial liabilities of the Group include: short-term borrowings, notes payables, accounts payable, other payables, and long-term borrowings.

That the Group and its counterparty modify or renegotiate the contract does not result in derecognition of a financial liability subsequently measured at amortized cost but result in changes in contractual cash flows, the Group will recalculate the carrying amount of the financial liability, with relevant gain or loss recognized in profit or loss. The Group will determine carrying amount of the financial liability based on the present value of renegotiated or modified contractual cash flows discounted at the financial liability's original effective interest rate. For all costs or expenses arising from modification or renegotiation of the contract, the Group will adjust the modified carrying amount of the financial liability and make amortization during the remaining term of the modified financial liability.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

9. Financial instruments (continued)

9.4 *Classification and measurement of financial liabilities and equity instruments* (continued)

9.4.2 *Derecognition of financial liabilities*

The Group derecognizes a financial liability (or part of it) only when the underlying present obligation (or part of it) is discharged. An agreement between the Group (an existing debtor) and an existing lender to replace the original financial liability with a new financial liability with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

When the Group derecognizes a financial liability or a part of it, it recognizes the difference between the carrying amount of the financial liability (or part of the financial liability) derecognized and the consideration paid (including any non-cash assets transferred or new financial liabilities assumed) in profit or loss.

9.4.3 *Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The issuance (including refinance), repurchase, selling or cancellation of these instruments are treated as change in equity. The enterprise should not recognize changes in the fair value of the equity instruments. The related transaction costs are deducted from equity.

Distributions to holders of an equity instrument shall be recognized by the Group directly in equity.

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

9. Financial instruments (continued)

9.5 Offsetting a financial asset and a financial liability

Where the Group has a legal right that is currently enforceable to set off the amount of the recognized financial assets and financial liabilities, and intends either to settle on a net basis, or to realize the financial asset and settle the financial liability simultaneously, a financial asset and a financial liability shall be offset and the net amount is presented in the balance sheet. Except for the above circumstances, financial assets and financial liabilities shall be presented separately in the balance sheet and shall not be offset.

10. Notes receivable and receivables

10.1 Recognition method and accounting treatment of expected credit losses of notes receivable:

The Group holds that the acceptance bank of bank acceptances held by the Group has relatively high credit rating with no significant credit risk and no impairment allowance has been made. The recognition method and accounting treatment of expected credit losses of commercial acceptances held by the Group are consistent with the recognition method and accounting treatment of expected credit losses of accounts receivable.

10.2 Recognition method and accounting treatment of expected credit losses of accounts receivable:

The Group makes a loss allowance against amount of expected credit losses during the whole life of the contract assets and accounts receivable that exclude significant financing component or do not consider the financing component in the contract within one year arising from transactions adopting Standards for Revenue. The group recognizes the credit losses of accounts receivable with impairment matrix on a collective basis. The Group groups accounts receivable on the basis of shared credit risk characteristics such as customer profile.

As part of the Group's credit risk management, the Group uses accounts receivable account of age as a basis for assessing the various types of receivables expected credit losses.

Credit risk and expected credit loss rate of accounts receivable:

Aging	Average expected loss rate
Within credit period	0.00%-0.20%
Overdue 1 to 180 days	50%-60%
Overdue more than 180 days	100%

Increase in or reversal of credit loss allowance is included in profit or loss as loss/gain on impairment. The Group shall directly reduce the gross carrying amount of such account receivable when the Group has no reasonable expectations of recovering an account receivable in its entirety or a portion thereof.

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

11. Other receivables

Recognition method and accounting treatment of expected credit losses of other receivables:

The Group recognizes expected credit losses of other receivables on the basis of historical experience data and forward-looking information.

Increase in or reversal of credit loss allowance is included in profit or loss as loss/gain on impairment. The Group shall directly reduce the gross carrying amount of such other receivables when the Group has no reasonable expectations of recovering an other receivables in its entirety or a portion thereof.

12. Inventories

12.1 Classification of inventories

Inventories of the Group mainly include raw materials, work-in-progress, finished products and low-value and short-lived consumables. Inventories are initially measured at cost. Cost of inventories includes costs of purchase, costs of conversion and other expenditures incurred in bringing the inventories to their present location and condition.

12.2 Valuation method of inventories upon delivery

The actual cost of inventories upon delivery is calculated using the weighted average method.

12.3 Recognition of net realizable value of inventories

At the balance sheet date, inventories are calculated at the lower of cost and net realizable value. Provision for inventory impairment is made when the net realizable value is lower than the cost.

Net realizable value represents the estimated selling price of inventories minus cost estimated to incur upon completion, estimated selling costs and relevant taxes during normal course of business. When determining the net realizable value of inventory, basis is relied on the actual evidences obtained while the objectives of inventories holding and the impact of post balance sheet date event are also considered.

For large quantity and low value items of inventories, provision for decline in value is made based on categories of inventories. For items of inventories relating to a product line that are produced and marketed in the same geographical area, have the same or similar end uses or purposes, and cannot be practicably evaluated separately from other items in that product line, provision for decline in value is determined on an aggregate basis. Provision for decline in value of other inventories is made based on the excess of cost of inventory over its net realizable value on an item-by-item basis.

After the provision for decline in value of inventories is made, if the circumstances that previously caused inventories to be written down below cost no longer exist so that the net realizable value of inventories is higher than their cost, the original provision for decline in value is reversed and the reversal is included in profit or loss for the year.

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

12. Inventories (continued)

12.4 Inventory count system

The inventory count system shall be on a perpetual basis.

12.5 Amortization of low-value and short-lived consumables and other turnover materials

Turnover materials are materials that can be reused many times and still be remained in original condition after gradual transfer of their value but are not recognized as fixed assets, including low-value and short-lived consumables and other turnover materials.

Low-value and short-lived consumables and other turnover materials are amortized by number of usage or one-time write-off.

13. Debt investments

Recognition method and accounting treatment of expected credit losses of debt investments:

For other debt investments as a part of credit risk management, the Group recognizes expected credit losses of the above debt investments by considering, at each balance sheet date, historical breach of contracts, industrial forward-looking information or various external situations and expected economic information. Increase in or reversal of credit loss allowance is included in profit or loss as loss/gain on impairment.

14. Long-term receivables

Recognition method and accounting treatment of expected credit losses of long-term receivables:

The Group's long-term receivables include finance lease receivable and other long-term receivables.

The Group makes a loss allowance against amount of expected credit losses during the whole life of the financing lease receivables arising from transactions adopting *ASBEs No. 21 – Leases*.

For other long-term receivables, the Group calculates expected credit losses of long-term receivables with impairment matrix which is on the basis of the Group's historical overdue rate and considered reasonable forward-looking information. At each reporting period date, the historically observed loss rate will change after reassessment.

Increase in or reversal of credit loss allowance is included in profit or loss as loss/gain on impairment. The Group shall directly reduce the gross carrying amount of such long-term receivable when the Group has no reasonable expectations of recovering an long-term receivable in its entirety or a portion thereof.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

15. Long-term equity investments

15.1 Judgement criterion of determining joint control or significant influence over the investee

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. Significant influence is the power to participate in the financial and operating policy decisions of an enterprise, except to control or joint control the formulation of such policies together with other parties. In determining whether there is control or significant influence over the investee, potential voting right factors (such as the convertible corporate bonds for the year and the exercisable stock warrants for the year of the investee and other invested units held) were taken into account.

15.2 Determination of initial investment cost

For a long-term equity investment acquired through business combination involving enterprises not under common control, the initial investment cost of the long-term equity investment acquired shall be the cost of acquisition.

Any audit, legal service, appraisal and other agency expense and other administration expense occurred during combination, the acquiree shall recognize those expenditure in profit or loss.

15.3 Method for subsequent measurement and profit or loss recognition

For long-term equity investment in joint ventures and associates, they are computed by adopting equity method.

In addition, the Company's financial statements adopt cost approach to measure the long-term equity investment in investees over which the Group could impose control.

15.3.1 Long-term equity investments accounted for using the cost method

Under the cost method, a long-term equity investment is measured at its initial investment cost. Except receiving the actual consideration paid for the investment or the declared but not yet distributed cash dividends or profits which is included in the consideration, investment gains for the year is recognized as the cash dividends or profits declared by the investee.

15.3.2 Long-term equity investments accounted for using the equity method

Under the equity method, where the initial investment cost of a long-term equity investment exceeds the investor's interest in the fair value of the investee's identifiable net assets at the acquisition date, no adjustment shall be made to the initial investment cost. Where the initial investment cost is less than the investor's interest in the fair value of the investee's identifiable net assets at the acquisition date, the difference shall be charged to profit or loss for the current year, and the cost of the long-term equity investment shall be adjusted accordingly.

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

15. Long-term equity investments (continued)

15.3 Method for subsequent measurement and profit or loss recognition (continued)

15.3.2 Long-term equity investments accounted for using the equity method (continued)

Under the equity method, investment gain or loss and other comprehensive income represent the Group's share of the net profits or losses and other comprehensive income made by the investee for the current year and the carrying amount of the long-term equity investment shall be adjusted accordingly. The Group shall recognize its share of the investee's net profits or losses based on the fair values of the investee's individual separately identifiable assets at the time of acquisition, after making appropriate adjustments thereto in conformity with the accounting policies and accounting years of the Group. The unrealized gain or loss from internal transactions entered into between the Group and its associated enterprises and joint ventures is offset according to the shareholding attributable to the Group and recognized as investment income and loss according to such basis. However, the unrealized gain or loss from internal transactions entered into between the Group and its investee is not offset if it belongs to impairment loss from assets transferred according to regulations such as Accounting Standards for Business Enterprises No. 8 "Assets impairment". For changes in other shareholder's equity in investee other than net profit or loss, the carrying amount of the correspondingly adjusted long-term equity investment is recognized as other comprehensive income and included in capital reserve. The carrying amount of the investment shall be reduced by the portion of any profit distributions or cash dividends declared by the investee that is distributed to the investing enterprise.

15.3.3 Disposal of long-term equity investments

On disposal of a long-term investment, the difference between the carrying amount of the investment and the actual consideration paid is recognized in current profit or loss.

16. Investment properties

Investment property refers to real estate held to earn rentals or for capital appreciation, or both, including leased land use right, land use right held and provided for transferring after appreciation and leased constructions, etc.

Investment property is initially measured at cost. Subsequent expenditures related to an investment property shall be included in cost of investment property only when the economic benefits associated with the asset will likely flow to the Group and its cost can be measured reliably. All other subsequent expenditures on investment property shall be included in profit or loss for the current year when incurred.

The Group adopts cost method for subsequent measurement of investment property, which is depreciated or amortized using the same policy as that for buildings and land use right.

When an investment property is sold, transferred, retired or damaged, the amount of proceeds on disposal of the property net of the carrying amount and related taxes and surcharges is recognized in profit or loss for the current year.

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

17. Fixed assets

17.1 Recognition conditions

Fixed assets are tangible assets that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and have a useful life of more than one accounting year. Fixed assets are only recognized when their related economic benefits are likely to flow to the Group and their cost can be reliably measured. Fixed assets are initially measured at cost.

For subsequent expenses related to fixed assets, if the economic benefits related to such fixed assets is likely to inflow and its cost could be reliably measured, they are capitalized to fixed assets cost and the carrying amount of replacement will be derecognized. Other subsequent expenses other than the above are charged to profit or loss for the current year when incurred.

17.2 Depreciation method

A fixed asset is depreciated over its useful life using the straight-line method since the month subsequent to the one in which it is ready for intended use. The useful life, estimated net residual value rate and annual depreciation rate of each category of fixed assets are as follows:

Category	Depreciation (years)	Estimated residual value rate (%)	Annual depreciation rate (%)
Buildings	8-40	5	2.38-11.88
Machinery and equipment	10	5	9.50
Transportation vehicles	4-10	5	9.50-23.75
Electronic equipment and others	3-10	5	9.50-31.67

Estimated net residual value of a fixed asset is the estimated amount that the Group would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset was already of the stage and in the condition expected at the end of its useful life.

17.3 Other explanations

If a fixed asset is upon disposal or no future economic benefits are expected to be generated from its use or disposal, the fixed asset is derecognized. When a fixed asset is sold, transferred, retired or damaged, the amount of any proceeds on disposal of the asset net of the carrying amount and related taxes is recognized in profit or loss for the current year.

The Group reviews the useful life and estimated net residual value of a fixed asset and the depreciation method applied at least once at each financial year-end, and account for any change as a change in an accounting estimate.

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

18. Construction in progress

Construction in progress is recognized based on the actual construction cost, including all expenditures incurred for construction projects, capitalized borrowing costs for the construction in progress before it has reached the working condition for its intended use, and other related expenses during the construction year. A construction in progress is transferred to fixed assets when it has reached the working condition for its intended use.

19. Borrowing costs

Borrowing costs include interest, amortization of discount or premiums related to borrowings, ancillary costs incurred in connection with the arrangement of borrowings and exchange differences arising from foreign currency borrowings. For borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, when expenditures for the asset and borrowing costs are being incurred, activities relating to the acquisition, construction or production of the asset that are necessary to prepare the asset for its intended use or sale have commenced, such borrowing costs shall be capitalized as part of the cost of that asset; and capitalization shall discontinue when the qualifying asset is ready for its intended use or sale. Other borrowing costs shall be recognized as expense during the current year in which they are incurred.

Where funds are borrowed for a specific purpose, the amount of interest to be capitalized shall be the actual interest expense incurred during the current year less any bank interest earned from depositing the borrowed funds before being used into banks or any investment income on the temporary investment of those funds. Where funds are borrowed for general purpose, the Group shall determine the amount of interest to be capitalized on such borrowings by applying a capitalization rate to the weighted average of the excess amounts of cumulative expenditures on the asset over and above the amounts of specific-purpose borrowings. The capitalization rate shall be the weighted average of the interest rates applicable to the general-purpose borrowings.

Qualifying assets are assets (fixed assets, inventories, etc.) that necessarily taking a substantial year of time for acquisition, construction or production to get ready for their intended use or sale.

20. Intangible assets

20.1 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance owned or controlled by the Group.

An intangible asset shall be measured initially at cost. Expenditures related to an intangible asset shall be included in cost of intangible asset only when the economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. All other expenditure on an intangible item shall be included in profit and loss for the current year when incurred.

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

20. Intangible assets (continued)

20.1 Intangible assets (continued)

Land use right acquired shall normally be recognized as an intangible asset. Self-constructed buildings (e.g. plants), related land use right and the buildings shall be separately accounted for as intangible assets and fixed assets. For buildings and structures purchased, the purchase consideration shall be allocated among land use right and the buildings on a reasonable basis. If there is any difficulty in making a reasonable allocation, the consideration shall be recognized in full as fixed assets.

When an intangible asset with a finite useful life is available for use, its original cost less estimated net residual value and any accumulated impairment losses provided is amortized over its estimated useful life using the straight-line method. The intangible assets with infinite useful life are not amortized. The useful life and annual amortization rate of each category of intangible assets are as follows:

Category	Depreciation years	Annual depreciation rate (%)
Land use right	50	2.00
Software and others	2-10	10.00-50.00
Non-patent technology	1-10	10.00-100.00

The Group shall review the finite useful life of an intangible asset and the amortization method applied at the end of the year. A change in the useful life or amortization method used shall be accounted for as a change in accounting estimate.

Details of impairment test for intangible assets are set out in Note III "21. Impairment of long-term assets".

20.2 Research and development expenditure

The internal research and development expenditures of the Group are classified into research phase expenditure and development phase expenditure.

Expenditure arising from the research phase is accounted for in profit or loss for the current year when incurred.

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

20. Intangible assets (continued)

20.2 Research and development expenditure (continued)

Expenses incurred during the development phase that satisfy the following conditions are recognized as intangible assets, while those that do not satisfy the following conditions are accounted for in the profit or loss for the current year:

- (1) It is technically feasible that the intangible asset can be used or sold upon completion;
- (2) There is intention to complete the intangible asset for use or sale;
- (3) The intangible asset can produce economic benefits, including there is evidence that the products produced using the intangible asset has a market or the intangible asset itself has a market; if the intangible asset is for internal use, there is evidence that there is usage for the intangible asset;
- (4) There is sufficient support in terms of technology, financial resources and other resources in order to complete the development of the intangible asset, and there is capability to use or sell the intangible asset;
- (5) The expenses attributable to the development phase of the intangible asset can be measured reliably.

If the expenses incurred during the research stage and the development stage cannot be distinguished separately, all development expenditure incurred are accounted for in the profit or loss for the current year.

21. Impairment of long-term assets

The Group assesses at each balance sheet date whether there is any indication that any long-term equity investments, investment properties measured at cost, fixed assets, construction in progress and intangible assets with a finite useful life may be impaired. If there is any evidence indicating that an asset may be impaired, recoverable amount shall be estimated for the individual asset. The intangible assets with infinite useful life are tested for impairment every year, regardless of any indication of impairment.

The recoverable amount should be estimated of the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the Group shall determine the recoverable amount of the asset group to which the asset belongs. The recoverable amount of an asset is determined at the higher of the net amount after deducting the disposal expenses from the assets' fair value and the current value of the assets' estimated future cash flow.

If the recoverable amount of an asset or an asset group is less than its carrying amount, a provision for impairment loss of the asset will be made for the reduction and is charged to profit or loss for the current year.

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

21. Impairment of long-term assets (continued)

Goodwill is tested for impairment yearly. When conducting the impairment test for goodwill, the test is conducted through combination with its related asset group or portfolio of asset group. That is, goodwill is reasonably allocated to the related asset group or each of asset group expected to benefit from the synergies of the combination. If the recoverable amount of asset group or portfolio of asset group containing the allocated goodwill is lower than its carrying value, relevant impairment loss is recognized. The amount of impairment loss is first written-down and allocated to the carrying amount of the goodwill of that asset group or portfolio of asset group, and is then written down to the carrying value of all other types of assets proportionally according to the weighting of the carrying value of all other types of assets other than goodwill within asset group or portfolio of asset group.

An impairment loss once recognized shall not be reversed in a subsequent year.

22. Long-term deferred expenses

Long-term deferred expenses are expenses which have incurred but shall be amortized over the current year and subsequent years of more than one year. Long-term deferred expenses are amortized evenly over the estimated benefit year.

23. Contract liabilities

Contract liabilities refers to the Group's obligation to transfer goods or services to a customer for which the Group has received or should receive consideration from the customer. Contract assets and contract liabilities under common contract are presented as net.

24. Employee benefits

24.1 Short-term employee benefits

In the accounting year in which employees have rendered services, the Group shall recognize the short-term employee benefits that actually occurred as liability, and charged to profit or loss for the current year or cost of relevant assets. The Group shall recognize the amount of employee welfare that actually occurred and charged to profit or loss for the current year or cost of relevant assets.

During the accounting year which employees rendered service, medical insurance, work-related injury insurance, maternity insurance and other social security contributions and housing provident fund paid by the Group, as well as labour union funds and employees' education expenses extracted by requirement. Based on the required accrual basis and proportions in order to determine the appropriate amount of employee benefits, such employee benefits shall be recognized as corresponding liabilities, and charged to profit or loss during current year or cost of relevant assets.

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

24. Employee benefits (continued)

24.2 Post-employment benefits

All post-employment benefits within the Group are defined contribution plans.

In the accounting year which employees rendered services, the amount of the defined contribution plans shall be recognized as liability and charged to profit or loss during current year or cost of relevant assets.

25. Provisions

Provisions are recognized when the Group has a present obligation related to a contingency, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be measured reliably.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account factors pertaining to a contingency such as the risks, uncertainties and time value of money.

Where all or some of the expenditure required to settle a provision is expected to be reimbursed by a third party, the reimbursement is recognized as a separate asset only when it is virtually certain that reimbursement will be received, and the amount of reimbursement recognized does not exceed the carrying amount of the provision.

26. Revenue

The revenue of the Group are mainly from selling automobiles and components and parts of automobiles; processing and manufacturing of models; providing services and so on.

The Group recognises revenue based on the transaction price allocated to such performance obligation when a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. A performance obligation represents the commitment that a good and service that is distinct shall be transferred by the Group to the customer. Transaction price refers to the consideration that the Group is expected to charge due to the transfer of goods or services to the customer, but it does not include payments received on behalf of third parties and amounts that the Group expects to return to the customer.

Variable consideration

If the contract includes variable consideration, the Group determines the best estimates of the variable consideration based on the expected value or the most likely amount. Transaction price comprising the variable consideration does not exceed the amount that it is highly probable that a significant reversal will not occur when relevant uncertainty is eliminated. At each balance sheet, the Group re-estimates the amount of variable consideration which should be recognised in transaction price.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

26. Revenue (continued)

Variable consideration (continued)

If the contract includes two or more performance obligations, at contract inception, the Group allocates the transaction price to single performance obligation according to relative proportion of the stand-alone selling prices of the goods or services promised by single performance obligation. However, where there is conclusive evidence that the contract discount or variable consideration is only related to one or more (not all) performance obligations in the contract, the Group shall allocate the contract discount or variable consideration to relevant one or more performance obligations. The stand-alone selling price is the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group shall consider all information that is reasonably available to the Group and maximize the use of observable inputs and apply estimation methods consistently in similar circumstances.

Warranties

For sales with quality assurance terms, if the quality assurance provides a separate service to the customer other than ensuring that the goods or services sold meet the established standards, the quality assurance constitutes a single performance obligation. Otherwise, the Group will account for the quality assurance responsibility in accordance with the *Accounting Standards for Business Enterprises No. 13 – Contingencies*.

Customers' unexercised rights

When the Group collects amounts of sold goods or services in advance from the customer, the Group will firstly recognize the amounts as a liability and then transfer to revenue until satisfying relevant performance obligations. When the receipts in advance is non-refundable and the customer may give up all or part of contract right, and the Group is expected to be entitled to obtain amounts associated with contract rights given up by the customer, the above amounts shall be proportionally recognized as revenue in accordance with the model of exercising contract rights by the customer; otherwise, the Group will transfer the relevant balance of the above liability to revenue only when the probability is extremely low for the customer to satisfy remaining performance obligations.

27. Government grants

Government grants are monetary assets and non-monetary assets gratuitous acquired from the government. Government grants are recognized when they meet the requirements of government grants and is receivable.

Government grants are measured in accordance with the amount received or receivable if they are monetary assets.

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

27. Government grants (continued)

27.1 Judgement criteria and accounting treatment for government grants related to asset

A government grant related to an asset is charged against carrying amount of related assets or recognized as deferred income and evenly included in profit or loss over the useful life of the related asset.

27.2 Judgement criteria and accounting treatment for government grants related to income

For a government grant related to income, if the grant is a compensation for related expenses or losses to be incurred in subsequent years, the grant is recognized as deferred income, and recognized in profit or loss over the year in which the related costs are recognized. If the grant is a compensation for related expenses and losses already incurred, the grant is recognized immediately in profit or loss for the current year.

Government grants related to the Group's daily activities are included in other income in accordance with its economic substance. Otherwise, government grants are included in non-operating income or expense.

28. Income tax

28.1 Current income tax

At the balance sheet date, current income tax liabilities (or assets) for the current and prior years shall be measured at the amount expected to be paid (or recovered) according to the requirements of tax laws. Taxes payable for the calculation of income tax of the current year are based on relevant adjustments on the profits (before tax) of the year according to relevant tax laws.

28.2 Deferred tax assets and deferred tax liabilities

For temporary differences between the carrying amounts of certain assets or liabilities and their tax base, or between the nil carrying amount of those items that are not recognized as assets or liabilities and their tax base that can be determined according to tax laws, deferred tax assets and liabilities are recognized using the balance sheet liability method.

Deferred tax is generally recognized for all temporary differences. Deferred tax assets for deductible temporary differences are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilized. However, for temporary differences associated with the initial recognition of goodwill and the initial recognition of an asset or liability arising from a transaction (not a business combination) that affects neither the accounting profit nor taxable profits (or deductible losses) at the time of transaction, no deferred tax asset or liability is recognized.

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

28. Income tax (continued)

28.2 Deferred tax assets and deferred tax liabilities (continued)

For deductible losses and tax credits that can be carried forward, deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the deductible losses and tax credits can be utilized.

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

At the balance sheet date, deferred tax assets and liabilities are measured at the tax rates, according to tax laws, that are expected to apply in the year in which the asset is realized or the liability is settled.

At the balance sheet date, the carrying amount of deferred tax assets is reviewed and reduced if it is no longer probable that sufficient taxable profits will be available in the future to allow the benefit of deferred tax assets to be utilised. Such reduction in amount is reversed when it becomes probable that sufficient taxable profits will be available.

28.3 Income tax expenses

Income tax expense comprises current income tax expense and deferred income tax expense.

Current and deferred tax expenses or income are recognized in profit or loss for the year, except when they arise from transactions or events that are directly recognized in other comprehensive income or in shareholders' equity, in which case they are recognized in other comprehensive income or in shareholders equity; and when they arise from business combinations, in which case they adjust the carrying amount of goodwill.

28.4 Offsetting of income tax

When the Group has a legal right to settle on a net basis and intends either to settle on a net basis or to realize the assets and settle the liabilities simultaneously, current tax assets and current tax liabilities are offset and presented on a net basis.

When the Group has a legal right to settle current tax assets and liabilities on a net basis, and deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax assets and liabilities on a net basis or to realize the assets and liabilities simultaneously, in each future year in which significant amounts of deferred tax assets or liabilities are expected to be reversed, deferred tax assets and deferred tax liabilities are offset and presented on a net basis.

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

29. Lease

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases except finance leases are classified as operating leases.

29.1 Accounting treatment of operating leases

29.1.1 The Group as lessee under operating leases

Operating lease payments are recognized on a straight-line basis over the term of the relevant lease, and are either included in the cost of related asset or charged to profit or loss for the year. Initial direct costs incurred are charged to profit or loss for the year. Contingent rents are charged to profit or loss in the year in which they are actually incurred.

29.1.2 The Group as lessor under operating leases

Rental income from operating leases is recognized in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs with more than an insignificant amount are capitalized when incurred, and are recognized in profit or loss on the same basis as rental income over the lease term. Other initial direct costs with an insignificant amount are charged to profit or loss in the year in which they are incurred. Contingent rents are charged to profit or loss in the year in which they actually arise.

29.2 Accounting treatment of finance leases

29.2.1 The Group as lessor under finance leases

At the commencement of the lease term, the aggregate of the minimum lease receivable at the inception of the lease and the initial direct costs is recognised as a finance lease receivable, and the unguaranteed residual value is recorded at the same time. The difference between the aggregate of the minimum lease receivable, the initial direct costs and the unguaranteed residual value, and the aggregate of their present values is recognised as unearned finance income.

Unearned finance income is recognised as finance income for the period using the effective interest method over the lease term. Contingent rents are credited to profit or loss in the period in which they are actually incurred.

The net amount of financial lease receivables less unearned finance income is separated into long-term debts receivable and the portion of long-term debts receivable due within one year for presentation.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

30. Changes in significant accounting policies

30.1 New standards for financial instrument

The Group has implemented the *ASBEs No. 22 – Financial Instrument: Recognition and Measurement*, *ASBEs No. 23 – Transfer of Financial Assets*, *ASBEs No. 24 – Hedging Accounting* and *ASBEs No. 37 – Financial Instrument: Presentation* (hereinafter referred to as “new standards for financial instrument”) revised in 2017 by the MoF since 1 January 2018.

For classification and measurement of financial assets, the new standards for financial instrument require that the financial assets should be classified into three categories: “financial assets measured at amortized cost”, “financial assets at fair value through other comprehensive income (“FVTOCI”)” and “financial assets at fair value through profit or loss (“FVTPL”)” based on characteristics of contractual cash flows and business models for the enterprise to manage these assets. The categories of original standards including loans and receivables, held-to-maturity investments and available-for-sale financial assets have been cancelled. Investments in equity instrument are generally categorized into financial assets at FVTPL. The enterprise is also allowed to designate the non-tradable equity instruments as financial assets at FVTOCI, but such designation is non-cancellable, and the cumulative amounts of changes in fair value previously recognized in other comprehensive income shall not be carried forward in profit or loss for the year at disposal of the financial assets.

For impairment of financial assets, the new standards for financial instrument on impairment are applicable to financial assets measured at amortized cost, FVTOCI and lease receivables. The new standards for financial instrument require adoption of expected credit loss model to replace the original credit-impaired model to recognize credit loss allowance. The new impairment model requires adoption of three-phase model, credit loss allowance is made based on expected credit losses within 12 months or during the whole life according to whether the credit risks of relevant items have been significantly increased since initial recognition. If the accounts receivable, contract assets and lease receivables have simplified method, it is allowed to recognise impairment allowance for the expected credit loss during the whole life.

For hedging accounting, the new standards for financial instrument has improved the applicability of hedge accounting and more closely integrated hedge accounting and enterprise risk management.

According to the circular of the MoF, the new financial instrument standard will be implemented on 1 January 2018 for enterprises that are both listed in China and abroad and those that are listed abroad and prepare financial reports using international financial reporting standards or enterprise accounting standards. Therefore, as a company listed both at China and abroad, the Group has implemented the above new standards for financial instrument since 1 January 2018 and recognized, measured and reported the Group’s financial instrument in accordance with the new standards since that day. See Note III (9) for the changed accounting policies.

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

30. Changes in significant accounting policies (continued)

30.1 New standards for financial instrument (continued)

If the recognition and measurement of financial instrument before 1 January 2018 is inconsistent with the new standards for financial instrument, the Group will make adjustment as required by the new standards retrospectively. In case of inconsistency between the comparative figures in financial statements in prior year and requirements of the new standards, the Group will not make adjustment. The shortfall between the original carrying amount of the financial instrument and the new carrying amount at the adoption date of the new standards shall be recognized in retained earnings or other comprehensive income at 1 January 2018. Effects on adoption of new standards for financial instrument at 1 January 2018 refer to Note III 30.3.

30.2 New standards for revenue

The Group has implemented the *ASBEs No. 14 – Revenue* (hereinafter referred to as “new standards for revenue”) revised in 2017 by the MoF since 1 January 2018. The new standards for revenue have introduced the 5-step method for recognition and measurement of revenue and added more instructions on specific transactions (or events). See Note III (26) for the accounting policies for recognition and measurement of revenue. The new standards for revenue require the entity to adjust the retained earnings at the beginning of initial adoption (i.e. 1 January 2018) of the new standards for the cumulative affected figures and amounts of other relative items in the financial statements, and not to adjust information in comparable year. At the adoption of new standards for revenue, the Group solely adjusts the cumulative affected figures in contract not yet been completed at the initial adoption date. For changes in contract incurred before the beginning of adoption of new standards for revenue, the Group will make simplified treatment, namely, the Group will identify the fulfilled and unfulfilled performance obligations, determine transaction price and allocate the transaction price between the fulfilled and unfulfilled performance obligations according to the final arrangement of contract changes. Effects on adoption of new standards for revenue at 1 January 2018 refer to Note III.30.3.

Compared to original standards for revenue, the effect on related items in the financial statement while implementing new standards for revenue is set out as follows:

Balance sheet

Item	<i>RMB</i> Effect of amount
Receipts in advance	(3,456,122,593.69)
Other payables	551,425,095.66
Contract liabilities	3,433,904,092.43
Other current liabilities	(529,206,594.40)

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

30. Changes in significant accounting policies (continued)

30.2 New standards for revenue (continued)

Item	Income statement	
		RMB Effect of amount
Operating income		(245,654,876.12)
Operating costs		728,421,151.33
Selling expenses		(482,766,275.21)

Note: The group from the customer in advance payment under the contract in accordance with the new standards by the classification of advance received from customers of revenue to Contract Liabilities and other payments.

30.3 Effects on initial implementation of new standards for financial instrument or revenue on 31 December 2018

The summary of effect on assets, liabilities and owners' equity of the Group arising from initial implementation of new standards for revenue and new standards for financial instrument for the first time

As at 1 January 2018, the summary of effect on assets, liabilities and owners' equity of the Group arising from initial implementation of new standards for revenue and new standards for financial instrument for the first time is as follows:

Item	Consolidated balance sheet			RMB
	31 December 2017	Effect of implementing new standards for revenue	Effect of implementing new standards for financial instrument	1 January 2018
Held-for-trading financial assets (Note 1)		-	317,994,432.00	317,994,432.00
Financial assets at fair value through profit or loss (Note 1)	317,994,432.00	-	(317,994,432.00)	-
Note receivable and accounts receivable (Note 2)	49,948,553,567.36	-	(49,075,108,590.70)	873,444,976.66
Other current assets (Note 2)	267,000,053.72	-	49,075,108,590.70	49,342,108,644.42
Available-for-sale financial assets (Note 3)	7,700,000.00	-	(7,700,000.00)	-
Other equity instrument investments (Note 3)		-	7,700,000.00	7,700,000.00
Loans and advances to customers (Note 4)	4,428,694,699.29	-	(494,368,396.06)	3,934,326,303.23
Deferred income (Note 4)	1,963,520,037.00	-	(494,368,396.06)	1,469,151,640.94
Receipts in advance (Note 5)	5,457,772,639.50	(5,457,772,639.50)	-	-
Other payables (Note 5)	2,512,899,879.29	927,298,728.19	-	3,440,198,607.48
Contract liabilities (Note 5, 6)		5,305,335,381.83	-	5,305,335,381.83
Other current liabilities (Note 6)	1,653,117,141.98	(774,861,470.52)	-	878,255,671.46

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

30. Changes in significant accounting policies (continued)

30.3 Effects on initial implementation of new standards for financial instrument or revenue on 31 December 2018 (continued)

The summary of effect on assets, liabilities and owners' equity of the Group arising from initial implementation of new standards for revenue and new standards for financial instrument for the first time (continued)

Note 1: On 1 January 2018, financial assets amounted to RMB317,994,432.00 measured at fair value through profit or loss are listed equity held by the Group, and are reclassified as held-for-trading financial assets.

Note 2: The Group will discount or endorse and transfer before part of notes receivable expire in the progress of managing enterprise liquidity, and derecognize the discounted or endorsed notes receivable on the basis that after the Group has transferred almost all risk and benefit to the related transaction party. The business mode of the Group managing notes receivable is regarding contract cash flow acquisition and selling such financial assets as objectives. Therefore, the notes receivable amounted to RMB49,075,108,590.70 on 1 January 2018 is reclassified to other current assets, and the notes receivable originally measured at amortised cost is measured at fair value, without resulting in carrying value changes in other current assets.

Note 3: On 1 January 2018, available-for-sale assets amounted to RMB7,700,000.00 are reclassified to other equity instrument investments, and this part of investments are non-held-for-trading equity instruments and the Group will not sell them in the expected future and measure them at cost, net of impairment. On 1 January 2018, this part of equity investment adopt fair value measurement, without resulting in carrying value changes in other equity instrument investments.

Note 4: On 1 January 2018, deferred income amounted to RMB494,368,396.06 is interest in advance from Tianjin Great Wall Binyin Automotive Finance Co., Ltd. (天津長城濱銀汽車金融有限公司) ("Automotive Finance"), and is reclassified as loans and advances to customers.

Note 5: As at 1 January 2018, the customers' goods prepayment paid to the Group, RMB5,457,772,639.50 according to contracts, has been reclassified into contract liabilities of RMB4,530,473,911.31 and other payables of RMB927,298,728.19, in accordance with new standards for revenue.

Note 6: As at 1 January 2018, the Group provides maintenance services for the customers which are recognized as a performance obligation, and correspondingly RMB774,861,470.52 is recognized as contract liabilities.

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

30. Changes in significant accounting policies (continued)

30.3 Effects on initial implementation of new standards for financial instrument or revenue on 31 December 2018 (continued)

The summary of effect on assets, liabilities and owners' equity of the Group arising from initial implementation of new standards for revenue and new standards for financial instrument for the first time (continued)

Balance sheet of the Company				RMB
Item	31 December 2017	Effect of implementing new standards for revenue	Effect of implementing new standards for financial instrument	1 January 2018
Notes receivable and accounts receivable (Note 1)	50,019,374,971.40	-	(48,761,099,726.21)	1,258,275,245.19
Other current assets (Note 1)	184,564,259.52	-	48,761,099,726.21	48,945,663,985.73
Available-for-sale financial assets (Note 2)	7,700,000.00	-	(7,700,000.00)	-
Other equity instrument investments (Note 2)		-	7,700,000.00	7,700,000.00
Receipts in advance (Note 3)	5,813,568,597.73	(5,813,568,597.73)	-	-
Other payables (Note 3)	2,205,336,042.64	693,099,281.23	-	2,898,435,323.87
Contract liabilities (Note 3)		5,120,469,316.50	-	5,120,469,316.50

Note 1: The Group will discount or endorse and transfer before part of notes receivable expire in the progress of managing enterprise liquidity, and derecognize the discounted or endorsed notes receivable on the basis that after the Group has transferred almost all risk and benefit to the related transaction party. The business mode of the Group managing notes receivable is regarding contract cash flow acquisition and selling such financial assets as objectives. Therefore, the notes receivable amounted to RMB48,761,099,726.21 on 1 January 2018 is reclassified to other current assets, and the notes receivable originally measured at amortised cost is measured at fair value, without resulting in carrying value changes in other current assets.

Note 2: On 1 January 2018, available-for-sale assets amounted to RMB7,700,000.00 are reclassified to other equity instrument investments, and this part of investments are non-held-for-trading equity instruments and the Group will not sell them in the expected future and measure them at cost, net of impairment. On 1 January 2018, this part of equity investment adopt fair value measurement, without resulting in carrying value changes in other equity instrument investments.

Note 3: As at 1 January 2018, the customers' goods prepayment paid to the Group, RMB5,813,568,597.73 according to contracts, has been reclassified into contract liabilities of RMB5,120,469,316.50 and other payables of RMB693,099,281.23, in accordance with new standards for revenue.

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

30. Changes in significant accounting policies (continued)

30.4 The presentation format of financial statements

The Group has implemented the *Notice of the Revised Format of Financial Statements for General Business Enterprise for the year of 2018* (Cai Kuai [2018]No.15, hereinafter referred to as "Cai Kuai No.15 ") released on 15 June 2018 by MoF, and the *Notice of the Revised Format of Consolidated Financial Statements for the year of 2018* (Cai Kuai [2019]No.1") released on 18 January 2019 by MoF for the preparation of the financial statements of the Group since 2018. The contents of the Cai Kuai No.15 revised for the presentation of the balance sheet and income statement are set out below:

- (1) Added "notes receivable and accounts receivable", "notes payable and accounts payable" and "research and development expenses" line items;
- (2) Revised the presentation of the line items "other receivables", "Fixed assets", "construction in progress", "other payables", and "administrative expenses";
- (3) Reduced "notes receivable", "accounts receivable", "dividend receivable", "interest receivable", "notes payable", "accounts payable", "interest payable" and "dividend payable" line items;
- (4) Added the presentation of "including: interest expense" and "interest income" below "financial expenses", and adjusted the position of the presentation of part items in income statement.

For above revisions, the Group adjust the presentation of line items and the data of the prior year retroactively.

MoF issued the explanation for format of financial statements in enterprises on 7 September 2018. According to this explanation, the government grants received by companies, whether they are relevant to the assets or to the income, are presented as the cash flow from operating activities. For the changes in the presence of government grants, the group adopts the retrospective method for accounting adjustments and has adjusted the former year's comparable data retrospectively.

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

IV. SIGNIFICANT JUDGEMENTS MADE IN THE APPLICATION OF ACCOUNTING POLICIES AND KEY ASSUMPTIONS AND UNCERTAINTIES IN ACCOUNTING ESTIMATES

In the application of the Group's accounting policies, which are described in Note III, the Group is required to make judgements, estimates and assumptions about the carrying amounts of items in the financial statements that cannot be measured accurately, due to the internal uncertainty of the operating activities. These judgements, estimates and assumptions are based on historical experiences of the Group's management as well as other factors that are considered to be relevant. Actual results may differ from these estimates of the Group.

The Group regularly reviews the aforesaid judgments, estimates and assumptions on the basis of continuous operation. Where the changes in accounting estimates only impact the current year, the impact shall be recognized during the current year; where such changes impact both the current and future years, the impact shall be confirmed during the current and future years when such changes occur.

Key assumptions and uncertainties in the application of accounting estimates

The following are the critical assumptions and uncertainties which may cause material adjustments to the carrying amounts of assets and liabilities concerning the future at the date of balance sheet:

Provision for decline in value of inventories

The Group recognizes provision for decline in value of inventory according to net realizable value of the inventory. Provision for inventory impairment is required to be recognized when there is sign showing that the net realizable value is lower than cost. Recognition of net realizable value involves judgment and estimation. If the result of re-estimation differs from current estimation, such difference will impact the book value of inventory for the corresponding year.

Useful life of fixed assets

The Group estimates the useful life of fixed assets based on experience of actual useful life of fixed asset of similar nature and function. If the useful life of a fixed asset is shortened, the Company will adopt measures to accelerate the depreciation of the fixed asset or eliminate fixed assets which are idle or technologically obsolete.

Recognition of deferred tax assets

As at 31 December 2018, the Group recognized deferred tax assets of RMB676,536,944.72 (31 December 2017: RMB691,008,604.27) in the consolidated balance sheet. The realization of deferred tax assets is mainly determined by future actual earnings and actual tax rate of temporary difference in future utilization year. If the actual future earning is less than estimates, or the actual tax rate is lower than estimates, the recognized deferred income tax asset shall be reversed, and be recognized in the income statement in the year in which the reversal is incurred. If the actual earnings accrued in the future is more than estimates, or the actual tax rate is higher than estimates, such deferred tax asset shall be recognized in the consolidated income statement in the year in which they are incurred.

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

IV. SIGNIFICANT JUDGEMENTS MADE IN THE APPLICATION OF ACCOUNTING POLICIES AND KEY ASSUMPTIONS AND UNCERTAINTIES IN ACCOUNTING ESTIMATES (continued)

Key assumptions and uncertainties in the application of accounting estimates (continued)

Fees for after-sale services

The Group undertakes the warranty obligation for the vehicles sold within a certain warranty year, and pre-acquires the after-sales service fees according to the sales volume and estimated cost standards. The after-sales service fee withdrawn on 31 December 2018 is RMB395,295,875.68. If the actual after-sales service fee is greater or less than the expected amount, it will affect the profit and loss of the year.

Capitalization of development expenditures

The expenditure at the development phase shall be capitalized if the conditions stated in Note (III).16.2 are met at the same time, while those that do not satisfy the conditions are accounted for in the profit and loss for the current year. Capitalizing or expensing expenditures at the development phase requires significant judgment and estimation.

V. TAXATION

1. Major tax types and rates

Tax type	Basis	Tax rate
Value-added tax	Sales/Purchase (Note 1 and 2)	3%.5%.6%.10%.11%.13%.16%.17%
Consumption tax	Sales	3%.5%.9%.12%
Urban maintenance and construction tax	Value-added tax and consumption tax	5%.7%
Education surcharge	Value-added tax and consumption tax	3%
Enterprise income tax	Taxable income (Note 2)	20%.25%.28%.30%
Real estate tax	Original cost/rental income of the real estate	For self-occupied real estate of the Company, the tax is calculated at 70% of the original cost and a tax rate of 1.2%. For leased real estate, the tax is calculated at 12% of the rental income
Land use tax	Usable area of the land	Relevant tax rate

Note 1: Pursuant to the *Notice on Policies Relating to Degenerating Value-added Tax Rate* (關於簡併增值稅稅率有關政策的通知) (Cai Shui [2017] No.37) issued by the MoF and the State Administration of Taxation, value-added tax rate structure shall be degenerated and the value-added tax rate at 13% shall be cancelled as of 1 July 2017. Pursuant to the *Notice on Adjusting Value-added Tax Rate* (關於調整增值稅稅率的通知) (Cai Shui [2018] No.32) issued by the MoF and the State Administration of Taxation, VAT taxable sales or imported goods subject to 17% and 11% shall be adjusted to 16% and 10% since 1 May 2018.

Note 2: Excluding the tax incentives set out in Note (V) 2, the applicable tax rates of the relevant companies of the Group for 2017 and 2018 are listed on the above table.

V. TAXATION (continued)

2. Tax incentives and approvals

2.1 Income tax incentives

2.1.1 Income tax incentive policy for recruitment of disabled

Pursuant to the *Circular on Granting Tax Credit and Exemption relating to Enterprise Income Tax on the Recruitment of Disabled* (關於安置殘疾人員就業有關企業所得稅優惠政策問題的通知) (Cai Shui [2009] No. 70) (the “Circular”) issued by the MoF and the State Administration of Taxation, the Company and its subsidiaries, Tianjin Boxin Automotive Parts Company Limited (天津博信汽車零部件有限公司) (“Tianjin Boxin”), Baoding Nuobo Rubber Production Company Limited (保定市諾博橡膠製品有限公司) (“Baoding Nuobo”), Baoding Great Machinery Company Limited (保定市格瑞機械有限公司) (“Baoding Great”), Baoding Yixin Automotive Parts Company Limited (保定億新汽車配件有限公司) (“Baoding Yixin”), and Nuobo Rubber Production Company Limited (諾博橡膠製品有限公司) (former Baoding Nuobo Automotive Parts Company Limited (原保定諾博汽車配件有限公司), “Nuobo Rubber”), satisfied all conditions as prescribed in the Circular for deduction 100% of the wages paid to disabled staff from taxable income when determining income tax and passed the examination of relevant authorities, and they were entitled to deduct 100% of the actual wages paid to disabled staff from the taxable income when determining enterprise income taxes.

2.1.2 Income tax exemption for new and high-tech enterprise

Under the review of Hebei Provincial Department of Science and Technology, Department of Finance of Hebei Province, Hebei Provincial Office of the State Administration of Taxation and Hebei Local Taxation Bureau in 2016, the Company was granted with New and High-Tech Enterprise Certificate on 2 November 2016 as the Company was approved as new and high-tech enterprise (with a term of 3 years), so the applicable income tax rate for the year 2016 to 2018 is 15%.

Baoding Great, which is one of subsidiaries of the Company, was approved as new and high-tech enterprise, and obtained the New and High-Tech Enterprise Certificate jointly issued by the Hebei Provincial Department of Science and Technology, Department of Finance of Hebei Province, Hebei Provincial Office of the State Administration of Taxation and Hebei Local Taxation Bureau on 2 November 2016 with a term of three years, and the applicable tax rate from 2016 to 2018 is 15%.

Mind Electronics Company Limited (曼德電子電器有限公司) (former Baoding Mind Auto Component Company Limited, (原保定曼德汽車配件有限公司) “Mind Electronics”), which is one of subsidiaries of the Company, was approved as new and high-tech enterprise, and obtained the New and High-Tech Enterprise Certificate jointly issued by the Hebei Provincial Department of Science and Technology, Department of Finance of Hebei Province, Hebei Provincial Office of the State Administration of Taxation and Hebei Local Taxation Bureau on 2 November 2016 with a term of three years, and the applicable tax rate from 2016 to 2018 is 15%.

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

V. TAXATION (continued)

2. Tax incentives and approvals (continued)

2.1 Income tax incentives (continued)

2.1.3 Income tax credit for encouraged industry enterprises in the western region

According to *Circular on Taxation Related to Implementing China Western Development Strategy Deeply* (關於深入實施西部大開發戰略有關稅收政策問題的通知) (Cai Shui [2011] No.58) by MoF, General Administration of Customs, and the State Administration of Taxation, Chongqing Haval Automobile Co., Ltd.(重慶哈弗汽車有限公司) (Chongqing Haval) and Chongqing Yongchuan Great Wall Auto Parts Co., Ltd. (重慶市永川區長城汽車零部件有限公司) (Chongqing Auto Parts), subsidiaries of the Company, satisfy all conditions prescribed in the Circular above for encouraged industry enterprises located in the western region, and their principle operating income accounts for over 70% of the total income, so from 2018 to 2020, the applicable enterprise income tax rate is 15%.

2.1.4 Income tax credit for small-scaled minimal profit enterprise

Pursuant to the *Circular on Granting Tax Credit and Exemption relating to Enterprise Income Tax on the Small-Scaled Minimal Profit Enterprise* (關於擴大小型微利企業所得稅優惠政策範圍的通知) (Cai Shui [2017] No. 43) issued by the MoF and the State Administration of Taxation, Beijing Great Wall Dong Sheng Business Consulting Company Limited(北京長城東晟商務諮詢有限公司)(“Great Wall Dongsheng”), which is a subsidiary of the Company, satisfied all conditions as prescribed of in the Circular above for Small-Scaled Minimal Profit Enterprise with annual taxable income less than RMB500,000 for 2017. So, for the year 2017, the taxable income is reduced to 50% of original total taxable income, and the applicable enterprise income tax rate is 20%.

Pursuant to the *Circular on Further Granting Tax Credit and Exemption relating to Enterprise Income Tax on the Small-Scaled Minimal Profit Enterprise to a Larger Extent by the State Administration of Taxation* (稅務總局關於進一步擴大小型微利企業所得稅優惠政策範圍的通知)(Cai Shui [2018] No. 77) issued by the MoF and the State Administration of Taxation, Beijing Great Automotive Components Co., Ltd.(北京格瑞特汽車零部件有限公司)(“Beijing Great”), Beijing Forever Peace Information Consulting Company Limited(北京萬里友好信息諮詢有限公司)(“Forever Peace”) and Shanghai Haval Automotive Technology Limited Company (上海哈弗汽車科技有限公司)(“Shanghai Haval”), which are subsidiaries of the Company, satisfied all conditions as prescribed of in the Circular above for Small-Scaled Minimal Profit Enterprise with annual taxable income less than RMB1,000,000 in for 2018, so for the year 2018, the taxable income is reduced to 50% of original total taxable income, and the applicable enterprise income tax rate is 20%.

V. TAXATION (continued)

2. Tax incentives and approvals (continued)

2.2 Value-added tax incentives

Value-added tax concessionary policies on fostering disabled people

According to the requirements under the *Circular on Preferential Tax Policy for Promoting Disabled Employment* (關於促進殘疾人就業增值稅優惠政策的通知) (Cai Shui [2016] No. 52) issued by the MoF and State Administration of Taxation, Baoding Nuobo (not satisfying the preferential tax policy in and after September 2018), Baoding Great and Baoding Yixin, subsidiaries of the Company, were entitled to immediate refund of value-added tax as they satisfied the requirements of: 1) the number of disabled staff bears 25% of the total headcount of the subsidiaries on a monthly basis (including 25%); 2) and the number of recruited disabled staff is more than 10 persons (including 10). Namely, these subsidiaries are subject to “the income from production and sales of commodities or the provision of processing, repair and maintenance services accounted for 50% of the taxation income for the purposes of value added tax and business tax” as approved by relevant authorities. The cap of VAT refund is subject to specific standard set out by the local tax authorities (above county-level) calculated on the basis of 4 times of the applicable minimum wages approved by the Provincial People’s government of where the taxpayer located for each actually employed disabled employee.

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and bank balances

Item	<i>RMB</i>	
	2018.12.31	2017.12.31
Cash:		
RMB	265,901.42	389,791.58
GBP	13,996.62	14,162.78
HKD	7,497.99	9,028.16
AUD	7,294.44	8,362.89
JPY	6,357.89	7,155.96
USD	4,563.07	3,318.46
SGD	1,556.93	1,518.64
ZAR	1,511.44	5,105.78
RUB	56.49	64.98
KRW	43.51	43.44
THB	27.43	25.97
Bank balances		
RMB	6,021,218,863.39	3,078,273,647.15
ZAR	240,052,026.50	117,967,799.82
USD	137,516,525.35	432,715,197.31
RUB	78,009,772.12	116,239,708.23
EUR	70,397,883.16	22,380,368.79
JPY	36,880,159.37	13,847,034.16
INR	11,109,408.63	11,204,461.23
NZD	8,539,581.41	23,071,500.18
AUD	7,690,778.69	21,044,534.81
GBP	561,324.89	11.41
KRW	353,320.84	5,276,122.62
HKD	54,382.97	20,825.65
CHF	—	424.98
Other cash and bank balances:		
RMB	1,058,649,288.65	987,479,299.87
RUB	10,741,445.81	—
NZD	—	1,389,810.00
Total	7,682,083,569.01	4,831,349,324.85
Including: Overseas cash and bank balances	519,985,624.57	766,211,041.63

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1. Cash and bank balances (continued)

As at 31 December 2018, the Group had restricted cash and bank balances of RMB1,067,472,131.58, in which security and margin deposits for bank acceptances amounted to RMB530,242,032.67, required reserves amounted to RMB503,307,000.00, security and margin deposits for letter of credit amounted to RMB2,833,552.36, security and margin deposits for letter of guarantee amounted to RMB16,141,445.81, and other guarantees amounted to RMB14,948,100.74.

As at 31 December 2017, in other cash and bank balances, the Group had restricted cash and bank balances of RMB987,259,595.28, in which security and margin deposits for bank acceptances amounted to RMB519,452,724.20, required reserves amounted to RMB402,500,360.15, security and margin deposits for letter of credit amounted to RMB3,050,947.92, security and margin deposits for letter of guarantee amounted to RMB7,560,000.00, deposited investment fund amounted to RMB50,197,891.76, and other guarantees amounted to RMB4,497,671.25.

2. Held-for-trading financial assets

Item	<i>RMB</i>
	2018.12.31
Financial assets classified as at fair value through profit or loss	3,177,643,131.30
Including: Equity instrument investments	168,875,000.00
Wealth management products of floating profit	3,008,768,131.30
Total	3,177,643,131.30

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. Notes receivable and accounts receivable

3.1 Classification

Category	RMB	
	2018.12.31	2017.12.31
Notes receivable	—	49,075,108,590.70
Accounts receivable	3,343,220,862.42	873,444,976.66
Total	3,343,220,862.42	49,948,553,567.36

3.2 Notes receivable

(1) Classification of notes receivable:

Category	RMB	
	2017.12.31	
Bank acceptances	49,072,943,011.30	
Commercial acceptances	2,165,579.40	
Total	49,075,108,590.70	

(2) Pledged notes receivable as at the end of the year:

Category	RMB	
	2017.12.31	
Bank acceptances	7,669,337,556.18	
Total	7,669,337,556.18	

Note: The Group pledged notes receivable for the issuance of notes payable and the short-term borrowing.

(3) Notes endorsed and discounted by the Group to other parties but yet undue by the end of the year are as follows:

Category	RMB	
	2017.12.31	
Bank acceptances	14,562,674,803.01	
Total	14,562,674,803.01	

The above notes which were endorsed and discounted but yet undue have been derecognized.

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. Notes receivable and accounts receivable (continued)

3.3 Accounts receivable

(1) Aging analysis of accounts receivable are as follows:

RMB

Aging	2018.12.31				2017.12.31			
	Amount	Ratio (%)	Provision for bad debt	Book value	Amount	Ratio (%)	Provision for bad debt	Book value
Within 1 year	3,273,690,214.61	87.90	(40,936,594.88)	3,232,753,619.73	873,555,461.23	71.81	(19,736,285.71)	853,819,175.52
1 to 2 years	109,848,000.00	2.95	—	109,848,000.00	1,053,240.28	0.09	(282,955.28)	770,285.00
2 to 3 years	619,242.69	0.02	—	619,242.69	319,517,864.55	26.27	(318,152,502.58)	1,365,361.97
Over 3 years	340,192,148.82	9.13	(340,192,148.82)	0.00	22,280,667.62	1.83	(4,790,513.45)	17,490,154.17
Total	3,724,349,606.12	100.00	(381,128,743.70)	3,343,220,862.42	1,216,407,233.68	100.00	(342,962,257.02)	873,444,976.66

The analysis of aging of accounts receivable is based on the time of revenue recognition.

(2) Provisions for bad debts are as follows:

RMB

Category	2018.12.31					2017.12.31				
	Carrying amount		Provision for bad debt			Carrying amount		Provision for bad debt		
	Amount	Ratio (%)	Amount	Provision ratio (%)	Book value	Amount	Ratio (%)	Amount	Provision ratio (%)	Book value
Provision for bad debts made according to the portfolio	3,724,349,606.12	100.00	(381,128,743.70)	10.23	3,343,220,862.42	1,216,407,233.68	100.00	(342,962,257.02)	28.19	873,444,976.66
Total	3,724,349,606.12	100.00	(381,128,743.70)		3,343,220,862.42	1,216,407,233.68	100.00	(342,962,257.02)		873,444,976.66

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. Notes receivable and accounts receivable (continued)

3.3 Accounts receivable (continued)

(3) Provision, collection or reversal of bad debts during the current year:

Provision for bad debts amounted to RMB45,414,010.02 and collection or reversal of bad debts amounted to RMB7,021,159.12.

(4) Accounts receivable amounted to RMB226,364.22 have been written off during the current year.

(5) Top five entities with the largest balances of accounts receivable:

RMB			
Name of entity	Closing balance	Proportion of the amount to the total accounts receivable (%)	Amount of provision for bad debts at end of the year
Customer 1	515,766,100.00	13.85	—
Customer 2	340,192,148.82	9.13	(340,192,148.82)
Customer 3	242,686,962.16	6.52	—
Customer 4	208,403,832.83	5.60	—
Customer 5	127,274,115.87	3.42	—
Total	1,434,323,159.68	38.52	(340,192,148.82)

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. Prepayments

(1) Prepayments by aging:

Aging	2018.12.31		2017.12.31	
	Amount	Ratio (%)	Amount	Ratio (%)
Within 1 year	426,930,723.56	96.85	454,837,782.34	78.49
1 to 2 years	10,538,735.77	2.39	82,820,794.57	14.29
2 to 3 years	2,763,411.50	0.63	41,388,488.11	7.14
Over 3 years	568,081.51	0.13	489,117.04	0.08
Total	440,800,952.34	100.00	579,536,182.06	100.00

Description of aging of prepayments:

Prepayments with aging over one year are mainly amounts prepaid to raw material suppliers which are not settled.

(2) Top five entities with the largest balances of prepayments

Name of entity	Amount	Proportion of the amount to the total prepayments (%)
Supplier 1	76,643,336.47	17.39
Supplier 2	40,309,072.48	9.14
Supplier 3	17,318,560.28	3.93
Supplier 4	15,458,131.97	3.51
Supplier 5	12,166,800.00	2.76
Total	161,895,901.20	36.73

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. Other receivables

5.1 Classification

Category	RMB	
	2018.12.31	2017.12.31
Interest receivable	741,275.17	28,355,788.71
Other receivables	650,996,501.08	297,891,725.12
Total	651,737,776.25	326,247,513.83

5.2 Interest receivable

Item	RMB	
	2018.12.31	2017.12.31
Interest on loans and advances to customers		27,462,613.92
Interest of deposits with the central bank and other banks	741,275.17	754,224.16
Interest on wealth management products	—	138,950.63
Total	741,275.17	28,355,788.71

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. Other receivables (continued)

5.3 Other receivables

(1) Aging analysis of other receivables are as follows:

RMB

Aging	2018.12.31				2017.12.31			
	Amount	Ratio (%)	Provision for bad debt	Book value	Amount	Ratio (%)	Provision for bad debt	Book value
Within 1 year	632,308,281.81	96.29	(208,088.00)	632,100,193.81	270,946,288.23	85.39	(22,476.00)	270,923,812.23
1 to 2 years	5,298,372.34	0.81	—	5,298,372.34	31,507,081.44	9.93	(17,607,324.86)	13,899,756.58
2 to 3 years	6,868,799.51	1.05	(5,397,354.12)	1,471,445.39	1,826,160.77	0.58	(6,470.82)	1,819,689.95
Over 3 years	12,126,489.54	1.85	—	12,126,489.54	12,992,606.36	4.10	(1,744,140.00)	11,248,466.36
Total	656,601,943.20	100.00	(5,605,442.12)	650,996,501.08	317,272,136.80	100.00	(19,380,411.68)	297,891,725.12

(2) Other receivables disclosed by nature are as follows:

RMB

Nature	2018.12.31	2017.12.31
Proceeds from land transfer	206,310,216.00	—
Refundable VAT	149,589,658.68	94,266,466.17
Security and margin deposits	93,738,615.17	31,263,777.80
Export rebates	88,540,821.01	101,966,556.45
Deposits	28,748,945.79	41,539,259.78
Others	89,673,686.55	48,236,076.60
Total	656,601,943.20	317,272,136.80

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. Other receivables (continued)

5.3 Other receivables (continued)

(3) Provisions for bad debts are as follows:

Provision for bad debts	The first stage	The second stage	The third stage	Total
	Expected credit losses over the next 12 months	Expected credit loss over the duration (no credit impairment)	Expected credit loss over the duration (credit impairment has occurred)	
2018.1.1	—	(22,476.00)	(7,338,802.94)	(7,361,278.94)
Carrying amount of other receivables at 1 January 2018 for the year				
Provision for the year	—	(38,250.00)	—	(38,250.00)
Written back for the year	—	22,476.00	27,470.82	49,946.82
Written off for the year	—	—	1,744,140.00	1,744,140.00
2018.12.31	—	(38,250.00)	(5,567,192.12)	(5,605,442.12)

RMB

(4) Provision, collection or reversal of bad debts during the current year:

Provision for bad debts amounted to RMB38,250.00; collection or reversal of bad debts amounted to RMB11,758,012.49.

Written back or reversal of bad debts with significant amount during the reporting year:

Customer	Amount of written back or reversed	Method of recovery	Reason for written back or reversal	Reason for recognise original provision of bad debts
Federal Tax service of Russia	11,708,065.67	Cash and other methods	The management of the Group exerted efforts on collecting account receivable in cash and other methods.	Past due

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. Other receivables (continued)

5.3 Other receivables (continued)

(5) Other receivables amounted to RMB1,744,140.00 have been written off during the current year.

(6) Top five entities with the largest balances of other receivables:

Name of entity	Nature	Amount	Aging	Proportion of the amount to the total other receivables (%)	<i>RMB</i>
					Provision for bad debt Closing balance
Entity 1	Proceeds from transfer of land	206,310,216.00	Within 1 year	31.42	—
Entity 2	Refundable VAT	149,589,658.68	Within 1 year	22.78	—
Entity 3	Export rebates	88,540,821.01	Within 1 year	13.48	—
Entity 4	Land deposits	50,420,000.00	Within 1 year	7.68	—
Entity 5	Prepayments for purchases	19,562,273.74	Within 1 year	2.98	—
Total		514,422,969.43		78.34	

At the end of the year, there were no other receivables which are related to government grant.

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. Inventories

(1) Inventories by category

RMB

Item	Carrying amount	2018.12.31 Provision for decline in value of inventories	Book value
Raw materials	1,468,637,962.51	(40,869,581.02)	1,427,768,381.49
Work-in-progress	978,914,613.66	(2,829,205.29)	976,085,408.37
Finished goods	1,686,834,165.08	(32,428,175.21)	1,654,405,989.87
Low-valued and short-lived consumables	386,851,544.59	(6,491.40)	386,845,053.19
Total	4,521,238,285.84	(76,133,452.92)	4,445,104,832.92

RMB

Item	Carrying amount	2017.12.31 Provision for decline in value of inventories	Book value
Raw materials	1,567,176,625.47	(66,930,828.92)	1,500,245,796.55
Work-in-progress	896,977,842.78	(2,868,511.72)	894,109,331.06
Finished goods	2,918,201,263.65	(12,098,705.30)	2,906,102,558.35
Low-valued and short-lived consumables	274,339,447.93	(25,184.26)	274,314,263.67
Total	5,656,695,179.83	(81,923,230.20)	5,574,771,949.63

(2) Provision for decline in value of inventories

RMB

Inventories by category	2018.1.1	Provided for the year	Decrease for the year Reversals	Written-off	2018.12.31
Raw materials	66,930,828.92	12,529,608.03	(20,059.92)	(38,570,796.01)	40,869,581.02
Work-in-progress	2,868,511.72	4,269,222.87	—	(4,308,529.30)	2,829,205.29
Finished goods	12,098,705.30	57,184,555.07	(166,660.29)	(36,688,424.87)	32,428,175.21
Low-valued and short lived consumables	25,184.26	—	(18,692.86)	—	6,491.40
Total	81,923,230.20	73,983,385.97	(205,413.07)	(79,567,750.18)	76,133,452.92

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. Inventories (continued)

(3) Analysis of provision for decline in value of inventories

Item	Basis of provision for decline in value of inventories	Reasons for reversal or written-off of provision for decline in value of inventories during the year	Percentage of the reversal to the closing balance of the inventory during the year (%)
Raw materials	Note 1	Note 2	—
Work-in-progress	Note 1	Note 2	—
Finished goods	Note 1	Note 2	0.01
Low-valued and short-lived consumables	—	Note 2	—

Descriptions of inventories:

Note 1: As the estimated net realizable value of some vehicle products was lower than the inventory cost as at the end of the year, provision for decline in value of inventories had been made for raw materials, work-in-progress and finished goods correspondingly.

Note 2: As the estimated net realizable value of some finished automobiles, raw materials, low-valued and short-lived consumables was higher than the inventory cost as at the end of the year, the provision for decline in value of inventories for the previous year has been reversed. In addition, as the inventories for which provision for decline in value has been made in the previous year was sold during the year, the provision for decline in value of inventories has been written off.

7. Non-current assets due within one year

Item	Notes	RMB	
		2018.12.31	2017.12.31
Loans and advances to customers due within one year	VI.9	11,654,152,639.21	6,597,535,110.30
Long-term receivables due within one year	VI.10	786,495,603.96	850,339,958.75
Total		12,440,648,243.17	7,447,875,069.05

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

8. Other current assets

Category	RMB	
	2018.12.31	2017.12.31
Notes receivable	31,883,667,949.34	
Other current assets	2,061,386,494.00	267,000,053.72
Total	33,945,054,443.34	267,000,053.72

(1) Notes receivable

Classification of notes receivable:

Category	RMB	
	2018.12.31	
Bank acceptances	31,883,667,949.34	
Total	31,883,667,949.34	

Pledged notes receivable as at the end of the year:

Category	RMB	
	2018.12.31	
Bank acceptances	5,758,816,794.08	
Total	5,758,816,794.08	

Note: The Group pledged notes receivable for the issuance of notes payable and the short-term borrowing.

Notes endorsed and discounted by the Group to other parties but yet undue by the end of the year are as follows:

Category	RMB	
	2018.12.31	
Bank acceptances	17,183,360,037.82	
Total	17,183,360,037.82	

The above notes which were endorsed and discounted but yet undue have been derecognized.

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

8. Other current assets (continued)

(2) Other current assets

Other current assets are set out as follows:

Item	<i>RMB</i>	
	2018.12.31	2017.12.31
Paint for vehicles	3,852,766.38	3,985,488.60
Taxes to be deducted	627,518,124.32	89,476,960.84
Mould (Note)	129,553,847.89	71,271,439.91
Wealth management products	1,200,000,000.00	48,000,000.00
Prepayment of enterprise income tax	68,780,272.09	33,535,258.60
Others	31,681,483.32	20,730,905.77
Total	2,061,386,494.00	267,000,053.72

Note: The estimated usage time is less than one year.

9. Loans and advances to customers

(1) Loans and advances to customers were disclosed as follows:

Item	<i>RMB</i>	
	2018.12.31	2017.12.31
Company loans and advances	—	73,500.00
Including: loans	—	73,500.00
Personal loans and advances	17,785,450,300.56	11,201,236,834.73
Including: automotive consumption loans	17,785,450,300.56	11,201,236,834.73
Total amount of loans and advances to customers	17,785,450,300.56	11,201,310,334.73
Less: impairment loss of loans	314,778,778.02	175,080,525.14
Net amount of loans and advances to customers	17,470,671,522.54	11,026,229,809.59
Less: loans and advances to customers due within one year	11,654,152,639.21	6,597,535,110.30
Loans and advances to customers	5,816,518,883.33	4,428,694,699.29

Note: All the loans and advances to customers are mortgages with pledged collateral.

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

9. Loans and advances to customers (continued)

(2) Expected credit loss

Impairment provisions for loans	RMB			Total
	1st stage Expected credit loss for the future 12 months	2nd stage Expected credit loss during the whole life (no credit impairment has occurred)	3rd stage Expected credit loss during the whole life (credit impairment has occurred)	
Balance at 1 January 2018	165,683,306.06	1,095,492.15	8,301,726.93	175,080,525.14
Carrying balance of Loans and advances to customers at 1 January 2018 for the year				
Provision for the year	132,904,761.15	3,001,881.54	8,557,456.99	144,464,099.68
Reversal for the year	711,080.13	252,082.39	3,003.38	966,165.90
Write off for the year	-	-	3,799,680.90	3,799,680.90
Balance at 31 December 2018	297,876,987.08	3,845,291.30	13,056,499.64	314,778,778.02

(3) Impairment of loans which have been provided, collected or reversed during the year

Provision for impairment loss of loans amounted to RMB144,464,099.68, and collection or reversal of impairment loss of loans amounted to RMB966,165.90.

(4) Loans and advances to customers written off for the current year amounted to RMB3,799,680.90.

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

10. Long-term receivables

Long-term receivables

RMB

Item	2018.12.31			2017.12.31			Discount rate range
	Carrying amount	Impairment provision	Book value	Carrying amount	Impairment provision	Book value	
Performance bond	695,309,958.75	—	695,309,958.75	850,339,958.75	—	850,339,958.75	
Finance leases	237,061,470.60	—	237,061,470.60	—	—	—	0 to 13.38%
Including: unearned finance income	(14,722,306.45)	—	(14,722,306.45)	—	—	—	
Less: Long-term receivables due within one year	786,495,603.96	—	786,495,603.96	850,339,958.75	—	850,339,958.75	
Total	145,875,825.39	—	145,875,825.39	—	—	—	

11. Other equity instrument investments

The closing balance of carrying amount of non-trading equity instrument investment designated to recognize at fair value through other comprehensive income:

RMB

Item	2018.12.31 Book value
Unlisted equity investments	7,700,000.00
Total	7,700,000.00

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. Investment properties

The investment properties measured at cost:

Item	Buildings	Land use rights	<i>RMB</i> Total
I. Original carrying amount			
1 January 2018	118,203,042.70	17,619,408.20	135,822,450.90
Additions for the year	64,217,165.36	—	64,217,165.36
1. Transfer from construction in progress	22,164,754.07	—	22,164,754.07
2. Acquisition	101,461.52	—	101,461.52
3. Transfer from fixed assets	41,950,949.77	—	41,950,949.77
Foreign currency translation differences	2,454,188.13	—	2,454,188.13
31 December 2018	184,874,396.19	17,619,408.20	202,493,804.39
II. Accumulated amortization and depreciation			
1 January 2018	8,216,002.56	1,558,452.59	9,774,455.15
Additions for the year	8,538,773.90	350,869.41	8,889,643.31
1. Provision or amortization	5,378,984.79	350,869.41	5,729,854.20
2. Transfer from fixed assets	3,159,789.11	—	3,159,789.11
Foreign currency translation differences	111,279.93	—	111,279.93
31 December 2018	16,866,056.39	1,909,322.00	18,775,378.39
III. Book value			
31 December 2018	168,008,339.80	15,710,086.20	183,718,426.00
1 January 2018	109,987,040.14	16,060,955.61	126,047,995.75

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

13. Fixed assets

Fixed assets:

Item	RMB				Total
	Buildings	Machinery and equipment	Transportation vehicles	Electronic equipment and others	
I. Original carrying amount					
1 January 2018	12,405,875,475.81	21,210,862,141.19	468,996,538.88	6,656,002,871.45	40,741,737,027.33
Additions for the year	657,601,072.43	3,486,332,067.27	735,008,894.99	1,134,224,901.91	6,013,166,936.60
1. Acquisition	126,584,576.50	249,893,952.36	289,775,487.57	386,739,764.15	1,052,993,780.58
2. Transfer from construction in progress	531,016,495.93	3,236,438,114.91	167,820,855.70	747,422,504.73	4,682,697,971.27
3. Transfer from inventories	—	—	277,412,551.72	—	277,412,551.72
4. Increase due to acquisition of subsidiaries	—	—	—	62,633.03	62,633.03
Decrease for the year	(63,729,575.52)	(1,454,485,075.94)	(94,067,282.90)	(184,319,062.80)	(1,796,600,997.16)
1. Disposal or retired	(7,993,907.75)	(389,218,442.64)	(93,550,727.88)	(117,223,236.43)	(607,986,314.70)
2. Decrease for transferring to construction in progress	(13,552,239.36)	(1,058,478,132.69)	(415,384.62)	(7,513,743.71)	(1,079,959,500.38)
3. Transfer to investment properties	(41,950,949.77)	—	—	—	(41,950,949.77)
4. Other transfer-out	(232,478.64)	(6,788,500.61)	(101,170.40)	(59,582,082.66)	(66,704,232.31)
31 December 2018	12,999,746,972.72	23,242,709,132.52	1,109,938,150.97	7,605,908,710.56	44,958,302,966.77
II. Accumulated depreciation					
1 January 2018	1,920,427,628.01	7,491,669,394.90	244,639,912.41	3,177,096,765.64	12,833,833,700.96
Additions for the year	461,176,580.09	2,056,516,249.00	61,420,826.48	1,039,327,892.50	3,618,441,548.07
1. Provision for the year	461,176,580.09	2,056,516,249.00	61,420,826.48	1,039,327,892.50	3,618,441,548.07
Decrease for the year	(15,564,407.71)	(588,960,224.06)	(56,646,130.57)	(79,090,116.73)	(740,260,879.07)
1. Disposal or retired	(2,975,878.48)	(235,222,209.79)	(56,351,515.41)	(51,274,931.99)	(345,824,535.67)
2. Decrease for transferring to construction in progress	(9,428,740.12)	(349,048,550.07)	(123,317.30)	(4,276,728.83)	(362,877,336.32)
3. Transfer to investment properties	(3,159,789.11)	—	—	—	(3,159,789.11)
4. Other transfer-out	—	(4,689,464.20)	(171,297.86)	(23,538,455.91)	(28,399,217.97)
31 December 2018	2,366,039,800.39	8,959,225,419.84	249,414,608.32	4,137,334,541.41	15,712,014,369.96
III. Provision for impairment					
1 January 2018	136,268.33	57,319,146.55	37,680.75	132,402,711.55	189,895,807.18
Additions for the year	—	17,124,417.13	42,105.00	51,790,887.34	68,957,409.47
1. Provision for the year	—	17,124,417.13	42,105.00	51,790,887.34	68,957,409.47
Decrease for the year	—	(2,016,001.73)	—	(4,102,113.49)	(6,118,115.22)
1. Disposal or retired	—	(1,982,254.20)	—	(4,048,619.68)	(6,030,873.88)
2. Decrease for transferring to construction in progress	—	(33,747.53)	—	(53,493.81)	(87,241.34)
31 December 2018	136,268.33	72,427,561.95	79,785.75	180,091,485.40	252,735,101.43
IV. Book value					
31 December 2018	10,633,570,904.00	14,211,056,150.73	860,443,756.90	3,288,482,683.75	28,993,553,495.38
1 January 2018	10,485,311,579.47	13,661,873,599.74	224,318,945.72	3,346,503,394.26	27,718,007,519.19

As at 31 December 2018, among the fixed assets, the net book value of properties without title certificates amounted to RMB768,356,572.20 (As at 31 December 2017: RMB3,901,351,393.27) and the application of relevant title certificates is in progress.

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

14. Construction in progress

(1) The breakdown of construction in progress is as follows:

Item	2018.12.31			2017.12.31			RMB
	Carrying amount	Impairment provision	Net book value	Carrying amount	Impairment provision	Net book value	
Tianjin automotive project	33,612,446.02	(131,527.46)	33,480,918.56	60,030,666.90	(131,527.46)	59,899,139.44	
Tianjin parts and components project	28,777,770.87	(4,909,701.08)	23,868,069.79	122,163,399.33	(416,173.85)	121,747,225.48	
Industrial park phase I, II, III reconstruction and expansion	144,996,467.12	—	144,996,467.12	151,875,434.71	(1,788,431.95)	150,087,002.76	
New technology center	96,496,659.31	—	96,496,659.31	162,172,618.20	—	162,172,618.20	
Other R&D projects	104,855,891.70	—	104,855,891.70	69,580,893.95	—	69,580,893.95	
Xushui automotive project	256,405,104.17	—	256,405,104.17	453,299,582.90	—	453,299,582.90	
Xushui parts and components project	601,630,318.11	(853,830.79)	600,776,487.32	2,240,284,583.74	—	2,240,284,583.74	
Xushui supporting infrastructure project	136,362,506.19	—	136,362,506.19	149,981,488.25	—	149,981,488.25	
Russia 80,000 sets of vehicle plant and residential area supporting project	2,311,183,632.28	—	2,311,183,632.28	1,173,871,774.87	—	1,173,871,774.87	
Chongqing Great Wall automotive project	413,043,373.83	—	413,043,373.83	—	—	—	
Part and Components Department reconstruction project	284,256,563.70	(122,171.38)	284,134,392.32	298,524,812.68	(624,799.69)	297,900,012.99	
Annual production of 400,000 sets of axles and brakes	14,240.99	—	14,240.99	14,240.99	—	14,240.99	
Total	4,411,634,974.29	(6,017,230.71)	4,405,617,743.58	4,881,799,496.52	(2,960,932.95)	4,878,838,563.57	

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

14. Construction in progress (continued)

(2) Changes in major construction in progress

Project	Budget amount	2018.1.1	Additions for the year	Transferred to fixed assets	Other Deductions (Note)	Proportion of investment to budget (%)	Accumulated capitalized interest amount	Including: capitalized interest amount for the year	Ratio of capitalized interest amount for the year (%)	Sources of fund	RMB
											2018.12.31
Tianjin automotive project	5,473,943,191.00	60,030,666.90	131,022,489.28	(155,700,826.29)	(1,739,883.87)	97.69	—	—	—	internal funds	33,612,446.02
Tianjin parts and components project	3,263,460,935.00	122,163,399.33	51,404,760.87	(139,524,597.83)	(5,265,791.50)	90.10	—	—	—	internal funds	28,777,770.87
Industrial park phase I, II, III reconstruction and expansion	1,282,001,216.00	151,875,434.71	224,560,515.54	(178,429,019.44)	(53,010,463.69)	87.84	—	—	—	internal funds	144,996,467.12
New technology center	1,727,202,349.00	162,172,618.20	571,988.94	(61,787,131.28)	(4,460,816.55)	97.56	—	—	—	internal funds	96,496,659.31
Other R&D projects	636,590,818.20	69,580,893.95	221,216,960.37	(185,727,951.93)	(214,010.69)	47.54	—	—	—	internal funds	104,855,891.70
Xushui automotive Project	10,896,610,844.00	453,299,582.90	218,409,022.79	(414,155,283.87)	(1,148,217.65)	90.82	—	—	—	internal funds	256,405,104.17
Xushui parts and components project	14,952,401,614.45	2,240,284,583.74	1,182,891,039.86	(2,783,628,368.04)	(37,916,937.45)	74.57	—	—	—	internal funds	601,630,318.11
Xushui supporting infrastructure project	193,250,000.00	149,981,488.25	27,621,926.62	—	(41,240,908.68)	70.56	—	—	—	internal funds	136,362,506.19
Russia 80,000 sets of automobile and residential area supporting project	3,457,127,700.00	1,173,871,774.87	1,147,877,414.51	(10,565,557.10)	—	67.19	—	—	—	internal funds	2,311,183,632.28
Chongqing Great Wall automotive project	2,033,507,657.00	—	501,248,780.97	(360,449.55)	(87,844,957.59)	24.65	—	—	—	internal funds	413,043,373.83
Part and Components Department reconstruction project	3,139,402,925.88	298,524,812.68	848,485,858.75	(752,818,785.94)	(109,935,321.79)	93.81	—	—	—	internal funds	284,256,563.70
Annual production of 400,000 sets of axles and brakes	578,352,366.14	14,240.99	—	—	—	100.00	—	—	—	Raised fund and internal funds	14,240.99
Total	47,633,851,616.67	4,881,799,496.52	4,555,310,758.50	(4,682,697,971.27)	(342,777,309.46)						4,411,634,974.29

Note: The decrease of RMB165,067,353.98 in construction in progress is transferred into intangible assets, and decrease of RMB22,164,754.07 in construction in progress is transferred into investment property.

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

14. Construction in progress (continued)

(3) Provision for impairment of construction in progress for the year

Item	RMB	
	Provision for the year	Reason for provision
Tianjin parts and components project	4,648,043.06	Vehicle model discontinued.
Xushui parts and components project	853,830.79	Project suspended. Production process changed.
Total	5,501,873.85	

15. Intangible assets

(1) Intangible assets

Item	RMB			
	Land use rights	Software and others (Note 1)	Non-patent technology	Total
I. Original carrying amount				
1 January 2018	3,483,771,093.35	304,340,063.33	—	3,788,111,156.68
Additions for the year	87,845,507.59	85,123,722.97	362,144,164.32	535,113,394.88
1. Acquisition	550.00	7,901,326.58	—	7,901,876.58
2. Internal research and development	—	—	362,144,164.32	362,144,164.32
3. Transferred from construction in progress	87,844,957.59	77,222,396.39	—	165,067,353.98
Deductions for the year	(195,153,669.86)	(2,151,233.94)	(39,686,114.52)	(236,991,018.32)
1. Disposal	(182,946,764.86)	(59,589.74)	(39,686,114.52)	(222,692,469.12)
2. Other transfer-out	(12,206,905.00)	(2,091,644.20)	—	(14,298,549.20)
31 December 2018	3,376,462,931.08	387,312,552.36	322,458,049.80	4,086,233,533.24
II. Accumulated amortization				
1 January 2018	425,762,270.68	93,742,533.51	—	519,504,804.19
Additions for the year	71,210,408.55	24,600,986.62	90,414,229.35	186,225,624.52
1. Provision	71,210,408.55	24,600,986.62	90,414,229.35	186,225,624.52
Deductions for the year	(10,485,729.51)	(106,767.57)	—	(10,592,497.08)
1. Disposal	(10,485,729.51)	(106,767.57)	—	(10,592,497.08)
2. Other transfer-out	—	—	—	—
31 December 2018	486,486,949.72	118,236,752.56	90,414,229.35	695,137,931.63
III. Book value				
31 December 2018	2,889,975,981.36	269,075,799.80	232,043,820.45	3,391,095,601.61
1 January 2018	3,058,008,822.67	210,597,529.82	—	3,268,606,352.49

Note 1: Overseas land ownership of subsidiaries included in software and others amounted to RMB92,930,511.62.

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

15. Intangible assets (continued)

(1) Intangible assets (continued)

The proportion of intangible assets arising from internal research and development at the end of the year to balance of total intangible assets is 6.84%.

As at 31 December 2018, among the intangible assets, the net book value of land use rights without land use rights certificates amounted to RMB23,119,200.00 (31 December 2017: RMB111,480,794.42), and the application of relevant land use rights certificates is in progress.

Analysis of land rental prepayments (land use rights) by location and aging is as follows:

Item	RMB	
	2018.12.31	2017.12.31
Located in mainland China – 50 years	2,889,975,981.36	3,058,008,822.67

16. Development expenditure

Item	2018.1.1	Increase for the year	Decrease for the year		2018.12.31
			Recognized as intangible assets	Transferred to profit or loss for the year	
Automobile development project	—	2,215,851,278.83	(362,144,164.32)	(326,659.20)	1,853,380,455.31

17. Goodwill

Name of investee or matters generating goodwill	2018.1.1	Additions for the year	Deductions for the year	RMB	
				2018.12.31	Impairment provision as at the end of the year
Baoding Changfu Pressings Co., Ltd.	2,163,713.00	—	(2,163,713.00)	—	—
Oula Information Service Co., Ltd. (歐拉信息服務有限公司) ("Oula Information") (Note)	—	4,391,332.13	—	4,391,332.13	—
Total	2,163,713.00	4,391,332.13	(2,163,713.00)	4,391,332.13	—

Note: The goodwill arose from the acquisition of 100% equity interest in Oula Information, which was held by Baoding Great Wall Yuyuan Trading Co., Ltd. in June 2018.

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

17. Goodwill (continued)

The goodwill arising from business combination has been allocated to the assets group of corresponding business for impairment test. The management of the Group evaluated the recoverable amount and expected that no impairment provision will be required for goodwill during the current year.

18. Deferred tax assets and deferred tax liabilities

(1) Deferred tax assets before offsetting

Item	2018.12.31		2017.12.31	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Provision for bad debt	386,734,185.82	58,633,700.04	350,323,535.96	53,073,361.06
Impairment provisions for loans	130,964,641.97	32,741,160.49	63,067,421.79	15,766,855.45
Provision for decline in value of inventories	72,191,301.32	11,190,833.36	80,687,797.70	12,041,640.43
Impairment of fixed assets	179,697,241.93	27,223,925.22	171,936,735.37	26,540,140.73
Impairment of construction in progress	6,017,230.71	902,584.61	2,960,932.95	482,349.93
Accrued expenses which are deductible upon payment	299,392,573.36	45,157,463.22	1,177,714,047.95	178,299,891.38
Taxable receipts in advance	1,390,355,087.58	207,391,777.67	1,145,510,999.11	175,998,325.62
Contract liabilities	529,206,594.40	79,380,989.16	—	—
Deductible loss	1,811,264,731.93	448,872,170.86	200,525,568.17	41,664,258.41
Deferred income	1,545,561,994.47	250,839,717.65	844,413,983.92	147,518,409.90
Unrealized profit arising from internal transactions	122,603,814.95	19,944,085.84	325,010,861.12	79,528,019.22
Others	1,130,898,512.73	294,248,054.47	514,015,481.88	140,716,188.72
Total	7,604,887,911.17	1,476,526,462.59	4,876,167,365.92	871,629,440.85

RMB

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

18. Deferred tax assets and deferred tax liabilities (continued)

(2) Deferred tax liabilities before offsetting

RMB

Item	2018.12.31		2017.12.31	
	Taxable temporary difference	Deferred tax liabilities	Taxable temporary difference	Deferred tax liabilities
Difference between the book value of accumulated depreciation and tax base	(5,340,250,788.89)	(1,044,810,982.21)	(1,277,440,845.74)	(194,484,118.04)
Temporary difference of interest receivable	(32,511,210.94)	(8,127,802.73)	(27,002,256.76)	(6,750,564.19)
Total	(5,372,761,999.83)	(1,052,938,784.94)	(1,304,443,102.50)	(201,234,682.23)

(3) Deferred tax assets and deferred tax liabilities disclosed at net amount after offsetting

RMB

Item	2018.12.31		2017.12.31	
	Offset amount of deferred tax assets and liabilities	Deferred tax assets (liabilities) after offsetting	Offset amount of deferred tax assets and liabilities	Deferred tax assets (liabilities) after offsetting
Deferred tax assets	(799,989,517.87)	676,536,944.72	(180,620,836.58)	691,008,604.27
Deferred tax liabilities	799,989,517.87	(252,949,267.07)	180,620,836.58	(20,613,845.65)

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

19. Short-term borrowings and long-term borrowings

(1) Short-term Borrowings

Item	RMB	
	2018.12.31	2017.12.31
Pledged loan (Note 1)	2,002,439,020.83	4,100,000,000.00
Guaranteed loans (Note 2)	573,726,238.81	588,078,000.00
Credit loans	10,223,801,322.36	8,349,900,000.00
Total	12,799,966,582.00	13,037,978,000.00

(2) Long-term Borrowings

Item	RMB	
	2018.12.31	2017.12.31
Secured loans (Note 3)	510,000,000.00	—
Guaranteed Loans (Note 4)	1,647,805,500.00	473,354,500.00
Less: Long-term borrowings due within one year	—	49,600,000.00
Total	2,157,805,500.00	423,754,500.00

Note 1: Loans pledged at the end of the year are loans made by the Group to pledge bank acceptances.

Note 2: The balance of guaranteed loans was the loan made by Tide Technology and Trade Company Limited (泰德科貿有限公司) ("Tide Technology and Trade"), a subsidiary of the Company, and guaranteed by the Company.

Note 3: Secured loans at the end of the year of RMB510,000,000.00 are loans obtained by subsidiaries of the Company, Chongqing Great Wall Motor Co., Ltd. (重慶長城汽車有限公司) ("Chongqing Great Wall"), Jingcheng Engineering Auto Parts and Components (Chongqing) Co., Ltd. (精誠工科汽車零部件(重慶)有限公司) ("Chongqing Jinggong Motor") and Nuobo Auto Parts and Components (Chongqing) Co., Ltd. (諾博汽車零部件(重慶)有限公司) ("Chongqing Nuobo Parts and Components") with the land use right of Chongqing Great Wall as collateral.

Note 4: Guaranteed loans of RMB1,647,805,500.00 are obtained by Billion Sunny Development Limited Company (億新發展有限公司) ("Billion Sunny Development"), a subsidiary of the Company, with the Company as the guarantor and an annual interest rate of 1.00000% to 3.34931%.

The maturity analysis of long-term borrowing of the Group is as follows:

Bank loan repayment requirements	RMB	
	2018.12.31	2017.12.31
Within 1 year	—	49,600,000.00
2-5 years	2,157,805,500.00	423,754,500.00
Total	2,157,805,500.00	473,354,500.00

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

20. Notes payable and accounts payable

Category	RMB	
	2018.12.31	2017.12.31
Notes payable	4,205,233,491.00	3,879,647,201.41
Accounts payable	25,196,407,749.32	27,961,741,670.91
Total	29,401,641,240.32	31,841,388,872.32

(1) Notes payable

Category	RMB	
	2018.12.31	2017.12.31
Bank acceptances	4,048,559,562.79	3,547,066,838.76
Commercial acceptances	156,673,928.21	332,580,362.65
Total	4,205,233,491.00	3,879,647,201.41

(2) Accounts payable

Item	RMB	
	2018.12.31	2017.12.31
Within 1 year	25,135,098,287.43	27,927,317,412.72
1 to 2 years	39,865,746.63	19,678,594.43
2 to 3 years	11,531,665.20	8,132,691.84
Over 3 years	9,912,050.06	6,612,971.92
Total	25,196,407,749.32	27,961,741,670.91

The aging analysis of accounts payable is based on the time of purchasing materials, goods or receiving services.

Accounts payable aged over one year with significant amount:

Item	RMB	
	2018.12.31	Reason for outstanding or transfer
Supplier 1	14,445,735.58	Payment terms have not been reached
Supplier 2	4,072,580.86	Payment terms have not been reached
Supplier 3	3,278,289.37	Payment terms have not been reached
Total	21,796,605.81	

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

21. Contract liabilities

Contract liabilities disclosed as follows:

Item	RMB
	2018.12.31
Receipts in advance	2,904,697,498.03
Maintenance service charges	529,206,594.40
Total	3,433,904,092.43

22. Employee benefits payable

(1) Employee benefits payable disclosed as follows:

Item				RMB
	2018.1.1	Increase	Decrease	2018.12.31
1. Short-term employee benefits	1,870,806,059.42	8,034,217,842.44	(7,847,904,961.88)	2,057,118,939.98
2. Post-employment benefits-defined contribution plan	1,222,844.56	702,192,295.93	(699,680,165.82)	3,734,974.67
Total	1,872,028,903.98	8,736,410,138.37	(8,547,585,127.70)	2,060,853,914.65

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

22. Employee benefits payable (continued)

(2) Short-term employee benefits payable disclosed as follows:

Item	2018.1.1	Increase	Decrease	RMB
				2018.12.31
I. Salaries, bonuses, allowances and subsidies	1,596,928,760.19	6,457,274,285.62	(6,308,303,552.49)	1,745,899,493.32
II. Staff welfare	193,077,221.05	562,112,779.06	(569,189,109.46)	186,000,890.65
III. Staff bonuses and welfare fund	3,225,468.51	—	—	3,225,468.51
IV. Social insurance premiums	122,738.52	247,400,654.66	(245,186,214.06)	2,337,179.12
Including: Medical insurance	43,936.10	196,788,486.09	(194,620,980.24)	2,211,441.95
Work-related injury insurance	36,957.65	30,736,776.38	(30,746,037.77)	27,696.26
Maternity insurance	41,844.77	19,875,392.19	(19,819,196.05)	98,040.91
V. Housing provident funds	51,082.00	164,820,336.61	(164,607,772.38)	263,646.23
VI. Labor union expenditures	15,611,680.78	27,100,245.97	(27,657,774.59)	15,054,152.16
VII. Employees' education expenses	2,651,344.55	4,526,032.73	(4,715,670.09)	2,461,707.19
VIII. Service charge	59,137,763.82	570,983,507.79	(528,244,868.81)	101,876,402.80
Total	1,870,806,059.42	8,034,217,842.44	(7,847,904,961.88)	2,057,118,939.98

(3) Defined contribution plan

Item	2018.1.1	Increase	Decrease	RMB
				2018.12.31
1. Basic endowment insurance	1,227,498.51	683,061,468.08	(680,591,302.51)	3,697,664.08
2. Unemployment insurance	(4,653.95)	19,130,827.85	(19,088,863.31)	37,310.59
Total	1,222,844.56	702,192,295.93	(699,680,165.82)	3,734,974.67

Employees of the Group are required to join a pension plan operated by the local government. Under such plan, the Group is required to make contribution at a fixed percentage of the salaries of its employees. The obligation of Group to such pension plan is limited to the fixed contribution to the plan.

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

23. Taxes payable

Item	<i>RMB</i>	
	2018.12.31	2017.12.31
Value added tax	1,004,038,110.69	639,869,000.87
Consumption tax	951,420,195.74	1,204,084,422.04
Enterprise income tax	367,936,587.52	250,779,493.77
Individual income tax	14,820,986.53	19,674,688.31
Urban maintenance and construction tax	97,177,658.35	99,234,919.73
Education surcharges	89,314,319.54	73,683,824.21
Stamp duty	16,020,582.35	15,323,639.36
Real estate tax	1,490,661.10	855,745.96
Others	9,193,481.43	4,648,521.83
Total	2,551,412,583.25	2,308,154,256.08

24. Other payables

24.1 Classification

Category	<i>RMB</i>	
	2018.12.31	2017.12.31
Interest payable	—	55,350,659.12
Other payables	2,916,697,689.61	2,512,899,879.29
Total	2,916,697,689.61	2,568,250,538.41

24.2 Other payables

Other payables disclosed by nature are as follows:

Item	<i>RMB</i>	
	2018.12.31	2017.12.31
Project payment	523,665,568.87	545,947,856.65
Equipment payment	885,699,499.89	1,173,069,225.47
Deposits	660,490,923.27	572,443,017.91
Others	846,841,697.58	221,439,779.26
Total	2,916,697,689.61	2,512,899,879.29

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

24. Other payables (continued)

24.2 Other payables (continued)

The breakdown of other payables is as follows:

Item	RMB	
	2018.12.31	2017.12.31
Within 1 year	2,163,870,248.59	2,093,625,886.32
1 to 2 years	590,354,014.49	246,677,376.48
2 to 3 years	86,946,892.10	124,435,118.45
Over 3 years	75,526,534.43	48,161,498.04
Total	2,916,697,689.61	2,512,899,879.29

Descriptions of other significant payables aged over one year:

Item	RMB	
	2018.12.31	Reason for outstanding or transfer
Entity 1	49,341,917.42	Payment terms have not been reached
Entity 2	45,172,659.03	Payment terms have not been reached
Entity 3	25,975,312.84	Payment terms have not been reached
Entity 4	17,830,265.57	Payment terms have not been reached
Entity 5	12,451,287.66	Payment terms have not been reached
Total	150,771,442.52	

25. Non-current liabilities due within one year

Item	Notes	RMB	
		2018.12.31	2017.12.31
Deferred income due within one year	VI.27	239,004,480.04	92,933,396.22
Long-term borrowings due within one year	VI.19	—	49,600,000.00
Total		239,004,480.04	142,533,396.22

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

26. Other current liabilities

Item	<i>RMB</i>	
	2018.12.31	2017.12.31
Accrued after-sale warranty expenses	395,295,875.68	1,277,913,945.81
Accrued advertising and media service expenses	513,945,451.31	69,844,136.47
Accrued transportation costs	61,996,290.71	54,127,818.38
Accrued technology development expenditure	28,833,542.03	27,281,747.18
Accrued utilities fees	8,290,938.80	16,342,045.71
Accrued port charges	2,362,779.23	2,422,665.74
Others	204,216,291.57	205,184,782.69
Total	1,214,941,169.33	1,653,117,141.98

27. Deferred income

Item	<i>RMB</i>					
	2017.12.31	Adjustment	1 January 2018 (Adjusted)	Increase for the year	Decrease for the year	2018.12.31
Government grants	1,469,151,640.94	—	1,469,151,640.94	1,063,294,222.00	(449,798,574.70)	2,082,647,288.24
Interest in advance of automobile finance	494,368,396.06	(494,368,396.06)	—	—	—	—
Total	1,963,520,037.00	(494,368,396.06)	1,469,151,640.94	1,063,294,222.00	(449,798,574.70)	2,082,647,288.24

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

27. Deferred income (continued)

Projects related to government grants:

Type	2018.1.1	Increase in grant for the year	Amount recognized in other income for the year	Other transfer-out	2018.12.31	Related to an asset/related to income
Infrastructure supporting fund (Note 1)	687,955,475.57	—	(24,140,175.88)	—	663,815,299.69	Related to an asset
Government industrial policy supporting fund (Note 2)	304,945,505.76	887,537,022.00	(21,347,796.32)	(200,000,000.00)	971,134,731.44	Related to an asset
Soft soil foundation subsidy (Note 3)	257,015,570.50	—	(6,114,973.84)	—	250,900,596.66	Related to an asset
New technical center infrastructure construction project (Note 4)	65,655,372.43	—	(13,100,702.10)	—	52,554,670.33	Related to an asset
Tax refund for purchasing domestic manufactured equipment (Note 5)	12,921,252.64	—	(10,187,447.92)	—	2,733,804.72	Related to an asset
Urban construction fund (Note 6)	53,835,005.35	—	(2,595,592.56)	—	51,239,412.79	Related to an asset
Subsidies for key technological innovation projects (Note 7)	3,066,666.37	—	(1,150,000.04)	—	1,916,666.33	Related to an asset
Development fund for SMEs (Note 8)	4,112,094.64	—	(295,479.84)	—	3,816,614.80	Related to an asset
Diesel engine development project fund (Note 9)	400,000.00	—	(100,000.00)	—	300,000.00	Related to an asset
Engine construction project (Note 10)	8,500,000.00	—	(2,000,000.00)	—	6,500,000.00	Related to an asset
Development of strategic emerging industry (Note 11)	1,663,580.26	—	(333,333.32)	—	1,330,246.94	Related to an asset
Innovation platform construction project (Note 12)	288,888.90	—	(133,333.32)	—	155,555.58	Related to an asset
Energy-saving gasoline direct injection engine project (Note 13)	80,833,333.33	—	(10,000,000.00)	—	70,833,333.33	Related to an asset
Jing-Jin-Ji united R&D project of new energy vehicle (Note 14)	2,507,453.46	—	(1,250,891.27)	—	1,256,562.19	Related to an asset
110KV transformer substation project (Note 15)	28,045,090.04	—	(1,176,717.12)	—	26,868,372.92	Related to an asset
Intelligent network-connected automotive system project (Note 16)	38,020,000.00	—	(4,144,540.91)	—	33,875,459.09	Related to an asset
Special fund for high-level foreign expert projects (Note 17)	1,000,000.00	—	(1,000,000.00)	—	—	Related to income
New energy cell R&D project (Note 18)	10,000,000.00	—	—	—	10,000,000.00	Related to an asset
Fuel cell test platform project (Note 19)	900,000.00	—	(427,777.78)	—	472,222.22	Related to an asset
Coal-fired boiler project (Note 20)	419,747.91	—	(294,682.92)	—	125,064.99	Related to an asset
Enterprise settlement award project (Note 21)	—	150,000,000.00	—	—	150,000,000.00	Related to income
Waste concentration and incineration system project (Note 22)	—	6,800,000.00	—	—	6,800,000.00	Related to an asset
Double clutch automatic transmission project (Note 23)	—	6,000,000.00	—	—	6,000,000.00	Related to an asset
Technical renovation project of XEV test center (Note 24)	—	5,220,000.00	(507,500.00)	—	4,712,500.00	Related to an asset
Automobile engine complete set of tool project (Note 25)	—	2,347,200.00	(1,100,763.72)	—	1,246,436.28	Related to income
Hydrogen energy fuel cell reactor project (Note 26)	—	1,000,000.00	—	—	1,000,000.00	Related to an asset
Special fund for automatic vehicle technology research (Note 27)	—	1,000,000.00	(633,555.00)	—	366,445.00	Related to income
Research and development of plug-in hybrid SUV (Note 28)	—	890,000.00	(890,000.00)	—	—	Related to income
Industrial technology research institute project (Note 29)	—	600,000.00	(57,782.57)	—	542,217.43	Related to an asset
Engineering technology research center project (Note 30)	—	600,000.00	—	—	600,000.00	Related to an asset
1.5L high-efficiency energy-saving turbocharged direct injection gasoline engine R&D and application project (Note 31)	—	500,000.00	(500,000.00)	—	—	Related to income
Baoding hydrogen energy engineering technology project (Note 32)	—	400,000.00	—	—	400,000.00	Related to an asset
Science popularization exhibition hall project (Note 33)	—	300,000.00	(144,444.45)	—	155,555.55	Related to an asset
New energy automobile high-end talent introduction project (Note 34)	—	100,000.00	(100,000.00)	—	—	Related to income
Total	1,562,085,037.16	1,063,294,222.00	(103,727,490.88)	(200,000,000.00)	2,321,651,768.28	
Less: Deferred income due within one year	(92,933,396.22)	—	—	—	(239,004,480.04)	
Deferred income	1,469,151,640.94	1,063,294,222.00	(103,727,490.88)	(200,000,000.00)	2,082,647,288.24	

RMB

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

27. Deferred income (continued)

Note 1: According to the *Circular regarding the Allocation of Infrastructure Construction Fund to Great Wall Motor Company Limited* issued by Baoding Xushui government, Xushui government allocated money to the Company as the supporting fund for the infrastructure construction of 500,000 automobile and components and parts production base project in new Great Wall industrial area in Baoding.

Note 2: According to the *Provisional Regulations on the Development of Advanced Manufacturing Industry in Tianjin Economic-Technological Development Area* and the cooperation agreement entered into between Tianjin Economic-Technological Development Area and the Company, the Company and Tianjin Great Wall Lean Automotive Parts Company Limited (天津長城精益汽車零部件有限公司) ("Tianjin Lean"), subsidiary of the Company, received industrial policy supporting fund from Tianjin Economic-Technological Development Area in 2009. According to *Notice On the Allocation of Special Funds to Chongqing Great Wall Motor Co., Ltd. by Chongqing Yongchuan Industrial Park Phoenix Lake Management Committee* and the project investment agreement entered into between Chongqing Yongchuan government and the Company, the Company's subsidiary Chongqing Great Wall received specific development funds of RMB687.54 million allocated by Chongqing Yongchuan government in 2018. According to the *Notice regarding the Industrial Supporting Fund for Great Wall Motor New Energy Power System Project* by the Bureau of Finance in Jintan District, Changzhou, Honeycomb Energy Technology Co., Ltd. (蜂巢能源科技有限公司) ("Honeycomb Energy"), a subsidiary of the Company, received the industrial supporting fund of RMB200 million for Great Wall Motor new energy power system project from the Bureau of Finance in Jintan District, Changzhou in 2018, and transferred it out through disposal of subsidiaries in October 2018.

Note 3: According to the *Provisional Regulations on the Development of Advanced Manufacturing Industry in Tianjin Economic-Technological Development Area*, the cooperation agreement entered into between Tianjin Economic-Technological Development Area and the Company, and *Payment agreement of soft soil foundation treatment subsidy* of Tianjin Economic and Technological Development Zone Development Bureau, the Company and a subsidiary of the Company, Tianjin Lean, received soft soil foundation subsidiary from Tianjin Economic-Technological Development Area.

Note 4: According to the *Notice regarding the Central Infrastructure Investment Expenditure Budget (Allocated Fund) for Revitalization of Industry and Technological Transformation in 2012 (Central evaluated second patch)* by the Bureau of Finance in Baoding, the Bureau of Finance in Southern Baoding allocated the fund for the construction project of the new technology center of the Company exclusively.

Note 5: This refers to value-added tax refunded to the Company and Great Wall Vehicle Axles Industries (保定長城汽車橋業有限公司) ("Great Wall Vehicle Axles"), a subsidiary of the Company, for the purchase of domestic manufactured equipment by foreign-invested enterprises.

Note 6: According to *Minutes of the Meeting Regarding Coordination of the Relevant Issues of New Factory Construction of Baoding Great Wall Motor Company Limited* (Baoding Zheng [2002] No.170) issued by the office of Baoding government, Baoding Municipal Bureau of Finance allocated urban construction fund to the Group for land and related infrastructure construction exclusively.

Note 7: According to *Notice regarding improving the ability of independent innovation and high-tech industry development projects in 2010 the first batch of the central budget for investment projects*, Baoding Development and Reform Commission allocated money to the Company for innovation project of Automobile safety and environmental protection. Baoding Finance Bureau allocated money to the Company for Diesel engine technology reconstruction project. Moreover, according to the *Notice Regarding the Central Infrastructure Expenditure Budget (Fund Allocated) for Independent Innovation and Advanced Technology Industrialization in 2011 by Bureau of Finance in Baoding*, the Bureau of Finance in Southern Baoding allocated fund for the innovation project of the technology center of the Company exclusively.

Note 8: According to *Circular regarding the Granting of the Development Fund for SMEs to Baoding Great Wall Resource Recycling Co. Ltd.*, in 2010 the Bureau of Finance in Qingyuan granted a fund to Baoding Great Wall Resource Recycling Co., Ltd.(保定長城再生資源利用有限公司) ("Great Wall Resource Recycling"), a subsidiary of the Company. The fund was used for the construction of infrastructure of a scrap steel project with annual capacity of 80,000 tons.

Note 9: According to *Notice regarding the projects and funding of Hebei Province Scientific and technological research and development program (the first batch) in 2011*, the Company's GW4D20 Diesel product development project was granted directly from the Bureau of Finance in Hebei Province.

Note 10: According to *Notice regarding the Fund for Technological Renovation in 2014 by Baoding Finance Bureau and Bureau of Industry and Information*, Baoding Finance Bureau allocated a fund for the construction of the Company's engine test center project.

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

27. Deferred income (continued)

Note 11: According to the *Notice of Allocating the Special Provincial Funds for the Development of Strategic Emerging Industry in 2014* which announced by Hebei Province Department of Finance and Hebei Development and Reform Commission, the Company has been allocated with special funds to the project of Develop Innovation Capacity of Great Wall Motor Technique Centre.

Note 12: According to the *Hebei Province Mission Statement of the Expenditure of Innovation Platform Construction*, special funds were allocated by Department of Science and Technology of Hebei province, which are dedicated to the improvement of hardware of loop simulation system and the purchasing of equipment.

Note 13: According to *Baoding Notice of Central Infrastructure Expenditure Budget for industrial transformation and upgrading (Second Batch) of Industry Revitalization and Technology Reform in 2015*, the Company received RMB100 million from the Bureau of Finance of Hebei province in 2015, which is used in the Energy-saving Gasoline Direct Injection Engine Project.

Note 14: According to *Construction of Experimental Zone for Transformation of G45 Achievements and Application of Jing-Jin-Ji United R&D Project of New Energy Vehicle*, the Company obtained a special grant from Hebei Baoding Technology Bureau which is dedicated in united R&D of new energy automobile of Great Wall Automobile Institute, and purchasing relevant instruments and equipment.

Note 15: According to *Symposium Minutes of Western Region Work* filed as Jin Kai Ji (2014) No. 108, the Company obtained the subsidy of RMB30.89 million in 2016 for the construction of capacity expanding 3rd power circuit project and peripheral expenditures from development zone.

Note 16: According to *Agreement for the Project to Strengthen Industrial Development Basis in 2016*, the Company obtained a special grant of RMB38.02 million from the Bureau of Industry and Information Technology in Lianchi District, Baoding in 2016, which is dedicated to the construction of intelligent network-connected automotive system and the procurement of software.

Note 17: According to *Rules on "the Recruitment Program of Global Experts" of the State Administration of Foreign Experts Affairs*, the Company obtained special subsidy grants of RMB1 million from the State Administration of Foreign Experts Affairs in 2017.

Note 18: According to *Circular regarding the Granting of Special Funds to 2017 Innovative Characteristic Promotion Projects from Hebei Baoding Economic Development Zone Administration Committee*, the Company obtained a special grant of RMB10 million in 2017 which is dedicated to the Company's new energy cell R&D project.

Note 19: According to the *Notice of Baoding Municipal Bureau of Finance regarding the Special Funds for the Development of Local Science and Technology under the Guidance of the Central Government in 2017*, the Company received a special fund of RMB0.9 million from Baoding Municipal Bureau of Finance in 2017, which was used for the construction of fuel cell test platform.

Note 20: According to the *Notice of Gaobeidian Municipal Environmental Protection Bureau regarding the Implementation of the Replacement and Transformation of Coal-fired Boilers*, Baoding Great Wall Huabei Automobile Co., Ltd. ("Great Wall Huabei"), a subsidiary of the Company, received RMB0.96 million of subsidy funds in 2017, which was specifically used for coal-fired boiler projects.

Note 21: According to the *Notice of Management Committee of Hebei Baoding Economic and Technological Development Zone regarding the Allocation of Enterprise Settlement Award for Three Headquarters Enterprises of Great Wall Motor Company Limited.*, the Company received the settlement award of RMB150 million from the Management Committee of Hebei Baoding Economic and Technological Development Zone this year.

Note 22: According to the *Notice of Tianjin Finance Bureau regarding the 20th Batch of Special Fund Budget for Air Pollution Prevention and Control (Waste Gas Treatment Project) in 2017*, the Company and its subsidiary Tianjin Boxin received special funds of RMB1.7 million and RMB5.1 million respectively from Tianjin Finance Bureau this year, which was used for the construction of waste concentration and incineration system.

Note 23: According to the *Notice of Baoding Municipal Bureau of Finance regarding Central Industrial Transformation and Upgrading Funds in 2018*, the Company received a special fund of RMB6 million allocated by Baoding Municipal Bureau of Finance this year, which is specially used for the project of digital intelligent assembly workshop of dual-clutch automatic transmission of new energy vehicles.

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

27. Deferred income (continued)

Note 24: According to the *Notice of Baoding Municipal Bureau of Finance regarding 2018 Provincial Industrial Transformation and Upgrading (Technical Renovation) Special Funds*, the Company received RMB5.22 million of special funds allocated by Baoding Municipal Bureau of Finance this year, which was used for the construction of XEV test center.

Note 25: According to the *Notice regarding the 2018 Project Approval of Major Science and Technology Special Project of 'High-grade CNC Machine Tools and Basic Manufacturing Equipment'*, the Company received a special fund of RMB2.35 million from the Industrial Development Promotion Center of the Industry and Information Technology Department in this year, which is specially used for the application demonstration of complete sets of tools for key parts of automobile engines.

Note 26: According to *Application for Baoding Science and Technology Support Project*, the Company received a special fund of RMB1 million from Baoding City Science & Technology and Intellectual Property Bureau this year, which was specially used for the construction of hydrogen energy fuel cell reactor.

Note 27: According to the *Notice of Baoding Municipal Bureau of Finance and Baoding City Science & Technology and Intellectual Property Bureau regarding 2018 Provincial Special Funds (Project) for Supporting Cities and Counties in Scientific and Technological Innovation and Scientific Popularization*, the Company received a special fund of RMB1 million allocated by Baoding Municipal Bureau of Finance and Baoding City Science & Technology and Intellectual Property Bureau, which was specially used for automatic vehicle technology research.

Note 28: According to the *Notice of the Administration of Foreign Experts Affairs of Hebei Province*, the Company received a special fund of RMB0.89 million from the Administration of Foreign Experts Affairs of Baoding City this year, which was used for the research and development project of plug-in hybrid SUV.

Note 29: According to the *Notice of Baoding Municipal Bureau of Finance and Baoding City Science & Technology and Intellectual Property Bureau regarding 2018 Provincial Special Funds (Project) for Supporting Cities and Counties in Scientific and Technological Innovation and Scientific Popularization*, the Company received a special fund of RMB0.6 million allocated by Baoding Municipal Bureau of Finance and Baoding City Science & Technology and Intellectual Property Bureau, which was specially used for Hebei Automotive Industrial Technology Research Institute project.

Note 30: According to the *Notice of Baoding Municipal Bureau of Finance and Baoding City Science & Technology and Intellectual Property Bureau regarding 2018 Provincial Special Funds (Project) for Supporting Cities and Counties in Scientific and Technological Innovation and Scientific Popularization*, the Company received a special fund of RMB0.6 million allocated by Baoding Municipal Bureau of Finance and Baoding City Science & Technology and Intellectual Property Bureau, which was specially used for Hebei Automotive engineering technology research center project.

Note 31: According to the *Notice of Baoding Municipal Bureau of Finance and Baoding City Science & Technology and Intellectual Property Bureau regarding 2018 Provincial Special Funds (Project) for Supporting Cities and Counties in Scientific and Technological Innovation and Scientific Popularization*, the Company received a special fund of RMB0.5 million allocated by Baoding Municipal Bureau of Finance and Baoding City Science & Technology and Intellectual Property Bureau, which was specially used for 1.5L high-efficiency energy-saving turbocharged direct injection gasoline engine R&D and application project.

Note 32: According to *Project Specification of Baoding Science and Technology Plan*, the Company received a special fund of RMB0.4 million from Baoding City Science & Technology and Intellectual Property Bureau this year, which was used for the construction of Baoding hydrogen energy engineering technology research center project.

Note 33: According to *Project Specification of Hebei Province Innovation Capacity Enhancement Plan*, the Company received a special fund of RMB0.3 million allocated by Hebei Provincial Department of Science and Technology this year, which was used for the construction of science popularization exhibition hall.

Note 34: According to *Letter of Industry and Information Technology Department of Hebei Province regarding Allocating the Reward Fund for the Provincial New Energy Automobile High-end Talent Introduction Project*, the Company received a special fund of RMB0.1 million allocated by Hebei Provincial Department of Science and Technology this year.

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

28. Share capital

As at 31 December 2018, the registered capital of the Company amounted to RMB9,127,269,000 and the paid up share capital amounted to RMB9,127,269,000. The par value of each share is RMB1. The shares by type and structure are as follows:

RMB

Item	Opening balance	Changes for the year				Sub-total	Closing balance
		New issue	Bonus shares	Shares transfer from reserve	Others		
2018:							
Promoters' shares	5,115,000,000.00	—	—	—	—	—	5,115,000,000.00
Outstanding overseas listed foreign shares	3,099,540,000.00	—	—	—	—	—	3,099,540,000.00
Outstanding domestic listed RMB ordinary shares	912,729,000.00	—	—	—	—	—	912,729,000.00
Total number of shares	9,127,269,000.00	—	—	—	—	—	9,127,269,000.00
2017:							
Promoters' shares	5,115,000,000.00	—	—	—	—	—	5,115,000,000.00
Outstanding overseas listed foreign shares	3,099,540,000.00	—	—	—	—	—	3,099,540,000.00
Outstanding domestic listed RMB ordinary shares	912,729,000.00	—	—	—	—	—	912,729,000.00
Total number of shares	9,127,269,000.00	—	—	—	—	—	9,127,269,000.00

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

29. Capital reserve

Item	Opening balance	Additions	Deductions	<i>RMB</i> Closing balance
2018:				
Capital premiums	1,466,587,149.89	—	—	1,466,587,149.89
Other capital reserves	(55,356,135.47)	—	—	(55,356,135.47)
Including: Transfer from capital reserves				
under the previous standards	13,911,809.08	—	—	13,911,809.08
Difference between the consideration of acquiring minority interest in subsidiary and the fair value of minority interest	(37,780,293.29)	—	—	(37,780,293.29)
Translation differences of foreign capital	27,752.39	—	—	27,752.39
Reserve for revaluation gain of assets	(31,515,403.65)	—	—	(31,515,403.65)
Total	1,411,231,014.42	—	—	1,411,231,014.42
2017:				
Capital premiums	1,466,587,149.89	—	—	1,466,587,149.89
Other capital reserves	(55,356,135.47)	—	—	(55,356,135.47)
Including: Transfer from capital reserves				
under the previous standards	13,911,809.08	—	—	13,911,809.08
Difference between the consideration of acquiring minority interest in subsidiary and the fair value of minority interest	(37,780,293.29)	—	—	(37,780,293.29)
Translation differences of foreign capital	27,752.39	—	—	27,752.39
Reserve for revaluation gain of assets	(31,515,403.65)	—	—	(31,515,403.65)
Total	1,411,231,014.42	—	—	1,411,231,014.42

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

30. Surplus reserve

RMB

Item	Opening balance	Additions	Deductions (Note 1)	Reclassification (Note 2)	Closing balance
2018:					
Statutory surplus reserve	4,697,563,444.94	571,015,376.78	(4,509,435.88)	21,177,991.33	5,285,247,377.17
Discretionary surplus reserve	2,855,650.48	—	—	—	2,855,650.48
Enterprise expansion fund	2,959,022.95	—	—	(2,959,022.95)	—
Reserve fund	107,224,586.52	—	—	(18,218,968.38)	89,005,618.14
Tax credit for social welfare enterprises	251,838,024.75	—	—	—	251,838,024.75
Total	5,062,440,729.64	571,015,376.78	(4,509,435.88)	—	5,628,946,670.54
2017:					
Statutory surplus reserve	4,198,939,847.35	531,277,557.81	(43,851,241.00)	11,197,280.78	4,697,563,444.94
Discretionary surplus reserve	2,855,650.48	—	—	—	2,855,650.48
Enterprise expansion fund	3,086,749.11	—	—	(127,726.16)	2,959,022.95
Reserve fund	118,294,141.14	—	—	(11,069,554.62)	107,224,586.52
Tax credit for social welfare enterprises	251,838,024.75	—	—	—	251,838,024.75
Total	4,575,014,412.83	531,277,557.81	(43,851,241.00)	—	5,062,440,729.64

Note 1: In 2018, the Company deregistered the subsidiaries and transferred the surplus reserve accrued in the preceding period of the subsidiaries to retained profits, totaling RMB4,509,435.88.

Note 2: In 2018, the subsidiary of the Company, Baoding Yixin, was converted from a foreign-invested enterprise to a domestic enterprise, and the enterprise expansion fund and reserve fund previously provided for by Baoding Yixin were reclassified into statutory reserve.

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

31. Undistributed profits

Item	Amount	RMB Proportion of appropriation or allocation
For the year 2018:		
Undistributed profits at the beginning of the year	33,530,533,212.33	
Add: Net profits attributable to the shareholders of the Company of the year	5,207,313,967.76	
Transfer from surplus reserve (Note VI, 30 Note 1)	4,509,435.88	
Other transfers-in	—	
Less: Appropriation of statutory surplus reserve	(571,015,376.78)	(1)
Appropriation of discretionary surplus reserve	—	
Appropriation of enterprise expansion fund	—	(2)
Appropriation of reserve fund	—	(2)
Distribution of cash dividends	(1,551,635,730.00)	(3)
Appropriation of staff incentive bonus and welfare fund	—	(2)
Share capital transferred from ordinary share dividends	—	
Undistributed profits at the end of the year	36,619,705,509.19	
For the year 2017:		
Undistributed profits at the beginning of the year	32,182,789,641.00	
Add: Net profits attributable to the shareholders of the Company of the year	5,027,297,997.74	
Transfer from surplus reserve	43,851,241.00	
Other transfers-in	2,416,040.40	(4)
Less: Appropriation of statutory surplus reserve	(531,277,557.81)	(1)
Appropriation of discretionary surplus reserve	—	
Appropriation of enterprise expansion fund	—	(2)
Appropriation of reserve fund	—	(2)
Distribution of cash dividends	(3,194,544,150.00)	
Appropriation of staff incentive bonus and welfare fund	—	(2)
Share capital transferred from ordinary share dividends	—	
Undistributed profits at the end of the year	33,530,533,212.33	

(1) Appropriation of statutory surplus reserve

According to the Articles of Association, the Company is required to transfer 10% of its net profit to the statutory surplus reserve. The transfer can be ceased if the balance of the statutory surplus reserve has reached 50% of the Company's registered capital. Under the Articles of Associations and relevant company regulations, some statutory surplus reserve can be transferred into share capital of the Company, while the remaining statutory reserves shall be no less than 25% of the registered capital.

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

31. Undistributed profits (continued)

(2) Appropriation of enterprise expansion fund, reserve fund and employee incentives and welfare fund

Certain subsidiaries of the Company are Sino-foreign equity joint ventures. Pursuant to the law of the People's Republic of China on Sino-foreign Equity Joint Ventures and relevant provisions of the articles of association of relevant companies, such subsidiaries shall appropriate enterprise expansion fund, reserve fund and staff incentive bonus and welfare fund based on the net profits calculated under the China Enterprise Accounting Standards and relevant requirements. The ratio of appropriation shall be determined by the Board of Directors and Articles of Corporation.

(3) Cash dividends approved by the shareholders' meeting in this year.

On 14 May 2018, the 2017 shareholders' meeting approved *Proposal on Profit Distribution of 2017*, which allows the Company to distribute cash dividends of RMB0.17(inclusive of tax) per share, amounting to RMB1,551,635,730.00 in total, based on total shares of 9,127,269,000 shares with par value of RMB1 per share.

(4) Pursuant to the resolution of the board of directors of Baoding Xinyi Automobile Seating Co., Ltd., originally a subsidiary of the Company, made on 25 April 2017, the appropriated employee incentive bonus and welfare fund of previous years are transferred to undistributed profits which amounted to RMB2,288,314.24.

Pursuant to the shareholders' decision of Mind Electronics, a subsidiary of the Company, made on 21 February 2017, the appropriated employee incentives and welfare fund of previous years are transferred to undistributed profits which amounted to RMB127,726.16.

(5) Distribution of profits determined subsequent the balance sheet date

According to the proposal of the board of directors, the Company intends to pay a cash dividend of RMB2,646,908,010.00 to shareholders in 2018 based on the total shares of 9,127,269,000 (par value of RMB1 per share), that is, RMB0.29 (tax included) of cash dividend per share. The above dividend distribution plan has yet to be approved by the meeting of shareholders.

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

32. Operating income and operating costs

(1) Operating income

Item	RMB	
	2018	2017
Principal operating income	96,761,404,723.33	99,876,340,965.97
Including: Income from the sales of automobiles	91,597,050,795.51	95,986,318,413.84
Income from the sales of automotive parts and components	3,746,002,331.51	3,178,834,946.76
Income from the sales of moulds and others	461,394,060.90	477,780,481.80
Income from rendering of services	956,957,535.41	233,407,123.57
Other operating income	1,038,454,481.33	615,277,212.73
Total	97,799,859,204.66	100,491,618,178.70

Note: In the year of 2018, the operating income of the Group includes contract income amounted to RMB97,739,799,442.16 and rental income amounted to RMB60,059,762.50 from clients.

At the end of the reporting year, the income corresponding to the performance obligations for which a contract has been signed but has not yet been fulfilled or has not been fulfilled amounted to RMB3,508,417,264.56, which is expected to be confirmed in 2019.

(2) Operating costs

Item	RMB	
	2018	2017
Principal operating costs	80,722,599,578.15	81,448,771,502.87
Including: Costs of sales of automobiles	77,153,995,718.49	78,866,169,607.53
Costs of sales of automotive parts and components	2,285,641,404.34	2,071,873,224.38
Costs of sales of moulds and others	380,119,063.21	327,240,134.27
Costs of rendering services	902,843,392.11	183,488,536.69
Other operating costs	758,342,972.46	518,132,115.97
Total	81,480,942,550.61	81,966,903,618.84

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

33. Interest income

Item	RMB	
	2018	2017
Personal loans and advances	1,358,188,060.74	662,187,471.05
Company loans and advances	2,292.38	8,034.73
Deposits with other banks	18,370,774.64	6,093,507.30
Deposits with the central bank	8,191,415.96	4,715,159.17
Deposits with the financial institutions	1,067,787.88	—
Finance lease receivables	2,885,369.52	—
Total	1,388,705,701.12	673,004,172.25

34. Taxes and levies

Item	RMB	
	2018	2017
Consumption tax	2,731,204,848.43	3,050,491,220.73
Urban maintenances and construction tax	345,761,893.94	337,451,620.85
Educational surcharges	300,301,828.87	289,682,563.48
Stamp duty	109,030,387.62	92,894,077.59
Land use tax	50,047,168.45	48,924,149.99
Real estate tax	69,065,292.00	65,087,798.33
Water resource tax	2,142,747.81	2,842,635.39
Vehicle and vessel use tax	422,519.43	402,275.12
Others	19,403,691.84	17,911,789.50
Total	3,627,380,378.39	3,905,688,130.98

35. Selling expenses

Item	RMB	
	2018	2017
Transportation expenses	1,471,318,754.19	1,495,430,980.02
After-sale services expenses	428,240,450.97	1,349,441,860.17
Wages and salaries	300,059,997.02	267,356,799.80
Advertising and media services fees	2,035,389,689.58	906,946,682.86
Port charges	33,368,548.55	19,557,601.39
Travelling expenses	33,101,675.92	31,789,695.78
Others	273,719,484.93	335,874,142.21
Total	4,575,198,601.16	4,406,397,762.23

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

36. Administrative expenses

Item	RMB	
	2018	2017
Wages and salaries	995,457,334.95	889,674,685.38
Depreciation and Amortization	150,512,095.57	193,412,863.88
Business reception fees	14,207,294.25	10,153,219.16
Office expenses	75,372,782.91	62,057,648.42
Repair and maintenance fees	243,667,208.50	214,533,593.87
Auditors' remuneration (Note)	3,117,860.09	3,444,480.16
Service charges	49,899,701.99	82,426,310.78
Others	144,069,422.32	142,762,647.93
Total	1,676,303,700.58	1,598,465,449.58

Note: Among them, the interim review and annual audit service fees of Deloitte Touche Tohmatsu Certified Public Accountants LLP paid by the Group this year amounts to RMB2,673,967.76.

37. Financial expenses

Item	RMB	
	2018	2017
Interest expense from pledged loans	461,638,282.31	190,277,354.54
Interest income from bank deposits	(132,650,054.43)	(69,649,756.26)
Interest income from performance bond	(1,025,378,584.90)	—
Foreign currency translation differences	139,641,947.30	27,189,553.23
Expenses of discount on bills	44,986,378.19	47,598,140.37
Long-term receivables discount	—	(108,272,196.02)
Others	17,886,836.47	51,457,977.64
Total	(493,875,195.06)	138,601,073.50

38. Impairment losses on assets

Item	RMB	
	2018	2017
I. Loss on bad debts	(11,708,065.67)	(8,062,075.69)
II. Loss on decline in value of inventories	73,777,972.90	168,189,500.07
III. Loss on impairment of fixed assets	68,957,409.47	39,570,684.72
IV. Loss on impairment of construction in progress	5,501,873.85	1,018,054.80
V. Loss on impairment of loans	—	116,362,509.25
Total	136,529,190.55	317,078,673.15

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

39. Impairment losses on credit

Item	RMB 2018
Accounts receivable	38,392,850.90
Other receivables	(11,696.82)
Loans and advances to customers	143,497,933.78
Total	181,879,087.86

40. Other income

Government grants recognized in other income:

Item	2018	2017	RMB Related to an asset/related to income
Immediate refund of VAT of welfare enterprises	51,514,583.27	46,027,700.01	Related to income
Special funds for the development of provincial strategic emerging industries in 2018	8,000,000.00	—	Related to income
Patent award	4,015,520.00	—	Related to income
Supportive development fund of export credit insurance	3,289,100.00	2,246,800.00	Related to income
Special bonus for industrial transformation strong basis	1,700,000.00	—	Related to income
Haval SUV intelligent plant reward	900,000.00	—	Related to income
Import discount subsidies of the Business Bureau of Lianchi District	851,000.00	—	Related to income
Special funds for provincial intelligence introduction	500,000.00	—	Related to income
Domestic Chip Technology Research Project	—	832,000.00	Related to income
Others	1,307,573.74	—	Related to income
Amortization of deferred income	103,727,490.88	117,150,085.74	
Total	175,805,267.89	166,256,585.75	

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

41. Investment income

Breakdown:

Item	RMB	
	2018	2017
Income from wealth management products	193,910,894.86	129,266,891.93
Net gains (loss) from disposal of subsidiaries	27,522,992.73	—
Net loss from deregistration of subsidiaries (Note)	(2,163,713.00)	(5,042,060.98)
Total	219,270,174.59	124,224,830.95

Note: This year the investment loss comes from the acquisition of Great Wall Vehicle Axles.

There are no significant restrictions on remittance of investment income of the Group.

The Group has no gains on investments from listed companies.

42. Gains or losses from changes in fair values

Source of gains or losses from changes in fair values	RMB	
	2018	2017
Held-for-trading financial assets		
Including: Equity instrument investment	(149,119,432.00)	175,396,032.00
Wealth management products	8,768,131.30	—
Total	(140,351,300.70)	175,396,032.00

43. Gains or losses from disposal of assets

Item	RMB	
	2018	2017
Gains or losses from disposal of assets	57,976,477.13	(3,808,085.14)
Including: Losses from disposal of fixed assets	(49,893,956.35)	(18,098,303.95)
Gain or losses from disposal of construction in progress	4,301,620.60	(1,452,351.30)
Gains from disposal of intangible assets	103,568,812.88	15,742,570.11

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

44. Non-operating income

(1) Breakdown of non-operating income is as follows:

Item	RMB		
	2018	2017	Amount included in non-recurring gains and losses for the year
Government grants	146,683,083.33	272,837,101.60	146,683,083.33
Gains from compensation	50,394,443.70	48,844,992.98	50,394,443.70
Unpayable amount	12,674,704.34	16,796,798.37	12,674,704.34
Others	43,127,687.41	52,209,644.10	43,127,687.41
Total	252,879,918.78	390,688,537.05	252,879,918.78

(2) Government grants recognized in non-operating income of the year:

Item	RMB		
	2018	2017	Related to an asset/related to income
Government subsidies	90,035,087.23	167,893,349.27	Related to income
Industrial development funds	31,053,437.89	—	Related to income
Giant plan bonuses	10,090,647.00	—	Related to income
Special funds of the Finance Bureau	9,515,968.36	3,567,597.21	Related to income
Automotive city subsidies	1,442,000.00	—	Related to income
National technology innovation demonstration enterprises award bonuses	1,000,000.00	—	Related to income
Automotive development fund	—	67,760,000.00	Related to income
Enterprise technical innovation subsidies	—	9,437,061.54	Related to income
Discount of import products	—	7,439,700.00	Related to income
Occupational training subsidies	—	3,809,890.74	Related to income
Provincial special funds for technical innovation and popularization of science	—	2,683,900.00	Related to income
Others	3,545,942.85	10,245,602.84	Related to income
Total	146,683,083.33	272,837,101.60	

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

45. Non-operating expenses

Item			<i>RMB</i>
	2018	2017	Amount recognized in non-recurring profit or loss for the year
Expenditures for donations	830,109.52	1,500,816.16	830,109.52
Expenses for compensations and fines	1,198,589.09	6,000,535.85	1,198,589.09
Others	5,816,553.69	4,373,599.24	5,816,553.69
Total	7,845,252.30	11,874,951.25	7,845,252.30

46. Income tax expenses

Item			<i>RMB</i>
	2018	2017	
Current tax expenses	988,122,927.34	898,656,575.87	
Deferred tax expenses	241,309,951.83	290,922,963.02	
Total	1,229,432,879.17	1,189,579,538.89	

Reconciliation of income tax expenses to accounting profits is as follows:

Item			<i>RMB</i>
	2018	2017	
Total profit	6,477,072,013.67	6,232,965,995.42	
Income tax rate	25%	25%	
Income tax calculated at tax rate of 25%	1,619,268,003.42	1,558,241,498.86	
Changes in opening balances of deferred tax assets/liabilities due to the change in tax rate	6,987,751.94	83,068,915.73	
Effects arising from some companies subject to concessionary rates	(391,908,527.96)	(223,455,076.35)	
Additional deduction for research and development costs	(171,829,204.82)	(292,913,565.00)	
Additional deduction for the wages of disabled staff	—	(11,269,421.10)	
Tax effect of non-taxable income	(555,879.68)	(1,467,833.09)	
Tax effect of non-deductible expenses	30,934,387.97	52,652,149.50	
The effect of deductible losses for which no deferred tax assets are recognized	136,536,348.30	24,722,870.34	
Total	1,229,432,879.17	1,189,579,538.89	

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

47. Net profit

Net profit of the Group has been arrived at after charging (crediting):

Item	Notes	RMB	
		2018	2017
Depreciation for fixed assets	(VI) 13	3,618,441,548.07	3,103,260,796.15
Depreciation and amortization for investment properties	(VI) 12	5,729,854.20	5,202,455.12
Amortization of intangible assets	(VI) 15	186,225,624.52	85,232,424.50
Total amount of depreciation and amortization		3,810,397,026.79	3,193,695,675.77
Gains (Losses) from disposal of non-current assets	(VI) 43	57,976,477.13	(3,808,085.14)
Gross rental income from investment Properties		22,812,875.91	20,871,019.25
Employee benefits expense	(VI) 22	8,736,410,138.37	8,482,767,616.99

48. Calculation of basic and diluted earnings per share

Net profit for the current year attributable to holders of ordinary shares of the Company used for calculating basic earnings per share is as follows:

Item	RMB	
	2018	2017
Net profit attributable to ordinary shareholders	5,207,313,967.76	5,027,297,997.74
Including: Net profit attributable to continuing operations	5,207,313,967.76	5,027,297,997.74
Total	5,207,313,967.76	5,027,297,997.74

The denominator used for calculating earnings per share is the weighted average of outstanding ordinary shares. The calculation is as follows:

Item	2018		2017
Number of outstanding ordinary shares at the beginning of the year	9,127,269,000.00		9,127,269,000.00
Add: Weighted number of ordinary shares issued in the year	—		—
Less: Weighted number of ordinary shares repurchased in the year	—		—
Weighted number of outstanding ordinary shares at the end of the year	9,127,269,000.00		9,127,269,000.00

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

48. Calculation of basic and diluted earnings per share (continued)

Item	RMB	
	2018	2017
Based on the net profit attributable to shareholders of the Company:		
Basic earnings per share	5,207,313,967.76	5,027,297,997.74
Diluted earnings per share	0.57	0.55
Based on the net profit from continuing operations attributable to shareholders of the Company:		
Basic earnings per share	N/A	N/A
Diluted earnings per share	5,207,313,967.76	5,027,297,997.74
Basic earnings per share	0.57	0.55
Diluted earnings per share	N/A	N/A

49. Other comprehensive income

Item	RMB						
	Opening balance	Amount incurred for current period before tax	Amount recognized in the current period Less: amount previously included in other comprehensive income and transferred to profit or loss for the period	Less: Income tax expenses	Attributable to owners of the parent company after tax	Attributable to minority interests after tax	Closing balance
Other comprehensive income that will be reclassified to profit or loss							
Including: translation differences of financial statements denominated in foreign currencies	3,056,451.02	(265,377,564.09)	—	—	(265,377,564.09)	—	(262,321,113.07)
Total other comprehensive income	3,056,451.02	(265,377,564.09)	—	—	(265,377,564.09)	—	(262,321,113.07)

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

50. Notes to cash flow statements

(1) Other cash received relating to operating activities

Item	RMB	
	2018	2017
Interest income from bank deposits	132,650,054.43	69,649,756.26
Interest income from performance bond	1,086,901,300.00	—
Government grants	1,230,540,499.07	294,291,184.52
Reparations (penalty) income	13,939,761.04	48,844,992.98
Customs deposit withdrawal	—	68,579,543.20
Collection of software license fee	10,638,823.00	32,603,569.54
Others	17,538,600.79	30,418,326.11
Total	2,492,209,038.33	544,387,372.61

(2) Other cash payments relating to operating activities

Item	RMB	
	2018	2017
Advertising and media services fee	1,591,288,374.74	857,548,759.39
Transportation costs and port charges	1,496,878,716.92	1,512,049,711.01
Technology development expenditures	664,945,716.01	834,914,984.50
After-sale services expenses and repair costs	723,038,171.48	1,404,830,238.66
Business reception fees and office expenses	123,544,176.15	119,161,220.83
Travelling expenses	33,101,675.92	31,789,695.78
Consultation fees	112,551,073.80	136,607,353.06
Others	191,364,702.42	241,420,469.41
Total	4,936,712,607.44	5,138,322,432.64

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

50. Notes to cash flow statements (continued)

(3) Other cash received relating to investing activities

Item	RMB	
	2018	2017
Collection of performance bond	155,030,000.00	—
Total	155,030,000.00	—

(4) Other cash payments relating to financing activities

Item	RMB	
	2018	2017
Increase in restricted bank deposits	80,212,536.30	725,500,370.65
Total	80,212,536.30	725,500,370.65

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

51. Supplementary information of cash flow statements

(1) Supplementary information of cash flow statements

Supplementary information	2018	2017
<i>RMB</i>		
1. Reconciliation of net profits to cash flow from operating activities:		
Net profits	5,247,639,134.50	5,043,386,456.53
Add: Impairment provision for assets	136,529,190.55	317,078,673.15
Impairment losses on credit	181,879,087.86	
Depreciation of fixed assets	3,618,441,548.07	3,103,260,796.15
Amortization of intangible assets	186,225,624.52	85,232,424.50
Amortization of long-term prepaid expenses	77,477,707.84	11,450,724.21
Depreciation and amortization of investment properties	5,729,854.20	5,202,455.12
Losses on changes in fair value (Less: Gains)	140,351,300.70	(175,396,032.00)
Losses on disposal of fixed assets, intangible assets and other long-term assets (Less: Gains)	(57,976,477.13)	3,808,085.14
Amortization of deferred income	(93,227,920.25)	(117,150,085.74)
Financial expense	576,976,127.02	97,437,349.67
Investment gains	(219,270,174.59)	(124,224,830.95)
Decrease in deferred tax assets (Less: Increase)	40,022,484.93	273,254,816.46
Increase in deferred tax liabilities	232,335,421.42	18,284,942.34
Decrease in inventories (Less: Increase)	396,641,557.47	(123,139,944.95)
Decrease in operating receivables (Less: Increase)	8,320,219,372.18	(16,359,363,231.29)
Increase in operating payables	907,832,109.11	6,881,582,617.71
Net cash flows from operating activities	19,697,825,948.40	(1,059,294,783.95)
2. Net change in cash and cash equivalents:		
Closing balance of cash and cash equivalents	6,614,611,437.43	3,844,089,729.57
Less: Opening balance of cash and cash equivalents balance	3,844,089,729.57	1,891,844,333.75
Net increase in cash and cash equivalents	2,770,521,707.86	1,952,245,395.82

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

51. Supplementary information of cash flow statements (continued)

(2) Net cash paid for acquisition of subsidiaries in the year

Item	RMB	
	2018	2017
Cash or cash equivalents paid in current year for business combination incurred in current year	3,400,000.00	—
Less: Cash and cash equivalents held by subsidiaries at the acquisition date	119,547.50	—
Net cash payments for acquisition of subsidiaries	3,280,452.50	—

(3) Net cash receipt from disposal of subsidiaries

Item	RMB	
	2018	2017
Cash or cash equivalents received in current year for disposal of subsidiaries	790,000,000.00	—
Less: Cash and cash equivalents held by subsidiaries at the date of losing control	717,603,134.41	—
Net cash receipt from disposal of subsidiaries	72,396,865.59	—

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

51. Supplementary information of cash flow statements (continued)

(4) Components of cash and cash equivalents

Item	RMB	
	2018	2017
I. Cash	6,614,611,437.43	3,844,089,729.57
Including: Cash on hand	308,807.23	438,578.64
Bank deposits ready to be withdrawn on demand	6,612,384,027.32	3,842,041,636.34
Other monetary funds ready to be withdrawn on demand	1,918,602.88	1,609,514.59
II. Closing balance of Cash and cash equivalent	6,614,611,437.43	3,844,089,729.57

52. Assets with limited ownership or use right

Item	RMB	
	Carrying amount at the end of the year	Reasons for the restrictions
Cash and bank balances	1,067,472,131.58	Security and margin deposits for bank acceptances, required reserves, letter of credit, letter of guarantee and others.
Notes receivable	5,758,816,794.08	Used for issuance of notes payable and short-term borrowings
Intangible assets	86,527,825.88	Used for long-term borrowings
Total	6,912,816,751.54	

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

53. Monetary items denominated in foreign currency

Item	Closing balance of foreign currency	Exchange rate	<i>RMB</i> Closing balance of RMB
Cash and bank balances			
Including: RMB	11,108,040.02	1.0000	11,108,040.02
USD	14,970,373.76	6.8632	102,744,669.19
HKD	70,624.24	0.8762	61,880.96
EUR	6,907,621.64	7.8473	54,206,179.30
JPY	25,463,935.88	0.0619	1,575,886.60
GBP	66,310.31	8.6762	575,321.51
RUB	572.73	0.0986	56.49
AUD	60,109.16	4.8250	290,026.70
KRW	7,103.88	0.0061	43.51
THB	130.02	0.2110	27.43
SGD	311.00	5.0062	1,556.93
Accounts receivable			
Including: USD	22,174,445.39	6.8632	152,187,653.59
EUR	2,103,818.10	7.8473	16,509,291.77
RMB	1,783,774.38	1.0000	1,783,774.38
Accounts payable			
Including: USD	2,646,744.64	6.8632	18,165,137.82
EUR	288,624.10	7.8473	2,264,919.90
CHF	147,646.27	6.9494	1,026,052.99
Other payables			
Including: USD	2,680,821.57	6.8632	18,399,014.60
EUR	6,910,332.30	7.8473	54,227,450.67
JPY	155,804,360.00	0.0619	9,642,264.43
CHF	50,636.00	6.9494	351,889.82
GBP	7,280.00	8.6762	63,162.74
Short-term borrowings			
Including: EUR	73,111,291.63	7.8473	573,726,238.81
Long-term borrowings			
Including: USD	40,000,000.00	6.8632	274,528,000.00
EUR	175,000,000.00	7.8473	1,373,277,500.00

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

54. Net current assets

Item	RMB	
	2018.12.31	2017.12.31
Current assets	66,126,293,810.75	69,293,328,092.50
Less: Current liabilities	54,618,421,751.63	58,881,223,748.49
Net current assets	11,507,872,059.12	10,412,104,344.01

55. Total assets less current liabilities

Item	RMB	
	2018.12.31	2017.12.31
Total assets	111,800,411,297.81	110,547,073,781.60
Less: Current liabilities	54,618,421,751.63	58,881,223,748.49
Total assets less current liabilities	57,181,989,546.18	51,665,850,033.11

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

VII. CHANGES IN CONSOLIDATION SCOPE

1. Subsidiaries acquired through business combination of enterprises under different control

(1) Merger under different control in this year

Name of acquire	acquisition cost	Proportion acquired (%)	Acquisition approach	Acquisition date	Determination basis of acquisition date	RMB	
						Revenue of the acquiree from the acquisition date to the year-end	Net profit of the acquiree from the acquisition date to the year-end
Oula Information.	3,400,000.00	100	Cash	7 June 2018	Note	8,437,201.11	(18,855,751.65)

Note: The acquisition date is the date on which the acquirer effectively obtains control of the acquiree, i.e. the date on which control over net assets and production and operating decisions of the acquiree is transferred to the acquirer.

Basic information of the acquiree

Oula Information is registered and established on 1 July 2016. Its business nature is internet information services, car sales and self-owned car rental without drivers. In June 2018, the Company's subsidiary Tianjin Great Wall Sharing Car Service Co., Ltd. (天津長城共享汽車服務有限公司) ("Tianjin Sharing Car") acquired 100% equity interest of Oula Information held by Baoding Great Wall Yuyuan Commercial Co., Ltd. with RMB3.4 million. Subsequent to the acquisition, the Company indirectly holds 100% equity interest of Oula Information.

(2) Combination cost and goodwill

Combination cost	RMB Oula Information
Cash	3,400,000.00
Fair value of equity at the date of acquisition held prior to acquisition date	—
Total combination cost	3,400,000.00
Less: Share of fair value of identifiable net asset acquired	(991,332.13)
Amount of combination cost more than share of fair value of identifiable net assets	4,391,332.13

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

VII. CHANGES IN CONSOLIDATION SCOPE (continued)

1. Subsidiaries acquired through business combination of enterprises under different control (continued)

(3) Identifiable assets and liabilities at the acquisition date in the acquiree

RMB

Item	Oula Information	
	Fair value at the acquisition date	Carrying amount at the acquisition date
Current assets	539,304.23	539,304.23
Non-current assets	62,633.03	62,633.03
Current liabilities	(1,593,269.39)	(1,593,269.39)
Net asset	(991,332.13)	(991,332.13)
Less: Minority interests	—	—
Net assets obtained	(991,332.13)	(991,332.13)

Note: Fair value of identifiable assets and liabilities is determined using the asset-based approach.

2. Business combination involving enterprises under common control

There is no business combination involving enterprises under common control at the end of the year.

3. Disposal of subsidiaries

Single disposal of investments in subsidiaries, i.e. the loss of control

RMB

Name of subsidiary	Equity disposal consideration	Equity disposal proportion (%)	Equity disposal approach	Time point of losing control	Determination basis for time point of losing control	Difference amount of disposal consideration and shares of corresponding net assets of the subsidiary at consolidated level
Honeycomb Energy	790,000,000.00	100	Sold in cash	October 2018	Note	27,522,992.73

Note: The point at which the Company loses control is the point at which the Company loses the ability to determine the financial and operational policies of the investee and is no longer able to obtain benefits from its business activities.

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

VII. CHANGES IN CONSOLIDATION SCOPE (continued)

4. Changes in consolidation scope for other reasons

Newly established subsidiaries during the current year:

Name	Establishment date
Tianjin Oula Financial Leasing Co., Ltd. (天津歐拉融資租賃有限公司)("Tianjin Oula")	2 January 2018
Chongqing Great Wall	5 January 2018
Chongqing Auto Parts	5 January 2018
Chongqing Haval	5 January 2018
Honeycomb Energy	12 February 2018
Honeycomb Yichuang Technology Co., Ltd. (蜂巢易創科技有限公司)("Honeycomb Yichuang")	13 June 2018
Jingcheng Engineering Automotive Systems Co., Ltd. (精誠工科汽車系統有限公司)("Jingcong Motor")	13 June 2018
Nuobo Automotive Systems Co., Ltd. (諾博汽車系統有限公司)("Nuobo Automotive")	13 June 2018
Nuobo Rubber	27 June 2018
Baoding Nuobo Auto Decorations Co., Ltd. (保定諾博汽車裝飾件有限公司)("Nuobo Auto Decorations")	27 June 2018
Chongqing Jingcong Motor	9 July 2018
Chongqing Nuobo Parts and Components	9 July 2018
Time Technology Co., Ltd. (紛時科技有限公司)("Time Technology")	30 July 2018
Hebei Xiong'an Oula Sharing Technology Co., Ltd. (河北雄安歐拉共享科技有限公司)("Xiong'an Oula")	7 September 2018
Hebei Xiong'an Great Wall Automobile Technology Co., Ltd. (河北雄安長城汽車科技有限公司) ("Xiong'an Great Wall")	10 September 2018
Honeycomb Power System (Jiangsu) Co., Ltd. (蜂巢動力系統(江蘇)有限公司)("Honeycomb Power")	24 August 2018
Honeycomb Drive System (Jiangsu) Co., Ltd. (蜂巢傳動系統(江蘇)有限公司)("Honeycomb Drive")	24 August 2018
Honeycomb Electric Drive System (Jiangsu) Co., Ltd. (蜂巢電驅動系統(江蘇)有限公司) ("Honeycomb Electric Drive")	24 August 2018
Honeycomb Intelligent Steering System (Jiangsu) Co., Ltd. (蜂巢智能轉向系統(江蘇)有限公司) ("Honeycomb Intelligent Steering")	24 August 2018
Jingcheng Gongke Automotive Parts and Components (Yangzhong) Co., Ltd. (精誠工科汽車零部件(揚中) 有限公司)("Yangzhong Jingcong Automotive")	24 August 2018
Mind Automotive Parts and Components (Chongqing) Co., Ltd. (曼德汽車零部件(重慶)有限公司) ("Chongqing Mind")	19 December 2018
Chongqing Haval Logistics Co., Ltd. (重慶哈弗物流有限公司)("Chongqing Haval Logistics")	19 December 2018
Chongqing Great Wall Automotive After-sales Service Co., Ltd. (重慶市長城汽車售後服務有限公司) ("Chongqing Great Wall After-sales")	19 December 2018
Chongqing Weipai Automotive Sales Co., Ltd. (重慶魏派汽車銷售有限公司)("Chongqing Weipai")	19 December 2018

Subsidiaries deregistered during the current year:

Name	Deregistration Time
Tianjin Haval Insurance Brokers Company Limited (天津哈弗保險經紀有限公司) ("Tianjin Haval Insurance")	October 2018
Haval Insurance Brokers Company Limited (哈弗保險經紀有限公司) ("Haval Insurance Brokers")	December 2018

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

VIII. INTERESTS IN OTHER ENTITIES

1. Interests in subsidiaries

(1) Structure of the Group

Subsidiaries invested by the Group

Full name of subsidiaries	Legal form	Place of principal operations	Place of registration	Business nature	Proportion of shareholdings (%)	
					Direct	Indirect
Great Wall Huabei	limited liability company	Gaobeidian	Gaobeidian	Manufacture of automotive parts and components	100.00	—
Baoding Great	limited liability company	Baoding	Baoding	Manufacture of automotive parts and components	100.00	—
Great Wall Vehicle Axles (Note 1)	limited liability company	Baoding	Baoding	Manufacture of automotive parts and components	100.00	—
Baoding Nuobo	limited liability company	Baoding	Baoding	Manufacture of automotive parts and components	100.00	—
Beijing Great	limited liability company	Beijing	Beijing	Manufacture of automotive parts and components	100.00	—
Great Wall Baoding Automotive Customer Service Company Limited (保定市長城汽車售後服務有限公司) ("Baoding Automotive Customer Service")	limited liability company	Baoding	Baoding	Provision of after-sales service	100.00	—
Baoding Great Wall Auto Sales Co., Ltd. (保定長城汽車銷售有限公司)("Great Wall Sales")	limited liability company	Baoding	Baoding	Marketing and sale of automobiles	20.18	79.82
Tide Technology and Trade	—	Hong Kong	Hong Kong	Investment and financing services	100.00	—
Mind Electronics	limited liability company	Baoding	Baoding	Manufacture of automotive parts and components	100.00	—
Tianjin Lean	limited liability company	Tianjin Development zone	Tianjin Development zone	Manufacture of automotive parts and components	75.00	25.00
Baoding Great Wall Ants Logistics Co., Ltd. (保定市長城螞蟻物流有限公司)("Great Wall Ants")	limited liability company	Baoding	Baoding	Logistics and ordinary goods transportation	100.00	—
Tianjin Boxin (Note 1)	limited liability company	Tianjin	Tianjin	Manufacture of automotive parts and components	100.00	—
Ningxia Great Wall Motor Rental Company Limited (寧夏長城汽車租賃有限公司)("Ningxia Rental")	limited liability company	Yinchuan Economic and Technological Development Zone	Yinchuan Economic and Technological Development Zone	Buildings rental	100.00	—
Great Wall Resource Recycling	limited liability company	Baoding	Baoding	Processing, recycling and sale of waste and used material	100.00	—
Baoding Exquisite Automotive Mould Technology Co., Ltd. (保定市精工汽車模具技術有限公司) ("Exquisite Mould")	limited liability company	Baoding	Baoding	Research, development and manufacture of auto moulds	100.00	—

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For the year from 1 January to 31 December 2018

VIII. INTERESTS IN OTHER ENTITIES (continued)

1. Interests in subsidiaries (continued)

(1) Structure of the Group (continued)

Subsidiaries invested by the Group (continued)

Full name of subsidiaries	Legal form	Place of principal operations	Place of registration	Business nature	Proportion of shareholdings (%)	
					Direct	Indirect
Rizhao Weiji Motor Co., Ltd.(日照威奕汽車有限公司)(原保定威奕汽車有限公司) Rizhao Weiji	limited liability company	Rizhao	Rizhao	Manufacture of automotive parts and components	100.00	—
Great Wall Dongsheng	limited liability company	Beijing	Beijing	Business information consultation	—	100.00
Haval Automotive Rental Co., Ltd.(哈弗汽車租賃有限公司) ("Haval Rental")	limited liability company	Baoding	Baoding	Car rental	—	100.00
Shanghai Haval	limited liability company	Shanghai	Shanghai	Automotive technology research, development and technical consultation	100.00	—
Haval Motors Australia Pty Ltd (哈弗汽車澳大利亞有限公司) ("Haval Australia")	—	Australia	Australia	Auto selling	38.50	61.50
Haval Motor Rus Limited Liability Company (俄羅斯哈弗汽車有限責任公司) ("Haval Russia")	—	Russia	Russia	Auto selling	—	100.00
Baoding Haval Auto Sales Company Limited (保定哈弗汽車銷售有限公司) ("Haval Auto Sales") (Note 1)	limited liability company	Baoding	Baoding	Auto selling	100.00	—
Automotive Finance	limited liability company	Tianjin	Tianjin	Automotive Finance	90.00	—
Australia Sinyos Technology And Trade Pty Ltd (澳大利亞森友斯科貿易有限公司) ("Sinyos Technology and Trade")	—	Australia	Australia	Auto selling	—	100.00
Haval Motor Manufacturing Rus Limited Liability Company (俄羅斯哈弗汽車製造有限責任公司) ("Russia Manufacturing")	—	Russia	Russia	Auto manufacture	50.50	49.50
Haval Motors South Africa Proprietary Limited (哈弗汽車南非有限公司) ("Haval South Africa")	—	South Africa	South Africa	Auto selling	100.00	—
Haval Logistics Company Limited (哈弗物流有限公司) ("Haval Logistics")	limited liability company	Baoding	Baoding	Logistics and ordinary goods transportation	100.00	—
Baoding Great Wall Scrap Car Recycling & Dismantling Co., Ltd. (保定長城報廢汽車回收拆解有限公司) ("Scrap Car Recycling and Dismantling")	limited liability company	Baoding	Baoding	Scrap car recycling and dismantling	100.00	—
Great Wall Japan Motor Co., Ltd. (長城日本技研株式會社) ("Japan Motor")	—	Yokohama, Japan	Yokohama, Japan	Research and design of automobile and auto parts	—	100.00
Great Wall Motor Europe Technical Center GmbH (長城汽車歐洲技術中心有限公司) ("Europe Technical Center")	—	Germany	Germany	Research and design of automobile and auto parts	100.00	—

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For the year from 1 January to 31 December 2018

VIII. INTERESTS IN OTHER ENTITIES (continued)

1. Interests in subsidiaries (continued)

(1) Structure of the Group (continued)

Subsidiaries invested by the Group (continued)

Full name of subsidiaries	Legal form	Place of principal operations	Place of registration	Business nature	Proportion of shareholdings (%)	
					Direct	Indirect
Great Wall India Research and Development Private Limited (長城印度研發私人有限公司)("India R&D")	—	India	India	Research, design and sales of automobile and auto parts and auto selling	99.90	0.10
Shenzhen Great Wall Auto Sales Company Limited (深圳長城汽車銷售有限公司) ("Shenzhen Great Wall Sales")	limited liability company	Shenzhen	Shenzhen	Auto selling	100.00	—
Haval Financial Leasing Company Limited (哈弗融資租賃有限公司) ("Haval Financial Leasing")	limited liability company	Baoding	Baoding	Finance Lease business	75.00	25.00
American HAVAL Motor Company (美國哈弗汽車有限公司)("American HAVAL")	—	USA	USA	Technology research and development of automobile	100.00	—
American HAVAL Motor technology, LLC (美國哈弗汽車科技有限責任公司) ("American HAVAL Technology")	—	USA	USA	Technology research and development of automobile	—	100.00
American HAVAL Asset Management, LLC (美國哈弗資產管理有限責任公司) ("American HAVAL Asset")	—	USA	USA	Real estate	—	100.00
Forever Peace	Limited liability company	Beijing	Beijing	Business information consultation	—	100.00
Billion Sunny Technical Energy (億新科技能源有限公司) ("Billion Sunny Technical Energy")	—	Korea	Korea	Research and design of automobile and auto parts	—	100.00
Great Wall Motor Austria Research & Development Co., Ltd. (長城汽車奧地利研發有限公司) ("Austria Research & Development")	—	Austria	Austria	Research and design of automobile and auto parts	—	100.00
Baoding Billion Sunny Consulting Service Co., Ltd. (保定億新諮詢服務有限公司) ("Billion Sunny Consulting")	Limited liability company	Baoding	Baoding	Technology information consultation service, and trade consultation service	—	100.00
Guangzhou Great Wall Auto Sales Co., Ltd. (廣州長城汽車銷售有限公司) ("Guangzhou Great Wall Sales")	Limited liability company	Guangzhou	Guangzhou	Auto selling	100.00	—
Xiamen Great Wall Auto Sales Co., Ltd. (廈門長城汽車銷售有限公司) ("Xiamen Great Wall Sales")	Limited liability company	Xiamen	Xiamen	Auto selling	100.00	—
Tianjin Sharing Car	Limited liability company	Tianjin	Tianjin	Agency of traffic formalities, and car rental	100.00	—

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For the year from 1 January to 31 December 2018

VIII. INTERESTS IN OTHER ENTITIES (continued)

1. Interests in subsidiaries (continued)

(1) Structure of the Group (continued)

Subsidiaries invested by the Group (continued)

Full name of subsidiaries	Legal form	Place of principal operations	Place of registration	Business nature	Proportion of shareholdings (%)	
					Direct	Indirect
Chongqing Great Wall (Note 2)	Limited liability company	Chongqing	Chongqing	Sales of automobile and auto parts	100.00	—
Chongqing Auto Parts (Note 3)	Limited liability company	Chongqing	Chongqing	Sales of automotive parts	100.00	—
Chongqing Haval (Note 4)	Limited liability company	Chongqing	Chongqing	Auto selling	100.00	—
Tianjin Oula (Note 5)	Limited liability company	Tianjin	Tianjin	Finance leasing	75.00	25.00
Honeycomb Yichuang (Note 6)	Limited liability company	Baoding	Baoding	Manufacture of automotive parts and components	100.00	—
Jingong Motor (Note 7)	Limited liability company	Baoding	Baoding	Manufacture of automotive parts and components	100.00	—
Nuobo Automotive (Note 8)	Limited liability company	Baoding	Baoding	Manufacture of automotive parts and sales of auto	100.00	—
Nuobo Rubber (Note 9)	Limited liability company	Baoding	Baoding	Manufacture of automotive parts and components	—	100.00
Nuobo Auto Decoration (Note 10)	Limited liability company	Baoding	Baoding	Manufacture of automotive parts and components	—	100.00
Chongqing Jingong Motor (Note 11)	Limited liability company	Chongqing	Chongqing	Manufacture of automotive parts and components	—	100.00
Chongqing Nuobo Parts and Components (Note 12)	Limited liability company	Chongqing	Chongqing	Manufacture of automotive parts and components	—	100.00
Time Technology (Note 13)	Limited liability company	Tianjin	Tianjin	Software development and computer system services	—	100.00
Xiong'an Oula (Note 14)	Limited liability company	Baoding	Baoding	Software development and computer system services	100.00	—
Xiong'an Great Wall (Note 15)	Limited liability company	Baoding	Baoding	Smart car and driverless technology development	100.00	—
Honeycomb Power (Note 16)	Limited liability company	Zhenjiang	Zhenjiang	Automotive power system technology research and development	—	100.00
Honeycomb Drive (Note 17)	Limited liability company	Zhenjiang	Zhenjiang	New energy vehicle transmission system research and development	—	100.00
Honeycomb Electric Drive (Note 18)	Limited liability company	Zhenjiang	Zhenjiang	Research and development of electric drive systems for new energy vehicles	—	100.00

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For the year from 1 January to 31 December 2018

VIII. INTERESTS IN OTHER ENTITIES (continued)

1. Interests in subsidiaries (continued)

(1) Structure of the Group (continued)

Subsidiaries invested by the Group (continued)

Full name of subsidiaries	Legal form	Place of principal operations	Place of registration	Business nature	Proportion of shareholdings (%)	
					Direct	Indirect
Honeycomb Intelligent Steering (Note 19)	Limited liability company	Zhenjiang	Zhenjiang	Automotive intelligent steering system and its parts research and development	—	100.00
Yangzhong Jinggong Automotive (Note 20)	Limited liability company	Zhenjiang	Zhenjiang	Manufacture of automotive parts and components	—	100.00
Chongqing Mind (Note 21)	Limited liability company	Chongqing	Chongqing	Manufacture of automotive parts and components	—	100.00
Chongqing Haval Logistics (Note 22)	Limited liability company	Chongqing	Chongqing	Road cargo transportation, warehousing services	—	100.00
Chongqing Great Wall After-sales (Note 23)	Limited liability company	Chongqing	Chongqing	After-sales service	—	100.00
Chongqing Weipai (Note 24)	Limited liability company	Chongqing	Chongqing	Sales of finished automobile and auto parts	—	100.00

Note 1: In January 2018, the Company conducted merger by absorption of the wholly-owned subsidiaries of Great Wall Vehicle Axles, Tianjin Boxin and Haval Auto Sales. As at 31 December 2018, the deregistration procedures of the above subsidiaries are being processed.

Note 2: Chongqing Great Wall is established by the Company in Chongqing in January 2018 as a wholly-owned subsidiary. The registered capital is RMB800 million. As at 31 December 2018, the Company has not made capital contribution.

Note 3: Chongqing Auto Parts is established by the Company in Chongqing in January 2018 as a wholly-owned subsidiary. The registered capital is RMB30 million.

Note 4: Chongqing Haval is established by the Company in Chongqing in January 2018 as a wholly-owned subsidiary. The registered capital is RMB5 million. As at 31 December 2018, the Company has not made capital contribution.

Note 5: Tianjin Oula is established by the Company and Billion Sunny Development in Tianjin in January 2018 as a subsidiary. The registered capital is RMB170 million. The Company holds 75% of the shares, and its subsidiary Billion Sunny Development holds 25%.

Note 6: Honeycomb Yichuang is established by the Company in Baoding in June 2018 as a wholly-owned subsidiary. The registered capital is RMB1,000 million.

Note 7: Jinggong Motor is established by the Company in Baoding in June 2018 as a wholly-owned subsidiary. The registered capital is RMB1,000 million.

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

VIII. INTERESTS IN OTHER ENTITIES (continued)

1. Interests in subsidiaries (continued)

(1) Structure of the Group (continued)

Subsidiaries invested by the Group (continued)

- Note 8:* Nuobo Automotive is established by the Company in Baoding in June 2018 as a wholly-owned subsidiary. The registered capital is RMB1,000 million.
- Note 9:* Nuobo Rubber is established by Nuobo Automotive, the subsidiary of the Company, in Baoding in June 2018 as a wholly-owned subsidiary. The registered capital is RMB300 million.
- Note 10:* Nuobo Auto Decoration is established by Nuobo Automotive, the subsidiary of the Company, in Baoding in June 2018 as a wholly-owned subsidiary. The registered capital is RMB100 million.
- Note 11:* Chongqing Jinggong Motor is established by Jinggong Motor, the subsidiary of the Company, in Chongqing in July 2018 as a wholly-owned subsidiary. The registered capital is RMB50 million.
- Note 12:* Chongqing Nuobo Parts and Components is established by Nuobo Automotive, the subsidiary of the Company, in Chongqing in July 2018 as a wholly-owned subsidiary. The registered capital is RMB50 million. As at 31 December 2018, Nuobo Automotive has not made capital contribution.
- Note 13:* Time Technology is established by Tianjin Sharing Car, the subsidiary of the Company, in Tianjin in July 2018 as a wholly-owned subsidiary. The registered capital is RMB100 million.
- Note 14:* Xiong'an Oula is established by the Company in Baoding in September 2018 as a wholly-owned subsidiary. The registered capital is RMB10 million. As at 31 December 2018, the Company has not made capital contribution.
- Note 15:* Xiong'an Great Wall is established by the Company in Baoding in September 2018 as a wholly-owned subsidiary. The registered capital is RMB10 million. As at 31 December 2018, the Company has not made capital contribution.
- Note 16:* Honeycomb Power is established by Honeycomb Yichuang, the subsidiary of the Company, in Zhenjiang in August 2018 as a wholly-owned subsidiary. The registered capital is RMB100 million. As at 31 December 2018, Honeycomb Yichuang has not made capital contribution.
- Note 17:* Honeycomb Drive is established by Honeycomb Yichuang, the subsidiary of the Company, in Zhenjiang in August 2018 as a wholly-owned subsidiary. The registered capital is RMB100 million. As at 31 December 2018, Honeycomb Yichuang has not made capital contribution.
- Note 18:* Honeycomb Electric Drive is established by Honeycomb Yichuang, the subsidiary of the Company, in Zhenjiang in August 2018 as a wholly-owned subsidiary. The registered capital is RMB100 million. As at 31 December 2018, Honeycomb Yichuang has not made capital contribution.
- Note 19:* Honey Intelligent Steering is established by Honeycomb Yichuang, the subsidiary of the Company, in Zhenjiang in August 2018 as a wholly-owned subsidiary. The registered capital is RMB50 million. As at 31 December 2018, Honeycomb Yichuang has not made capital contribution.
- Note 20:* Yangzhong Jinggong Automotive is established by Jinggong Motor, the subsidiary of the Company, in Zhenjiang in August 2018 as a wholly-owned subsidiary. The registered capital is RMB50 million. As at 31 December 2018, Jinggong Motor has not made capital contribution.
- Note 21:* Chongqing Mind is established by Mind Electronics, the subsidiary of the Company, in Chongqing in December 2018 as a wholly-owned subsidiary. The registered capital is RMB50 million. As at 31 December 2018, Mind Electronics has not made capital contribution.
- Note 22:* Chongqing Haval Logistics is established by Chongqing Great Wall, the subsidiary of the Company, in Chongqing in December 2018 as a wholly-owned subsidiary. The registered capital is RMB10 million. As at 31 December 2018, Chongqing Great Wall has not made capital contribution.
- Note 23:* Chongqing Great Wall After-sales is established by Chongqing Great Wall, the subsidiary of the Company, in Chongqing in December 2018 as a wholly-owned subsidiary. The registered capital is RMB10 million. As at 31 December 2018, Chongqing Great Wall has not made capital contribution.
- Note 24:* Chongqing Weipai is established by Chongqing Great Wall, the subsidiary of the Company, in Chongqing in December 2018 as a wholly-owned subsidiary. The registered capital is RMB5 million. As at 31 December 2018, Chongqing Great Wall has not made capital contribution.

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

VIII. INTERESTS IN OTHER ENTITIES (continued)

1. Interests in subsidiaries (continued)

(1) Structure of the Group (continued)

Subsidiaries invested by the Group (continued)

Subsidiaries acquired through business combination not under common control:

Full name of subsidiaries	Legal form	Place of principal operations	Place of registration	Business nature	Proportion of shareholdings (%)	
					Direct	Indirect
Billion Sunny Development	—	Hong Kong	Hong Kong	Investment holding	—	100.00
Baoding Jiehua Automobile Components and Accessories Company Limited(保定傑華汽車零部件有限公司) ("Baoding Jiehua") (Note)	Limited liability company	Baoding	Baoding	Manufacture of automotive parts and components	100.00	—
Oula Information	Limited liability company	Baoding	Baoding	Internet Information Service	—	100.00

Note: In January 2018, the Company conducted merger by absorption of the wholly owned subsidiary Baoding Jiehua. As at 31 December 2018, the deregistration procedure of the subsidiary is in the process.

Subsidiaries acquired through business combination under common control:

Full name of subsidiaries	Legal form	Place of principal operations	Place of registration	Business nature	Proportion of shareholdings (%)	
					Direct	Indirect
Baoding Yixin	Limited liability company	Baoding	Baoding	Manufacture of automotive parts and components	100.00	—

(2) Significant non-wholly-owned subsidiary

Full name of subsidiary	Proportion of minority shareholdings (%)	Total profit or loss attributable to minority interests	Dividends attributable to minority interests	RMB
				Closing balance of Minority interests
Automotive Finance	10.00	40,325,166.74	—	163,756,409.79

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

VIII. INTERESTS IN OTHER ENTITIES (continued)

1. Interests in subsidiaries (continued)

(3) Important financial information of significant non-wholly-owned subsidiary

RMB

Full name of subsidiary	2018.12.31					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Automotive Finance	12,533,974,150.10	6,168,385,810.77	18,702,359,960.87	16,934,380,921.32	-	16,934,380,921.32

RMB

Full name of subsidiary	2017.12.31					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Automotive Finance	8,018,796,531.38	4,619,340,243.55	12,638,136,774.93	10,779,041,006.76	494,368,396.06	11,273,409,402.82

RMB

Full name of subsidiary	2018				2017			
	Operating income	Net profit	Total comprehensive income	Cash flows from operating activities	Operating income	Net profit	Total comprehensive income	Cash flows from operating activities
Automotive Finance	1,426,174,840.14	403,251,667.44	403,251,667.44	(625,521,623.25)	677,870,649.16	160,884,587.85	160,884,587.85	301,599,874.61

2. There is no transaction incurred which gives rise to changes in proportion of equity in subsidiaries while the subsidiaries are still held by the Company.

3. Interests in joint ventures or associates

There are no transactions that may result in a change in the share of owners' equity between joint ventures during this year.

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

IX. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Major financial instruments of the Group include cash and bank balances, financial assets measured at amortized cost, financial assets at fair value through other comprehensive income, financial assets at fair value through profit or loss, and other financial liabilities. Detailed descriptions of these financial instruments are set out in Note (VI). The risks associated with these financial instruments and the risk management policies adopted by the Group to mitigate such risks are set out below. The management of the Group manages and monitors such risk exposures to ensure such risks are limited to a prescribed level.

The Group applied sensitive analysis technic to analyze the reasonableness of risk variables, possible changes that may affect profit and loss or shareholders' equity. Risk variables are less likely to change isolated, whereas the correlation between variables have major effect on the changes of single risk. Thus, contents below are under the assumption that the changes of single variable are isolated.

1. Objective and policies of risk management

The objective of the risk management of the Group is to maintain an appropriate balance between risks and return so to minimize the negative effects of risks against the Group's operating results in order to maximize the benefits of shareholders. Based on such objective, the principle strategy of the Group's risk management is to identify and analyze all types of risks of the Group, establish appropriate risk tolerance thresholds, carry out risk management procedures and perform risk monitoring on all kinds of risks in a timely and reliable manner, thus controlling the risk exposures within a prescribed level.

1.1 Market risk

1.1.1 Foreign exchange risk

Foreign exchange risk represents risks of loss incurred as a result of changes in exchange rates. Foreign currency assets and liabilities which are possible to influence the business performance might be affected by foreign exchange rate. Such elements are set out as follows:

Item	2018.12.31	RMB 2017.12.31
Cash and bank balances	170,563,688.64	494,509,647.74
Held-for-trading financial assets	168,875,000.00	
Financial assets at fair value through profit or loss		317,994,432.00
Notes receivable and accounts receivable	170,480,719.74	130,889,030.76
Other receivables	—	6,692.92
Notes payable and accounts payable	(21,456,110.71)	(31,423,959.80)
Other payables	(82,683,782.26)	(252,474,204.60)
Short-term borrowings	(573,726,238.81)	—
Long-term borrowings	(1,647,805,500.00)	(423,754,500.00)

The Group pays close attention to the impact of exchange rate changes on the Group's foreign exchange risk. Except for above items, the other financial instruments of the Group are not involved in foreign exchange risk.

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

IX. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

1. Objective and policies of risk management (continued)

1.1 Market risk (continued)

1.1.1 Foreign exchange risk (continued)

Sensitivity analysis of foreign exchange risk

Holding other variables constant, the effects of potential reasonable changes in exchange rates on the profit and loss and equity interests before tax for the year are set out below:

		RMB	
		2018	
Item	Fluctuation of foreign exchange rate	Effects on profit	Effects on shareholders' interest
USD	5% strengthening against RMB	(2,807,991.48)	(2,807,991.48)
USD	5% weakening against RMB	2,807,991.48	2,807,991.48
EUR	5% strengthening against RMB	(96,639,031.92)	(96,639,031.92)
EUR	5% weakening against RMB	96,639,031.92	96,639,031.92
GBP	5% strengthening against RMB	25,607.94	25,607.94
GBP	5% weakening against RMB	(25,607.94)	(25,607.94)
JPY	5% strengthening against RMB	(454,621.54)	(454,621.54)
JPY	5% weakening against RMB	454,621.54	454,621.54
AUD	5% strengthening against RMB	8,458,251.33	8,458,251.33
AUD	5% weakening against RMB	(8,458,251.33)	(8,458,251.33)
CHF	5% strengthening against RMB	(17,594.49)	(17,594.49)
CHF	5% weakening against RMB	17,594.49	17,594.49

Note: The effects of the possible reasonable changes in the exchange rates of other foreign currencies to the profit and loss and equity interests before tax for the year are relatively insignificant.

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

IX. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

1. Objective and policies of risk management (continued)

1.1 Market risk (continued)

1.1.1 Foreign exchange risk (continued)

Sensitivity analysis of foreign exchange risk (continued)

Item	Fluctuation of foreign exchange rate	2017	
		Effects on profit	RMB Effects on shareholders' interest
USD	5% strengthening against RMB	11,113,357.23	11,113,357.23
USD	5% weakening against RMB	(11,113,357.23)	(11,113,357.23)
EUR	5% strengthening against RMB	(19,043,346.37)	(19,043,346.37)
EUR	5% weakening against RMB	19,043,346.37	19,043,346.37
GBP	5% strengthening against RMB	(47,285.47)	(47,285.47)
GBP	5% weakening against RMB	47,285.47	47,285.47
JPY	5% strengthening against RMB	(1,041,815.27)	(1,041,815.27)
JPY	5% weakening against RMB	1,041,815.27	1,041,815.27
AUD	5% strengthening against RMB	16,032,782.59	16,032,782.59
AUD	5% weakening against RMB	(16,032,782.59)	(16,032,782.59)
CHF	5% strengthening against RMB	(289,098.43)	(289,098.43)
CHF	5% weakening against RMB	289,098.43	289,098.43

Note: The effects of the possible reasonable changes in the exchange rates of other foreign currencies to the profit and loss and equity interests before tax for the year are relatively insignificant.

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

IX. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

1. Objective and policies of risk management (continued)

1.1 Market risk (continued)

1.1.2 Interest rate risk

The risk of change in cash flow of financial instruments caused by interest rate changes in the Group relates primarily to floating-rate loans and advances to customers, long-term receivables – finance leases and bank borrowings (Note (VI) 9.10 and 19). The Group aims at keeping borrowings at variable rates so as to eliminate risk of fair value change of interest.

Sensitivity analysis of interest rate risk

Sensitivity analysis of interest rate risk is based on the assumption that changes in market interest rate will affect the interest income or expense of financial instruments with floating rates.

In accordance with the assumption above, with no changes in other factors, the influence on profit and shareholders' interest before tax which caused by reasonable fluctuation of interest rate in this year is as follows:

		RMB	
		2018	
Item	Fluctuation of interest rate	Effect on profit	Effect on shareholders' interest
Loans and advances to customers	Increase of 100 basis points	116,435,952.03	116,435,952.03
Loans and advances to customers	Decrease of 100 basis points	(116,435,952.03)	(116,435,952.03)
long-term receivables – finance leases	Increase of 100 basis points	1,914,686.48	1,914,686.48
long-term receivables – finance leases	Decrease of 100 basis points	(1,914,686.48)	(1,914,686.48)
Long-term borrowings	Increase of 100 basis points	(21,578,055.00)	(21,578,055.00)
Long-term borrowings	Decrease of 100 basis points	21,578,055.00	21,578,055.00

		RMB	
		2017	
Item	Fluctuation of interest rate	Effect on profit	Effect on shareholders' interest
Loans and advances to customers	Increase of 100 basis points	77,274,622.54	77,274,622.54
Loans and advances to customers	Decrease of 100 basis points	(77,274,622.54)	(77,274,622.54)
Long-term borrowings	Increase of 100 basis points	(4,485,545.00)	(4,485,545.00)
Long-term borrowings	Decrease of 100 basis points	4,485,545.00	4,485,545.00

1.1.3 Other price risk

The Group's held-for-trading financial assets are measured at fair value at each balance sheet date. Therefore, the Group is exposed to the risks of changes in the security prices. The Group pays close attention on market changes to minimize the equity security price risks.

IX. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

1. Objective and policies of risk management (continued)

1.2 Credit risk

As at 31 December 2018, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties, including the carrying amount of the respective recognized financial assets as stated in the consolidated balance sheet. For financial instruments measured at fair value, the carrying amount reflects the exposure to risks but not the maximum exposure to risks. The maximum exposure to risks would vary according to the future changes in fair value.

The Group only trades with third-parties with good credit records, and the majority of sales are settled by receipts in advance or bank acceptance bills. In order to minimize the credit risk, the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of the financial assets at each balance sheet date to ensure that adequate expected credit loss are made for related financial assets. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced.

The Group deposits cash and cash equivalents into banks with relatively high level of credit rating, therefore, credit risk of cash and cash equivalents is low.

The Group's risk exposure across multiple contracts and customers, the Group thus there is no significant concentration of credit risk.

As at 31 December 2018, the Group's situation of credit risk and expected credit loss for the Financial assets at amortized cost, Financial assets at FVTOCI and lease receivable referring to Note (III) 9,10,11,13,14 and Note (VI)3.3, 5.3 and 9.

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

IX. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

1. Objective and policies of risk management (continued)

1.3 Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The following is the maturity analysis for financial liabilities held by the Group which is based on undiscounted remaining contractual obligations by the end of each year:

	2018.12.31			RMB
	Within 6 months	6-12 months	Over one year	Total
Short-term borrowings	(4,796,348,167.45)	(8,390,842,111.11)	—	(13,187,190,278.56)
Notes payable and accounts payable	(29,244,497,937.27)	(102,161,325.90)	(54,981,977.15)	(29,401,641,240.32)
Other payables	(1,813,565,710.54)	(1,103,131,979.07)	—	(2,916,697,689.61)
Long-term borrowings	(11,215,407.03)	(11,215,407.03)	(2,183,570,044.46)	(2,206,000,858.52)

	2017.12.31			RMB
	Within 6 months	6-12 months	Over one year	Total
Short-term borrowings	(7,866,807,573.38)	(5,529,616,800.28)	—	(13,396,424,373.66)
Notes payable and accounts payable	(31,760,075,862.60)	(81,313,009.72)	—	(31,841,388,872.32)
Other payables	(1,742,550,118.36)	(825,700,420.05)	—	(2,568,250,538.41)
Long-term borrowings	(5,311,278.94)	(53,942,372.69)	(437,734,024.86)	(496,987,676.49)

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

X. FAIR VALUE

1. Fair value at the end of the year of assets and liabilities measured at fair value

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation techniques and inputs used).

Item	Notes	Fair value		RMB Fair value level
		2018.12.31	2017.12.31	
I. Continuous fair value measurement		—	—	
1. Financial assets at fair value through profit or loss		—	—	
Held-for trading financial assets- Equity instruments	(VI), 2	168,875,000.00	317,994,432.00	Level 1
Held-for trading financial assets- wealth management products	(VI), 2	3,008,768,131.30	—	Level 2
2. Financial assets carried at fair value through other comprehensive income		—	—	
Other current assets-notes receivable	(VI), 8	31,883,667,949.34	—	Level 2
Other equity instruments	(VI), 11	7,700,000.00	—	Level 3

2. The basis of market prices determined on level 1 of the fair value hierarchy

The financial assets at fair value through profit or loss held by the Group on 31 December 2018 and 31 December 2017 are measured at level 1 of the fair value hierarchy, and the market price is determined based on the value of the open market stocks.

3. Qualitative and quantitative information of valuation techniques and key inputs on level 2 of the fair value hierarchy

For held-for trading financial assets – wealth management products held by the Group on 31 December 2018, cash flow discount is adopted for valuation techniques of fair values, and the inputs are contract-linked observable inputs, expected return rate agreed in the contract, and the discount rate, etc.

For other current assets – notes receivable held by the Group on 31 December 2018, cash flow discount is adopted for valuation techniques of fair values, and the inputs include future cash flows and discount rate, etc.

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

X. FAIR VALUE (continued)

4. Qualitative and quantitative information of valuation techniques and key inputs on level 3 of the fair value hierarchy

For other equity instrument held by the Group on 31 December 2018, recent transactions approach and asset-based approach are adopted for valuation techniques and main input value for the price of comparable transactions, etc.

5. Fair value of financial assets and financial liabilities which are not measured at fair value

The management of the Group considers that the carrying amounts of financial assets and financial liabilities measured at amortized costs in the financial statements as at 31 December 2018 approximate to their fair values.

XI. RELATED PARTIES AND TRANSACTIONS

1. Parent company of the Company

Name of company	Place of registration	Nature of business	Registered capital	Shareholding in the Company (%)	Voting rights in the Company (%)
Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司)	Baoding	Investment	5,000,000,000.00	56.04	56.04

The ultimate controlling shareholder of the Company is Wei Jian Jun.

2. Subsidiaries of the Company

Details of the subsidiaries of the Company are set out in Note (VIII).

3. Joint ventures of the Company

There is no joint venture of the Company.

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

XI. RELATED PARTIES AND TRANSACTIONS (continued)

4. Other related parties of the Company

Name	Relationship with the Company
Baoding Great Wall Holding Group Co., Ltd. (originally Baoding Wangsheng Investment Co., Ltd.)(保定市長城控股集團有限公司) (原保定市旺盛投資有限公司)	Company indirectly controlled by ultimate controlling shareholder
Baoding Great Wall Real Estate Development and Construction Group Co., Ltd. (保定市長城房地產開發建設集團有限公司)	Company indirectly controlled by ultimate controlling shareholder
Bochuang Urban Development Company Limited(博創城市建設開發有限公司)	Company indirectly controlled by ultimate controlling shareholder
Baoding Bochuang Property Service Co., Ltd.(保定市博創物業服務有限公司)	Company indirectly controlled by ultimate controlling shareholder
Baoding Zhong Tie Flower-plant Co., Ltd.(保定中鐵苗木花卉有限公司)	Company indirectly controlled by ultimate controlling shareholder
Baoding Clean Heat Supplying Co., Ltd.(保定科林供熱有限公司)	Company indirectly controlled by ultimate controlling shareholder
Baoding Tai Hang Pump Manufacturing Company Limited (保定市太行製泵有限公司)	Company indirectly controlled by ultimate controlling shareholder
Baoding Furui Landscape Co., Ltd.(保定市富瑞園林有限公司)	Company indirectly controlled by ultimate controlling shareholder
Baoding Great Wall Venture and Investment Co., Ltd. (保定市長城創業投資有限公司)	Company indirectly controlled by ultimate controlling shareholder
Baoding Bochuang Park Construction and Development Co., Ltd. (保定博創園區建設發展有限公司)	Company indirectly controlled by ultimate controlling shareholder
Baoding Bochuang Public Facilities Management Co., Ltd. (保定博創公共設施管理有限公司)	Company indirectly controlled by ultimate controlling shareholder
Baoding Wan Wei Municipal Engineering Co., Ltd. (保定市萬維市政工程有限公司)	Company indirectly controlled by ultimate controlling shareholder
Baoding Boya Decoration Engineering Co., Ltd.(保定市博雅裝飾工程有限公司)	Company indirectly controlled by ultimate controlling shareholder
Baoding Clean Engineering Testing Co., Ltd.(保定科林工程檢測有限公司)	Company indirectly controlled by ultimate controlling shareholder
Baoding Great Wall Kindergarten in Lianchi District (originally Baoding Great Wall Kindergarten) (保定市蓮池區長城幼兒園(原保定市長城幼兒園))	Company indirectly controlled by ultimate controlling shareholder
Honeycomb Energy (蜂巢能源)	Company indirectly controlled by ultimate controlling shareholder
Baoding Ruimao Enterprise Management Consulting Co. Ltd. (保定市瑞茂企業管理諮詢有限公司)	Company indirectly controlled by ultimate controlling shareholder
Baoding Great Wall School in Lianchi District (originally Baoding Great Wall School) (保定市蓮池區長城學校(原保定市長城學校))	Private non-enterprise organization indirectly controlled by ultimate controlling shareholder
Hebei Baoding Tai Hang Group Company Limited (河北保定太行集團有限責任公司)	Company directly controlled by related person
Baoding Tai Hang Steel Structure Construction Company Limited (保定太行鋼結構工程有限公司)	Company indirectly controlled by controlling shareholder
Hebei Baocang Expressway Co. Ltd.(河北保滄高速公路有限公司)	Ultimate controlling shareholder serving as director of the company
Zhang Wen Hui	Key management executives
Zhao Guo Qing	Key management executives
Yu Wei Na	Key management executives
Xu Hui	Key management executives
Han Xue Juan	Direct relative of ultimate controlling shareholder
Wei Zi Han	Direct relative of ultimate controlling shareholder
Lingtu Auto Co., Ltd. (originally Hebei Yogomo Auto Industry Co., Ltd. (領途汽車有限公司)(原河北御捷車業有限公司)	The Company held 25% of its equity
Yogomo Times Automotive Co., Ltd.(河北御捷時代汽車有限公司)	Subsidiary of Yogomo Times Automotive Co., Ltd.
Tianjin Binhai Rural Commercial Bank Co., Ltd. (天津濱海農村商業銀行股份有限公司)	Minority shareholder of significant non-wholly owned subsidiaries

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

XI. RELATED PARTIES AND TRANSACTIONS (continued)

5. Related party transactions

(1) Procurement of raw materials and accessories

Related parties	Related party transaction	RMB	
		2018	2017
Hebei Baoding Tai Hang Group Company Limited	Purchase of raw materials	—	9,743.59
Baoding Clean Heat Supplying Co. Ltd.	Purchase of steam	109,261,026.08	126,234,662.09
Baoding Zhong Tie Flower-plant Co., Ltd.	Purchase of other materials	3,600.00	420.00
Bochuang Urban Development Company Limited	Purchase of raw materials	5,793.11	—
Honeycomb Energy	Purchase of raw materials	38,326,011.65	—

(2) Sales of automobiles and components and parts of automobiles

Related parties	Related party transaction	RMB	
		2018	2017
Han Xue Juan	Sales of automobiles	205,025.86	41,025.64
Wei Zi Han	Sales of automobiles	205,025.86	41,025.64
Bochuang Urban Development Company Limited	Sales of automobiles	199,896.55	—
Honeycomb Energy	Sales of components and parts of automobiles	28,735.19	—

(3) Purchase of fixed assets

Related parties	Related party transaction	RMB	
		2018	2017
Hebei Baoding Tai Hang Group Company Limited	Purchase of fixed assets	1,233,850.00	25,299.15
Baoding Furui Landscape Co., Ltd.	Purchase of fixed assets	2,460,598.82	1,816,913.28
Baoding Tai Hang Steel Structure Construction Company Limited	Purchase of fixed assets	48,265.95	5,616,245.90

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

XI. RELATED PARTIES AND TRANSACTIONS (continued)

5. Related party transactions (continued)

(4) Sales of fixed assets

Related parties	Related party transaction	RMB	
		2018	2017
Baoding Furui Landscape Co., Ltd.	Sales of fixed assets	41,777.78	219,914.54
Bochuang Urban Development Company Limited	Sales of fixed assets	124,137.93	13,269.23
Honeycomb Energy	Sales of fixed assets	47,700,778.57	—
Zhao Guoqing	Sales of fixed assets	67,586.21	—
Xu Hui	Sales of fixed assets	—	92,307.69

(5) Purchase of services

Related parties	Related party transaction	RMB	
		2018	2017
Baoding Furui Landscape Co., Ltd.	Purchase of services	6,648,698.20	195,929.73
Baoding Clean Heat Supplying Co., Ltd.	Purchase of services	2,077,130.46	1,599,120.16
Baoding Great Wall School in Lianchi District (originally Baoding Great Wall School)	Purchase of services	5,000.00	5,000.00
Baoding Bochuang Public Facilities Management Co., Ltd.	Purchase of services	535,793.51	—
Baoding Great Wall Real Estate Development and Construction Group Co., Ltd.	Purchase of services	406,400.00	—
Baoding Bochuang Property Service Co., Ltd.	Purchase of services	—	363,837.00
Bochuang Urban Development Company Limited	Purchase of services	—	5,389,163.42

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

XI. RELATED PARTIES AND TRANSACTIONS (continued)

5. Related party transactions (continued)

(6) Rendering of services

Related parties	Related party transaction	RMB	
		2018	2017
Bochuang Urban Development Company Limited	Rendering of services	11,037.74	12,820.75
Hebei Baocang Expressway Co. Ltd.	Rendering of services	60,130.30	19,008.56
Baoding Innovation Great Wall Assets Management Co., Ltd.	Rendering of services	212.26	212.26
Baoding Bochuang Property Service Co., Ltd.	Rendering of services	2,037.74	1,528.30
Baoding Great Wall Real Estate Development and Construction Co., Ltd.	Rendering of services	169.81	212.26
Baoding Great Wall Venture and Investment Co., Ltd.	Rendering of services	212.26	212.26
Baoding Furui Landscape Co., Ltd.	Rendering of services	3,349.34	2,632.08
Baoding Great Wall Holding Group Co., Ltd. (originally Baoding Wangsheng Investment Co., Ltd.)	Rendering of services	254.72	212.26
Baoding Wan Wei Municipal Engineering Co., Ltd.	Rendering of services	2,122.64	2,971.70
Baoding Great Wall Kindergarten in Lianchi District (originally Baoding Great Wall Kindergarten)	Rendering of services	—	2,674.53
Baoding Bochuang Park Construction and Development Co., Ltd.	Rendering of services	5,765.71	2,504.72
Baoding Great Wall School in Lianchi District (originally Baoding Great Wall School)	Rendering of services	5,858.49	2,929.25
Lingtu Auto Co., Ltd. (Originally Hebei Yogomo Auto Industry Co., Ltd.)	Rendering of services	331,133.50	94,027.02
Yogomo Times Automotive Co., Ltd.	Rendering of services	—	720.72
Hebei Baoding Tai Hang Group Company Limited	Rendering of services	3,333.96	—
Baoding Clean Heat Supplying Co., Ltd.	Rendering of services	11,613.20	—
Baoding Clean Engineering Testing Co., Ltd.	Rendering of services	3,844.34	—
Baoding Boya Decoration Engineering Co., Ltd.	Rendering of services	297.17	—
Honeycomb Energy	Rendering of services	2,890,227.38	—

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

XI. RELATED PARTIES AND TRANSACTIONS (continued)

5. Related party transactions (continued)

(7) Rental income and others

Related parties	Related party transaction	RMB	
		2018	2017
Baoding Great Wall Venture and Investment Co., Ltd.	Rental income	10,603.64	10,508.10
Baoding Clean Heat Supplying Co., Ltd.	Rental income	30,769.24	20,512.83
Bochuang Urban Development Company Limited	Rental income and others	—	288,524.31
Baoding Great Wall School in Lianchi District (originally Baoding Great Wall School)	Heating income	551,813.72	483,841.28
Zhang Wen Hui	Rental income	—	5,240.24
Zhao Guo Qing	Rental income	10,041.83	14,244.96
Xu Hui	Rental income	25,000.00	19,979.90
Yu Wei Na	Rental income	6,172.75	11,396.04
Honeycomb Energy	Sales of patented technology, etc.	164,352,930.59	—

(8) Rental expenses and others

Related parties	Related party transaction	RMB	
		2018	2017
Bochuang Urban Development Company Limited	Rental expenses and others	6,026,824.97	—
Baoding Bo Chuang Property Service Co., Ltd.	Property management fee	516,472.00	—
Hebei Baoding Tai Hang Group Company Limited	Material fee	800.00	—
Baoding Wan Wei Municipal Engineering Co., Ltd.	Expenditure for purchase of office supplies	1,900.00	—
Tianjin Binhai Rural Commercial Bank Co., Ltd.	Repayment of loan and interest	588,076,003.47	—

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

XI. RELATED PARTIES AND TRANSACTIONS (continued)

5. Related party transactions (continued)

(9) Borrowings from related parties

Related parties	Borrowings amount	Inception date	RMB
			Maturity date
Tianjin Binhai Rural Commercial Bank Co., Ltd.	800,000,000.00	18/10/2018	18/10/2019
Tianjin Binhai Rural Commercial Bank Co., Ltd.	700,000,000.00	25/10/2018	25/10/2019

(10) Emolument for key management

Item	2018	RMB'000 2017
	Emolument for key management	28,088

Key management are the individuals who are authorized and responsible for planning, supervision and control of corporate activities, including directors, general manager, chief financial officer, deputy general managers, and other administration officers.

(11) In this year the Company transferred the 100% equity of its subsidiary Honeycomb Energy to Baoding Ruimao Enterprise Management Consulting Co., LTD., a related party, at RMB790,000,000.00.

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

XI. RELATED PARTIES AND TRANSACTIONS (continued)

6. Amounts due from/due to related parties

Item	Related parties	RMB	
		2018.12.31	2017.12.31
Accounts receivable	Lingtu Auto Co., Ltd. (Originally Hebei Yogomo Auto Industry Co., Ltd.)	343,000.00	104,370.00
Accounts receivable	Yogomo Times Automotive Co., Ltd.	—	800.00
Accounts receivable	Hebei Baocang Expressway Co. Ltd.	9,423.55	—
Accounts receivable	Honeycomb Energy	1,815,345.22	—
Accounts receivable	Baoding Clean Heat Supplying Co., Ltd.	23,794.88	—
Subtotal of accounts receivable		2,191,563.65	105,170.00
Other receivables	Bochuang Urban Development Company Limited	2,075,800.00	1,475,800.00
Subtotal of other receivables		2,075,800.00	1,475,800.00
Notes payable	Baoding Clean Heat Supplying Co., Ltd.	—	228,371.15
Subtotal of notes payable		—	228,371.15
Accounts payable	Hebei Baoding Tai Hang Group Company Limited	132,007.80	132,007.80
Accounts payable	Baoding Clean Heat Supplying Co., Ltd.	495,075.00	24,768,033.22
Accounts payable	Bochuang Urban Development Company Limited	5,793.11	—
Accounts payable	Honeycomb Energy	42,683,945.31	—
Subtotal of accounts payable		43,316,821.22	24,900,041.02
Other payables	Baoding Tai Hang Steel Structure Construction Company Limited	—	48,265.95
Other payables	Baoding Tai Hang Pump Manufacturing Company Limited	1,000.00	1,000.00
Other payables	Baoding Furui Landscape Co., Ltd.	2,633,731.70	499,500.46
Other payables	Hebei Baoding Tai Hang Group Company Limited	—	8,000.00
Other payables	Zhao Guo Qing	—	80,409.24
Other payables	Yu Wei Na	—	21,718.97
Subtotal of other payables		2,634,731.70	658,894.62
Receipts in advance	Zhao Guo Qing	—	8,309.72
Receipts in advance	Yu Wei Na	5,982.91	1,899.25
Receipts in advance	Honeycomb Energy	5,880,000.00	—
Subtotal of receipts in advance		5,885,982.91	10,208.97
Prepayments	Baoding Furui Landscape Co., Ltd.	12,865.00	92,535.73
Prepayments	Tianjin Binhai Rural Commercial Bank Co., Ltd.	25,003.02	—
Subtotal of prepayments:		37,868.02	92,535.73
Bank balances	Tianjin Binhai Rural Commercial Bank Co., Ltd.	683,926.23	—
Subtotal of bank balances		683,926.23	—

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

XII. COMMITMENTS

1. Significant Commitments

(1) Capital commitments

	2018.12.31	<i>RMB'000</i> 2017.12.31
Contracted for but not provided	4,108,444	5,795,607

(2) Operating lease commitments

As at balance sheet date, the Group's commitments under non-cancellable operating leases are as follows:

	2018.12.31	<i>RMB'000</i> 2017.12.31
Minimum lease payments under non — cancellable operating leases:		
In the first year from the balance sheet date	20,209	16,263
In the second year from the balance sheet date	14,293	13,958
In the third year from the balance sheet date	10,162	12,272
Subsequent years	21,098	29,847
Total	65,762	72,340

XIII. OTHER SIGNIFICANT EVENTS

1. Segment reporting

The Group is mainly engaged in the manufacture and sales of automobiles and automotive parts and components in the PRC, and the majority of its assets are located in the PRC. The management determined the reporting segments according to the organization structure, management requirements and internal reporting system of the Group for the purposes of resource allocation and performance evaluation. As the resource allocation and performance evaluation of the Group are carried out based on the overall operation of the production and sales of automobiles and automotive parts and components, the Group has only one business segment for internal reporting purpose.

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

XIII. OTHER SIGNIFICANT EVENTS (continued)

1. Segment reporting (continued)

Revenue from external customers by location of revenue sources:

Item	2018	RMB 2017
Revenue from external customers in China	95,915,540,820.51	98,644,672,330.24
Northeast China	5,781,462,830.73	7,217,428,582.29
Northern China	15,276,864,416.10	15,305,963,906.29
Eastern China	26,550,640,837.36	28,277,467,116.96
Central China	25,833,709,672.42	26,283,852,133.47
Northwest China	7,080,990,540.95	6,870,335,043.80
Southwest China	15,391,872,522.95	14,689,625,547.43
Revenue from external customers in other countries	3,314,446,381.69	2,524,816,497.62
South Africa	741,188,254.78	316,813,151.88
Ecuador	496,898,610.48	446,936,779.78
Chile	400,096,185.90	389,938,633.73
Russia	398,144,414.21	380,669,001.85
Iran	166,770,153.40	6,508,973.41
Australilia	146,752,518.32	171,413,674.84
Peru	138,910,325.34	185,236,029.85
Malaysia	104,844,409.17	80,232,359.16
New Zealand	94,280,691.00	41,393,329.20
Uruguay	91,519,972.09	33,236,603.11
Saudi Arabia	84,478,711.76	16,096,470.65
Iraq	75,313,116.67	32,195,063.24
Bolivia	54,497,878.08	67,631,278.79
Other overseas countries	320,751,140.49	356,515,148.13
Total	99,229,987,202.20	101,169,488,827.86

The segment reports mainly disclose the Group's non-current assets, including fixed assets and investment properties, both of which are located in PRC.

The Group is not dependent on one or a few of major customers.

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

XIV. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY

1. Cash and bank balances

Item	2018.12.31	<i>RMB</i> 2017.12.31
Cash:		
RMB	213,570.80	296,374.69
GBP	13,996.62	14,162.78
HKD	7,497.99	9,028.16
USD	3,533.59	3,318.46
JPY	1,869.54	1,848.61
SGD	1,556.93	1,518.64
RUB	56.49	64.98
KRW	43.51	43.44
THB	27.43	25.97
Bank balances:		
RMB	11,193,581,348.06	8,532,259,851.06
USD	34,840,770.91	79,106,136.78
EUR	6,039,765.55	5,969,471.93
GBP	561,324.89	11.41
JPY	287,655.05	1,098,370.03
AUD	286,394.73	2,661,219.01
HKD	54,382.97	20,825.65
CHF	—	424.98
Other cash and bank balances:		
RMB	379,050,715.25	512,613,619.38
Total	11,614,944,510.31	9,134,056,315.96
Including: overseas cash and bank balances	—	—

As at 31 December 2018, the Company had restricted cash and bank balances of RMB379,050,715.25, in which security and margin deposits for bank acceptance bills amounted to RMB372,128,503.84, and other guarantees amounted to RMB6,922,211.41.

As at 31 December 2017, the Company had restricted cash and bank balances of RMB512,613,619.38, in which security and margin deposits for bank acceptance bills amounted to RMB508,662,671.46, guarantee on letter of credit amounted to RMB1,250,947.92, and other guarantees amounted to RMB2,700,000.00.

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

XIV. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY (continued)

2. Notes receivable and accounts receivable

2.1 Classification

Category	2018.12.31	RMB
		2017.12.31
Notes receivable	—	48,761,099,726.21
Accounts receivable	9,983,638,409.35	1,258,275,245.19
Total	9,983,638,409.35	50,019,374,971.40

2.2 Notes receivable

(1) Notes receivable categories:

Category	RMB
	2017.12.31
Bank acceptance bills	48,758,934,146.81
Commercial acceptance bills	2,165,579.40
Total	48,761,099,726.21

(2) Pledged notes receivable as at the end of the year:

Category	RMB
	2017.12.31
Bank acceptance bills	7,653,487,556.18
Total	7,653,487,556.18

Note: The Company pledged the notes receivable for the issuance of notes payable and the short-term borrowings.

(3) Bills endorsed and discounted by the Company to other parties but yet undue by the end of the year are as follows:

Category	RMB
	2017.12.31
Bank acceptance bills	14,766,679,654.79
Total	14,766,679,654.79

The above bills which were endorsed and discounted but yet undue have been derecognized.

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

XIV. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY (continued)

2. Notes receivable and accounts receivable (continued)

2.3 Accounts receivable

(1) Aging analysis of accounts receivable are as follows:

Aging	2018.12.31				2017.12.31				RMB
	Carrying amount	Ratio (%)	Provision for bad debts	Book value	Carrying amount	Ratio (%)	Provision for bad debts	Book value	
Within 1 year	9,867,543,648.28	95.26	(40,726,645.21)	9,826,817,003.07	1,267,733,809.82	79.42	(19,736,285.71)	1,247,997,524.11	
1 to 2 years	154,937,935.46	1.50	—	154,937,935.46	314,940.26	0.02	—	314,940.26	
2 to 3 years	314,940.26	—	—	314,940.26	328,110,283.40	20.56	(318,147,502.58)	9,962,780.82	
Over 3 years	335,734,907.42	3.24	(334,166,376.86)	1,568,530.56	—	—	—	—	
Total	10,358,531,431.42	100.00	(374,893,022.07)	9,983,638,409.35	1,596,159,033.48	100.00	(337,883,788.29)	1,258,275,245.19	

The analysis of aging of accounts receivable is based on the time of revenue recognition.

(2) Provisions for bad debts are as follows:

Category	2018.12.31					2017.12.31					RMB
	Carrying amount		Provision for bad debt			Carrying amount		Provision for bad debt			Book value
	Amount	Ratio (%)	Amount	Provision ratio (%)	Book value	Amount	Ratio (%)	Amount	Provision ratio (%)	Book value	
Provision for bad debts made according to the portfolio	10,358,531,431.42	100.00	(374,893,022.07)	3.62	9,983,638,409.35	1,596,159,033.48	100.00	(337,883,788.29)	21.17	1,258,275,245.19	
Total	10,358,531,431.42	100.00	(374,893,022.07)		9,983,638,409.35	1,596,159,033.48	100.00	(337,883,788.29)		1,258,275,245.19	

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

XIV. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY (continued)

2. Notes receivable and accounts receivable (continued)

2.3 Accounts receivable (continued)

(3) Provision, collection or reversal of bad debts during the reporting year:

Provision for bad debts amounted to RMB43,968,801.84; amount arising from collection or reversal of bad debts amounted to RMB6,959,568.06.

(4) The Company did not write off accounts receivable during the reporting year.

(5) Top five entities with the largest balances of accounts receivable:

Name of unit	Closing balance	Proportion of the amount to the total accounts receivable (%)	RMB
			Amount of provision for bad debts at end of the year
Unit 1	2,429,033,502.64	23.45	—
Unit 2	1,154,109,077.80	11.14	—
Unit 3	702,573,443.60	6.78	—
Unit 4	641,643,243.30	6.19	—
Unit 5	484,465,897.84	4.68	—
Total	5,411,825,165.18	52.24	—

3. Other receivables

3.1 Classification

Category	2018.12.31	RMB
		2017.12.31
Interest receivable	145,581,547.72	92,022,313.91
Dividend receivable	13,211,499.87	—
Other receivables	824,495,828.77	384,121,491.21
Total	983,288,876.36	476,143,805.12

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

XIV. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY (continued)

3. Other receivables (continued)

3.2 Other receivables

(1) Aging analysis of other receivables are as follows:

Aging	2018.12.31				2017.12.31			
	Amount	Ratio (%)	Provision for bad debts	Book value	Amount	Ratio (%)	Provision for bad debts	Book value
Within 1 year	525,220,303.10	63.27	(208,088.00)	525,012,215.10	359,884,403.94	91.97	(22,476.00)	359,861,927.94
1 to 2 years	287,089,158.67	34.58	—	287,089,158.67	17,298,309.39	4.42	(5,418,354.12)	11,879,955.27
2 to 3 years	5,691,473.59	0.69	(5,397,354.12)	294,119.47	1,657,943.05	0.42	(6,470.82)	1,651,472.23
Over 3 years	12,100,335.53	1.46	—	12,100,335.53	12,472,275.77	3.19	(1,744,140.00)	10,728,135.77
Total	830,101,270.89	100.00	(5,605,442.12)	824,495,828.77	391,312,932.15	100.00	(7,191,440.94)	384,121,491.21

RMB

(2) Other receivables disclosed by nature are as follows:

Nature of other receivables	2018.12.31	2017.12.31
	Proceeds from transfer of land	206,310,216.00
Deposits	33,632,296.98	24,750,044.86
Petty cash	16,087,949.04	16,656,065.64
Others	574,070,808.87	349,906,821.65
Total	830,101,270.89	391,312,932.15

RMB

(3) Provisions for bad debts are as follows:

Provision for bad debts	The first stage	The second stage	The third stage	Total
	Expected credit losses over the next 12 months	Expected credit loss over the duration (no credit impairment)	Expected credit loss over the duration (credit impairment has occurred)	
2018.1.1	—	(22,476.00)	(7,168,964.94)	(7,191,440.94)
Carrying amount of other receivables at 1 January 2018 for the year				
Provision for the year	—	(38,250.00)	—	(38,250.00)
Reversal for the year	—	22,476.00	27,470.82	49,946.82
Written off for the year	—	—	1,744,140.00	1,744,140.00
Other movements	—	—	(169,838.00)	(169,838.00)
2018.12.31	—	(38,250.00)	(5,567,192.12)	(5,605,442.12)

RMB

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

XIV. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY (continued)

3. Other receivables (continued)

3.2 Other receivables (continued)

(4) *Provision, collection or reversal of bad debts during the reporting year:*

Provision for bad debts amounted to RMB38,250.00. Merger by absorption transferred to bad debts provision amounted to RMB169,838.00. Amount arising from collection or reversal of bad debts amounted to RMB49,946.82.

(5) *Other receivables amounted to RMB1,744,140.00 have been written off during the reporting year.*

(6) *Top five entities with the largest balances of other receivables:*

Name of unit	Nature of other receivables	Amount	Aging	Percentage of the total other receivables (%)	RMB
					Closing balance of provision of bad debts
Unit 1	Current payments within the Group	357,979,384.60	1 to 2 year	43.12	—
Unit 2	Proceeds from transfer of land	206,310,216.00	Within 1 year	24.85	—
Unit 3	Advance payment	33,485,623.62	Within 1 year	4.03	—
Unit 4	Advance payment	25,092,132.69	Within 1 year	3.02	—
Unit 5	Advance payment	24,321,134.33	Within 1 year	2.93	—
Total		647,188,491.24		77.95	

The Company has no other receivables related to government grants.

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

XIV. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY (continued)

4. Inventories

(1) Inventory categories

Item	RMB		
	Carrying amount	2018.12.31 Provision for decline in value of inventories	Book value
Raw materials	1,349,149,364.13	(40,869,581.02)	1,308,279,783.11
Work-in-progress	586,065,943.88	(2,829,205.29)	583,236,738.59
Finished goods	1,128,952,245.52	(24,864,641.96)	1,104,087,603.56
Low-valued and short-lived consumables	300,816,246.34	(6,491.40)	300,809,754.94
Total	3,364,983,799.87	(68,569,919.67)	3,296,413,880.20

Item	RMB		
	Carrying amount	2017.12.31 Provision for decline in value of inventories	Book value
Raw materials	1,523,527,345.10	(66,930,828.92)	1,456,596,516.18
Work-in-progress	873,637,387.24	(2,868,511.72)	870,768,875.52
Finished goods	1,350,142,696.78	(10,637,320.20)	1,339,505,376.58
Low-valued and short-lived consumables	267,325,978.86	(25,184.26)	267,300,794.60
Total	4,014,633,407.98	(80,461,845.10)	3,934,171,562.88

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

XIV. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY (continued)

4. Inventories (continued)

(2) Provision for decline in value of inventories

Inventory categories	2018.1.1	Provision for the year	Decrease for the year		RMB
			Reversals	Written-off	2018.12.31
Raw materials	66,930,828.92	12,529,608.03	(20,059.92)	(38,570,796.01)	40,869,581.02
Work-in-progress	2,868,511.72	4,269,222.87	—	(4,308,529.30)	2,829,205.29
Finished goods	10,637,320.20	60,957,871.22	(140,264.03)	(46,590,285.43)	24,864,641.96
Low-valued and short-lived consumables	25,184.26	—	(18,692.86)	—	6,491.40
Total	80,461,845.10	77,756,702.12	(179,016.81)	(89,469,610.74)	68,569,919.67

(3) Analysis of provision for decline in value of inventories

Item	Basis of provision for decline in value of inventories	Reasons for reversal or written-off of provision for decline in value of inventories during the year	Percentage of the reversal to the closing balance of such inventory during the year (%)
Raw materials	Note 1	Note 2	—
Work-in-progress	Note 1	Note 2	—
Finished goods	Note 1	Note 2	0.01
Low-valued and short-lived consumables	—	Note 2	0.01

Descriptions of inventories:

Note 1: As the estimated net realizable value of some vehicle products was lower than the inventory cost as at the end of the year, provision for decline in value of inventories had been made for raw materials, work-in-process and finished goods correspondingly.

Note 2: As the estimated net realizable value of raw materials, finished goods, and low-valued and short-lived consumables was higher than the inventory cost as at the end of the reporting period, the provision for decline in value of inventories for the previous year has been reversed. In addition, as the inventories for which provision for decline in value has been made in the previous year was sold during the year, the provision for decline in value of inventories has been written off.

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

XIV. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY (continued)

5. Other current assets

Category	RMB	
	2018.12.31	2017.12.31
Notes receivable	31,541,372,945.94	
Other current assets	1,358,901,149.65	184,564,259.52
Total	32,900,274,095.59	184,564,259.52

(1) Notes receivable

Notes receivable categories:

Category	RMB	
	2018.12.31	
Bank acceptances	31,541,372,945.94	
Commercial acceptances	—	
Total	31,541,372,945.94	

Pledged notes receivable as at the end of the year:

Category	RMB	
	2018.12.31	
Bank acceptances	5,659,195,109.85	
Total	5,659,195,109.85	

Note: The Company pledged the notes receivable for the issuance of notes payable and the short-term borrowings.

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

XIV. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY (continued)

5. Other current assets (continued)

(1) Notes receivable (continued)

Bills endorsed and discounted by the Company to other parties but yet undue by the end of the year are as follows:

Category	RMB
	2018.12.31
Bank acceptances	17,425,770,974.44
Total	17,425,770,974.44

The above bills which were endorsed and discounted but yet undue have been derecognized.

(2) Other current assets

The breakdown of other current assets is as follows:

Category	RMB	
	2018.12.31	2017.12.31
Paint for vehicles	3,852,766.38	3,985,488.60
Taxes to be deducted	36,734,783.29	73,970,557.94
Mould (Note)	45,747,213.31	71,271,439.91
Advertising fee	5,415,550.00	283,018.86
Prepayment of enterprise income tax	61,993,649.24	25,359,288.42
Wealth management products	1,200,000,000.00	–
Others	5,157,187.43	9,694,465.79
Total	1,358,901,149.65	184,564,259.52

Note 1: The estimated usage time is less than one year.

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

XIV. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY (continued)

6. Long-term equity investments

The breakdown of long-term equity investments is as follows:

Item	2018.12.31			2017.12.31		
	Carrying amount	Impairment provision	Book value	Carrying amount	Impairment provision	Book value
Investment in subsidiary	5,828,792,010.05	—	5,828,792,010.05	5,273,861,404.26	—	5,273,861,404.26
Total	5,828,792,010.05	—	5,828,792,010.05	5,273,861,404.26	—	5,273,861,404.26

RMB

The breakdown of investments in subsidiaries is as follows:

Investee	2018.1.1	Addition	Reduction	2018.12.31	Provision for impairment for the year	Closing balance of provision for bad debt
Great Wall Huabei	268,092,310.00	—	—	268,092,310.00	—	—
Great Wall Vehicle Axles (Note 1)	65,335,714.49	—	(65,335,714.49)	—	—	—
Baoding Nuobo	72,240,000.00	—	—	72,240,000.00	—	—
Beijing Great	12,539,100.00	—	—	12,539,100.00	—	—
Baoding Great	23,000,000.00	—	—	23,000,000.00	—	—
Great Wall Customer Service	34,850,000.00	—	—	34,850,000.00	—	—
Tide Technology and Trade	257,353,665.00	—	—	257,353,665.00	—	—
Mind electronics (Note 2)	118,017,800.00	157,300,000.00	—	275,317,800.00	—	—
Baoding Yixin (Note 3)	9,750,000.00	18,753,900.00	—	28,503,900.00	—	—
Great Wall Ants	86,000,000.00	—	—	86,000,000.00	—	—
Tianjin Boxin (Note 1)	1,891,553,510.28	—	(1,891,553,510.28)	—	—	—
Ningxia Leasing	20,000,000.00	—	—	20,000,000.00	—	—
Great Wall Resource Recycling (Note 4)	50,000,000.00	—	(40,000,000.00)	10,000,000.00	—	—
Exquisite Mould	5,000,000.00	—	—	5,000,000.00	—	—
Haval Rental (Note 5)	25,000,000.00	—	(25,000,000.00)	—	—	—
Great Wall Sales	8,000,000.00	—	—	8,000,000.00	—	—
Automotive Finance	1,080,000,000.00	—	—	1,080,000,000.00	—	—
Shanghai Haval	1,500,000.00	—	—	1,500,000.00	—	—
Haval Auto Sales (Note 1)	5,000,000.00	—	(5,000,000.00)	—	—	—
Rizhao Weiyi	255,000,000.00	—	—	255,000,000.00	—	—
Baoding Jiehua (Note 1)	40,811,761.79	—	(40,811,761.79)	—	—	—
Haval South Africa	25,912,080.00	—	—	25,912,080.00	—	—
Haval Logistics	50,000,000.00	—	—	50,000,000.00	—	—
Russia Manufacturing (Note 6)	489,000,000.00	109,779,117.10	—	598,779,117.10	—	—
Haval Insurance Brokers (Note 7)	50,000,000.00	—	(50,000,000.00)	—	—	—
Scrap Car Recycling & Dismantling	5,000,000.00	—	—	5,000,000.00	—	—

RMB

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

XIV. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY (continued)

6. Long-term equity investments (continued)

The breakdown of long-term equity investments is as follows: (continued)

Investee	2018.1.1	Addition	Reduction	2018.12.31	RMB	
					Provision for impairment for the year	Closing balance of provision for bad debt
Haval Australia	43,773,250.00	—	—	43,773,250.00	—	—
Europe Technical Center	33,428,802.00	—	—	33,428,802.00	—	—
India R&D	28,082,810.70	—	—	28,082,810.70	—	—
Shenzhen Great Wall Sales	50,000,000.00	—	—	50,000,000.00	—	—
American HAVAL	169,620,600.00	—	—	169,620,600.00	—	—
Tianjin Lean (Note 8)	—	112,500,000.00	—	112,500,000.00	—	—
Guangzhou Great Wall Sales (Note 9)	—	34,500.00	—	34,500.00	—	—
Tianjin Sharing Car (Note 10)	—	464,180,000.00	—	464,180,000.00	—	—
Tianjin Oula (Note 11)	—	127,500,000.00	—	127,500,000.00	—	—
Honeycomb Energy (Note 12)	—	790,000,000.00	(790,000,000.00)	—	—	—
Xiamen Great Wall Sales (Note 13)	—	33,000.00	—	33,000.00	—	—
Haval Financial Leasing (Note 14)	—	127,500,000.00	—	127,500,000.00	—	—
Jingong Motor (Note 15)	—	618,818,602.86	—	618,818,602.86	—	—
Nuobo Automotive (Note 16)	—	908,992,472.39	—	908,992,472.39	—	—
Honeycomb Yichuang (Note 17)	—	20,870,000.00	—	20,870,000.00	—	—
Chongqing Auto Parts (Note 18)	—	6,370,000.00	—	6,370,000.00	—	—
Total	5,273,861,404.26	3,462,631,592.35	(2,907,700,986.56)	5,828,792,010.05	—	—

Note 1 In January 2018, the Company merged its wholly-owned subsidiaries Great Wall Vehicle Axles, Tianjin Boxin, Haval Auto Sales and Baoding Jiehua.

Note 2 In October, November and December 2018, the Company continued to contribute capital amounting to RMB157.30 million to Mind Electronics.

Note 3 In November 2018, the Company acquired 25% equity of Baoding Yixin held by Billion Sunny Development, the subsidiary of the Company, using RMB18.75 million. After completing the acquisition, the Company directly holds 100% equity of Baoding Yixin.

Note 4 In February 2018, the Company reduced the capital of Great Wall Resource Recycling, the wholly-owned subsidiary. After completing the capital reduction, the registered capital of Great Wall Resource Recycling changed from RMB50 million into RMB10 million.

Note 5 In July 2018, 100% equity of Haval Rental held by the Company was transferred to Tianjin Sharing Car, the subsidiary of the Company.

Note 6 In February, April and July 2018, the Company increased the capital amounting to RMB109.78 million to Russia Manufacturing using equipment. After capital increase, the share-holding proportion of Russia Manufacturing by the Company changed to 50.50%, and the share-holding proportion of Tide Technology and Trade, the subsidiary of the Company, changed to 49.50%.

Note 7 In December 2018, Haval Insurance Brokers, the subsidiary of the Company, deregistered.

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

XIV. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY (continued)

6. Long-term equity investments (continued)

The breakdown of long-term equity investments is as follows: *(continued)*

Note 8 In January 2018, the Company merged Tianjin Boxin by absorbing 75% equity of Tianjin Lean originally held by Tianjin Boxin is transferred to the Company. After completing the transaction, the Company and Billion Sunny Development, the subsidiary of the Company, holds 75% and 25% equity of Tianjin Lean respectively.

Note 9 In January 2018, the Company injected capital amounting to RMB34.5 thousand into Guangzhou Great Wall Sales.

Note 10 In June, August, October and December 2018, the Company contributed capital amounting to RMB464.18 million to Tianjin Sharing Car.

Note 11 In January 2018, the Company and its subsidiary, Billion Sunny Development, invested and established Tianjin Oula with a registered capital of RMB170 million. The Company directly holds 75% of its equity and the subsidiary, Billion Sunny Development, holds 25% of its equity.

Note 12 In February 2018, the Company invested and established Honeycomb Energy with a registered capital of RMB1,000 million, and the Company directly held 100% of its equity; in October 2018, the Company transferred the 100% equity of its subsidiary Honeycomb Energy to Baoding Ruimao Enterprise Management Consulting Co., Ltd. After completing the equity transfer, the Company will no longer be a shareholder of Honeycomb Energy.

Note 13 In January 2018, the Company injected capital amounting to RMB33 thousand to Xiamen Great Wall Sales.

Note 14 In July, November and December 2018, the Company contributed capital amounting to RMB127.50 million to Haval Financial Leasing.

Note 15 In June 2018, the Company invested and established Jinggong Motor with registered capital of RMB1,000 million, and the Company directly holds 100% of its equity; from July to December 2018, the Company contributed capital amounting to RMB618.82 million to Jinggong Motor, including capital contribution as cash amounting to RMB435.98 million and capital contribution as equipment amounting to RMB182.84 million.

Note 16 In June 2018, the Company invested and established Nuobo Automotive with registered capital of RMB1,000 million, and the Company directly held 100% of its equity; from July to December 2018, the Company contributed capital amounting to RMB908.99 million to Nuobo Automotive, including capital contribution as cash amounting to RMB700 million and capital contribution as equipment amounting to RMB208.99 million.

Note 17 In June 2018, the Company invested and established Honeycomb Yichuang with registered capital of RMB1,000 million, and the Company directly holds 100% of its equity; from October to November 2018, the Company contributed capital amounting to RMB20.87 million to Honeycomb Yichuang.

Note 18 In January 2018, the Company invested and established Chongqing Parts and Components with registered capital of RMB30 million, and the Company directly holds 100% of its equity; in October, November and December 2018, the Company contributed capital amounting to RMB6.37 million to Chongqing Parts and Components.

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

XIV. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY (continued)

7. Investment properties

The investment properties measured at cost:

Item	Buildings	Land use right	<i>RMB</i> Total
I. Original carrying amount			
1 January 2018	89,267,530.79	17,619,408.20	106,886,938.99
Additions for the year	64,217,165.36	—	64,217,165.36
(1) Transfer from construction in progress	22,164,754.07	—	22,164,754.07
(2) Acquisition	101,461.52	—	101,461.52
(3) Transfer from fixed assets	41,950,949.77	—	41,950,949.77
31 December 2018	153,484,696.15	17,619,408.20	171,104,104.35
II. Accumulated amortization and depreciation			
1 January 2018	6,320,127.64	1,558,452.59	7,878,580.23
Additions for the year	7,747,376.11	350,869.41	8,098,245.52
(1) Provision or amortization	4,587,587.00	350,869.41	4,938,456.41
(2) Transfer from fixed assets	3,159,789.11	—	3,159,789.11
31 December 2018	14,067,503.75	1,909,322.00	15,976,825.75
III. Book value			
31 December 2018	139,417,192.40	15,710,086.20	155,127,278.60
1 January 2018	82,947,403.15	16,060,955.61	99,008,358.76

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

XIV. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY (continued)

8. Fixed assets

Description of fixed assets:

Item	RMB				
	Buildings and structures	Machinery and equipment	Motor vehicles	Electronic equipment and others	Total
I. Original carrying amount					
1 January 2018	11,220,813,097.66	19,866,038,073.99	166,718,523.77	6,112,010,689.23	37,365,580,384.65
Additions for the year	1,331,277,384.71	3,762,297,901.06	8,273,661.89	1,067,645,477.93	6,169,494,425.59
1. Purchase	120,932,041.30	366,028,101.34	2,424,003.20	107,372,606.41	596,756,752.25
2. Transfer from construction in progress	529,468,899.21	3,021,353,918.72	5,118,308.61	878,094,681.01	4,434,035,807.55
3. Transfer from merger by absorbing	680,876,444.20	374,915,881.00	731,350.08	82,178,190.51	1,138,701,865.79
Deductions for the year	(63,491,137.70)	(5,156,382,201.97)	(32,144,897.80)	(2,351,740,064.56)	(7,603,758,302.03)
1. Disposal and scrap	(7,987,948.57)	(3,696,874,373.56)	(31,193,656.77)	(2,073,878,223.49)	(5,809,934,202.39)
2. Decrease for transferring to construction in progress	(13,552,239.36)	(1,057,864,276.61)	(415,384.62)	(7,421,274.36)	(1,079,253,174.95)
3. Transfer to investment properties	(41,950,949.77)	—	—	—	(41,950,949.77)
4. Investments transferred out	—	(398,241,623.83)	(535,856.41)	(266,146,354.51)	(664,923,834.75)
5. Other transfer-out	—	(3,401,927.97)	—	(4,294,212.20)	(7,696,140.17)
31 December 2018	12,488,599,344.67	18,471,953,773.08	142,847,287.86	4,827,916,102.60	35,931,316,508.21
II. Accumulated depreciation					
1 January 2018	1,619,990,353.05	6,685,690,967.47	77,043,119.49	2,802,090,465.86	11,184,814,905.87
Additions for the year	616,020,746.57	2,034,032,093.57	25,474,974.83	940,281,276.14	3,615,809,091.11
1. Provision for the year	441,053,245.14	1,910,581,926.98	25,224,929.07	895,889,090.80	3,272,749,191.99
2. Increase from merger by absorbing	174,967,501.43	123,450,166.59	250,045.76	44,392,185.34	343,059,899.12
Deductions for the year	(15,562,031.22)	(1,974,546,269.38)	(15,973,770.92)	(1,071,722,670.65)	(3,077,804,742.17)
1. Disposal and scrap	(2,973,501.99)	(1,414,958,929.35)	(15,360,408.11)	(894,467,012.11)	(2,327,759,851.56)
2. Decrease for transferring to construction in progress	(9,428,740.12)	(348,513,618.41)	(123,317.30)	(4,272,336.54)	(362,338,012.37)
3. Transfer to investment properties	(3,159,789.11)	—	—	—	(3,159,789.11)
4. Investments transferred out	—	(208,993,012.57)	(490,045.51)	(171,058,579.26)	(380,541,637.34)
5. Other transfer out	—	(2,080,709.05)	—	(1,924,742.74)	(4,005,451.79)
31 December 2018	2,220,449,068.40	6,745,176,791.66	86,544,323.40	2,670,649,071.35	11,722,819,254.81
III. Provision for impairment					
1 January 2018	136,268.33	51,186,051.47	37,680.75	113,079,800.94	164,439,801.49
Additions for the year	—	19,253,120.79	42,105.00	53,654,536.92	72,949,762.71
1. Provision for the year	—	16,046,594.94	42,105.00	51,097,254.41	67,185,954.35
2. Increase from merger by absorbing	—	3,206,525.85	—	2,557,282.51	5,763,808.36
Deductions for the year	—	(8,810,780.26)	(42,105.00)	(51,533,455.94)	(60,386,341.20)
1. Disposal and scrap	—	(7,755,710.67)	(42,105.00)	(42,172,135.07)	(49,969,950.74)
2. Decrease for transferring to construction in progress	—	(33,747.53)	—	(53,493.81)	(87,241.34)
3. Investments transferred out	—	(657,463.99)	—	(7,217,946.61)	(7,875,410.60)
4. Other transfer-out	—	(363,858.07)	—	(2,089,880.45)	(2,453,738.52)
31 December 2018	136,268.33	61,628,392.00	37,680.75	115,200,881.92	177,003,223.00
IV. Book value					
31 December 2018	10,268,014,007.94	11,665,148,589.42	56,265,283.71	2,042,066,149.33	24,031,494,030.40
1 January 2018	9,600,686,476.28	13,129,161,055.05	89,637,723.53	3,196,840,422.43	26,016,325,677.29

As at 31 December 2018, among the fixed assets, the net book value of properties without title certificates amounted to RMB759,629,271.71 (As at 31 December 2017: RMB3,888,475,045.49).

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

XIV. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY (continued)

9. Construction in progress

(1) The breakdown of construction in progress is as follows:

Project	2018.12.31			2017.12.31		
	Carrying amount	Impairment provision	Net book value	Carrying amount	Impairment provision	Net book value
Tianjin automotive project	33,612,446.02	(131,527.46)	33,480,918.56	60,030,666.90	(131,527.46)	59,899,139.44
Tianjin parts and components project	28,777,770.87	(4,909,701.08)	23,868,069.79	104,886,199.26	(34,074.03)	104,852,125.23
Industrial park phase I. II. III reconstruction and expansion	144,996,467.12	—	144,996,467.12	151,875,434.71	(1,788,431.95)	150,087,002.76
New technology center	96,496,659.31	—	96,496,659.31	162,172,618.20	—	162,172,618.20
Other R & D projects	104,855,891.70	—	104,855,891.70	69,580,893.95	—	69,580,893.95
Xushui automotive project	256,405,104.17	—	256,405,104.17	453,299,582.90	—	453,299,582.90
Xushui parts and components project	480,949,728.16	(853,830.79)	480,095,897.37	2,224,260,049.85	—	2,224,260,049.85
Xushui supporting infrastructure project	136,362,506.19	—	136,362,506.19	149,981,488.25	—	149,981,488.25
Project with annual production of 400,000 axles and brakes	14,240.99	—	14,240.99	—	—	—
Others	168,893,387.66	(122,171.38)	168,771,216.28	324,747,118.82	(624,799.69)	324,122,319.13
Total	1,451,364,202.19	(6,017,230.71)	1,445,346,971.48	3,700,834,052.84	(2,578,833.13)	3,698,255,219.71

RMB

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

XIV. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY (continued)

9. Construction in progress (continued)

(2) Changes of major construction in progress

Project name	Budget amount	2018.1.1	Additions	Increase from merger by absorbing	Transfer to fixed assets	Other Deductions (Note)	Investment to budget (%)	Accumulated capitalized interest amount	Including: capitalized interest amount	Ratio of capitalized interest amount (%)	Sources of fund	RMB
												2018.12.31
Tianjin automotive project	5,473,943,191.00	60,030,666.90	131,022,489.28	—	(155,700,826.29)	(1,739,883.87)	97.69	—	—	—	Self-owned	33,612,446.02
Tianjin parts and components project	3,263,460,935.00	104,886,199.26	59,926,964.87	17,277,200.07	(140,002,628.30)	(13,309,965.03)	90.10	—	—	—	Self-owned	28,777,770.87
Industrial park phase I. II. III reconstruction and expansion	1,282,001,216.00	151,875,434.71	224,560,515.54	—	(178,429,019.44)	(53,010,463.69)	87.84	—	—	—	Self-owned	144,996,467.12
New technology center	1,727,202,349.00	162,172,618.20	571,988.94	—	(61,787,131.28)	(4,460,816.55)	97.56	—	—	—	Self-owned	96,496,659.31
Other R & D projects	636,590,818.20	69,580,893.95	221,216,960.37	—	(185,727,951.93)	(214,010.69)	47.54	—	—	—	Self-owned	104,855,891.70
Xushui automotive project	10,896,610,844.00	453,299,582.90	218,409,022.79	—	(414,155,283.87)	(1,148,217.65)	90.82	—	—	—	Self-owned	256,405,104.17
Xushui parts and components project	10,014,634,096.00	2,224,260,049.85	1,364,311,225.67	—	(2,890,604,741.17)	(217,016,806.19)	83.22	—	—	—	Self-owned	480,949,728.16
Xushui supporting infrastructure project	193,250,000.00	149,981,488.25	27,621,926.62	—	—	(41,240,908.68)	70.56	—	—	—	Self-owned	136,362,506.19
Project with annual production of 400,000 axles and brakes	578,352,366.14	—	—	14,240.99	—	—	100.00	—	—	—	Raising and self-owned	14,240.99
Others	1,933,591,359.98	324,747,118.82	399,967,118.29	—	(407,628,225.27)	(148,192,624.18)	88.19	—	—	—	Self-owned	168,893,387.66
Total	35,999,637,175.32	3,700,834,052.84	2,647,608,212.37	17,291,441.06	(4,434,035,807.55)	(480,333,696.53)						1,451,364,202.19

Note: The decrease of RMB74,367,877.89 in construction in progress is transferred into intangible assets, and the decrease of RMB22,164,754.07 in construction in progress is transferred into investment properties.

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

XIV. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY (continued)

9. Construction in progress (continued)

(3) Impairment provision of construction in progress provided for the year

RMB		
Project	Amount provided for the year	Reason for provision
Tianjin parts and components project	4,648,043.06	Vehicle model discontinued.
Xushui parts and components project	853,830.79	Project suspended. Production process changed.
Total	5,501,873.85	

10. Intangible assets

Intangible assets:

RMB				
Item	Land use right	Software and others	Non-patent technology	Total
I. Original book value				
1 January 2018	3,285,697,575.46	164,700,960.41	—	3,450,398,535.87
Additions for the year	104,389,555.01	92,569,763.70	319,827,580.41	516,786,899.12
1. Purchase	—	8,468,366.69	—	8,468,366.69
2. Transfer from construction in progress	—	74,367,877.89	—	74,367,877.89
3. Internal R&D	—	—	319,827,580.41	319,827,580.41
4. Increase from merger by absorbing	104,389,555.01	9,733,519.12	—	114,123,074.13
Deductions for the year	(195,153,669.86)	(22,015,364.68)	(42,590,800.65)	(259,759,835.19)
1. Disposal	(182,946,764.86)	(22,015,364.68)	(42,590,800.65)	(247,552,930.19)
2. Other transfer-out	(12,206,905.00)	—	—	(12,206,905.00)
31 December 2018	3,194,933,460.61	235,255,359.43	277,236,779.76	3,707,425,599.80
II. Accumulated amortization				
1 January 2018	375,957,276.52	79,054,569.26	—	455,011,845.78
Additions for the year	86,043,517.66	21,661,387.13	88,603,175.70	196,308,080.49
1. Provision for the year	68,306,001.58	19,459,405.28	88,603,175.70	176,368,582.56
2. Increase from merger by absorbing	17,737,516.08	2,190,230.87	—	19,927,746.95
3. Purchase from internal entities within the Group	—	11,750.98	—	11,750.98
Deductions for the year	(10,485,729.51)	(5,031,061.82)	—	(15,516,791.33)
1. Disposal	(10,485,729.51)	(5,031,061.82)	—	(15,516,791.33)
2. Other transfer-out	—	—	—	—
31 December 2018	451,515,064.67	95,684,894.57	88,603,175.70	635,803,134.94
III. Book value				
31 December 2018	2,743,418,395.94	139,570,464.86	188,633,604.06	3,071,622,464.86
1 January 2018	2,909,740,298.94	85,646,391.15	—	2,995,386,690.09

At the end of the year, intangible assets formed from internal R&D accounted for 6.14% of the balance of the intangible assets.

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

XIV. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY (continued)

10. Intangible assets (continued)

Intangible assets: (continued)

Prepaid lease payment (land use right) analysis by location and aging is as follows:

Item	RMB	
	2018.12.31	2017.12.31
Located in mainland China — 50 years	2,743,418,395.94	2,909,740,298.94

11. Development expenditure

Project	2018.1.1	Additions for the year	Deductions for the year		2018.12.31
			Recognized as intangible assets	Transfer into profit or loss	
Auto development project	—	1,945,436,088.38	(319,827,580.41)	—	1,625,608,507.97

12. Short-term borrowings

Item	RMB	
	2018.12.31	2017.12.31
Pledged loans (Note)	2,002,439,020.83	4,100,000,000.00
Credit loans	1,001,329,166.67	4,999,900,000.00
Total	3,003,768,187.50	9,099,900,000.00

Note: Loans pledged at the end of the year are loans made by the Company to pledge bank acceptances.

13. Notes payable and accounts payable

Category	RMB	
	2018.12.31	2017.12.31
Notes payable	3,966,231,319.00	3,856,869,008.99
Accounts payable	28,057,262,893.83	30,380,110,620.64
Total	32,023,494,212.83	34,236,979,629.63

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

XIV. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY (continued)

13. Notes payable and accounts payable (continued)

(1) Notes payable

Category	RMB	
	2018.12.31	2017.12.31
Bank acceptances	3,809,557,390.79	3,539,526,819.67
Commercial acceptances	156,673,928.21	317,342,189.32
Total	3,966,231,319.00	3,856,869,008.99

(2) Accounts payable

Accounts payable is listed as follows:

Item	RMB	
	2018.12.31	2017.12.31
Within 1 year	28,000,400,217.90	30,349,504,135.52
1 to 2 years	37,631,077.59	18,653,294.80
2 to 3 years	10,891,046.20	7,178,135.81
Over 3 years	8,340,552.14	4,775,054.51
Total	28,057,262,893.83	30,380,110,620.64

The aging analysis of accounts payable is based on the time of purchasing materials, goods or receiving services.

Accounts payable aged over one year with significant amounts:

Item	RMB	
	2018.12.31	Reason for outstanding or transfer
Supplier 1	14,445,735.58	Payment terms have not been reached
Supplier 2	4,072,580.86	Payment terms have not been reached
Supplier 3	3,278,289.37	Payment terms have not been reached
Total	21,796,605.81	

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

XIV. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY (continued)

14. Contract liability

Item	RMB 2018.12.31
Advances from customers	3,572,293,873.68
Maintenance and service fee	529,206,594.40
Total	4,101,500,468.08

15. Capital reserve

Item	Opening balance	Additions	Deductions	Closing balance
2018:				
Capital premiums	1,462,470,849.89	—	—	1,462,470,849.89
Other capital reserves	1,716,455.88	—	(5,434,120.19)	(3,717,664.31)
Including: Transfer from capital reserves under the previous standards	(2,933,126.78)	—	—	(2,933,126.78)
Translation differences of foreign capital	—	—	—	—
Reserve for revaluation gain of assets	—	—	—	—
Other (Note)	4,649,582.66	—	(5,434,120.19)	(784,537.53)
Total	1,464,187,305.77	—	(5,434,120.19)	1,458,753,185.58
2017:				
Capital premiums	1,462,470,849.89	—	—	1,462,470,849.89
Other capital reserves	1,716,455.88	—	—	1,716,455.88
Including: Transfer from capital reserves under the previous standards	(2,933,126.78)	—	—	(2,933,126.78)
Translation differences of foreign capital	—	—	—	—
Reserve for revaluation gain of assets	—	—	—	—
Other	4,649,582.66	—	—	4,649,582.66
Total	1,464,187,305.77	—	—	1,464,187,305.77

Note: Other changes are mainly generated from merging the wholly-owned subsidiary Great Wall Vehicle Axles.

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

XIV. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY (continued)

16. Undistributed profits

Item	Amount	Proportion of appropriation or allocation
<i>RMB</i>		
2018:		
Undistributed profits at the beginning of the year	31,852,682,607.51	
Add: Net profits	4,372,641,563.21	
Others	556,216,555.61	(3)
Less: Appropriation of statutory surplus reserve	(437,264,156.33)	(1)
Distribution of cash dividends	(1,551,635,730.00)	(2)
Undistributed profits at the end of the year	34,792,640,840.00	
2017:		
Undistributed profits at the beginning of the year	31,035,039,846.07	
Add: Net profits	4,457,985,457.16	
Less: Appropriation of statutory surplus reserves	(445,798,545.72)	(1)
Distribution of cash dividends	(3,194,544,150.00)	
Undistributed profits at the end of the year	31,852,682,607.51	

(1) Appropriation to statutory surplus reserve

According to the Articles of Association, the company is required to transfer 10% of its net profit to the statutory surplus reserve. The transfer can be ceased if the balance of the statutory surplus reserve has reached 50% of the company's registered capital. Under the Articles of Associations and relevant company regulations, some statutory surplus reserve can transfer to share capital of the Company, while the remaining statutory reserves shall be no less than 25% of the registered capital.

(2) Cash dividends approved by the shareholders' meeting in this year

On 14 May 2018, the 2017 shareholders' meeting approved *Proposal on Profit Distribution of 2017*, which allows the Company to distribute cash dividends of RMB0.17 (inclusive of tax) per share, amounting to RMB1,551,635,730.00 in total, based on total shares of 9,127,269,000 shares with par value of RMB1 per share.

(3) In January 2018, the Company merged its wholly-owned subsidiaries Great Wall Vehicle Axles, Tianjin Boxin, Haval Auto Sales and Baoding Jiehua, and transferred the undistributed profits realized during the year from the date of establishment or acquisition of those subsidiaries to the date of merger into undistributed profits of the Company.

(4) The Distribution of profits determined after the balance sheet date

According to the proposal of the board of directors, the Company intends to pay a cash dividend of RMB2,646,908,010.00 to shareholders in 2018 based on the total shares of 9,127,269,000 (par value of RMB1 per share), that is, RMB0.29 tax included) of cash dividend per share. The above dividend distribution plan has yet to be approved by the meeting of shareholders.

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

XIV. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY (continued)

17. Operating income and operating costs

(1) Operating income

Item	2018	RMB 2017
Principal operating income	96,710,028,022.06	93,814,649,595.57
Including: Income from the sales of automobiles	90,497,917,874.23	90,487,057,540.09
Income from the sales of automotive parts and components	4,356,150,904.57	2,838,928,710.91
Income from the sales of moulds and others	313,442,924.50	291,891,984.08
Income from rendering of services	1,542,516,318.76	196,771,360.49
Other operating income	2,057,567,214.71	879,419,188.64
Total	98,767,595,236.77	94,694,068,784.21

(2) Operating costs

Item	2018	RMB 2017
Principal operating costs	84,250,262,231.07	80,689,280,439.09
Including: Costs of sales of automobiles	79,839,600,698.37	78,472,389,254.68
Costs of sales of automotive parts and components	2,785,920,969.43	1,891,577,374.33
Costs of sales of moulds and others	247,673,772.76	184,759,651.57
Costs of rendering services	1,377,066,790.51	140,554,158.51
Other operating costs	1,646,594,294.53	738,080,416.99
Total	85,896,856,525.60	81,427,360,856.08

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

XIV. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY (continued)

18. Taxes and levies

Item	2018	RMB 2017
Consumption tax	2,731,204,848.43	3,050,491,220.73
Urban maintenances and construction tax	314,731,702.86	302,380,595.95
Education surcharges	276,853,607.36	258,719,215.95
Stamp duty	85,039,523.00	58,181,318.99
Land use tax	45,576,123.51	46,164,296.78
Real estate tax	66,365,439.26	56,564,122.54
Water resource tax	1,898,143.41	2,570,284.83
Vehicle and vessel use tax	206,577.18	207,493.68
Others	12,892,391.57	14,348,817.22
Total	3,534,768,356.58	3,789,627,366.67

19. Selling expenses

Item	2018	RMB 2017
Transportation expenses	1,007,676,617.45	381,752,381.56
After-sale services expenses	363,264,172.07	1,350,402,279.30
Wages and salaries	249,296,894.80	127,046,599.89
Advertising and media services fees	1,637,870,343.69	441,284,220.37
Port charges	26,498,471.71	15,906,641.41
Travelling expenses	28,933,081.23	19,876,478.48
Others	206,024,251.27	93,627,167.54
Total	3,519,563,832.22	2,429,895,768.55

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

XIV. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY (continued)

20. Administrative expenses

Item	2018	RMB 2017
Wages and salaries	770,602,233.75	773,776,543.68
Depreciation and amortization	133,063,204.82	177,505,963.94
Business reception fees	12,811,747.85	9,418,418.85
Office expenses	53,776,677.84	48,231,780.11
Repair and maintenance fees	203,838,288.69	190,368,738.36
Auditors' remuneration	2,525,523.53	3,134,511.48
Service charges	32,463,514.40	36,908,191.60
Others	130,636,234.17	103,038,719.99
Total	1,339,717,425.05	1,342,382,868.01

21. Financial expenses

Item	2018	RMB 2017
Interest expense from borrowings	454,413,945.57	173,871,577.58
Interest income from bank deposits	(373,783,822.49)	(148,486,176.08)
Interest income from performance bond	(1,025,378,584.90)	—
Foreign currency translation differences	(12,878,560.77)	19,896,543.56
Expenses of discount on bills	44,986,378.19	47,598,140.37
Long-term receivables discount	—	(108,272,196.02)
Others	11,632,724.20	8,411,903.37
Total	(901,007,920.20)	(6,980,207.22)

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

XIV. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY (continued)

22. Impairment losses on assets

Item	RMB	
	2018	2017
Loss on bad debts	—	(10,910,105.94)
Loss on decline in value of inventories	77,577,685.31	179,228,081.48
Impairment provision of fixed assets	67,185,954.35	37,358,646.51
Loss on impairment of construction in progress	5,501,873.85	668,229.80
Total	150,265,513.51	206,344,851.85

23. Impairment losses on credit

Item	RMB	
	2018	
Accounts receivable	37,009,233.78	
Other receivables	(11,696.82)	
Total	36,997,536.96	

24. Investment income

Breakdown:

Item	RMB	
	2018	2017
Income from wealth management products	190,245,405.08	122,081,528.04
Income from long-term equity investment accounted for using the cost method	752,604,307.97	1,979,557,394.20
Loss from the disposal of long-term equity investments	(16,283,174.60)	—
Total	926,566,538.45	2,101,638,922.24

There are no significant restrictions on remittance of investment income of the Company.

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

XIV. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY (continued)

25. Income tax expenses

Item	2018	RMB 2017
Current tax expenses	362,573,758.87	231,416,728.71
Deferred tax expenses	185,828,211.91	31,413,809.16
Total	548,401,970.78	262,830,537.87

Reconciliation of income tax expenses to accounting profits is as follows:

Item	2018	RMB 2017
Total profit	4,921,043,533.99	4,720,815,995.03
Income tax rate	15%	15%
Income tax expenses calculated at tax rate of 15%	738,156,530.10	708,122,399.25
Change of opening balance of deferred tax asset/ deferred tax liabilities resulted from tax rate adjustment	5,565,914.22	—
Effect of additional deduction for research and development costs	(98,013,126.63)	(171,772,018.82)
Effect of additional deduction for disabled staff wages	(849,214.86)	(1,511,613.64)
Tax effect of non-taxable income	(113,224,174.00)	(297,744,412.28)
Tax effect of non-deductible expenses	16,766,041.95	25,736,183.36
Total	548,401,970.78	262,830,537.87

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

XIV. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY (continued)

26. Supplementary information of cash flow statements

(1) Supplementary information of cash flow statements

Supplementary information	2018	RMB 2017
1. Reconciliation of net profits to cash flow from operating activities:		
Net profits	4,372,641,563.21	4,457,985,457.16
Add: Impairment provision for assets	150,265,513.51	206,344,851.85
Impairment provision for credit	36,997,536.96	
Depreciation of fixed assets	3,272,749,191.99	2,891,328,241.27
Amortization of intangible assets	176,368,582.56	77,304,600.24
Amortization of long-term prepaid expenses	21,079,668.37	10,028,356.82
Depreciation and amortization of investment properties	4,938,456.41	3,979,748.16
Gains from changes in fair value	(8,768,131.30)	-
Losses on disposal of fixed assets, intangible assets and other long-term assets (Less: Gains)	(68,999,990.61)	5,964,617.85
Amortization of deferred income	(84,628,389.40)	(97,805,415.06)
Financial expense	459,895,258.61	169,334,725.40
Investment gains	(926,566,538.45)	(2,101,638,922.24)
Decrease in deferred tax assets (Less: Increase)	69,598,991.36	31,413,809.16
Decrease in inventories (Less: Increase)	1,713,467,944.69	(1,639,030,783.35)
Decrease in operating receivables (Less: Increase)	16,925,934,004.13	(10,352,240,524.49)
Increase in operating payables (Less: Decrease)	(7,309,204,815.20)	7,219,414,348.03
Net cash flows from operating activities	18,805,768,846.84	882,383,110.80
2. Net change in cash and cash equivalents:		
Cash balance at the end of the year	11,235,893,795.06	8,621,442,696.58
Less: Cash balance at the beginning of the year	8,621,442,696.58	3,623,217,685.00
Add: Closing balance of cash equivalents	-	-
Less: Opening balance of cash equivalents	-	-
Net increase in cash and cash equivalents	2,614,451,098.48	4,998,225,011.58

(2) Components of cash and cash equivalents

Item	2018	RMB 2017
I. Cash	11,235,893,795.06	8,621,442,696.58
Including: Cash on hand	242,152.90	326,385.73
Bank deposits ready to be withdrawn on demand	11,235,651,642.16	8,621,116,310.85
Other cash and bank balances ready to be withdrawn on demand	-	-
II. Closing balance of cash and cash equivalents	11,235,893,795.06	8,621,442,696.58

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

XIV. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY (continued)

27. Related party transactions

(1) Procurement of raw materials and accessories

Related parties	Related party transaction	2018	RMB 2017
Subsidiaries of the Company	Purchase of raw materials	7,364,004,577.35	3,866,421,894.04
Other related parties of the Company	Purchase of raw materials and steam	144,957,793.40	123,794,435.12

(2) Sales of automobiles and components and parts of automobiles

Related parties	Related party transaction	2018	RMB 2017
Subsidiaries of the Company	Sales of automobiles or components and parts of automobiles	25,377,383,844.73	73,068,834,371.47
Other related parties of the Company	Sales of automobiles	614,762.59	82,051.28

(3) Purchase of fixed assets and construction in progress

Related parties	Related party transaction	2018	RMB 2017
Subsidiaries of the Company	Purchase of fixed assets and construction in progress	6,706,436.12	35,915,612.00
Other related parties of the Company	Purchase of fixed assets and construction in progress	3,742,714.77	7,458,458.33

(4) Sales of fixed assets and intangible assets

Related parties	Related party transaction	2018	RMB 2017
Subsidiaries of the Company	Sales of fixed assets and intangible assets	4,577,549,844.59	17,819,832.38
Other related parties of the Company	Sales of fixed assets and intangible assets	47,866,694.28	233,183.77

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

XIV. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY (continued)

27. Related party transactions (continued)

(5) Purchase of services

Related parties	Related party transaction	2018	RMB 2017
Subsidiaries of the Company	Purchase of services	570,056,932.98	767,818,023.53
Other related parties of the Company	Purchase of services	9,664,980.63	7,189,213.31

(6) Rendering of services

Related parties	Related party transaction	2018	RMB 2017
Subsidiaries of the Company	Rendering of services	782,700,191.47	233,146,316.56
Other related parties of the Company	Rendering of services	1,352,612.31	28,910.37

(7) Claims income and others

Related parties	Related party transaction	2018	RMB 2017
Subsidiaries of the Company	Claims income and others	16,793,825.29	(96,571,675.96)
Other related parties of the Company	Claims income and others	158,928,987.35	408,108.59

(8) Guarantee

Warrantee	Relationship with the Company	Type of guarantee	Maximum guaranteed amount	Actual balance of loan borrowed by warrantee
Tide Technology and Trade	Subsidiary of the Company	Maximum guaranteed	USD110,000,000.00	EUR73,111,291.63
Billion Sunny Development	Subsidiary of the Company	Maximum guaranteed	USD80,000,000.00	USD40,000,000.00
Billion Sunny Development	Subsidiary of the Company	Maximum guaranteed	EUR230,000,000.00	EUR175,000,000.00

(9) Emolument of key management

Item	2018	RMB'000 2017
Emolument of key management	26,513	22,717

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

XIV. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY (continued)

28. Receivables and payables of related parties

Item	Related parties	RMB	
		2018.12.31	2017.12.31
Accounts receivable	Subsidiary of the Company	8,138,745,460.87	526,521,528.00
Accounts receivable	Other related party of the Company	346,954.41	—
Subtotal of accounts receivable:		8,139,092,415.28	526,521,528.00
Other receivables	Subsidiary of the Company	512,279,490.64	288,439,931.25
Other receivables	Other related party of the Company	2,075,800.00	1,475,800.00
Subtotal of other receivables:		514,355,290.64	289,915,731.25
Prepayments	Subsidiary of the Company	39,183,434.73	10,620,366.77
Prepayments	Other related party of the Company	12,865.00	92,535.73
Subtotal of prepayments:		39,196,299.73	10,712,902.50
Notes receivable	Subsidiary of the Company	3,132,703.38	970,142.70
Subtotal of notes receivable		3,132,703.38	970,142.70
Dividends receivable	Subsidiary of the Company	13,211,499.87	—
Subtotal of dividends receivable:		13,211,499.87	—
Accounts payable	Subsidiary of the Company	6,518,892,746.51	3,536,069,213.92
Accounts payable	Other related party of the Company	42,815,953.11	23,995,361.02
Subtotal of accounts payable:		6,561,708,699.62	3,560,064,574.94
Other payables	Subsidiary of the Company	1,732,254,031.34	71,676,664.38
Other payables	Other related party of the Company	2,634,731.70	556,766.41
Subtotal of other payables:		1,734,888,763.04	72,233,430.79
Receipts in advance	Subsidiary of the Company	1,497,576,537.57	3,857,033,614.16
Subtotal of receipts in advance:		1,497,576,537.57	3,857,033,614.16

Notes to the Financial Statements

For the year from 1 January to 31 December 2018

XIV. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY (continued)

28. Receivables and payables of related parties (continued)

Item	Related parties	RMB	
		2018.12.31	2017.12.31
Notes payable	Subsidiary of the Company	81,979,408.59	280,633,040.97
Notes payable	Other related party of the Company	—	228,371.15
Subtotal of notes payable:		81,979,408.59	280,861,412.12
Interest receivable	Subsidiary of the Company	145,581,547.72	92,022,313.91
Subtotal of interest receivable:		145,581,547.72	92,022,313.91
Construction in progress	Subsidiary of the Company	53,085.05	—
Subtotal of construction in progress:		53,085.05	—
Bank balances	Other related party of the Company	566,162.91	—
Subtotal of bank balances		566,162.91	—

Supplementary information

For the year from 1 January to 31 December 2018

1. BREAKDOWN OF NON-RECURRING GAINS AND LOSSES

Item	2018	RMB 2017
Gains or losses from disposal of non-current assets	57,976,477.13	(3,808,085.14)
Government grants accounted for in profit and loss account of the current year (except for government grants closely related to the corporate business that were given under at a fixed standard amount or quantity as stipulated by the State)	322,488,351.22	439,093,687.35
Gains from disposal of long-term equity investments, and investment gains from disposal of wealth management products	219,270,174.59	124,224,830.95
Losses (gains) arising from changes in fair value	(140,351,300.70)	175,396,032.00
Interest income from performance bond	1,025,378,584.90	—
Non-operating gains and losses other than the above items	98,351,583.15	105,976,484.20
Effect of income tax	(263,854,453.41)	(111,501,675.25)
Effect of minority interests (net of tax)	(717,579.32)	(280,190.33)
Total	1,318,541,837.56	729,101,083.78

The non-recurring gains and losses of the Group was recognized in accordance with the relevant requirements of the *Compilation Rules for Information Disclosures by Companies that Offer Securities to the Public (No. 09) – Initial Public Offering and Listing Documents* and *Explanatory Notice for Information Disclosures by Companies that Offer Securities to the Public (No. 01) – Non-recurring Gains and Losses (2008)*.

Supplementary information

For the year from 1 January to 31 December 2018

2. RETURN ON NET ASSETS AND EARNINGS PER SHARE

This calculation of return on net assets and earnings per share was prepared by the Group in accordance with the relevant requirements of the *Compilation Rules for Information Disclosures by Companies that Offer Securities to the Public (No. 09) – Calculations and Disclosures for the Return on Net Assets and Earnings per Share* (as amended in 2010) issued by the China Securities Regulatory Commission.

2018	Weighted average return on net assets (%)	Earnings per share	
		Basic	Diluted
Net profit attributable to shareholders of ordinary shares of the Company	10.27	0.57	N/A
Net profit attributable to shareholders of ordinary shares of the Company, after deducting non-recurring gains and losses	7.67	0.43	N/A

2017	Weighted average return on net assets (%)	Earnings per share	
		Basic	Diluted
Net profit attributable to shareholders of ordinary shares of the Company	10.48	0.55	N/A
Net profit attributable to shareholders of ordinary shares of the Company, after deducting non-recurring gains and losses	8.96	0.47	N/A

The supplementary information provided by the management of Great Wall Motor Company Limited was endorsed by the followings on 22 March 2019:

Legal Representative:

General Manager:

Chief Financial Officer:

Person in charge of the accounting body:

22 March 2019

Section 15 Index of Documents Available for Inspection

Index of Documents Available for Inspection	Financial statements signed and sealed by the legal representative, person-in-charge of the accounting affairs and person-in-charge of the accounting department.
Index of Documents Available for Inspection	The original auditor's report with the seal of the accounting firm and signatures and seals of the certified public accountants.

Chairman: Wei Jian Jun

Submission date approved by the Board: 22 March 2019

AMENDMENTS

Applicable Not applicable



長城汽車股份有限公司

GREAT WALL MOTOR COMPANY LIMITED*