



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

2011
Annual Report

* For identification purpose only



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Corporate Information

H Share Stock Code:

2333 (Hong Kong)

A Share Stock Code:

601633 (Shanghai)

Executive Directors

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

Non-executive Directors

Mr. He Ping
Mr. Niu Jun

Independent Non-executive Directors

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

Supervisor

Mr. Zhu En Ze

Independent Supervisors

Ms. Yuan Hong Li
Ms. Luo Jin Li

Company Secretary

Mr. Xu Hui

Audit Committee

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

Remuneration Committee

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

Nomination Committee

Mr. Li Ke Qiang
Mr. Wei Jian Jun
Mr. He Bao Yin

Strategy Committee

Mr. Wei Jian Jun
Ms. Wang Feng Ying
Mr. He Ping
Mr. He Bao Yin
Mr. Li Ke Qiang

Authorised Representatives

Ms. Wang Feng Ying
Mr. Xu Hui

Registered Office

No. 2266 Chaoyang Road South,
Baoding, Hebei Province,
the PRC

Principal Place of Business in Hong Kong

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

Legal Adviser to the Company

(as to Hong Kong law)
Jones Day

Legal Adviser to the Company

(as to PRC law)
King and Wood

Auditors

Deloitte Touche Tohmatsu Certified Public
Accountants Ltd.
Deloitte Touche Tohmatsu

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

Investor and Media Relations Consultant

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

Principal Bankers

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

Telephone

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Facsimile

86(312)-2197812

Website

www.gwm.com.cn

Share Information

Places of listing:	Main Board of The Stock Exchange of Hong Kong Limited Shanghai Stock Exchange
Listing date:	15 December 2003 (Hong Kong) 28 September 2011 (Shanghai)
Number of issued shares:	As at 31 December 2011: 3,042,423,000 shares (2,009,243,000 A shares and 1,033,180,000 H shares)
Board lot:	500 shares (H Shares) 100 shares (A Shares)
H Share Stock Code:	2333 (Hong Kong)
A Share Stock Code:	601633 (Shanghai)
Financial year-end date:	31 December

Financial Highlights

Results Highlights

	Year ended 31 December				
	2011 RMB'000	2010 RMB'000	2009 RMB'000	2008 RMB'000	2007 RMB'000
Revenue	30,089,477	22,986,072	12,814,601	8,424,640	7,896,796
Total Profit	4,130,651	3,041,235	913,067	585,620	1,052,217
Net profit attributable to shareholders of the parent company	3,426,195	2,700,735	1,003,358	514,124	945,465
Earnings per share	RMB1.22	RMB0.99	RMB0.37	RMB0.19	RMB0.35

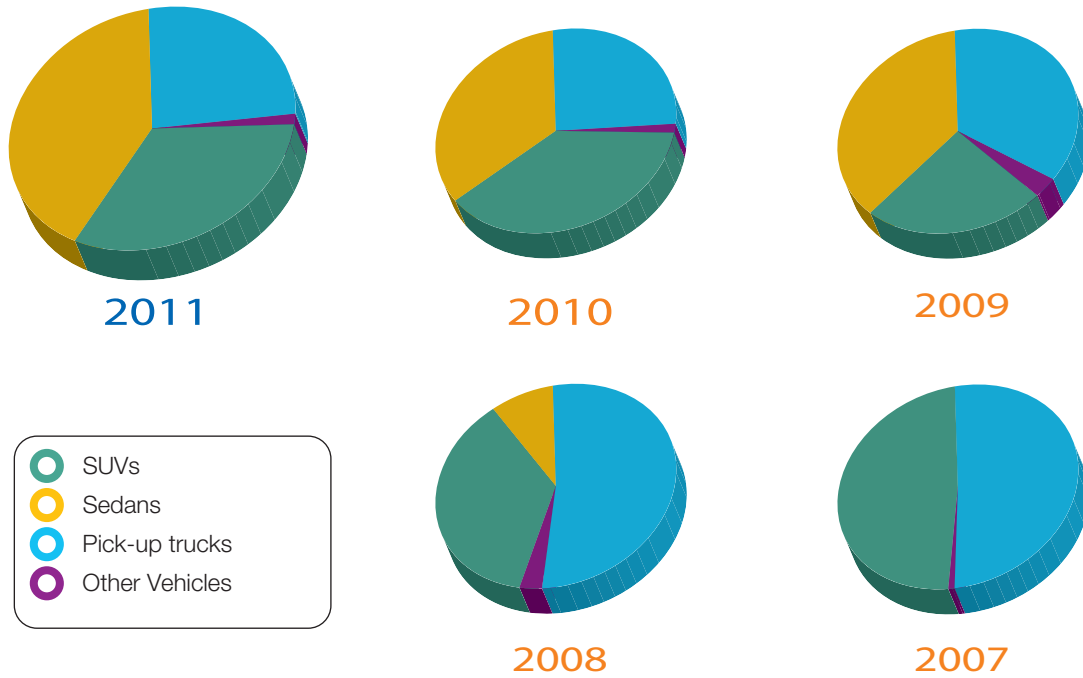
Summary of Financial Position

	As at 31 December				
	2011 RMB million	2010 RMB million	2009 RMB million	2008 RMB million	2007 RMB million
Equity attributable to shareholders of the parent company	16,737	10,015	7,593	6,734	6,442
Total assets	33,135	23,698	14,970	10,697	10,085
Return on equity (%) [#]	20.5	27.0	13.2	7.6	14.7
Return on assets (%) [®]	10.3	11.4	6.7	4.8	9.4
Accounts receivable turnover (Day) (including bills receivable)	104	90	65	43	30
Inventory turnover (Day)	39	38	43	49	50

[#] Net profit attributable to shareholders of the parent company divided by equity attributable to shareholders of the parent company

[®] Net profit attributable to shareholders of the parent company divided by total assets

Sales Volume Breakdown By Product



Financial Highlights

Accounts Receivable

(1) Breakdown of accounts receivable according to classification is as follows:

Classifications of accounts receivable:

The Group recognized accounts receivable of over RMB3 million and accounts receivable due from related parties as accounts receivable that are individually significant.

RMB

Category	31/12/2011				31/12/2010			
	Book value		Provision for bad debts		Book value		Provision for bad debts	
	Amount	Ratio (%)	Amount	Ratio (%)	Amount	Ratio (%)	Amount	Ratio (%)
Individually significant and subject to separate provision	614,117,882.86	89.06	(2,025,700.00)	19.94	287,705,266.10	84.37	(6,152,982.43)	43.92
Subject to provision by groups								
Accounts receivable of small amounts with high risks based on the characteristics of credit risk as a group	3,474,372.04	0.50	(3,361,816.86)	33.09	4,435,796.66	1.30	(4,413,900.66)	31.51
Other insignificant accounts receivable	71,939,172.03	10.44	(4,773,617.11)	46.97	48,863,616.70	14.33	(3,442,008.74)	24.57
Subtotal	75,413,544.07	10.94	(8,135,433.97)	80.06	53,299,413.36	15.63	(7,855,909.40)	56.08
Accounts receivable which are individually insignificant but subject to separate provision	—	—	—	—	—	—	—	—
Total	689,531,426.93	100.00	(10,161,133.97)	100.00	341,004,679.46	100.00	(14,008,891.83)	100.00

* The Group normally receives payments or bills in advance for the sale of automobiles.

(2) Aging of accounts receivable and corresponding provisions for bad debts are as follows:

RMB

Aging	31/12/2011				31/12/2010			
	Amount	Ratio (%)	Provision for bad debts	Book value	Amount	Ratio (%)	Provision for bad debts	Book value
Within 1 year	686,057,054.89	99.49	(6,799,317.11)	679,257,737.78	336,568,882.80	98.70	(9,594,991.17)	326,973,891.63
1 to 2 years	1,845,600.94	0.27	(1,733,045.76)	112,555.18	2,063,994.61	0.60	(2,042,098.61)	21,896.00
2 to 3 years	1,582,256.80	0.23	(1,582,256.80)	—	569,749.00	0.17	(569,749.00)	—
Over 3 years	46,514.30	0.01	(46,514.30)	—	1,802,053.05	0.53	(1,802,053.05)	—
Total	689,531,426.93	100.00	(10,161,133.97)	679,370,292.96	341,004,679.46	100.00	(14,008,891.83)	326,995,787.63

Accounts Payable

Item	<i>RMB</i>	
	31/12/2011	31/12/2010
Within 1 year	5,991,799,559.72	4,840,361,790.54
1 to 2 years	25,713,546.87	30,801,718.65
2 to 3 years	8,357,715.34	9,235,141.13
Over 3 years	7,669,978.80	23,165,216.73
Total	6,033,540,800.73	4,903,563,867.05

Note 1: Accounts payable aged over 1 year were primarily the remaining balances for raw materials due to suppliers.

Note 2: At the end of the reporting period, there was no accounts payable due to shareholders holding 5% or more voting shares of the Company.

Chairman's Statement







To all shareholders:

I am pleased to present the audited consolidated results of Great Wall Motor Company Limited (the “**Company**” or “**Great Wall Motor**”) and its subsidiaries (the “**Group**”) for the year ended 31 December 2011 (“**the Year**”).

For the year ended 31 December 2011, the Group continued to achieve satisfactory growth in its operating results driven by increased profits as a result of rising sales. Revenue and profit after tax attributable to shareholders of the parent company amounted to RMB30,089,476,665.00 and RMB3,426,195,112.78, respectively, representing year-on-year increases of 30.9% and 26.9%, respectively. Sales volume of automobiles reached 462,679 units, representing a year-on-year increase of 27.3%, which is much higher than the growth rate of 2.5% in automobile industry sales.

Indirectly driven by the steady growth of China's economy as demonstrated by its 9.2% annual GDP growth rate, China's automobile production and sales volume reached record highs in 2011. Production and sales volume of automobiles amounted to approximately 18,419,000 units and 18,505,000 units, respectively. Despite the challenges posed by the global economic volatility to the business environment in 2011, the overall performance of overseas automobile markets was good. According to the statistics of China Association of Automobile Manufacturers, China's automobile export volume reached 850,000 units during the Year, representing a year-on-year growth of 50.0%. The Company's sales performance in overseas markets was also satisfactory, with annual export volume of 79,277 units, representing a year-on-year growth of 58.7%. In addition to continued consolidation of existing markets, the Company will also step up its efforts to develop new overseas markets and make adjustment of its export approaches. These, together with the completion of construction and the commencement of operation of the Company's plant in Bulgaria in February 2012, are expected to stimulate the Company's exports in the European Union regions and enhance its brand effect.

The Company's market strategies focus on three types of products: SUVs, sedans and pick-up trucks, with an aim to maintain the competitive advantage of pick-up trucks in the market, to consolidate SUVs' leading market position, and to quickly elevate the market status of sedans. During the Year, the Group launched its first urban SUV – Haval H6, which immediately became a much sought after model in the market for its premium quality and trendy appearance. The increase in the sales volume of Haval H6 had contributed to an enlarged total sales volume of SUVs. During the Year, the Company also launched two sedan models. One of them was a Grade A sedan



model – Voleex C50, which gained popularity in the market for its spacious interior and sleek design; another sedan model was Voleex C20R, which is a small two-compartment sedan, with a sporty and stylish look. Market response to Voleex C20R had been satisfactory. During the Year, the Company also launched improved versions of existing vehicle models, which helped boost the sales volume of existing products. With the dual effects of new product launch under domestic self-owned brands and price decline in products under brands of joint ventures, competition in the automobile market will intensify. The Company will continue with its efforts and focus on product research and development to further improve its product quality, so as to enhance the Company's brand image. For pick-up trucks, the Company will continue to focus on low-to-middle end pick-up trucks in order to consolidate its dominant market position in China. For the SUV market, the Company will promote both off-road SUV and urban SUV models, as well as step up its SUV marketing efforts to maintain its share in the self-owned brand market. For the sedan market, the Company will focus on economy sedans in order to increase the Company's influence in the sedan market. Furthermore, the Company is planning to strengthen its capabilities in research of vehicles and automobile parts and components, and to conduct research and development of new energy automobiles according to stringent product development procedures.

2012 will be a year of challenges and opportunities. The Group will further adjust and optimise its product portfolio and enhance product quality to accelerate sales growth. The Group will also strengthen its support for distributors, while continuing to enhance customers' satisfaction and loyalty levels. In addition, the Group will maintain a sound financial position, and adopt prudent development strategies, with an aim to make bigger improvements in the coming year. On behalf of Great Wall Motor, the management would like to express their gratitude to the staff, shareholders, investors and customers for their continuous support to and trust in the Group. Committing to our motto of "improving little by little every day", we adopt a refined management approach and strive to create maximum returns for our shareholders.

Wei Jian Jun

Chairman

Baoding, Hebei Province, the PRC
16 March 2012

Management Discussion and Analysis







Operating Environment

Owing to the State's tightening of macroeconomic policies and withdrawal of favourable policies on the automobile industry, including subsidised trade-in of vehicles and preferential purchase tax incentive, the growth of automobile industry gradually slowed down after two years of rapid development. The cyclical demand of domestic consumers for automobiles has prompted a more rational growth in the domestic automobile market as a whole.

According to the statistics of China Association of Automobile Manufacturers, the production and sales volume of automobiles in China in 2011 reached 18,419,000 units and 18,505,000 units, respectively, representing increases of 0.8% and 2.5%, respectively when compared with those of the previous year. The production and sales volume of passenger vehicles amounted to 14,485,000 units and 14,472,000 units respectively, representing increases of 4.2% and 5.2%, respectively from those of the previous year. Although there was a relatively large year-on-year drop in the growth rate of production and sales in China's automobile market in 2011, export of automobiles continued to grow rapidly in the past two years due to domestic automobile enterprises' emphasis on expansion of international markets. When compared with that of the previous year, the export volume of automobiles increased by 50.0% to 850,000 units in 2011. The Company, through leveraging the continued improvement in product quality and increase of new car models, saw its sales volume and export volume of automobiles reach 462,679 units and 79,277 units, respectively, representing a year-on-year increase of 27.3% and 58.7%, respectively, which are higher than the respective growth rates in sales volume and export volume of the automobile industry in China.

Financial Review

Revenue

During the Year, the Group's revenue amounted to RMB30,089,476,665.00, representing an increase of 30.9% as compared to that of the previous year. The increase in revenue was mainly due to an increase in the sales volume of automobiles.

Sale of Automobiles

During the Year, sales revenue from sale of automobiles increased from RMB21,724,508,635.89 in 2010 to RMB28,178,354,604.19 in 2011, representing an increase of 29.7%. The increase was due to an increase in the sales volume of automobiles. During the Year, the Group sold 462,679 units of automobiles, representing an increase of 27.3% as compared to 363,482 units sold in 2010.

Automotive parts and components and others

In addition to the production of automobiles, the Group also engaged in the sale of major automotive parts and components used in the production of SUVs, sedans and pick-up trucks. These mainly include self-manufactured engines, transmissions, front and rear axles, air-conditioning equipment, drag ball pins, lever assembly and other parts and components for the production of automobiles. Sale of automotive parts and components not only contributes to the Group's revenue but also ensures the availability of parts and components for after-sales services. During the Year, the Group reported a 51.5% increase in the revenue generated from the sale of automotive parts and components from RMB1,261,563,409.27 in 2010 to RMB1,911,122,060.81 in 2011. The increase was mainly attributable to an increase in the revenue generated from parts and components for after-sales services, as a result of a significant growth in the sales volume of automobiles.

Gross profit and gross profit margin

During the Year, the Group's gross profit rose from RMB5,687,691,225.08 in 2010 to RMB7,495,678,787.91, representing an increase of 31.8%. The increase in the Group's gross profit was mainly due to an increase in sales revenue. The Group's gross profit margin increased from 24.7% in the previous year to 24.9%, which was mainly due to (1) a substantial increase in the gross profit margin of sedans; and (2) economies of scale as a result of enlarged sales volume.

Net profit attributable to shareholders of the parent company and earnings per share

The Group's net profit attributable to shareholders of the parent company for the Year increased from RMB2,700,734,577.09 in 2010 to RMB3,426,195,112.78, owing to an increase in profit driven by growth in sales.

For the year ended 31 December 2011, basic earnings per share of the Company were RMB1.22. During the Year, the Company did not present any diluted earnings per share as there was no ordinary share which may cause any dilution effect.

Selling and administrative expenses

The selling expense of the Group rose by 11.4% from RMB1,070,202,611.99 in 2010 to RMB1,192,712,451.22 in 2011. The percentage of selling expense to revenue decreased from 4.7% in 2010 to 4.0% in 2011. The administrative expense of the Group increased 47.0% from RMB873,663,826.10 in 2010 to RMB1,283,873,003.63 in 2011. The percentage of administrative expense to revenue increased from 3.8% in 2010 to 4.3% in 2011. The increase in administrative expense was mainly due to increases in staff cost and research and development expenses.

Finance costs

The Group's finance costs for 2011 were RMB-22,934,689.66, as compared with RMB-7,819,677.50 in 2010. The decrease in finance costs was mainly due to an increase in interest income.

Current assets and current liabilities

As at 31 December 2011, the Group's current assets mainly included cash and bank balance of RMB7,107,086,034.95, accounts receivable of RMB679,370,292.96, inventories of RMB2,776,681,563.15, bills receivable of RMB8,702,977,854.66, prepayments of RMB360,600,901.18 and other receivables of RMB650,401,167.30. The Group's current liabilities mainly included dividends payable of RMB59,536,914.89, other payables of RMB852,932,381.01, taxes payable of RMB283,940,139.56, bills payable of RMB3,977,526,932.93, accounts payable of RMB6,033,540,800.73, and other current liabilities of RMB266,265,212.39.

Acquisition and disposal of assets

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

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

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

Capital structure

The Group generally finances its operation with internal cash flows. As at 31 December 2011, the Group was in a debt-free position.

Exposure to foreign exchange risk

All of the Group's domestic sales were settled in RMB, while sales to overseas customers were settled in US dollars and Euros. With respect to the export business, the price-performance ratio of the Group's products is relatively competitive and hence its current sales have not been affected by fluctuations in currency exchange rates.

During the Year, the Group did not experience any material difficulties in or negative effects on its operations or liquidity as a result of fluctuations in currency exchange rates.

Employment, training and development

As at 31 December 2011, the Group employed a total of 45,737 employees. Employees were remunerated with reference to their performance, experience and prevailing industry practices. The Group's remuneration policies and packages are reviewed on a regular basis. As an incentive for employees, bonuses and cash awards may also be given based on individual performance evaluation results. Total staff cost accounted for 7.3% of the Group's revenue as at 31 December 2011.

Taxation

Income tax of the Group in 2011 was RMB619,998,434.10.



Segment information

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

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

	For the year ended 31 December	
	2011 RMB'000 Audited	2010 RMB'000 Audited
Mainland China	25,050,105	19,959,649
Russia	1,400,651	514,162
Australia	730,869	518,442
South Africa	442,851	277,930
Chile	434,026	275,578
Iraq	283,762	247,183
Other countries	1,747,213	1,193,128
	30,089,477	22,986,072

The Group's non-current assets for disclosure in the Segment Information (which consist of fixed assets, investment properties, construction in progress and investment in associates and jointly controlled entities) are primarily situated in the PRC.

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

Business Review

Products

The Group's principal products are SUVs, sedans and pick-up trucks. The Group also engages in the production and sale of major automotive parts and components used in the production of SUVs, sedans and pick-up trucks.

During the Year, the Group's total sales volume of automobiles was 462,679 units, representing an increase of 27.3% as compared to that of 2010. The continued growth in the Group's sales volume was attributable to the strong branding effect and constant launch of high quality products. The Group was able to maintain its leading position in the segmented markets of SUVs and pick-up trucks with its premium product quality, comprehensive after-sales services and extensive sales network.

(1) *SUVs*

During the Year, the Group launched the brand new SUV model — “Haval H6”. The Group’s SUV models maintained a leading position in the PRC market. During the Year, the sales volume of SUVs rose by 7.6 % to 147,341 units when compared with that of 2010.

(2) *Sedan*

During the Year, the Group launched “Voleex C50”, a new three-compartment sedan model. It is the first self-developed sedan in China equipped with a 1.5T turbocharged engine. During the Year, the sales volume of the Group’s sedans reached 187,504 units, representing an increase of 52.6% when compared with that of the previous year. The sales volume of “Voleex C30” model reached 149,890 units during the Year. Through specialisation and with its professionalism and expertise, the Group will continue to step up its efforts to enhance the quality of its sedan series, with an aim to establish the brand of Great Wall Motor’s stylish compact car.

(3) *Pick-up trucks*

According to the statistics of the China Passenger Car Association, Great Wall Motor’s pick-up trucks continued to rank first in the PRC market in terms of sales volume for 14 consecutive years. With a market share of almost 30%, the Company maintains its solid leading market position in this respect. During the Year, the sales volume of pick-up trucks was 121,673 units, representing an increase of 23.3 % when compared with that of the previous year. The Group will continue to launch new models in order to consolidate its leading position in the pick-up truck market.

(4) *Other vehicles*

During the Year, the Group sold a total of 6,161 units of other vehicles (including special vehicles), representing an increase of 22.9 % when compared with that of 2010.

(5) *Automotive parts and components and others*

During the Year, the revenue generated from sale of automotive parts and components and others amounted to RMB1,911,122,060.81, representing an increase of approximately 51.5% as compared with that of 2010 and accounting for 6.4% of the Group’s total revenue.

Domestic market

In 2011, the growth in China’s automobile market was more rational. During the Year, the Group steadily increased its sales through continued market expansion and improvement in the price performance of its products.

During the Year, the Group’s domestic sales volume and sales revenue generated from sale of automobiles amounted to 383,402 units and RMB23,290,768,384.95, representing increases of 22.3% and 24.0%, respectively from those of 2010. During the Year, 116,793 units, 175,331 units and 85,269 units of SUVs, sedans and pick-up trucks were sold domestically respectively.

Overseas markets

In 2011, the automobile exports from the PRC displayed satisfactory performance, with significant increase in exports when compared with that of the previous year. During the Year, the Group speeded up the progress of product and technology innovation, and continued to develop new products and enhance product quality. With the commencement of operation of overseas assembly plants, the Group's overseas sales volume increased remarkably.

The export sales volume of automobiles for the year ended 31 December 2011 reached 79,277 units, representing an increase of 58.7% from that of the previous year. Of the total export volume, 30,548 units, 12,173 units and 36,404 units of SUVs, sedans and pick-up trucks were sold respectively. The total export value of automobiles amounted to RMB4,887,586,219.24, representing an increase of 66.0% from that of the previous year and accounting for approximately 16.2% of the revenue of the Group.

The Group's major export markets included the Middle East, Africa, Asia Pacific, South America and Europe, which formed a solid international sales network. In 2011, the Group exported its products to more than 120 countries and regions. Russia's share in the Group's exports increased significantly from that of 2010 due to the commencement of operation of the CKD (complete knock-down) assembly plant.

In 2011, in response to competition in the overseas markets, the Group adopted proactive strategies. Not only had the Group expanded its vehicle export business, it also had sustained growth in the export volume of SKD (semi-knocked down) and CKD kits. The Group's overseas business thus continued to expand.

Launch of new products

In respect of new product development, the Group launched various premium products with high price performance, with an aim to further consolidate its leading position in the SUV market. "Haval H6" is an urban SUV developed under the Group's "3-high strategy" as well as the first car model produced in the Group's new state-of-the-art production facilities in Tianjin, the PRC. "Haval H6" has passed stringent tests meeting international standards. The Group's high-tech production facilities also ensure high quality of its products.

On the front of sedans, the Group launched "Voleex C20R", a leisure car model with a crossover design, during the Year. Superior to other car models in its class in luxury features, Voleex C20R is equipped for leisure activities. With a sporty look, Voleex C20R is designed for comfort driving and multi-purposes. The Group also launched "Voleex C50", a new three-compartment sedan model powered by the Group's self-developed 1.5T turbocharged engine, which is the first of its kind made by a Chinese private enterprise in China. With breakthroughs in technology and reliability, the model has filled the gap in the domestic market for self-owned brand low emission turbocharged engine. Great Wall Motor is thus the first self-owned brand in China to enter the market of family sedans with "T" engines.

Outlook

In 2012, although the relevant favourable policies for the automobile industry have been withdrawn, consumption in the automobile market in China is expected to continue to grow steadily, driven by the enormous consumption potential in China.

Great Wall Motor will continue to uphold its “3-high strategy” in creating premium products with high performance-oriented design and high technology equipment, and enhance brand recognition through product diversification. The Group will concentrate on its three major businesses, namely SUVs, sedans and pick-up trucks, and enhance its branding through continuous product upgrade and the launch of products with high price performance.

Great Wall Motor will continue to deepen technology cooperation with various internationally renowned enterprises to ensure greater improvement in the quality of all of its car models. The Group will also strengthen its in-house product development capability, so as to improve the performance of its automobiles in various aspects.

In addition, Great Wall Motor will inject more resources in the research and development of vehicles and automotive parts and components, and conduct research and development of new energy automobiles according to stringent product development procedures.

New products

Great Wall Motor’s new product development will continue to focus on SUVs, sedans and pick-up trucks. The Group will reinforce its brand image through continuous quality improvement. The Group expects to launch various new models in 2012 to further strengthen its product lines.

As market demand diversifies, the Group will divide the SUV market into different segments, namely, off-road SUVs, urban SUVs and the crossover models. Great Wall Motor will continue to strengthen its research and development on SUVs and launch Haval M4. The Group will also intensify its efforts in the development of low-emission SUVs and introduce energy-saving and environmental-friendly models in line with the State’s policy.

Against the backdrop of robust growth in sedan demand, the Group will continue to develop energy-saving, environmental-friendly and economical sedans under the guidance of the State’s policy to promote energy-saving products. Through continuous product upgrade, the Group aims to further solidify its market share in the sedan sector.

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

Export markets

The Group has made progress in its export to overseas markets, with products exporting to different countries and regions around the world. The Group expects its export volume will continue to rise while income from export as a percentage of total revenue will increase steadily.

Management Discussion and Analysis

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

The Group will continue to intensify its penetration into the international market. In addition to continued expansion of the export volume of automobiles, the Group will also keep increasing the export volume of semi-knocked down (“**SKD**”) and complete knock-down (“**CKD**”) kits. The Group will further enhance its brand value and consolidate its position in the overseas market through a comprehensive after-sales service network.

New facilities

During the Year, the Group’s production base for automobiles and automotive parts and components in the Tianjin Economic-Technological Development Area commenced production in August 2011. The Group’s Haval H6 and Voleex C50 have since been produced in this production base. The production base adopts state-of-the-art technologies that provide a solid foundation for Great Wall Motor in the development of new car models and expansion of production scale in the future.

Preferential enterprise income tax rate for high-tech enterprises

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

A share issue and capitalisation issue

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

On 29 August 2011, the Company received the formal written approval from China Securities Regulatory Commission for its proposed A share issue, pursuant to which not more than 304,243,000 A shares were to be issued and proposed to be listed on the Shanghai Stock Exchange. The A shares of the Company were listed and commenced trading on the Shanghai Stock Exchange on 28 September 2011, with stock short name and stock code being “**Great Wall Motor**” and “**601633**” respectively. The offer price was RMB13 per share and a total of 304,243,000 shares were issued. The net proceeds raised from the issue amounted to RMB3,894,372,268.99. The proceeds raised from the A share issue will be applied to the following projects: annual production of 100,000 sets of diesel engines of model number GW4D20, annual production of 300,000 sets of EG engines, annual production of 200,000 sets of six-speed manual transmissions, annual production of 400,000 sets of aluminium alloy casting, annual production of 400,000 sets of axles and brakes, annual production of 400,000 sets of interior and exterior decorations and annual production of 400,000 sets of automotive lightings.

Future objectives

With respect to product development, Great Wall Motor will concentrate on its three major categories, namely, SUVs, sedans and pick-up trucks. Under the guidance of the State's industrial policy, Great Wall Motor will focus on premium products that are energy-saving, environmental friendly, of high quality and with excellent performance. The Group will continue to maintain its leading position in SUV and pick-up truck markets through high price performance, and make its sedans stand out with their energy-saving and eco-friendly features.

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

On the front of new product development, Great Wall Motor aims for long-term development. The Group will strengthen the competitive edge of its self-owned brands by enhancing the overall quality of its research team, strengthening the research and development capability and compatibility of core automotive parts and components such as engines, transmissions and axles.



Directors, Supervisors and Senior Management

Executive Directors

Mr. Wei Jian Jun (魏建軍先生) (“Mr. Wei”), aged 48, is the chairman of the Company. He is responsible for formulating the management philosophy, determining the business strategies of the Company and providing guidance for the development of new products. Mr. Wei graduated from 中共河北省委黨校 (the Committee College of Hebei Province of the PRC Communist Party) in 1999 specializing in corporate management studies. He previously worked at 北京通縣微電機廠 (Beijing Tongxian Micro Motors Factory) in 1981, 保定地毯廠 (Baoding Carpet Factory) in 1983 and 保定太行水泵廠 (Baoding Taihang Pump-making Factory) in 1984. He joined 保定長城汽車工業公司 Baoding Great Wall Motor Industry Company (the predecessor of the Company) as a general manager in 1990. In 1991, he undertook contractual operation of 長城汽車工業公司 (Great Wall Motor Industry Company). Mr. Wei was accredited as “保定市級勞動模範” (Baoding City Labour Model) in 1990/1991, 1992/1993 and 1996/1997, “河北省明星青年鄉鎮企業家” (Hebei Province Future Star Young Village Entrepreneur) in 1993, “保定市優秀企業家” (Baoding City Exceptional Entrepreneur) and “全國鄉鎮企業家” (National Town Entrepreneur) in 1994, “保定十大傑出青年” (Baoding 10 Outstanding Young People) in 1996, “河北省勞動模範” (Hebei Labour Model) in 1999, “保定市1999年度市長特別獎” (Baoding City Mayor Special Award 1999) in 2000 and “河北省優秀民營企業家” (Hebei City Outstanding Entrepreneur), “中國民營企業傑出代表” (China Privately-owned Enterprise Outstanding Representative) in 2003, “中國汽車工業基礎人物” (Key Figure in the China Auto Industry) in 2008 and “河北省個體私營經濟領軍人物” (Leader for Individual, Privately-owned Enterprises in Hebei) in 2009. Mr. Wei is currently the deputy chairman of “保定市工商聯合會” (the Baoding Industry and Commerce Association) and the representative to the People’s Congress of Hebei Province. In addition, Mr. Wei is also a director of the Company’s substantial shareholder, 保定創新長城資產管理有限公司 (Baoding Innovation Great Wall Asset Management Company Limited). Details of the disclosed interests of the aforementioned substantial shareholder are set out under the section of “Shares Held by Substantial Shareholders”.

Mr. Liu Ping Fu (劉平福先生) (“Mr. Liu”), aged 62, is an assistant political work professional and the vice chairman of the Company. Mr. Liu graduated from 河北師範學院 (Hebei Normal College) specializing in Chinese language and literature in 1988. Mr. Liu served as the office supervisor of 保定市電子工業局勞動服務公司 (Baoding Electronics Industry Bureau’s Labour Services Company) in 1989. He worked as the office supervisor of 保定市太行汽車零部件廠 (Baoding Taihang Automobile Parts Factory) in 1992. He has 16 years of experience in administration and management. He was appointed as the general manager of 保定市南市區南大園鄉集體資產經管中心 (the Management Centre of Collective Assets of Nandayuan Town, Nanshi District, Baoding) in 2001. Mr. Liu joined the Company in the same year.

Ms. Wang Feng Ying (王鳳英女士) (“Ms. Wang”), aged 41, is an executive director and general manager of the Company. Ms. Wang is responsible for formulating operation and management strategies of the Company. Ms. Wang graduated from 天津財經學院 (Tianjin Institute of Finance) in 1999 and obtained a master’s degree in economics. Ms. Wang was accredited as 第五屆保定市十大傑出青年 (The fifth Baoding 10 Outstanding Young People) in 1999 and 第五屆河北省傑出青年企業家 (The fifth Hebei Outstanding Young Entrepreneur) and was awarded 中國行銷人「金鼎獎」傑出行銷總經理獎 (the Chinese Marketing Professional “Golden Tripod” Outstanding Marketing General Manager Award) in 2000, 中國汽車營銷總經理鹿鼎獎 (the “Luding Award” for PRC Marketing General Manager) and 中國改革開放30年百名女性新聞人物獎 (“Top 100 female newsmakers in the 30 years since PRC’s economic reform) in 2008, 營銷風雲人物獎 (Top Marketing Professional of the Year) in 2009. Ms. Wang has over 10 years of experience in sales and marketing management. She joined the Company in 1991 and is concurrently the general manager of 保定長城汽車銷售有限公司 (Baoding Great Wall Automobile Sales Company Limited).

Mr. Hu Ke Gang (胡克剛先生) (“Mr. Hu”), aged 66, is an executive director and deputy general manager of the Company. Mr. Hu graduated from 河北大學 (Hebei University) in 1987, majoring in laws. He was recognised as a senior economist by 河北省民辦科技機構高級職務資格評委會 (Council for Qualification Review of Senior Positions in Private Technology Institutions, Hebei) in 1996. Mr. Hu held the positions of deputy factory head of 郵電器材機械廠 (Post And Telecommunications Equipment Factory) in 1980 and the deputy factory head of 保定太行建築設備廠 (Baoding Taihang Construction Equipment Factory) in 1986. Mr. Hu has over 30 years of experience in corporate operations management. He joined the Company in 1995 and he was appointed as the deputy general manager of the Company with effect from May 2005.

Ms. Yang Zhi Juan (楊志娟女士) (“Ms. Yang”), aged 45, is an executive director of the Company. She graduated from 河北大學 (Hebei University) in 1987, majoring in laws and was admitted to practise law in the PRC in 1989. Between 1989 to 1994, she worked as a part-time lawyer in 河北平川律師事務所 (Hebei Ping Chuan Law Firm) (formerly known as 保定市第三律師事務所 (Baoding Third Law Firm)). Since 1991, she had held the positions of office supervisor and assistant to general manager in 保定太行集團公司 (Baoding Taihang Group Company). Ms. Yang joined the Company in 1999 as the general office supervisor of 保定長城華北汽車有限責任公司 (Baoding Great Wall Huabei Automobile Company Limited). She also participated in the preparation and establishment of two subsidiaries of the Company, namely 保定長城華北汽車有限責任公司 (Baoding Great Wall Huabei Automobile Company Limited) and 保定長城內燃機製造有限公司 (Baoding Great Wall Internal Combustion Engine Manufacturing Company Limited). Ms. Yang is the assistant to dean of the Company's engineering centre.

Non-Executive Directors

Mr. He Ping (何平先生) (“Mr. He”), aged 35, is a non-executive director of the Company. He graduated from 復旦大學 (Fudan University) in 1997, majoring in international economic laws and obtained a bachelor's degree in laws. He worked as an intern in Shanghai branch of 君合律師事務所 (Jun He Law Offices) in 1996. From June 1997, he worked in the Investment Bank Headquarters of 南方證券有限責任公司 (China Southern Securities Company Limited). From March 2002 to December 2005, Mr. He Ping successively acted as the deputy general manager and general manager at the Investment Banking Headquarters of 國都證券有限責任公司 (Guo Du Securities Company Limited). Since December 2010, Mr. He Ping worked as the director of the investment department of 北京弘毅遠方投資顧問有限公司 (Beijing Hong Yi Yuan Fang Investment Consultants Advisor Company Limited).

Mr. Niu Jun (牛軍先生) (“Mr. Niu”), aged 37, is a non-executive director of the Company. He graduated from 河北科技大學 (Hebei University of Science and Technology) in 1996, majoring in marketing. In the same year, he joined the Group and worked in the marketing and sales department of Baoding Great Wall Industry Company (the predecessor of the Company), where he was responsible for the sales of automobiles and logistics management. In 2001, he held the position of the sales and marketing manager of 保定市長城汽車營銷網絡有限公司 (Baoding Great Wall Automobile Sales Network Company Limited). In 2002, he acted as the general manager of 保定市螞蟻物流網絡有限公司 (Baoding Ants Logistics Company Limited). Since October 2007, Mr. Niu has been the general manager of 河北保滄高速公路有限公司 (Hebei Baocang Expressway Co., Ltd.). Mr. Niu has extensive experience in sales management.

Independent Non-executive Directors

Ms. Wei Lin (韋琳女士) (“Ms. Wei”), aged 48, is a professor and an independent non-executive director of the Company. Ms. Wei graduated from Tianjin University of Finance & Economics in 1986 with a major in accounting and acted as a teaching fellow in the university. She also obtained an MBA degree from the MBA programme jointly organised by Tianjin University of Finance & Economics and Oklahoma City University of the USA in 1990. She obtained her doctorate degree in management studies (accounting) in 2004 and has been serving as deputy director of the Accounting Department and supervisor of postgraduates for master’s degree programs at Tianjin University of Finance & Economics since 2005. She is also a member of the China Accounting Society and holds a certificate of qualification as Senior International Finance Manager, focusing on research of corporate financing and cost management.

Mr. Li Ke Qiang (李克強先生) (“Mr. Li”), aged 49, is a professor and an independent non-executive director of the Company. Mr. Li graduated from the Department of Automotive Engineering at Tsinghua University in 1985 and obtained a doctorate degree in engineering from 重慶大學 (Chongqing University) in 1995. He is currently the head of the Department of Automotive Engineering and a supervisor of doctorate postgraduates at Tsinghua University, the vice-president of 北京市汽車工程學會 (Society of Automotive Engineers of Beijing), a fellow and special expert of the Society of Automotive Engineers of China and a member of the editorial board of International Journal of ITS Research. He is specialising in the research of intelligent automobile, intelligent traffic system, car-load control system for hybrid electric vehicle (HEV) as well as analysis and control of noises and vibrations in automobiles. Mr. Li is one of the inventors of patents registered in China and several overseas countries for nine projects such as self adapting control device for novel automobiles, tandem brake system for hybrid vehicles and electric control gear-shifting device for four-wheel drive vehicles.

Mr. He Bao Yin (賀寶銀先生) (“Mr. He”), aged 47, is an independent non-executive director of the Company. He graduated from 中國政法大學 (China University of Political Science and Law) with a LL.M in 1987. He taught at 北京經濟學院 (Beijing College of Economics Study) (now known as Capital University of Economics and Business) from 1987 to 1992, and received the title of lecturer in 1991. He is the founding partner establishing 北京金誠同達律師事務所 (Jincheng Tongda & NEAL) in 1993 and since then he has been practicing as a lawyer. He is currently a legal advisor of various companies such as COFCO Wines & Spirits Co., Ltd., Invesco Great Wall Fund Management Co., Lucky Film Co., Ltd., Baoding Tianwei Baobian Electric Co., Ltd., Baoding Swan Co., Ltd. and Beijing Chaoshifa Stated-owned Assets Management Company. He is an arbitrator of China International Economic and Trade Arbitration Commission and a deputy director of 北京市律師協會律師事務所管理指導委員會 (Law Firms Management and Steering Committee of Beijing Lawyers Association) and 北京市律師協會資本市場與證券法律制度專業委員會 (Panel Committee on Capital Market and Securities Legal System of Beijing Lawyers Association).

Mr. Wong Chi Hung, Stanley (黃志雄先生) (“Mr. Wong”), aged 48, is an independent non-executive director of the Company. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Mr. Wong holds a Bachelor’s degree in Accounting from the University of Kent at Canterbury, the United Kingdom. Mr. Wong has more than 23 years of experience in auditing, accounting and financial advisory services. In November 2009, Mr. Wong joined Hongri International Company Limited (紅日國際控股有限公司) as the chief financial officer. Mr. Wong was appointed as the independent non-executive director of the Company on 26 November 2010.

Supervisors

Mr. Zhu En Ze (朱恩澤先生), aged 66, graduated from Agricultural University of Hebei in 1970. Prior to joining the Company, he was the Deputy Chief of Nanshi District, Baoding and the Chairman of the Standing Committee of the Nanshi District People's Congress. He joined the Company in July 2003 as the secretary of CPC committee of the Company.

Ms. Yuan Hong Li (袁紅麗女士), aged 52, graduated from the College of Economics Studies at 河北大學 (Hebei University), majoring in economic management in 1999 and has 18 years of experience in administrative management.

Ms. Luo Jin Li (羅金莉女士) ("Ms. Luo"), aged 52, graduated from 河北師範大學 (Hebei Normal University), majoring in physics in 1982. In July 1982, Ms. Luo taught physics at 保定二十四中學 (the 24th High School of Baoding). In March 1983, she worked at the labour education office of 保定運輸總公司 (Baoding Transportation Group Company), responsible for the labour payroll administration and staff training. Ms. Luo joined the personnel department of 河北大學 (Hebei University) in December 1993 and has been responsible for the labour payroll and benefit matters of all teaching and non-teaching staff members of the university. She was accredited as an economist in March 1989 and a senior political work professional in July 1999.

Senior Management

Mr. Hu Shu Jie (胡樹傑先生) ("Mr. Hu"), aged 40, is a deputy general manager of the Company. Mr. Hu graduated from 河北大學 (Hebei University), majoring in History in 1994 and held the position of component department head of 保定市遠達集團 (Baoding Yuanda Group). He joined the Company in 1996 and worked in 保定市長城汽車營銷網絡有限公司 (Baoding Great Wall Automobile Sales Network Company Limited) as a head of external affairs department, and successively acted as an information technology manager, a marketing manager and a deputy general manager between 1996 and 2002. He was appointed as the general manager of 保定市長城汽車售後服務有限公司 (Baoding Great Wall Automobile After-sales Services Company Limited) in June 2002 and as the general manager of the first manufacturing division of the Company in April 2003. Mr. Hu was appointed as the general manager of the second manufacturing division of the Company in May 2005 and as the deputy general manager of the Company on 5 December 2005.

Mr. Huang Yong (黃勇先生) ("Mr. Huang"), aged 43, is a deputy general manager of the Company. Mr. Huang graduated from Beihang University in Beijing in 1991. He joined the Company in 1992, serving as the head of technology department, head of ancillary department and deputy director of the technological research institute, and is mainly responsible for matters of cost control and management of suppliers. He was appointed as the deputy general manager of the Company on 27 March 2006.

Mr. Zhang Xin (張鑫先生) ("Mr. Zhang"), aged 42, is a deputy general manager of the Company. Mr. Zhang graduated from 河北黨校 (Hebei Party School), majoring in Economics Management in 2003. He worked in 長城汽車營銷網絡有限公司 (Great Wall Automobile Sales Network Company Limited) as the head of the business department, manager of customer services department, manager of logistics department, manager of marketing management department and deputy general manager from 1992 to 2005. He held the position of general manager of 長城汽車售後服務有限公司 (Great Wall Automobile After-sales Services Company Limited) in July 2005. Mr. Zhang was appointed as a deputy general manager of the Company on 20 June 2006.

Directors, Supervisors and Senior Management

Mr. Zheng Chun Lai (鄭春來先生) (“Mr. Zheng”), aged 42, is a deputy general manager of the Company. He has joined the Company since 1986. In 1991, Mr. Zheng was appointed as the factory head to organise and develop 保定市太行汽車零部件廠 (Baoding Taihang Automobile Parts and Components Factory). In 1994, he was assigned to organise and develop 保定市信誠汽車發展有限公司 (Baoding Xin Cheng Automobile Development Company Limited) and has acted as the general manager until 2008. He is the general manager of 保定市諾博橡膠製品有限公司 (Baoding Nuobo Rubber Manufacturing Company Limited). Mr. Zheng has more than 20 years of experience in corporate management, manufacturing and sales of automobile parts and components. Mr. Zheng was appointed as the deputy general manager of the Company on 27 March 2007.

Mr. Hao Jian Jun (郝建軍先生) (“Mr. Hao”), aged 39, is a deputy general manager of the Company. Mr. Hao had joined 太行集團 (Taihang Group) since 1993, and engaged in the work of stamping and tooling manufacturing, accumulating rich experience in tooling manufacturing. He joined 長城汽車橋業有限公司 (Great Wall Automobile Axles Industries Company Limited) in 1997 and was appointed as a supervisor of the tooling plant, completing the design and development of the tools for making certain front and rear axles of automobiles. In 2004, Mr. Hao started to organise the construction of the tooling center of the Company and was appointed as the general manager of the tooling center in March 2005, principally responsible for the work of 長城汽車工程院 (Great Wall Automobile Engineering School) and the tooling center, and has worked concurrently as the dean of the school. He was appointed as a deputy general manager of the Company on 27 March 2007.

Mr. Chai Wan Bao (柴萬寶先生) (“Mr. Chai”), aged 64, graduated from 空軍工程學院 (Airforce Engineering Institute), majoring in Aircraft Engines in 1969. Mr. Chai served in the 19th Air Force Division from 1969 to 1975, 鄭州輕型汽車廠 (Zhengzhou Light Truck Factory) from 1975 to 1992 as the chief designer, and 鄭州日產公司 (Zhengzhou Japan Production Company) from 1992 to 2003 as the deputy chief designer. Mr. Chai joined the Company in 2003 and was appointed as deputy general manager of the Company in November 2007.

Ms. Li Feng Zhen (李鳳珍女士) (“Ms. Li”), aged 49, is the chief financial controller of the Company. Ms. Li graduated from 河北財經學院 (Hebei Finance Institute), majoring in Accountancy in 1993 and held the qualification as a PRC registered accountant, a PRC registered valuer and a PRC registered tax adviser. In 1997, she completed the relevant qualification examination on securities business for registered accountants and obtained a certificate of qualification. Ms. Li had been accredited as 先進會計工作者 (Advanced Accountant) by county, local and provincial governments from 1990 to 1991 respectively. Ms. Li has worked as a financial accountant in enterprises for 15 years and was engaged in auditing work in accounting firms for seven years. Ms. Li has previously worked as accounting head, financial manager and financial director of the management department. Ms. Li also worked as the department manager and vice director of 保定會計師事務所 (Baoding Accounting Firm) from 1994 to 2000. She worked as the project manager of 北京信永會計師事務所 (Beijing Xinyong Accounting Firm) from 2000 to 2001. Ms. Li joined the Company in 2001 and was appointed as the chief financial controller of the Company in May 2005.

Mr. Cui Zhi Yu (崔之愚先生) (“Mr. Cui”), aged 42, graduated from Shanghai International Studies University with the Bachelor of Arts degree in 1992. Mr. Cui graduated from 中歐國際工商管理學院 (China Europe International Business School) with a MBA degree in 2000. Mr. Cui has 15 years’ working experience in the automotive industry and has served at various international parts and automotive manufacturing enterprises. He was the president assistant and export project manager of 上海龍馬神汽車座椅公司 (Shanghai Lomason Automotive Seating System Co., Ltd.) from 1996 to 2000. From 2001 to 2008, he was the product planning manager, senior business development manager and director of export in 通用汽車中國公司 (GM China) . He was the director of business development of 克萊斯勒亞太公司 (Chrysler AP) and vice president of dealer network development of 克萊斯勒中國銷售公司 (Chrysler China Sales Company) from 2008 to 2011. Mr. Cui joined the Company in 2011 and was responsible for the overseas strategic planning and business development of the Company. He was appointed as the deputy general manager of the Company on 13 January 2012.

Mr. Zhang Wen Hui (張文輝先生) (“Mr. Zhang”), aged 36, is the manager of the operation management department of the Company. Mr. Zhang joined the Company in 2000 and was responsible for secretarial work and procurement. He was the secretary to general manager and deputy director of the supply division of GW Huabei Company. In 2001, he was the director of the supply division of the 事業一部 (main business department) of the Company. In 2003, he was transferred to the ancillary department as the deputy manager and gained abundant experience in the supplier management. Transferred to GW Internal Combustion Engine Company in 2005, he was in charge of the daily management and served as the general deputy manager and general manager, from which he gained extensive experience in administration management. In 2010, Mr. Zhang was appointed as the manager of the operation management department of the Company, mainly responsible for strategic management, development, price management and management innovation. He was appointed as the deputy general manager of the Company on 13 January 2012.

Mr. Zhao Guo Qing (趙國慶先生) (“Mr. Zhao”), aged 34, is the deputy general manager and the deputy director of the technological research center of the Company. He joined Great Wall Motor in 2000 and was responsible for the human resources management. Mr. Zhao possesses extensive knowledge of administration. He was appointed as the director of the administration department of Zhengzhou Great Wall in 2002. He joined the manufacturing division of the Company in 2003, and had served as the director of human resources department and management department of the manufacturing division and gained considerable management experience. He was appointed as the director of lean promotion department in 2005 and was responsible for the promotion of lean manufacturing of the Group. He served as the deputy director of the technological research center and the director of Supporting Facilities Management department in June 2006 and was responsible for the management of supporting facilities.

Mr. Jia Ya Quan (賈亞權先生) (“Mr. Jia”), aged 37, is the deputy general manager of the Company. Mr. Jia joined Baoding Great Wall Automobile Sales Company Limited in 1996 and was responsible for the frontline sales. Mr. Jia had served in various positions including sales representative, regional manager, manager of advertising department and the deputy general manager in that company and was mainly responsible for marketing and promotion. He has gained considerable frontline sales, marketing and management experience. Since 2006, Mr. Jia has served as the general manager of the domestic sales department of that company and was responsible for the domestic sales.

Directors, Supervisors and Senior Management

Mr. Li Yan Qing (李彦青先生) (“Mr. Li”), aged 45, is the deputy general manager of the Company. He joined the Company in 1999 and has served as the supervisor, director, deputy general manager and general manager of motor painting group of Manufacturing Division. He was responsible for the manufacturing of automobiles and management of production. He improved the quality and production capacity of Deer pick-up model and possessed extensive experience of production and management of automobiles. Mr. Li was appointed as the director of Lean Management Department in 2008 and was responsible for the lean production and cost control of the Company. Since September 2008, Mr. Li has commenced the preparation work for the establishment of Tianjin branch of the Great Wall Motor Company Limited.

Mr. Xing Wen Lin (邢文林先生) (“Mr. Xing”), aged 42, is the deputy general manager of the Company and the general manager of International Sales Department in Great Wall Automobile Sales Company. He joined the Great Wall Group in 1991 and was responsible for sales. Mr. Xing served as the deputy general manager of Great Wall Automobile Sales Company from February 1998 to February 2001 and the general manager of market development department in that company from February 2001 to February 2002. He has served as the general manager of the international sales department of Great Wall Automobile Sales Company since February 2002.

Mr. Dong Ming (董明先生) (“Mr. Dong”), aged 42, is the deputy general manager of the Company. Mr. Dong obtained his degree in economic management from Minzu University of China. From September 1992 to September 2004, he had served in various positions in China Logistics News and China Times, including reporter, editor, deputy director of special edition department and deputy director of economic news department. Mr. Dong joined the Company in September 2004 and has served in various positions, including the public relations department manager of a marketing company, the assistant to the general manager of the Company and the deputy general manager of a marketing company.

Company Secretary

Mr. Xu Hui (徐輝先生) (“Mr. Xu”), aged 33, joined the Company in July 2001 and has since held various positions in the Company. Since the Company’s successful listing on the Hong Kong Stock Exchange in 2003, Mr. Xu has been the key personnel in organising the Company’s general meetings and board meetings. He was the deputy head of the investment and development department of the Company between March 2006 and July 2008. In July 2008, he was appointed as the head of the investment and development department of the Company and has since held the position. He has been actively engaged in, among other things, the Company’s corporate governance and corporate compliance work for years. He also attended relevant training sessions provided by securities regulatory authorities in both the mainland and Hong Kong. Mr. Xu was appointed as the Secretary of the Board on 7 June 2010.

Report of the Directors

The board of directors (the “**Board**”) of Great Wall Motor Company Limited (the “**Company**”) hereby presents its annual report together with the audited accounts of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2011 (the “**Year**”).

Principal Business

The Company 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 has not been any significant change to the nature of the Group’s principal activities during the Year.

The subsidiaries of the Company established in the PRC during the year ended 31 December 2011 or in previous years are limited companies.

Results and Dividends

The Group’s operating results for the year ended 31 December 2011 and the financial positions of the Company and the Group for the year ended 31 December 2011 are set out in the audited financial statements.

The Board has proposed to declare a final dividend of RMB0.3 per H share and A share of the Company (before tax) for the year ended 31 December 2011.

Financial Information Summary

A summary of the consolidated results, assets and liabilities of the Group for the last five accounting years is set out below:

Consolidated Results	For the year ended 31 December				
	2011 RMB'000	2010 RMB'000	2009 RMB'000	2008 RMB'000	2007 RMB'000
Total Operating Revenue	30,089,477	22,986,072	12,814,601	8,424,640	7,896,796
Total operating costs	26,105,111	20,072,606	11,977,035	7,908,143	6,891,072
Including: Operating costs	22,593,798	17,298,381	10,225,785	6,683,554	5,767,588
Business tax and surcharges	1,052,325	811,087	425,603	217,339	319,065
Selling expenses	1,192,712	1,070,203	704,830	461,665	354,340
Administrative expenses	1,283,873	873,664	626,940	559,647	435,860
Financial expenses	-22,935	-7,820	-23,579	-49,340	558
Impairment loss on assets	5,338	27,091	17,456	35,278	13,661
Add: Gains from changes in fair value	3,131	-1,953			
Investment income	24,357	56,271	21,210	15,172	22,275
Including: share of profit of associates and jointly controlled entities	11,954	42,050	21,559	6,838	20,589
Operating Profit	4,011,854	2,967,784	858,776	531,669	1,027,999
Add: Non-operating income	126,308	82,493	63,307	61,545	25,659
Less: Non-operating expenses	7,511	9,042	9,016	7,594	1,441
Including: Loss from disposal of non-current assets	2,522	4,165	4,927	1,370	565
Total Profits	4,130,651	3,041,235	913,067	585,620	1,052,217
Less: Income tax expenses	619,998	214,151	-139,619	33,479	36,838
Net Profits	3,510,653	2,827,084	1,052,686	552,141	1,015,379
Net profits attributable to shareholders of the parent company	3,426,195	2,700,735	1,003,358	514,124	945,465
Minority interests	84,458	126,349	49,328	38,017	69,914

Assets and Liabilities	As at 31 December				
	2011 RMB'000	2010 RMB'000	2009 RMB'000	2008 RMB'000	2007 RMB'000
Total assets	33,134,858	23,698,275	14,969,659	10,696,883	10,085,139
Total liabilities	16,113,354	13,297,959	7,131,499	3,679,443	3,227,347

Use of Proceeds of Public Offering (Initial Offering of A Shares)

In September 2011, the Company exercised the specific mandate granted at the general meeting held on 26 November 2010 to issue 304,243,000 A Shares at RMB13 per Share to independent investors by way of placement. The net proceeds from the issue of A Shares, net of relevant expenses, amounted to approximately RMB3,894,372,269. As at 31 December 2011, the planned and actual uses of such proceeds were as follows:

	Planned Use <i>RMB'000</i>	Actual Use <i>RMB'000</i>
Annual production of 100,000 sets of diesel engines of model number GW4D20	411,900	123,796
Annual production of 300,000 sets of EG engines	568,000	207,058
Annual production of 200,000 sets of six-speed manual transmissions	520,262	178,340
Annual production of 400,000 sets of aluminium alloy casting	420,270	113,748
Annual production of 400,000 sets of axles and brakes	571,657	258,912
Annual production of 400,000 sets of interior and exterior decorations	487,932	264,980
Annual production of 400,000 sets of automotive lightings	185,843	9,194
Surplus proceeds	728,508	0
Total	3,894,372	1,156,028

Share Capital

Details of movements of the share capital of the Company as at 31 December 2011, together with the reasons for such movements, are set out in the audited financial statements.

Property, Plant and Equipment

Details of the changes in property, plant and equipment of the Group and the Company during the year ended 31 December 2011, together with the reasons for such changes, are set out in the audited financial statements.

Pre-Emptive Rights

There are no provisions for pre-emptive rights that require the Company to offer new shares to its existing shareholders on a pro rata basis under the Company's articles of association (the "Articles") or the Company Law of the PRC.

Rights to Acquire Shares or Debentures

At no time during the year was the Company, its subsidiaries or fellow subsidiaries a party to any arrangements to enable the directors, supervisors and chief executive officer of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other legal entity.

Reserves

Details of the changes in the reserves of the Group and the Company are set out in the audited financial statements respectively.

Distributable Reserve

As at 31 December 2011, pursuant to the Company Law and the Articles of the Company, the final dividend for 2011 proposed to be distributed was RMB0.3 per share (before tax). In addition, the capital premium reserve and part of the capital reserves may be distributed through capitalization issue in the future.

Major Customers and Suppliers

For the year ended 31 December 2011, the percentages of purchases and sales attributable to the Group's major suppliers and customers were as follows:

Purchases	
Largest supplier	3.03%
Five largest suppliers in aggregate	14.06%
Sales	
Largest customer	4.60%
Five largest customers in aggregate	12.51%

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

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

Directors and Supervisors

The directors and supervisors who held office during the Year and up to the date of this report were as follows:

Executive Directors:

Wei Jian Jun (<i>Chairman</i>)	Re-appointed on 10 May 2011
Liu Ping Fu	Re-appointed on 10 May 2011
Wang Feng Ying	Re-appointed on 10 May 2011
Hu Ke Gang	Re-appointed on 10 May 2011
Yang Zhi Juan	Re-appointed on 10 May 2011

Non-executive Directors:

He Ping	Re-appointed on 10 May 2011
Niu Jun	Re-appointed on 10 May 2011

Independent Non-executive Directors:

Wei Lin	Re-appointed on 10 May 2011
Li Ke Qiang	Re-appointed on 10 May 2011
He Bao Yin	Re-appointed on 10 May 2011
Wong Chi Hung, Stanley	Re-appointed on 10 May 2011

Supervisor:

Zhu En Ze	Re-appointed on 2 March 2011
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Independent Supervisors:

Yuan Hong Li	Re-appointed on 10 May 2011
Luo Jin Li	Re-appointed on 10 May 2011

Directors' and Supervisors' Service Agreements and Letters of Appointment

In May 2011, the Company entered into new service agreements with each of the executive directors and supervisors, and entered into appointment letters with each of the non-executive directors and independent non-executive directors re-appointed in 2011. Pursuant to the above service agreements and appointment letters, the terms of directors are three years expiring upon the expiry of the fourth session of the Board, and that of supervisors will expire upon the expiry of the fourth session of the Supervisory Committee. Save as disclosed above, none of the directors or supervisors had entered into or proposed to enter into any service contracts with the Company or its subsidiaries, nor any service contracts not determinable by the employer within one year without payment of compensation.

Biographies of Directors, Supervisors and Senior Management

The biographies of directors, supervisors and senior management are set out on pages 24 to 30 of this report.

Independence of Independent Non-Executive Directors

All independent non-executive directors have provided the Company with confirmation as to their independence as independent non-executive directors pursuant to Rule 3.13 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") during their terms of appointment. Based on such confirmation, the Company considers all of its independent non-executive directors to be independent.

Interests of Controlling Shareholders, Directors and Supervisors in Material Contracts

Save for those transactions described in the notes to the financial statements and below, none of the controlling shareholders, directors or supervisors was or had been materially interested, whether directly or indirectly, in any contract subsisting during 2011 or at the end of 2011 which was significant to the business of the Company or any of its subsidiaries.

Material Contracts

The material contracts as at 31 December 2011 included:

On 15 May 2011, the Company entered into an Equity Transfer Agreement in Chinese with 寧波德業化學材料有限公司 (Ningbo Deye Chemical Material Co., Ltd.), pursuant to which the Company acquired 26% of the equity interest in 保定德業汽車內飾件有限公司 (Baoding Deye Automobile Inner Decoration Company Limited) from 寧波德業化學材料有限公司 (Ningbo Deye Chemical Material Co., Ltd.) at a consideration of RMB9.419 million. The agreement was approved by the Baoding Administration for Industry and Commerce and a business license for enterprise legal person was re-issued on 1 June 2011.

On 19 May 2011, the Company participated in the auction of the assets of 河北新大通管業有限公司 (Hebei Newton Pipes Co., Ltd.) held by 保定拍賣有限責任公司 (Baoding Auction Co., Ltd.) and purchased the assets of 河北新大通管業有限公司 (Hebei Newton Pipes Co., Ltd.), including the land use right, equipment and facilities and fixtures erected on the land of approximately 95,540.9 square metres at No. 2117 Lianchi South Street, Nanshi, Baoding, with a consideration of RMB81.1 million. The Company had made full settlement by transferring the payment to the account designated by the Intermediate People's Court of Baoding at the prescribed time according to the Confirmation of Auction Transaction issued by 保定拍賣有限責任公司 (Baoding Auction Co., Ltd.) .

On 26 May 2011, the Company entered into an Equity Transfer Agreement in Chinese with the Liquidators, 高碑店市華北汽車製造廠 (Gaobeidian City Huabei Automobile Works), pursuant to which the Company acquired 47.029% of the equity interest in 保定長城華北汽車有限責任公司 (Baoding Great Wall Huabei Automobile Company Limited) from the Liquidators of 高碑店市華北汽車製造廠 (Gaobeidian City Huabei Automobile Works) at a consideration of RMB173.175 million. The agreement was approved by the Gaobeidian Administration for Industry and Commerce and a business licence for enterprise legal person was re-issued on 27 June 2011.

On 25 September 2011, the Company entered into an Equity Transfer Agreement in Chinese with 溫州天球電器有限公司 (Wenzhou Tianqiu Electrical Co., Ltd.), pursuant to which the Company acquired 75% of the equity interest in 保定天球電器有限公司 (Baoding Tianqiu Electronic Appliance Company Limited) from 溫州天球電器有限公司 (Wenzhou Tianqiu Electrical Co., Ltd.) at a consideration of RMB12.191 million. The agreement was approved by the Baoding Administration for Industry and Commerce and a business license for enterprise legal person was re-issued on 10 October 2011.

Management Contracts

No contract concerning the management or administration of the entire business or any substantial part of the business of the Company was entered into during the Year.

Directors' and Supervisors' Interests in Securities

As at 31 December 2011, the interests and short positions of each of the directors, supervisors and chief executive officer of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the Securities and Futures Ordinance of Hong Kong (the "SFO")), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions in which they were taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register referred to in Section 352 of the SFO (including the interests and short positions in which they were taken or deemed to have under such provisions of the SFO) or were otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers under the Listing Rules, are as follows:

Name of Director/ Supervisor	Capacity/Nature of Interests	No. of Shares	Approximate Percentage of A Shares %	Approximate Percentage of H Shares %	Approximate Percentage of Total Shares %
Mr. Wei Jian Jun	Interests in controlled companies	1,705,000,000 (L)*	84.86	—	56.04
	Total:	1,705,000,000 (L)*	84.86	—	56.04

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

Interests in Controlled Companies

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

Save as disclosed above, as at 31 December 2011, none of the directors, supervisors or general manager 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 the SFO of Hong Kong), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests or short positions which they were deemed to have), or be recorded in the register referred to in Section 352 of the SFO or otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers under the Listing Rules. For this purpose, the relevant provisions of the SFO shall be construed as if they were applicable to the supervisors.

Shareholders' Structure and Number of Shareholders

Details of the shareholders whose names were recorded in the register of shareholders of the Company as at 31 December 2011 are as follows:

Holders of A Shares	47,927
Holders of H Shares	1,277
<hr/>	
Total number of shareholders	49,204

Shares Held by Substantial Shareholders

As at 31 December 2011, the following shareholders (excluding the directors, supervisors and chief executive officer of the Company) had interests or short positions in any shares and underlying shares of the Company which were required to be recorded in the register referred to in Section 336 of the SFO:

Name	No. of Shares	Approximate Percentage of Domestic Shares %	Approximate Percentage of H Shares %	Approximate Percentage of Total Shares %
Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司) (Note 1)	1,705,000,000(L)*	84.86		56.04
Morgan Stanley	136,960,994(L) 135,884,850(S)		13.26(L) 13.15(S)	4.50 4.47
JPMorgan Chase & Co.	124,829,707(L) 4,262,418(S) 97,737,803(P)		12.08(L) 0.41(S) 9.46(P)	4.10 0.14 3.21
Deutsche Bank Aktiengesellschaft	83,257,865(L) 33,544,852(S)		8.05(L) 3.24(S)	2.74 1.10
FIL Limited	70,797,480(L)		6.85(L)	2.33
Investec Asset Management Limited	51,936,000(L)		5.03(L)	1.71

- (L) denotes a long position in shares of the Company
(P) denotes shares available for lending
(S) denotes a short position in shares of the Company
* A shares

Note:

- (1) 保定市沃爾特管理諮詢有限公司 (Baoding Woerte Management Consultant Company), the predecessor of 保定創新長城資產管理有限公司 (Baoding Innovation Great Wall Asset Management Company Limited) ("Innovation GW"), was established on 1 December 2005 with a registered capital of RMB7,788,400, and changed its name on 23 April 2008. Its place of establishment is Baoding, Hebei Province, the PRC and its registered address is 1588 Chang Cheng South Road, Baoding, Hebei Province. It is engaged in corporate planning and management consultancies, the operations of which can only be conducted after obtaining approvals as stipulated under the applicable laws and administrative regulations and as prescribed by the State Council. Pursuant to the SFO, as Innovation GW is controlled by Mr. Wei Jian Jun and is owned as to 62.35% by Mr. Wei Jian Jun, 37.02% by the Management Centre of Collective Assets of Nandayuan Town, Nanshi District, Baoding (保定市南大園鄉集體資產經營中心) and 0.63% by Ms. Han Xue Juan. Mr. Wei Jian Jun is deemed to be interested in the share capital of the Company held by Innovation GW.

Save as disclosed above, as at 31 December 2011, so far as the directors, supervisors or chief executive officer of the Company are aware, no other person (excluding the directors, supervisors and chief executive officer of the Company) had interests or short positions in the shares and underlying shares of the Company which were required to be recorded in the register maintained pursuant to Section 336 of the SFO.

Public Float

Based on the public information available and to the knowledge of the directors of the Company, as at the date of this report, the directors confirm that approximately 43.96% of the issued share capital of the Company was held by the public.

Connected Transactions

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

1. in the ordinary and usual course of business of the Group;
2. on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favorable to the Group than those available to or from independent third parties;
3. in accordance with the relevant agreements governing them; and
4. on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The auditor of the Company has conducted an engagement with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants and has provided a letter dated 16 March 2012 to the board of directors of the Company confirming that the relevant procedures have been carried out on the continuing connected transactions by the auditor of the Company. The conclusion reported by the auditor of the Company in the letter is extracted as follows:

- a. nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have not been approved by the Company's board of directors.
- b. for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Company.

Report of the Directors

- c. nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions.
- d. with respect to each of the disclosed continuing connected transactions set out in the list of continuing connected transactions¹, nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have exceeded the maximum aggregate annual value disclosed in the previous announcements as listed below² made by the Company in respect of each of the disclosed continuing connected transactions.

Notes:

- 1 refers to the continuing connected transactions as set out in the table below.
- 2 refers to announcements dated 19 June 2009 and 15 January 2010 made by the Company.

During the year, details of the continuing connected transactions exempted from the approval of independent shareholders under the Listing Rules are as follows:

Type of Transaction	Cap of non-exempt continuing connected transaction during 2011	Aggregate value for the year ended 31 December 2011
	RMB'000	RMB'000
1. Fixed assets transactions between 魏氏集團 and the Group	135,000	5,914
2. Transactions related to automobile parts and components between 魏氏集團 and the Group	60,000	22,739
3. Purchase of automobile parts and components from Shanghai Shuanghua and Baoding Shuanghua	200,000	148,409

In addition, details of the connected transactions between the Group and connected persons during the year are as follows:

Connected Transaction	Date of Transaction	Parties involved		Nature and extent of interests attributable to connected persons	Purpose of Transaction	Consideration RMB'000	Date of Announcement
		Party A	Party B				
Acquisition of the Equity Interest of Huabei Automobile	26 May 2011	the Company	Gaobeidian City Huabei Automobile Works (Liquidators) (高碑店市華北汽車製造廠 (破產清算組))	Party B is a controlling shareholder of the Company's subsidiaries	Optimise management	173,175	26 May 2011

Remuneration Policies

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

Directors

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

Non-executive Directors

In connection with the remuneration of the non-executive directors, an amount of no less than RMB40,000 per annum as the remuneration to each of them was approved by the shareholders at the general meeting held on 29 April 2011.

Employees

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

Uncollected Dividends

As at 31 December 2011, as for the Company's 2005 final dividend, there were 73 unclaimed final dividends, amounting to HK\$6,672.30. As for the Company's 2006 final dividend, there were 54 unclaimed dividends, amounting to HK\$7,466.55, and as for the Company's 2007 final dividend, there were 62 unclaimed dividends, amounting to HK\$11,691.75. As for the Company's 2008 final dividend, there were 68 unclaimed dividends, amounting to HK\$9,956.70, and as for the Company's 2009 final dividend, there were 67 unclaimed dividends, amounting to HK\$15,686.00, and as for the Company's 2010 final dividend, there were 69 unclaimed dividends, amounting to HK\$36,163.17.

Material Litigations

During the Period, save for the litigation between the Company and Fiat Group Automobiles S.p.A of Italy at the Court of Turin in Italy regarding the patent of the exterior design of the automobile model GW Peri of the Company, the Company was not involved in any other material litigations. The Court of Turin (the "Court") in Italy made a civil judgment dated 8 April 2011 against the Company (the "Judgment") for the infringement or alleged infringement of all the patented European Community exterior designs numbered 00044722-0001 dated 11 November 2003. The Judgment prohibited the Company from engaging in acts of, among others, any advertisement, marketing, sales offer, import and operation of the "Peri" brand automobiles in the territory of the European Union (the "Prohibition"). The "Peri" brand automobiles imported into or operated in the European Union in violation of the Judgment will be confiscated temporarily. Upon the Judgment comes into effect, for each violation, non-compliance and

Report of the Directors

postponement of the Prohibition, the Company will be liable to a penalty of €15,000. The Company was ordered to publish the key points of the Judgment in the following newspapers and magazines namely, LA Stampa (The Press), Corriere Della Sera, La Repubblica, Quattroruote, Automotive News Europe and the Wall Street Journal Europe. The relevant content shall be prepared by Fiat and the expenses for publication shall be borne by the Company, and the Company shall reimburse Fiat for the relevant expenses upon presentation of the supporting documents. The claim for damages by Fiat was dismissed. The Company was ordered to reimburse to Fiat the litigation costs in the sum of €29,344.67 (including tax of €3,320.00, counsel fee of €25,000.00 and reporting expenses of €1,024.67) and at the same time, to pay Fiat 12.5% of the general expense, value-added tax and fee for lawyers' insurance fund as compensation.

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

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

The Company decided on 11 October 2011 not to appeal against the court decision.

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

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

Corporate Governance

To the knowledge of the directors, throughout the year ended 31 December 2011, the Company had complied with all code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules.

Audit Committee

The Company has set up an Audit Committee ("Audit Committee") for the purposes of reviewing and supervising the Group's financial reporting process and internal financial controls. The committee comprises four independent non-executive directors of the Company. The Audit Committee held a meeting on 15 March 2012 to review the annual report and annual financial statements of the Group and to give their opinions and recommendations to the Board of the Company. The Audit Committee is of the opinion that the annual report and the annual financial statements for 2011 comply with the applicable accounting standards and that adequate disclosures have been made by the Company.

Remuneration Committee

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

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.

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 provides recommendations to the management from time to time in accordance with the prevailing market environment and changes in policies and is responsible for reviewing and making recommendations for the Company's long term development strategies and material investment decisions.

Model Code for Securities Transactions by Directors of Listed Issuers

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as its own code of conduct regarding securities transactions by all directors. Having made specific enquiry to the directors and based on the information available, the Board considers that all directors had complied with the requirements set out in the Model Code during the period.

Auditors

Deloitte Touche Tohmatsu Certified Public Accountants Ltd. and Deloitte Touche Tohmatsu were the Group's PRC auditors and international auditors, respectively for the year ended 31 December 2011. A resolution for the re-appointment of Deloitte Touche Tohmatsu Certified Public Accountants Ltd. as the Group's PRC external auditors for the year ending 31 December 2012 will be proposed at the Company's forthcoming annual general meeting.

Uniform Application of CASBE in the Preparation of Financial Statements for A Share and H Share Holders of the Company

According to the “Consultation Conclusions on Acceptance of Mainland Accounting and Auditing Standards and Mainland Audit Firms for Mainland Incorporated Companies Listed in Hong Kong” published by The Stock Exchange of Hong Kong Limited in December 2010, mainland incorporated companies listed in Hong Kong are allowed by the SEHK, with effect from 15 December 2010, to prepare their financial statements using the China Accounting Standards for Business Enterprises (the “**CASBE**”) and mainland audit firms approved by the Ministry of Finance of the PRC and the China Securities Regulatory Commission are allowed to act as their auditors and to audit such financial statements using mainland auditing standards. Accordingly, a resolution in respect of the amendments of its Articles of Association for preparing their financial statements using the mainland accounting standards was passed by shareholders at the first extraordinary general meeting of 2012 of Great Wall Motor Company Limited held on 16 January 2012. This enables the Company to have the flexibility of opting for the uniform application of CASBE in preparing its annual and interim financial statements to satisfy the requirements of both the Shanghai Stock Exchange and the SEHK. The Company has opted to adopt CASBE to prepare its financial statements for its A share and H share shareholders from the financial year ended 31 December 2011 onwards.

By order of the Board

Wei Jian Jun

Chairman

16 March 2012



Report on Corporate Governance Practices

The Company is committed to enhancing its standard of corporate governance by improving its transparency, independence, accountability and fairness. The Company has adopted appropriate measures to comply with the code on Corporate Governance Practices. Set out below is a summary of the Corporate Governance Practices of the Company and the explanation of deviation from the Code on Corporate Governance Practices (if any).

Principal Corporate Governance Principles and Practices of the Company

A. Board of Directors

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

- The Board of the Company comprised five executive directors, two non-executive directors and four independent non-executive directors.
- All independent non-executive directors had complied with the guidelines on independence set out under Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and had not violated any provision thereunder throughout the year.
- There is no material relationship, whether financial, operational or family, among members of the Board.
- The list of directors, their biographies and roles in the Board and various committees are set out on pages 24 to 26 and 35 respectively.

Deviation: NIL

The unique role of the chairman and the chief executive officer

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

Deviation: NIL

Report on Corporate Governance Practices

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

- Pursuant to the Articles of the Company, “the directors shall be elected at a general meeting for a term of three years. Upon expiry of his term of office, a director may offer himself for re-election”. All the directors of the Company, including the Independent Non-executive Directors and Non-executive Directors, were re-elected on 10 May 2011 for a term of three years.

Deviation: NIL

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

- The Board meets regularly and Board meetings are held at least four times a year. The Board is responsible for formulating and reviewing the business direction and strategy for the relevant auditing period and for supervising the operating and financial performance of the Group. Where necessary, the Board will also convene extraordinary meetings to discuss matters requiring a decision by the Board on an ad hoc basis. The management is authorised to exercise discretion on day-to-day operation.
- The Board is accountable to the general meeting and discharges the following duties:
 - (1) to convene shareholders’ general meetings and report to the general meeting on their work;
 - (2) to implement resolutions of the general meetings;
 - (3) to 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 share capital and issue of bonds of the Company;
 - (7) to prepare proposals for the mergers, segregation and dissolution of the Company;
 - (8) to determine the internal management structure of the Company;
 - (9) to appoint or remove the general manager of the Company, and on the basis of nomination by the general manager, to appoint or remove the deputy general manager, financial controller and other senior management personnel of the Company and to determine their remunerations;
 - (10) to set up the basic management systems of the Company;

- (11) to prepare proposals for amendments to the Articles of the Company; and
- (12) other authorisations from the general meetings.

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

- The Articles of the Company clearly stipulate that the general manager of the Company is responsible for implementing various strategies and overseeing the day-to-day operations of the Company and is required to report to the Board on a regular basis.
- The Board will formulate the development strategies of the Company within its scope of authority. The management is authorised and entrusted by the Board to implement the strategies and oversee the day-to-day operations of the Company.
- There are four committees under the Board. The Strategy Committee is responsible for assisting the Board in formulating strategies of the Board. The Audit Committee is responsible for supervising the financial conditions of the Company. The Remuneration Committee is responsible for formulating remuneration policies of the Company and supervising their implementations. The Nomination Committee is responsible for making recommendations to the Board regarding its size and composition and the standards and procedures for selecting directors and management members. The Strategy Committee provides recommendations to the management from time to time in accordance with the prevailing market environment and changes in policies. The Audit Committee, Nomination Committee and Remuneration Committee report to the Board on a regular basis.

Audit Committee	Strategy Committee	Remuneration Committee	Nomination Committee
Wei Lin (<i>Chairman</i>)	Wei Jian Jun (<i>Chairman</i>)	Wei Lin (<i>Chairman</i>)	Li Ke Qiang (<i>Chairman</i>)
He Bao Yin	Wang Feng Ying	He Bao Yin	He Bao Yin
Li Ke Qiang	Li Ke Qiang	Wei Jian Jun	Wei Jian Jun
Wong Chi Hung, Stanley	He Bao Yin		
	He Ping		

Deviation: NIL

The board should meet regularly to discharge their duties. The board and its committees should be provided with sufficient information in a prompt manner.

- During the year, the Board held 15 meetings. Pursuant to the Articles of the Company, “meetings or extraordinary meetings of the Board may be convened by means of telephone or similar telecommunication facilities”.
- Regular meetings of the Board of the Company were held in the mid-year and at the end of the year. Additional meetings were also held to consider important matters arising from time to time. Directors may attend such meetings in person or through other electronic means of communication.
- Notice was given to each director 14 days prior to a board meeting. Documents containing meeting agenda were sent to all directors four days before the date appointed for the relevant meeting.

Report on Corporate Governance Practices

- The secretary to the Board assisted the chairman of the Board in preparing the meeting agenda. The directors are allowed to submit proposed agenda items to the secretary to the Board before the date appointed for the relevant meeting.
- Minutes of board meetings and meetings of committees are kept by the secretary to the Board and are available for inspection by the directors at any time. Such minutes of the meeting recorded opinions and suggestions raised by the directors in the meeting. The final versions of such minutes were sent to directors for signing and confirmation.
- Transactions in which directors are deemed to have a conflict of interests or deemed to be materially interested will not be dealt with by written 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.

Set out below is the attendance record of all meetings of the Board in 2011:

Attendance of individual directors in meetings of the Board in 2011

No. of meetings 15

	Full meeting of the Board of Directors	
	No. of attendance/ No. of meetings	Attendance rate
Chairman		
Wei Jian Jun	15/15	100%
Executive directors		
Liu Ping Fu	15/15	100%
Wang Feng Ying	15/15	100%
Hu Ke Gang	15/15	100%
Yang Zhi Juan	15/15	100%
Non-executive directors		
Niu Jun	15/15	100%
He Ping	15/15	100%
Independent non-executive directors		
Wei Lin	15/15	100%
He Bao Yin	15/15	100%
Li Ke Qiang	15/15	100%
Wong Chi Hung, Stanley	15/15	100%
Average attendance rate		100%

Save for matters of significance of the Company to be determined by the Board, which are set out in the terms of reference of the Board, other issues relating to day-to-day operation are subject to the decision of the management, which reports to the Board.

There is no material relationship, whether financial, operational, family, etc, among members of the Board.

Deviation: NIL

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

- The company secretary provides up-to-date information on trading of H shares of the Company in Hong Kong on each trading day to the directors and committee members and keeps them abreast of the latest developments of the Group and business progress of the Company.
- Pursuant to the prevailing “獨立董事工作制度” (Rules and Procedures of Independent Directors), non-executive directors are entitled to attend and convene Board meetings. All the committees of the Company currently comprise non-executive directors.

Deviation: NIL

*Compliance with Model Code for Securities Transactions by Directors of Listed Issuers (“**Model Code**”)*

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

Deviation: NIL

B. Remuneration of Directors and Senior Management

There should be a formal and transparent procedure for setting policy on executive directors' remuneration and for fixing the remuneration packages for all directors.

- The Company set up the Remuneration Committee comprising two independent non-executive directors and one executive director.

Attendance of committee members in meetings of the Remuneration Committee in 2011

No. of meetings			1
Time and Business	11 March 2011		
	To review the remuneration policies for directors and senior management of the Company		
	No. of attendance/ No. of meeting	Attendance rate	
Wei Lin	1/1	100%	
He Bao Yin	1/1	100%	
Wei Jian Jun	1/1	100%	
Average attendance rate			100%

- The Remuneration Committee is responsible for reviewing the remuneration policies for directors and senior management of the Company, and fixing the remuneration packages for executive directors and senior management, including benefits in kind, pension and compensation. The terms of reference of the Remuneration Committee include the specific duties set out under the Code on Corporate Governance Practices.

The Group determines the 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, and reviews the remuneration policies and packages regularly. Based on the performance assessment report, employees may receive bonus and incentive payments as reward.

- In May 2011, the Company and each of the directors entered into a Director's Service Contract for a term of three years, which set out their respective entitlements to the Director's remuneration.

Deviation: NIL



C. Nomination Committee

- The Company has set up a nomination committee. 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.

D. Accountability and Audit

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

- The directors are responsible for supervising the preparation of accounts for each financial period, which are required to give a true and fair view of the operating conditions, results and cash flow of the Group during the relevant period. When preparing the accounts for the year ended 31 December 2011, 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 Listing Rules and disclosed other financial information as required by the Listing Rules.

Deviation: NIL

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

- The 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 operational control.
- The financial control centre and secretariat to the Board of the Company is responsible for monitoring compliance affairs of the Group and organizing regular training.
- The Board is responsible for risk management and regular risk management reviews.

Deviation: NIL

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

- Deloitte Touche Tohmatsu Certified Public Accountants Ltd. and Deloitte Touche Tohmatsu were the PRC and international auditors of the Company in 2011. Their auditing fees in respect of the interim review service amounted to RMB480,000. 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 Ltd.. Auditing fees in respect of the annual audit service charged by Deloitte Touche Tohmatsu Certified Public Accountants Ltd. in 2011 amounted to RMB2,200,000. Apart from these, there was no charge payable for non-audit services by Deloitte Touche Tohmatsu Certified Public Accountants Ltd. and Deloitte Touche Tohmatsu for 2011.
- The Company has set up an Audit Committee comprising all independent non-executive directors of the Company, including Ms. Wei Lin (as chairman), Mr. Li Ke Qiang, Mr. He Bao Yin and Mr. Wong Chi Hung, Stanley.
- 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) to make recommendation on the engagement or change of external auditors; (2) to supervise the internal audit system of the Company and its implementation; (3) to coordinate communication between internal and external audit functions; (4) to review financial information of the Company and its disclosure; (5) to review the internal control system and material connected transactions of the Company; and (6) to exercise other powers delegated by the Board of the Company.
- The principal work of the Audit Committee includes reviewing and supervising the financial reporting procedures and internal control of the Group.
- The Audit Committee holds at least two meetings each year to review the audited annual accounts and unaudited interim accounts. The principal duties of the Audit Committee include reviewing the financial reporting of the Group, auditors' advice on internal control and compliance matters and financial risk management.

Attendance of committee members in meetings of the Audit Committee in 2011

No. of meetings 2

Time and Business

	14 March 2011 To review the annual financial report for 2010	18 August 2011 To review the interim financial report for 2011	
	No. of Attendance/ No. of meeting		Attendance rate
Wei Lin	2/2		100%
Li Ke Qiang	2/2		100%
He Bao Yin	2/2		100%
Wong Chi Hung, Stanley	2/2		100%
Average attendance rate			100%

- The Audit Committee held a meeting on 15 March 2012 and reviewed the audited results and annual financial report for the year ended 31 December 2011.
- The terms of reference of the Audit Committee covered all duties set out in the Code on Corporate Governance Practices. During the year, the Audit Committee recommended to the Board for the re-appointment of Deloitte Touche Tohmatsu Certified Public Accountants Ltd. as the domestic external auditor of the Company for 2011. Deloitte Touche Tohmatsu was re-appointed as the foreign external auditor of the Company for 2011.
- The Committee reviewed the independence and objectiveness as well as the effectiveness of the auditing procedures adopted by Deloitte Touche Tohmatsu Certified Public Accountants Ltd. and Deloitte Touche Tohmatsu, the external auditors of the Company.
- The Committee reviewed the 2011 Financial Report of the Company.
- The Committee reviewed the connected transactions of the Company in 2011.
- The minutes of meetings of the Audit Committee are duly kept by the secretary to the Board. Such minutes of the meetings recorded opinions and suggestions raised by the committee members at the meetings. The minutes are filed for record upon signing and confirmation by the committee members.
- All members of the Audit Committee are independent non-executive directors of the Company.

- Ernst & Young Hua Ming and Ernst & Young have been the PRC and international auditors of the Company since the listing of the Company. As the Company could not reach an agreement on the audit fees with Ernst & Young Hua Ming and Ernst & Young, its PRC and international auditors, the Company proposed to change the auditors. Ernst & Young Hua Ming and Ernst & Young resigned as the Company's PRC and international auditors on 9 October 2010 respectively. Deloitte Touche Tohmatsu Certified Public Accountants Ltd. and Deloitte Touche Tohmatsu were appointed as the Group's PRC and international auditors for the year ended 31 December 2010 at the extraordinary general meeting of the Company held on 26 November 2010. Deloitte Touche Tohmatsu Certified Public Accountants Ltd. and Deloitte Touche Tohmatsu were the PRC and international auditors of the Company in 2011.

E. Corporate Communications

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

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

Deviation: NIL

Report of the Supervisory Committee

To all Shareholders,

During the year 2011, all members of the Supervisory Committee of the Company adhered strictly to the requirements of the Company Law of the PRC (the “Company Law”) and the articles of association of the Company (the “**Articles of Association**”), and, according to the principles of integrity, 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 the shareholders. The Supervisory Committee played an effective role in ensuring that the Company had operated in conformity with all relevant requirements and contributed to its sustained development.

1. Meetings and Resolutions of the Supervisory Committee

The third meeting of the third session of the Supervisory Committee was held on 15 March 2011 in the conference room of the Company, whereupon the financial statements, profit appropriation proposal, report of the Supervisory Committee for 2010 and re-election of the Supervisory Committee were considered and approved.

The first meeting of the fourth session of the Supervisory Committee was held on 10 May 2011 in the conference room of the Company, whereupon the chairman of the fourth Supervisory Committee was elected.

The second meeting of the fourth session of the Supervisory Committee was held on 19 August 2011 in the conference room of the Company, whereupon the interim report for 2011 was considered and approved.

The third meeting of the fourth session of the Supervisory Committee was held on 28 October 2011 in the conference room of the Company, whereupon the third quarterly report for 2011 was considered and approved.

The fourth meeting of the fourth session of the Supervisory Committee was held on 22 November 2011 in the conference room of the Company, whereupon the use of raised funds to substitute the internal resources previously used in projects was considered and approved.

The fifth meeting of the fourth Supervisory Committee was held on 30 November 2011 in the conference room of the Company, whereupon the utilisation of surplus proceeds to supplement as the working capital was considered and approved.

2. Tasks of the Supervisory Committee during the Reporting Period

During the Reporting Period, not only did the Supervisory Committee attend all the meetings of the board of directors (the “**Directors**”) of the Company in 2011, the Committee also duly supervised and monitored the financial affairs of the Company, operation decisions made by the management, due operation of the Company in accordance with the law and the discharge of duties by the Directors and the senior management. The Supervisory Committee is of the opinion that:

- (1) The Company and its subsidiaries were not involved in any violation of the Company Law, the Articles of Association, the relevant accounting standards, and the laws and regulations of the PRC during their operation in 2011. Acquisition or disposal of assets and connected transactions of the Company were fair and reasonable, and did not cause prejudice to the interests of other shareholders and the Company, nor were there any significant flaws in the design and operation of the Company’s internal control system; the Company’s internal control system was sound, with effective execution.
- (2) The Directors and senior management of the Company have discharged their duties with commitment, due observance of the law, well-regulated management, innovation, and a high regard to all shareholders’ interest during 2011 and there was no violation of the Company Law, the Articles of Association, the relevant accounting standards, and the laws and regulations of the PRC.
- (3) The accountants’ firm issued their report in the standard and unqualified form without explanatory statement. The Company’s financial statements reflected a true view of the financial positions of the Group and the Company as at 31 December 2011, and the operating results of the Group for the year then ended.
- (4) The Company had presented the “Special Report on the Deposit and Actual Use of Raised Proceeds” for the year 2011; the Supervisory Committee was of the opinion that the actual use of the proceeds raised from the latest fund-raising exercise was consistent with the use disclosed in the fund-raising circular, and there was no violation of law in the use and management of the raised funds.

By Order of the Supervisory Committee

Zhu En Ze

Supervisor

Hebei Province, the People’s Republic of China, 16 March 2012



De Shi Bao ShenZi(12)No.P0225

TO THE SHAREHOLDERS OF GREAT WALL MOTOR COMPANY LIMITED

We have audited the accompanying financial statements of Great Wall Motor Company Limited (“Great Wall Motor”), which comprise the Company’s and consolidated balance sheets as at 31 December 2011, the Company’s and consolidated income statement, the Company’s and consolidated statement of changes in shareholders’ equity, and the Company’s and consolidated cash flow statements for the year then ended, and the notes to the financial statements.

I. MANAGEMENT’S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management of the Company is responsible for the preparation and fair presentation of these financial statements. This responsibility includes: (1) preparing the financial statements in accordance with Accounting Standards for Business Enterprises to achieve: fair presentation of the financial statements; (2) designing, implementing and maintaining internal control that is necessary to ensure that the financial statements are free from material misstatement whether due to fraud or error.

II. CERTIFIED PUBLIC ACCOUNTANTS’ RESPONSIBILITY

Our responsibility is to express an audit opinion on these financial statements based on our audit. We conducted our audit in accordance with China Standards on Auditing. China Standards on Auditing require that we comply with the Code of Ethics for Chinese Certified Public Accountants and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the certified public accountants’ judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the Certified Public Accountants consider the internal control relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

III. AUDIT OPINION

In our opinion, the financial statements of the Company present fairly, in all material respects, the Company's and consolidated financial position as of 31 December 2011, and the Company's and consolidated results of operations and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

Deloitte Touche Tohmatsu CPA Ltd.

Shanghai, China

Chinese Certified Public Accountant

Tong Chuanjiang

Zhang Xiaoliang

16 March 2012

(English translation for reference only. Should there be any inconsistency between the Chinese and English version, the Chinese version shall prevail.)

Consolidated Balance Sheet

As at 31 December 2011

Item	Note	RMB	
		31/12/2011	31/12/2010
Current assets:			
Cash and bank balance	(vi)1	7,107,086,034.95	3,094,616,438.33
Held-for-trading financial assets	(vi)17	1,177,700.00	—
Bills receivable	(vi)2	8,702,977,854.66	7,726,100,420.35
Accounts receivable	(vi)3	679,370,292.96	326,995,787.63
Prepayments	(vi)4	360,600,901.18	354,834,305.87
Other receivables	(vi)5	650,401,167.30	1,202,085,647.41
Inventories	(vi)6	2,776,681,563.15	2,103,680,426.57
Other current assets	(vi)7	95,896,929.73	16,250,187.10
Total Current Assets		20,374,192,443.93	14,824,563,213.26
Non-current Assets:			
Long-term equity investment	(vi)8/(vi)9	70,038,060.49	146,763,174.16
Investment properties	(vi)10	6,413,916.01	2,079,025.59
Fixed assets	(vi)11	7,392,381,087.28	5,360,201,657.00
Construction in progress	(vi)12	3,050,225,885.34	1,952,520,382.39
Intangible assets	(vi)13	1,869,266,218.71	1,110,650,492.82
Goodwill	(vi)14	2,163,713.00	2,163,713.00
Long-term prepaid expenses		18,267,919.84	2,117,674.58
Deferred income tax assets	(vi)15	351,908,470.87	297,215,674.21
Total Non-current Assets		12,760,665,271.54	8,873,711,793.75
Total Assets		33,134,857,715.47	23,698,275,007.01
Current Liabilities:			
Held-for-trading financial liabilities	(vi)17	—	1,953,456.00
Bills payable	(vi)18	3,977,526,932.93	3,375,709,892.95
Accounts payable	(vi)19	6,033,540,800.73	4,903,563,867.05
Advances from customers	(vi)20	2,711,470,723.34	2,439,879,137.76
Salaries payable	(vi)21	501,866,128.29	341,030,164.24
Taxes payable	(vi)22	283,940,139.56	179,056,093.16
Dividends payable	(vi)23	59,536,914.89	37,742,237.73
Other payables	(vi)24	852,932,381.01	411,995,761.91
Non-current liabilities due within one year	(vi)25	26,458,955.67	25,783,399.52
Other current liabilities	(vi)26	266,265,212.39	170,779,206.36
Total Current Liabilities		14,713,538,188.81	11,887,493,216.68

Consolidated Balance Sheet

As at 31 December 2011

Item	Note	RMB	
		31/12/2011	31/12/2010
Non-current Liabilities:			
Other non-current liabilities	(vi)27	1,399,815,782.93	1,410,476,208.63
Total Non-current Liabilities		1,399,815,782.93	1,410,476,208.63
Total Liabilities		16,113,353,971.74	13,297,969,425.31
Shareholders' Equity			
Share capital	(vi)28	3,042,423,000.00	1,095,272,000.00
Capital reserve	(vi)29	4,463,795,086.95	2,564,781,207.42
Surplus reserve	(vi)30	1,583,245,673.36	1,215,563,679.75
Undistributed profits	(vi)31	7,653,974,196.03	5,143,097,076.86
Foreign currency translation differences		(6,329,603.59)	(3,566,422.16)
Total Equity Attributable to Shareholders of the parent company		16,737,108,352.75	10,015,147,541.87
Minority Interests		284,395,390.98	385,158,039.83
Total Shareholders' Equity		17,021,503,743.73	10,400,305,581.70
Total Liabilities and Shareholders' Equity		33,134,857,715.47	23,698,275,007.01

The notes form an integral part of the financial statements

The financial statements as set out from pages 59 to 226 have been signed by:

Legal Representative
Wei Jianjun

General Manager
Wang Fengying

Chief Financial Officer
Li Fengzhen

Head of the Finance Section
Ji Wenjun

Balance Sheet of the Parent Company

As at 31 December 2011

Item	Note	RMB	
		31/12/2011	31/12/2010
Current assets:			
Cash and bank balance	(x)1	4,310,486,666.45	1,819,270,566.25
Held-for-trading financial assets		1,177,700.00	—
Bills receivable	(x)2	6,640,961,869.01	6,975,761,990.07
Accounts receivable	(x)3	1,330,753,797.38	242,032,685.10
Prepayments		439,915,721.85	412,935,671.59
Dividends receivable		73,042,279.17	29,120,665.38
Other receivables	(x)4	635,851,457.46	1,193,306,578.55
Inventories	(x)5	1,001,583,500.04	717,790,908.79
Other current assets		75,863,221.94	5,695,700.11
Total Current Assets		14,509,636,213.30	11,395,914,765.84
Non-current Assets:			
Long-term equity investment	(x)6	3,587,535,397.22	1,833,557,741.95
Investment properties		6,413,916.01	2,079,025.59
Fixed assets	(x)7	5,655,282,956.52	4,118,657,637.80
Construction in progress	(x)8	2,598,901,355.32	1,603,648,556.73
Intangible assets	(x)9	1,403,280,850.39	528,270,246.79
Long-term prepaid expenses		11,619,033.17	1,443,930.52
Deferred income tax assets		80,131,879.87	87,579,292.91
Total Non-current Assets		13,343,165,388.50	8,175,236,432.29
Total Assets		27,852,801,601.80	19,571,151,198.13
Current Liabilities:			
Held-for-trading financial liabilities		—	1,953,456.00
Bills payable	(x)10	2,679,375,046.99	2,974,791,453.30
Accounts payable	(x)11	5,742,456,535.24	4,889,162,631.31
Advances from customers	(x)12	1,952,319,876.00	1,276,268,497.06
Salaries payable		258,950,983.91	173,445,003.19
Taxes payable		214,944,117.01	109,052,316.20
Other payables		601,764,853.33	305,027,952.79
Non-current liabilities due within one year	(x)13	22,638,259.40	21,980,894.76
Other current liabilities		109,785,839.62	116,413,878.77
Total Current Liabilities		11,582,235,511.50	9,868,096,083.38

Balance Sheet of the Parent Company

As at 31 December 2011

Item	Note	RMB	
		31/12/2011	31/12/2010
Non-current Liabilities:			
Other non-current liabilities	(x)13	1,055,493,541.19	1,062,064,764.03
Total Non-current Liabilities		1,055,493,541.19	1,062,064,764.03
Total Liabilities		12,637,729,052.69	10,930,160,847.41
Shareholders' Equity			
Share capital		3,042,423,000.00	1,095,272,000.00
Capital reserve	(x)14	4,506,077,023.11	2,558,855,754.12
Surplus reserve		952,021,781.87	629,287,188.93
Undistributed profits	(x)15	6,714,550,744.13	4,357,575,407.67
Total Shareholders' equity		15,215,072,549.11	8,640,990,350.72
Total Liabilities and Shareholders' Equity		27,852,801,601.80	19,571,151,198.13

Consolidated Income Statement

For the year ended 31 December 2011

Items	Notes	2011	RMB 2010
I. Total Operating Revenue	(vi)32	30,089,476,665.00	22,986,072,045.16
II. Total operating costs		26,105,111,467.73	20,072,605,815.64
Including: Operating costs	(vi)32	22,593,797,877.09	17,298,380,820.08
Business tax and surcharges	(vi)33	1,052,324,859.69	811,086,703.48
Selling expenses	(vi)34	1,192,712,451.22	1,070,202,611.99
Administrative expenses	(vi)35	1,283,873,003.63	873,663,826.10
Financial expenses	(ix)2	(22,934,689.66)	(7,819,677.50)
Impairment loss on assets	(vi)36	5,337,965.76	27,091,531.49
Add: Gains from changes in fair value	(vi)37	3,131,156.00	(1,953,456.00)
Investment income	(vi)38	24,357,261.65	56,271,599.73
Including: share of profit of associates and jointly controlled entities		11,954,450.91	42,050,304.51
III. Operating Profit		4,011,853,614.92	2,967,784,373.25
Add: Non-operating income	(vi)39	126,307,643.49	82,492,733.01
Less: Non-operating expenses	(vi)40	7,509,939.18	9,041,882.70
Including: Loss from disposal of non-current assets		2,522,008.18	4,164,586.47
IV. Total Profit		4,130,651,319.23	3,041,235,223.56
Less: Income tax expenses	(vi)41	619,998,434.10	214,151,355.81
V. Net Profit		3,510,652,885.13	2,827,083,867.75
Net profit attributable to shareholders of the parent company		3,426,195,112.78	2,700,734,577.09
Minority interests		84,457,772.35	126,349,290.66
VI. Earnings per share			
(i) Basic earnings per share	(vi)42	1.22	0.99
(ii) Diluted earnings per share	(vi)42	N/A	N/A
VII. Other Comprehensive Income	(vi)43	(2,763,181.43)	(1,775,238.96)
VIII. Total Comprehensive Income		3,507,889,703.70	2,825,308,628.79
Total comprehensive income attributable to shareholders of the parent company		3,423,431,931.35	2,698,959,338.13
Total comprehensive income attributable to minority interests		84,457,772.35	126,349,290.66

Income Statement of the Parent Company

For the year ended 31 December 2011

Items	Notes	2011	RMB 2010
I. Operating Revenue	(x)16	29,243,347,647.05	22,802,053,911.41
Less: Operating costs	(x)16	23,947,204,043.46	19,040,474,996.96
Business tax and surcharges	(x)17	996,230,757.38	776,285,606.50
Selling expenses		215,978,083.27	227,115,529.34
Administrative expenses	(x)18	910,545,397.77	620,999,911.04
Financial expenses		(4,458,439.64)	6,575,156.33
Impairment loss on assets		4,667,302.03	13,289,816.55
Add: Gains from changes in fair value		3,131,156.00	(1,953,456.00)
Investment income	(x)19	442,546,829.86	244,883,372.89
Including: share of profit of associates and jointly controlled entities		4,178,927.85	38,037,760.04
II. Operating Profit		3,618,858,488.64	2,360,242,811.58
Add: Non-operating income		59,863,043.90	32,863,001.19
Less: Non-operating expenses		1,979,496.36	3,632,197.25
Including: Loss from disposal of non-current assets		—	829,801.94
III. Total Profit		3,676,742,036.18	2,389,473,615.52
Less: Income tax expenses	(x)20	449,396,106.78	79,013,075.04
IV. Net Profit		3,227,345,929.40	2,310,460,540.48
V. Earnings per share			
(i) Basic earnings per share		1.15	0.84
(ii) Diluted earnings per share		N/A	N/A
VI. Other Comprehensive Income		—	—
VII. Total Comprehensive Income		3,227,345,929.40	2,310,460,540.48

Consolidated Cash Flow Statements

For the year ended 31 December 2011

Items	Notes	2011	RMB 2010
I. Cash flows from Operating Activities:			
Cash received from selling goods and rendering services		33,523,510,903.79	22,672,235,873.26
Tax rebate received		46,758,920.91	34,138,370.29
Other cash received relating to operating activities	(vi)44(1)	142,620,751.74	60,439,648.79
Sub-total of cash inflow from operating activities		33,712,890,576.44	22,766,813,892.34
Cash paid for purchasing goods and receiving services		23,659,338,139.42	15,507,227,146.50
Cash paid to and on behalf of employees		2,024,448,784.11	1,250,611,949.44
Taxes and surcharges paid		2,167,085,935.48	1,470,504,012.61
Other cash paid relating to operating activities	(vi)44(2)	1,413,275,100.06	1,346,998,803.61
Sub-total of cash outflow from operating activities		29,264,147,959.07	19,575,341,912.16
Net cash flows from operating activities	(vi)45(1)	4,448,742,617.37	3,191,471,980.18
II. Cash flows from investing activities:			
Cash received from disposal of investments		1,548,000,000.00	1,798,500,000.00
Cash received from return on investments		3,105,425.80	19,273,304.88
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		7,296,179.29	12,390,418.98
Net cash received from disposal of subsidiaries and other business entities	(vi)45(2)	246,885,400.00	5,362,923.21
Other cash received relating to investing activities	(vi)44(3)	17,928,861.09	783,409,597.00
Sub-total of cash inflow from investing activities		1,823,215,866.18	2,618,936,244.07
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		3,758,842,758.05	3,218,428,951.31
Net cash paid for acquisition of subsidiaries and other business entities	(vi)45(2)	7,374,572.94	52,799,780.15
Investment in available for sale financial assets		1,548,000,000.00	1,648,500,000.00
Cash paid for equity investment		173,175,000.00	6,677,500.00
Other cash paid relating to investing activities		—	—
Sub-total of cash outflow from investing activities		5,487,392,330.99	4,926,406,231.46
Net cash flows from investing activities		(3,664,176,464.81)	(2,307,469,987.39)
III. Cash flows from financing activities:			
Cash received from equity investments		3,894,372,268.99	—
Including: Cash received by subsidiaries from minority shareholders' investment		—	—
Cash received from borrowings		186,135,646.94	—
Other cash received relating to financing activities	(vi)44(4)	220,182,665.32	—
Sub-total of cash inflow from financing activities		4,300,690,581.25	—
Cash paid for repayment of liabilities		181,372,360.44	75,596,267.00
Cash paid for dividends, profits distribution or interest repayment		663,370,683.17	287,424,978.92
Including: Dividend and profit paid by subsidiaries to minority shareholders		111,675,143.44	13,000,000.00
Other cash paid relating to financing activities	(vi)44(5)	—	849,239,042.02
Sub-total of cash outflow from financing activities		844,743,043.61	1,212,260,287.94
Net cash flows from financing activities		3,455,947,537.64	(1,212,260,287.94)

Consolidated Cash Flow Statements

For the year ended 31 December 2011

Items	Notes	2011	RMB 2010
IV. Effect on cash and cash equivalents due to change in foreign currency exchange rate		(7,861,428.26)	(18,149,708.85)
V. Net increase in cash and cash equivalents	(vi)45(3)	4,232,652,261.94	(346,408,004.00)
Add: Balance of cash and cash equivalents at the beginning of the period	(vi)45(3)	2,073,626,962.53	2,420,034,966.53
VI. Balance of cash and cash equivalents at the end of the period	(vi)45(3)	6,306,279,224.47	2,073,626,962.53

Cash Flow Statements of the Parent Company

For the year ended 31 December 2011

Item	Notes	2011	RMB 2010
I. Cash flows from Operating Activities:			
Cash received from selling goods and rendering services		31,858,573,324.27	22,261,518,087.77
Tax rebate received		23,825,118.96	9,303,613.33
Other cash received relating to operating activities		119,727,004.48	33,774,713.21
Sub-total of cash inflow from operating activities		32,002,125,447.71	22,304,596,414.31
Cash paid for purchasing goods and receiving services		25,276,879,002.17	17,930,388,335.42
Cash paid to and on behalf of employees		1,167,119,616.72	538,387,602.00
Taxes and surcharges paid		1,472,511,987.91	916,528,619.59
Other cash paid relating to operating activities		518,450,247.32	498,027,253.87
Sub-total of cash outflow from operating activities		28,434,960,854.12	19,883,331,810.88
Net cash flows from operating activities	(x)21(1)	3,567,164,593.59	2,421,264,603.43
II. Cash flows from investing activities:			
Cash received from disposal of investments		90,000,000.00	1,494,310.74
Cash received from return on investments		441,288,567.39	198,789,687.08
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		9,912,992.72	3,562,547.22
Net cash received from disposal of subsidiaries and other business entities		246,885,400.00	140,000,000.00
Other cash received relating to investing activities		17,746,946.57	774,000,000.00
Sub-total of cash inflow from investing activities		805,833,906.68	1,117,846,545.04
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		3,342,554,621.49	2,601,853,943.02
Cash paid for investment in available for sale financial assets		90,000,000.00	—
Net cash paid for acquisition of subsidiaries and other business entities		21,610,000.00	62,246,000.00
Cash paid for equity investment		1,769,791,006.59	343,585,772.51
Other cash paid relating to operating activities		—	—
Sub-total of cash outflow from investing activities		5,223,955,628.08	3,007,685,715.53
Net cash flows from investing activities		(4,418,121,721.40)	(1,889,839,170.49)
III. Cash flows from financing activities:			
Cash received from equity investments		3,894,372,268.99	—
Cash received from borrowings		186,135,646.94	—
Other cash received relating to financing activities		322,236,197.03	—
Sub-total of cash inflow from financing activities		4,402,744,112.96	—
Cash paid for repayment of liabilities		181,372,360.44	—
Cash paid for dividends, profits distribution or interest repayment		551,695,539.73	273,818,000.00
Other cash paid relating to financing activities		—	764,040,928.59
Sub-total of cash outflow from financing activities		733,067,900.17	1,037,858,928.59
Net cash flows from financing activities		3,669,676,212.79	(1,037,858,928.59)
IV. Effect on cash and cash equivalents due to change in foreign currency exchange rate			
		(5,266,787.75)	(15,686,040.38)

Cash Flow Statements of the Parent Company

For the year ended 31 December 2011

Item	Notes	2011	RMB 2010
V. Net increase in cash and cash equivalents	(x)21(2)	2,813,452,297.23	(522,119,536.03)
Add: Balance of cash and cash equivalents at the beginning of the period	(x)21(2)	961,977,227.28	1,484,096,763.31
VI. Balance of cash and cash equivalents at the end of the period	(x)21(2)	3,775,429,524.51	961,977,227.28

Consolidated Statement of Changes in Shareholders' Equity

For the year ended 31 December 2011

RMB

Item	2011							
	Attributable to the owners of the Parent Company					Translation reserve	Minority interests	Total equity
	Share capital	Capital reserve	Surplus reserve	Undistributed profit				
I. Balance at the beginning of the year	1,095,272,000.00	2,564,781,207.42	1,215,563,679.75	5,143,097,076.86	(3,566,422.16)	385,158,039.83	10,400,305,581.70	
II. Changes in the current year	1,947,151,000.00	1,899,013,879.53	367,681,993.61	2,510,877,119.17	(2,763,181.43)	(100,762,648.85)	6,621,198,162.03	
(1) Net profit	-	-	-	3,426,195,112.78	-	84,457,772.35	3,510,652,885.13	
(2) Other comprehensive income	-	-	-	-	(2,763,181.43)	-	(2,763,181.43)	
Sub-total of (1) and (2)	-	-	-	3,426,195,112.78	(2,763,181.43)	84,457,772.35	3,507,889,703.70	
(3) Shareholders' capital injection and capital reduction	304,243,000.00	3,541,921,879.53	-	-	-	(101,903,522.85)	3,744,261,356.68	
1. Capital injection from shareholders	304,243,000.00	3,590,129,268.99	-	-	-	-	3,894,372,268.99	
2. Acquisition of subsidiaries (Note 9.1)	-	-	-	-	-	23,064,087.69	23,064,087.69	
3. Acquisition of minority interests of subsidiaries (Note 1)	-	(48,207,389.46)	-	-	-	(124,967,610.54)	(173,175,000.00)	
(4) Profit distribution	-	-	367,681,993.61	(915,317,993.61)	-	(83,316,898.35)	(630,952,898.35)	
1. Transfer to statutory reserves	-	-	356,095,182.97	(356,095,182.97)	-	-	-	
2. Transfer to discretionary reserves	-	-	-	-	-	-	-	
3. Transfer to venture expansion fund	-	-	-	-	-	-	-	
4. Transfer to reserve fund	-	-	11,586,810.64	(11,586,810.64)	-	-	-	
5. Distribution to shareholders	-	-	-	(547,636,000.00)	-	(83,316,898.35)	(630,952,898.35)	
6. Transfer to employee bonus and welfare fund	-	-	-	-	-	-	-	
7. Tax refund for welfare enterprises	-	-	-	-	-	-	-	
(5) Transfer of shareholders' equity	1,642,908,000.00	(1,642,908,000.00)	-	-	-	-	-	
1. Transfer of capital reserve to share capital	1,642,908,000.00	(1,642,908,000.00)	-	-	-	-	-	
2. Transfer of surplus reserves to share capital	-	-	-	-	-	-	-	
3. Surplus reserves making up of losses	-	-	-	-	-	-	-	
4. Others	-	-	-	-	-	-	-	
III. Balance at the end of the current year	3,042,423,000.00	4,463,795,086.95	1,583,245,673.36	7,653,974,196.03	(6,329,603.59)	284,395,390.98	17,021,503,743.73	

Note 1: In June 2011, the Company acquired 47.029% equity in Baoding Great Wall Huabei Automobile Company Limited (保定長城華北汽車有限公司) from minority shareholders of GW Huabei in Gaobeidian City Huabei Automobile Works (高碑店市華北汽車製造廠) (Liquidators) through auction for a consideration of RMB173,175,000. Baoding Great Wall Huabei Automobile Company Limited became a wholly-owned subsidiary of the Company after the acquisition. The difference between the decrease in minority interests and the consideration was RMB48,207,000 and was directly credited to the capital reserves.

Consolidated Statement of Changes in Shareholders' Equity

For the year ended 31 December 2011

RMB

Item	2010						Total equity
	Attributable to the owners of the Parent Company				Translation reserve	Minority interests	
	Share capital	Capital reserve	Surplus reserve	Undistributed profit			
I. Balance at the beginning of the year	1,095,272,000.00	2,564,781,207.42	1,166,372,859.93	2,768,028,051.82	(1,791,183.20)	245,497,026.23	7,838,159,962.20
II. Changes in the current year	—	—	49,190,819.82	2,375,069,025.04	(1,775,238.96)	139,661,013.60	2,562,145,619.50
(1) Net profit	—	—	—	2,700,734,577.09	—	126,349,290.66	2,827,083,867.75
(2) Other comprehensive income	—	—	—	—	(1,775,238.96)	—	(1,775,238.96)
Sub-total of (1) and (2)	—	—	—	2,700,734,577.09	(1,775,238.96)	126,349,290.66	2,825,308,628.79
(3) Shareholders' capital injection and capital reduction	—	—	—	—	—	52,712,002.16	52,712,002.16
1. Capital injection from shareholders	—	—	—	—	—	—	—
2. Equity settled share expenses charged to equity	—	—	—	—	—	—	—
3. Acquisition of subsidiaries (Note 9.1)	—	—	—	—	—	52,712,002.16	52,712,002.16
(4) Profit distribution	—	—	49,190,819.82	(325,665,552.05)	—	(39,400,279.22)	(315,875,011.45)
1. Transfer to statutory reserves	—	—	10,762,265.55	(10,762,265.55)	—	—	—
2. Transfer to discretionary reserves	—	—	—	—	—	—	—
3. Transfer to venture expansion fund	—	—	2,656,733.37	(2,656,733.37)	—	—	—
4. Transfer to reserve fund	—	—	35,771,820.90	(35,771,820.90)	—	—	—
5. Distribution to shareholders	—	—	—	(273,818,000.00)	—	(39,400,279.22)	(313,218,279.22)
6. Transfer to employee bonus and welfare fund	—	—	—	(2,656,732.23)	—	—	(2,656,732.23)
7. Tax refund for welfare enterprises	—	—	—	—	—	—	—
III. Balance at the end of the current year	1,095,272,000.00	2,564,781,207.42	1,215,563,679.75	5,143,097,076.86	(3,566,422.16)	385,158,039.83	10,400,305,581.70

Statement of Changes in Shareholders' Equity of the Parent Company

For the year ended 31 December 2011

RMB

Item	2011				Total equity
	Share capital	Capital reserve	Surplus reserve	Undistributed profit	
I. Balance at the beginning of the year	1,095,272,000.00	2,558,855,754.12	629,287,188.93	4,357,575,407.67	8,640,990,350.72
II. Changes in the current year	1,947,151,000.00	1,947,221,268.99	322,734,592.94	2,356,975,336.46	6,574,082,198.39
(1) Net profit	—	—	—	3,227,345,929.40	3,227,345,929.40
(2) Other comprehensive income	—	—	—	—	—
Sub-total of (1) and (2)	—	—	—	3,227,345,929.40	3,227,345,929.40
(3) Shareholders' capital injection and capital reduction	304,243,000.00	3,590,129,268.99	—	—	3,894,372,268.99
1. Capital injection from shareholders	304,243,000.00	3,590,129,268.99	—	—	3,894,372,268.99
2. Equity settled share expenses charged to equity	—	—	—	—	—
3. Others	—	—	—	—	—
(4) Profit distribution	—	—	322,734,592.94	(870,370,592.94)	(547,636,000.00)
1. Transfer to surplus	—	—	322,734,592.94	(322,734,592.94)	—
2. Transfer to general provision	—	—	—	—	—
3. Distribution to shareholders	—	—	—	(547,636,000.00)	(547,636,000.00)
4. Others	—	—	—	—	—
(5) Transfer of shareholders' equity	1,642,908,000.00	1,642,908,000.00	—	—	—
1. Transfer of capital surplus to share capital	1,642,908,000.00	(1,642,908,000.00)	—	—	—
2. Transfer of surplus reserve to share capital	—	—	—	—	—
3. Surplus reserves making up of losses	—	—	—	—	—
4. Others	—	—	—	—	—
(6) Special reserve	—	—	—	—	—
1. Extraction in the period	—	—	—	—	—
2. Use in the period	—	—	—	—	—
III. Balance at the end of the period	3,042,423,000.00	4,506,077,023.11	952,021,781.87	6,714,550,744.13	15,215,072,549.11

Statement of Changes in Shareholders' Equity of the Parent Company

For the year ended 31 December 2011

RMB

Item	2010				Undistributed profit	Total equity
	Share capital	Capital reserve	Surplus reserve			
I. Balance at the beginning of the year	1,095,272,000.00	2,558,855,754.12	629,287,188.93		2,320,932,867.19	6,604,347,810.24
II. Changes in the current year	—	—	—		2,036,642,540.48	2,036,642,540.48
(1) Net profit	—	—	—		2,310,460,540.48	2,310,460,540.48
(2) Other comprehensive income	—	—	—		—	—
Sub-total of (1) and (2)	—	—	—		2,310,460,540.48	2,310,460,540.48
(3) Shareholders' capital injection and capital reduction	—	—	—		—	—
1. Capital injection from shareholders	—	—	—		—	—
2. Equity settled share expenses charged to equity	—	—	—		—	—
3. Others	—	—	—		—	—
(4) Profit distribution	—	—	—		(273,818,000.00)	(273,818,000.00)
1. Transfer to surplus	—	—	—		—	—
2. Transfer to general provision	—	—	—		—	—
3. Distribution to shareholders	—	—	—		(273,818,000.00)	(273,818,000.00)
4. Others	—	—	—		—	—
(5) Transfer of shareholders' equity	—	—	—		—	—
1. Transfer of capital surplus to share capital	—	—	—		—	—
2. Transfer of surplus reserve to share capital	—	—	—		—	—
3. Surplus reserves making up of losses	—	—	—		—	—
4. Others	—	—	—		—	—
(6) Special reserve	—	—	—		—	—
1. Extraction in the period	—	—	—		—	—
2. Use in the period	—	—	—		—	—
III. Balance at the end of the period	1,095,272,000.00	2,558,855,754.12	629,287,188.93		4,357,575,407.67	8,640,990,350.72

Notes to Financial Statements

For the year ended 31 December 2011

(I) BASIC CORPORATE INFORMATION

Great Wall Motor Company Limited (hereunder “the Company”) was originally named as Baoding Great Wall Motor Group Company Limited (保定長城汽車集團有限公司). The Company is registered in Baoding, Hebei Province. The controlling shareholder is Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司) and the ultimate controlling shareholder is Wei Jian Jun. On 5 June 2001, upon the approval by Office of the Stock Reform Leading Panel of the People’s Government of Hebei Province (河北省人民政府股份制領導小組辦公室) with Ji Gu Ban [2001] No. 62 (冀股辦[2001]62號文), Baoding Great Wall Motor Group Company Limited was reorganized to Baoding Great Wall Motor Company Limited (保定長城汽車股份有限公司) by its five shareholders, namely the Management Centre of Collective Assets of Nandayuan Town, Nanshi District, Baoding (保定市南市區南大園鄉集體資產經管中心), Wei Jian Jun, Wei De Yi, Chen Yu Zhi and Han Xue Juan acting as promoters. As at 31 March 2001, as audited by ShineWing Certified Public Accountants, net assets of Baoding Great Wall Motor Group Company Limited amounted to RMB170,500,000.00 which was divided into 170,500,000 shares of the share capital of the Company (RMB1 per share) based on a proportion of 1:1 according to the promoters’ agreement.

On 28 May 2003, upon the approval by Hebei Administration for Industry and Commerce (河北省工商行政管理局), Baoding Great Wall Motor Company Limited was renamed Great Wall Motor Company Limited.

On 21 July 2003, a resolution on the distribution of bonus shares and cash bonus was reviewed and passed at the second extraordinary general meeting of the Company in 2003, pursuant to which, the Company distributed 10 bonus shares and cash bonus of RMB2.5 (tax included) for every 10 shares to all shareholders based on the total share capital of 170,500,000 shares on 31 December 2002. The payout of cash bonus amounted to RMB42,625,000.00 and the bonus shares amounted to RMB170,500,000.00 under such distribution. Upon the completion of change in business registration on 3 September 2003, the registered capital of the Company was RMB341,000,000.00.

Upon the approval by China Securities Regulatory Commission with Zheng Jian Guo He Zi [2003] No. 42 (證監國合字[2003]42號文) on 19 November 2003, the Company issued 131,100,000 H shares with a par value of RMB1 each, including 114,000,000 new shares proposed to be issued and 17,100,000 new over-allotted shares, in December 2003. The additional share capital after this issuance was RMB131,100,000.00.

Upon the approval by the Ministry of Commerce of the PRC with Shang Zi Pi [2004] No. 987 (商資批[2004]987號文), the Company converted into a foreign invested (or Hong Kong invested) joint stock limited company (Shang Wai Zi Zi Shen Zi [2004] No. 0179) (商外資資審字[2004]0179號) in July 2004.

Upon the approval by the Ministry of Commerce of the PRC with Shang Zi Pi [2005] No. 56 (商資批[2005]56號文), the Company transferred capital surplus in capital reserves of RMB472,100,000.00 into share capital on 24 January 2005 and allotted shares to registered shareholders on the basis of the proportion of their respective shareholdings.

Upon the approval by China Securities Regulatory Commission with Zheng Jian Guo He Zi [2007] No. 16 (證監國合字[2007]16號文), the Company issued 151,072,000 additional shares of overseas listed foreign invested ordinary shares at an issue price of HKD10.65 per share under a public offering in May 2007. Upon the completion of such issuance, the share capital of the Company changed to RMB1,095,272,000.00 with a par value of RMB1.00 each.

(I) BASIC CORPORATE INFORMATION (continued)

Upon the approval by Hebei Provincial Department of Commerce with Ji Shang Wai Zi Zi [2011] No. 19 (冀商外資字[2011]19號文), the Company transferred capital surplus in capital reserves of RMB1,642,908,000.00 into share capital on 26 February 2011 and allotted shares to registered shareholders on the basis of the proportion of their respective shareholdings.

Upon the approval by China Securities Regulatory Commission with Zheng Jian Xu Ke [2011] No. 1370 (證監許可[2011]1370號文), the Company offered 304,243,000 RMB ordinary shares (A Shares) at an offering price of RMB13.00 per share on 28 September 2011. Upon the completion of such issuance, the share capital of the Company increased to 3,042,423,000 shares. Please refer to Note (vi) 28 for further details.

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 tooling, repairing of automobiles, transportation of general goods and specific transportation (by truck). The legal representative of the Company is Wei Jian Jun.

(II) SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES OF THE COMPANY

1. Basis of preparation

The Company has applied the "Enterprise Accounting Standards — Basic Standards" and 38 accounting standards promulgated by the Ministry of Finance on February 2006 and guidelines, interpretations and other related provisions promulgated afterward for the preparation of the financial statements of the Company since 1 January 2007. In addition, these financial statements contain the relevant disclosures required by the Companies Ordinance of Hong Kong and the Listing Rules of The Stock Exchange of Hong Kong Limited.

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 depreciation of assets occurs, a provision for impairment is made accordingly in accordance with the relevant regulations.

2. Statement of compliance

The financial statements have been prepared in compliance with the Enterprise Accounting Standards to truly and completely reflect the consolidated financial position of the Company as at 31 December 2011 and its consolidated operating results and consolidated cash flows in 2011.

3. Financial year

The financial year of the Group is from 1 January to 31 December of each calendar year.

(II) SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES OF THE COMPANY

(continued)

4. Reporting currency

Renminbi is the currency of the primary economic environment where the Company and domestic subsidiaries operate, and the Company's and domestic subsidiaries' reporting currencies are both Renminbi. The reporting currency of the overseas subsidiaries of the Company is selected based on the primary economic environment where they operate. The financial statements of the Group have been prepared in Renminbi.

5. The accounting treatment of business combination under common control and not under common control

Business combination is a transaction or event in which separate enterprises constitute one reporting entity. Business combinations are classified into business combinations under common control and not under common control.

The Group recognizes the assets and liabilities arising from the business combinations at the merger or acquisition date. Merger or acquisition date is the date on which the control over the net assets or production and operation decisions of the party being combined is transferred to the Group.

5.1 Business combinations involving enterprises under common control

A business combination involving enterprise under common control is a business combination in which all of the combining enterprises are ultimately controlled by the same party or parties before and after the combination, and that such control is not transitory. On the date of merger, the enterprise which obtains control of another enterprise participating in the combination is the combining party while such other enterprise participating in the combination is a party being combined.

Assets and liabilities obtained by combining party 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.

Any costs directly attributable to the combination are recognized as expenses when incurred by the combining party.

(II) SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES OF THE COMPANY

(continued)

5. The accounting treatment of business combination under common control and not under common control (continued)

5.2 Business combination and goodwill involving enterprises not under common control

A business combination involving enterprises not 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. For a business combination involving enterprises not under common control, the party that, on the acquisition date, obtains control over another enterprise participating in the combination is the acquirer, while that other enterprise participating in the combination is the acquiree.

For the business combinations involving enterprises not under common control, the combination costs 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 period when incurred. The transaction expenses of the equity securities or liability securities issued as the consideration for the combination shall be recorded as the initial recognition amount of the equity securities or liability securities. As for business combinations which involve enterprises not under common control and are carried out in stages, the accounting treatment of separate financial report and consolidated financial report shall be different:

- (1) In the separate financial report, the initial investment cost shall be the aggregate of the carrying amount of the equity investment held in the acquiree prior to the acquisition date and the cost of additional investment on the acquisition date. If there is other comprehensive income from the equity interest in the acquiree prior to the acquisition date, the comprehensive income shall be stated as investment income for the current period along with other comprehensive income upon the disposal of such investment.
- (2) In the consolidated financial report, the equity interest held in the acquiree before the acquisition date shall be revalued at fair value of the equity interest on the acquisition date. The difference between the carrying amount and the fair value shall be recognized as investment income of current period. If there is other comprehensive income from the equity interest held in the acquiree prior to the acquisition date, the comprehensive income shall be stated as the current investment income incurred on the acquisition date.

Identifiable assets, liabilities and contingent liabilities of acquiree qualifying for the conditions of recognition acquired by the acquirer in business combination involving enterprises not under common control are measured at fair value on the acquisition date.

(II) SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES OF THE COMPANY

(continued)

5. The accounting treatment of business combination under common control and not under common control (continued)

5.2 Business combination and goodwill involving enterprises not under common control (continued)

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 period.

Goodwill arising from business combination is presented in the combined financial statements separately, and measured at the amount of cost less accumulated impairment provision. 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, the carrying value of goodwill is allocated to the relevant asset group since the acquisition date. If the carrying value of goodwill is unable to be allocated to asset group, the carrying value of goodwill will be allocated to asset portfolio. 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.

The recoverable amount of an asset is the higher of its fair value less costs of disposal and the present value of the future cash flows expected to be derived from the asset. An asset's fair value is the price in a sales agreement in an arm's length transaction. If there is no sales agreement but the asset is traded in an active market, fair value shall be determined based on the bid price. If there is neither sales agreement nor active market for an asset, fair value shall be based on the best available information. Costs of disposal are expenses attributable to disposal of the asset, including legal fee, relevant tax and surcharges, transportation fee and direct expenses incurred to prepare the asset for its intended sale. The present value of the future cash flows expected to be derived from the asset over the course of continued use and final disposal is determined as the amount discounted using an appropriately selected discount rate.

An impairment loss recognized on goodwill shall not be reversed in a subsequent period once recognized.

(II) SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES OF THE COMPANY

(continued)

6. Basis for preparation of consolidated financial statements

The scope of consolidated financial statements is determined on the basis of control. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its operating activities.

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 period do not require any adjustment on the opening balance of the period of the consolidated balance sheet. For subsidiaries established after 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 period and the comparative figures of the consolidated financial statements. For the subsidiaries established after business combination of enterprises under common control, their operating results and cash flow from the beginning of the period to the date of merger have been properly included in the consolidated income statement and the consolidated cash flow statement, and the comparative figures in the consolidated financial statements will be adjusted at the same time.

Major accounting policies and accounting periods adopted by the subsidiaries are defined according to the standardized accounting policies and accounting periods 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 period attributable to minority interests is presented in the consolidated income statement under the "net profit" item as "minority interests".

If the Company acquires minority interests from its subsidiaries, in the preparation of the consolidated financial statements, differences between the new long-term equity investment arising from the acquisition of minority interest and the share of the net asset of the subsidiary calculated from the acquisition date (or the date of merger) based on the new shareholding ratio are adjusted to capital reserve. If the differences exceed capital reserve, retained earnings shall be adjusted.

7. Cash and cash equivalents

Cash represent the Group's treasury cash and deposit available for withdrawal on demand. Cash equivalents held by the Group represent short-term and highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of value change.

(II) SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES OF THE COMPANY

(continued)

8. Foreign currency and translation of statements denominated in foreign currency

8.1 Foreign currency

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 period, 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 period 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.

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 items except for unallocated profits 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; the unallocated profits brought forward are reported at the prior year's closing balance; the unallocated profits carried forward are calculated, based on the translated amounts of profit appropriation items; and all exchange differences of assets, liabilities and shareholders' equity resulting from the translation are recognized separately as "translation reserve" in the shareholders' equity on the balance sheet.

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 shareholder's equity related to such foreign operation presented under shareholder's equity item in the balance sheet are all transferred to profit or loss for the current period.

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 shall be presented separately as "Effect of changes in exchange rates on cash and cash equivalents" in the cash flow statement.

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

(II) SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES OF THE COMPANY

(continued)

9. Financial instruments

9.1 Method of determination of the fair value of financial assets and financial liabilities

The fair value refers to the amount, at which both willing parties to a fair transaction who are familiar with the condition exchange their assets or clear off their debts under fair conditions. Financial instruments exist in an active market. While financial instruments do not exist in an active market, the fair value is determined using valuation techniques. Valuation technologies include reference to be familiar with situation and prices reached in recent market transactions entered into by both willing parties, reference to present fair values of similar other financial instruments, cash flow discounting method and option pricing models.

Effective interest method represents the method for calculating the amortized costs and interest income or expense of each period in accordance with the effective interest rate of financial assets or financial liabilities (inclusive of a set of financial assets or financial liabilities). Effective interest rate represents the rate that discounts the future cash flow over the expected subsisting period or shorter period, if appropriate, of the financial asset or financial liability to the current carrying value of such financial asset or financial liability.

When calculating the effective interest rate, the Group will consider the anticipated future cash flow (not considering the future credit loss) on the basis of all contract clauses of financial assets or financial liabilities, as well as consider all kinds of charges, transaction fees and discount or premium paid forming an integral part of the effective interest rate paid or received between both parties of financial asset or financial liability contract.

9.2 Classification, recognition and measurement of the financial assets

Financial assets purchased and sold in regular way are recognized and derecognized based on the accounting at transaction date. Financial assets are divided into financial assets at fair value through profit or loss, held-to-maturity investments, loans and the accounts receivable and available-for-sale financial assets when they are initially recognized. Financial assets and financial liabilities are initially recognized at fair value. In the case of financial asset carried at fair value through profit or loss, relevant transaction costs are charged to profit or loss for the current period. For the other financial assets, transaction costs are included in their initial recognition amounts. Financial assets held by the Company are loans, receivables and held-for-trading financial liabilities.

9.2.1 Loans and accounts receivable

Loans and accounts receivable are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Financial assets, including entrusted loans, bills receivable, accounts receivable and other receivables, are classified as loans and accounts receivable by the Group.

Trust loans and accounts receivable adopt the actual interest rate method to carry out the ongoing measure based on amortized costs. On de-recognition, profit or loss arising from impairment or amortization is carried at profit or loss for the current period.

(II) SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES OF THE COMPANY

(continued)

9. Financial instruments (continued)

9.2 Classification, recognition and measurement of the financial assets (continued)

9.2.2 Financial assets carried at fair value through profit or loss for the current period

They include financial assets held for trading and financial assets designated as at fair value through profit or loss for the current period. Financial assets carried at FVTPL for the current period for the Company are financial assets held for trading.

Financial assets may be classified as financial assets held for trading if one of the following conditions is met: (1) the financial assets is acquired or incurred principally for the purpose of selling or repurchasing it in the near term; (2) the financial assets is part of a portfolio of identified financial instruments that are managed together and for which there is objective evidence of a recent pattern of short-term profit-taking; or (3) the financial assets is a derivative, excluding the derivatives designated as effective hedging instruments, the derivatives classified as financial guarantee contract, and the derivatives linked to an equity instrument investment which has no quoted price in an active market nor a reliably measured fair value and are required to be settled through that equity instrument.

Financial assets carried at FVTPL are subsequently measured at fair value. The gain or loss arising from changes in fair value and dividends and interest income related to such financial assets are charged to profit or loss for the current period.

9.2.3 Available-for-sale financial assets

It includes non-derivative financial assets that are, upon initial recognition designated as available for sale, and financial assets other than those carried at FVTPL, loans and receivables and held-to-maturity investments.

Available-for-sale financial assets are measured on an on-going basis at fair value. Gain or loss on available-for-sale financial assets, except for impairment losses and exchange differences on monetary financial assets and amortized cost carried at profit or loss for the current period, shall be recognized as other comprehensive income and included in capital reserves. The financial assets shall be carried at profit or loss for the current period until they are derecognized.

9.3 Impairment of financial assets

In addition to financial assets at FVTPL for the current period, the Group reviews the book value of other financial assets at each balance sheet date and provide for impairment where there is objective evidence that financial assets are impaired.

(II) SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES OF THE COMPANY

(continued)

9. Financial instruments (continued)

9.3 Impairment of financial assets (continued)

Objective evidence of impairment on financial asset includes those observable matters listed as follows:

- (1) issuers or debtors encounter severe financial difficulties;
- (2) debtors violate terms of contract, such as breach of covenants or delay during settlement of interests or principal;
- (3) the Group gives way to debtors under financial difficulty based on economic or legal reasons;
- (4) debtors may go into liquidation or conduct other financial reorganization;
- (5) any reduction in cash flow of certain assets among a group of financial assets cannot be identified, while it is discovered that the estimated future cash flow of the financial assets has been reduced and can be measured since initial recognition after an overall evaluation based on disclosed information, including that:
 - the repayment capability of the debtor of the group of financial assets gradually deteriorates;
 - economic difficulties of the country or region where the debtor is staying appear a situation where this group of financial assets cannot be paid;
- (6) other objective evidence showing signs of impairment on financial assets.

For a financial asset that is individually significant, the Group assesses the asset individually for impairment. For a financial asset that is not individually significant, the Group assesses the asset individually for impairment or includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. If it is determined that no impairment exists for an individually assessed financial asset, whether the financial asset is individually significant or not, the financial asset is included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment again. Financial assets for which an impairment loss is individually recognized are not included in the collective assessment for impairment for a group of financial assets with similar credit risk characteristics.

(II) SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES OF THE COMPANY

(continued)

9. Financial instruments (continued)

9.3 Impairment of financial assets (continued)

9.3.1 Impairment of loans and accounts receivable

The carrying amount of financial assets measured at amortized cost is subsequently reduced to the present value discounted from its projected future cash flow. The reduced amount is recognized as impairment loss and recorded as profit or loss for the period. Upon recognition of the impairment loss from financial assets, if there is objective evidence showing recovery in value of the amount of such financial assets so impaired and which is related to any event occurring after such recognition, the impairment loss originally recognized shall be reversed to the extent that the carrying value of the financial assets upon reversal will not exceed the amortized cost as at the reversal date assuming there is no provision for impairment.

9.4 The basis of the recognition and measurement of transfer of financial asset

Financial asset that satisfied any of the following criteria shall be derecognized: (1) the contract right to recover the cash flows of the financial asset has terminated; (2) the financial asset, along with substantially all the risk and return arising from the ownership of the financial asset, has been transferred to the transferee; and (3) the financial asset has been transferred to the transferee, and the transferor has given up the control on such financial asset, though it does not transfer or maintain substantially all the risk and return arising from the ownership of the financial asset.

When the entity does not either transfer or maintain substantially all the risk and return arising from the ownership of the financial asset and does not give up the control on such financial asset, to the extent of its continuous involvement in the financial asset, the entity recognizes it as a related financial asset and recognizes the relevant liability accordingly. The extent of the continuous involvement is the extent to which the entity exposes to changes in the value of such financial assets.

Where the entire transfer of financial assets meets conditions applicable to de-recognition, the difference between the following amounts is recognized in profit or loss for the current period: the carrying amount of the financial asset being transferred and the sum of the consideration received from the transfer and any accumulated gain or loss that had been recognized in equity.

9.5 Classification and measurement of financial liabilities

At initial recognition, financial liabilities are classified either as “financial liabilities at FVTPL” or “other financial liabilities”. Financial liabilities of the Company are held-for-trading financial liabilities and other financial liabilities. For other financial liabilities, related transaction costs are included in their initial recognition amounts.

(II) SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES OF THE COMPANY

(continued)

9. Financial instruments (continued)

9.5 *Classification and measurement of financial liabilities* (continued)

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Gains or losses arising from de-recognition or amortization is recognized in profit or loss for the current period.

9.6 *De-recognition of financial liabilities*

Financial liabilities are derecognized in full or in part only when the present obligation is discharged in full or in part. An agreement is entered into between the Group (debtor) and a creditor to replace the original financial liabilities with new financial liabilities with substantially different terms, derecognize the original financial liabilities as well as recognize the new financial liabilities.

When financial liabilities is derecognized in full or in part, the difference between the carrying amount of the financial liabilities derecognized and the consideration paid (including transferred non-cash assets or new financial liability) is recognized in profit or loss for the current period.

9.7 *Derivative Instruments*

Derivative instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value. Changes of fair value of derivatives are carried at profit or loss for the period.

9.8 *Equity instruments*

Equity instruments are any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. For equity instruments, the consideration received during the issue shall be added to shareholder's equity after reducing the transaction fees.

The distribution (excluding the dividends) to the equity instrument holders by the Group shall reduce the shareholder's equity. The Group shall not recognize the changes of the equity instruments' fair value.

(II) SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES OF THE COMPANY

(continued)

10. Receivables

10.1 Receivables that are individually significant (except for receivables due from subsidiaries that are consolidated) are subject to separate impairment assessment. Recognition criteria and provision method of bad debts of receivables that are individually significant are as follows:

Provision criteria of bad debts of receivables that are individually significant	The Group recognized accounts receivable of over RMB3 million and other receivables of over RMB1 million are recognized as individually significant. Receivables due from related parties are recognized as individually significant.
Provision method for bad debts of receivables that are individually significant	The Group conducts impairment test for receivables that are individually significant, and tests financial assets without separate impairment, including conducting impairment test on financial assets group with similar credit risk characteristics. For receivables with impairment loss recognized in a single item test, they cease to be included in the group of receivables with similar risk characteristics for impairment test.

10.2 Receivables that are individually insignificant (except for receivables due from subsidiaries that are consolidated) are classified into certain groups based on the characteristics of credit risk and are provided at a specific ratio of the balance of such groups as at balance sheet date.

The Company provides for bad debts at the following ratios based on the characteristics of its business:

Aging analysis method

Aging	Ratio of the provision for accounts receivable (%)	Ratio of the provision for other receivables (%)
Receivables under the letter of credit	—	—
Receivables due within the normal credit period	—	—
Receivables due within 6 months (including) after the expiry of the normal credit period	50	50
Receivable due over 6 months after the expiry of the normal credit period	100	100

(II) SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES OF THE COMPANY

(continued)

11. Inventory

11.1 Classification of inventories

Inventories of the Group mainly include raw materials, products, finished products and low-value consumables. Inventories are initially measured at cost. Cost of inventories includes purchasing cost, processing cost and other expenses that help deliver the inventories to the current location and situation.

11.2 Method for calculating value of inventories delivered

When inventories are delivered, weighed average method is adopted to determine the actual cost of inventories delivered.

11.3 Recognition of net realizable value of inventory and provision for inventory impairment

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.

For inventories with tremendous number and relatively low unit price, inventory impairment loss is provided according to the type of inventory. For items of inventories relating to a product line that are produced and marketed in the same geographical area with 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 of inventories is determined on an aggregate basis. For other inventories, inventory impairment provision is provided at the difference of cost of a single item of inventory exceeding its net realizable value.

After making the provision for inventory impairment, in the event that the factors causing inventory impairment no longer exists, and the net realizable value of an inventory is higher than its book-value, the original provision for inventory impairment shall be transferred back and incorporated into the profit or loss for the current period.

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.

11.4 Inventory taking system

The inventory taking system shall be on a perpetual basis.

(II) SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES OF THE COMPANY

(continued)

11. Inventory (continued)

11.5 Amortization of low-value consumable 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 consumables and other turnover materials.

Low-value consumables and other turnover materials are amortized by one-time write-off.

12. Long-term equity investments

12.1 Determination of initial investment cost

For a long-term equity investment acquired through a business combination involving enterprises under common control, the initial investment cost of the long-term equity investment shall be the absorbing party's share of the carrying amount of the owner's equity of the party being absorbed at the date of combination. 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. The long-term equity investment acquired through means other than a business combination shall be initially measured at its cost.

12.2 Method for subsequent measurement and profit or loss recognition

For investees which the investor does not have any joint control or significant influence and without quotation in an active market, and with long-term equity investment with fair value which could not be reliably measured, they are computed by adopting cost method. For investees which the investor has joint control or significant influence long-term equity investment, 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.

12.2.1 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 period is recognized as the cash dividends or profits declared by the investee.

(II) SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES OF THE COMPANY

(continued)

12. Long-term equity investments (continued)

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

12.2.2 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 period, and the cost of the long term equity investment shall be adjusted accordingly.

Under the equity method, investment gain or loss represents the Group's share of the net profits or losses made by the investee for the current period. 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 periods 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 Group's share of net losses of the investee shall be recognized to the extent that the carrying amount of the long-term equity investment together with any long-term interests that in substance form part of the investor's net investment in the investee are reduced to zero. If the Group has to assume additional obligations, the estimated obligation assumed shall be provided for and charged to the profit or loss as investment loss for the period. Where the investee is making profits in subsequent periods, the Group shall resume recognizing its share of profits after offsetting against the share of unrecognized losses.

12.2.3 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.

(II) SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES OF THE COMPANY

(continued)

12. Long-term equity investments (continued)

12.3 Recognition of having joint control or significant influence over the investee

The term “Control” means that the Group has the power to decide an enterprise’s financial and operating policy, pursuant to which, the Group can get the power to obtain benefits from its operating activities. Joint control is the contractually agreed sharing of control over an economic activity, which only exists when relevant and important financial affairs and management decisions related to such economic activity require sharing of control by investors who unanimously agree upon. 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 period and the exercisable stock warrants for the period of the investee and other invested units held) were taken into account.

The Group assesses at each balance sheet date whether there is any indication that any long-term equity investments may be impaired. If there is any evidence indicating that an asset may be impaired, recoverable amount shall be estimated for the individual asset. If the recoverable amount of an asset 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 period.

An impairment loss recognized on long-term equity investments shall not be reversed in a subsequent period.

13. Investment property

Investment property refers to real estate held to earn rentals or for capital appreciation, or both, including leased land use rights, land use rights held and provided for transfer after appreciation and leased construction, 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 period 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 rights.

(II) SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES OF THE COMPANY

(continued)

13. Investment property (continued)

The Group assesses at each balance sheet date whether there is any indication that any investment properties may be impaired. If there is any evidence indicating that an asset may be impaired, recoverable amount shall be estimated for 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. If the recoverable amount of an asset 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 period.

An impairment loss recognized on investment properties shall not be reversed in a subsequent accounting period.

Upon the conversion of a self-owned property to an investment property (or vice versa), the property shall be stated at the carrying amount prior to the conversion.

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 period.

14. Fixed assets

14.1 Conditions for recognition of fixed assets

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 its related economic benefits are likely to flow to the Group and its 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 capitalised 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 period when incurred.

(II) SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES OF THE COMPANY

(continued)

14. Fixed assets (continued)

14.2 Method for depreciation of different fixed assets

Depreciation is provided over their estimated useful lives from the month after they have reached the working condition for their intended use using the straight-line method. The useful life, estimated residual value and annual depreciation rate of each category of fixed assets are as follows:

Category	Depreciable life (year)	Estimated residual value (%)	Annual depreciation rate (%)
Buildings and structures	8–40	5	2.38–11.88
Machinery and equipment	5–10	5	9.50–19.00
Vehicles	6–10	5	9.50–15.83
Electronic equipment and other	5	5	19.00

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 were already of the stage and in the condition expected at the end of its useful life.

14.3 Impairment testing methods and provision for impairment methods on fixed assets

The Group assesses at each balance sheet date whether there is any indication that any fixed assets may be impaired. If there is any evidence indicating that an asset may be impaired, recoverable amount shall be estimated for 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. If the recoverable amount of an asset 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 period.

An impairment loss recognized on the assets mentioned above shall not be reversed in a subsequent period.

14.4 Explanation on other matters

The Group reviews the useful life and estimated net residual value of a fixed asset and the depreciation method applied at least at each financial year-end. A change in the useful life or estimated net residual value of a fixed asset or the depreciation method used shall be accounted for as a change in accounting estimate.

When a fixed asset is sold, transferred, retired or damaged, the Group shall recognize the amount of any proceeds on disposal of the asset net of the carrying amount and related taxes in profit or loss for the current period.

(II) SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES OF THE COMPANY

(continued)

15. 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 period. A construction in progress is transferred to fixed assets when it has reached the working condition for its intended use.

The Group assesses at each balance sheet date whether there is any indication that any construction in progress may be impaired. If there is any evidence indicating that an asset may be impaired, recoverable amount shall be estimated for 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. If the recoverable amount of an asset 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 period.

An impairment loss recognized on the assets mentioned above shall not be reversed in a subsequent period.

16. 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 in the period 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 on that borrowing for the period 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 take a substantial period of time for acquisition, construction or production to get ready for their intended use or sale.

(II) SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES OF THE COMPANY

(continued)

17. Intangible assets

17.1 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 period when incurred.

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 an intangible asset and fixed asset. For buildings and structures purchased, the purchase consideration shall be allocated among the 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 Group shall review the finite useful life of an intangible asset and the amortization method applied at the end of the period. A change in the useful life or amortization method used shall be accounted for as a change in accounting estimate.

17.2 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 period when incurred.

Expenses incurred during the development stage 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 period:

- (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;

(II) SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES OF THE COMPANY

(continued)

17. Intangible assets (continued)

17.2 Research and development expenditure (continued)

- (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 stage 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 expenses incurred are accounted for in the profit or loss for the current period.

17.3 Intangible assets impairment test method and their impairment provision

The Group assesses at each balance sheet date whether there is any indication that any 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. 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. If the recoverable amount of an asset 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 period.

An impairment loss recognized on the assets mentioned above shall not be reversed in a subsequent period.

18. Long-term deferred expenses

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

(II) SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES OF THE COMPANY

(continued)

19. Contingent liabilities

When related obligations of contingencies are: (1) the obligations currently assumed by the Group; (2) such obligation is likely to result in outflow of economic benefits; (3) and the amount of such obligations can be reliably measured, contingent liabilities will be recognized.

As at the balance sheet date, after considering factors such as the risks related to contingencies, uncertainties and time value of currency, contingent liabilities are measured at the best estimate on the expenses necessary for the performance of the related existing obligations.

If all or part of the cost necessary for the contingent liabilities is expected to be settled by third party, the amount of settlement, when it is basically certain to be received, is recognized as an asset separately, and the settlement amount recognized shall not be more than the carrying amount of contingent liabilities.

20. Revenue

20.1 Revenue from sales of goods

Revenue is recognized when the Company has transferred to the buyer the significant risks and rewards of ownership of the goods, retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and will receive the economic benefits associated with the transaction, and can reliably measure the relevant amount of revenue and costs.

20.2 Revenue from provision of services

When the result of provision of services can be measured reliably, the Group recognizes related revenue from services in accordance with the percentage of completion as at the balance sheet date. The completion progress of service transaction is recognized by service cost incurred as a percentage of estimated total cost.

The result of provision of services can be estimated reliably when all of the following conditions are satisfied: (1) the amount of revenue can be measured reliably; (2) it is probable that the associated economic benefits will flow to the enterprise; (3) the stage of completion of the transaction can be measured reliably; and (4) the cost incurred and to be incurred for the transaction can be measured reliably.

If the result of provision of service transaction cannot be reliably estimated, revenue from provision of service is recognized at the service cost incurred and estimated to receive as compensation, and service cost incurred will be regarded as the current cost. If service cost incurred is compensated as anticipated, no revenue will be recognized.

(II) SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES OF THE COMPANY

(continued)

20. Revenue (continued)

20.2 Revenue from provision of services (continued)

When the Group enters into contract or agreement with other parties which contains both sales of goods and rendering of services, if the portion of sale of goods and rendering of services can be separately measured, the portion of sale of goods and rendering of services are measured individually. If the portion of sale of goods and rendering of services cannot be separately measured or even if it can be separately measured but cannot be measured individually, it is deemed to be sales of goods.

20.3 Interest income

Interest income is recognized based on the time horizon of the use of the Group's cash by others and effective interest rate.

21. Government grants

Government grants are transfer of monetary assets and non-monetary assets from the government to the Group at no consideration, excluding investments by the government as shareholder. Government grants are classified as government grants related to an asset and government grants related to income.

If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of a non-monetary asset, it is measured at fair value. If the fair value cannot be reliably determined, it is measured at a nominal amount. A government grant measured at a nominal amount is recognized immediately in profit or loss for the current period.

A government grant related to an asset is recognized as deferred income, and evenly amortized to profit or loss over the useful life of the related asset. For a government grant related to income, if the grant is a compensation for related expenses or losses to be incurred in subsequent periods, the grant is recognized as deferred income, and recognized in profit or loss over the periods in which the related costs are recognized. If the grant is a compensation for related expenses or losses already incurred, the grant is recognized immediately in profit or loss for the current period.

22. Income Tax

22.1 Current income tax

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

(II) SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES OF THE COMPANY

(continued)

22. Income Tax (continued)

22.2 Deferred income tax assets and deferred income tax liabilities

Temporary differences arising from the difference between the carrying amount of an asset or liability and its tax base, and the difference between the tax base and the carrying amount of those items that are not recognized as assets or liabilities but have a tax base that can be determined according to tax laws, shall be recognized as deferred income tax assets and deferred income tax liabilities using the balance sheet liability method.

All temporary differences are generally recognized for relevant deferred income tax. However, for deductible temporary difference, the Group recognizes relevant deferred income tax assets to the extent of income tax payable available for deducting deductible temporary difference. In addition, for those related to the initial recognition of goodwill and does not belong to business combination, and neither affect the accounting profit nor the temporary difference related to the initial recognition of assets or liabilities incurred in transaction of income tax payable (or deductible loss), related deferred income tax assets or liabilities will not be recognized.

The Company recognizes a deferred income tax asset for the carry forward of deductible losses and tax credits to subsequent periods, 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.

The Group recognizes deferred income tax liabilities arising from the temporary difference on tax payable related to investment in subsidiaries, associates and joint ventures, unless the Group could control the timing of write back of the temporary difference, and such temporary difference is unlikely to be written back in foreseeable future. For the deductible temporary difference related to investment in subsidiaries, associates and joint ventures, the Group will only recognize deferred income tax assets when temporary difference is likely to be written back in the foreseeable future and income tax payable could be utilized to deduct the deductible temporary difference.

At the balance sheet date, deferred income tax assets and deferred income tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, according to the requirements of tax laws.

At the balance sheet date, the Company shall review the carrying amount of a deferred income tax asset. If it is probable that sufficient taxable profits will not be available in future periods to allow the benefit of the deferred income tax asset to be utilized, the carrying amount of the deferred income tax asset shall be reduced. Any such reduction in amount shall be reversed when it becomes probable that sufficient taxable profits will be available.

(II) SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES OF THE COMPANY

(continued)

22. Income Tax (continued)

22.3 Income Tax Expenses

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

Except for current income tax and deferred income tax of transactions and matters of the current period recognized as shareholders' equities or directly included in shareholders' equities which are measured at shareholders' equities, as well as the carrying amount of goodwill subject to adjustment due to deferred tax arising from business combination, other fees or profits of current income tax and deferred income tax are accounted for as profit or loss for the current period.

22.4 Offsetting of Income Tax

After granted the legal rights of net settlement and with the intention to use net settlement or obtain assets, repay debt, the Group, at the same time, records the net amount after offsetting its current income tax assets and current income tax liabilities.

The Group was granted the legal rights of net settlement of current income tax assets and current income tax liabilities. Deferred income tax assets and deferred income tax liabilities are related to income tax to be paid by the same entity liable to pay tax to the same tax collection and management authority or related to different entities liable to pay tax, but the relevant entity liable to pay tax is intended to apply net settlement of current income tax assets and liabilities or, to obtain assets, repay debt at the same time whenever every deferred income tax assets and liabilities with importance would be reversed in the future, the Group records the net amount after offsetting its current income tax assets and current income tax liabilities.

23. Operating lease

23.1 Operating lease business with the Group recorded as lessee

Lease payment for operating lease is recognized as related asset cost or profits and losses for the current period using the straight-line method over the lease term. The initial direct cost is directly accounted in profit or loss for the current period. Contingent rent is recognized as profit or loss for the current period upon occurrence.

23.2 Operating lease business with the Group recorded as lessor

Rental income of operating lease is recognized in profit or loss for the current period using the straight-line method over the lease term. The initial direct cost where the amount is larger is capitalized when incurred, and accounted for as profit or loss for the current period on the same basis as recognition of rental income over the entire lease period. The initial direct cost where the amount is smaller is accounted for as profit or loss for the current period when incurred. Contingent rental is accounted for as profit or loss for the period in which it is incurred.

(II) SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES OF THE COMPANY

(continued)

24. Other significant accounting policies and estimates and basis for preparation of the financial statements

24.1 Employee Benefits

In the accounting period in which an employee has rendered services, the Group shall recognize the employee benefits payable as a liability.

The Group participates in social security systems operated by the government as required. Payments of social security contributions for employees, such as premiums or contributions on pensions, medical insurance, payments of housing funds and other social welfare contributions shall be included in the cost of related assets or profit or loss for the period in which they are incurred.

When the Group terminates the employment relationship with employees before the expiry of the employment contracts or provides compensation as an offer to encourage employees to accept voluntary redundancy, if the Group has a formal plan for termination of employment relationship or has made an offer for voluntary redundancy, which will be implemented immediately, and the Group cannot unilaterally withdraw from the termination plan or the redundancy offer, a compensation liability arising from the termination of employment relationship with employees should be charged to the profit or loss for the current period.

25. Related Party

Where one party has control, joint control, or major impact on the other party, or where the two parties or more are or will be under control of the same party, the two parties shall constitute related parties.

(III) 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 II, 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 period, the impact shall be recognized during the current period; where such changes impact both the current and future periods, the impact shall be confirmed during the current and future periods when such changes occur.

(III) SIGNIFICANT JUDGEMENTS MADE IN THE APPLICATION OF ACCOUNTING POLICIES AND KEY ASSUMPTIONS AND UNCERTAINTIES IN ACCOUNTING ESTIMATES (continued)

Critical 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 bad debt

The Group recognizes provision for bad debts according to the recoverability of receivables. When there is sign showing that a receivable item cannot be collected, provision for bad debts is required to be recognized. Judgements and estimates are required in recognition of bad debts. If the result of new estimation differs from current estimation, such difference will impact the book value of receivables for the corresponding period.

Provision for inventory impairment

The Group recognizes provision for inventory impairment 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 new estimation differs from current estimation, such difference will impact the book value of inventory for the corresponding period.

Useful life and depreciation 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.

Impairments of fixed assets and projects under construction are stated at the lower of book value and recoverable amount. 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. When discounting future cash flow into current value, the pre-tax discount rate will be adopted to reflect the time value of currency in the current market and the specific risks related to the relevant asset. When calculating the net amount after deducting the disposal expenses from the fair value, the prices used in arms-length transactions between voluntarily transacting parties who are familiar with the conditions as at the date of the balance sheet will be adopted. If the result of new estimation differs from that of the current estimation, such difference will influence the fixed assets and the carrying amount of the projects under construction during the adjusting period.

(III) SIGNIFICANT JUDGEMENTS MADE IN THE APPLICATION OF ACCOUNTING POLICIES AND KEY ASSUMPTIONS AND UNCERTAINTIES IN ACCOUNTING ESTIMATES (continued)

Critical assumptions and uncertainties in the application of accounting estimates (continued)

Recognition of deferred tax assets

As at 31 December 2011, the Company recognized deferred tax assets at RMB351,908,470.87 (as at 31 December 2010: RMB297,215,674.21) in the 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 period 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 income statement in the period in which they are incurred.

Fees for after-sale services

Generally, the Group provides one or two free maintenance services to its domestic customers and provides a warranty period to their domestic customers for a certain period since the date of purchase, during which period free repairs and maintenance services are provided. The Group makes provisions for after-sale services annually according to the sales volumes of vehicles and history of repairs and maintenances. As at 31 December 2011, provisions for after-sale services amounted to RMB141,025,058.00 (as at 31 December 2010: RMB100,219,202.45). If the actual fees for after-sale services are more or less than the estimates, profits and losses of the period will be affected.

Income taxes

Subsidiaries of the Group are subject to income taxes according to different tax rates of different regions in the PRC. As certain tax affairs are pending the confirmation of relevant tax authorities, the Group shall make reliable estimates and judgements for the expected tax adjustments and amounts resulting from such affairs based on the current tax laws and relevant policies. Subsequently, if differences exist between the initial estimates of such affairs and the actual amount of tax payable due to certain objective reasons, such difference will affect the taxes for the current period and tax payables of the Group.

(IV) TAXATION**1. Major tax types and tax rates**

Tax type	Basis	Tax rate (%)
Business tax	Turnover	3%, 5%
Value-added tax	Sales/Purchase (<i>Note 1</i>)	3%, 17%
Consumption tax	Sales	3%, 5%, 9%, 12%
Urban maintenance and construction tax	Value-added tax, consumption tax and business tax	5%, 7%
Education surtax	Value-added tax, consumption tax and business tax	3%
Enterprise income tax	Taxable income (<i>Note 1</i>)	25%
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: Saved from the tax incentives set out in Note (IV) 2, the applicable tax rates of the relevant companies of the Group in 2010 and 2011 are listed on the above table.

2. Tax incentives and approvals**2.1 Income tax incentives***2.1.1 Enterprise income tax for foreign investment enterprises*

Baoding Mind Auto Component Co., Ltd. (保定曼德汽車配件有限公司), a subsidiary of the Company, is a sino-foreign joint venture established in 26 March 2004, engaging in the manufacture of components for automobiles. In accordance with the Detailed Rules for the Implementation on the Foreign Investment Enterprises and Foreign Enterprises Income Tax Law of PRC (中華人民共和國外商投資企業和外國企業所得稅法實施細則), it was entitled to full exemption for enterprise income tax in 2008 and a 50% exemption for the three years ended 31 December 2011 based on the Approval from the Taxation Bureau of Baoding High Technology Industry Development Zone relating to the Qualification of Baoding Mind Auto Component Co., Ltd. for the Entitlement to Foreign Investment Enterprises and Foreign Enterprises Income Tax Reduction (Gaoguoshuiwaizi [2006] No. 16) (保定市高新技術產業開發區國家稅務局關於保定曼德汽車配件有限公司享受外商投資企業和外國企業所得稅減免稅優惠資格問題的批覆 (高國稅外字[2006]16號)). In accordance with the Circular of the State Council on the Implementation of Transitional Preferential Policies for Enterprise Income Tax (國務院關於實施企業所得稅過渡優惠政策的通知) (Guofa [2007] No. 39), its applicable income tax rate in 2010 and 2011 was 12.5%.

(IV) TAXATION (continued)

2. Tax incentives and approvals (continued)

2.1 Income tax incentives (continued)

2.1.1 Enterprise income tax for foreign investment enterprises (continued)

Tianjin Great Wall Lean Automotive Parts Company Limited (天津長城精益汽車零部件有限公司), a subsidiary of the Company, is a sino-foreign joint venture established in 7 November 2006, engaging in the manufacture of components for automobiles. In accordance with the Detailed Rules for the Implementation on the Foreign Investment Enterprises and Foreign Enterprises Income Tax Law of PRC (中華人民共和國外商投資企業和外國企業所得稅法實施細則) and the Notice of the State Council on the Implementation of Transitional Preferential Policies for Enterprise Income Tax (國務院關於實施企業所得稅過渡優惠政策的通知) (Guofa [2007] No. 39), it was entitled to full exemption for enterprise income tax in 2008 and 2009 and a 50% exemption for the three years ended 31 December 2012 based on the approval from the Tianjin Provincial Office of State Administration of Taxation. Its applicable income tax rates in 2010, 2011 and 2012 are 11%, 12% and 12.5% respectively.

Tianjin Great Wall Wantong Automotive Parts Company Limited (天津長城萬通汽車零部件有限公司), a subsidiary of the Company, is a sino-foreign joint venture established in 11 December 2006, engaging in the manufacture of components for automobiles. In accordance with the Detailed Rules for the Implementation on the Foreign Investment Enterprises and Foreign Enterprises Income Tax Law of PRC (中華人民共和國外商投資企業和外國企業所得稅法實施細則) and the Notice of the State Council on the Implementation of Transitional Preferential Policies for Enterprise Income Tax (國務院關於實施企業所得稅過渡優惠政策的通知) (Guofa [2007] No. 39), it was entitled to full exemption for enterprise income tax in 2008 and 2009 and a 50% exemption for the three years ended 31 December 2012 based on the approval from the Tianjin Provincial Office of State Administration of Taxation. Its applicable income tax rates in 2010, 2011 and 2012 are 11%, 12% and 12.5% respectively.

Baoding Yixin Auto Parts Company Limited (保定億新汽車配件有限公司), a subsidiary of the Company, is a sino-foreign joint venture established in 11 December 2006, engaging in the manufacture of components for automobiles. In accordance with the Detailed Rules for the Implementation on the Foreign Investment Enterprises and Foreign Enterprises Income Tax Law of PRC (中華人民共和國外商投資企業和外國企業所得稅法實施細則) and the Notice of the State Council on the Implementation of Transitional Preferential Policies for Enterprise Income Tax (國務院關於實施企業所得稅過渡優惠政策的通知) (Guofa [2007] No. 39), it was entitled to full exemption for enterprise income tax in 2008 and 2009 and a 50% exemption for the three years ended 31 December 2012 based on the approval from the Tianjin Provincial Office of State Administration of Taxation. Its applicable income tax rate in 2010, 2011 and 2012 is 12.5%.

(IV) TAXATION (continued)

2. Tax incentives and approvals (continued)

2.1 Income tax incentives (continued)

2.1.1 Enterprise income tax for foreign investment enterprises (continued)

Baoding Smart Automobiles Accessories Company Limited (保定斯瑪特汽車配件有限公司), a subsidiary of the Company, is a sino-foreign joint venture established in 16 March 2004, engaging in the design, manufacture and sales of components for automobiles. In accordance with the Detailed Rules for the Implementation on the Foreign Investment Enterprises and Foreign Enterprises Income Tax Law of PRC (中華人民共和國外商投資企業和外國企業所得稅法實施細則) and the Notice of the State Council on the Implementation of Transitional Preferential Policies for Enterprise Income Tax (國務院關於實施企業所得稅過渡優惠政策的通知) (Guofa [2007] No. 39), it was entitled to full exemption for enterprise income tax in 2008 and 2009 and a 50% exemption for the three years ended 31 December 2012 based on the approval from the Tianjin Provincial Office of State Administration of Taxation. Its applicable income tax rate in 2010, 2011 and 2012 is 12.5%.

2.1.2 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) (Caishui [2009] No. 70) (the "Circular") issued by the Ministry of Finance and the State Administration of Taxation, Baoding Nuobo Rubber Manufacturing Company Limited (保定市諾博橡膠製品有限公司), Baoding Xincheng Automobile Development Company Limited (保定市信誠汽車發展有限公司), Baoding Great Machinery Company Limited (保定市格瑞機械有限公司), Baoding Huanqiu Auto Spare Parts Company Limited (保定環球汽車零部件有限公司) (deregistered on 31 August 2010), Baoding Yixin Automotive Parts Company Limited (保定億新汽車配件有限公司), Baoding Changcheng Vehicle Axles Industries Company Limited (保定長城汽車橋業有限公司) (its incentive expired in December 2010), Beijing Great Automotive Components Company Limited (北京格瑞特汽車零部件有限公司) and Baoding Great Wall Internal Combustion Engine Manufacturing Company Limited (保定長城內燃機製造有限公司), all of which are subsidiaries of the Company, satisfied all conditions as prescribed in the Circular for deduction of double 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 double of the actual wages paid to disabled staff from the taxable income when determining enterprise income taxes.

(IV) TAXATION (continued)

2. Tax incentives and approvals (continued)

2.1 Income tax incentives (continued)

2.1.3 Income tax exemption for investment in domestic manufactured equipment

Pursuant to the Circular of the Ministry of Finance and State Administration of Taxation on Granting Tax Credit and Exemption relating to Enterprises Income Tax for Enterprises with Foreign Investment and Foreign Enterprises on the Purchase of Domestic Manufactured Equipment (財政部、國家稅務總局關於外商投資企業和外國企業購買國產設備投資抵免企業所得稅有關問題的通知) (Caishui [2000] No. 49) and the Tentative Regulation Regarding Income Tax Benefit for Investment in the PRC Made Equipment Used in Technical Reform (技術改造國產設備投資抵免企業所得稅暫行辦法) (Caishuizi [1999] No. 290), 40% of the investment in domestic manufactured equipment of the Group can be deducted from the additional enterprise income tax incurred at the year of purchase. The exemption of enterprise income tax on the investment each year shall not exceed the additional amount of enterprise income tax incurred at the year of purchase. In the case that the additional enterprise income tax incurred is insufficient for the exemption, the outstanding exemption amount can be carried forward for not longer than five years.

In accordance with Circular on Ceasing Granting Tax Credit and Exemption relating to Enterprise Income Tax on the Purchase of Domestic Manufactured Equipment (《關於停止執行企業購買國產設備投資抵免企業所得稅政策問題的通知》) (Guo Shui Fa [2008] No. 52) issued by the State Administration of Taxation, the policy to set off enterprise income tax with investment to acquire domestic equipment by an enterprise was ceased on 1 January 2008. Income tax credits in respect of investments in domestic manufactured equipment as approved in prior years will continue to be credited within the extended period of five years.

2.1.4 Preferential enterprise income tax policy for new and high technology enterprises

According to 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 10 November 2010, the Company was recognised as a new and high-technology enterprise in 2010 with a term of three years, and the applicable tax rate of the Company from 2010 to 2012 was 15%.

(IV) TAXATION (continued)

2. Tax incentives and approvals (continued)

2.2 Value-added Tax incentives

According to the requirements under the Notice Regarding Taxation Concessionary Policies on Fostering Employment of Disabled People” ([2007]92號文《關於促進殘疾人就業稅收優惠政策的通知》) (“Cai Shui [2007] No. 92) issued by the Ministry of Finance and State Administration of Taxation, Baoding Nuobo Rubber Manufacturing Company Limited (保定市諾博橡膠製品有限公司), Baoding Great Machinery Company Limited (保定市格瑞機械有限公司), Baoding Huanqiu Auto Spare Parts Company Limited (保定環球汽車零部件有限公司) (deregistered on 31 August 2010), and Baoding Yixin Auto Parts Company Limited (保定億新汽車配件有限公司), all of which are subsidiaries of the Company, were entitled to immediate refund of value-added tax based on the number of disabled staff employed upon approval by competent authorities as their respective monthly average proportion of disabled staff to the total headcount was higher than 25% (including 25%), the respective number of disabled staff is more than 10 (including 10), and 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. The maximum refund of value added tax for each disabled staff employed was no more than RMB35,000 per person each year.

(V) BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2011, the subsidiaries of the Company did not have any debentures in issue.

1. Subsidiaries

(I) Subsidiaries established by investment

Full name of subsidiaries	Type of subsidiaries	Place of registration	Business nature	Registered capital	Scope of business	Actual capital contribution 31/12/2011	Other balance items which contribute net investment in subsidiaries	Proportion of shareholdings (%)	Proportion of voting rights (%)	Whether consolidated	Minority interests	RMB
												Amount in minority interests used to write down the losses of minority interests
Badong Great Wall Huabei Automobile Company Limited (保定長城華北汽車有限公司) ("Great Wall Huabei") (Note 1)	LLC	Gaobeidian	Manufacture of automotive parts and components	RMB177,550,000.00	Principally engages in assembling and manufacture of car bodies, automotive parts and components (of Great Wall), sales and maintenance, commissioned processing and sale of purchased parts.	268,092,310.00	—	100.00	100.00	Yes	—	—
Badong Xincheng Automobile Development Company Limited (保定新誠汽車發展有限公司) ("Badong Xincheng")	LLC	Badong	Manufacture of automotive parts and components	RMB69,210,000.00	Manufacture of automotive parts and components, containers and road wrecker equipment, sale of automotive parts and components; engaging in self-operated and commissioned import and export business for various goods, other than the exports jointly operated by the PRC government and the imports operated by companies approved by the PRC government.	73,024,993.00	—	100.00	100.00	Yes	—	—
Badong Great Wall Internal Combustion Engine Manufacturing Company Limited (保定長城內燃機製造有限公司) ("Great Wall Internal Combustion Engine") (Note 2)	LLC	Dingxing, Badong	Manufacture of automotive parts and components	RMB452,716,300.00	Manufacture and sale of internal combustion engines and relevant parts and components; export of its products and technologies as well as import of auxiliary materials, machinery and equipments, parts and components and relevant technologies required, except goods and technologies which should be operated by companies appointed by the PRC government and restricted for import and export.	583,255,608.00	—	100.00	100.00	Yes	—	—
Badong Great Machinery Company Limited (保定市格瑞機械有限公司) ("Badong Great")	LLC	Badong	Manufacture of automotive parts and components	RMB23,000,000.00	Technological development, manufacture and after-sales service of automotive parts and components, machinery products and construction machineries; leasing and storage services of its properties.	23,000,000.00	—	100.00	100.00	Yes	—	—
Badong Chengong Vehicle Axles Industries Company Limited (保定長城汽車軸業有限公司) ("Chengong Axles Industries")	Sino-foreign joint venture	Badong	Manufacture of automotive parts and components	RMB68,720,000.00	Technological development and manufacture of automotive parts and components; sale of the Group's products and after-sale services; leasing of its properties.	51,540,000.00	—	75.00	75.00	Yes	66,965,830.41	—
Badong Nuobo Rubber Manufacturing Company Limited (保定市諾博橡膠製品有限公司) ("Badong Nuobo") (Note 3)	LLC	Badong	Manufacture of automotive parts and components	RMB72,240,000.00	Manufacture of rubber parts, tubes, plates and belts and automotive parts and components; machine processing and rivet processing.	72,240,000.00	—	100.00	100.00	Yes	—	—
Beijing Great Automotive Components Company Limited (北京格瑞特汽車零部件有限公司) ("Beijing Great")	Sino-foreign joint venture	Beijing	Manufacture of automotive parts and components	RMB1,000,000.00	Production of automotive electrical appliances, parts and components; sale of its products.	750,000.00	—	75.00	75.00	Yes	13,139,302.09	—
Badong Great Wall Automobile After-sales Services Company Limited (保定長城汽車售後服務有限公司) ("Great Wall After-sales")	LLC	Badong	Provision of after-sales service	RMB300,000.00	Provision of auto repair and after-sales service; wholesale and retail of automobile parts; import and export business of automotive parts.	150,000.00	—	100.00	100.00	Yes	—	—

Notes to Financial Statements

For the year ended 31 December 2011

(V) BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS

(continued)

1. Subsidiaries (continued)

(I) Subsidiaries established by investment (continued)

Full name of subsidiaries	Type of subsidiaries	Place of registration	Business nature	Registered capital	Scope of business	Actual capital contribution 31/12/2011	Other balance items which contribute net investment in subsidiaries	Proportion of shareholdings (%)	Proportion of voting rights (%)	Whether consolidated	Minority interests	RMB
												Amount in minority interests used to write down the losses of minority interests
Baoding Great Wall Automobile Sales Company Limited (保定長城汽車銷售有限公司) ("Great Wall Sales")	LLC	Baoding	Marketing and sale of automobiles	RMB8,000,000.00	Wholesale and retail of automobiles, automotive parts, machinery equipment, hardware and electronic products; commissioned sale of second-hand automobiles; automobile leasing; agency services for licence application and transfer; engaging in self-operated and commissioned import and export business for various goods, other than the exports jointly operated by the PRC government and the imports operated by companies approved by the PRC government.	8,000,000.00	—	100.00	100.00	Yes	—	—
Macs (Baoding) Auto A/C System Company Limited (奧克斯(保定)汽車空調系統有限公司) ("Macs")	Sino-foreign joint venture	Baoding	Manufacture of automotive parts and components	RMB20,339,000.00	Production of automobile air-conditioning systems as well as automotive parts and components; mould processing and manufacturing; sale of the Group's products and provision of after-sales service, storage service and technical service; import and export of goods and technologies.	10,372,890.00	—	51.00	51.00	Yes	99,784,699.67	—
Tide Technology and Trade Company Limited (泰德利貿易有限公司) ("Tide Technology and Trade")	Overseas company	Hong Kong	Provision of advisory services relating to automobile technology and trading activities	USD6,500,000.00	Provision of advisory services relating to automobile technology and other business such as international cooperation and trading in compliance with the laws and regulations of Hong Kong.	USD6,500,000.00	—	100.00	100.00	Yes	—	—
Russia Great Wall Closed Joint-Stock Company Limited (俄羅斯長城股份有限公司) ("Russia Great Wall")	Overseas company	Russia	Export and import of automobiles and related spare parts and provision of after-sales services	USD90,000.00	Import and export business of automobiles, automotive parts and components and related spare parts, after-sales service and international trade.	USD90,000.00	—	100.00	100.00	Yes	—	—
Baoding Mind Auto Component Company Limited (保定奧德汽車配件有限公司) ("Mind Component")	Sino-foreign joint venture	Baoding	Manufacture of automotive parts and components	RMB600,000.00	Manufacture of automotive parts and components; machine processing and rivet processing; sale of the Group's products and provision of after-sales service.	450,000.00	—	75.00	75.00	Yes	22,233,530.80	—
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")	Sino-foreign joint venture	Tianjin Development Zone	Manufacture of automotive parts and components	RMB140,000,000.00	Production of automotive parts and components; sale of the Group's products.	140,002,494.00	—	100.00	100.00	Yes	—	—
Great Wall Motor Middle East FZE (長城汽車中東公司) ("Great Wall Middle East")	Overseas company	United Arab Emirates	Import and export of automobiles and components and provision of after-sale service	USD476,000.00	Import and export business of automobiles, automotive parts and components and related spare parts; provision of related after-sales service and engaging in other international trades.	USD476,000.00	—	100.00	100.00	Yes	—	—
Baoding Jinggong Foundry Company Limited (保定長城精工鑄造有限公司) ("Jinggong Foundry")	LLC	Shunping, Baoding	Manufacture of steel casting and provision of after-sales service	RMB85,000,000.00	Steel casting design and casting; sale of its products and after-sales service for the Group's products.	85,000,000.00	—	100.00	100.00	Yes	—	—
Baoding Great Wall Arts Logistics Company Limited (保定市長城瑞暢物流有限公司) ("Great Wall Arts") (Note 4)	LLC	Baoding	Logistics and ordinary goods transportation	RMB86,000,000.00	General cargo transportation and logistics (storage and transportation) (road transport operation permit valid until 28 August 2012)	86,000,000.00	—	100.00	100.00	Yes	—	—

(V) BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS (continued)

1. Subsidiaries (continued)

(I) Subsidiaries established by investment (continued)

Full name of subsidiaries	Type of subsidiaries	Place of registration	Business nature	Registered capital	Scope of business	Actual capital contribution 31/12/2011	Other balance items which contribute net investment in subsidiaries	Proportion of shareholdings (%)	Proportion of voting rights (%)	Whether consolidated	Minority interests	RMB
												Amount in minority interests used to write down the losses of minority interests
Baoding Lean Automotive Occupational Training School (保定市精益汽車職業培訓學校) ("Lean School")	Private non-enterprise unit	Baoding	Occupational training	RMB100,000.00	Occupational training: automobile manufacturing, NC control processing, NC control programming, auxiliary parts design and fitter.	100,000.00	–	100.00	100.00	Yes	–	–
Tianjin Boxin Automobile Parts Co., Ltd. ("Tianjin Boxin") (天津博信汽車零部件有限公司) (Note 5)	LLC	Tianjin	Manufacture of automotive parts and components	RMB1,776,497,273.00	Research and development, design, production, sale of automotive parts and components and related after-sales service.	1,777,694,771.10	–	100.00	100.00	Yes	–	–
Ningxia Great Wall Automobile Leasing Company Limited (寧夏長城汽車租賃有限公司) ("Ningxia Leasing")	LLC	Yinchuan	Logistics and daily cargo transport service	RMB20,000,000.00	Leasing of automobile, storage and loading and unloading.	20,000,000.00	–	100.00	100.00	Yes	–	–
Baoding Exquisite Aluminium Alloy Manufacture Co., Ltd. (保定精工汽車合金全製造有限公司) ("Great Wall Aluminium Alloy") (Note 6)	LLC	Shunping, Baoding	Manufacture of automotive parts and components	RMB95,000,000.00	Manufacture and sale of aluminium alloy parts and components for automobiles, liquid aluminium and aluminium alloy ingots.	95,000,000.00	–	100.00	100.00	Yes	–	–
Baoding Great Wall Resource Recycling Co., Ltd. (保定東城再生資源利用有限公司) ("Great Wall Resource Recycling") (Note 7)	LLC	Qingyuan, Baoding	Processing, recycling and sale of waste and used material	RMB50,000,000.00	Processing, recycling and sale of waste and used metals, plastic waste, used paper and other waste and used materials (excluding hazardous waste and chemicals); import and export of goods.	50,000,000.00	–	100.00	100.00	Yes	–	–
Baoding Exquisite Auto Mould Technology Co., Ltd. (保定市精工汽車模具技術有限公司) ("Exquisite Mould")	LLC	Baoding	Research and development and manufacture of auto moulds	RMB5,000,000.00	Research and development (not manufacture) and design of auto moulds; technologies transfer, advisory, training and promotion in respect of auto moulds; sales and after-sales service of auto moulds.	5,000,000.00	–	100.00	100.00	Yes	–	–
Nuobo Rubber Manufacturing Co., Ltd. (諾博橡膠製品有限公司) ("Kushui Nuobo") (Note 8)	LLC	Baoding	Not yet in operation	RMB80,000,000.00	Design, development, sale and after-sales service of rubber products and rubber parts and components for automobiles.	80,000,000.00	–	100.00	100.00	Yes	–	–

Note 1. The Company acquired 47.029% equity interests in Great Wall Huabei held by Gaobeidian City Huabei Automobile Works (高碑店市華北汽車製造廠) (Liquidators), a minority shareholder of Great Wall Huabei, in June 2011 at a consideration of RMB173,175,000 through auction. Thereafter, Great Wall Huabei has been a wholly-owned subsidiary of the Company.

Note 2. The Company injected capital of RMB412,439,000 into Great Wall Internal Combustion Engine in November 2011. The registered capital of Great Wall Internal Combustion Engine increased from RMB40,816,300 to RMB452,716,300 subsequent to completion of the capital injection.

Note 3. The Company injected capital of RMB26,200,000 into Baoding Nuobo in December 2011 with the land use right evaluation of RMB5,240,000. The registered capital increased from RMB40,800,000 to RMB72,240,000 subsequent to the completion of the capital injection.

Notes to Financial Statements

For the year ended 31 December 2011

(V) BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS

(continued)

1. Subsidiaries (continued)

(1) Subsidiaries established by investment (continued)

Note 4. The Company injected capital of RMB26,000,000 into Great Wall Ants in August 2011. The registered capital of Great Wall Ants increased from RMB60,000,000 to RMB86,000,000 subsequent to the completion of the capital injection.

Note 5. The Company injected capital of RMB1,060,976,000 into Tianjin Boxin in November 2011. The registered capital of Tianjin Boxin increased from RMB716,908,000 to RMB1,776,497,000 subsequent to the completion of the capital injection.

Note 6. Baoding Great Wall Aluminium Alloy Manufacture Co., Ltd. was renamed Baoding Exquisite Aluminium Alloy Manufacture Co., Ltd. in May 2011. Furthermore, the business scope of Great Wall Aluminium Alloy changed from manufacture and sale of aluminium alloy parts and components for automobiles to manufacture and sale of aluminium alloy parts and components for automobiles, liquid aluminium and aluminium alloy ingots. The Company injected capital of RMB50,000,000 into Great Wall Aluminium Alloy in October 2011. The registered capital of Great Wall Aluminium Alloy increased from RMB45,000,000 to RMB95,000,000 subsequent to the completion of the capital injection.

Note 7. The business scope of Great Wall Resource Recycling changed from "preparation for waste steel recycling, processing and sales projects" to "processing, recycling and sale of waste metal, plastic waste, used paper and other waste and used materials (excluding hazardous materials and chemicals); import and export of goods" in June 2011.

Note 8. Xushui Nuobo is a subsidiary wholly owned by Baoding Nuobo, a wholly-owned subsidiary of the Company, and was established in September 2011 in Xushui, Baoding through investment, with a registered capital of RMB80,000,000.

(2) Subsidiaries acquired through business combination of enterprises not under common control

Full name of subsidiaries	Type of subsidiaries	Place of registration	Business nature	Registered Capital	Scope of business	Actual capital contribution 31/12/2011	Other balance items which contribute net investment in subsidiaries	Proportion of shareholdings (%)	Proportion of voting rights (%)	Whether consolidated	Minority interests	RMB Amount in minority interests used to write down the losses of minority interests
Billion Sunny Development Limited (億新發展有限公司) ("Billion Sunny Development")	Overseas company	Hong Kong	Investment holding	HKD100.00	Investment holding	USD205,000.00	–	100.00	100.00	Yes	–	–
Baoding Smart Automobile Accessories Company Limited (保定斯瑪特汽車配件有限公司) ("Baoding Smart")	Sino-foreign joint venture	Baoding	Design, production and sale of automotive parts and components	RMB214,000,000.00	Design, production and sale of automotive parts and components.	158,306,614.49	–	75.00	75.00	Yes	56,163,074.70	–
Baoding Great Wall Boxiang Automotive Parts Manufacturing Company Limited (保定長城博翔汽車零件製造有限公司) ("Great Wall Boxiang") (Note 1)	LLC	Baoding	Design, production and sale of automotive parts and components	RMB39,500,000.00	Design, production and sale of automotive parts and components.	39,116,124.26	–	100.00	100.00	Yes	–	–
Baoding Xinyuan Automobile Inner Decoration Company Limited (保定信遠汽車內飾件有限公司) ("Baoding Xinyuan") (Note 2)	LLC	Baoding	Design, production and sale of automotive parts and components	RMB36,227,000.00	Design, production and sale of automotive parts and components.	47,025,720.36	–	75.00	75.00	Yes	26,108,953.31	–
Baoding Great Wall Botai Electrical Appliance Manufacture Co., Ltd. (保定長城博泰電器製造有限公司) ("Great Wall Botai") (Note 3)	LLC	Baoding	Production and sale of electronic parts and components and automotive stamping parts	RMB26,000,000.00	Production and sale of electronic parts and components and automotive stamping parts.	26,421,565.05	–	100.00	100.00	Yes	–	–

(V) BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS

(continued)

1. Subsidiaries (continued)

(2) Subsidiaries acquired through business combination of enterprises not under common control (continued)

Note 1. The Company injected capital of RMB11,000,000 into Great Wall Boxiang in March 2011. The registered capital of Great Wall Boxiang increased from RMB28,500,000 to RMB39,500,000 subsequent to the completion of the capital injection.

Note 2. Baoding Xinyuan was formerly known as Baoding Deye Automobile Inner Decoration Company Limited (保定德業汽車內飾件有限公司), a joint venture of the Company. In June 2011, the Company acquired 26% equity interests in Baoding Xinyuan at a consideration of RMB9,419,000. Thereafter, the Company held 75% equity interests in Baoding Xinyuan and Baoding Deye Automobile Inner Decoration Company Limited was renamed Baoding Xinyuan Automobile Inner Decoration Company Limited (保定信遠汽車內飾件有限公司).

Note 3. Great Wall Botai was formerly known as Baoding Tianqiu Electronic Appliance Company Limited (保定天球電器有限公司), a joint venture of the Company. In November 2011, the Company acquired 75% equity interests in Great Wall Botai held by Wenzhou Tianqiu Electrical Co., Ltd. (溫州天球電器有限公司) at a consideration of RMB12,191,000. Thereafter, the Company held the entire equity interests in Great Wall Botai and Baoding Tianqiu Electrical Appliance Company Limited was renamed Baoding Great Wall Botai Electrical Appliance Manufacture Co., Ltd. (保定長城博泰電器製造有限公司). In December 2011, the Company injected capital of RMB10,000,000 into Great Wall Botai. The registered capital of Great Wall Botai increased from RMB16,000,000 to RMB26,000,000 subsequent to the capital injection.

(3) Subsidiaries acquired through business combination of enterprises under common control

Full name of subsidiaries	Type of subsidiaries	Place of registration	Business nature	Registered Capital	Scope of business	Actual capital contribution 31/12/2011	Other balance items which contribute net investment in subsidiaries	Proportion of shareholdings (%)	Proportion of voting rights (%)	Whether consolidated	Minority interests	RMB
												Amount in minority interests used to write down the losses of minority interests
Tianjin Great Wall Wantong Automotive Parts Company Limited (天津長城萬通汽車零部件有限公司) ("Tianjin Wantong")	Sino-foreign joint venture	Tianjin Development Zone	Manufacture of automotive parts and components	RMB10,000,000.00	Development, design, production and manufacture of stamping parts for automobile bodies and automotive parts and components; sale of products of the Group and provision of relevant after-sales services	10,000,300.43	–	100.00	100.00	Yes	–	–
Baoding Yixin Auto Parts Company Limited (保定信新汽車配件有限公司) ("Baoding Yixin")	Sino-foreign joint venture	Baoding	Manufacture of automotive parts and components	RMB13,000,000.00	Production and processing of automotive parts and components; production of moulds; leasing of its remaining equipment; sale of products of the Group and provision of relevant after-sales services	13,000,000.00	–	100.00	100.00	Yes	–	–

(V) BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS

(continued)

2. Statements on the changes after business combination

Name	2011.12.31	Remarks
Xushui Nuobo	Consolidated into the Group	Established in September 2011
Baoding Xinyuan	Consolidated into the Group	Acquired in June 2011
Great Wall Botai	Consolidated into the Group	Acquired in November 2011

3. Entities consolidated into the Group during the year and entities separated from the Group during the year**(1) Entities consolidated into the Group during the year**

Name	Net assets as at the end of the year	Net profit during the year
Xushui Nuobo	79,983,910.36	(16,089.64)
Baoding Xinyuan	104,435,813.24	12,179,462.47
Great Wall Botai	34,130,236.36	266,621.77

RMB

(2) No entity was separated from the Group during the year**4. Translation of foreign currency of major items in the financial statements of overseas operating entities**

All assets and liabilities items of Russia Great Wall, Great Wall Middle East, Billion Sunny Development and Tide Technology, which are overseas controlling subsidiaries of the Company, are translated at the spot exchange rate prevailing at the balance sheet date. Except for "Undistributed profits", all equity items are translated at the spot exchange rates of the dates on which such items incurred. The spot exchange rates of RMB against foreign currencies prevailing at the balance sheet date were as follows:

Companies' name	Currency	2011.12.31	2010.12.31
Russia Great Wall	Rouble	0.1966	0.2111
Great Wall Middle East	Dirham	1.7173	1.8050
Billion Sunny Development	HK Dollar	0.8107	0.8509
Tide Technology	US Dollar	6.3009	6.6227

(VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and bank balances

Item	31/12/2011		RMB
	Foreign currency	Exchange rate	RMB
Cash:			
RMB	1,355,979.50	1.0000	1,355,979.50
USD	48,568.42	6.3009	306,024.76
HKD	16,137.38	0.8107	13,082.57
EUR	40,885.60	8.1625	333,728.74
JPY	405,840.00	0.0811	32,914.84
KRW	21,924.76	0.0055	120.06
GBP	3,285.70	9.7116	31,909.40
RUB	9,577.72	0.1966	1,883.17
THB	4,090.31	0.1991	814.38
AUD	1,712.59	6.4093	10,976.50
SGD	306.47	4.8679	1,491.85
AED	1,946.63	1.7173	3,342.95
Bank deposits:			
RMB	6,194,879,447.74	1.0000	6,194,879,447.74
USD	17,123,148.71	6.3009	107,891,247.22
HKD	6.12	0.8107	4.96
EUR	151,342.65	8.1625	1,235,334.35
RUB	554,267.89	0.1966	108,979.14
AED	21,277.79	1.7173	36,540.35
GBP	3,645.33	9.7116	35,401.99
Other cash and bank balances:			
RMB	770,367,240.10	1.0000	770,367,240.10
USD	3,883,800.00	6.3009	24,471,435.42
EUR	731,165.08	8.1625	5,968,134.96
Total			7,107,086,034.95

As at 31 December 2011, the Group had restricted cash and bank balances of RMB800,806,810.48, in which guarantee on bank acceptance notes amounted to RMB550,219,971.69, guarantee on letter of credit amounted to RMB247,946,838.79 and other guarantees amounted to RMB2,640,000.00.

Among the cash and bank balances of the Group as at 31 December 2011, cash held overseas amounted to RMB3,342.95 and overseas bank deposits amounted to RMB54,324,910.45.

(VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**1. Cash and bank balances** (continued)

Other cash and bank balances with maturity of or less than three months from the date of occurrence are deemed as cash equivalents by the Group.

Item	Foreign currency	31/12/2010	
		Exchange rate	RMB
Cash:			
RMB	763,351.37	1.0000	763,351.37
USD	4,033.64	6.6227	26,713.59
HKD	17,830.40	0.8509	15,172.42
EUR	5,765.79	8.8065	50,776.43
JPY	4,760.79	0.0813	386.86
KRW	22,110.00	0.0058	128.24
GBP	34.70	10.2182	354.57
RUB	9,577.72	0.2111	2,021.86
THB	4,030.00	0.2203	887.81
AUD	14,947.75	6.4909	97,024.35
SGD	310.00	5.0559	1,567.33
AED	2,005.00	1.8050	3,619.03
Bank deposits:			
RMB	1,947,597,740.43	1.0000	1,947,597,740.43
USD	15,459,683.99	6.6227	102,384,847.18
EUR	2,556,747.57	8.8065	22,515,997.47
JPY	556,368.00	0.0813	45,210.46
RUB	465,884.92	0.2111	98,348.31
AED	12,639.79	1.8050	22,814.82
Other cash and bank balances:			
RMB	1,017,635,256.00	1.0000	1,017,635,256.00
USD	25,273.68	6.6227	167,380.00
EUR	361,873.59	8.8065	3,186,839.80
Total			3,094,616,438.33

As at 31 December 2010, the Group had restricted cash and bank balances of RMB1,020,989,475.80, in which guarantee on bank acceptance notes amounted to RMB980,876,838.21, guarantee on letter of credit amounted to RMB40,011,649.24 and other guarantees amounted to RMB100,988.35.

Among the cash and bank balances of the Group as at 31 December 2010, cash held overseas amounted to RMB3,619.03 and overseas bank deposits amounted to RMB20,252,291.91.

(VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1. Cash and bank balances (continued)

Other cash and bank balances with maturity of or less than three months from the date of occurrence are deemed as cash equivalents by the Group.

2. Bills receivable

(1) Classification of bills receivable

Category	<i>RMB</i>	
	31/12/2011	31/12/2010
Bank acceptance notes	8,702,977,854.66	7,726,100,420.35
Total	8,702,977,854.66	7,726,100,420.35

(2) Pledged bills receivable as at the end of each year:

Category	<i>RMB</i>	
	31/12/2011	31/12/2010
Bank acceptance notes	3,617,800,613.00	3,112,066,752.66
Total	3,617,800,613.00	3,112,066,752.66

Note: The Group pledged bills receivable for the issuance of bills payable.

As at 31 December 2011, five pledged bills receivable with largest amounts were as follows:

Issuing unit	<i>RMB</i>		
	Date of issue	Due date	Amount
Customer 1	25 October, 2011	25 April 2012	13,000,000.00
Customer 2	9 September 2011	9 March 2012	10,000,000.00
Customer 3	2 August 2011	2 February 2012	10,000,000.00
Customer 4	18 August 2011	18 February 2012	10,000,000.00
Customer 5	6 September 2011	6 March 2012	8,000,000.00
Total			51,000,000.00

(VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. Bills receivable (continued)

(2) Pledged bills receivable as at the end of each year: (continued)

As at 31 December 2010, five pledged bills receivable with largest amounts were as follows:

Issuing unit	Date of issue	Due date	RMB
			Amount
Customer 1	8 October 2010	8 April 2011	10,000,000.00
Customer 2	8 October 2010	8 April 2011	9,000,000.00
Customer 3	16 September 2010	16 March 2011	8,000,000.00
Customer 4	8 October 2010	8 April 2011	8,000,000.00
Customer 5	8 October 2010	6 April 2011	8,000,000.00
Total			43,000,000.00

(3) As at the end of the year, bills endorsed by the Group to other parties but undue were as follows:

Category	31/12/2011	RMB
		31/12/2010
Bank acceptance notes	3,921,262,282.53	3,651,186,168.93
Total	3,921,262,282.53	3,651,186,168.93

As at 31 December 2011, five bills receivable endorsed to other parties but undue with largest amounts were as follows:

Issuing unit	Date of issue	Due date	RMB
			Amount
Customer 1	21 July 2011	21 January 2012	10,000,000.00
Customer 2	17 November 2011	17 May 2012	9,500,000.00
Customer 3	20 December 2011	20 June 2012	9,000,000.00
Customer 4	14 October 2011	14 April 2012	7,000,000.00
Customer 5	3 November 2011	3 May 2012	7,000,000.00
Total			42,500,000.00

(VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. Bills receivable (continued)

(3) As at the end of the year, bills endorsed by the Group to other parties but undue were as follows: (continued)

As at 31 December 2010, five bills receivable endorsed to other parties but undue with largest amounts were as follows:

Issuing unit	Date of issue	Due date	RMB Amount
Customer 1	20 December 2010	20 June 2011	13,000,000.00
Customer 2	17 August 2010	17 February 2011	10,000,000.00
Customer 3	8 October 2010	8 April 2011	10,000,000.00
Customer 4	6 December 2010	6 April 2011	10,000,000.00
Customer 5	23 December 2010	23 June 2011	10,000,000.00
Total			53,000,000.00

(4) At the end of the reporting period, there was no bills receivable due to shareholders holding 5% or more voting shares of the Company.

3. Accounts receivable

(1) Accounts receivable were disclosed by category as follows:

Descriptions of the categories of accounts receivable:

The Group recognizes accounts receivable of over RMB3 million and accounts receivable from unconsolidated related parties as individually significant.

Category	31/12/2011				31/12/2010			
	Book value		Provision for bad debts		Book value		Provision for bad debts	
	Amount	Ratio (%)	Amount	Ratio (%)	Amount	Ratio (%)	Amount	Ratio (%)
Individually significant and subject to separate provision	614,117,882.86	89.06	(2,025,700.00)	19.94	287,705,266.10	84.37	(6,152,982.43)	43.92
Subject to provision by groups								
Accounts receivable of small amounts with high risks based on the characteristics of credit risk as a group	3,474,372.04	0.50	(3,361,816.86)	33.09	4,435,796.66	1.30	(4,413,900.66)	31.51
Other insignificant accounts receivable	71,939,172.03	10.44	(4,773,617.11)	46.97	48,863,616.70	14.33	(3,442,008.74)	24.57
Subtotal	75,413,544.07	10.94	(8,135,433.97)	80.06	53,299,413.36	15.63	(7,855,909.40)	56.08
Accounts receivable which are individually insignificant but subject to separate provision	—	—	—	—	—	—	—	—
Total	689,531,426.93	100.00	(10,161,133.97)	100.00	341,004,679.46	100.00	(14,008,891.83)	100.00

The Group normally receives payments or bills in advance for the sale of automobiles.

(VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**3. Accounts receivable** (continued)**(2) Aging analysis of accounts receivable and corresponding provisions for bad debts were as follows:**

RMB

Aging	31/12/2011				31/12/2010			
	Amount	Ratio (%)	Provision for bad debts	Book value	Amount	Ratio (%)	Provision for bad debts	Book value
Within 1 year	686,057,054.89	99.49	(6,799,317.11)	679,257,737.78	336,568,882.80	98.70	(9,594,991.17)	326,973,891.63
1 to 2 years	1,845,600.94	0.27	(1,733,045.76)	112,555.18	2,063,994.61	0.60	(2,042,098.61)	21,896.00
2 to 3 years	1,582,256.80	0.23	(1,582,256.80)	—	569,749.00	0.17	(569,749.00)	—
Over 3 years	46,514.30	0.01	(46,514.30)	—	1,802,053.05	0.53	(1,802,053.05)	—
Total	689,531,426.93	100.00	(10,161,133.97)	679,370,292.96	341,004,679.46	100.00	(14,008,891.83)	326,995,787.63

(3) There was no accounts receivable which are individually insignificant but subject to separate provision as at the end of the year.**(4) During the reporting period, provision in full or of a large amount for bad debt made in previous periods but written back or reversed in full or in a large proportion during the current year were as follows:**

RMB

Accounts receivable	Reason for write-back or recovery	Basis for determination of original provision for bad debts	Accumulated provision for bad debts before write-back or recovery	Amount written-back or recovered
Baoding Great Wall Internal Combustion Engine Manufacturing Company Limited (保定中信內燃機製造有限公司)	The management of the Group exerted efforts on collecting accounts receivable through the third party settlement	Past due	(546,557.00)	546,557.00
Tongliao Lifeng Automobile Sales Company Limited (通遼市利豐汽車銷售有限責任公司)	The management of the Group exerted efforts on collecting accounts receivable in cash	Past due	(387,177.00)	387,177.00
The people's Government of Xushui county (徐水縣人民政府)	The management of the Group exerted efforts on collecting accounts receivable in cash	Past due	(347,400.00)	347,400.00
Sudan Jiya Automobile Manufacturing (蘇丹幾亞汽車製造行)	The management of the Group exerted efforts on collecting accounts receivable in cash	Past due	(172,463.99)	172,463.99
Zhang Tao	The management of the Group exerted efforts on collecting accounts receivable in cash	Past due	(108,500.00)	108,500.00
Total			(1,562,097.99)	1,562,097.99

(VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. Accounts receivable (continued)

(5) Accounts receivable actually written off during the reporting period

Name of unit	Nature of accounts receivable	Amounts written off	Reason for write-off	RMB Whether arising from connected transaction
Shijiazhuang Mechanized Infantry Academy (石家莊機械化步兵學院)	Payment for goods	1,810.00	Unrecoverable	No
Xiamen Yishimai Commercial Co., Ltd. (廈門益勢邁商貿有限公司)	Payment for goods	1,590.00	Unrecoverable	No
Changzhou Hengde Machine Tool Spare Manufacturing Co., Ltd. (滄州恒德機床附件製造有限公司)	Payment for goods	180.00	Unrecoverable	No
Changchun Wenhui Material Trade Co., Ltd. (長春市文匯物資貿易有限責任公司)	Sales of engines and spares	86,367.18	Unrecoverable	No
Zhong Ke Huabei Automobile Company Limited (中客華北汽車有限責任公司)	Sales of engines and spares	988,353.51	Bankruptcy	No
Shijiazhuang Shuanghuan Automobile Company (石家莊雙環汽車公司)	Sales of engines and spares	30,600.00	Unrecoverable	No
Total		1,108,900.69		

(6) At the end of the reporting period, there was no accounts receivable due to shareholders holding 5% or more voting shares of the Company.

(VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. Accounts receivable (continued)

(7) Five units with largest amounts of accounts receivable

Name of unit	Relationship with the Group	Amount	Aging	RMB
				Percentage of total accounts receivable (%)
Customer 1	Non-related party	100,484,146.73	Within one year	14.57
Customer 2	Non-related party	91,756,243.81	Within one year	13.31
Customer 3	Non-related party	89,959,901.90	Within one year	13.05
Customer 4	Non-related party	69,836,268.83	Within one year	10.13
Customer 5	Non-related party	66,944,988.20	Within one year	9.7
Total		418,981,549.47		60.76

(8) Accounts receivable from related parties

Details of balance of accounts receivable from related parties are set out in item 6 of Note (VII).

(9) Accounts receivable denominated in foreign currencies and RMB equivalent during the reporting period were as follows:

Currency	Original currency	Exchange Rate	RMB equivalent
USD	48,799,590.05	6.3009	307,481,336.94
EUR	11,200,505.99	8.1625	91,424,130.14
GBP	9,836,049.05	9.7116	95,523,773.95
Total			494,429,241.03

(VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. Prepayment

(1) Prepayment by aging

Aging	31/12/2011		31/12/2010	
	Amount	Ratio (%)	Amount	Ratio (%)
Within 1 year	356,824,700.04	98.95	346,373,732.93	97.62
1 to 2 years	3,127,353.40	0.87	4,222,287.08	1.19
2 to 3 years	428,445.76	0.12	2,274,872.60	0.64
Over 3 years	220,401.98	0.06	1,963,413.26	0.55
Total	360,600,901.18	100.00	354,834,305.87	100.00

Description of aging of prepayment:

Prepayments with aging over one year are mainly prepayments to raw material suppliers which are not settled.

(2) Five units with largest amounts of prepayment

Name of unit	Relationship with the Group	Amount	Aging	Reason for unsettled
Supplier 1	Non-related party	84,299,102.37	Within 1 year	Prepayment for steel plates
Supplier 2	Non-related party	57,003,240.66	Within 1 year	Prepayment for raw materials
Supplier 3	Non-related party	26,524,447.37	Within 1 year	Prepayment for steel plates
Supplier 4	Non-related party	17,134,959.48	Within 1 year	Prepayment for raw materials
Supplier 5	Non-related party	16,553,269.70	Within 1 year	Prepayment for raw materials
Total		201,515,019.58		

(3) At the end of the reporting period, there was no prepayments due to shareholders holding 5% or more voting shares of the Company.

(VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**4. Prepayment** (continued)**(4) Description of prepayment:**

Prepayments were disclosed by category of customers as follows:

The Group recognizes prepayment of over RMB3 million and prepayment from related parties as single item with significant prepayment.

Category	RMB	
	31/12/2011	31/12/2010
Individually significant	294,704,080.07	277,204,698.14
Prepayments of small amounts with high risks based on the characteristics of credit risk as a group	3,776,201.14	8,460,572.94
Other insignificant prepayment	62,120,619.97	69,169,034.79
Total	360,600,901.18	354,834,305.87

5. Other receivables**(1) Other receivables were disclosed by category as follows:**

The Group recognizes other receivables of over RMB1 million and other receivables from related parties individually significant.

Category	31/12/2011				31/12/2010			
	Carrying amount balance		Bad debt		Carrying amount balance		Bad debt	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Individually significant and subject to separate provision	627,595,511.06	96.44	—	—	1,189,815,095.90	98.64	(2,000,000.00)	49.02
Subject to provision by groups								
Other receivables of small amounts with high risks based on the characteristics of credit risk as a group	3,455,056.57	0.53	(281,749.00)	76.24	3,171,065.85	0.26	(1,678,780.93)	41.15
Other insignificant other receivables	19,720,148.67	3.03	(87,800.00)	23.76	13,179,158.13	1.10	(400,891.54)	9.83
Subtotal	23,175,205.24	3.56	(369,549.00)	100.00	16,350,223.98	1.36	(2,079,672.47)	50.98
Other receivables which are individually insignificant but subject to separate provision	—	—	—	—	—	—	—	—
Total	650,770,716.30	100.00	(369,549.00)	100.00	1,206,165,319.88	100.00	(4,079,672.47)	100.00

(VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. Other receivables (continued)

(2) *Aging analysis of other receivables and corresponding provision for bad debts were as follows:*

Aging	31/12/2011				31/12/2010			
	Amount	Ratio (%)	Provision for bad debts	Book value	Amount	Ratio (%)	Provision for bad debts	Book value
Within 1 year	165,799,176.94	25.49	(87,800.00)	165,711,376.94	1,200,994,254.03	99.57	(400,891.54)	1,200,593,362.49
1 to 2 years	483,618,966.09	74.31	—	483,618,966.09	2,032,457.96	0.17	(671,894.96)	1,360,563.00
2 to 3 years	1,062,046.27	0.16	(106,500.00)	955,546.27	427,492.29	0.04	(295,770.37)	131,721.92
Over 3 years	290,527.00	0.04	(175,249.00)	115,278.00	2,711,115.60	0.22	(2,711,115.60)	—
Total	650,770,716.30	100.00	(369,549.00)	650,401,167.30	1,206,165,319.88	100.00	(4,079,672.47)	1,202,085,647.41

(3) *As at the end of the year, there was no provision in full or of a large amount for bad debt made in previous periods but written back or reversed in full during the current year.*

(4) *Other receivable actually written off during the reporting period*

Name of unit	Nature of other receivables	Amount written off	Reason for write-off	Whether arising from connected transaction
Taiwan Huida Enterprise Co. Ltd. (台灣暉達股份有限公司)	Payment for equity transfer	2,000,000.00	Unrecoverable	No
Baoding Water Conservancy Management Office (保定市市政水資源管理辦公室)	Reimbursement	83,800.00	Unrecoverable	No
Shengyang Deke Rubber Plastic Chemical Co. Ltd. (瀋陽德克橡塑化工有限公司)	Payment for goods	26,000.00	Unrecoverable	No
Changzhou Xintian Automobile Parts Co. Ltd. (常州新田車輛附件有限公司)	Payment for goods	10,880.00	Unrecoverable	No
Nantong Youxing Electrical and Mechanical Industrial Co. Ltd. (南通友星機電工業有限公司)	Payment for goods	1,508.60	Unrecoverable	No
Total		2,122,188.60		

(VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**5. Other receivables** (continued)

(5) *At the end of the reporting period, there was no other receivables due to shareholders holding 5% or more voting shares of the Company.*

(6) *Five units with the largest amounts of other receivables*

Name of unit	Relationship with the Group	Amount	Nature	Aging	RMB
					Percentage of the total other receivables (%)
Unit 1	No-related party	532,913,926.75	Performance bond	Within one year and one to two years	81.89
Unit 2	No-related party	69,000,000.00	Performance bond	Within one year	10.60
Unit 3	No-related party	18,278,000.00	Energy-saving subsidies	Within one year	2.81
Unit 4	No-related party	3,301,028.27	Tax refund for export	Within one year	0.51
Unit 5	No-related party	2,000,000.00	Performance bond	Within one year	0.31
Total		625,492,955.02			96.12

(7) *Other receivables from related parties*

Details of the balance of other receivables from related parties are set out in item 6 of Note (VII).

6. Inventory

(1) *Inventory categories*

Item	31/12/2011		
	Book balance	Provision for obsolete stocks	Book value
Raw materials	776,068,746.41	(2,646,472.86)	773,422,273.55
Work in progress	242,630,716.02	(23,997.48)	242,606,718.54
Finished goods	1,730,368,137.34	(856,290.52)	1,729,511,846.82
Low-valued consumables	30,587,028.46	(1,575,465.98)	29,011,562.48
Outsourced processing materials	2,129,161.76	—	2,129,161.76
Total	2,781,783,789.99	(5,102,226.84)	2,776,681,563.15

(VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. Inventory (continued)

(1) Inventory categories (continued)

Item	Book balance	31/12/2010	
		Provision for obsolete stocks	Book value
Raw materials	486,847,626.19	(2,886,995.11)	483,960,631.08
Work in progress	193,648,686.99	(792,672.56)	192,856,014.43
Finished goods	1,400,518,458.33	(2,064,080.27)	1,398,454,378.06
Low-valued consumables	23,838,941.21	(2,856,121.92)	20,982,819.29
Outsourced processing materials	7,426,583.71	—	7,426,583.71
Total	2,112,280,296.43	(8,599,869.86)	2,103,680,426.57

(2) Provision for obsolete stocks

Inventory categories	1/1/2011	Provision for the year	Decrease for the year		31/12/2011
			Reversals	Write-offs	
Raw materials	2,886,995.11	4,055,627.03	(530,628.43)	(3,765,520.85)	2,646,472.86
Work in progress	792,672.56	48,087.27	—	(816,762.35)	23,997.48
Finished goods	2,064,080.27	5,260,286.24	—	(6,468,075.99)	856,290.52
Low-valued consumables	2,856,121.92	831,385.69	—	(2,112,041.63)	1,575,465.98
Total	8,599,869.86	10,195,386.23	(530,628.43)	(13,162,400.82)	5,102,226.84

(VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. Inventory (continued)

(3) Analysis of provision for obsolete stocks

Item	Basis of provision for obsolete stocks	Reason for reversal or write-off of provision for obsolete stocks during the year	Percentage of the reversal to the closing balance of such inventory during the year (%)
Raw materials	<i>Note 1</i>	<i>Note 2</i>	0.07
Work in progress	<i>Note 1</i>	<i>Note 2</i>	—
Finished goods	<i>Note 1</i>	<i>Note 2</i>	—
Low-valued consumables	<i>Note 1</i>	<i>Note 2</i>	—

Descriptions of inventories:

Note 1: As the estimated net realizable value of whole vehicle products for the reporting period was lower than the inventory cost as at the end of period, provision for obsolete stocks had been made for raw materials, work in progress, finished goods and low-valued consumables.

Note 2: As the estimated net realizable value of whole vehicle products for the year was higher than the inventory cost as at the end of the period, the provision for obsolete stocks for the previous year was reversed. In addition, as the inventories for which Impairment provision for inventory was made in the previous year had been sold during the year, the provision for obsolete stocks had been written off.

7. Other current assets

	31/12/2011	RMB 31/12/2010
Paint for vehicles	3,883,475.73	3,898,323.57
Taxes to be credited	68,279,622.84	4,720,727.67
Others	23,733,831.16	7,631,135.86
Total	95,896,929.73	16,250,187.10

(VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

8. Investment in joint ventures and associates

RMB

Name of investee	Type of enterprise	Place of registration	Legal representative	Nature of business	Registered capital	Percentage of	Percentage of	Total assets as at the end of the year	Total liabilities as at the end of the year	Total net assets as at the end of the year	Total operating income for the year	Net profit for the year
						shareholding in the investee held by the Company (%)	voting right in the investee held by the Company (%)					
I. Joint ventures												
Baoding Jiehua Automobile Components and Accessories Company Limited (保定杰华汽车零部件有限公司)	Company with limited liabilities	Baoding	Wei Jian Jun	Production of automobile components etc.	31,308 million	50.00	50.00	34,364,563.50	697,549.37	33,667,014.13	1,890,000.00	166,848.98
Baoding Xinchang Auto Parts Company Limited (保定信昌汽车零部件有限公司)	Company with limited liabilities	Baoding	Zhang Xin	Production of automobile components etc.	40 million	45.00	45.00	195,609,190.21	128,025,635.96	67,583,554.25	274,396,173.07	17,013,654.97
II. Associates												
Baoding Yanteng Johnson Controls Automobile Seating Co., Ltd (保定延锋江森汽车座椅有限公司)	Company with limited liabilities	Baoding	Wei Jian Jun	Design, development, manufacturing and sales of automobile seating assembly and components and provision of after-sales services for the products	18.16 million	25.00	25.00	157,912,253.40	69,609,745.12	88,302,508.28	206,661,966.10	(107,604.96)

Notes to Financial Statements

For the year ended 31 December 2011

(VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

9. Long-term equity investment

(1) The breakdown of long-term equity investment was as follows:

RMB

Name of investee	Accounting method	Initial investment cost	1/1/2011	Movements	31/12/2011	Percentage of shareholding in the investee (%)	Percentage of voting right in the investee (%)	Reason for difference between percentages of shares held and voting rights	Impairment provision	Provision of impairment for the year	Cash bonuses for the year
Investment in joint ventures											
Baoding Xinyuan Inner Decoration Company Limited (保定信遠汽車內飾件有限公司) (Formerly known as Baoding Deye Motor Inner Decoration Company Limited (保定德業汽車內飾件有限公司)) (Note 1)	Equity method	17,751,230.00	80,167,637.07	(80,167,637.07)	—	—	—	—	—	—	—
Baoding Jiehua Automobile Components and Accessories Company Limited (保定杰華汽車零部件有限公司)	Equity method	15,654,000.00	16,750,082.44	83,424.49	16,833,506.93	50.00	50.00	—	—	—	—
Baoding Xinchang Auto Parts Company Limited (保定信昌汽車零部件有限公司) (Note 2)	Equity method	17,107,975.19	19,186,702.47	7,775,523.06	26,962,225.53	45.00	45.00	—	—	—	—
Subtotal		50,513,205.19	116,104,421.98	(72,308,689.52)	43,795,732.46						—
Investment in associates											
Baoding Yanfeng Johnson Controls Automobile Seating Co., Ltd. (保定延鋒江森汽車座椅有限公司)	Equity method	4,540,000.00	21,894,732.59	147,595.44	22,042,328.03	25.00	25.00	—	—	—	—
Baoding Great Wall Botai Electric and Manufacturing Co., Ltd. (保定長城博泰電器製造有限公司) (Formerly known as Baoding Tianqu Electric Co., Ltd. (保定天球電器有限公司)) (Note 3)	Equity method	3,719,343.24	4,564,019.59	(4,564,019.59)	—	—	—	—	—	—	—
Subtotal		8,259,343.24	26,458,752.18	(4,416,424.15)	22,042,328.03						—
Investment in other enterprises											
China Automobile Development United Investment Co. Ltd. (中發聯投資有限公司) (Note 4)	Cost method	4,200,000.00	4,200,000.00	—	4,200,000.00	2.07	2.07	—	—	—	—
Subtotal		4,200,000.00	4,200,000.00	—	4,200,000.00						—
Total		62,972,548.43	146,763,174.16	(76,725,113.67)	70,038,060.49						—

(VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

9. Long-term equity investment (continued)

- (1) The breakdown of long-term equity investment was as follows: (continued)

All of the above investees are non-listed companies.

Note 1: The Company held 49% equity interests in Baoding Deye Motor Inner Decoration Company Limited (保定德業汽車內飾件有限公司). According to its Articles of Association, since both parties of the joint venture cannot solely control Baoding Deye Motor Inner Decoration Company Limited but have veto power, Baoding Deye Motor Inner Decoration Company Limited was accounted as a joint venture of the Company. In June 2011, the Company acquired 26% equity interests in Baoding Deye Motor Inner Decoration Company Limited at a consideration of RMB9.419 million. Since that, Baoding Deye Motor Inner Decoration changed from a joint venture of the Company to a consolidated subsidiary of the Company and was re-named as Baoding Xinyuan Inner Decoration Company Limited (保定信遠汽車內飾件有限公司). Please refer to item 1. (1) of Note (IX) for details.

Note 2: According to the Articles of Association of Baoding Xinchang Auto Parts Company Limited (保定信昌汽車零部件有限公司) regarding to the rules governing the procedures, each party of the joint venture cannot solely control the joint venture, and therefore Baoding Xinchang Auto Parts Company Limited was accounted as a joint venture of the Group.

Note 3: Baoding Tianqiu Electric Co., Ltd. (保定天球電器有限公司) was established as a sino-foreign equity joint venture in Baoding in May 2006. In November 2011, the Company acquired its 75% equity interests from Wenzhou Tianqiu Electric Company Limited (溫州天球電器有限公司) at a consideration of RMB12.191 million. Since that, Baoding Tianqiu Electric Co., Ltd. changed from an associate of the Company to a consolidated wholly-owned subsidiary and was re-named as Baoding Great Wall Botai Electric and Manufacturing Co., Ltd. (保定長城博泰電器製造有限公司). Please refer to item 1. (2) of Note (IX) for details.

Note 4: China Automobile Development United Investment Co. Ltd. (中發聯投資有限公司) was jointly invested and established by the Company and certain automobile manufacturers in PRC in April 2008. During the year, its registered capital was changed to RMB202.50 million, of which RMB4.20 million was contributed by the Company which in turn held 2.07% of its equity interests.

- (2) There is no restriction on the ability of the investee in which the long-term equity investment held by the Group to transfer capital to the Group.

(VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**10. Investment properties**

Item	1/1/2011	Additions for the year	Deductions for the year	RMB
				31/12/2011
I. Total original book value:	2,107,178.19	4,446,591.47	—	6,553,769.66
Of which: Buildings and structures	2,107,178.19	4,446,591.47	—	6,553,769.66
Land use rights	—	—	—	—
II. Total accumulated depreciation and accumulated amortization:	(28,152.60)	(111,701.05)	—	(139,853.65)
Of which: Buildings and structures	(28,152.60)	(111,701.05)	—	(139,853.65)
Land use rights	—	—	—	—
III. Total net book value of investment properties	2,079,025.59	4,334,890.42	—	6,413,916.01
Of which: Buildings and structures	2,079,025.59	4,334,890.42	—	6,413,916.01
Land use rights	—	—	—	—
IV. Total accumulated impairment provision of investment properties	—	—	—	—
Of which: Buildings and structures	—	—	—	—
Land use rights	—	—	—	—
V. Total carrying amount of investment properties	2,079,025.59	4,334,890.42	—	6,413,916.01
Of which: Buildings and structures	2,079,025.59	4,334,890.42	—	6,413,916.01
Land use rights	—	—	—	—

Note 1. The original book value increased during the year due to the increase of RMB4,446,591.47 arising from the transfer of construction in progress to investment properties.

Note 2. Accumulated amortization for the year increased by RMB111,701.05 due to the amortization.

(VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

11. Fixed assets

Fixed assets

Item	1/1/2011	Additions for the year	Deductions for the year	RMB
				31/12/2011
1. Total original book value:	7,007,687,821.85	2,711,397,722.90	(30,846,045.46)	9,688,239,499.29
Of which: Buildings and structures	1,867,520,166.55	1,312,281,553.49	(4,953,120.26)	3,174,848,599.78
Machinery and equipment	3,895,381,576.43	1,158,221,682.71	(17,561,959.99)	5,036,041,299.15
Motor vehicles	139,792,926.44	28,808,325.27	(3,567,214.83)	165,034,036.88
Other equipment	1,104,993,152.43	212,086,161.43	(4,763,750.38)	1,312,315,563.48
2. Total accumulated depreciation:	1,645,812,763.59	663,628,850.36	(15,210,117.40)	2,294,231,496.55
Of which: Buildings and structures	240,633,617.80	88,422,251.61	(1,467,543.67)	327,588,325.74
Machinery and equipment	945,477,622.22	381,957,134.42	(9,098,339.19)	1,318,336,417.45
Motor vehicles	39,190,145.70	19,778,947.96	(1,318,849.95)	57,650,243.71
Other equipment	420,511,377.87	173,470,516.37	(3,325,384.59)	590,656,509.65
3. Total net book value of fixed assets	5,361,875,058.26	2,047,768,872.54	(15,635,928.06)	7,394,008,002.74
Of which: Buildings and structures	1,626,886,548.75	1,223,859,301.88	(3,485,576.59)	2,847,260,274.04
Machinery and equipment	2,949,903,954.21	776,264,548.29	(8,463,620.80)	3,717,704,881.70
Motor vehicles	100,602,780.74	9,029,377.31	(2,248,364.88)	107,383,793.17
Other equipment	684,481,774.56	38,615,645.06	(1,438,365.79)	721,659,053.83
4. Total impairment provision	1,673,401.26	—	(46,485.80)	1,626,915.46
Of which: Buildings and structures	—	—	—	—
Machinery and equipment	—	—	—	—
Motor vehicles	—	—	—	—
Other equipment	1,673,401.26	—	(46,485.80)	1,626,915.46
V. Total net carrying amount of fixed assets	5,360,201,657.00	2,047,768,872.54	(15,589,442.26)	7,392,381,087.28
Of which: Buildings and structures	1,626,886,548.75	1,223,859,301.88	(3,485,576.59)	2,847,260,274.04
Machinery and equipment	2,949,903,954.21	776,264,548.29	(8,463,620.80)	3,717,704,881.70
Motor vehicles	100,602,780.74	9,029,377.31	(2,248,364.88)	107,383,793.17
Other equipment	682,808,373.30	38,615,645.06	(1,391,879.99)	720,032,138.37

(VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

11. Fixed assets (continued)

Fixed assets (continued)

During the year, the original book value of fixed assets increased by RMB166,564,041.65, RMB74,119,194.44, RMB2,438,360,916.08 and RMB32,353,570.73 due to additions, acquisition of subsidiaries, transfer from construction in progress and transfer from self-produced moulds, respectively.

During the year, the original book value of fixed assets decreased by RMB19,727,692.59 and RMB11,118,352.87 due to disposals and transfer into construction in progress, respectively.

During the year, the accumulated depreciation increased by RMB663,628,850.36 due to provisions.

During the year, the accumulated depreciation decreased by RMB13,340,884.95 and RMB1,869,232.45 due to disposals and transfer into construction in progress, respectively.

As at 31 December 2011, among the fixed assets, the net book value of properties without title certificates amounted to RMB1,514,015,467.82, and the application of relevant title certificates is in progress.

(VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. Construction in progress

(1) The breakdown of construction in progress was as follows

Project	31/12/2011			31/12/2010		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Annual production of 100,000 sets of diesel engines of model number GW4D20	100,237,487.79	—	100,237,487.79	—	—	—
Annual production of 400,000 sets of axles and brakes	66,393,418.50	—	66,393,418.50	96,482,175.70	—	96,482,175.70
Annual production of 400,000 sets of interior and exterior decorations	63,150,699.35	—	63,150,699.35	112,933,127.83	—	112,933,127.83
Annual production of 300,000 sets of EG engines	206,470,479.51	—	206,470,479.51	4,083,658.60	—	4,083,658.60
Annual production of 200,000 sets of six-speed manual transmissions	191,775,632.31	—	191,775,632.31	393,750.00	—	393,750.00
Annual production of 400,000 sets of aluminium alloy casting	102,025,618.18	—	102,025,618.18	8,740,020.76	—	8,740,020.76
Annual production of 400,000 sets of automotive lightings	9,128,298.58	—	9,128,298.58	—	—	—
Tianjin Automobile project phase I	375,990,607.18	—	375,990,607.18	1,044,320,565.36	—	1,044,320,565.36
Tianjin Automobile project phase II	453,479,155.90	—	453,479,155.90	76,497,599.98	—	76,497,599.98
Tianjin branch's parts and components project	100,702,757.51	—	100,702,757.51	83,509,057.38	—	83,509,057.38
Tianjin branch's residential area supporting project	89,862,404.30	—	89,862,404.30	1,784,672.20	—	1,784,672.20
Shunping project	46,546,230.22	—	46,546,230.22	23,027,381.08	—	23,027,381.08
Industrial park phase I — SUV production line project — equipment	—	—	—	104,761,105.51	—	104,761,105.51
Industrial park phase I — SUV production line project — infrastructure	—	—	—	7,367,083.76	—	7,367,083.76
Industrial park phase II — parts and components project — equipment	—	—	—	1,518,029.91	—	1,518,029.91
Industrial park phase II — parts and components project — infrastructure	—	—	—	1,056,123.90	—	1,056,123.90
Industrial park phase III — sedans production line project — equipment	—	—	—	52,569,546.17	—	52,569,546.17
Industrial park phase III — sedans production line project — infrastructure	—	—	—	8,922,055.58	—	8,922,055.58
Jiaozhuang infrastructure	833,744.11	—	833,744.11	5,068,194.16	—	5,068,194.16
Jiaozhuang equipment	144,184,442.65	—	144,184,442.65	30,282,870.92	—	30,282,870.92
New technology center	12,952,137.60	—	12,952,137.60	—	—	—
Xushui project	571,103,332.64	—	571,103,332.64	60,906,959.57	—	60,906,959.57
Others	515,389,439.01	—	515,389,439.01	228,296,404.02	—	228,296,404.02
Total	3,050,225,885.34	—	3,050,225,885.34	1,952,520,382.39	—	1,952,520,382.39

Notes to Financial Statements

For the year ended 31 December 2011

(VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. Construction in progress (continued)

(2) Changes in major construction in progress

Project	Budget amount	1/1/2011	Additions for the year	Transfer to fixed assets	Other deductions	Investment to budget (%)	Accumulated capitalized interest amount	Of which: capitalized interest amount for the year	Ratio of capitalized interest amount for the year (%)	Sources of fund	RMB
											31/12/2011
Annual production of 100,000 sets of diesel engines of model number GW4D20	288,544,000.00	—	100,237,487.79	—	—	35	—	—	—	Fund raised	100,237,487.79
Annual production of 400,000 sets of axles and brakes	450,630,000.00	96,482,175.70	114,856,540.87	(144,945,298.07)	—	47	—	—	—	Fund raised	66,393,418.50
Annual production of 400,000 sets of interior and exterior decorations	399,046,000.00	112,933,127.83	107,328,432.29	(157,110,860.77)	—	62	—	—	—	Fund raised	63,150,699.35
Annual production of 300,000 sets of EG engines	497,570,000.00	4,083,658.60	202,386,820.91	—	—	41	—	—	—	Fund raised	206,470,479.51
Annual production of 200,000 sets of six-speed manual transmissions	449,430,000.00	393,750.00	191,381,882.31	—	—	43	—	—	—	Fund raised	191,775,632.31
Annual production of 400,000 sets of aluminium alloy casting	379,347,000.00	8,740,020.76	93,285,597.42	—	—	28	—	—	—	Fund raised	102,025,618.18
Annual production of 400,000 sets of automotive lightings	158,091,000.00	—	9,128,298.58	—	—	6	—	—	—	Fund raised	9,128,298.58
Tianjin Automobile project phase I	2,076,418,000.00	1,044,320,565.36	857,050,920.27	(1,525,380,878.45)	—	93	—	—	—	Internal resources	375,990,607.18
Tianjin Automobile project phase II	1,847,690,000.00	76,497,599.98	403,634,855.92	(26,853,300.00)	—	25	—	—	—	Internal resources	453,479,155.90
Tianjin branch's parts and components project	270,219,000.00	83,509,057.38	17,935,800.13	(742,100.00)	—	37	—	—	—	Internal resources	100,702,757.51
Tianjin branch's residential area supporting project	506,572,000.00	1,784,672.20	88,077,732.10	—	—	33	—	—	—	Internal resources	89,862,404.30
Shunping project	259,577,000.00	23,027,381.08	43,012,101.20	(19,493,252.06)	—	94	—	—	—	Internal resources	46,546,230.22
Industrial park phase I – SUV production line project – equipment	1,500,000,000.00	104,761,105.51	—	(104,761,105.51)	—	100	—	—	—	Internal resources	—
Industrial park phase I – SUV production line project – infrastructure	680,000,000.00	7,367,083.76	—	(7,367,083.76)	—	100	—	—	—	Internal resources	—
Industrial park phase II – parts and components project – equipment	10,000,000.00	1,518,029.91	—	(1,518,029.91)	—	100	—	—	—	Internal resources	—
Industrial park phase II – parts and components project – infrastructure	100,000,000.00	1,056,123.90	—	(1,056,123.90)	—	100	—	—	—	Internal resources	—
Industrial park phase III – sedans production line project – equipment	1,500,000,000.00	52,569,546.17	—	(52,569,546.17)	—	100	—	—	—	Internal resources	—
Industrial park phase III – sedans production line project – infrastructure	500,000,000.00	8,922,055.58	—	(8,922,055.58)	—	100	—	—	—	Internal resources	—
Jiaozhuang infrastructure	253,863,000.00	5,068,194.16	8,523,781.97	(12,758,232.02)	—	74	—	—	—	Internal resources	833,744.11
Jiaozhuang equipment	1,210,071,000.00	30,282,870.92	191,457,038.72	(77,555,466.99)	—	73	—	—	—	Internal resources	144,184,442.65
New technology center	2,000,000,000.00	—	12,952,137.60	—	—	1	—	—	—	Internal resources	12,952,137.60
Xushui project	4,455,545,000.00	60,906,959.57	510,196,373.07	—	—	13	—	—	—	Internal resources	571,103,332.64
Others	2,626,400,000.00	228,296,404.02	591,649,089.68	(297,527,582.89)	(7,028,471.80)	97	—	—	—	Internal resources	515,389,439.01
Total	22,419,013,000.00	1,952,520,382.39	3,543,094,890.83	(2,438,360,916.08)	(7,028,471.80)						3,050,225,885.34

(VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

13. Intangible Assets

(1) Intangible assets

Item	1/1/2011	Additions for the year	Deductions for the year	<i>RMB</i>
				31/12/2011
1. Total original book value	1,194,424,545.56	794,505,981.51	(88,844.13)	1,988,841,682.94
Land use rights	1,158,432,226.70	782,045,006.90	(88,844.13)	1,940,388,389.47
Others	35,992,318.86	12,460,974.61	—	48,453,293.47
2. Total accumulated amortization	83,774,052.74	35,821,522.87	(20,111.38)	119,575,464.23
Land use rights	65,922,469.71	28,954,989.13	(20,111.38)	94,857,347.46
Others	17,851,583.03	6,866,533.74	—	24,718,116.77
3. Total net book value of				
intangible assets	1,110,650,492.82	758,684,458.64	(68,732.75)	1,869,266,218.71
Land use rights	1,092,509,756.99	753,090,017.77	(68,732.75)	1,845,531,042.01
Others	18,140,735.83	5,594,440.87	—	23,735,176.70

During the year, the original book value increased by RMB767,456,342.35, RMB2,581,880.33 and RMB24,467,758.83 due to additions, transfer from construction in progress and acquisition of subsidiaries.

During the year, the original book value decreased by RMB88,844.13 due to disposals.

During the year, the accumulated amortization increased by RMB35,821,522.87 due to provisions.

During the year, the accumulated amortization decreased by RMB20,111.38 due to disposals.

As at 31 December 2011, among the intangible assets, the net book value of land use rights without land use right certificates amounted to RMB349,315,490.91, and the application of relevant land use right certificates is in progress.

(VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

13. Intangible Assets (continued)

(1) Intangible assets (continued)

Analysis on the location and aging of land rental prepayments (land use rights) is as follows:

Item	RMB	
	31/12/2011	31/12/2010
Located in mainland China – 10 to 50 years	1,845,531,042.01	1,092,509,756.99

14. Goodwill

Name of investee or matters generating goodwill	1/1/2011	Additions for the year	Deductions for the year	RMB	
				31/12/2011	Impairment provision as at the end of the year
Baoding Changfu Pressings Co., Ltd. (保定長福衝壓件有限公司)	2,163,713.00	—	—	2,163,713.00	—

The above goodwill arose from the acquisition of additional 26% equity interests in Baoding Changfu Pressings Co., Ltd. (保定長福衝壓件有限公司) on 16 January 2003. The goodwill arising from business combination has been allocated to assets used for manufacturing and sales of pick-up trucks, sport utility vehicle (SUV) and cross-border vehicles in purpose of impairment testing. The management of the Group expected that no impairment provision will be required for goodwill during the reporting period.

(VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

15. Deferred income tax assets and deferred income tax liabilities

(1) Recognized deferred income tax assets and deferred income tax liabilities

Item	31/12/2011	RMB 31/12/2010
Deferred income tax assets:		
Provision for bad debts	2,358,863.44	4,178,675.83
Impairment provision for inventory	15,583,542.83	20,025,152.74
Difference between the carrying amount of accumulated depreciation and tax basis	—	7,089,190.68
Accrued expenses which are deductible upon payment	21,918,083.34	11,764,704.52
Advances which are taxable upon receipt	51,824,715.36	46,197,635.56
Deductible losses	18,956,845.80	4,324,283.07
Deferred income	123,733,824.06	124,826,567.33
Unrealized profit arising from the consolidation of financial statements	117,083,477.30	77,240,939.52
Others	2,045,909.34	1,568,524.96
Subtotal	353,505,261.47	297,215,674.21
Deferred income tax liabilities:		
Procurement Discount without invoice	(1,420,135.60)	—
Financial assets held for trading	(176,655.00)	—
Subtotal	(1,596,790.60)	—
Deferred income tax assets or liabilities after offsetting as at the end of the reporting period	351,908,470.87	297,215,674.21

(VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

15. Deferred income tax assets and deferred income tax liabilities (continued)

(2) Temporary difference of deferred tax assets

Item	RMB	
	Temporary difference 31/12/2011	31/12/2010
Deductible temporary difference:		
Provision for bad debts	10,530,682.97	18,088,564.30
Impairment provision for inventory	63,648,516.84	80,753,916.03
Difference between the carrying amount of accumulated depreciation and tax basis	—	28,356,762.71
Accrued expenses which are deductible upon payment	114,120,555.63	78,431,363.44
Advances which are taxable upon receipt	287,860,548.98	275,497,592.97
Deductible losses	75,827,383.16	17,718,227.20
Deferred income	601,584,200.93	609,246,692.62
Unrealized profit arising from the consolidation of financial statements	506,910,290.19	331,249,706.37
Others	12,525,608.57	9,338,344.29
Subtotal	1,673,007,787.27	1,448,681,169.93
Taxable temporary difference:		
Procurement Discount without invoice	(9,467,570.69)	—
Financial assets held for trading	(1,177,700.00)	—
Subtotal	(10,645,270.69)	—
Deferred income tax assets or liabilities after offsetting as at the end of the reporting period	1,662,362,516.58	1,448,681,169.93

(VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

16. Impairment provision for assets

Item	1/1/2011	Additions for the year	Deductions for the year		RMB
			Reversals	Write-offs	31/12/2011
1. Provision for bad debts	18,088,564.30	2,743,210.70	(7,070,002.74)	(3,231,089.29)	10,530,682.97
Of which: Provision for bad debts of accounts receivable	14,008,891.83	2,384,760.70	(5,123,617.87)	(1,108,900.69)	10,161,133.97
Provision for bad debts of other receivables	4,079,672.47	358,450.00	(1,946,384.87)	(2,122,188.60)	369,549.00
2. Impairment provision for inventory	8,599,869.86	10,195,386.23	(530,628.43)	(13,162,400.82)	5,102,226.84
3. Impairment provision for fixed assets	1,673,401.26	—	—	(46,485.80)	1,626,915.46
Total	28,361,835.42	12,938,596.93	(7,600,631.17)	(16,439,975.91)	17,259,825.27

17. Financial assets (liabilities) held for trading

Item	31/12/2011	RMB 31/12/2010
Financial assets (liabilities) held for trading — forward exchange contracts	1,177,700.00	(1,953,456.00)
Total	1,177,700.00	(1,953,456.00)

18. Bills payable

Category	31/12/2011	RMB 31/12/2010
Bank acceptance notes	3,977,526,932.93	3,375,709,892.95
Total	3,977,526,932.93	3,375,709,892.95

(VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

19. Accounts payable

Item	<i>RMB</i>	
	31/12/2011	31/12/2010
Within 1 year	5,991,799,559.72	4,840,361,790.54
1 to 2 years	25,713,546.87	30,801,718.65
2 to 3 years	8,357,715.34	9,235,141.13
Over 3 years	7,669,978.80	23,165,216.73
Total	6,033,540,800.73	4,903,563,867.05

Note 1: Accounts payable aged over 1 year were primarily the remaining balances for raw materials due to suppliers.

Note 2: At the end of the reporting period, there was no accounts payable due to shareholders holding 5% or more voting shares of the Company.

20. Advance from customers

Item	<i>RMB</i>	
	31/12/2011	31/12/2010
Within 1 year	2,688,682,824.89	2,412,561,017.16
1 to 2 years	10,419,610.86	8,750,771.24
2 to 3 years	6,558,487.39	16,054,211.65
Over 3 years	5,809,800.20	2,513,137.71
Total	2,711,470,723.34	2,439,879,137.76

Note 1: Advance receipts aged over 1 year were primarily the outstanding payment due from customers in previous years.

Note 2: At the end of the reporting period, there were no advances from customers due to shareholders holding 5% or more voting shares of the Company.

(VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

21. Employee compensations payable

Item	1/1/2011	Additions for the year	Deductions for the year	RMB
				31/12/2011
1. Salaries, bonuses, allowances and subsidies	199,923,261.71	1,767,940,111.49	(1,597,138,482.38)	370,724,890.82
2. Staff welfare	24,826,154.98	163,834,621.50	(162,410,499.18)	26,250,277.30
3. Staff bonuses and welfare fund	69,638,369.14	—	(7,005.30)	69,631,363.84
4. Social insurance premiums				
Of which: Medical insurance	3,754,740.21	42,704,556.97	(45,905,270.54)	554,026.64
Basic retirement Insurance	8,864,120.08	128,947,695.60	(136,921,939.62)	889,876.06
Unemployment insurance	933,675.85	12,619,071.49	(13,435,634.84)	117,112.50
Work-related injury insurance	660,521.96	7,205,590.45	(7,257,841.81)	608,270.60
Maternity insurance	174,584.69	3,398,033.76	(3,566,404.37)	6,214.08
5. Housing provident funds	2,767,842.36	26,509,193.70	(28,912,830.36)	364,205.70
6. Labour union expenditures	19,979,896.21	31,828,474.92	(27,314,261.06)	24,494,110.07
7. Employees' education expenses	9,506,997.05	297,398.28	(1,578,614.65)	8,225,780.68
Total	341,030,164.24	2,185,284,748.16	(2,024,448,784.11)	501,866,128.29

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.

22. Taxes payable

Item	RMB	
	31/12/2011	31/12/2010
Value added tax	(12,374,063.29)	78,631,505.64
Consumption tax	97,166,176.03	91,830,786.61
Business tax	937,426.66	638,920.10
Enterprise income tax	158,421,103.12	(23,040,938.49)
Individual income tax	1,085,834.49	2,937,892.22
Urban maintenance and construction tax	17,954,468.93	15,977,476.64
Education surcharges	12,903,942.86	7,270,430.39
Duty stamp	4,354,043.04	4,054,531.94
Real estate tax	2,976,396.60	418,996.00
Others	514,811.12	336,492.11
Total	283,940,139.56	179,056,093.16

(VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**23. Dividends payable**

Company name	RMB	
	31/12/2011	31/12/2010
Huabei Automobile Manufacturing Plant (華北汽車製造廠)	—	10,612,296.58
Dragonet International Company Limited (驕龍國際有限公司)	59,536,914.89	12,429,941.15
Automart Holdings Limited (奧拓瑪控股有限公司)	—	14,700,000.00
Total	59,536,914.89	37,742,237.73

24. Other payables**(1) The breakdown of other payables was as follows:**

Item	RMB	
	31/12/2011	31/12/2010
Within 1 year	718,677,808.78	283,171,982.83
1 to 2 years	68,576,135.33	67,051,607.71
2 to 3 years	24,160,604.97	49,780,384.64
Over 3 years	41,517,831.93	11,991,786.73
Total	852,932,381.01	411,995,761.91

(2) Descriptions of other significant payables aged over one year

Other payables aged over one year are mainly performance bonds and security deposits. The Group charges such other payables according to agreements entered into with contractors of construction projects. It was agreed that such bonds and deposits will be refunded if no safety incident was involved within a specific period after the completion of relevant projects.

(3) Descriptions of other significant payable

Other significant payable are mainly credit deposits paid by distributors and service credit deposits. Such deposits will be refunded in each year and the Group will charges such deposits when cooperate with distributors in next year.

(4) At the end of the reporting period, there were no other payables due to shareholders holding 5% or more voting shares in the Company.

(VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

25. Non-current liabilities due within one year

Item	<i>RMB</i>	
	31/12/2011	31/12/2010
Non-current liabilities due within one year	26,458,955.67	25,783,399.52

Note: Such non-current liabilities due within one year were amortization of deferred income in next year.

26. Other current liabilities

Item	<i>RMB</i>	
	31/12/2011	31/12/2010
Accrued after-sale service expenses	141,025,058.00	100,219,202.45
Accrued advertising and media service expenses	71,662,260.28	24,222,377.08
Accrued transportation costs	4,735,228.15	3,297,174.83
Accrued technology development expenditure	13,781,170.84	12,853,676.64
Accrued utilities fees	12,268,549.23	11,075,234.34
Accrued port charges	3,581,935.00	3,352,410.00
Others	19,211,010.89	15,759,131.02
Total	266,265,212.39	170,779,206.36

(VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**27. Other non-current liabilities**

Type				RMB
	1/1/2011	Additions for the year	Amortization for the year	31/12/2011
Urban construction fund (Note 1)	64,742,363.66	—	(2,319,828.35)	62,422,535.31
Tax refund for purchasing domestic manufactured equipment (Note 2)	119,306,560.42	1,460,321.09	(18,753,074.16)	102,013,807.35
Government industrial policy supporting fund (Note 3)	243,981,892.82	—	—	243,981,892.82
Soft soil foundation subsidiary (Note 4)	225,069,194.26	—	(4,695,500.63)	220,373,693.63
Infrastructure supporting fund (Note 5)	770,000,000.00	—	—	770,000,000.00
Subsidies for material technological innovation projects (Note 6)	7,249,999.99	4,600,000.00	(1,883,333.38)	9,966,666.61
Development fund for SMEs (Note 7)	5,909,597.00	—	(24,623.32)	5,884,973.68
Capital for technical center infrastructure construction (Note 8)	—	11,868,540.00	(237,370.80)	11,631,169.20
Total	1,436,259,608.15	17,928,861.09	(27,913,730.64)	1,426,274,738.60
Less: Non-current liabilities due within one year	(25,783,399.52)			(26,458,955.67)
Other non-current liabilities	1,410,476,208.63	17,928,861.09	(27,913,730.64)	1,399,815,782.93

Note 1: 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) (保定政 [2002]170 號) 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 2: This refers to value-added tax refunded to the Company and Great Wall Qiaoye, a subsidiary of the Company, for the purchase of domestic manufactured equipment by foreign-invested enterprises.

Note 3: 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 Wantong and Tianjin Lean, subsidiaries of the Company, received industrial policy supporting fund from Tianjin Economic-Technological Development Area in 2009.

Note 4: 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 Wantong and Tianjin Lean, subsidiaries of the Company, received soft soil foundation subsidiary from Tianjin Economic-Technological Development Area in 2009.

Note 5: 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 RMB770 million to the Company during the year as the supporting fund for the infrastructure (buildings and ancillary facilities) construction of 500,000-automobile and components and parts production base project in new Great Wall industrial area in Baoding.

(VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

27. Other non-current liabilities (continued)

Note 6: According to the "Notice regarding the Relevant National Technological Projects in 2011", the Company was included in the project list of National Torch Programme in 2011, and the GW4G15 petrol engine project of the Company was granted a project fund of RMB600,000 by the government. 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 the Central Infrastructure Expenditure Budget (Allocated Fund) of RMB4 million in 2011 for the innovation project of the technology center of the Company exclusively.

Note 7: According to "Circular regarding the Granting of the Development Fund for SMEs to Baoding Great Wall Resource Recycling Co., Ltd.", the Bureau of Finance in Qingyuan granted a fund to Great Wall Resource Recycling, a subsidiary of the Company, in 2010. The fund was used for the construction of infrastructure of a scrap steel project with annual capacity of 80,000 tons.

Note 8: According to the "Notice regarding the allocation of infrastructure construction fund to the new technology center of Great Wall Motor Company Limited by the Bureau of Finance in Baoding", the Bureau of Finance in Southern Baoding allocated RMB11.8685 million for the infrastructure construction of the new technology center of the Company exclusively.

28. Share capital

As at 31 December 2011, the registered capital of the Company amounted to RMB3,042,423,000.00 and the paid up share capital amounted to RMB3,042,423,000.00. The par value of the each share was RMB1.00. The type of shares and the capital structure were as follows:

Item	Opening balance	New issue	Changes for the year			Subtotal	Closing balance
			Bonus shares	Shares transfer from reserve	Others		
<i>RMB</i>							
2011:							
Promoters' shares	682,000,000.00	-	-	1,023,000,000.00	-	1,023,000,000.00	1,705,000,000.00
Outstanding overseas listed foreign shares	413,272,000.00	-	-	619,908,000.00	-	619,908,000.00	1,033,180,000.00
Outstanding domestic listed RMB ordinary shares	-	304,243,000.00	-	-	-	304,243,000.00	304,243,000.00
Total number of shares	1,095,272,000.00	304,243,000.00	-	1,642,908,000.00	-	1,947,151,000.00	3,042,423,000.00
2010:							
Promoters' shares	682,000,000.00	-	-	-	-	-	682,000,000.00
Outstanding overseas listed foreign shares	413,272,000.00	-	-	-	-	-	413,272,000.00
Total number of shares	1,095,272,000.00	-	-	-	-	-	1,095,272,000.00

(VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**29. Capital reserves**

RMB

Item	Opening balance	Additions for the year	Deductions for the year	Closing balance
2011:				
Capital premiums	2,561,788,880.90	3,590,129,268.99	(1,642,908,000.00)	4,509,010,149.89
Other capital reserves	2,992,326.52	—	(48,207,389.46)	(45,215,062.94)
Of which: Transfer from capital reserves under the previous standards	14,823,095.08	—	—	14,823,095.08
Difference between the fair value of identifiable net assets of subsidiaries acquired and costs of business combination (Note 1)	19,656,882.70	—	(48,207,389.46)	(28,550,506.76)
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	2,564,781,207.42	3,590,129,268.99	(1,691,115,389.46)	4,463,795,086.95
2010:				
Capital premiums	2,561,788,880.90	—	—	2,561,788,880.90
Other capital reserves	2,992,326.52	—	—	2,992,326.52
Of which: Transfer from capital reserves under the previous standards	14,823,095.08	—	—	14,823,095.08
Difference between the fair value of identifiable net assets of subsidiaries acquired and costs of business combination	19,656,882.70	—	—	19,656,882.70
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	2,564,781,207.42	—	—	2,564,781,207.42

Note 1: The Company acquired minority interests in Great Wall Huabei in 2011, and the difference between the attributable carrying amount of net assets of the subsidiary, which was calculated at the proportion of additional shareholding, and the costs of acquisition was credited in capital reserves.

(VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

30. Surplus reserves

RMB

Item	Opening balance	Additions for the year	Deductions for the year	Closing balance
2011:				
Statutory surplus reserves	814,173,415.56	356,095,182.97	—	1,170,268,598.53
Discretionary surplus reserves	2,855,650.48	—	—	2,855,650.48
Enterprise expansion fund	53,119,475.87	—	—	53,119,475.87
Reserve fund	93,577,113.09	11,586,810.64	—	105,163,923.73
Tax credit for social welfare enterprises	251,838,024.75	—	—	251,838,024.75
Total	1,215,563,679.75	367,681,993.61	—	1,583,245,673.36
2010:				
Statutory surplus reserves	803,411,150.01	10,762,265.55	—	814,173,415.56
Discretionary surplus reserves	2,855,650.48	—	—	2,855,650.48
Enterprise expansion fund	50,462,742.50	2,656,733.37	—	53,119,475.87
Reserve fund	57,805,292.19	35,771,820.90	—	93,577,113.09
Tax credit for social welfare enterprises	251,838,024.75	—	—	251,838,024.75
Total	1,166,372,859.93	49,190,819.82	—	1,215,563,679.75

(VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

31. Undistributed profits

Item	Amount	RMB Proportion of appropriation or allocation
2011:		
Undistributed profits at the beginning of the year	5,143,097,076.86	
Add: Net profits attributable to the shareholders of parent company of the year	3,426,195,112.78	
Less: Appropriation of statutory surplus reserves	(356,095,182.97)	(1)
Appropriation of discretionary surplus reserves	—	
Appropriation of enterprise expansion fund	—	(2)
Appropriation of reserve fund	(11,586,810.64)	(2)
Distribution of cash dividends	(547,636,000.00)	(3)
Appropriation of staff incentive bonus and welfare fund	—	(2)
Undistributed profits at the end of the year	7,653,974,196.03	
2010:		
Undistributed profits at the beginning of the year	2,768,028,051.82	
Add: Net profits attributable to the shareholders of parent company of the year	2,700,734,577.09	
Less: Appropriation of statutory surplus reserves	(10,762,265.55)	(1)
Appropriation of discretionary surplus reserves	—	
Appropriation of enterprise expansion fund	(2,656,733.37)	(2)
Appropriation of reserve fund	(35,771,820.90)	(2)
Distribution of cash dividends	(273,818,000.00)	(3)
Appropriation of staff incentive bonus and welfare fund	(2,656,732.23)	(2)
Undistributed profits at the end of the year	5,143,097,076.86	

(1) Appropriation of statutory surplus reserves

As required by the Articles of Association, statutory surplus reserve shall be withdrawn at 10% of net profit. If the accumulated amount of the Company's statutory surplus reserve is over 50% of its registered capital, no withdrawal would be allowed. Subject to certain provisions of the Company Law and the Articles of Association, part of the statutory surplus reserve may be transferred into the share capital of the Company provided that the balance of statutory surplus reserve shall not be less than 25% of its registered capital.

(VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

31. Undistributed profits (continued)

(2) Appropriation of enterprise expansion fund, reserve fund and staff bonus 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.

(3) Cash dividend as approved at the shareholders' meeting for the year

The 2010 Annual General Meeting of the Company held on 29 April 2011 considered and approved the resolution regarding the profit distribution proposal for the year 2010. In 2010, the Company declared a cash dividend of RMB0.20 per share (tax inclusive) to all shareholders, aggregating to RMB547,636,000.00 based on the total of 2,738,180,000 shares with a par value of RMB1 each (including 1,642,908,000 shares issued upon capitalization on 26 February 2011).

(4) Distribution of profits after balance sheet date

According to the recommendation of the Board, on the basis of a total of 3,042,423,000.00 shares with a par value of RMB1 each in 2011, the Company proposed to declare a cash dividend of RMB912,726,900.00 for the year ended 31 December 2011 to the shareholders of the Company, representing a cash dividend of RMB0.30 per share (tax inclusive). The abovementioned profit distribution proposal is subject to the approval of the Shareholders' General Meeting.

32. Operating revenue and operating costs

(1) Operating revenue

Item	RMB	
	2011	2010
Revenue from principal businesses		
Of which: Revenue from the sale of automobiles	28,178,354,604.19	21,724,508,635.89
Revenue from the sale of automotive parts and components	1,123,679,957.64	700,260,918.81
Revenue from providing services	83,381,786.88	61,051,218.23
Revenue from other businesses	704,060,316.29	500,251,272.23
Total	30,089,476,665.00	22,986,072,045.16

(VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

32. Operating revenue and operating costs (continued)

(2) Operating costs

Item	2011	RMB 2010
Costs from principal businesses		
Of which: Expenses from the sales of automobiles	20,925,731,603.66	16,221,220,731.03
Expenses from the sales of automotive parts and components	999,615,813.63	582,881,919.64
Expenses from providing services	76,606,328.53	56,585,267.99
Expenses from other businesses	591,844,131.27	437,692,901.42
Total	22,593,797,877.09	17,298,380,820.08

(3) Operating revenue from top five customers of the Company

Name of customer	Operating revenue	RMB Percentage of the total operating revenue of the Company (%)
Customer 1	1,385,566,299.92	4.60
Customer 2	732,200,799.58	2.43
Customer 3	584,259,559.04	1.95
Customer 4	535,865,896.58	1.78
Customer 5	526,574,905.98	1.75
Total	3,764,467,461.10	12.51

33. Business tax and surcharges

Item	2011	RMB 2010
Business tax	9,326,553.49	6,525,372.55
Consumption tax	801,865,383.87	756,208,856.31
Urban maintenances and construction tax	144,394,117.73	29,818,885.90
Educational surcharges	94,392,666.57	17,079,710.74
Others	2,346,138.03	1,453,877.98
Total	1,052,324,859.69	811,086,703.48

(VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

34. Selling expenses

Item	RMB	
	2011	2010
Transportation expenses	469,358,187.89	395,602,644.00
After-sale services expenses	154,740,635.54	84,375,595.08
Wages and salaries	108,801,751.08	89,708,990.49
Taxes	14,555,335.90	11,213,253.10
Advertising and media services fees	348,043,783.84	429,080,619.93
Port charges	35,596,717.92	21,451,518.30
Travelling expenses	15,275,401.22	11,840,751.71
Others	46,340,637.83	26,929,239.38
Total	1,192,712,451.22	1,070,202,611.99

35. Administrative expenses

Item	RMB	
	2011	2010
Technology development expenditures	635,409,230.98	447,388,207.32
Wages and salaries	371,734,312.88	249,223,982.88
Taxes	52,673,041.88	40,755,232.76
Depreciation and Amortization	52,879,093.36	43,174,053.78
Business reception fees	4,628,761.09	2,520,564.17
Office expenses	46,196,052.59	23,006,223.09
Repair and maintenance fees	46,118,990.88	26,575,902.78
Auditors' remuneration	4,718,785.00	3,634,741.00
Service charges	30,205,164.15	9,005,324.71
Others	39,309,570.82	28,379,593.61
Total	1,283,873,003.63	873,663,826.10

36. Impairment loss on assets

Item	RMB	
	2011	2010
1. Loss on bad debts	(4,326,792.04)	9,600,448.26
2. Loss on impairment of inventory	9,664,757.80	15,817,681.97
3. Loss on impairment of fixed assets	—	1,673,401.26
Total	5,337,965.76	27,091,531.49

(VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

37. Profit or loss from changes in fair value

Item	2011	RMB 2010
Derivative financial instruments measured at fair value	3,131,156.00	(1,953,456.00)
Total	3,131,156.00	(1,953,456.00)

38. Investment income

(1) Breakdown of investment income

Item	2011	RMB 2010
Income from long-term equity investments under equity method	11,954,450.91	42,050,304.51
Income from available-for-sale financial asset investment	3,105,425.80	4,573,305.03
Investment gains from the disposal of long-term equity investments	—	8,002,873.36
Income generated from the equity interests in acquirees held prior to the date of acquisition and measured at fair value (Note 1)	9,297,384.94	1,645,116.83
Total	24,357,261.65	56,271,599.73

Note 1: Prior to June 2011, Baoding Xinyuan (保定信遠) was a joint venture of the Company. The Company acquired 26% equity interests in Baoding Xinyuan in June 2010. Difference between the carrying amount and fair value of equity interests originally held by the Company as at the date of acquisition was recognized as investment gains of RMB7,598,891.52. Great Wall Botai (長城博泰) was a joint venture of the Company prior to November 2011. The Company acquired 75% equity interests in Baoding Xinyuan in November 2011. Difference between the carrying amount and fair value of equity interests originally held by the Company as at the date of acquisition was recognized as investment gains of RMB1,698,493.42.

(VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

38. Investment gains (continued)

(2) Income from long-term equity investments under equity method:

Investee	2011	<i>RMB</i> 2010
Baoding Xinyuan Automobile Inner Decoration Company Limited (保定信遠汽車內飾有限公司) (Formerly known as Baoding Deye Automobile Inner Decoration Company Limited) (保定德業汽車內飾件有限公司)	3,099,397.02	28,970,102.25
Baoding Jiehua Automobile Components and Accessories Company Limited (保定杰華汽車零部件有限公司)	83,424.49	99,142.45
Baoding Yanfeng Johnson Controls Automobile Seating Co., Ltd. (保定延鋒江森汽車座椅有限公司)	147,595.44	8,584,216.49
Baoding Great Wall Boxiang Automotive Parts Manufacturing Company Limited (保定長城博翔汽車零部件製造有限公司)	—	(460,377.50)
Baoding Xinchang Auto Parts Company Limited (保定信昌汽車零部件有限公司)	7,775,523.06	4,012,544.47
Baoding Great Wall Botai Electrical Manufacturing Company Limited (保定長城博泰電器製造有限公司) (Formerly known as Baoding Tianqiu Electrical Company Limited)	848,510.90	844,676.35
Total	11,954,450.91	42,050,304.51

There are no significant restrictions on remittance of investment gains back to the Company.

(VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**39. Non-operating income****(1) Breakdown of non-operating income was as follows:**

Item	2011	RMB 2010
Total gains from disposal of non-current assets	3,409,132.88	3,867,354.49
Of which: Gains from disposal of fixed assets	3,167,250.27	3,867,354.49
Gains from disposal of intangible assets	241,882.61	—
Government grants (<i>Note 1</i>)	11,973,312.53	14,248,535.20
Difference of fair value of net identifiable assets of subsidiaries acquired in excess of the cost of business combination (<i>item 1 of Note (IX)</i>)	20,311,207.32	3,042,679.36
Difference of fair value of net identifiable assets of associates acquired in excess of the cost of business combination costs	—	41,843.24
Amortization of deferred incomes	27,913,730.64	24,506,606.67
Gains from compensation	6,180,288.21	3,273,947.39
Value added tax refund on social welfare enterprises (<i>Note 2</i>)	22,435,768.33	24,836,373.84
Unpayable amount	29,690,993.53	—
Others	4,393,210.05	8,675,392.82
Total	126,307,643.49	82,492,733.01

Note 1: Financial grants received in 2011 were mainly specified grants for the introduction of talents, grants for the establishment of foreign trade public service platform and various subsidies received by the Company and its subsidiaries.

Note 2: During the reporting period, Baoding Nuobo, Baoding Great and Baoding Yixin, subsidiaries of the Group, were recognized as social welfare enterprises by Department of Civil Affairs of Hebei Province. Pursuant to "Circular of the Ministry of Finance and the State Administration of Taxation on Issues Concerning the Corporate Income Tax Incentives on Enterprises Which Recruit the Disabled (Caishui [2007] No.92)", effective from 1 July 2007, subject to relevant conditions, the above social welfare enterprises can enjoy value added tax refund based on the maximum amount specified by relevant taxation authorities and the number of disabled employees.

(VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

40. Non-operating expenses

Item	2011	RMB 2010
Total loss on disposal of non-current assets	2,522,008.18	4,164,586.47
Of which: Loss on disposal of fixed assets	2,508,289.72	4,164,586.47
Loss on disposal of intangible assets	13,718.46	—
Donations	197,935.69	1,458,799.57
Expenses for compensations and fines	3,231,590.08	3,362,143.05
Others	1,558,405.23	56,353.61
Total	7,509,939.18	9,041,882.70

41. Income tax expenses

Item	2011	RMB 2010
Current income tax calculated according to tax laws and relevant rules	674,691,230.76	219,039,383.76
Deferred income tax	(54,692,796.66)	(4,888,027.95)
Total	619,998,434.10	214,151,355.81

Reconciliation between income tax expenses and accounting profits is as follows:

Item	2011	RMB 2010
Accounting profit/loss	4,130,651,319.23	3,041,235,223.56
Income tax rate	25%	25%
Income tax calculated at tax rate of 25%	1,032,662,829.81	760,308,805.89
Tax credit for purchasing domestic manufactured equipment	(1,729,826.81)	(294,507,163.84)
Tax credit for purchasing environmental-friendly equipment	(74,358.98)	—
Tax holidays, exemptions and concessionary rates	(342,192,845.96)	(191,009,142.81)
Additional tax deduction for research and development expenses	(69,642,740.59)	(51,326,560.94)
Tax effect of non-taxable income	(3,194,011.76)	(11,514,116.92)
Tax effect of non-deductible expenses	4,169,388.39	2,199,534.43
Total	619,998,434.10	214,151,355.81

(VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**42. Calculation of basic and diluted earnings per share**

Net profit for the current period attributable to ordinary shareholders of the Company used for calculating basic earnings per share is as follows:

Item	2011	RMB 2010
Net profit attributable to ordinary shareholders	3,426,195,122.78	2,700,734,577.09
Of which: Net profit attributable to continuing operations	3,426,195,122.78	2,700,734,577.09
Total	3,426,195,122.78	2,700,734,577.09

The denominator used for calculating earnings per share, being the weighted average number of outstanding ordinary shares, is calculated as follows:

Item	2011	2010
Number of outstanding ordinary shares at the beginning of the year	2,738,180,000.00	2,738,180,000.00
Add: Weighed number of ordinary shares issued in the year	76,060,750.00	—
Less: Weighted number of ordinary shares repurchased in the year	—	—
Weighted number of outstanding ordinary shares at the end of the year (Note 1)	2,814,240,750.00	2,738,180,000.00

Item	2011	RMB 2010
Based on the net profit attributable to shareholders of parent company:		
Basic earnings per share (Note 1)	3,426,195,112.78	2,700,734,577.09
Diluted earnings per share	1.22	0.99
Based on the net profit from continuing operations attributable to shareholders of parent company:		
Basic earnings per share (Note 1)	N/A	N/A
Diluted earnings per share	3,426,195,112.78	2,700,734,577.09
Diluted earnings per share	1.22	0.99
Diluted earnings per share	N/A	N/A

Note 1: On 26 February 2011, the Company increased its share capital by RMB1,642,908,000.00 through capitalization of the capital reserves. Accordingly, the Company recalculated the weighted number of outstanding ordinary shares and earnings per share as at the end of 2010.

(VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

43. Other comprehensive income

Item	2011	RMB 2010
1. Translation difference of financial statements denominated in foreign currency	(2,763,181.43)	(1,775,238.96)
Less: Net income from disposal of foreign operations recognized in profit or loss in the current period	—	—
Subtotal	(2,763,181.43)	(1,775,238.96)
2. Others	—	—
Less: Income tax effect from other incomes recognized in other comprehensive income	—	—
Net income recognized in other comprehensive income in previous periods but recognized in profit or loss in the current period	—	—
Subtotal	—	—
Total	(2,763,181.43)	(1,775,238.96)

44. Notes to cash flow statements

(1) Other cash received relating to operating activities

Item	2011	RMB 2010
Interest income	66,505,797.22	34,241,773.38
Government grants	11,973,312.53	14,248,535.20
Release of guarantees	60,920,618.25	—
Others	3,221,023.74	11,949,340.21
Total	142,620,751.74	60,439,648.79

(VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

44. Notes to cash flow statements (continued)

(2) Other cash paid relating to operating activities

Item	2011	RMB 2010
Advertising and media services fee	300,603,900.64	428,043,230.85
Transportation costs and port charges	503,287,327.49	436,738,177.47
Technology development expenditures	254,663,199.79	209,789,370.31
After-sales charges and repairs charges	160,053,770.87	82,405,347.23
Business entertainment expenses and office expenses	56,022,141.95	30,521,089.18
Travelling expenses	15,275,401.22	15,234,606.74
Consultation fees	30,205,164.15	9,005,324.71
Others	93,164,193.95	135,261,657.12
Total	1,413,275,100.06	1,346,998,803.61

(3) Other cash received relating to investing activities

Item	2011	RMB 2010
Government grants	17,928,861.09	783,409,597.00
Total	17,928,861.09	783,409,597.00

(4) Other cash received relating to financing activities

Item	2011	RMB 2010
Restricted bank deposits	220,182,655.32	—
Total	220,182,655.32	—

(5) Other cash paid relating to financing activities

Item	2011	RMB 2010
Restricted bank deposits	—	849,239,042.02
Total	—	849,239,042.02

(VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

45. Supplemental information of cash flow statements

(1) Supplemental information of cash flow statements

Supplemental information	2011	RMB 2010
1. Reconciliation of net profits and cash flow from operating activities:		
Net profits	3,510,652,885.13	2,827,083,867.75
Add: Impairment provisions for assets	5,337,965.76	27,091,531.49
Depreciation of fixed assets	663,628,850.36	521,255,566.79
Amortization of intangible assets	35,821,522.87	27,734,249.49
Amortization of long-term prepaid expenses	2,415,128.65	404,100.97
Depreciation of real estate held for investment	111,701.05	28,152.60
(Gains)/losses from change of fair value	(3,131,156.00)	1,953,456.00
(Gains)/losses on disposal of fixed assets, intangible assets and other long-term assets	(887,124.70)	297,231.98
Amortization of deferred gains	(27,913,730.64)	(24,506,606.67)
Financing costs/(gains)	4,394,500.06	16,889,034.81
Difference of fair value of net identifiable assets of subsidiaries acquired in excess of the cost of business combination	(20,311,207.32)	(3,042,679.36)
Difference of fair value of net identifiable assets of associates acquired in excess of the cost of business combination costs	—	(41,843.24)
Investment losses/(gains)	(24,357,261.65)	(56,271,599.73)
(Increase)/decrease in deferred income tax assets	(54,692,796.66)	(4,888,027.95)
(Increase)/decrease in inventories	(746,398,816.92)	(922,915,117.92)
(Increase)/decrease in operating receivables	(1,381,249,634.88)	(4,771,701,615.28)
Increase/(decrease) in operating payables	2,485,321,792.26	5,552,102,278.45
Net cash flows from operating activities	4,448,742,617.37	3,191,471,980.18
2. Net change in cash and cash equivalents:		
Cash balance at the end of the year	6,306,279,224.47	2,073,626,962.53
Less: Cash balance at the beginning of the year	2,073,626,962.53	2,420,034,966.53
Add: Cash equivalents balance at the end of the year	—	—
Less: Cash equivalents balance at the beginning of the year	—	—
Net increase in cash and cash equivalents	4,232,652,261.94	(346,408,004.00)

(VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**45. Supplemental information of cash flow statements** (continued)**(2) Information regarding subsidiaries and other operating entities acquired or disposed during the year**

Item	2011	RMB 2010
I. Information regarding subsidiaries and other operating entities acquired:		
1. Considerations of acquisition of subsidiaries and other operating entities	21,610,000.00	62,246,000.00
2. Cash or cash equivalents paid for acquisition of subsidiaries and other operating entities	21,610,000.00	62,246,000.00
Less: Cash or cash equivalents held by subsidiaries and other operating entities	(14,235,427.06)	(9,446,219.85)
3. Net cash or cash equivalents paid (received) in respect of acquisition of subsidiaries and other operating entities	7,374,572.94	52,799,780.15
4. Net assets of subsidiaries acquired	116,119,965.36	243,822,537.10
Current assets	155,735,301.21	17,649,946.44
Non-current assets	106,877,956.71	236,797,023.62
Current liabilities	(146,493,292.56)	(10,624,432.96)
Non-current liabilities	—	—
II. Information regarding subsidiaries and other operating entities disposed:		
1. Considerations of disposal of subsidiaries and other operating entities	—	386,885,400.00
2. Cash or cash equivalents received for disposal of subsidiaries and other operating entities	246,885,400.00	140,000,000.00
Less: Cash or cash equivalents held by subsidiaries and other operating entities	—	(134,637,076.79)
3. Net cash received in respect of disposal of subsidiaries and other operating entities	246,885,400.00	5,362,923.21
4. Net assets of subsidiaries disposed	—	378,882,526.81
Current assets	—	489,440,958.35
Non-current assets	—	516,554.11
Current liabilities	—	(111,074,985.65)
Non-current liabilities	—	—

(VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

45. Supplemental information of cash flow statements (continued)

(3) Components of cash and cash equivalents

Item	2011	RMB 2010
I. Cash	6,306,279,224.47	2,073,626,962.53
Of which: Cash in hand	2,092,268.72	962,003.86
Bank deposits readily available for payment	6,304,186,955.75	2,072,664,958.67
Other cash and bank balances readily available for payment	—	—
II. Cash and cash equivalent balance as at the end of year	6,306,279,224.47	2,073,626,962.53

46. Net current assets

Item	31/12/2011	31/12/2010
Current assets	20,374,192,443.93	14,824,563,213.26
Less: Current liabilities	(14,713,538,188.81)	(11,887,493,216.68)
Net current assets	5,660,654,255.12	2,937,069,996.58

47. Total assets less current assets

Item	31/12/2011	31/12/2010
Total assets	33,134,857,715.47	23,698,275,007.01
Less: Current liabilities	(14,713,538,188.81)	(11,887,493,216.68)
Total assets less current liabilities	18,421,319,526.66	11,810,781,790.33

(VII) RELATED PARTIES AND TRANSACTIONS**1. Related parties with controlling interests**

RMB										
Name of company	Relationship	Form of corporation	Place of registration	Authorized representative	Nature of business	Registered capital	Shareholding of holding company (%)	Voting interest (%)	Ultimate owner	Company code
Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司)	Controlling shareholder	Incorporation	Baoding	Wei Jian Jun	Business planning and management advisory	7,638,400.00	56.04	56.04	Wei Jian Jun	78258703-6

Note 1: The shareholding of Baoding Innovation Great Wall Asset Management Company Limited in the Company reduced from 62.27% to 56.04% after the public offering of 304,243,000 shares (A shares) by the Company on 28 September 2011.

2. Subsidiaries of the Company

Details of the subsidiaries of the Company are set out in Note (V).

3. Joint ventures and associated companies of the Company

Details of the joint ventures and associated companies of the Company are set out in Note (VI) 8.

4. Other related parties of the Company

Name of other related parties	Relationship	Company code
Baoding Tai Hang Pump Manufacturing Company Limited (保定市太行製泵有限公司)	Company directly controlled by controlling shareholder	10597749-1
Beijing Weide Automobile System Accessories Company Limited (北京威德汽車系統配套有限公司)	Company indirectly controlled by Wei Jian Jun	71774831-5
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 natural person (Wei De Yi)	10596659-X
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	60117199-9
Baoding Tai Hang Rosemex Engineering Company Limited (保定太行熱土美工業有限公司)	Company significantly influenced by related natural person (Wei De Yi)	60120863-2
Baoding Great Wall Exploitation and Construction Group Company Limited (保定長城房地產開發建設集團有限公司)	Company directly controlled by controlling shareholder	70075186-8
Baoding Furui Garden Company Limited (保定市富瑞園林有限公司)	Company directly controlled by controlling shareholder	78407503-4
Beijing Dongfang Riya Kemao Company Limited (北京東方日瓦科貿有限公司)	Company directly controlled by Wei Jian Jun	10299371-X
The Management Centre of Collective Assets of Nandayuan Town, Nanshi District, Baoding (保定市南市區南大園鄉集體資產託管中心)	Minority shareholder of the controlling shareholder	72879122-0

(VII) RELATED PARTIES AND TRANSACTIONS (continued)

5. Connected transactions

(1) Procurement of raw materials and accessories

Related parties	Category of related party transaction	Related party transaction	Pricing and decision-making procedure	RMB	
				2011	
				Amount	Percentage of total amount (%)
Baoding Xinyuan Automobile Inner Decoration Company Limited (Formerly known as Baoding Deye Automobile Inner Decoration Company Limited)	Purchase	Purchase of raw materials	Mutually agreed price	58,260,991.30	0.20
Baoding Yanfeng Johnson Controls Automobile Seating Co., Ltd	Purchase	Purchase of raw materials	Mutually agreed price	183,513,2249.29	0.64
Baoding Great Wall Botai Electrical Appliance Manufacture Co., Ltd. (Formerly known as Baoding Tianqiu Electronic Appliance Company Limited)	Purchase	Purchase of raw materials	Mutually agreed price	24,386,658.15	0.09
Baoding Xinchang Auto Parts Company Limited	Purchase	Purchase of raw materials	Mutually agreed price	273,229,840.47	0.96
Baoding Tai Hang Pump Manufacturing Company Limited	Purchase	Purchase of raw materials	Mutually agreed price	2,015,480.62	0.01
Hebei Baoding Tai Hang Group Company Limited	Purchase	Purchase of raw materials	Mutually agreed price	17,200,167.86	0.06
Others	Purchase	Purchase of raw materials	Mutually agreed price	6,815.08	—

(VII) RELATED PARTIES AND TRANSACTIONS (continued)**5. Connected transactions** (continued)**(1) Procurement of raw materials and accessories** (continued)

Related parties	Category of related party transaction	Related party transaction	Pricing and decision-making procedure	RMB	
				2010 Amount	Percentage of total amount (%)
Baoding Xinyuan Automobile Inner Decoration Company Limited (Formerly known as Baoding Deye Automobile Inner Decoration Company Limited)	Purchase	Purchase of raw materials	Mutually agreed price	277,074,594.42	1.49
Baoding Yanfeng Johnson Controls Automobile Seating Co., Ltd	Purchase	Purchase of raw materials	Mutually agreed price	307,151,115.06	1.65
Baoding Great Wall Botai Electrical Appliance Manufacture Co., Ltd. (Formerly known as Baoding Tianqiu Electronic Appliance Company Limited)	Purchase	Purchase of raw materials	Mutually agreed price	26,466,068.96	0.14
Baoding Great Wall Boxiang Automotive Parts Manufacturing Company Limited (Formerly known as Baoding Shuanghua Automobile Components and Accessories Company Limited)	Purchase	Purchase of raw materials	Mutually agreed price	11,710,172.78	0.06
Baoding Xinchang Auto Parts Company Limited	Purchase	Purchase of raw materials	Mutually agreed price	136,374,409.70	0.73
Baoding Tai Hang Pump Manufacturing Company Limited	Purchase	Purchase of raw materials	Mutually agreed price	5,090,554.45	0.03
Hebei Baoding Tai Hang Group Company Limited	Purchase	Purchase of raw materials	Mutually agreed price	14,963,333.28	0.08
Others	Purchase	Purchase of raw materials	Mutually agreed price	71,793.16	—

(VII) RELATED PARTIES AND TRANSACTIONS (continued)

5. Connected transactions (continued)

(2) Sales of automobiles and automotive parts

Related parties	Category of related party transaction	Related party transaction	Pricing and decision-making procedure	RMB	
				2011	
				Amount	Percentage of total amount (%)
Baoding Xinyuan Automobile Inner Decoration Company Limited (Formerly known as Baoding Deye Automobile Inner Decoration Company Limited)	Sale	Automobiles and automotive parts	Mutually agreed price	20,294,141.24	0.07
Hebei Baoding Tai Hang Group Company Limited	Sale	Automobiles and automotive parts	Mutually agreed price	3,358,950.45	0.01
Others	Sale	Automobiles and automotive parts	Mutually agreed price	1,536,718.74	0.01

Related parties	Category of related party transaction	Related party transaction	Pricing and decision-making procedure	RMB	
				2010	
				Amount	Percentage of total amount (%)
Baoding Xinyuan Automobile Inner Decoration Company Limited (Formerly known as Baoding Deye Automobile Inner Decoration Company Limited)	Sale	Automobiles and automotive parts	Mutually agreed price	7,670,817.45	0.03
Hebei Baoding Tai Hang Group Company Limited	Sale	Automobiles and automotive parts	Mutually agreed price	2,563,034.45	0.01
Others	Sale	Automobiles and automotive parts	Mutually agreed price	314,691.78	—

(VII) RELATED PARTIES AND TRANSACTIONS (continued)

5. Connected transactions (continued)

(3) Purchase of fixed assets

				RMB	
				2011	
Related parties	Category of related party transaction	Related party transaction	Pricing and decision-making procedure	Amount	Percentage of total amount (%)
Baoding Xinchang Auto Parts Company Limited	Purchase of fixed assets	Purchase of fixed assets	Mutually agreed price	1,072,598.67	0.02
Baoding Tai Hang Steel Structure Construction Company Limited	Purchase of fixed assets	Purchase of fixed assets	Mutually agreed price	5,054,531.85	0.09
Others	Purchase of fixed assets	Purchase of fixed assets	Mutually agreed price	790,620.51	0.01

				RMB	
				2010	
Related parties	Category of related party transaction	Related party transaction	Pricing and decision-making procedure	Amount	Percentage of total amount (%)
Hebei Baoding Tai Hang Group Company Limited	Purchase of fixed assets	Purchase of fixed assets	Mutually agreed price	10,644,900.64	0.41
Baoding Tai Hang Steel Structure Construction Company Limited	Purchase of fixed assets	Purchase of fixed assets	Mutually agreed price	7,803,062.75	0.30
Others	Purchase of fixed assets	Purchase of fixed assets	Mutually agreed price	42,868.60	—

(4) Sale of fixed assets

				RMB	
				2011	
Related parties	Category of related party transaction	Related party transaction	Pricing and decision-making procedure	Amount	Percentage of total amount (%)
Baoding Great Wall Exploitation and Construction Group Company Limited	Sale of fixed assets	Sale of fixed assets	Mutually agreed price	68,500.00	0.44

(VII) RELATED PARTIES AND TRANSACTIONS (continued)

5. Connected transactions (continued)

(5) Purchase of services

Related parties	Category of related party transaction	Related party transaction	Pricing and decision-making procedure	2011	
				Amount	Percentage of total amount (%)
Hebei Baoding Tai Hang Group Company Limited	Purchase of services	Purchase of services	Mutually agreed price	284,989.44	0.06
Others	Purchase of services	Purchase of services	Mutually agreed price	154,805.49	0.03

Related parties	Category of related party transaction	Related party transaction	Pricing and decision-making procedure	2010	
				Amount	Percentage of total amount (%)
Hebei Baoding Tai Hang Group Company Limited	Purchase of services	Purchase of services	Mutually agreed price	936,323.23	0.04
Others	Purchase of services	Purchase of services	Mutually agreed price	979,831.56	0.04

(6) Rendering of services

Related parties	Category of related party transaction	Related party transaction	Pricing and decision-making procedure	2011	
				Amount	Percentage of total amount (%)
Baoding Yanfeng Johnson Controls Automobile Seating Co., Ltd	Rendering of services	Rendering of services	Mutually agreed price	218,215.55	0.19
Others	Rendering of services	Rendering of services	Mutually agreed price	107,279.35	0.09

Related parties	Category of related party transaction	Related party transaction	Pricing and decision-making procedure	2010	
				Amount	Percentage of total amount (%)
Baoding Yanfeng Johnson Controls Automobile Seating Co., Ltd	Rendering of services	Rendering of services	Mutually agreed price	705,343.25	1.37
Others	Rendering of services	Rendering of services	Mutually agreed price	529,596.83	1.03

(VII) RELATED PARTIES AND TRANSACTIONS (continued)

5. Connected transactions (continued)

(7) Claims and others

Related parties	Category of related party transaction	Related party transaction	Pricing and decision-making procedure	RMB	
				2011	
				Amount	Percentage of total amount (%)
Baoding Yanfeng Johnson Controls Automobile Seating Co., Ltd	Claims and others	Claims and others	Mutually agreed price	837,512.66	10.20
Baoding Xinchang Auto Parts Company Limited	Claims and others	Claims and others	Mutually agreed price	1,985,966.34	24.18
Others	Claims and others	Claims and others	Mutually agreed price	248,373.36	3.02

Related parties	Category of related party transaction	Related party transaction	Pricing and decision-making procedure	RMB	
				2010	
				Amount	Percentage of total amount (%)
Baoding Yanfeng Johnson Controls Automobile Seating Co., Ltd	Claims and others	Claims and others	Mutually agreed price	912,050.50	2.92
Others	Claims and others	Claims and others	Mutually agreed price	1,614,329.03	5.16

(8) Sale of equity interest in subsidiaries

Related parties	Category of related party transaction	Related party transaction	Pricing and decision-making procedure	RMB	
				2010	
				Amount	Percentage of total amount (%)
Boading Innovation Great Wall Asset Management Company Limited	Sale of equity interest in subsidiaries	Sale of equity interest in subsidiaries	Mutually agreed price	386,885,400.00	100

(VII) RELATED PARTIES AND TRANSACTIONS (continued)

5. Connected transactions (continued)

(9) Emolument of key management

Item	RMB'000	
	2011	2010
Emolument of key management	13,113	4,507

Key management are the persons who are authorized and responsible for planning, supervision and control of corporate activities, including directors, general manager, chief accounting officer, deputy general managers and other administration officers.

(a) Emolument of independent non-executive directors

The emolument paid to independent non-executive directors during the year was as follows:

	RMB'000	
	2011	2010
He Bao Yin	48	48
Wei Lin	48	48
Li Ke Qiang	48	48
Tseung Yuk Hei	—	62
Chan Yuk Tong	—	88
Wong Chi Hung	143	—
Total	287	294

During the year, there was no other emolument payable to independent non-executive directors (2010: nil).

Tseung Yuk Hei and Chan Yuk Tong resigned as independent non-executive directors of the Company in May and November 2010 respectively.

(VII) RELATED PARTIES AND TRANSACTIONS (continued)

5. Connected transactions (continued)

(9) Emolument of key management (continued)

(b) *Emolument of executive directors, non-executive directors and supervisors*

RMB'000

2011	Salary, bonus, allowance and Contributions			Total emolument
	Fee	other benefits	to pension	
Executive directors				
Wei Jian Jun	—	1,741	8	1,749
Liu Ping Fu	—	335	—	335
Wang Feng Ying	—	1,429	8	1,437
Yang Zhi Juan	—	213	8	221
Hu Ke Gang	—	630	—	630
Non-executive directors				
He Ping	48	—	—	48
Niu Jun	—	—	—	—
Supervisors				
Yuan Hong Li	18	—	—	18
Zhu En Ze	—	206	—	206
Luo Jin Li	18	—	—	18
Total	84	4,554	24	4,662

(VII) RELATED PARTIES AND TRANSACTIONS (continued)

5. Connected transactions (continued)

(9) Emolument of key management (continued)

(b) *Emolument of executive directors, non-executive directors and supervisors* (continued)

<i>RMB'000</i>				
2010	Fee	Salary, bonus, allowance and other benefits	Contributions to pension	Total emolument
Executive directors				
Wei Jian Jun	—	539	7	546
Liu Ping Fu	—	192	—	192
Wang Feng Ying	—	395	7	402
Yang Zhi Juan	—	143	7	150
Hu Ke Gang	—	172	—	172
Non-executive directors				
He Ping	48	—	—	48
Niu Jun	—	—	—	—
Supervisors				
Yuan Hong Li	—	—	—	—
Zhu En Ze	—	180	—	180
Luo Jin Li	—	—	—	—
Total	48	1,621	21	1,690

No director or supervisor waived or agreed to waive any emolument during the year. The Group did not make any payment to director or supervisor as incentive upon their joining the Group or as compensation for the loss of their offices.

(VII) RELATED PARTIES AND TRANSACTIONS (continued)

5. Connected transactions (continued)

(9) Emolument of key management (continued)

(b) Emolument of executive directors, non-executive directors and supervisors (continued)

Five highest emolument individuals

Of the five individuals with the highest emoluments in the Group, the emoluments of two (2010: two) of them are included in the above table. The emoluments of the remaining three (2010: three) individuals were as follows:

	2011	RMB'000 2010
Salary, bonus, allowance and other benefits	2,917	743
Contributions to pension	25	21
Total	2,942	764

Their emoluments were within the following bands:

	2011	2010
HK\$0 to HK\$1,000,000 (equivalent to RMB0 to RMB810,700)	—	3
HK\$1,000,000 to HK\$2,000,000 (equivalent to RMB810,700 to RMB1,621,400)	3	—

(VII) RELATED PARTIES AND TRANSACTIONS (continued)

6. Amounts due from/due to related parties

Item	Related parties	<i>RMB</i>	
		31/12/2011	31/12/2010
Accounts receivable	Baoding Xinyuan (Formerly known as Baoding Deye Automobile Inner Decoration Company Limited)	—	210,307.68
Accounts receivable	Great Wall Botai (Formerly known as Baoding Tianqiu Electronic Appliance Company Limited)	—	71.94
Sub-total:		—	210,379.62
Other receivables	Baoding Innovation Great Wall Asset Management Company Limited	—	246,885,400.00
Sub-total:		—	246,885,400.00
Bills payable	Baoding Yanfeng Johnson Controls Automobile Seating Co., Ltd.	8,600,000.00	22,464,390.37
Bills payable	Hebei Baoding Tai Hang Group Company Limited	120,000.00	532,000.00
Bills payable	Baoding Xinchang Auto Parts Company Limited	2,100,000.00	6,620,000.00
Bills payable	Baoding Tai Hang Pump Manufacturing Company Limited	—	616,000.00
Bills payable	Baoding Xinyuan (Formerly known as Baoding Deye Automobile Inner Decoration Company Limited)	—	20,283,000.00
Bills payable	Great Wall Botai (Formerly known as Baoding Tianqiu Electronic Appliance Company Limited)	—	9,920,000.00
Bills payable	Baoding Tai Hang Steel Structure Construction Company Limited	—	216,465.00
Sub-total:		10,820,000.00	60,651,855.37
Accounts payable	Baoding Xinchang Auto Parts Company Limited	80,238,777.39	58,808,396.18
Accounts payable	Baoding Yanfeng Johnson Controls Automobile Seating Co., Ltd.	20,349,503.49	65,771,802.64
Accounts payable	Beijing Dongfang Riya Kemao Company Limited	165,706.00	741,188.39
Accounts payable	Hebei Boading Tai Hang Group Company Limited	283,425.21	4,201,600.72
Accounts payable	Baoding Tai Hang Pump Manufacturing Company Limited	20,240.00	1,736,801.09
Accounts payable	Baoding Xinyuan (Formerly known as Baoding Deye Automobile Inner Decoration Company Limited)	—	68,076,388.53
Accounts payable	Great Wall Botai (Formerly known as Baoding Tianqiu Electronic Appliance Company Limited)	—	15,153,588.48
Accounts payable	Baoding Tai Hang Steel Structure Construction Company Limited	—	37,610.45
Sub-total:		101,057,652.09	214,527,376.48

(VII) RELATED PARTIES AND TRANSACTIONS (continued)

6. Amounts due from/due to related parties (continued)

Item	Related parties	RMB	
		31/12/2011	31/12/2010
Other payables	Baoding Tai Hang Steel Structure Construction Company Limited	9,654,346.17	12,039,686.57
Other payables	Baoding Tai Hang Pump Manufacturing Company Limited	90,316.00	12,316.00
Other payables	Baoding Tai Hang Rosemex Engineering Company Limited	2,455.61	2,455.61
Other payables	Hebei Boading Tai Hang Group Company Limited	2,000.00	—
Sub-total:		9,749,117.78	12,054,458.18
Advances from customers	The Management Centre of Collective Assets of Nandayuan Town, Nanshi District, Baoding	34,000.00	—
Sub-total:		34,000.00	—

(VIII) COMMITMENTS

1. Significant Commitments

(1) Capital commitments

	RMB'000	
	31/12/2011	31/12/2010
Contracted for but not provided	3,468,701	2,123,869
Authorised by the Board of Directors but not contracted for	7,412,998	8,225,888
Others		
— Capital commitments of joint ventures not included in consolidated financial statements	6,240	3,646

(VIII) COMMITMENTS (continued)

1. Significant Commitments (continued)

(2) Operating lease commitments

As at the end of balance sheet date, the Group had commitments under non-cancellable operating leases which fall due as follows:

	31/12/2011	<i>RMB'000</i> 31/12/2010
Minimum lease payments under non-cancellable operating leases:		
Within one year from the balance sheet date	135	358
In the second year from the balance sheet date	135	—
In the third year from the balance sheet date	—	—
Subsequent years	—	—
Total	270	358

(IX) OTHER SIGNIFICANT ITEMS

1. Business combination

The summary of the business combinations not under common control of the Group as a purchaser during the year is as follows:

- (1) In June 2011, the Company acquired 26% of the equity interests in Baoding Xinyuan from Ningbo Deye Chemical Material Co., Ltd. at a consideration of RMB9.419 million. Baoding Xinyuan was a jointly controlled entity of the Company before the date of acquisition, i.e 17 June 2011

- (a) Information of the acquiree:

Baoding Xinyuan, formerly known as Baoding Deye Automobile Inner Decoration Company Limited, is a limited liability company established in Baoding in April 2004 by the Company, Ningbo Deye Chemical Material Co., Ltd. and Deye (H.K.) Technological Electron Appliance Company Limited, with a registered capital of RMB36.227 million. 49% of the equity interests of Baoding Xinyuan were held by the Company. In June 2011, the Company acquired 26% of the equity interests in Baoding Xinyuan from Ningbo Deye Chemical Material Co., Ltd. at a consideration of RMB9.419 million. The Company held 75% equity interests in Baoding Xinyuan after such acquisition.

(IX) OTHER SIGNIFICANT ITEMS (continued)**1. Business combination** (continued)

- (1) In June 2011, the Company acquired 26% of the equity interests in Baoding Xinyuan from Ningbo Deye Chemical Material Co., Ltd. at a consideration of RMB9.419 million. Baoding Xinyuan was a jointly controlled entity of the Company before the date of acquisition, i.e 17 June 2011 (continued)

- (b) Major financial information of the acquiree:

Item	As at the date of acquisition		RMB 31/12/2010
	Book value	Fair value	Book value
Current assets	141,361,625.91	141,361,625.91	113,176,542.92
Non-current assets	68,983,680.84	83,926,675.35	71,394,850.31
Current liabilities	(133,031,950.49)	(133,031,950.49)	(20,350,673.22)
Total net assets	77,313,356.26	92,256,350.77	164,220,720.01
Less: minority interests	19,328,339.06	23,064,087.69	
Equity attributable to shareholders of the Company	57,985,017.20	69,192,263.08	
Consideration of acquisition		9,419,000.00	
Book value of equity interests of the acquiree held before the date of acquisition		37,606,720.36	
Gains from fair value measurement of equity interests of the acquiree held before the date of acquisition		7,598,891.52	
Discounted purchase price		14,567,651.20	

The consideration was paid in cash by the Group.

	RMB Amount
Cash and cash equivalents paid as consideration	9,419,000.00
Less: cash and cash equivalents held by the acquired subsidiaries and other business units	11,124,449.30
Cash and cash equivalents received from the acquired subsidiaries and other business units	1,705,449.30

The date of acquisition is the date the acquirer obtained control of the acquiree on which the controlling rights of net assets and production and operation decision-making of the acquiree were transferred to the acquirer.

(IX) OTHER SIGNIFICANT ITEMS (continued)

1. Business combination (continued)

(1) In June 2011, the Company acquired 26% of the equity interests in Baoding Xinyuan from Ningbo Deye Chemical Material Co., Ltd. at a consideration of RMB9.419 million. Baoding Xinyuan was a jointly controlled entity of the Company before the date of acquisition, i.e 17 June 2011. (continued)

(c) Results of operation and net cash flows of the acquiree from the date of acquisition to the end of the current period in relation to the combination:

	<i>RMB</i>
	From the date of acquisition to the end of the current period of combination
Revenue	108,767,993.87
Operating costs and expenses	(95,772,724.70)
Total profit	12,995,269.17
Net profit	12,179,462.47
Net cash flows from operating activities	75,594,318.86
Net cash flows from investing activities	(4,043,478.00)
Net cash flows from financing activities	(47,524,000.00)
Effect on cash and cash equivalents due to change in foreign currency exchange rate	(77.66)
Net increase in cash and cash equivalents	24,026,763.20

(2) In November 2011, the Company acquired 75% of equity interests in Great Wall Botai at a consideration of RMB12.1910 million. Great Wall Botai was an associate of the Company before the date of acquisition, i.e. 16 November 2011.

(a) Information of the acquiree:

Great Wall Botai, formerly known as Baoding Tianqiu Electronic Appliance Company Limited, is a sino-foreign joint venture established in Baoding in May 2006. In June 2010, the Company acquired 25% of the equity interests of Great Wall Botai at a consideration of RMB3.6775 million. In November 2011, the Company acquired 75% of equity interests in Great Wall Botai from Wenzhou Tianqiu Electrical Co., Ltd. at a consideration of RMB12.191 million. The Company held 100% of the equity interests in Great Wall Botai after such acquisition.

(IX) OTHER SIGNIFICANT ITEMS (continued)**1. Business combination** (continued)

(2) In November 2011, the Company acquired 75% of equity interests in Great Wall Botai at a consideration of RMB12.1910 million. Great Wall Botai was an associate of the Company before the date of acquisition, i.e. 16 November 2011. (continued)

(b) Major financial information of the acquiree:

Item	As at the date of acquisition		RMB 31/12/2010
	Book value	Fair value	Book value
Current assets	14,373,675.30	14,373,675.30	23,823,697.72
Non-current assets	16,173,735.56	22,951,281.36	17,118,491.42
Current liabilities	(13,461,342.07)	(13,461,342.07)	(22,393,993.75)
Total net assets	17,086,068.79	23,863,614.59	18,548,195.39
Less: Minority interests	—	—	
Equity attributable to shareholders of the Company	17,086,068.79	23,863,614.59	
Consideration of acquisition		12,191,000.00	
Book value of equity interests of the acquiree held before the date of acquisition		4,230,565.05	
Gains from fair value measurement of equity interests of the acquiree held before the date of acquisition		1,698,493.42	
Discounted purchase price		5,743,556.12	

The consideration was paid in cash by the Group.

	RMB Amount
Cash and cash equivalents paid as consideration	12,191,000.00
Less: cash and cash equivalents held by the acquired subsidiaries and other business units	3,110,977.76
Cash and cash equivalents received from the acquired subsidiaries and other business units	9,080,022.24

The date of acquisition is the date the acquirer obtained control of the acquiree on which the controlling rights of net assets and production and operation decision-making of the acquiree were transferred to the acquirer.

(IX) OTHER SIGNIFICANT ITEMS (continued)

1. Business combination (continued)

(2) In November 2011, the Company acquired 75% of equity interests in Great Wall Botai at a consideration of RMB12.1910 million. Great Wall Botai was an associate of the Company before the date of acquisition, i.e. 16 November 2011. (continued)

(c) Results of operation and net cash flows of the acquiree from the date of acquisition to the end of the current period in relation to the combination:

	<i>RMB</i>
	From the date of acquisition to the end of the current period of combination
Revenue	7,404,028.34
Operating costs and expenses	(6,989,358.58)
Total profit	414,669.76
Net profit	266,621.77
Net cash flows from operating activities	4,790,512.88
Net cash flows from investing activities	9,667,865.03
Net cash flows from financing activities	(3,545,896.34)
Effect on cash and cash equivalents due to change in foreign currency exchange rate	—
Net increase in cash and cash equivalents	10,912,481.57

(3) In October 2010, the Company acquired 68% of the equity interests in Great Wall Boxiang from Shanghai Shuanghua Autoparts Co., Ltd. at a consideration of RMB19.38 million. Great Wall Boxiang was an associate of the Company before the date of acquisition, i.e. 18 October 2010.

(a) Information of the acquiree:

Great Wall Boxiang, formerly known as Baoding Shuanghua Automobile Components and Accessories Company Limited, was a company with limited liabilities established by the Company and Shanghai Shuanghua Autoparts Co., Ltd. in December 2007 with a registered capital of RMB28.5 million. 32% of the equity interests in Great Wall Boxiang were held by the Company. In October 2010, the Company acquired 68% of the equity interests in Great Wall Boxiang from Shanghai Shuanghua Autoparts Co., Ltd. at a consideration of RMB19.38 million. The Company held 100% of the equity interests in Great Wall Boxiang after such acquisition.

(IX) OTHER SIGNIFICANT ITEMS (continued)**1. Business combination** (continued)

- (3) In October 2010, the Company acquired 68% of the equity interests in Great Wall Boxiang from Shanghai Shuanghua Autoparts Co., Ltd. at a consideration of RMB19.38 million. Great Wall Boxiang was an associate of the Company before the date of acquisition, i.e. 18 October 2010. (continued)

- (b) Major financial information of the acquiree:

Item	As at the date of acquisition		RMB 31/12/2009
	Book value	Fair value	Book value
Current assets	8,524,104.20	8,524,104.20	4,849,314.74
Non-current assets	32,322,640.91	33,708,857.23	31,970,322.16
Current liabilities	(9,258,432.96)	(9,258,432.96)	(3,801,756.38)
Total net assets	31,588,312.15	32,974,528.47	33,017,880.52
Less: minority interests			
Interests attributable to shareholders of the Company	31,588,312.15	32,974,528.47	
Consideration of the acquisition		19,380,000.00	
Book value of the equity interests in the acquiree held before the acquisition date		8,376,124.26	
Gains from the fair value measurement of the equity interests in the acquiree held before the acquisition date		1,815,724.85	
Discounted purchase price		3,042,679.36	

The consideration was paid in cash by the Group.

	RMB Amount
Cash and cash equivalents paid as consideration	19,380,000.00
Less: Cash and cash equivalents held by the acquired subsidiaries and other business units	321,474.82
Cash and cash equivalents received from the acquired subsidiaries and other business units	19,058,525.18

The date of acquisition is the date the acquirer obtained control of the acquiree on which the controlling rights of net assets and production and operation decision-making of the acquiree were transferred to the acquirer.

(IX) OTHER SIGNIFICANT ITEMS (continued)

1. Business combination (continued)

- (3) In October 2010, the Company acquired 68% of the equity interests in Great Wall Boxiang from Shanghai Shuanghua Autoparts Co., Ltd. at a consideration of RMB19.38 million. Great Wall Boxiang was an associate of the Company before the date of acquisition, i.e. 18 October 2010. (continued)

- (c) Results of operation and net cash flows of the acquiree from the date of acquisition to the end of the current period in relation to the combination:

	<i>RMB</i>
	From the date of acquisition to the end of the current period of combination
Revenue	7,652,089.75
Operating costs and expenses	(8,017,533.85)
Total profit	(365,444.10)
Net profit	(250,586.33)
Net cash flows from operating activities	639,596.91
Net cash flows from investment activities	(106,129.00)
Net cash flows from financing activities	—
Effect on cash and cash equivalents due to change in foreign currency exchange rate	—
Net increase in cash and cash equivalents	533,467.91

- (4) In June 2010, the Company acquired 20.33% of the equity interests in Baoding Smart at a consideration of RMB42.866 million. Baoding Smart was a jointly controlled entity of the Company before the date of acquisition, i.e. 11 June 2010.

- (a) Information of the acquiree:

Baoding Smart was a sino-foreign joint venture established in Baoding in March 2004. In November 2007, the Company injected an additional capital of RMB97 million into Baoding Smart and increased its shareholdings in Baoding Smart to 50%. In March 2009, the Board of the Company resolved to increase capital injection to Baoding Smart by RMB20 million and the Company held 54.67% of the equity interests in Baoding Smart after the injection. In June 2010, the Company acquired 20.33% of the equity interests in Baoding Smart at a consideration of RMB42.866 million. The Company held 75% of the equity interests in Baoding Smart after such acquisition.

(IX) OTHER SIGNIFICANT ITEMS (continued)**1. Business combination** (continued)

- (4) In June 2010, the Company acquired 20.33% of the equity interests in Baoding Smart at a consideration of RMB42.866 million. Baoding Smart was a jointly controlled entity of the Company before the date of acquisition, i.e. 11 June 2010. (continued)

- (b) Major financial information of the acquiree:

Item	As at the date of acquisition		RMB 31/12/2009
	Book value	Fair value	Book value
Current assets	9,125,842.24	9,125,842.24	20,645,768.58
Non-current assets	203,088,166.39	203,088,166.39	190,229,764.99
Current liabilities	(1,366,000.00)	(1,366,000.00)	—
Total net assets	210,848,008.63	210,848,008.63	210,875,533.57
Less: minority interests	52,712,002.16	52,712,002.16	
Interests attributable to shareholders of the Company	158,136,006.47	158,136,006.47	
Consideration of the acquisition		42,866,000.00	
Book value of the equity interests in the acquiree held before the acquisition date		115,440,614.49	
Losses from the fair value measurement of the equity interests in the acquiree held before the date of acquisition		(170,608.02)	
Discounted purchase price		—	

The consideration was paid in cash by the Group.

	RMB Amount
Cash and cash equivalents paid as consideration	42,866,000.00
Less: Cash and cash equivalents held by the acquired subsidiaries and other business units	9,124,745.03
Cash and cash equivalents received from the acquired subsidiaries and other business units	33,741,254.97

The date of acquisition is the date the acquirer obtained control of the acquiree on which the controlling rights of net assets and production and operation decision-making of the acquiree were transferred to the acquirer.

(IX) OTHER SIGNIFICANT ITEMS (continued)

1. Business combination (continued)

(4) In June 2010, the Company acquired 20.33% of the equity interests in Baoding Smart at a consideration of RMB42.866 million. Baoding Smart was a jointly controlled entity of the Company before the date of acquisition, i.e. 11 June 2010. (continued)

(c) Results of operation and net cash flows of the acquiree from the date of acquisition to the end of the current period in relation to the combination:

	<i>RMB</i>
	From the date of acquisition to the end of the current period of combination
Revenue	10,033,426.84
Operating costs and expenses	(8,342,762.27)
Total profit	1,690,664.57
Net profit	1,482,772.12
Net cash flows from operating activities	(1,215,920.38)
Net cash flows from investment activities	(591,524.00)
Net cash flows from financing activities	—
Effect on cash and cash equivalents due to change in foreign currency exchange rate	(286.29)
Net increase in cash and cash equivalents	(1,807,730.67)

2. Financial expenses

Item	<i>RMB</i>	
	2011	2010
Interest expenses on pledged loans	4,059,539.73	514,564.92
Less: interest income	(66,505,797.22)	(34,241,773.38)
Translation differences	25,385,236.58	14,135,195.52
Interests on discounted bills	3,115,876.02	244,916.78
Others	11,010,455.23	11,527,418.66
Total	(22,934,689.66)	(7,819,677.50)

(IX) OTHER SIGNIFICANT ITEMS (continued)**3. Segment reporting**

The Group is mainly engaged in the manufacture and sales of automobiles and automotive parts and components in China, and the majority of its assets are located in China. In 2009, the Group determined the reporting segments and disclosed the segment information according to No.3 Interpretation of Accounting Standards for Business Enterprises. 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.

Revenue from external customers by location of revenue sources:

Item	2011	RMB 2010
Revenue from external customers in China	25,050,105,136.98	19,959,649,105.04
Northeast China	2,019,195,919.52	1,518,347,101.05
Northern China	5,706,365,851.20	4,612,616,826.49
Eastern China	6,368,156,727.92	4,999,690,634.97
Central China	4,467,204,548.13	3,667,400,141.46
Northwest China	2,861,948,622.80	2,172,311,015.84
Southwest China	3,627,233,467.41	2,989,283,385.23
Revenue from external customers in other countries	5,039,371,528.02	3,026,422,940.12
Iraq	283,761,827.30	247,182,889.42
Australia	730,869,385.47	518,442,557.06
Libya	—	13,798,697.43
South Africa	442,850,728.70	277,930,528.45
Italy	103,577,754.42	257,711,718.63
Chile	434,025,878.28	275,577,707.86
Russia	1,400,650,936.70	514,162,248.89
Ukraine	23,487,051.63	535,965.70
Other overseas countries	1,620,147,965.52	921,080,626.68
Total	30,089,476,665.00	22,986,072,045.16

Majority of the non-current assets required to be disclosed in the segment report, including fixed assets, real estate held-for-investment, construction in progress and investment in jointly controlled entities and associates, were located in China.

(IX) OTHER SIGNIFICANT ITEMS (continued)

4. Financial instruments and risk management

Major financial instruments of the Group include cash and bank balances, derivative financial instruments, receivables, and payables. 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 in below. The management of the Group manages and monitors such risk exposures to ensure such risks are limited to a prescribed level.

4.1 Objective and policies of risk management

The objective of the risk management of the Group is to maintain an appropriate balance between risk and return so to minimize the negative effects of risks against the Group's operating results in order to maximize the benefits of shareholders and other stakeholders. 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.

4.1.1 Market risk

4.1.1.1 Foreign exchange risk

Foreign exchange risk represents risks of loss incurred as a result of changes in exchange rates. The purchases and sales of the domestic subsidiaries of the Group are denominated in RMB and other principle operations of the Group are settled in RMB. As at the balance sheet date, except for the balances of assets denominated in USD and EUR and other insignificant amount in HKD as shown in the following table, all assets and liabilities of the Group were denominated in RMB. The impact of the foreign exchange risk arising from the balances of assets and liabilities denominated in such foreign currencies on the operating results of the Group was minimal.

Item	RMB	
	31/12/2011	31/12/2010
Cash and cash equivalents	140,483,367.61	128,620,090.53
Accounts receivable	494,429,241.03	214,541,252.07
Other receivables	1,100,791.26	963,910.05
Accounts payable	(3,355,623.24)	(17,092,352.94)
Other payables	(59,822,158.00)	(44,514,097.70)
Total	572,835,618.66	282,518,802.01

The Group closely monitors the changes in foreign exchange rates as to their effects to the Group's exposure to foreign exchange risk.

(IX) OTHER SIGNIFICANT ITEMS (continued)

4. Financial instruments and risk management (continued)

4.1 Objective and policies of risk management (continued)

4.1.2 Credit risk

The Group only conducts sales with third-party customers with good credit records. In order to minimize credit risk, the Group has established a team responsible for formulating credit limit, credit approval and implementing other monitoring procedures to ensure necessary follow-up measures are carried out to recover the overdue debts. As such, the risk of bad debts is low.

The credit risk of other financial assets (including cash and bank balances and other receivables) is associated to the unrecoverable amount from counterparties and the maximum risk exposure equals to the carrying amount of such financial assets.

The Group does not require any collateral from its customers as it only conducts sales with the third-party customers with good credit records. During the reporting period, the Group had a certain level of concentration of credit risk, and the balance of accounts receivable from top five customers of the Group accounted for 60.76% (31 December 2010: 51.16%) of the total accounts receivable. As the Group only granted credit period to certain third parties with good creditability and the closing balance of the Group's accounts receivable represented 2.26% of the Group's revenue in 2011, the credit risk of the Group is not significant.

Further details regarding the quantified data of the credit risk arising from the accounts receivable and other receivables of the Group are disclosed in note (VI) (3) and (5).

(IX) OTHER SIGNIFICANT ITEMS (continued)

4. Financial instruments and risk management (continued)

4.1 Objective and policies of risk management (continued)

4.1.3 Liquidity risk

In managing liquidity risk, the Group maintains and monitors cash and cash equivalents at a level considered to be sufficient by the management in order to satisfy the operating needs of the Group and lower the effects of fluctuations in cash flows. The management of the Group monitors the utilization of bank borrowings and the compliance of the relevant borrowing agreements.

Analysis of the maturity profile of financial assets and financial liabilities of the Group based on the undiscounted remaining contractual obligations as at the end of each year are set out as follows:

	31/12/2011			RMB
	Within 6 months	6–12 months	Over one year	Total
Bills receivable	8,702,977,854.66	—	—	8,702,977,854.66
Accounts receivable	678,999,343.15	370,949.81	—	679,370,292.96
Other receivables	646,112,323.62	4,288,843.68	—	650,401,167.30
Accounts payable	(3,977,526,932.93)	—	—	(3,977,526,932.93)
Bills payable	(5,970,677,544.01)	(62,863,256.72)	—	(6,033,540,800.73)
Other payables	(666,400,975.73)	(186,531,405.28)	—	(852,932,381.01)

	31/12/2010			RMB
	Within 6 months	6–12 months	Over one year	Total
Bills receivable	7,726,100,420.35	—	—	7,726,100,420.35
Accounts receivable	326,995,787.63	—	—	326,995,787.63
Other receivables	1,202,085,647.41	—	—	1,202,085,647.41
Accounts payable	(4,858,946,343.19)	(44,617,523.86)	—	(4,903,563,867.05)
Bills payable	(3,375,709,892.95)	—	—	(3,375,709,892.95)
Other payables	(388,559,864.95)	(23,435,896.96)	—	(411,995,761.91)

(IX) OTHER SIGNIFICANT ITEMS (continued)**4. Financial instruments and risk management** (continued)**4.1 Objective and policies of risk management** (continued)

4.1.4 Fair value

Fair values of financial assets and financial liabilities are determined as follows:

Fair values of financial assets and financial liabilities (excluding derivative instruments) are determined by using the generally accepted pricing model based on future cash flow discounting method or according to the prevailing observable market transaction prices.

Fair values of derivative instruments are determined based on the publicly quoted price in an active market. If public quotation does not exist, the fair value of derivatives without options is estimated on the basis of appropriate revenue curve using future cash flow discounting method.

In the opinion of the Group's management, the book value for financial assets and financial liabilities in financial statements are approximate to the fair value of those assets and liabilities.

Analysis of the three levels of fair value measurement for subsequent measurement of financial assets and financial liabilities at fair values is as follows:

Level one: unadjusted quoted prices for similar assets or liabilities in active markets;

Level two: valuations of relevant assets or liabilities directly (such as prices) or indirectly (such as estimations based on prices) observable from the markets except market prices

Level three: inputs for assets or liabilities based on variables other than observable market data, i.e. unobservable inputs.

	31/12/2011			RMB
	Level one	Level two	Level three	Total
Financial assets held for trading	—	1,177,700.00	—	1,177,700.00

	31/12/2010			RMB
	Level one	Level two	Level three	Total
Financial liabilities held for trading	—	1,953,456.00	—	1,953,456.00

(IX) OTHER SIGNIFICANT ITEMS (continued)

4. Financial instruments and risk management (continued)

4.2 Sensitivity analysis

The Group adopts sensitivity analysis techniques to analyze the possible effects of rational and probable changes in risk variables to profit and loss for the current period or to the interests of shareholders. Since risk variables seldom change on a stand-alone basis, while the correlation between variables may have significant influence to the ultimate amount of change effected by the change in a single risk variable, the below analysis is based on the assumption that the changes in each variable occurred separately.

4.2.1 Foreign exchange risk

4.2.1 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 period are set out below:

		RMB	
		2011	
Item	Changes in exchange rates	Effects on profits	Effects on shareholders' equity interests
USD	5% strengthening against RMB	20,985,542.97	20,985,542.97
USD	5% weakening against RMB	(20,985,542.97)	(20,985,542.97)
EUR	5% strengthening against RMB	3,231,734.92	3,231,734.92
EUR	5% weakening against RMB	(3,231,734.92)	(3,231,734.92)
GBP	5% strengthening against RMB	4,789,862.16	4,789,862.16
GBP	5% weakening against RMB	(4,789,862.16)	(4,789,862.16)
JPY	5% strengthening against RMB	(375,550.18)	(375,550.18)
JPY	5% weakening against RMB	375,550.18	375,550.18

		RMB	
		2010	
Item	Changes in exchange rates	Effects on profits	Effects on shareholders' equity interests
USD	5% strengthening against RMB	11,349,453.84	11,349,453.84
USD	5% weakening against RMB	(11,349,453.84)	(11,349,453.84)
EUR	5% strengthening against RMB	2,761,339.92	2,761,339.92
EUR	5% weakening against RMB	(2,761,339.92)	(2,761,339.92)

Note: The effects of the possible reasonable changes in the exchange rates of Hong Kong dollar and other foreign currencies to the profit and loss and equity interests after tax for the period are relatively small.

(IX) OTHER SIGNIFICANT ITEMS (continued)**4. Financial instruments and risk management** (continued)**4.2 Sensitivity analysis** (continued)

4.2.2 Sensitivity analysis of interest rate risk:

4.2.2.1 Sensitivity analysis of interest rate risk is based on the assumption that changes in market rate will affect the interest income or expense of financial instruments at floating rates;

4.2.2.2 Based on the above assumption, holding all other variables constant, the effects of possible reasonable changes in interest rates to the profit and loss and interest before tax for the period are set out below:

		RMB	
		2011	
Item	Changes in interest rates	Effects on profits	Effects on shareholders' equity interests
Bank deposits	Increased by 0.27%	19,183,483.17	19,183,483.17
Bank deposits	Decreased by 0.27%	(19,183,483.17)	(19,183,483.17)

		RMB	
		2010	
Item	Change in interest rates	Effects on profits	Effects on shareholders' equity interests
Bank deposits	Increased by 0.27%	8,299,104.30	8,299,104.30
Bank deposits	Decreased by 0.27%	(8,299,104.30)	(8,299,104.30)

(X) NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

1. Cash and bank balances

Item	<i>RMB</i>		
	Foreign currency	31/12/2011 Exchange rate	RMB equivalent
Cash:			
RMB	447,496.73	1.0000	447,496.73
USD	48,568.42	6.3009	306,024.76
HKD	16,137.38	0.8107	13,082.57
EUR	40,310.31	8.1625	329,032.91
JPY	405,840.00	0.0811	32,914.84
KRW	21,924.76	0.0055	120.06
GBP	3,285.70	9.7116	31,909.40
RUB	9,577.72	0.1966	1,883.17
THB	4,090.31	0.1991	814.38
AUD	1,712.59	6.4093	10,976.50
SGD	306.47	4.8679	1,491.85
Bank deposits:			
RMB	3,719,300,417.15	1.0000	3,719,300,417.15
USD	8,521,448.20	6.3009	53,692,793.40
EUR	150,096.75	8.1625	1,225,164.80
GBP	3,645.33	9.7116	35,401.99
Other cash and bank balances:			
RMB	507,574,360.70	1.0000	507,574,360.70
USD	3,883,800.00	6.3009	24,471,435.42
EUR	368,924.45	8.1625	3,011,345.82
Total			4,310,486,666.45

As at 31 December 2011, the Company had restricted cash and bank balances of RMB535,057,141.94, in which guarantee on bank acceptance notes amounted to RMB438,372,660.70 and guarantee on letter of credit amounted to RMB96,684,481.24.

Other cash and bank balances with maturity of or less than three months from the date of occurrence are deemed as cash equivalents by the Company.

(X) NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)**1. Cash and bank balances** (continued)

Item	Foreign currency	31/12/2010	
		Exchange rate	RMB equivalent
Cash:			
RMB	330,218.07	1.0000	330,218.07
USD	4,033.64	6.6227	26,713.59
HKD	17,831.03	0.8509	15,172.42
EUR	5,765.79	8.8065	50,776.43
JPY	4,760.77	0.0813	386.86
KRW	22,110.00	0.0058	128.24
GBP	34.70	10.2182	354.57
RUB	9,577.72	0.2111	2,021.86
THB	4,030.00	0.2203	887.81
AUD	14,947.75	6.4909	97,024.35
SGD	310.00	5.0559	1,567.33
Bank deposits:			
RMB	872,666,875.54	1.0000	872,666,875.54
USD	10,482,404.12	6.6227	69,421,817.76
EUR	2,193,615.17	8.8065	19,318,071.99
JPY	556,368.00	0.0813	45,210.46
Other cash and bank balances:			
RMB	857,293,338.97	1.0000	857,293,338.97
Total			1,819,270,566.25

As at 31 December 2010, the Company had restricted cash and bank balances of RMB857,293,338.97, in which guarantee on bank acceptance notes amounted to RMB851,156,838.21, guarantee on letter of credit amounted to RMB6,035,512.41 and other guarantees amounted to RMB100,988.35.

Other cash and bank balances with maturity of or less than three months from the date of occurrence are deemed as cash equivalents by the Group.

(X) NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

2. Bills receivable

(1) Classification of bills receivable

Category	RMB	
	31/12/2011	31/12/2010
Bank acceptance notes	6,640,961,869.01	6,975,761,990.07
Total	6,640,961,869.01	6,975,761,990.07

(2) Pledged bills receivable as at the end of each year:

Category	RMB	
	31/12/2011	31/12/2010
Bank acceptance notes	2,074,280,613.00	2,412,726,752.66
Total	2,074,280,613.00	2,412,726,752.66

Note: The Group pledged the bills receivable for the issuance of bills payable.

As at 31 December 2011, five pledged bills receivable with largest amounts were as follows:

Issuing unit	Date of issue	Due date	RMB Amount
Customer 1	2 August 2011	2 February 2012	10,000,000.00
Customer 2	6 September 2011	6 March 2012	8,000,000.00
Customer 3	30 September 2011	30 March 2012	8,000,000.00
Customer 4	9 October 2011	9 April 2012	8,000,000.00
Customer 5	1 November 2011	1 May 2012	8,000,000.00
Total			42,000,000.00

(X) NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)**2. Bills receivable** (continued)**(2) Pledged bills receivable as at the end of each year:** (continued)

As at 31 December 2010, five pledged bills receivable with largest amounts were as follows:

Issuing unit	Date of issue	Due date	RMB Amount
Customer 1	8 October 2010	8 April 2011	10,000,000.00
Customer 2	8 October 2010	8 April 2011	9,000,000.00
Customer 3	16 September 2010	16 March 2011	8,000,000.00
Customer 4	8 October 2010	8 April 2011	8,000,000.00
Customer 5	8 October 2010	6 April 2011	8,000,000.00
Total			43,000,000.00

(3) As at the end of the year, bills endorsed by the Group to other parties but undue were as follows:

Category	31/12/2011	RMB 31/12/2010
Bank acceptance notes	4,886,457,000.00	3,480,281,225.53
Total	4,886,457,000.00	3,480,281,225.53

As at 31 December 2011, five bills receivable endorsed to other parties but undue with largest amounts were as follows:

Issuing unit	Date of issue	Due date	RMB Amount
Customer 1	25 October 2011	25 April 2012	13,000,000.00
Customer 2	21 July 2011	21 January 2012	10,000,000.00
Customer 3	18 August 2011	18 February 2012	10,000,000.00
Customer 4	9 September 2011	9 March 2012	10,000,000.00
Customer 5	17 November 2011	17 May 2012	9,500,000.00
Total			52,500,000.00

(X) NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

2. Bills receivable (continued)

(3) As at the end of the year, bills endorsed by the Group to other parties but undue were as follows: (continued)

As at 31 December 2010, five bills receivable endorsed to other parties but undue with largest amounts were as follows:

Issuing unit	Date of issue	Due date	<i>RMB</i> Amount
Customer 1	9 December 2010	9 June 2011	9,000,000.00
Customer 2	9 December 2010	9 June 2011	8,500,000.00
Customer 3	13 October 2010	13 April 2011	8,000,000.00
Customer 4	26 November 2010	26 May 2011	8,000,000.00
Customer 5	16 December 2010	16 June 2011	8,000,000.00
Total			41,500,000.00

(4) At the end of the reporting period, there was no bills receivable due to shareholders holding 5% or more voting shares of the Company.

(X) NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

3. Accounts receivable

(1) Accounts receivable were disclosed by category as follows:

	31/12/2011				31/12/2010			
	Book value		Provision for bad debt		Book value		Provision for bad debt	
	Amount	Ratio (%)	Amount	Ratio (%)	Amount	Ratio (%)	Amount	Ratio (%)
Individually significant and subject to separate provision	517,430,426.56	38.81	-	-	226,256,433.11	92.96	-	-
Subject to provision by groups								
Accounts receivable of small amounts with high risks based on the characteristics of credit risk as a group	2,625,098.53	0.20	(1,807,795.76)	77.00	688,607.00	0.28	(688,607.00)	50.27
Other insignificant accounts receivable	813,045,946.47	60.99	(539,878.42)	23.00	16,457,410.10	6.76	(681,158.11)	49.73
Subtotal	815,671,045.00	61.19	(2,347,674.18)	100.00	17,146,017.10	7.04	(1,369,765.11)	100.00
Accounts receivable which are individually insignificant but subject to separate provision	-	-	-	-	-	-	-	-
Total	1,333,101,471.56	100.00	(2,347,674.18)	100.00	243,402,450.21	100.00	(1,369,765.11)	100.00

Descriptions of the categories of accounts receivable:

The Group recognizes accounts receivable of over RMB3 million and accounts receivable from unconsolidated related parties as individually significant.

The Group normally receives payments or bills in advance for the sale of automobiles.

(2) Aging analysis of accounts receivable and corresponding provisions for bad debts were as follows:

Aging	31/12/2011				31/12/2010			
	Amount	Ratio (%)	Provision for bad debts	Book value	Amount	Ratio (%)	Provision for bad debts	Book value
Within 1 year	1,330,476,373.03	99.80	(539,878.42)	1,329,936,494.61	242,713,843.21	99.72	(681,158.11)	242,032,685.10
1 to 2 years	2,550,348.53	0.19	(1,733,045.76)	817,302.77	74,750.00	0.03	(74,750.00)	-
2 to 3 years	74,750.00	0.01	(74,750.00)	-	23,180.00	0.01	(23,180.00)	-
Over 3 years	-	-	-	-	590,677.00	0.24	(590,677.00)	-
Total	1,333,101,471.56	100.00	(2,347,674.18)	1,330,753,797.38	243,402,450.21	100.00	(1,369,765.11)	242,032,685.10

(X) NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

3. Accounts receivable (continued)

(3) *There was accounts receivable which are individually insignificant but subject to separate provision as at the end of the reporting period.*

(4) *Accounts receivable actually written off during the reporting period*

Name of unit	Nature of accounts receivable	Amounts written off	Reason for write-off	RMB
				Whether arising from connected transaction
Xiamen Yishimai Trading Co., Ltd. (廈門益勢邁商貿有限公司)	Payment for goods	1,590.00	Unrecoverable	No
Cangzhou Hengde Machine Tool Accessory Manufacturing Co., Ltd. (滄州恒德機床附件製造有限公司)	Payment for goods	180.00	Unrecoverable	No
Total		1,770.00		

(5) *Five units with largest amounts of accounts receivable*

Name of unit	Relationship with the Group	Amount	Aging	RMB
				Percentage of the total accounts receivable (%)
Customer 1	Non-related party	100,484,146.73	Within one year	7.54
Customer 2	Non-related party	91,756,243.81	Within one year	6.88
Customer 3	Non-related party	89,959,901.90	Within one year	6.75
Customer 4	Non-related party	69,836,268.83	Within one year	5.24
Customer 5	Non-related party	66,944,988.20	Within one year	5.02
Total		418,981,549.47		31.43

(6) *At the end of the reporting period, there was no accounts receivable due to shareholders holding 5% or more voting shares of the Company.*

(X) NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)**3. Accounts receivable** (continued)**(7) Accounts receivable from related parties**

Please refer to item 23 of Note (X) for details of balance of accounts receivable from related parties by the Company as at the end of the period.

4. Other receivables**(1) Other receivables were disclosed by category as follows:**

Category	31/12/2011				31/12/2010				RMB
	Book value		Provision for bad debts		Book value		Provision for bad debts		
	Amount	Ratio (%)	Amount	Ratio (%)	Amount	Ratio (%)	Amount	Ratio (%)	
Individually significant and subject to separate provision	625,595,511.06	98.37	-	-	1,187,815,095.90	99.37	-	-	
Subject to provision by groups									
Other receivables of small amounts with high risks based on the characteristics of credit risk as a group	1,459,300.01	0.23	(120,899.00)	100.00	1,823,992.33	0.15	(1,663,992.33)	80.59	
Other insignificant other receivables	8,917,545.39	1.40	-	-	5,732,374.19	0.48	(400,891.54)	19.41	
Subtotal	10,376,845.40	1.63	(120,899.00)	100.00	7,556,366.52	0.63	(2,064,883.87)	100.00	
Other receivables which are individually insignificant but subject to separate provision	-	-	-	-	-	-	-	-	
Total	635,972,356.46	100.00	(120,899.00)	100.00	1,195,371,462.42	100.00	(2,064,883.87)	100.00	

Descriptions of the categories of other receivables:

The Group recognizes other receivables of over RMB1 million and other receivables from unconsolidated related parties as individually significant.

(X) NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

4. Other receivables (continued)

(2) *Aging analysis of other receivables and corresponding provision for bad debts were as follows:*

Aging	31/12/2011				31/12/2010			
	Amount	Ratio (%)	Provision		Amount	Ratio (%)	Provision	
			for bad debts	Book value			for bad debts	Book value
Within one year	151,904,245.14	23.88	–	151,904,245.14	1,193,547,470.09	99.85	(400,891.54)	1,193,146,578.55
One to two years	483,947,212.32	76.10	–	483,947,212.32	831,894.96	0.07	(671,894.96)	160,000.00
Two to three years	8,851.48	–	(8,851.48)	–	295,770.37	0.02	(295,770.37)	–
Over three years	112,047.52	0.02	(112,047.52)	–	696,327.00	0.06	(696,327.00)	–
Total	635,972,356.46	100.00	(120,899.00)	635,851,457.46	1,195,371,462.42	100.00	(2,064,883.87)	1,193,306,578.55

RMB

(3) *During the reporting period, there was no provision in full or of a large amount for bad debt made in previous periods but written back or reversed in full during the current year.*

(4) *No other receivables were actually written off during the reporting period.*

(5) *At the end of the reporting period, there was no other receivables due to shareholders' holding 5% or more voting shares of the Company.*

(6) *Five units with the largest amounts of other receivables*

Name of unit	Relationship with the Group	Amount	Nature	Aging	Percentage of the total other receivables (%)
Unit 1	Non-related party	532,913,926.75	Performance bond	Within one year and one to two years	83.79
Unit 2	Non-related party	69,000,000.00	Performance bond	Within one year	10.85
Unit 3	Non-related party	18,278,000.00	Energy-saving subsidies	Within one year	2.87
Unit 4	Non-related party	3,301,028.27	Tax refund for export	Within one year	0.52
Unit 5	Non-related party	1,102,556.04	Deposits	Within one year	0.17
Total		624,595,511.06			98.20

RMB

(X) NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)**4. Other receivables** (continued)**(7) Other receivables from related parties**

Please refer to item 23 of Note (X) for details of the balance of other receivables from related parties by the Company as at the end of the period.

5. Inventory**(1) Inventory categories**

RMB

Item	31/12/2011		Book value
	Book balance	Provision for obsolete stocks	
Raw materials	331,936,903.37	(1,087,137.54)	330,849,765.83
Work in progress	185,505,624.16	(23,997.48)	185,481,626.68
Finished goods	469,959,980.77	(1,120,560.66)	468,839,420.11
Low-valued consumables	16,412,687.42	—	16,412,687.42
Outsourced processing materials	—	—	—
Total	1,003,815,195.72	(2,231,695.68)	1,001,583,500.04

RMB

Item	31/12/2010		Book value
	Book balance	Provision for obsolete stocks	
Raw materials	224,916,146.90	(74,744.92)	224,841,401.98
Work in progress	150,666,342.19	(792,670.80)	149,873,671.39
Finished goods	327,852,486.13	(374,613.78)	327,477,872.35
Low-valued consumables	10,671,422.09	—	10,671,422.09
Outsourced processing materials	4,926,540.98	—	4,926,540.98
Total	719,032,938.29	(1,242,029.50)	717,790,908.79

(X) NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

5. Inventory (continued)

(2) Provision for obsolete stocks

RMB

Inventory categories	1/1/2011	Provision for the year	Decrease for the year		31/12/2011
			Reversals	Write-offs	
Raw materials	74,744.92	2,645,503.36	—	(1,633,108.41)	1,087,139.87
Work in progress	792,670.80	48,087.70	—	(816,762.35)	23,996.15
Finished goods	374,613.78	2,938,016.77	—	(2,192,070.89)	1,120,559.66
Low-valued consumables	—	—	—	—	—
Total	1,242,029.50	5,631,607.83	—	(4,641,941.65)	2,231,695.68

(3) Analysis of provision for obsolete stocks

Item	Basis of provision for obsolete stocks	Reason for reversal or write-off of provision for obsolete stocks 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	—
Low-valued consumables	Note 1	Note 2	—

Descriptions of inventories:

Note 1: As the estimated net realizable value of whole vehicle products for the reporting period was lower than the inventory cost as at the end of period, the impairment provision for inventory had been made for raw materials, work in progress, finished goods and low-valued consumables.

Note 2: As the inventories for which Impairment provision was made in the previous year had been sold during the year, the Impairment provision for inventory had been written off.

Notes to Financial Statements

For the year ended 31 December 2011

(X) NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

6. Long-term equity investment

(1) The breakdown of long-term equity investments was as follows:

RMB

Name of investee	Accounting method	Initial investment cost	1/1/2011	Movement	31/12/2011	Percentage of shareholding in the investee (%)	Percentage of voting right in the investee (%)	Impairment provision	Provision of impairment for the year	Cash bonuses for the year
Investment in subsidiaries										
Baoding Great Wall Huabei Automobile Company Limited (保定長城華北汽車有限責任公司)	Cost method	268,092,310.00	94,917,310.00	173,175,000.00	268,092,310.00	100.00	100.00	—	—	53,481,078.10
Baoding Great Wall Internal Combustion Engine Manufacturing Company Limited (保定長城內燃機製造有限公司)	Cost method	583,255,808.00	170,816,300.00	412,439,508.00	583,255,808.00	100.00	100.00	—	—	—
Baoding Changcheng Vehicle Axles Industries Company Limited (保定長城汽車橋業有限公司)	Cost method	51,540,000.00	51,540,000.00	—	51,540,000.00	75.00	75.00	—	—	141,534,605.87
Baoding Nuobo Rubber Manufacturing Company Limited (保定市諾博橡膠製品有限公司)	Cost method	72,240,000.00	40,800,000.00	31,440,000.00	72,240,000.00	100.00	100.00	—	—	359,904.51
Baoding Xincheng Automobile Development Company Limited (保定市信誠汽車發展有限公司)	Cost method	73,024,993.00	73,024,993.00	—	73,024,993.00	100.00	100.00	—	—	59,725,324.33
Beijing Great Automotive Components Company Limited (北京格瑞特汽車零部件有限公司)	Cost method	750,000.00	750,000.00	—	750,000.00	75.00	75.00	—	—	2,781,522.19
Baoding Great Machinery Company Limited (保定市格瑞機械有限公司)	Cost method	23,000,000.00	23,000,000.00	—	23,000,000.00	100.00	100.00	—	—	31,428,841.30
Baoding Great Wall Automobile After-sales Services Company Limited (保定市長城汽車售後服務有限公司)	Cost method	150,000.00	150,000.00	—	150,000.00	100.00	100.00	—	—	7,338,701.21
Macs (Baoding) Auto A/C System Company Limited (麥克斯(保定)汽車空調系統有限公司)	Cost method	10,372,890.00	10,372,890.00	—	10,372,890.00	51.00	51.00	—	—	15,300,000.00
Tide Technology and Trade Company Limited (泰德科貿有限公司)	Cost method	58,102,465.00	58,102,465.00	—	58,102,465.00	100.00	100.00	—	—	—
Russia Great Wall Closed Joint-Stock Company Limited (俄羅斯長城股份有限公司)	Cost method	404,335.00	404,335.00	—	404,335.00	100.00	100.00	—	—	—
Baoding Mind Auto Component Company Limited (保定曼德汽車配件有限公司)	Cost method	450,000.00	450,000.00	—	450,000.00	75.00	75.00	—	—	—
Great Wall Motor Middle East FZE (長城汽車中東公司)	Cost method	3,471,966.00	3,471,966.00	—	3,471,966.00	100.00	100.00	—	—	—
Baoding Jinggong Foundry Company Limited (保定長城精工鑄造有限公司)	Cost method	85,000,000.00	85,000,000.00	—	85,000,000.00	100.00	100.00	—	—	—
Baoding Yixin Auto Parts Company Limited (保定億新汽車配件有限公司)	Cost method	9,750,000.00	9,750,000.00	—	9,750,000.00	75.00	100.00	—	—	102,789,094.68
Baoding Great Wall Ants Logistics Company Limited (保定市長城螞蟻物流有限公司)	Cost method	86,000,000.00	60,000,000.00	26,000,000.00	86,000,000.00	100.00	100.00	—	—	26,408,259.28
Baoding Lean Automotive Occupation Training School (保定市精益汽車職業培訓學校)	Cost method	100,000.00	100,000.00	—	100,000.00	100.00	100.00	—	—	—
Baoding Smart Automobile Accessories Company Limited (保定斯瑪特汽車配件有限公司)	Cost method	158,306,614.49	158,306,614.49	—	158,306,614.49	75.00	75.00	—	—	—

(X) NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

6. Long-term equity investment (continued)

(1) The breakdown of long-term equity investments was as follows: (continued)

Name of investee	Accounting method	Initial investment cost				Percentage of shareholding in the investee (%)	Percentage of voting right in the investee (%)	Impairment provision	Provision of impairment for the year	Cash bonuses for the year
			1/1/2011	Movement	31/12/2011					
Tianjin Boxin Automobile Parts Co., Ltd. (天津博信汽車零部件有限公司)	Cost method	1,777,884,771.10	716,908,272.51	1,060,976,498.59	1,777,884,771.10	100.00	100.00	–	–	–
Ningxia Great Wall Automobile Leasing Company Limited (寧夏長城汽車租賃有限公司)	Cost method	20,000,000.00	20,000,000.00	–	20,000,000.00	100.00	100.00	–	–	–
Baoding Great Wall Aluminum Alloy Manufacturing Company Limited (保定長城鋁合金製造有限公司)	Cost method	95,000,000.00	45,000,000.00	50,000,000.00	95,000,000.00	100.00	100.00	–	–	–
Baoding Great Wall Resource Recycling Co., Ltd. (保定長城再生資源利用有限公司)	Cost method	50,000,000.00	50,000,000.00	–	50,000,000.00	100.00	100.00	–	–	–
Baoding Great Wall Boxiang Automotive Parts Manufacturing Company Limited (保定長城博翔汽車零部件製造有限公司)	Cost method	39,116,124.26	28,116,124.26	11,000,000.00	39,116,124.26	100.00	100.00	–	–	–
Baoding Esquisite Auto Mould Technology Co., Ltd. (保定市精工汽車模具技術有限公司)	Cost method	5,000,000.00	5,000,000.00	–	5,000,000.00	100.00	100.00	–	–	–
Baoding Xinyuan Automobile Inner Decoration Company Limited (保定信遠汽車內飾件有限公司)	Cost method	47,025,720.36	–	47,025,720.36	47,025,720.36	75.00	75.00	–	–	–
Baoding Great Wall Botai Electric Appliance Manufacturing Company Limited (保定長城博泰電器製造有限公司)	Cost method	26,421,565.05	–	26,421,565.05	26,421,565.05	100.00	100.00	–	–	–
Subtotal		3,544,459,562.26	1,705,981,270.26	1,838,478,292.00	3,544,459,562.26					441,147,331.47
Investment in associates										
Baoding Yanfeng Johnson Controls Automobile Seating Co., Ltd. (保定延鋒江森汽車座椅有限公司)	Equity method	4,540,000.00	21,894,732.59	147,595.44	22,042,328.03	25.00	25.00	–	–	–
Baoding Great Wall Botai Electric Appliance Manufacturing Company Limited (保定長城博泰電器製造有限公司) (Formerly known as Baoding Tianqiu Electrical Company Limited)	Equity method	3,719,343.24	4,564,019.59	(4,564,019.59)	–	–	–	–	–	–
Subtotal		8,259,343.24	26,458,752.18	(4,416,424.15)	22,042,328.03					
Investment in joint ventures										
Baoding Xinyuan Automobile Inner Decoration Company Limited (保定信遠汽車內飾件有限公司) (Formerly known as Baoding Deye Automobile Inner Decoration Company Limited)	Equity method	17,751,230.00	80,167,637.07	(80,167,637.07)	–	–	–	–	–	–
Baoding Jiehua Automobile Components and Accessories Company Limited (保定杰華汽車零部件有限公司)	Equity method	15,654,000.00	16,750,082.44	83,424.49	16,833,506.93	50.00	50.00	–	–	–
Subtotal		33,405,230.00	96,917,719.51	(80,084,212.58)	16,833,506.93					
Investment in other enterprises										
Zhongfalian Investment Company Limited (中發聯投資有限公司)	Equity method	4,200,000.00	4,200,000.00	–	4,200,000.00	2.07	2.07	–	–	–
Subtotal		4,200,000.00	4,200,000.00	–	4,200,000.00					
Total		3,590,324,135.50	1,833,557,741.95	1,753,977,655.27	3,587,535,397.22					441,147,331.47

Notes to Financial Statements

For the year ended 31 December 2011

(X) NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

7. Fixed Assets

Fixed assets

	RMB			
Item	1/1/2011	Additions for the year	Deductions for the year	31/12/2011
1. Total original carrying amount:	5,122,298,292.72	2,037,745,885.13	(20,789,881.24)	7,139,254,296.61
Of which: Buildings and structures	1,487,894,431.42	953,320,903.99	(34,980.00)	2,441,180,355.41
Machinery and equipment	2,743,711,393.76	908,856,738.93	(15,961,611.00)	3,636,606,521.69
Motor vehicles	17,036,600.12	12,081,827.81	(2,055,580.56)	27,062,847.37
Other equipment	873,655,867.42	163,486,414.40	(2,737,709.68)	1,034,404,572.14
2. Total accumulated depreciation:	1,003,640,654.92	491,907,120.79	(11,576,435.62)	1,483,971,340.09
Of which: Buildings	136,130,925.11	67,124,554.06	(21,293.83)	203,234,185.34
Machinery and equipment	578,541,979.79	277,239,076.48	(9,120,797.47)	846,660,258.80
Motor vehicles	4,977,026.90	2,148,972.71	(530,744.74)	6,595,254.87
Other equipment	283,990,723.12	145,394,517.54	(1,903,599.58)	427,481,641.08
3. Total net book value of fixed assets	4,118,657,637.80	1,545,838,764.34	(9,213,445.62)	5,655,282,956.52
Of which: Buildings	1,351,763,506.31	886,196,349.93	(13,686.17)	2,237,946,170.07
Machinery and equipment	2,165,169,413.97	631,617,662.45	(6,840,813.53)	2,789,946,262.89
Motor vehicles	12,059,573.22	9,932,855.10	(1,524,835.82)	20,467,592.50
Other equipment	589,665,144.30	18,091,896.86	(834,110.10)	606,922,931.06
4. Total impairment provision	—	—	—	—
Of which: Buildings	—	—	—	—
Machinery and equipment	—	—	—	—
Motor vehicles	—	—	—	—
Other equipment	—	—	—	—
5. Total net carrying amount of fixed assets	4,118,657,637.80	1,545,838,764.34	(9,213,445.62)	5,655,282,956.52
Of which: Buildings	1,351,763,506.31	886,196,349.93	(13,686.17)	2,237,946,170.07
Machinery and equipment	2,165,169,413.97	631,617,662.45	(6,840,813.53)	2,789,946,262.89
Vehicles	12,059,573.22	9,932,855.10	(1,524,835.82)	20,467,592.50
Other equipment	589,665,144.30	18,091,896.86	(834,110.10)	606,922,931.06

(X) NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

7. Fixed Assets (continued)

During the year, the original book value of fixed assets increased by RMB14,064,088.28, RMB1,991,328,226.12, and RMB32,353,570.73 due to additions, transfer from construction in progress and transfer from self-produced moulds, respectively.

During the year, the original value of fixed assets decreased by RMB20,789,881.24 due to disposals.

During the year, the accumulated depreciation increased by RMB491,907,120.79 due to provisions.

During the year, the accumulated depreciation decreased by RMB11,576,435.62 due to disposal.

As at 31 December 2011, among the fixed assets, the net book value of properties without title certificates amounted to RMB1,150,881,102.00, and the application of relevant title certificates is in progress.

(X) NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

8. Construction in progress

(1) The breakdown of construction in progress was as follows

Project	31/12/2011			31/12/2010		
	Book balance	Impairment provision	Net book value	Book balance	Impairment provision	Net book value
Annual production of 300,000 sets of EG engines	206,470,479.51	—	206,470,479.51	4,083,658.60	—	4,083,658.60
Annual production of 200,000 sets of six-speed manual transmissions	191,775,632.31	—	191,775,632.31	393,750.00	—	393,750.00
Annual production of 400,000 sets of aluminium alloy casting	102,025,618.18	—	102,025,618.18	8,740,020.76	—	8,740,020.76
Annual production of 400,000 sets of automotive lightings	9,128,298.58	—	9,128,298.58	—	—	—
Tianjin automobile project phase I	375,990,607.18	—	375,990,607.18	1,044,320,565.36	—	1,044,320,565.36
Tianjin automobile project phase II	453,479,155.90	—	453,479,155.90	76,497,599.98	—	76,497,599.98
Tianjin branch's parts and components project	100,702,757.51	—	100,702,757.51	83,509,057.38	—	83,509,057.38
Tianjin branch's residential area supporting project	89,862,404.30	—	89,862,404.30	1,784,672.20	—	1,784,672.20
Shunping project	46,546,230.22	—	46,546,230.22	23,027,381.08	—	23,027,381.08
Industrial park phase I — SUV production line project — equipment	—	—	—	104,761,105.51	—	104,761,105.51
Industrial park phase I — SUV production line project — infrastructure	—	—	—	7,367,083.76	—	7,367,083.76
Industrial park phase II — parts and components project — equipment	—	—	—	1,518,029.91	—	1,518,029.91
Industrial park phase II — parts and components project — infrastructure	—	—	—	1,056,123.90	—	1,056,123.90
Industrial park phase III — sedans production line project — equipment	—	—	—	52,569,546.17	—	52,569,546.17
Industrial park phase III — sedans production line project — infrastructure	—	—	—	8,922,055.58	—	8,922,055.58
Jiaozhuang infrastructure	833,744.11	—	833,744.11	5,068,194.16	—	5,068,194.16
Jiaozhuang equipment	144,184,442.65	—	144,184,442.65	30,282,870.92	—	30,282,870.92
New technology center	12,952,137.60	—	12,952,137.60	—	—	—
Xushui project	571,103,332.64	—	571,103,332.64	60,906,959.57	—	60,906,959.57
Others	293,846,514.63	—	293,846,514.63	88,839,881.89	—	88,839,881.89
Total	2,598,901,355.32	—	2,598,901,355.32	1,603,648,556.73	—	1,603,648,556.73

RMB

(X) NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

8. Construction in progress (continued)

(2) Movements of major construction in progress

Project	Budget amount	1/1/2011	Additions for the year	Transfer to fixed assets	Other deductions	Investment to budget (%)	Accumulated capitalized interest amount	Of which: capitalized interest amount for the year	Ratio of capitalized interest amount for the year (%)	Sources of fund	RMB
											31/12/2011
Annual production of 300,000 sets of EG engines	497,570,000.00	4,083,658.60	202,366,820.91	—	—	41	—	—	—	Proceeds of A Shares Issue	206,470,479.51
Annual production of 200,000 sets of six-speed manual transmissions	449,430,000.00	393,750.00	191,381,882.31	—	—	43	—	—	—	Proceeds of A Shares Issue	191,775,632.31
Annual production of 400,000 sets of aluminium alloy casting	379,347,000.00	8,740,020.76	93,285,597.42	—	—	28	—	—	—	Proceeds of A Shares Issue	102,025,618.18
Annual production of 400,000 sets of automotive lightings	158,091,000.00	—	9,128,298.58	—	—	6	—	—	—	Proceeds of A Shares Issue	9,128,298.58
Tianjin automobile project phase I	2,076,418,000.00	1,044,320,565.36	857,050,920.27	(1,525,380,878.45)	—	93	—	—	—	Internal capital	375,990,607.18
Tianjin automobile project phase II	1,847,690,000.00	76,497,599.98	403,634,855.92	(26,653,300.00)	—	25	—	—	—	Internal capital	453,479,155.90
Tianjin branch's parts and components project	270,219,000.00	83,509,057.38	17,935,800.13	(742,100.00)	—	37	—	—	—	Internal capital	100,702,757.51
Tianjin branch's residential area supporting project	506,572,000.00	1,784,672.20	88,077,732.10	—	—	33	—	—	—	Internal capital	89,862,404.30
Shunping project	259,577,000.00	23,027,381.08	43,012,101.20	(19,493,252.06)	—	94	—	—	—	Internal capital	46,546,230.22
Industrial park phase I											
— SUV production line project											
— equipment	1,500,000,000.00	104,761,105.51	—	(104,761,105.51)	—	100	—	—	—	Internal capital	—
Industrial park phase I											
— SUV production line project											
— infrastructure	680,000,000.00	7,367,083.76	—	(7,367,083.76)	—	100	—	—	—	Internal capital	—
Industrial park phase II											
— parts and components project											
— equipment	10,000,000.00	1,518,029.91	—	(1,518,029.91)	—	100	—	—	—	Internal capital	—
Industrial park phase II											
— parts and components project											
— infrastructure	100,000,000.00	1,056,123.90	—	(1,056,123.90)	—	100	—	—	—	Internal capital	—
Industrial park phase III											
— sedans production line project											
— equipment	1,500,000,000.00	52,569,546.17	—	(52,569,546.17)	—	100	—	—	—	Internal capital	—
Industrial park phase III											
— sedans production line project											
— infrastructure	500,000,000.00	8,922,055.58	—	(8,922,055.58)	—	100	—	—	—	Internal capital	—
Jiaozhuang infrastructure	253,863,000.00	5,068,194.16	8,523,781.97	(12,758,232.02)	—	74	—	—	—	Internal capital	833,744.11
Jiaozhuang equipment	1,210,071,000.00	30,282,870.92	191,457,038.72	(77,555,466.99)	—	73	—	—	—	Internal capital	144,184,442.65
New technology center	2,000,000,000.00	—	12,952,137.60	—	—	1	—	—	—	Internal capital	12,952,137.60
Xushui project	4,455,545,000.00	60,906,959.57	510,196,373.07	—	—	13	—	—	—	Internal capital	571,103,332.64
Others	300,000,000.00	88,839,881.89	364,586,156.31	(152,551,051.77)	(7,028,471.80)	98	—	—	—	Internal capital	293,846,514.63
Total	18,954,393,000.00	1,603,648,556.73	2,993,609,496.51	(1,991,328,226.12)	(7,028,471.80)						2,598,901,355.32

(X) NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)**9. Intangible assets**

Intangible assets

Item	1/1/2011	Additions for the year	Deductions for the year	RMB
				31/12/2011
1. Total original book value	572,806,059.27	902,504,717.72	(1,247,939.12)	1,474,062,837.87
Land use rights	539,391,415.55	891,306,449.16	(1,247,939.12)	1,429,449,925.59
Others	33,414,643.72	11,198,268.56	—	44,612,912.28
2. Total accumulated amortization	44,535,812.48	26,370,917.23	(124,742.23)	70,781,987.48
Land use rights	28,128,725.47	19,810,257.00	(124,742.23)	47,814,240.24
Others	16,407,087.01	6,560,660.23	—	22,967,747.24
3. Total net book value of intangible assets	528,270,246.79	876,133,800.49	(1,123,196.89)	1,403,280,850.39
Land use rights	511,262,690.08	871,496,192.16	(1,123,196.89)	1,381,635,685.35
Others	17,007,556.71	4,637,608.33	—	21,645,165.04

During the year, the original book value increased by RMB899,922,837.39 and RMB2,581,880.33 due to additions and transfer from construction in progress, respectively.

During the year, the original book value decreased by RMB1,247,939.12 due to external investments.

During the year, the accumulated amortization increased by RMB26,370,917.23 due to provisions.

During the year, the accumulated amortization decreased by RMB124,742.23 due to external investments.

As at 31 December 2011, among the intangible assets, the net book value of land use rights without land use right certificates amounted to RMB349,315,490.91, and the application of relevant land use right certificates is in progress.

Analysis on the location and aging of prepaid lease payments (land use rights) is as follows:

Item	RMB	
	31/12/2011	31/12/2010
Located in mainland China — 10 to 50 years	1,381,635,685.35	511,262,690.08

(X) NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

10. Bills payable

Category	RMB	
	31/12/2011	31/12/2010
Bank acceptance notes	2,679,375,046.99	2,974,791,453.30
Total	2,679,375,046.99	2,974,791,453.30

11. Accounts payable

Item	RMB	
	31/12/2011	31/12/2010
Within 1 year	5,717,651,819.06	4,848,841,938.22
1 to 2 years	10,987,028.25	12,717,429.66
2 to 3 years	69,768.94	10,227,718.31
Over 3 years	13,747,918.99	17,375,545.12
Total	5,742,456,535.24	4,889,162,631.31

Note 1: Accounts payable aged over 1 year were primarily the remaining balances for raw materials due to suppliers.

Note 2: At the end of the reporting period, there was no accounts payable due to shareholders holding 5% or more voting shares of the Company.

12. Advances from customers

Item	RMB	
	31/12/2011	31/12/2010
Within 1 year	1,933,209,117.34	1,262,403,260.29
1 to 2 years	8,218,525.66	7,979,175.46
2 to 3 years	6,537,923.38	3,572,118.22
Over 3 years	4,354,309.62	2,313,943.09
Total	1,952,319,876.00	1,276,268,497.06

Note 1: Advances from customers aged over 1 year were primarily the outstanding payment due from customers in previous years.

Note 2: At the end of the reporting period, there was no advances from customers due to shareholders holding 5% or more voting shares of the Company.

(X) NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)**13. Other non-current liabilities**

Category	1/1/2011	Additions for the year	Amortizations for the year	RMB
				31/12/2011
Urban construction fund (Note 1)	64,742,363.66	—	(2,319,828.35)	62,422,535.31
Tax refund for purchasing domestic manufactured equipment (Note 2)	117,059,423.83	1,278,406.57	(18,284,925.05)	100,052,905.35
Government industrial policy supporting fund (Note 3)	66,787,650.02	—	—	66,787,650.02
Soft soil foundation subsidiary (Note 4)	61,589,554.61	—	(1,285,347.23)	60,304,207.38
Infrastructure supporting fund (Note 5)	770,000,000.00	—	—	770,000,000.00
Subsidies for material technological innovation projects (Note 6)	3,866,666.67	4,600,000.00	(1,533,333.34)	6,933,333.33
Capital for technical center infrastructure construction (Note 7)	—	11,868,540.00	(237,370.80)	11,631,169.20
Total	1,084,045,658.79	17,746,946.57	(23,660,804.77)	1,078,131,800.59
Less: Non-current liabilities due within one year	(21,980,894.76)			(22,638,259.40)
Other non-current liabilities	1,062,064,764.03	17,746,946.57	(23,660,804.77)	1,055,493,541.19

Note 1: 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) (保定政[2002]170號) 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 2: This refers to value-added tax refunded to the Company for the purchase of domestic manufactured equipment by foreign-invested enterprises.

Note 3: 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 received industrial policy supporting fund from Tianjin Economic-Technological Development Area in 2009.

Note 4: 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 received soft soil foundation subsidiary from Tianjin Economic-Technological Development Area in 2009.

Note 5: 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 RMB770 million to the Company during the year as the supporting fund for the infrastructure (buildings and ancillary facilities) construction of 500,000-automobile and components and parts production base project in new Great Wall industrial area in Baoding.

(X) NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

13. Other non-current liabilities (continued)

Note 6: According to the "Notice regarding the Relevant National Technological Projects in 2011", Great Wall Motor Company Limited was included in the project list of National Torch Programme in 2011, and the GW4G15 petrol engine project of the Company was granted a project fund of RMB600,000 by the government. 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 the Central Infrastructure Expenditure Budget (Allocated Fund) of RMB4 million in 2011 for the innovation project of the technology center of the Company exclusively.

Note 7: According to the "Notice regarding the allocation of infrastructure construction fund to the new technology center of Great Wall Motor Company Limited by the Bureau of Finance in Baoding", the Bureau of Finance in Southern Baoding allocated RMB11.8685 million for the infrastructure construction of the new technology center of the Company exclusively.

14. Capital reserve

	RMB			
Item	Opening balance	Additions for the year	Deductions for the year	Closing balance
2011:				
Capital premiums	2,561,788,880.90	3,590,129,268.99	(1,642,908,000.00)	4,509,010,149.89
Other capital reserves	(2,933,126.78)	—	—	(2,933,126.78)
Of which: Transfer from capital reserves under previous standards	(2,933,126.78)	—	—	(2,933,126.78)
Translation differences of foreign capital	—	—	—	—
Reserve for revaluation gain of assets	—	—	—	—
Total	2,558,855,754.12	3,590,129,268.99	(1,642,908,000.00)	4,506,077,023.11
2010:				
Capital premiums	2,561,788,880.90	—	—	2,561,788,880.90
Other capital reserves	(2,933,126.78)	—	—	(2,933,126.78)
Of which: Transfer from capital reserve under previous standards	(2,933,126.78)	—	—	(2,933,126.78)
Translation differences of foreign capital	—	—	—	—
Reserve for revaluation gain of assets	—	—	—	—
Total	2,558,855,754.12	—	—	2,558,855,754.12

(X) NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)**15. Undistributed profits**

Item	Amount	RMB Proportion of appropriation or allocation
2011:		
Undistributed profits at the beginning of the year	4,357,575,407.67	
Add: Net profits attributable to the shareholders of parent company of the year	3,227,345,929.40	
Less: Appropriation of statutory surplus reserves	(322,734,592.94)	(1)
Distribution of cash dividends	(547,636,000.00)	(2)
Undistributed profits at the end of the year	6,714,550,744.13	
2010:		
Undistributed profits at the beginning of the year	2,320,932,867.19	
Add: Net profits attributable to the shareholders of parent company of the year	2,310,460,540.48	
Less: Appropriation of statutory surplus reserves	—	(1)
Distribution of cash dividends	(273,818,000.00)	
Undistributed profits at the end of the year	4,357,575,407.67	

(1) Appropriation of statutory surplus reserves

As required by the Articles of Association, statutory surplus reserve shall be withdrawn at 10% of net profit. If the accumulated amount of the Company's statutory surplus reserve is over 50% of its registered capital, no withdrawal would be allowed. Subject to certain provisions of the Company Law and the Articles of Association, part of the statutory surplus reserve may be transferred into the share capital of the Company provided that the balance of statutory surplus reserve shall not be less than 25% of its registered capital.

(2) Cash dividend as approved at the shareholders' meeting for the year

The 2010 Annual General Meeting of the Company held on 29 April 2011 considered and approved the resolution regarding the profit distribution proposal for the year 2010. In 2010, the Company declared a cash dividend of RMB0.20 per share (tax inclusive) to all shareholders, aggregating to RMB547,636,000.00 based on the total of 2,738,180,000 shares with a par value of RMB1 each (including 1,642,908,000 shares issued upon capitalization on 26 February 2011).

(X) NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

15. Undistributed profits (continued)

(3) Distribution of profits after balance sheet date

According to the recommendation of the Board, on the basis of a total of 3,042,423,000.00 shares with a par value of RMB1 each in 2011, the Company proposed to declare a cash dividend of RMB912,726,900.00 for the year ended 31 December 2011 to the shareholders of the Company, representing a cash dividend of RMB0.30 per share (tax inclusive). The abovementioned profit distribution proposal is subject to the approval of the Shareholders' General Meeting.

16. Operating revenue and operating costs

(1) Operating revenue

Item	2011	RMB 2010
Revenue from principal businesses		
Of which: Revenue from the sale of automobiles	27,722,130,928.91	21,601,922,060.78
Revenue from the sale of automotive parts and components	100,456,077.13	71,062,021.88
Revenue from other businesses	1,420,760,641.01	1,129,069,828.75
Total	29,243,347,647.05	22,802,053,911.41

(2) Operating costs

Item	2011	RMB 2010
Operating costs from principal businesses		
Of which: Costs incurred from the sale of automobiles	22,646,977,431.72	18,016,650,705.84
Costs incurred from the sale of automotive parts and components	80,114,407.71	40,096,596.95
Costs incurred from other businesses	1,220,112,204.03	983,727,694.17
Total	23,947,204,043.46	19,040,474,996.96

(X) NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

16. Operating revenue and operating costs (continued)

(3) Operating revenue from top five customers of the Company

Name of customer	Operating revenue	<i>RMB</i> Percentage of the total operating revenue of the Company (%)
Customer 1	1,385,566,299.92	4.74
Customer 2	732,200,799.58	2.50
Customer 3	584,259,559.04	2.00
Customer 4	442,473,531.53	1.51
Customer 5	283,706,837.01	0.97
Total	3,428,207,027.08	11.72

17. Business tax and surcharges

Item	2011	<i>RMB</i> 2010
Business tax	876,879.39	483,237.26
Consumption tax	801,865,383.87	756,208,856.31
Urban maintenances and construction tax	116,667,186.87	12,994,618.46
Educational surcharges	74,542,315.83	5,547,693.97
Others	2,278,991.42	1,051,200.50
Total	996,230,757.38	776,285,606.50

(X) NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

18. Administrative expenses

Item	2011	RMB 2010
Technology development expenditures	543,298,343.85	390,407,314.91
Wages and salaries	211,378,362.04	143,056,972.36
Taxes	37,090,118.77	28,678,090.00
Depreciation and amortization	30,054,609.80	18,619,368.66
Business reception fees	3,209,703.60	1,471,942.77
Office expenses	22,105,986.64	11,651,838.84
Repair and maintenance fees	14,293,368.19	8,487,239.55
Auditors' remuneration	4,355,688.00	2,693,800.00
Service charges	29,094,182.70	7,736,500.37
Others	15,665,034.18	8,196,843.58
Total	910,545,397.77	620,999,911.04

19. Investment income

(1) Breakdown of investment income

Item	2011	RMB 2010
Income from long-term equity investments under equity method	4,178,927.85	38,037,760.04
Income from available-for-sale financial asset investment	141,235.92	—
Income from the disposal of long-term equity investments	—	6,879,710.74
Income from long-term equity investments under cost method	438,226,666.09	199,965,902.11
Total	442,546,829.86	244,883,372.89

(X) NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

19. Investment income (continued)

(2) Income from long-term equity investments under equity method:

Investee	2011	<i>RMB</i> 2010
Baoding Xinyuan (Formerly known as Baoding Deye Automobile Inner Decoration Company Limited)	3,099,397.02	28,970,102.25
Baoding Jiehua Automobile Components and Accessories Company Limited	83,424.49	99,142.45
Baoding Yanfeng Johnson Controls Automobile Seating Co., Ltd.	147,595.44	8,584,216.49
Baoding Great Wall Boxiang Automotive Parts Manufacturing Company Limited	—	(460,377.50)
Great Wall Botai (Formerly known as Baoding Tianqiu Electrical Company Limited)	848,510.90	844,676.35
Total	4,178,927.85	38,037,760.04

There are no significant restrictions on remittance of investment income back to the Company.

20. Income tax expenses

Item	2011	<i>RMB</i> 2010
Current income tax calculated according to tax laws and relevant rules	441,948,693.74	47,035,421.82
Deferred income tax	7,447,413.04	31,977,653.22
Total	449,396,106.78	79,013,075.04

Reconciliation between income tax expenses and accounting profits is as follows:

Item	2011	<i>RMB</i> 2010
Accounting profit/loss	3,676,742,036.18	2,389,473,615.52
Income tax rate	25%	25%
Income tax expenses calculated at tax rate of 25%	919,185,509.05	597,368,403.88
Tax credit for purchasing domestic manufactured equipment	—	(265,787,818.75)
Tax holidays, exemptions and concessionary rate	(299,103,590.13)	(149,738,263.62)
Additional deduction for research and development costs	(61,661,881.86)	(44,163,642.10)
Tax effect of non-taxable income	(110,601,398.49)	(59,500,915.54)
Tax effect of non-deductible expenses	1,577,468.21	835,311.17
Total	449,396,106.78	79,013,075.04

(X) NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

21. Supplemental information of cash flow statements

(1) Supplemental information of cash flow statements

Supplemental information	2011	RMB 2010
1. Reconciliation of net profits and cash flow from operating activities:		
Net profit	3,227,345,929.40	2,310,460,540.48
Add: Impairment provisions for assets	4,667,302.03	13,289,816.55
Depreciation of fixed assets	491,907,120.79	408,653,371.69
Amortization of intangible assets	26,370,917.23	14,989,263.48
Amortization of long-term prepaid expenses	751,228.13	124,495.45
Depreciation of real estate held for investment	111,701.05	28,152.60
(Gains)/losses from change of fair value	(3,131,156.00)	1,953,456.00
(Gains)/losses on disposal of fixed assets, intangible assets and other long-term assets, net of gains	(4,816,350.21)	607,145.44
Amortization of deferred gains	(23,660,804.77)	(20,303,254.73)
Financing costs/(gains)	4,563,040.98	15,686,040.37
Investment losses/(gains)	(442,546,829.86)	(244,883,372.89)
(Increase)/decrease in deferred income tax assets, net of increase	7,447,413.04	31,977,653.22
(Increase)/decrease in inventories, net of increase	(361,635,154.43)	(300,197,863.29)
(Increase)/decrease in operating receivables, net of increase	(932,006,796.29)	(4,678,696,162.26)
Increase/(decrease) in operating payables, net of decrease	1,571,797,032.50	4,867,575,321.32
Net cash flows from operating activities	3,567,164,593.59	2,421,264,603.43
2. Net change in cash and cash equivalents:		
Cash balance at the end of the year	3,775,429,524.51	961,977,227.28
Less: Cash balance at the beginning of the year	961,977,227.28	1,484,096,763.31
Add: Cash equivalents balance at the end of the year	—	—
Less: Cash equivalents balance at the beginning of the year	—	—
Net increase in cash and cash equivalents	2,813,452,297.23	(522,119,536.03)

(2) Components of cash and cash equivalents

Item	2011	RMB 2010
1. Cash	3,775,429,524.51	961,977,227.28
Of which: Cash in hand	1,175,747.17	525,251.53
Bank deposits readily available for payment	3,774,253,777.34	961,451,975.75
Other cash and bank balances readily available for payment	—	—
2. Cash and cash equivalent balance as at the end of the year	3,775,429,524.51	961,977,227.28

(X) NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

22. Related party transactions

(1) Purchases of raw materials and components

RMB

Related party	Category of related party transaction	Related party transaction	Pricing and decision-making procedure	2011	
				Amount	Percentage of the Group's total purchases of raw materials (%)
Subsidiaries of the Company	Purchase	Purchases of raw materials	Mutually agreed price	10,012,550,408.88	56.98
Jointly controlled entities of the Company	Purchase	Purchases of raw materials	Mutually agreed price	130,352,556.74	0.74
Associates of the Company	Purchase	Purchases of raw materials	Mutually agreed price	68,651,840.47	0.39
Other related parties of the Company	Purchase	Purchases of raw materials	Mutually agreed price	91,227,681.49	0.52

RMB

Related party	Category of related party transaction	Related party transaction	Pricing and decision-making procedure	2010	
				Amount	Percentage of the Group's total purchases of raw materials (%)
Subsidiaries of the Company	Purchase	Purchases of raw materials	Mutually agreed price	7,614,721,257.14	74.80
Jointly controlled entities of the Company	Purchase	Purchases of raw materials	Mutually agreed price	250,228,074.15	2.46
Associates of the Company	Purchase	Purchases of raw materials	Mutually agreed price	274,174,291.91	2.69
Other related parties of the Company	Purchase	Purchases of raw materials	Mutually agreed price	8,258,589.32	0.08

(X) NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

22. Related party transactions (continued)

(2) Sales of automobiles and components and parts

RMB

Related party	Category of related party transaction	Related party transaction	Pricing and decision-making procedure	2011	
				Amount	Percentage of the Group's total sales of automobiles and components and parts (%)
Subsidiaries of the Company	Sales	Sales of automobiles or components and parts	Mutually agreed price	23,557,394,181.60	80.88
Jointly controlled entities of the Company	Sales	Sales of automobiles or components and parts	Mutually agreed price	3,118.66	—
Other related parties of the Company	Sales	Sales of automobiles or components and parts	Mutually agreed price	9,546,346.73	0.03

RMB

Related party	Category of related party transaction	Related party transaction	Pricing and decision-making procedure	2010	
				Amount	Percentage of the Group's total sales of automobiles and components and parts (%)
Subsidiaries of the Company	Sales	Sales of automobiles or components and parts	Mutually agreed price	19,134,675,642.97	84.10
Jointly controlled entities of the Company	Sales	Sales of automobiles or components and parts	Mutually agreed price	6,064,494.27	0.03
Associates of the Company	Sales	Sales of automobiles or components and parts	Mutually agreed price	454.26	—
Other related parties of the Company	Sales	Sales of automobiles or components and parts	Mutually agreed price	2,144,694.17	0.01

(X) NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)**22. Related party transactions** (continued)**(3) Purchases of fixed assets and construction in progress**

				<i>RMB</i>	
Related party	Category of related party transaction	Related party transaction	Pricing and decision-making procedure	2011	Percentage of the Group's purchases of fixed assets and construction in progress (%)
				Amount	
Subsidiaries of the Company	Purchases of fixed assets and construction in progress	Purchases of fixed assets and construction in progress	Mutually agreed price	15,288,787.62	0.51
Other related parties of the Company	Purchases of fixed assets and construction in progress	Purchases of fixed assets and construction in progress	Mutually agreed price	5,284,153.88	0.18

				<i>RMB</i>	
Related party	Category of related party transaction	Related party transaction	Pricing and decision-making procedure	2010	Percentage of the Group's purchases of fixed assets and construction in progress (%)
				Amount	
Subsidiaries of the Company	Purchases of fixed assets and construction in progress	Purchases of fixed assets and construction in progress	Mutually agreed price	2,218,989.04	0.16
Other related parties of the Company	Purchases of fixed assets and construction in progress	Purchases of fixed assets and construction in progress	Mutually agreed price	10,461,341.45	0.75

(X) NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

22. Related party transactions (continued)

(4) Sales of fixed assets

Related party	Category of related party transaction	Related party transaction	Pricing and decision-making procedure	RMB	
				2011 Amount	Percentage of the Group's total sales of fixed assets (%)
Subsidiaries of the Company	Sales of fixed assets	Sales of fixed assets	Mutually agreed price	5,628,171.22	61.09

Related party	Category of related party transaction	Related party transaction	Pricing and decision-making procedure	RMB	
				2010 Amount	Percentage of the Group's total sales of fixed assets (%)
Subsidiaries of the Company	Sales of fixed assets	Sales of fixed assets	Mutually agreed price	1,822,725.22	28.85

(X) NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

22. Related party transactions (continued)

(5) Acceptance of services

Related party	Category of related party transaction	Related party transaction	Pricing and decision-making procedure	RMB	
				2011 Amount	Percentage of the Group's acceptance of services (%)
Subsidiaries of the Company	Acceptance of services	Acceptance of services	Mutually agreed price	71,328,414.31	78.66
Other related parties of the Company	Acceptance of services	Acceptance of services	Mutually agreed price	428,859.04	0.47

Related party	Category of related party transaction	Related party transaction	Pricing and decision-making procedure	RMB	
				2010 Amount	Percentage of the Group's acceptance of services (%)
Subsidiaries of the Company	Acceptance of services	Acceptance of services	Mutually agreed price	39,839,538.25	63.67
Jointly controlled entities of the Company	Acceptance of services	Acceptance of services	Mutually agreed price	445,530.85	0.71
Other related parties of the Company	Acceptance of services	Acceptance of services	Mutually agreed price	933,369.38	1.49

(X) NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

22. Related party transactions (continued)

(6) Rendering of services

Related party	Category of related party transaction	Related party transaction	Pricing and decision-making procedure	RMB	
				2011 Amount	Percentage of the Group's provision of services (%)
Subsidiaries of the Company	Rendering of services	Rendering of services	Mutually agreed price	25,123,783.78	55.17
Jointly controlled entities of the Company	Rendering of services	Rendering of services	Mutually agreed price	50,034.72	0.11
Other related parties of the Company	Rendering of services	Rendering of services	Mutually agreed price	105,939.10	0.23

Related party	Category of related party transaction	Related party transaction	Pricing and decision-making procedure	RMB	
				2010 Amount	Percentage of the Group's provision of services (%)
Subsidiaries of the Company	Rendering of services	Rendering of services	Mutually agreed price	18,708,052.36	36.36
Jointly controlled entities of the Company	Rendering of services	Rendering of services	Mutually agreed price	407,334.35	0.79
Associates of the Company	Rendering of services	Rendering of services	Mutually agreed price	580,061.92	1.13
Other related parties of the Company	Rendering of services	Rendering of services	Mutually agreed price	4,987.78	0.01

(X) NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)**22. Related party transactions** (continued)**(7) Claims and others**

RMB

Related party	Category of related party transaction	Related party transaction	Pricing and decision-making procedure	2011	
				Amount	Percentage of the Group's total claims and others (%)
Subsidiaries of the Company	Claims and others	Claims and others	Mutually agreed price	4,029,572.42	31.81
Jointly controlled entities of the Company	Claims and others	Claims and others	Mutually agreed price	604,096.85	4.77
Associates of the Company	Claims and others	Claims and others	Mutually agreed price	757,672.57	5.98
Other related parties of the Company	Claims and others	Claims and others	Mutually agreed price	301,389.61	2.38

RMB

Related party	Category of related party transaction	Related party transaction	Pricing and decision-making procedure	2010	
				Amount	Percentage of the Group's total claims and others (%)
Subsidiaries of the Company	Claims and others	Claims and others	Mutually agreed price	5,869,066.23	1.49
Jointly controlled entities of the Company	Claims and others	Claims and others	Mutually agreed price	862,715.04	0.22
Associates of the Company	Claims and others	Claims and others	Mutually agreed price	1,107,089.27	0.28
Other related parties of the Company	Claims and others	Claims and others	Mutually agreed price	97,147.39	0.02

(X) NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

22. Related party transactions (continued)

(8) Purchases of intangible assets

Related party	Category of related party transaction	Related party transaction	Pricing and decision-making procedure	RMB	
				2011 Amount	Percentage of the Group's total purchases of intangible assets (%)
Subsidiaries of the Company	Purchases of intangible assets	Purchases of intangible assets	Mutually agreed price	158,720,000.00	100.00

(9) Disposal of the equity interests in subsidiaries

Related party	Category of related party transaction	Related party transaction	Pricing and decision-making procedure	RMB	
				2010 Amount	Percentage of the disposal of the equity interests in subsidiaries by the Group (%)
Other related parties of the Company	Disposal of the equity interests in subsidiaries	Disposal of the equity interests in subsidiaries	Mutually agreed price	386,885,400.00	100.00

(10) Emolument of key management

Item	RMB'000	
	2011	2010
Emolument of key management	13,113	4,507

(X) NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)**23. Receivables and payables of related parties**

Item	Related party	RMB	
		31/12/2011	31/12/2010
Trade receivables	Subsidiaries of the Company	834,015,877.07	3,272,265.26
Subtotal:		834,015,877.07	3,272,265.26
Other receivables	Subsidiaries of the Company	2,323,624.87	920,991.12
Other receivables	Other related parties of the Company	—	246,885,400.00
Subtotal:		2,323,624.87	247,806,391.12
Prepayment	Subsidiaries of the Company	176,385,960.39	115,856,598.10
Subtotal of prepayment:		176,385,960.39	115,856,598.10
Bills receivable	Subsidiaries of the Company	1,625,542,788.83	6,974,761,990.07
Subtotal:		1,625,542,788.83	6,974,761,990.07
Dividends receivable	Subsidiaries of the Company	73,042,279.17	29,120,665.38
Subtotal:		73,042,279.17	29,120,665.38
Trade payables	Subsidiaries of the Company	2,124,391,117.74	2,037,604,871.24
Trade payables	Jointly controlled entities of the Company	80,238,777.39	60,646,715.57
Trade payables	Associates of the Company	20,349,503.49	49,087,689.66
Trade payables	Other related parties of the Company	469,371.21	2,072,269.61
Subtotal:		2,225,448,769.83	2,149,411,546.08
Other payables	Other related parties of the Company	9,749,117.78	12,054,458.18
Subtotal:		9,749,117.78	12,054,458.18
Advances from customers	Subsidiaries of the Company	1,816,465,300.45	1,196,421,552.79
Advances from customers	Other related parties of the Company	34,000.00	—
Subtotal:		1,816,499,300.45	1,196,421,552.79
Bills payable	Subsidiaries of the Company	491,095,000.00	1,375,580,000.00
Bills payable	Jointly controlled entities of the Company	2,100,000.00	24,450,000.00
Bills payable	Associates of the Company	8,600,000.00	25,030,000.00
Bills payable	Other related parties of the Company	120,000.00	—
Subtotal:		501,915,000.00	1,425,060,000.00

(XI) APPROVAL OF THE FINANCIAL STATEMENTS

The company and consolidated financial statements of the Company had been approved by the Board of Directors of the Company on 16 March 2012.

(I) Supplementary Information

1. Breakdown of extraordinary gains and losses

Item	2011	<i>RMB</i> 2010
Profit or loss from disposal of non-current assets	887,124.70	(297,231.98)
Government grants accounted for in profit and loss account of the current period (except for government grants closely related to the corporate business that were given under a fixed standard amount or quantity as stipulated by the State)	62,322,811.50	63,591,515.71
Gains resulting from the deficit between the investment cost of subsidiaries, associates and jointly controlled entities and the investor's interests in the fair value of the investee's identifiable net assets	20,311,207.32	3,084,522.60
Investment losses from the disposal of long-term equity investments and investment gains from the disposal of held-for-trading financial assets and available-for-sale financial assets	3,105,425.80	12,576,178.39
Gains from the equity in acquiree already held before the date of acquisition and measured at fair value	9,297,384.94	1,645,116.83
Gains (losses) from changes in fair value	3,131,156.00	(1,953,456.00)
Non-operating gains and losses other than the above items	35,276,560.79	7,072,043.98
Effect of income tax	(19,304,516.50)	(15,594,102.17)
Effect of minority interests (after tax)	(1,209,140.93)	(1,973,793.70)
Total	113,818,013.62	68,150,793.66

The extraordinary 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) – Extraordinary Gains and Losses (2008)".

(I) Supplementary Information (continued)**2. Return on net assets and earnings per share**

This calculation of return on net assets and earnings per 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.

2011	Weighted average return on assets (%)	Earnings per share	
		Basic	Diluted
Net profit attributable to holders of ordinary shares of the Company	27.83	1.22	N/A
Net profit attributable to holders of ordinary shares of the Company, after deducting extraordinary gains and losses	27.03	1.18	N/A
<hr/>			
2010	Weighted average return on assets (%)	Earnings per share Basic	Diluted
Net profit attributable to holders of ordinary shares of the Company	30.76	0.99	N/A
Net profit attributable to holders of ordinary shares of the Company, after deducting extraordinary gains and losses	30.10	0.96	N/A

(I) Supplementary Information (continued)

3. Irregular movements in major items of the accounting statements of the Group and explanation on their reasons

Items of consolidated balance sheet as at 31 December 2011 with relatively material changes as compared with that as at 31 December 2010 are set forth below:

Item		31/12/ 2011	31/12/2010	Unit: RMB Range of Change (%)
Cash and bank balance	(1)	7,107,086,034.95	3,094,616,438.33	129.66
Trade receivables	(2)	679,370,292.96	326,995,787.63	107.76
Other receivables	(3)	650,401,167.30	1,202,085,647.41	(45.89)
Inventories	(4)	2,776,681,563.15	2,103,680,426.57	31.99
Other current assets	(5)	95,896,929.73	16,250,187.10	490.13
Long-term equity investment	(6)	70,038,060.49	146,763,174.16	(52.28)
Investment properties	(7)	6,413,916.01	2,079,025.59	208.51
Fixed assets	(8)	7,392,381,087.28	5,360,201,657.00	37.91
Construction in progress	(9)	3,050,225,885.34	1,952,520,382.39	56.22
Intangible assets	(10)	1,869,266,218.71	1,110,650,492.82	68.30
Long-term prepaid expenses	(11)	18,267,919.84	2,117,674.58	762.64
Salaries payable	(12)	501,866,128.29	341,030,164.24	47.16
Taxes payable	(13)	283,940,139.56	179,056,093.16	58.58
Dividends payable	(14)	59,536,914.89	37,742,237.73	57.75
Other payables	(15)	852,932,381.01	411,995,761.91	107.02
Other current liabilities	(16)	266,265,212.39	170,779,206.36	55.91
Share capital	(17)	3,042,423,000.00	1,095,272,000.00	177.78
Capital reserve	(17)	4,463,795,086.95	2,564,781,207.42	74.04

- (1) As at 31 December 2011, cash and bank balance amounted to RMB7,107.09 million, representing an increase of 130% as compared with 31 December 2010. The increase was mainly due to the issuance of ordinary shares denominated in RMB for capital financing during the year.
- (2) As at 31 December 2011, accounts receivable amounted to RMB679.37 million, representing an increase of 108% as compared with 31 December 2010. The increase was mainly due to the credit sales adopted for the export business of the Group and the increase of receivables resulting from the increase in export sales during the year.
- (3) As at 31 December 2011, other receivables amounted to RMB650.40 million, representing a decrease of 46% as compared with 31 December 2010. The decrease was mainly due to the settlement of the outstanding balance for equity interests due from Baoding Innovation Great Wall Asset Management Company Limited.
- (4) As at 31 December 2011, inventories amounted to RMB2,776.68 million, representing an increase of 32% as compared with 31 December 2010. The increase was mainly due to the increase of production of automobiles of the Group during the year.
- (5) As at 31 December 2011, other current assets amounted to RMB95.90 million, representing an increase of 490% as compared with 31 December 2010. The increase was mainly due to the increase of tax pending deduction for the coming years.
- (6) As at 31 December 2011, long-term equity investment amounted to RMB70.04 million, representing a decrease of 52% as compared with 31 December 2010. The increase was mainly due to the acquisition of certain equity interests of jointly controlled entities and associates during the year.

(I) Supplementary Information (continued)

3. Irregular movements in major items of the accounting statements of the Group and explanation on their reasons (continued)

- (7) As at 31 December 2011, investment properties amounted to RMB6.41 million, representing an increase of 209% as compared with 31 December 2010. The increase was mainly due to the leasing of 4S shops.
- (8) As at 31 December 2011, fixed assets amounted to RMB7,392.38 million, representing an increase of 38% as compared with 31 December 2010. The increase was mainly due to Phase I, Phase II and Phase III projects of the Company, Automobile Phase I Project of Tianjin Branch, and component project of Tianjin Boxin which have transferred to fixed assets during the year.
- (9) As at 31 December 2011, construction in progress amounted to RMB3,050.23 million, representing an increase of 56% as compared with 31 December 2010. The increase was mainly due to the proceeds from the issuance of A Shares and the commencement of other construction projects during the year.
- (10) As at 31 December 2011, intangible assets amounted to RMB1,869.27 million, representing an increase of 68% as compared with 31 December 2010. The increase was mainly due to the acquisition of lands during the year.
- (11) As at 31 December 2011, the long term prepaid expenses amounted to RMB18.27 million, representing an increase of 763% as compared with 31 December 2010. The increase was mainly due to the increase of prepaid lease payments.
- (12) As at 31 December 2011, salaries payable amounted to RMB501.87 million, representing an increase of 47% as compared with 31 December 2010. The increase was mainly due to the increase in number of staff and salary and bonus during the year.
- (13) As at 31 December 2011, taxes payable amounted to RMB283.94 million, representing an increase of 59% as compared with 31 December 2010. The increase was mainly due to the increase of enterprise income tax payable resulting from the increase of profits during the year.
- (14) As at 31 December 2011, dividends payable amounted to RMB59.54 million, representing an increase of 58% a compared with 31 December 2010. The increase was due to dividends of subsidiaries of the Company which have not yet distributed in 2011.
- (15) As at 31 December 2011, other payables amounted to RMB852.93 million, representing an increase of 107% as compared with 31 December 2010. The increase was mainly due to the increase of payables for construction equipment resulting from the increase of projects under construction.
- (16) As at 31 December 2011, other current liabilities amounted to RMB266.27 million, representing an increase of 56% as compared with 31 December 2010. The increase was mainly due to the increase of the provisions for after-sale service fees and advertisement fees resulting from the increase of sales volume.
- (17) As at 31 December 2011, share capital and capital reserve amounted to RMB3,042.42 million and RMB4,463.79 million respectively, representing increases of 178% and 74% as compared with 31 December 2010 respectively. The main reasons included: (1) the increase of share capital of RMB1,642.90 million and the decrease of capital reserve of RMB1,642.90 million due to the transfer of capital reserves into share capital during the year; and (2) the increase of share capital of RMB304.24 million and the increase of capital reserve of RMB3,590.13 million due to the issuance of ordinary shares denominated in RMB during the year.

(I) Supplementary Information (continued)

3. Irregular movements in major items of the accounting statements of the Group and explanation on their reasons (continued)

Items of consolidated income statement for 2011 with relatively material changes as compared with that for 2010 are set forth below:

Item		2011	2010	Unit: RMB Range of Change (%)
Operating income	(1)	30,089,476,665.00	22,986,072,045.16	30.90
Operating costs	(1)	22,593,797,877.09	17,298,380,820.08	30.61
Administrative expenses	(2)	1,283,873,003.63	873,663,826.10	46.95
Financial expenses	(3)	(22,934,689.66)	(7,819,677.50)	193.29
Impairment loss on assets	(4)	5,337,965.76	27,091,531.49	(80.30)
Investment income	(5)	24,357,261.65	56,271,599.73	(56.71)
Non-operating income	(6)	126,307,643.49	82,492,733.01	53.11
Income tax expenses	(7)	619,998,434.10	214,151,355.81	189.51

- (1) Operating income and operating costs in 2011 amounted to RMB30,089.48 million and RMB22,593.80 million respectively, both representing an increase of 31% as compared with 2010. The increase in operating income was mainly due to the increase in sales volume and production capacity in view of the favourable market performance of automobiles during the year. The increase of operating costs was in line with the operating income.
- (2) Administrative expenses in 2011 amounted to RMB1,283.87 million, representing an increase of 47% as compared with 2010. The increase was mainly due to the increase in wages and technology development expenses during the year.
- (3) Financial expenses in 2011 amounted to RMB22.93 million, representing an increase of 193% as compared with 2010. The increase was mainly due to the increase in interest income during the year.
- (4) Impairment loss on assets in 2011 amounted to RMB5.34 million, representing a decrease of 80% as compared with 2010. The decrease was mainly due to the reversal of bad debt provisions for certain receivables during the year.
- (5) Investment income in 2011 amounted to RMB24.36 million, representing a decrease of 57% as compared with 2010. The decrease was mainly due to the decrease in investment income from jointly controlled entities and associates during the year.
- (6) Non-operating income in 2011 amounted to RMB126.31 million, representing an increase of 53% as compared with 2010. The increase was mainly due to the transfer of certain liabilities that cannot be settled to non-operating income and the increase of the surplus between the share of fair value of identifiable net assets of subsidiaries purchased and the cost of acquisition during the year.
- (7) Income tax expenses in 2011 amounted to RMB620 million, representing an increase of 190% as compared with 2010. The main reasons included: (1) the increase of sales in 2011; and (2) the significant decrease of tax credits for domestic manufactured equipment during the year.

Supplementary Information

For the year ended 31 December 2011

(I) Supplementary Information (continued)

The supplemental information provided by the management was endorsed by the following representatives of Great Wall Motor Company Limited on 16 March 2012:

Legal Representative:

General Manager:

Chief Financial Officer:

Head of Financial Department:

16 March 2012



長城汽車股份有限公司

GREAT WALL MOTOR COMPANY LIMITED*