



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

2012

Interim Report



* For identification purposes 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

Suite 2703, 27th Floor, 100QRC,
100 Queen's Road Central,
Hong Kong

Legal Adviser to the Company

(As to Hong Kong law)

Joseph P.C. Lee & Associates in
association with Cadwalader,
Wickersham & Taft LLP

Legal Adviser to the Company

(As to PRC law)

King&Wood Mallesons

Auditor

Deloitte Touche Tohmatsu CPA Ltd.

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 Yuhua sub-branch

The Industrial and Commercial Bank of China,

Baoding Yonghua Road sub-branch

China Construction Bank, Baoding Yudong office

Telephone

86 (312)-2197813

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 dates:	15 December 2003 (Hong Kong) 28 September 2011 (Shanghai)
Number of issued shares:	As at 30 June 2012: 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

SUMMARY OF FINANCIAL POSITION

	As at 30 June 2012 (unaudited)	As at 30 June 2011 (unaudited)
Equity attributable to shareholders of the parent company (RMB million)	18,175	11,230
Total assets (RMB million)	36,926	27,833
Bank loans (RMB million)	282	185
Weighted average return on net assets (%) Note 1	13.25	16.87
Return on assets (%) Note 2	6.44	6.69
Gearing ratio (%) Note 3	0.76	0.66

RESULTS HIGHLIGHTS

	For the six months ended 30 June 2012 (unaudited)	For the six months ended 30 June 2011 (unaudited)	Change (%)
Revenue (RMB million)	18,288	14,200	28.79
Gross profit (RMB million)	4,811	3,711	29.65
Total profit (RMB million)	2,855	2,181	30.90
Net profit attributable to shareholders of the parent company (RMB million)	2,354	1,812	29.91
Earnings per share (RMB) Note 1	0.77	0.66	16.67

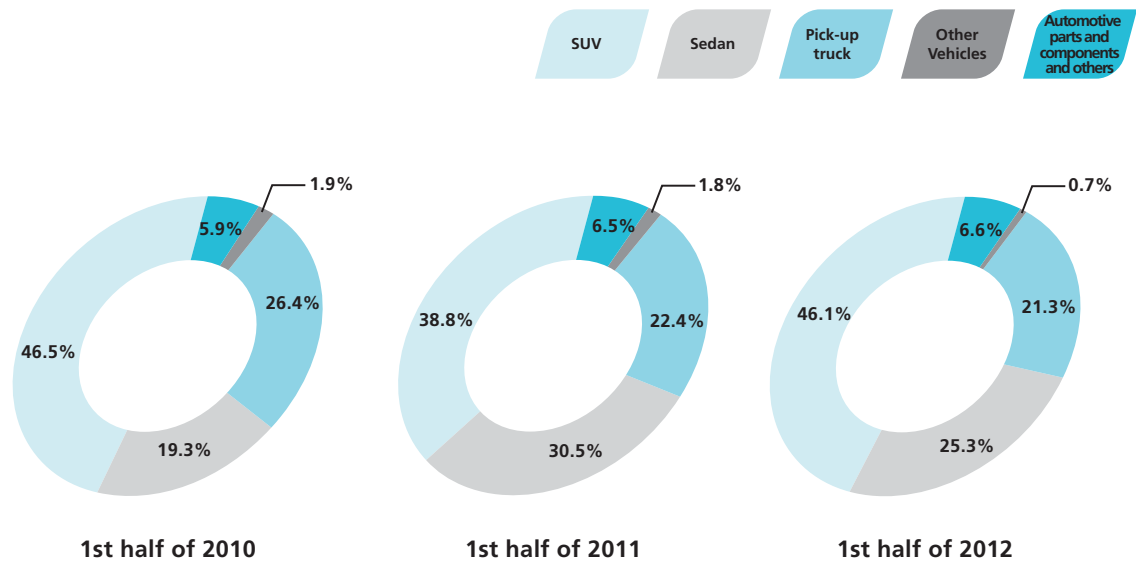
Note:

- 1 For calculation, please refer to "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.
- 2 Net profit divided by total assets
- 3 Total bank loans divided by total assets



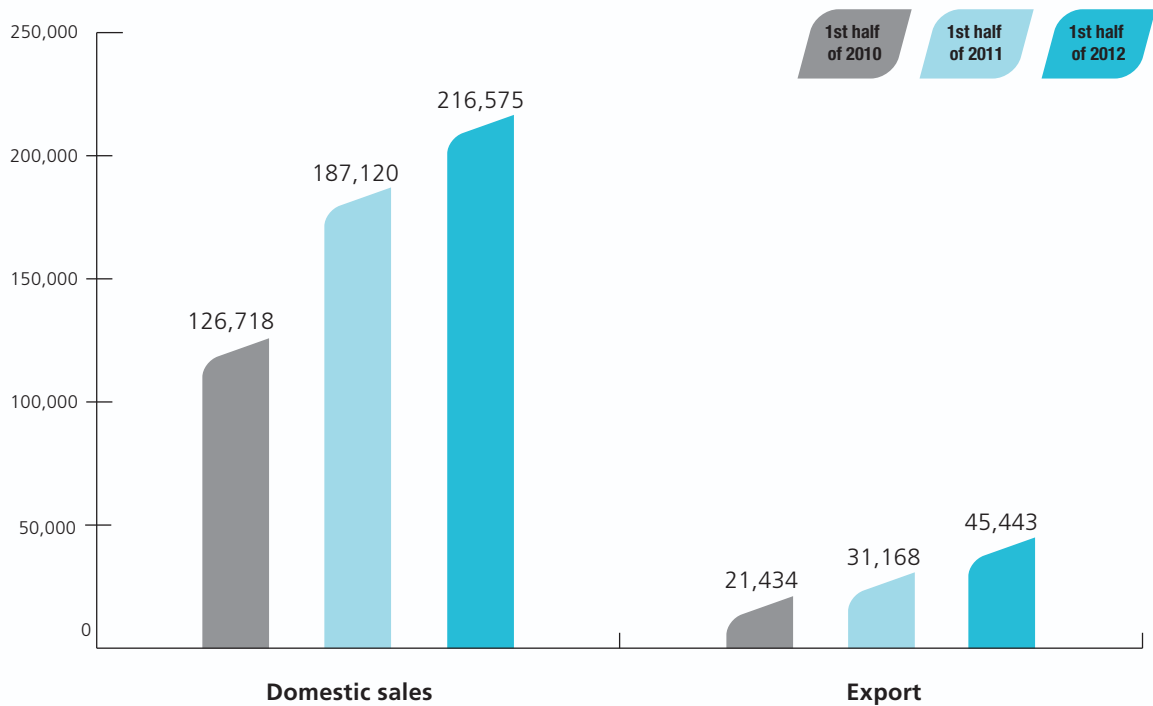
Financial Highlights

REVENUE BREAKDOWN BY MAJOR PRODUCTS



DOMESTIC SALES AND EXPORT VOLUME ANALYSIS

Sales Volume (Units)



Management Discussion and Analysis

OPERATING ENVIRONMENT

In the first half of 2012, persistent difficult domestic and global economic situation, coupled with sluggish consumption in Mainland China and intensified market competition, had led to a significant slowdown in the growth of domestic self-owned brand automobile industry in China. Nevertheless, the automobile market across the country maintained steady growth in the first half of 2012, attributable to stable automobiles sales driven by the government's relaxation of its monetary policy, the provision of subsidy for energy-saving vehicles and the launch of new car models by domestic car makers.

According to the statistics of China Association of Automobile Manufacturers, the production and sales volume of automobiles in China in the first half of 2012 reached 9,529,200 units and 9,598,100 units respectively, representing increases of 4.08% and 2.93% respectively when compared with those of the corresponding period in 2011. The production and sales volume of passenger vehicles amounted to 7,599,300 units and 7,613,500 units respectively, representing increases of 7.87% and 7.08% respectively from those of the corresponding period in 2011.

Furthermore, with the State's continued encouragement to domestic automobile enterprises to optimise their export portfolios, and enhanced manufacturing technology and quality of automobiles manufactured in China, China's automobile enterprises' export competitiveness have continued to strengthen. Accordingly, global demand for China's automobiles increased, leading to an improvement in the export of China's automobile enterprises in the first half of 2012. According to the statistics of China Association of Automobile Manufacturers, for the six months ended 30 June 2012 (the "Period"), the export volume of automobiles from China amounted to 487,900 units, representing an increase of 28% from that of the corresponding period in 2011.

FINANCIAL REVIEW

Revenue

During the Period, the total revenue of the Great Wall Motor Company Limited (the "Company" or "Great Wall Motor") and its subsidiaries (collectively, the "Group") was RMB18,287,571,441.06, representing an increase of 28.79% when compared to that of the corresponding period in 2011. The increase in revenue was mainly attributable to growth in the sales volume of automobiles.

Sale of automobiles

During the Period, revenue from sale of automobiles increased from RMB13,268,998,277.22 in the first half of 2011 to RMB17,078,913,330.97 in the first half of 2012, representing an increase of 28.71%. The increase was due to an increase in the sales volume of automobiles. During the Period, the Group sold 262,018 units of automobiles, representing an increase of 20.03% as compared to 218,288 units sold in the first half of 2011.

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



Management Discussion and Analysis

the Period, the Group reported a 29.86% increase in the revenue generated from the sale of automotive parts and components from RMB930,715,405.28 in the first half of 2011 to RMB1,208,658,110.09 in the first half of 2012. The increase was mainly attributable to the growth in the sales revenue of automobile-related businesses such as casting and tooling as a result of the Group's active overseas market expansion during the Period, as well as 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 Period, the Group's gross profit rose from RMB3,711,049,333.06 in the first half of 2011 to RMB4,811,466,035.29 in the first half of 2012, representing an increase of 29.65%. 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 26.13% in the first half of 2011 to 26.31% in the first half of 2012, which continued to remain at a relatively high level.

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

During the Period, the Group's net profit attributable to shareholders of the parent company was RMB2,353,515,940.60.

For the six months ended 30 June 2012, basic earnings per share of the Company were RMB0.77.

Selling and administrative expenses

For the first half of 2012, the selling expenses of the Group amounted to RMB633,718,965.41, representing an increase of 20.65% from RMB525,242,992.75 for the first half of 2011. The percentage of selling expenses to revenue decreased from 3.70% in the first half of 2011 to 3.47% for the first half of 2012. The administrative expenses of the Group reached RMB687,249,111.85, representing an increase of 26.76% from RMB542,170,740.59 for the first half of 2011. The increase in administrative expenses was mainly due to an increase in technology development expenses. The percentage of administrative expenses to revenue decreased from 3.82% in the first half of 2011 to 3.76% in the first half of 2012.

Finance costs

During the first half of 2012, the Group's finance costs were RMB-47,845,214.00 as compared to RMB-8,176,686.92 for the first half of 2011. The decrease in finance costs was mainly due to an increase in interest income.

Current assets and current liabilities

As at 30 June 2012, the Group's current assets mainly included cash and bank balance of RMB6,427,589,364.12, bills receivable of RMB10,696,192,693.48, accounts receivable of RMB622,406,470.36, prepayments of RMB366,294,426.65, other receivables of RMB405,304,302.98 and inventories of RMB3,392,923,225.86. The Group's current liabilities mainly included short-term borrowings of RMB282,043,812.25, bills payable of RMB4,713,678,481.94, accounts payable of RMB7,155,847,611.66, advances from customers of RMB3,191,595,728.81, salaries payable of RMB270,062,866.68, taxes payable of RMB322,185,281.38, dividends payable of RMB99,835,988.59, other payables of RMB800,682,059.98 and other current liabilities of RMB295,916,059.11.

Management Discussion and Analysis

Acquisition and disposal of assets

On 13 April 2012, Billion Sunny Development Limited (“Billion Sunny”), a wholly-owned subsidiary of the Company, entered into three respective equity transfer agreements with Dragonet International Co. Ltd. (“Dragonet”), pursuant to which Billion Sunny agreed to purchase from Dragonet 25% of the equity interest in each of Great Wall Baoding Vehicle Axles Company Limited (“Great Wall Axles”), Baoding Xinyuan Automobile Inner Decoration Co., Ltd. (“Xinyuan”) and Baoding Mind Auto Component Co., Ltd. (“Mind”). The respective consideration for Billion Sunny’s acquisition of Great Wall Axles, Xinyuan and Mind was RMB109,325,200.00, RMB17,245,700.00 and RMB2,025,800.00; and the aggregate amount of the consideration for the acquisition was RMB128,596,700.00. After completion of all the transactions contemplated under the three equity transfer agreements, Great Wall Axles, Xinyuan and Mind become wholly-owned subsidiaries of the Group. Billion Sunny financed the consideration and all other costs and fees through the Group’s internal resources. After the acquisition, the Group is able to secure a steady supply of quality automotive parts and components from within the Group and the Company can strengthen its control over the timeliness and overall production costs of the upstream supply, thereby enhancing the competitiveness of the Group.

On 27 April 2012, Great Wall Axles, Xinyuan and Mind renewed their respective Legal Person Business Licenses.

On 26 June 2012, Billion Sunny, a wholly-owned subsidiary of the Company, entered into an equity transfer agreement with Dragonet pursuant to which Billion Sunny agreed to purchase from Dragonet 25% of the equity interest in Baoding Yanfeng Johnson Controls Automobile Seating Co., Ltd. (“Yanfeng Johnson”) for a consideration of RMB7,673,100.00. Upon completion of the transaction contemplated under the equity transfer agreement, the Company holds 50% equity interest in Yanfeng Johnson. Billion Sunny financed the consideration and all other costs and fees through the Group’s internal resources. After the acquisition, the Group will be able to secure a steady supply of automobile seating components and the Company can strengthen its control over the timeliness and overall production costs of the upstream supply, thereby enhancing the competitiveness of the Group.

On 3 July 2012, Yanfeng Johnson obtained Baoding Municipal Commission of Commerce’s approval for the relevant changes, and renewed its Legal Person Business License.

Save as the above mentioned acquisitions, the Company and its subsidiaries and associates did not have other material acquisition or disposal of assets during the Period.

Capital structure

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

Exposure to foreign exchange risk

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

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



Management Discussion and Analysis

Employment, training and development

As at 30 June 2012, the Group employed a total of 48,502 employees. Employees were remunerated by the Group based on their performance, experience and prevailing industry practices. The Group's remuneration policies and packages were reviewed on a regular basis. As an incentive for the employees, bonuses and cash awards may also be given to employees based on individual performance evaluation. Total staff cost accounted for 6.73% of the Group's total revenue for the six months ended 30 June 2012.

Taxation

Income tax of the Group for the first half of 2012 was RMB478,584,495.98, representing an increase of 50.59% when compared to the first half of 2011. The increase in income tax was mainly due to an increase in total profit, which resulted in an increase in the amount of tax payable.

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, has no separable operating segment.

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

	For the six months ended 30 June	
	2012 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited)
China	15,235,338	12,270,640
Russia	800,351	570,273
Australia	485,502	218,932
Chile	279,687	208,747
South Africa	230,199	153,961
Iraq	222,316	93,502
Other countries	1,034,178	683,659
Total	18,287,571	14,199,714

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.

Management Discussion and Analysis

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 Period, the Group's total sales volume of automobiles was 262,018 units, representing an increase of 20.03% as compared to that of the corresponding period in 2011. 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 Period, the Group launched the brand-new SUV model — "Haval M4". This together with the outstanding performance of "Haval H6", which was launched in the second half of 2011, enabled the Group's SUV models to maintain a leading position in the PRC market. During the Period, the sales volume of SUVs rose by 45.67% to 104,584 units when compared with that of the corresponding period of 2011.

(2) Sedan

During the Period, the sales volume of the Group's sedans reached 87,443 units, representing an increase of 2.24% when compared with that of the corresponding period in 2011. The sales volume of "Great Wall C30" model reached 61,765 units during the Period. 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 Association of Automobile Manufacturers, Great Wall Motor's pick-up trucks continued to rank first in the PRC market in terms of sales volume of pick-up trucks for 14 consecutive years. With a market share of almost 30%, the Company maintains its solid leading market position in this respect. During the Period, the sales volume of pick-up trucks was 68,307 units, representing an increase of 19.51% when compared with that of the corresponding period in 2011. 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 Period, the Group sold a total of 1,684 units of other vehicles (including special vehicles).

(5) Automotive parts and components and others

During the Period, the revenue generated from the sale of automotive parts and components and others amounted to RMB1,208,658,110.09, representing an increase of 29.86% as compared with that of the corresponding period in 2011 and accounting for 6.61% of the Group's total revenue.



Management Discussion and Analysis

Domestic market

During the Period, the Group steadily increased its sales through continued market expansion and improvement in the price performance of its products.

During the Period, the Group's domestic sales volume and revenue generated from the sale of automobiles amounted to 216,575 units and RMB14,231,783,591.01, representing increases of 15.74% and 24.51%, respectively from those of the corresponding period in 2011. During the Period, 86,829 units, 79,868 units and 48,266 units of SUVs, sedans and pick-up trucks were sold domestically in the PRC respectively.

Overseas markets

With the rising status and export competitiveness of China's automobiles in the global market, automobile exports surged significantly as compared with that of the corresponding period in 2011.

The Group's export sales volume of automobiles for the Period reached 45,443 units, representing an increase of 45.8% from that of the corresponding period in 2011. Of the total export volume, 17,755 units, 7,575 units and 20,041 units of SUVs, sedans and pick-up trucks were sold respectively. The total export value of automobiles amounted to RMB2,847,129,739.96, representing an increase of 54.86% from that of the corresponding period in 2011 and accounting for 15.57% of the total revenue of the Group.

During the first half of 2012, the Group's export volume increased steadily. Its export business displayed outstanding performance among a number of domestic automobile manufacturers as well as PRC-listed automobile manufacturers. The Group plans to escalate its product technology innovation in the current year, while carrying on new product development and product quality improvement, in order to further increase the Company's sales volume in overseas markets.

At the same time, in order to ensure sustainable development of its export business and continued growth in overseas sales volume and profit in the ever-changing overseas market environment, the Group has taken the following measures: improving the performance of its products, optimising its product mix using advanced technology, and implementing stringent production cost control.

Up till now, the Group has established more than 10 knock-down (KD) assembly plants with its overseas business partners. The Group kept increasing the export volume of semi-knocked down (SKD) and complete knock-down (CKD) kits, and further consolidated its position in the overseas markets through a comprehensive after-sales service network. Establishing overseas KD assembly plants enables the Group to have a better understanding of the local automobile market trend and preference of local consumers. This will allow the Group to strengthen its ability to structure the products whereby enhancing the localization and research and development of its products.

Management Discussion and Analysis

Launch of new products

The Group focuses on three major categories, namely SUVs, sedans and pick-up trucks. With energy-saving and environmental-friendly as its business philosophy, the Group continues to develop affordable car models that are energy-saving and environmental-friendly. During the Period, the Group launched Haval M4, a small SUV with a sporty and stylish look, designed to meet young people's preferences. This model displayed outstanding performance soon after its debut. The improved versions of other existing vehicle models are expected to be launched in the second half of 2012, which will further boost the Company's overall automobile sales volume.

The Group plans to introduce a new Haval H7 model in the second half of 2013, which is expected to enhance the Company's overall brand recognition.

Technology innovation

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

During the Period, the Group installed Haval M4 with Great Wall's 1.5L 100% aluminium Variable Valve Timing ("VVT") engine. Using Multi-point Electronic Fuel Injection system and VVT technology, the engine features advanced technology, low emission and high efficiency, achieving the perfect blend of power performance and fuel economy.

During the Period, a number of the Group's vehicles were equipped with its self-developed 1.5T engines. Integrated with cutting-edge technology, this engine improves combustion efficiency, thereby reducing fuel consumption and carbon emission. As a result, this engine can save energy and lower emission.

Furthermore, in line with the State's support for new energy vehicle development, the Group's technological research institute had established a specialised R&D team focusing on new energy vehicle technology, thereby enabling the Group to conduct its in-house research and development of new energy vehicles.

OUTLOOK

The recovery of the domestic passenger vehicle market in the first half of 2012 despite global economic uncertainties provided a strong support for the production and sales volume of automobiles in the second half of 2012. China Association of Automobile Manufacturers was optimistic that the warning signs for a decline in the automobile market were gone; subsequent to sales hitting its bottom in the second quarter, it is expected that the automobile industry will gradually achieve steady growth.

Moreover, a recent executive meeting of the State Council decided to allocate RMB6 billion for the promotion of energy-saving vehicles with a 1.6L or smaller engine. The energy-saving subsidy policy of RMB3,000/car for low-emission vehicles will continue. Great Wall Motor will accelerate the research and development of new energy automobiles which will be carried out according to stringent product development procedures.



Management Discussion and Analysis

During the Period, certain cities in Mainland China imposed car-purchase restrictions in order to improve city traffic, which to certain extent affected the development of the automobile industry. However, China's automobile market will sustain steady growth due to the following reasons: 1) traffic congestion can be alleviated through improvement in the city's traffic management; and 2) there is still a large gap between China and developed countries and regions in terms of vehicle ownership rate (per 1,000 people).

Great Wall Motor will continue to deepen technology cooperation with internationally renowned automotive parts and components manufacturing enterprises to ensure greater improvement in the quality of all of its car models. The Group is committed to become an automobile manufacturer with global recognition.

Furthermore, the Group's production base for automobiles and automotive parts and components in the Tianjin Economic-Technological Development Area commenced large-scale production.

DIRECTION OF NEW PRODUCT RESEARCH AND DEVELOPMENT

Under a market-oriented strategy, the Company will continue to reinforce its brand image by constant quality improvement. With respect to SUV, the Company will continue to strengthen its research and development to develop different lines of SUV models. The Group will also intensify its efforts in the research and development of low-emission SUVs, in order to introduce energy-saving and environmental-friendly models so as to be in line with the State's policy.

During the Period, the Group is committed to the research and development of new products. By conducting market survey to identify customer's requirements for its products, the Group is able to speed up new product launch to cope with market demand.

Under the guidance of the PRC's policy to promote energy-saving products, the Group will continue to develop affordable sedans that are energy-saving and environmental-friendly.

With respect to pick-up trucks, the Group will maintain its market share through constant new product development and product performance enhancement.

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 has paid its income tax at the rate of 15% from 2010 to 2012.

Supplementary Information

INTERESTS OF DIRECTORS AND SUPERVISORS IN SECURITIES

As at 30 June 2012, the interests and short positions of each of the directors, supervisors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning as defined in Part XV of the Securities and Futures Ordinance (the "SFO")), which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Hong Kong 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 required to be kept as referred to in Section 352 of the SFO (including the interests and short positions in which they were taken or deemed to have under such provisions of the SFO) or were otherwise required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), were 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 a controlled company	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.

* represents A shares

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

Save as disclosed above, so far as the directors of the Company are aware, as at 30 June 2012, none of the directors, supervisors or chief executives of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests 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 required to be kept as referred to in Section 352 of the SFO or were otherwise required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code under the Listing Rules. For this purpose, the relevant provisions of the SFO shall be construed as if they were applicable to the supervisors.



Supplementary Information

SHARES HELD BY SUBSTANTIAL SHAREHOLDERS

As at 30 June 2012, the following shareholders (excluding the directors, supervisors or chief executives of the Company) had interests or short positions in any shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Name	No. of Shares	Approximate Percentage of A 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
JPMorgan Chase & Co.	134,740,853(L)	—	13.04(L)	4.43
	0(S)	—	0.00(S)	0.00
	89,515,433(P)	—	8.66(P)	2.94
Morgan Stanley	83,454,925(L)	—	8.08(L)	2.74
	83,808,450(S)	—	8.11(L)	2.75
FIL Limited	83,186,640(L)	—	8.05(L)	2.73
Investec Asset Management Limited	51,936,000(L)	—	5.03(L)	1.71
Templeton Asset Management Ltd.	51,748,250(L)	—	5.01(L)	1.70
Han Xue Juan (Note 2)	1,705,000,000(L)*	84.86	—	56.04
The Management Centre of Collective Assets of Nandayuan Town, Nanshi District, Baoding (Note 3)	1,705,000,000(L)*	84.86	—	56.04

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

(P) denotes shares available for lending

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

* represents A shares

Note:

- Innovation GW (formerly known as Baoding Woerte Management Consultant Company Limited (保定市沃爾特管理諮詢有限公司)) was established on 1 December 2005. Its place of incorporation is Baoding, Hebei Province, the PRC and its registered address is 1588 Chang Cheng South Road, Baoding. It is engaged in investments in manufacturing, real estate and horticulture industries as well as corporate planning and management consultancy, the operations of which can only be conducted after obtaining prior approvals as stipulated under the applicable laws and administrative regulations and as prescribed by the State Council. As Innovation GW is a company controlled by Mr. Wei Jian Jun, Mr. Wei Jian Jun is deemed to be interested in all the shares of the Company held by Innovation GW pursuant to the SFO.
- Ms. Han Xue Juan owns 0.63% interest in Innovation GW and is the spouse of Mr. Wei Jian Jun. She is deemed to be interested in all the shares of the Company in which Mr. Wei Jian Jun is interested in for the purposes of the SFO.
- The Management Centre of Collective Assets of Nandayuan Town, Nanshi District, Baoding owns 37.02% interest in Innovation GW and is deemed to be interested in all the shares of the Company held by Innovation GW for the purposes of the SFO.

Supplementary Information

Save as disclosed above, as at 30 June 2012, so far as the directors, supervisors or chief executives of the Company are aware, no other persons (excluding the directors, supervisors or chief executives of the Company) had interests or short positions in the shares and underlying shares of the Company which were required to be recorded in the register required to be kept pursuant to Section 336 of the SFO.

PUBLIC FLOAT

Based on the public information available to the Company prior to the publication of this interim report and within the knowledge of the directors of the Company, the directors of the Company confirmed that as at 30 June 2012 there was sufficient public float as approximately 43.96% of the issued share capital of the Company was held by the public.

MATERIAL LITIGATION

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

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 Period.

CORPORATE GOVERNANCE

To the knowledge of the board of directors (the "Board"), the Company has complied with all the code provisions in the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules throughout the Period.

AUDIT COMMITTEE

The Company has set up an audit committee (the "Audit Committee") for the purposes of reviewing and supervising the financial reporting process and internal controls of the Group. The Audit Committee comprises four independent non-executive directors of the Company. At the meeting held on 23 August 2012, the Audit Committee reviewed the interim report and interim financial statements of the Group and given their opinions and recommendations to the Board. The Audit Committee is of the opinion that the 2012 interim report and interim financial statements of the Company comply with the applicable accounting standards and the Company has made appropriate disclosure thereof.

REMUNERATION COMMITTEE

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



Supplementary Information

NOMINATION COMMITTEE

The Nomination Committee of the Group 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 Group 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 on the Company's long term development strategies and material investment decisions.

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

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

INTERIM DIVIDEND

The directors do not recommend the payment of any interim dividend for the six months ended 30 June 2012 (six months ended 30 June 2011: Nil).

Review Report

Deloitte.
德勤

De Shi Bao (Yue) Zi (12) No. R0024

TO THE SHAREHOLDERS OF GREAT WALL MOTOR COMPANY LIMITED:

We have reviewed the accompanying financial statements of Great Wall Motor Company Limited (“Great Wall Motor Company”), which comprise the Company’s and consolidated balance sheets as at 30 June 2012, and the Company’s and consolidated income statements, the Company’s and consolidated statements of changes in shareholders’ equity and the Company’s and consolidated cash flow statements for the six months then ended, and the notes to the financial statements. Management of the Company is responsible for the preparation of these financial statements. Our responsibility is to express a conclusion on these financial statements based on our review.

We conducted our review in accordance with “China Certified Public Accountant Review Standard No. 2101 — Review of Financial Statement”. This standard requires that we plan and perform the review to obtain limited assurance about whether these financial statements are free from material misstatement. A review is limited to procedures as enquiry of entity’s relevant persons and analytical review of financial data, providing lower level of assurance than an audit. Since we have not conducted audit, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that these financial statements do not present fairly, in all material aspects, the Company’s and consolidated financial position as of 30 June 2012, and the Company’s and consolidated results of operations and cash flows for the six months then ended in accordance with Accounting Standards for Business Enterprises.

Deloitte Touche Tohmatsu CPA Ltd.
Shanghai China

Chinese Certified Public Accountants
Tong Chuan Jiang
Zhang Xiao Liang
24 August 2012



Consolidated Balance Sheet

At 30 June 2012

RMB

Item	Note	2012.6.30 (unaudited)	2011.12.31 (audited)
Current Assets:			
Cash and bank balances	(VI)1	6,427,589,364.12	7,107,086,034.95
Held-for-trading financial assets	(VI)19	—	1,177,700.00
Bills receivable	(VI)2	10,696,192,693.48	8,702,977,854.66
Accounts receivable	(VI)3	622,406,470.36	679,370,292.96
Prepayments	(VI)4	366,294,426.65	360,600,901.18
Dividends receivable		15,280,463.03	—
Other receivables	(VI)5	405,304,302.98	650,401,167.30
Inventories	(VI)6	3,392,923,225.86	2,776,681,563.15
Other current assets	(VI)7	150,750,002.38	95,896,929.73
Total Current Assets		22,076,740,948.86	20,374,192,443.93
Non-current Assets:			
Long-term receivables	(VI)8	45,793,895.17	—
Long-term equity investments	(VI)9/(VI)10	58,306,042.72	70,038,060.49
Investment properties	(VI)11	6,332,944.44	6,413,916.01
Fixed assets	(VI)12	7,600,804,504.75	7,392,381,087.28
Construction in progress	(VI)13	4,369,316,169.88	3,050,225,885.34
Intangible assets	(VI)14	2,355,459,939.15	1,869,266,218.71
Goodwill	(VI)15	2,163,713.00	2,163,713.00
Long-term prepaid expenses		17,133,955.70	18,267,919.84
Deferred tax assets	(VI)16	393,941,966.50	351,908,470.87
Total Non-current Assets		14,849,253,131.31	12,760,665,271.54
TOTAL ASSETS		36,925,994,080.17	33,134,857,715.47
Current Liabilities:			
Short-term borrowings	(VI)18	282,043,812.25	—
Held-for-trading financial liabilities	(VI)19	7,213,175.32	—
Bills payable	(VI)20	4,713,678,481.94	3,977,526,932.93
Accounts payable	(VI)21	7,155,847,611.66	6,033,540,800.73
Advances from customers	(VI)22	3,191,595,728.81	2,711,470,723.34
Salaries payable	(VI)23	270,062,866.68	501,866,128.29
Taxes payable	(VI)24	322,185,281.38	283,940,139.56
Dividends payable	(VI)25	99,835,988.59	59,536,914.89
Other payables	(VI)26	800,682,059.98	852,932,381.01
Non-current liabilities due within one year	(VI)27	29,607,589.28	26,458,955.67
Other current liabilities	(VI)28	295,916,059.11	266,265,212.39
Total Current Liabilities		17,168,668,655.00	14,713,538,188.81

Consolidated Balance Sheet

At 30 June 2012

RMB

Item	Note	2012.6.30 (unaudited)	2011.12.31 (audited)
Non-current Liabilities:			
Other non-current liabilities	(VI)29	1,447,258,681.94	1,399,815,782.93
Deferred tax liabilities	(VI)16	11,955,616.30	—
Total Non-current Liabilities		1,459,214,298.24	1,399,815,782.93
TOTAL LIABILITIES		18,627,882,953.24	16,113,353,971.74
SHAREHOLDERS' EQUITY:			
Share capital	(VI)30	3,042,423,000.00	3,042,423,000.00
Capital reserve	(VI)31	4,461,109,309.25	4,463,795,086.95
Surplus reserve	(VI)32	1,583,245,673.36	1,583,245,673.36
Undistributed profits	(VI)33	9,094,763,236.63	7,653,974,196.03
Foreign currency translation differences		(6,218,704.86)	(6,329,603.59)
Total Equity Attributable to Shareholders of the Parent Company		18,175,322,514.38	16,737,108,352.75
Minority Interests		122,788,612.55	284,395,390.98
TOTAL SHAREHOLDERS' EQUITY		18,298,111,126.93	17,021,503,743.73
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		36,925,994,080.17	33,134,857,715.47

The notes form an integral part of the financial statements

The financial statements as set out from pages 19 to 179 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

At 30 June 2012

		RMB	
Item	Note	2012.6.30 (unaudited)	2011.12.31 (audited)
Current Assets:			
Cash and bank balances	(X)1	3,966,661,581.57	4,310,486,666.45
Held-for-trading financial assets		—	1,177,700.00
Bills receivable	(X)2	8,358,392,076.11	6,640,961,869.01
Accounts receivable	(X)3	1,524,682,101.01	1,330,753,797.38
Prepayments		500,087,710.55	439,915,721.85
Dividends receivable		282,571,086.64	73,042,279.17
Other receivables	(X)4	414,434,114.96	635,851,457.46
Inventories	(X)5	1,225,800,534.09	1,001,583,500.04
Other current assets		123,000,565.01	75,863,221.94
Total Current Assets		16,395,629,769.94	14,509,636,213.30
Non-current Assets:			
Long-term receivables	(X)6	45,793,895.17	—
Long-term equity investments	(X)7	3,680,426,028.05	3,587,535,397.22
Investment properties		6,332,944.44	6,413,916.01
Fixed assets	(X)8	5,693,590,893.56	5,655,282,956.52
Construction in progress	(X)9	3,838,714,968.47	2,598,901,355.32
Intangible assets	(X)10	1,868,339,755.12	1,403,280,850.39
Long-term prepaid expenses		10,716,210.24	11,619,033.17
Deferred tax assets		94,350,428.09	80,131,879.87
Total Non-current Assets		15,238,265,123.14	13,343,165,388.50
TOTAL ASSETS		31,633,894,893.08	27,852,801,601.80
Current Liabilities:			
Short-term borrowings		282,043,812.25	—
Held-for-trading financial liabilities		7,213,175.32	—
Bills payable	(X)11	3,163,287,643.34	2,679,375,046.99
Accounts payable	(X)12	6,889,109,015.26	5,742,456,535.24
Advances from customers	(X)13	2,287,849,377.38	1,952,319,876.00
Salaries payable		115,449,383.40	258,950,983.91
Taxes payable		235,703,168.98	214,944,117.01
Other payables		533,554,634.78	601,764,853.33
Non-current liabilities due within one year	(X)14	25,786,893.01	22,638,259.40
Other current liabilities		120,926,261.44	109,785,839.62
Total Current Liabilities		13,660,923,365.16	11,582,235,511.50

Balance Sheet of the Parent Company

At 30 June 2012

		<i>RMB</i>	
Item	Note	2012.6.30 (unaudited)	2011.12.31 (audited)
Non-current Liabilities:			
Other non-current liabilities	(X)14	1,105,169,528.26	1,055,493,541.19
Total Non-current Liabilities		1,105,169,528.26	1,055,493,541.19
TOTAL LIABILITIES		14,766,092,893.42	12,637,729,052.69
SHAREHOLDERS' EQUITY:			
Share capital		3,042,423,000.00	3,042,423,000.00
Capital reserve	(X)15	4,506,077,023.11	4,506,077,023.11
Surplus reserve		952,021,781.87	952,021,781.87
Undistributed profits	(X)16	8,367,280,194.68	6,714,550,744.13
TOTAL SHAREHOLDERS' EQUITY		16,867,801,999.66	15,215,072,549.11
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		31,633,894,893.08	27,852,801,601.80



Consolidated Income Statement

For the six months ended 30 June 2012

Item	Note	RMB	
		Six months ended 2012.6.30 (unaudited)	Six months ended 2011.6.30 (unaudited)
I. Total operating income	(VI)34	18,287,571,441.06	14,199,713,682.50
II. Total operating costs		15,475,020,650.92	12,085,484,846.30
Including: Operating costs	(VI)34	13,476,105,405.77	10,488,664,349.44
Business tax and surcharges	(VI)35	663,551,215.21	529,652,112.58
Selling expenses	(VI)36	633,718,965.41	525,242,992.75
Administrative expenses	(VI)37	687,249,111.85	542,170,740.59
Financial expenses	(IX)1	(47,845,214.00)	(8,176,686.92)
Impairment loss on assets	(VI)38	62,241,166.68	7,931,337.86
Add: Gains from changes in fair values	(VI)39	(8,390,875.32)	2,007,256.00
Investment income	(VI)40	6,932,650.07	17,271,108.70
Including: share of profit of associates and joint ventures		548,445.26	8,925,790.99
III. Operating profit		2,811,092,564.89	2,133,507,200.90
Add: Non-operating income	(VI)41	51,727,417.28	49,710,415.21
Less: Non-operating expenses	(VI)42	7,433,972.04	2,343,192.37
Including: Losses from disposal of non-current assets		1,564,950.05	588,537.31
IV. Total profit		2,855,386,010.13	2,180,874,423.74
Less: Income tax expenses	(VI)43	478,584,495.98	317,812,041.44
V. Net profit		2,376,801,514.15	1,863,062,382.30
Net profit attributable to shareholders of the parent company		2,353,515,940.60	1,811,803,710.01
Profit or loss attributable to Minority interests		23,285,573.55	51,258,672.29
VI. Earnings per share:			
(I) Basic earnings per share	(VI)44	0.77	0.66
(II) Diluted earnings per share	(VI)44	N/A	N/A
VII. Other comprehensive income	(VI)45	110,898.73	(1,297,451.91)
VIII. Total comprehensive income:		2,376,912,412.88	1,861,764,930.39
Total comprehensive income attributable to shareholders of the parent company		2,353,626,839.33	1,810,506,258.10
Total comprehensive income attributable to minority interests		23,285,573.55	51,258,672.29

Income Statement of the Parent Company

For the six months ended 30 June 2012

RMB

Item	Note	Six months ended 2012.6.30 (unaudited)	Six months ended 2011.6.30 (unaudited)
I. Total operating income	(X)17	18,029,349,775.21	14,300,339,514.80
Less: Operating costs	(X)17	14,640,844,419.10	11,578,753,148.20
Business tax and surcharges	(X)18	631,817,255.85	504,388,063.87
Selling expenses		105,075,873.60	82,075,450.94
Administrative expenses	(X)19	502,159,262.04	373,713,496.96
Financial expenses		(23,210,771.08)	119,165.96
Impairment loss on assets		30,457,724.78	3,708,639.38
Add: Gains from changes in fair values		(8,390,875.32)	2,007,256.00
Investment income	(X)20	711,208,927.68	442,403,740.61
Including: share of profit of associates and joint ventures		391,859.86	4,177,074.52
II. Operating profit		2,845,024,063.28	2,201,992,546.10
Add: Non-operating income		38,714,318.32	29,378,639.81
Less: Non-operating expenses		4,952,435.46	306,331.66
Including: Losses from disposal of non-current assets		1,071,364.67	116,895.53
III. Total profit		2,878,785,946.14	2,231,064,854.25
Less: Income tax expenses	(X)21	313,329,595.59	253,777,121.44
IV. Net profit		2,565,456,350.55	1,977,287,732.81
V. Earnings per share:			
(I) Basic earnings per share		0.84	0.72
(II) Diluted earnings per share		N/A	N/A
VI. Other comprehensive income		—	—
VII.Total comprehensive income:		2,565,456,350.55	1,977,287,732.81



Consolidated Cash Flow Statement

For the six months ended 30 June 2012

Item	Note	RMB	
		Six months ended 2012.6.30 (unaudited)	Six months ended 2011.6.30 (unaudited)
I. Cash Flows from Operating Activities:			
Cash received from selling goods and rendering services		19,521,396,381.59	17,258,620,974.52
Tax rebate received		7,426,380.39	—
Other cash receipts relating to operating activities	(VI)46(1)	60,270,470.46	61,126,306.17
Sub-total of cash inflows from operating activities		19,589,093,232.44	17,319,747,280.69
Cash paid for purchasing goods and receiving services		13,400,882,273.91	11,561,075,100.50
Cash payments to and on behalf of employees		1,463,154,956.49	1,012,258,614.26
Taxes and surcharges paid		1,494,166,831.26	1,218,424,153.81
Other cash paid relating to operating activities	(VI)46(2)	798,677,738.64	621,198,178.88
Sub-total of cash outflows from operating activities		17,156,881,800.30	14,412,956,047.45
Net cash flows from operating activities	(VI)47(1)	2,432,211,432.14	2,906,791,233.24
II. Cash Flows from Investing Activities:			
Cash received from disposal of investments		2,019,660,000.00	533,000,000.00
Cash received from return on investments		6,384,204.81	746,426.19
Net cash receipts from disposal of fixed assets, intangible assets and other long-term assets		5,919,881.68	2,893,695.84
Net cash received from disposal of subsidiaries and other business units		—	246,885,400.00
Other cash receipts relating to investing activities	(VI)46(3)	65,700,000.00	5,192,864.41
Sub-total of cash inflow from investing activities		2,097,664,086.49	788,718,386.44
Net cash paid for acquisition of subsidiaries and other business entities		2,407,192,190.44	1,691,673,107.72
Investment in held for sale financial assets		2,020,931,800.00	558,000,000.00
Cash paid for equity investment		3,000,000.00	173,175,000.00
Sub-total of cash outflow from investing activities		4,431,123,990.44	2,422,848,107.72
Net Cash Flow from Investing Activities		(2,333,459,903.95)	(1,634,129,721.28)
III. Cash Flows from Financing Activities:			
Cash receipts from borrowings		281,711,678.52	186,262,204.60
Sub-total of cash inflow from financing activities		281,711,678.52	186,262,204.60
Cash paid for dividends, profits distribution or interest repayment		933,640,850.16	640,066,844.82
Including: Dividend and profit paid by subsidiaries to minority shareholders		18,682,355.99	108,129,247.10
Other cash paid relating to financing activities	(VI)46(4)	266,471,631.36	738,072,838.30
Sub-total of cash outflow from financing activities		1,200,112,481.52	1,378,139,683.12
Net Cash Flow from Financing Activities		(918,400,803.00)	(1,191,877,478.52)

Consolidated Cash Flow Statement

For the six months ended 30 June 2012

		<i>RMB</i>	
Item	Note	Six months ended 2012.6.30 (unaudited)	Six months ended 2011.6.30 (unaudited)
IV. Effect on cash and cash equivalents due to change in foreign currency exchange rate		2,277,672.62	(8,113,972.46)
V. Net Increase in Cash and Cash Equivalents		(817,371,602.19)	72,670,060.98
Add: Balance of cash and cash equivalents at the beginning of the period		6,306,279,224.47	2,073,626,962.53
VI. Balance of cash and cash equivalents at the end of the period	(VI)47(2)	5,488,907,622.28	2,146,297,023.51



Cash Flow Statement of the Parent Company

For the six months ended 30 June 2012

Item	Note	RMB	
		Six months ended 2012.6.30 (unaudited)	Six months ended 2011.6.30 (unaudited)
I. Cash Flows from Operating Activities:			
Cash received from selling goods and rendering services		20,045,432,134.03	16,667,671,006.82
Tax rebate received		7,040,969.70	—
Other cash received relating to operating activities		235,954,638.62	51,318,275.03
Sub-total of cash inflow from operating activities		20,288,427,742.35	16,718,989,281.85
Cash paid for purchasing goods and receiving services		16,162,879,855.13	12,612,710,928.28
Cash paid to and on behalf of employees		881,149,599.72	606,680,334.38
Taxes and surcharges paid		1,059,780,585.17	830,108,066.62
Other cash paid relating to operating activities		254,139,030.64	181,224,814.83
Sub-total of cash outflow from operating activities		18,357,949,070.66	14,230,724,144.11
Net cash flows from operating activities	(X)22(1)	1,930,478,671.69	2,488,265,137.74
II. Cash Flows from Investing Activities:			
Cash received from disposal of investments		950,360,000.00	—
Cash received from return on investments		518,644,236.74	399,847,331.47
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		1,396,452.64	672,754.82
Net cash received from disposal of subsidiaries and other business units		4,038,195.72	246,885,400.00
Other cash receipts relating to investing activities		65,700,000.00	3,305,500.59
Sub-total of cash inflow from investing activities		1,540,138,885.10	650,710,986.88
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		2,120,285,585.55	1,684,377,868.07
Cash paid for investment in held for sale financial assets		951,631,800.00	184,175,000.00
Net cash paid for acquisition of subsidiaries and other business entities		—	9,419,000.00
Cash paid for equity investment		111,251,200.00	—
Sub-total of cash outflow from investing activities		3,183,168,585.55	1,877,971,868.07
Net Cash Flow from Investing Activities		(1,643,029,700.45)	(1,227,260,881.19)
III. Cash Flows from Financing Activities:			
Cash received from borrowings		281,711,678.52	186,262,204.60
Sub-total of cash inflow from financing activities		281,711,678.52	186,262,204.60
Cash paid for dividends, profits distribution or interest repayment		914,958,494.17	547,636,000.00
Other cash payments relating to financing activities		107,925,109.75	676,096,774.92
Sub-total of cash outflow from financing activities		1,022,883,603.92	1,223,732,774.92
Net Cash Flow from Financing Activities		(741,171,925.40)	(1,037,470,570.32)

Cash Flow Statement of the Parent Company

For the six months ended 30 June 2012

		<i>RMB</i>	
Item	Note	Six months ended 2012.6.30 (unaudited)	Six months ended 2011.6.30 (unaudited)
IV. Effect on cash and cash equivalents due to change in foreign currency exchange rate		1,972,759.53	(6,554,005.47)
V. Net Increase in Cash and Cash Equivalents		(451,750,194.63)	216,979,680.76
Add: Balance of cash and cash equivalents at the beginning of the period		3,775,429,524.51	961,977,227.28
VI. Balance of cash and cash equivalents at the end of the period	(X)22(2)	3,323,679,329.88	1,178,956,908.04



Consolidated Statement of Changes in Shareholders' Equity

For the six months ended 30 June 2012

RMB

Item	Six months ended 30 June 2012 (unaudited)							
	Attributable to shareholders of the parent Company						Translation differences arising on translation of financial statements denominated in foreign currencies	Total shareholders' equity
	Share capital	Capital reserve	Surplus reserve	Retained profits	Minority interests			
I. Balance at the beginning of the 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	
II. Changes in the six months	—	(2,685,777.70)	—	1,440,789,040.60	110,898.73	(161,606,778.43)	1,276,607,383.20	
(I) Net profit	—	—	—	2,353,515,940.60	—	23,285,573.55	2,376,801,514.15	
(II) Other comprehensive income	—	—	—	—	110,898.73	—	110,898.73	
Subtotal of (I) and (II)	—	—	—	2,353,515,940.60	110,898.73	23,285,573.55	2,376,912,412.88	
(III) Shareholders' capital injection and capital reduction	—	(2,685,777.70)	—	—	—	(125,910,922.29)	(128,596,699.99)	
1. Capital injection from shareholders	—	—	—	—	—	—	—	
2. Acquisition of subsidiaries	—	—	—	—	—	—	—	
3. Acquisition of minority interests of subsidiaries (Note 1)	—	(2,685,777.70)	—	—	—	(125,910,922.29)	(128,596,699.99)	
(IV) Profit distribution	—	—	—	(912,726,900.00)	—	(58,981,429.69)	(971,708,329.69)	
1. Transfer to statutory reserve	—	—	—	—	—	—	—	
2. Transfer to discretionary reserve	—	—	—	—	—	—	—	
3. Transfer to venture expansion fund	—	—	—	—	—	—	—	
4. Transfer to reserve fund	—	—	—	—	—	—	—	
5. Distributions to shareholders	—	—	—	(912,726,900.00)	—	(58,981,429.69)	(971,708,329.69)	
6. Transfer to employee bonus and welfare fund	—	—	—	—	—	—	—	
7. Tax refund for welfare enterprises	—	—	—	—	—	—	—	
(V) Transfer of shareholders' equity	—	—	—	—	—	—	—	
1. Transfer of capital reserve to share capital	—	—	—	—	—	—	—	
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	4,461,109,309.25	1,583,245,673.36	9,094,763,236.63	(6,218,704.86)	122,788,612.55	18,298,111,126.93	

Note 1: In April 2012, Billion Sunny Development Limited (億新發展有限公司) ("Billion Sunny Development"), a subsidiary of the company, acquired 25% shares of Baoding Changcheng Vehicle Axles Industries Company Limited (保定長城汽車橋業有限公司), Baoding Mind Auto Component Company Limited (保定曼德汽車配件有限公司), and Baoding Xinyuan Automobile Inner Decoration Company Limited (保定信遠汽車內飾件有限公司), which are three subsidiaries of the company, from Dragonet International Company Limited (驕龍國際有限公司) ("Dragonet International") at considerations of RMB109.33 million, RMB2.03 million and RMB17.25 million respectively. The difference between the decrease in minority interest and the consideration was RMB2,685,777.70 and was directly credited to the capital reserve.

Consolidated Statement of Changes in Shareholders' Equity

For the six months ended 30 June 2012

RMB

Item	Six months ended 30 June 2011 (unaudited)						Total shareholders' equity
	Attributable to shareholders of the Company					Translation differences arising on translation of financial statements denominated in foreign currencies	
	Share capital	Capital reserve	Surplus reserve	Retained profits		Minority interests	
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 six months	1,642,908,000.00	(1,691,115,389.46)	2,502,277.36	1,261,665,432.65	(1,297,451.91)	(133,961,748.91)	1,080,701,119.73
(I) Net profit	—	—	—	1,811,803,710.01	—	51,258,672.29	1,863,062,382.30
(II) Other comprehensive income	—	—	—	—	(1,297,451.91)	—	(1,297,451.91)
Subtotal of (I) and (II)	—	—	—	1,811,803,710.01	(1,297,451.91)	51,258,672.29	1,861,764,930.39
(III) Shareholders' capital injection and capital reduction	—	(48,207,389.46)	—	—	—	(101,903,522.85)	(150,110,912.31)
1. Capital injection from shareholders	—	—	—	—	—	—	—
2. Acquisition of subsidiaries	—	—	—	—	—	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)
(IV) Profit distribution	—	—	2,502,277.36	(550,138,277.36)	—	(83,316,898.35)	(630,952,898.35)
1. Transfer to statutory reserve	—	—	—	—	—	—	—
2. Transfer to discretionary reserve	—	—	—	—	—	—	—
3. Transfer to venture expansion fund	—	—	—	—	—	—	—
4. Transfer to reserve fund	—	—	2,502,277.36	(2,502,277.36)	—	—	—
5. Distributions 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	—	—	—	—	—	—	—
(V) 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	2,738,180,000.00	873,665,817.96	1,218,065,957.11	6,404,762,509.51	(4,863,874.07)	251,196,290.92	11,481,006,701.43

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責任公司) 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.



Statement of Changes in Shareholders' Equity of the Parent Company

For the six months ended 30 June 2012

RMB

Item	Six months ended 30 June 2012 (unaudited)				Total shareholders' equity
	Share capital	Capital reserve	Surplus reserve	Retained profits	
I. Balance at the beginning of the year	3,042,423,000.00	4,506,077,023.11	952,021,781.87	6,714,550,744.13	15,215,072,549.11
II. Changes in the six months	—	—	—	1,652,729,450.55	1,652,729,450.55
(I) Net profit	—	—	—	2,565,456,350.55	2,565,456,350.55
(II) Other comprehensive income	—	—	—	—	—
Subtotal of (I) and (II)	—	—	—	2,565,456,350.55	2,565,456,350.55
(III) Shareholders' capital injection and capital reduction	—	—	—	—	—
1. Capital injection from shareholders	—	—	—	—	—
2. Equity settled share expenses charged to equity	—	—	—	—	—
3. Others	—	—	—	—	—
(IV) Profit distribution	—	—	—	(912,726,900.00)	(912,726,900.00)
1. Transfer to surplus	—	—	—	—	—
2. Transfer to general provision	—	—	—	—	—
3. Distribution to shareholders	—	—	—	(912,726,900.00)	(912,726,900.00)
4. Others	—	—	—	—	—
(V) 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	—	—	—	—	—
(VI) 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	8,367,280,194.68	16,867,801,999.66

Statement of Changes in Shareholders' Equity of the Parent Company

For the six months ended 30 June 2012

Item	Six months ended 30 June 2011 (unaudited)				RMB
	Share capital	Capital reserve	Surplus reserve	Retained profits	Total shareholders' equity
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 six months	1,642,908,000.00	(1,642,908,000.00)	—	1,429,651,732.81	1,429,651,732.81
(I) Net profit	—	—	—	1,977,287,732.81	1,977,287,732.81
(II) Other comprehensive income	—	—	—	—	—
Subtotal of (I) and (II)	—	—	—	1,977,287,732.81	1,977,287,732.81
(III) Shareholders' capital injection and capital reduction	—	—	—	—	—
1. Capital injection from shareholders	—	—	—	—	—
2. Equity settled share expenses charged to equity	—	—	—	—	—
3. Others	—	—	—	—	—
(IV) Profit distribution	—	—	—	(547,636,000.00)	(547,636,000.00)
1. Transfer to surplus	—	—	—	—	—
2. Transfer to general provision	—	—	—	—	—
3. Distribution to shareholders	—	—	—	(547,636,000.00)	(547,636,000.00)
4. Others	—	—	—	—	—
(V) 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	—	—	—	—	—
(VI) Special reserve	—	—	—	—	—
1. Extraction in the period	—	—	—	—	—
2. Use in the period	—	—	—	—	—
III. Balance at the end of the period	2,738,180,000.00	915,947,754.12	629,287,188.93	5,787,227,140.48	10,070,642,083.53



Notes to the Financial Statements

For the six months ended 30 June 2012

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.

Notes to the Financial Statements

For the six months ended 30 June 2012

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.

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 ACCOUNTING ESTIMATES

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 30 June 2012 and its consolidated operating results and consolidated cash flows for the six months then ended. The Accounting policies employed by the financial statements are consistent with those employed by the financial statements of financial year 2011.

3. Financial year

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



Notes to the Financial Statements

For the six months ended 30 June 2012

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (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 combinations involving enterprises under common control and business combinations not involving enterprises 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 enterprises under common control is a business combination in which all of the combining enterprises are ultimately controlled by the same party or parties both before and after the combination, and that control is not transitory. 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.

Costs that are directly attributable to the combination are charged to profit or loss in the six months in which they are incurred by the combining party.

Notes to the Financial Statements

For the six months ended 30 June 2012

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

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

5.2 Business combinations not involving enterprises under common control and goodwill

A business combination 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.



Notes to the Financial Statements

For the six months ended 30 June 2012

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

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

5.2 Business combinations not involving enterprises under common control and goodwill (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.

Notes to the Financial Statements

For the six months ended 30 June 2012

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (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 six months 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 six months 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 six months 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 six months attributable to minority interests is presented in the consolidated income statement under the "net profit" item as "minority interests".

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

7. Cash and cash equivalents

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



Notes to the Financial Statements

For the six months ended 30 June 2012

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

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

8.1 Transactions denominated in foreign currencies

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

As at the balance sheet date, monetary items denominated in foreign currency are exchanged to Renminbi by adopting the prevailing exchange rate on that date. Foreign exchange difference arising from the difference between the prevailing exchange rate on that date and the prevailing exchange rate on initial reorganization or on the previous balance sheet date are all credited to profit or loss for the current 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 at the end of the period 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 and 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 of the period and prior year's figures are presented according to the translated amounts of the financial statements of the prior year.

Notes to the Financial Statements

For the six months ended 30 June 2012

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (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.



Notes to the Financial Statements

For the six months ended 30 June 2012

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (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.

Notes to the Financial Statements

For the six months ended 30 June 2012

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

9. Financial instruments (continued)

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.

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.



Notes to the Financial Statements

For the six months ended 30 June 2012

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (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 six months. 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.

Notes to the Financial Statements

For the six months ended 30 June 2012

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

9. Financial instruments (continued)

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.

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 six months.

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.



Notes to the Financial Statements

For the six months ended 30 June 2012

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (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:

Recognition criteria 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

Notes to the Financial Statements

For the six months ended 30 June 2012

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (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.



Notes to the Financial Statements

For the six months ended 30 June 2012

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (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 six months is recognized as the cash dividends or profits declared by the investee.

Notes to the Financial Statements

For the six months ended 30 June 2012

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (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 six months. 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.



Notes to the Financial Statements

For the six months ended 30 June 2012

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (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 six months and the exercisable stock warrants for the six months 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 longterm 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.

Notes to the Financial Statements

For the six months ended 30 June 2012

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (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.



Notes to the Financial Statements

For the six months ended 30 June 2012

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (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	10	5	9.50
Vehicles	4–10	5	9.50–23.75
Electronic equipment and other	3–10	5	9.50–31.67

Estimated net residual value of a fixed asset is the estimated amount that the Group would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset 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.

Notes to the Financial Statements

For the six months ended 30 June 2012

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (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 six months 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 six months 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.



Notes to the Financial Statements

For the six months ended 30 June 2012

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (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 six months. 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.

Notes to the Financial Statements

For the six months ended 30 June 2012

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

17. Intangible assets (continued)

17.2 Research and development expenditure (continued)

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;
- (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.



Notes to the Financial Statements

For the six months ended 30 June 2012

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

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.

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.

Notes to the Financial Statements

For the six months ended 30 June 2012

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

20. Revenue (continued)

20.2 Revenue from provision of services (continued)

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.

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 six months 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.



Notes to the Financial Statements

For the six months ended 30 June 2012

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

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 six months/period according to relevant tax laws.

22.2 Deferred income tax assets and deferred 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 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 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 tax liabilities are measured at the tax rates that are expected to apply to the six months when the asset is realized or the liability is settled, according to the requirements of tax laws.

Notes to the Financial Statements

For the six months ended 30 June 2012

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

22. Income tax (continued)

22.2 Deferred income tax assets and deferred tax liabilities (continued)

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.

22.3 Income Tax Expenses

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

Current income tax and deferred income tax derived from transactions and matters of shareholder's equity or directly recognized into other comprehensive income are included into shareholder's equity or other comprehensive income, and deferred income tax arising from business combination should adjust the carrying amount of goodwill, other types of current income tax and deferred income tax are included into profit or loss for the 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 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.



Notes to the Financial Statements

For the six months ended 30 June 2012

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

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 six months in which it is incurred.

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 six months in which they are incurred.

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.

Notes to the Financial Statements

For the six months ended 30 June 2012

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.

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.



Notes to the Financial Statements

For the six months ended 30 June 2012

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)

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.

Recognition of deferred tax assets

As at 30 June 2012, the Company recognized deferred tax assets at RMB393,941,966.50 (as at 31 December 2011: RMB351,908,470.87) in the consolidated balance sheet. The realization of deferred tax assets is mainly determined by future actual earnings and actual tax rate of temporary difference in future utilization year. If the actual future earning is less than estimates, or the actual tax rate is lower than estimates, the recognized deferred income tax asset shall be reversed, and be recognized in the income statement in the six months in which the reversal is incurred. If the actual earnings accrued in the future is more than estimates, or the actual tax rate is higher than estimates, such deferred tax asset shall be recognized in the consolidated income statement in the six months 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 30 June 2012, provisions for after-sale services amounted to RMB181,097,895.62 (as at 31 December 2011: RMB141,025,058.00). If the actual fees for after-sale services are more or less than the estimates, profits and losses of the six months will be affected.

Notes to the Financial Statements

For the six months ended 30 June 2012

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)

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 (Note 1)	Sales/Purchase	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 (Note 1)	Taxable income	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 2011 and for the six months end 30 June 2012 are listed on the above table.



Notes to the Financial Statements

For the six months ended 30 June 2012

IV. TAXATION (continued)

2. Tax incentives and approvals

2.1 Income tax incentives

2.1.1 Enterprise income tax for foreign investment enterprises

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%.

Notes to the Financial Statements

For the six months ended 30 June 2012

IV. TAXATION (continued)

2. Tax incentives and approvals (continued)

2.1 Income tax incentives (continued)

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 Yixin Automotive Parts Company Limited (保定億新汽車配件有限公司), 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.

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.



Notes to the Financial Statements

For the six months ended 30 June 2012

IV. TAXATION (continued)

2. Tax incentives and approvals (continued)

2.1 Income tax incentives (continued)

2.1.4 Income tax exemption for investment in domestic manufactured equipment

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%.

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.

Notes to the Financial Statements

For the six months ended 30 June 2012

V. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2012, the subsidiaries of the Company did not have any debentures in issue.

1. Subsidiaries

(1) Subsidiaries established by investment

Full name of subsidiaries	Type of subsidiaries	Place of registration	Business nature	Registered capital	Scope of business	Actual capital contribution 2012.6.30	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 Huabei Automobile Company Limited (保定長城華北汽車有限公司) ("Great Wall Huabei")	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	—	—
Baoding Xincheng Automobile Development Company Limited (保定市信誠汽車發展有限公司) ("Baoding Xincheng")	LLC	Baoding	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	—	—
Baoding 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")	LLC	Dingxing, Baoding	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.	583,255,808.00	—	100.00	100.00	Yes	—	—
Baoding Great Machinery Company Limited (保定市格瑞機械有限公司) ("Baoding Great")	LLC	Baoding	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	—	—



Notes to the Financial Statements

For the six months ended 30 June 2012

V. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS (continued)

1. Subsidiaries (continued)

(1) 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 2012.6.30	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 Changcheng Vehicle Axles Industries Company Limited (保定長城汽車機業有限公司) ("Changcheng Axles Industries") (Note 1)	Sino-foreign joint venture	Baoding	Manufacture of automotive parts and components	RMB282,720,000.00	Technological development, manufacturing and processing of automotive parts and components; design and manufacturing of automotive mold and fixture; sales of the company's products and after-sales service; leasing of its housing	319,171,814.49	—	100.00	100.00	Yes	—	—
Baoding Nuobo Rubber Manufacturing Company Limited (保定市諾博橡膠製品有限公司) ("Baoding Nuobo")	LLC	Baoding	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	12,395,235.66	—
Baoding Great Wall Automobile After-sales Services Company Limited (保定市長城汽車售後服務有限公司) ("Great Wall After-sales")	LLC	Baoding	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	—	—
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	—	—

Notes to the Financial Statements

For the six months ended 30 June 2012

V. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS (continued)

1. Subsidiaries (continued)

(1) Subsidiaries established by investment (continued)

RMB

Full name of subsidiaries	Type of subsidiaries	Place of registration	Business nature	Registered capital	Scope of business	Actual capital contribution	Other balance items which contribute net investment	Proportion of shareholdings	Proportion of voting rights	Whether consolidated	Minority interests	Amount in minority interests used to write down the losses of minority interests
						2012.6.30	in subsidiaries	(%)	(%)			
Macs (Baoding) Auto A/C System Company Limited (麥克斯(保定)汽車空調系統有限公司) ("Macs")	Sino-foreign joint venture	Baoding	Manufacture of automotive parts and components	RM820,339,000.00	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	110,393,376.89	—
Tide Technology and Trade Company Limited (泰德科貿有限公司) ("Tide Technology and Trade") (Note 2)	Overseas company	Hong Kong	Provision of advisory services relating to automobile technology and trading activities	USD24,500,000.00	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.	USD24,500,000.00	—	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	USD50,000.00	Import and export business of automobiles, automotive parts and components and related spare parts, after-sales service and international trade.	USD50,000.00	—	100.00	100.00	Yes	—	—
Baoding Mind Auto Component Company Limited (保定曼德汽車配件有限公司) ("Mind Component") (Note 3)	Sino-foreign joint venture	Baoding	Manufacture of automotive parts and components	RM8600,000.00	Manufacture of automotive parts and components; machine processing and rivet processing; sale of the Group's products and provision of after-sales service.	2,475,800.00	—	100.00	100.00	Yes	—	—
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") (Note 4)	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.	—	—	—	—	No	—	—



Notes to the Financial Statements

For the six months ended 30 June 2012

V. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS (continued)

1. Subsidiaries (continued)

(1) Subsidiaries established by investment (continued)

Full name of subsidiaries	Type of subsidiaries	Place of registration	Business nature	Registered capital	Scope of business	Actual	Other balance	Proportion of shareholdings (%)	Proportion of voting rights (%)	Whether consolidated	Minority interests	RMB
						capital contribution 2012.6.30	items which contribute net investment in subsidiaries					Amount in minority interests used to write down the losses of minority interests
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 Ants Logistics Company Limited (保定市長城螞蟻物流有限公司) ("Great Wall Ants")	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	—	—
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)	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.	1,777,884,771.10	—	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 Economic and Technological Development Zone	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. (保定精工汽車鋁合金製造有限公司) ("Great Wall Aluminium Alloy")	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. (保定長城再生資源利用有限公司) ("Great Wall Resource Recycling")	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	—	—

Notes to the Financial Statements

For the six months ended 30 June 2012

V. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS (continued)

1. Subsidiaries (continued)

(1) 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 2012.6.30	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 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 aftersales 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) ("Xushui Nuobo")	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	—	—
Baoding Great Wall Automobile Component Sales Co., Ltd. (保定長城汽車配件銷售有限公司) ("Xushui Component") (Note 5)	LLC	Baoding	Sale of automotive parts and components and lubricants	RMB7,000,000.00	Sale of automotive parts and components and lubricants	7,000,000.00	—	100.00	100.00	Yes	—	—
Beijing Great Wall Dongsheng Business consulting Co., Ltd. 北京長城東晟商務諮詢有限公司 ("Great Wall Dongsheng") (Note 6)	LLC	Beijing	Business information consultation	RMB2,000,000.00	Business information consultation	2,000,000.00	—	100.00	100.00	Yes	—	—

Note 1. After Changcheng Axles Industries, a subsidiary of the company, merged the Baoding Smart in January 2012, the registered capital of Changcheng Axles Industries changed from RMB68.72 million to RMB282.72 million. In February 2012, the business scope of Changcheng Axles Industries switched from "Technological development and manufacture of automotive parts and components; sale of the Group's products and after-sale services; leasing of its properties." to "Technological development, manufacturing and processing of automotive parts and components; design and manufacturing of automotive tooling and fixture; sales of the company's products and after-sales service; leasing of its own housing". In April 2012, Billion Sunny Development, a subsidiary of the company, acquired 25% shares of Changcheng Axles Industries, previously held by Dragonet International Company Limited. After the completion of the acquisition, shares of Changcheng Axles Industries held directly or indirectly by the company have been 100%.

Note 2. The Company injected capital of USD16,000,000 into Tide Technology and Trade in January 2012. The registered capital of Tide Technology and Trade increased from USD8,500,000 to USD24,500,000 subsequent to the completion of the capital injection.

Note 3. In April, Billion Sunny Development, a subsidiary of the company, acquired 25% shares of Mind Component, previously held by Dragonet International Company Limited, after the completion of the acquisition, shares of Mind Component held by the company have been 100%.



Notes to the Financial Statements

For the six months ended 30 June 2012

V. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS (continued)

1. Subsidiaries (continued)

(1) Subsidiaries established by investment (continued)

Note 4. Great Wall Middle East, a subsidiary of the company, was written-off in February 2012.

Note 5. Xushui Component is a subsidiary wholly owned by the company, and was established in May 2012 in Xushui, Baoding through investment, with a registered capital of RMB7,000,000.

Note 6. Great Wall Dongsheng is a subsidiary wholly owned by Great Wall Sales, a subsidiary of the company, and was established in May 2012 in Beijing through investment, with a registered capital of RMB2,000,000.

(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 2012.6.30	Other balance items which contribute net investment in subsidiaries	Proportion of shareholdings (%)	Proportion of voting rights (%)	Whether consolidated	Minority interests	Amount in
												Minority interests
Billion Sunny Development Limited (億新發展有限公司) ("Billion Sunny Development") (Note1)	Overseas company	Hong Kong	Investment holding	USD24,000,013.00	Investment holding	USD24,205,000.00	—	100.00	100.00	Yes	—	used to write down the losses of minority interests
Baoding Smart Automobile Accessories Company Limited (保定斯瑪特汽車配件有限公司) ("Baoding Smart") (Note2)	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	—	—	—	—	Yes	—	—
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) ("Great Wall Boxiang")	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") (Note3)	LLC	Baoding	Design, production and sale of automotive parts and components	RMB36,227,000.00	Design, production and sale of automotive parts and components	64,271,420.36	—	100.00	100.00	Yes	—	—
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")	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	—	—

Notes to the Financial Statements

For the six months ended 30 June 2012

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. Tide Technology and Trade, the shareholder of Billion Sunny, a subsidiary of the company, injected capital of USD24,000,000 into Billion Sunny in March 2012, The registered capital of Billion Sun increased from HKD100 to USD24,000,013 subsequent to completion of the capital injection.

Note 2. Changcheng Axles Industries, a subsidiary of the company, merged the Baoding Smart in January 2012, Baoding Smart was written-off subsequent to the completion of the merge annexation.

Note 3. Billion Sunny, a subsidiary of the company, acquired 25% shares of Baoding Xinyuan in April 2012, the company has held 100% shares of Baoding Xinyuan directly and indirectly subsequent to the completion of the acquisition.

(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 2012.6.30	Other balance 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 (保定億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	—	—



Notes to the Financial Statements

For the six months ended 30 June 2012

V. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. Statements on the changes after business combination

Name	2012.6.30	Remarks
Great Wall Middle East	separated from the Group from February 2012	Written-off in February 2012
Xushui Component	Consolidated into the Group	Established in May 2012
Great Wall Dongsheng	Consolidated into the Group	Established in May 2012

3. Entities consolidated into the Group during the six months and entities separated from the Group during the six months

(1) Entities consolidated into the Group during the six months

Name	<i>RMB</i>	
	Net assets as at the end of the six months (unaudited)	Net profit during the six months (unaudited)
Xushui Component	8,906,691.47	1,906,691.47
Great Wall Dongsheng	2,000,000.00	—

(2) Entities separated from the Group during the six months

Name	Net profit	
	Net assets as at the disposal day (unaudited)	From the beginning of the six months to the disposal day (unaudited)
Great Wall Middle East	1,349,837.22	(349,938.66)

Notes to the Financial Statements

For the six months ended 30 June 2012

V. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS (continued)

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 (written-off during the six months), 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	2012.6.30 (unaudited)	2011.12.31 (audited)
Russia Great Wall	Rouble	0.1911	0.1966
Billion Sunny Development	HK Dollar	0.8152	0.8107
Tide Technology	US Dollar	6.3249	6.3009
Great Wall Middle East	Dirham	—	1.7173



Notes to the Financial Statements

For the six months ended 30 June 2012

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and bank balances

RMB

Item	2012.6.30 (unaudited)		RMB
	Foreign currency	Exchange rate	
Cash:			
RMB			1,063,164.35
USD	18,381.23	6.3249	116,259.44
HKD	19,653.40	0.8152	16,021.84
EUR	12,951.82	7.8710	101,943.78
JPY	607,980.00	0.0796	48,424.39
KRW	22,110.00	0.0054	118.73
GBP	3,256.13	9.8169	31,965.10
RUB	9,577.72	0.1911	1,830.11
THB	4,030.00	0.1988	801.04
AUD	1,360.85	6.3474	8,637.86
SGD	310.00	4.9390	1,531.09
Bank deposits:			
RMB			5,339,820,369.51
USD	22,125,355.23	6.3249	139,940,657.34
HKD	6.17	0.8152	5.03
EUR	545,168.56	7.8710	4,291,021.93
RUB	496,480.73	0.1911	94,867.50
GBP	343,285.00	9.8169	3,369,994.22
AUD	1.42	6.3474	9.02
Other cash and bank balances:			
RMB			921,358,174.14
USD	2,178,000.03	6.3249	13,775,632.20
EUR	450,760.43	7.8710	3,547,935.50
Total			6,427,589,364.12

As at 30 June 2012, the Group had restricted cash and bank balances of RMB938,681,741.84, in which guarantee on bank acceptance notes amounted to RMB510,174,492.97, guarantee on letter of credit amounted to RMB131,005,748.87, pledged certificates of deposit amounted to 285,081,500.00, and other guarantees amounted to 12,420,000.00.

Among the cash and bank balances of the Group as at 30 June 2012, overseas bank deposits amounted to RMB26,882,877.24.

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 Group.

Notes to the Financial Statements

For the six months ended 30 June 2012

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1. Cash and bank balances (continued)

Item	Foreign currency	2011.12.31 (audited)		RMB
			Exchange rate	RMB
Cash:				
RMB				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
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
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.

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.



Notes to the Financial Statements

For the six months ended 30 June 2012

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. Bills receivable

(1) Classification of bills receivable:

Category	RMB	
	2012.6.30 (unaudited)	2011.12.31 (audited)
Bank acceptance bills	10,696,192,693.48	8,702,977,854.66
Total	10,696,192,693.48	8,702,977,854.66

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

Category	RMB	
	2012.6.30 (unaudited)	2011.12.31 (audited)
Bank acceptance bills	4,806,155,694.00	3,617,800,613.00
Total	4,806,155,694.00	3,617,800,613.00

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

As at 30 June 2012, five pledged bills receivable with largest amounts were as follows:

Issuing unit	Date of issue	Due date	RMB
			Amount
Customer 1	20 February 2012	20 August 2012	20,000,000.00
Customer 2	15 February 2012	15 August 2012	10,000,000.00
Customer 3	7 March 2012	7 September 2012	10,000,000.00
Customer 4	3 May 2012	3 August 2012	10,000,000.00
Customer 5	11 April 2012	11 October 2012	10,000,000.00
Total			60,000,000.00

Notes to the Financial Statements

For the six months ended 30 June 2012

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 2011, five pledged bills receivable with largest amounts were as follows:

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

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

Category	2012.6.30	2011.12.31
	(unaudited)	(audited)
Bank acceptance bills	4,405,377,695.49	3,921,262,282.53
Total	4,405,377,695.49	3,921,262,282.53

As at 30 June 2012, 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 February 2012	20 August 2012	20,000,000.00
Customer 2	20 February 2012	20 August 2012	20,000,000.00
Customer 3	24 May 2012	20 November 2012	18,000,000.00
Customer 4	13 February 2012	13 August 2012	15,000,000.00
Customer 5	13 February 2012	13 August 2012	15,000,000.00
Total			88,000,000.00



Notes to the Financial Statements

For the six months ended 30 June 2012

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. Bills receivable (continued)

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

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

(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	2012.6.30 (unaudited)				2011.12.31 (audited)			
	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	593,304,842.03	90.49	(24,402,337.14)	73.40	614,117,882.86	89.06	(2,025,700.00)	19.94
Subject to provision by groups								
Accounts receivable of small amounts with high risks based on the characteristics of credit risk as a group	1,825,611.26	0.28	(1,478,075.02)	4.44	3,474,372.04	0.50	(3,361,816.86)	33.09
Other insignificant accounts receivable	60,523,023.15	9.23	(7,366,593.92)	22.16	71,939,172.03	10.44	(4,773,617.11)	46.97
Subtotal	62,348,634.41	9.51	(8,844,668.94)	26.60	75,413,544.07	10.94	(8,135,433.97)	80.06
Accounts receivable which are individually insignificant but subject to separate provision	—	—	—	—	—	—	—	—
Total	655,653,476.44	100.00	(33,247,006.08)	100.00	689,531,426.93	100.00	(10,161,133.97)	100.00

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

Notes to the Financial Statements

For the six months ended 30 June 2012

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	2012.6.30 (unaudited)				2011.12.31 (audited)			
	Amount	Ratio (%)	Provision for bad debts	Book value	Amount	Ratio (%)	Provision for bad debts	Book value
Within 1 year	653,827,865.18	99.72	(31,768,931.06)	622,058,934.12	686,057,054.89	99.49	(6,799,317.11)	679,257,737.78
1 to 2 years	1,825,611.26	0.28	(1,478,075.02)	347,536.24	1,845,600.94	0.27	(1,733,045.76)	112,555.18
2 to 3 years	—	—	—	—	1,582,256.80	0.23	(1,582,256.80)	—
Over 3 years	—	—	—	—	46,514.30	0.01	(46,514.30)	—
Total	655,653,476.44	100.00	(33,247,006.08)	622,406,470.36	689,531,426.93	100.00	(10,161,133.97)	679,370,292.96

(3) *There was no accounts receivable which are individually insignificant but subject to separate provision as at the end of the six months.*

(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
Kuwait. Ao Saye Company (科威特·奧薩耶公司)	The management of the Group exerted efforts on collecting accounts receivable in cash	Past due	(172,139.94)	172,139.94
Venezuela Tebiscay trade company (委內瑞拉特比斯貿易公司)	The management of the Group exerted efforts on collecting accounts receivable in cash	Past due	(1,869,110.24)	1,869,110.24
Xiamen Golden Dragon Travel Van Co., Ltd. (廈門金龍旅行車有限公司)	The management of the Group exerted efforts on collecting accounts receivable in cash	Past due	(1,186,247.62)	1,186,247.62
Linqing Zhong yuan Casting Co., Ltd. (臨清市中遠精鑄有限責任公司)	The management of the Group exerted efforts on collecting accounts receivable in cash	Past due	(24,359.55)	24,359.55
Liaoning Shuangguang Automotive Chassis System Co., Ltd. (遼寧曙光汽車底盤系統有限公司)	The management of the Group exerted efforts on collecting accounts receivable in cash	Past due	(64,358.89)	64,358.89
Chengdu Jianguo Automobile Trading Co., Ltd. (成都建國汽車貿易有限公司)	The management of the Group exerted efforts on collecting accounts receivable in cash	Past due	(14,488.91)	14,488.91



Notes to the Financial Statements

For the six months ended 30 June 2012

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. Accounts receivable (continued)

- (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: (continued)

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
Zunyi Guilong Deshun Automobile Sales & Service Co., Ltd. (遵義市桂龍德順汽車銷售服務有限責任公司)	The management of the Group exerted efforts on collecting accounts receivable in cash	Past due	(1,427.34)	1,427.34
Vestas Castings (Xuzhou) Co., Ltd. (維斯塔斯鑄件(徐州)有限公司)	The management of the Group exerted efforts on collecting accounts receivable in cash	Past due	(140,443.90)	140,443.90
Qingyuan xingcheng ironwood processing plant (清苑縣興城鐵木加工廠)	The management of the Group exerted efforts on collecting accounts receivable in cash	Past due	(1,507,506.80)	1,507,506.80
Total			(4,980,083.19)	4,980,083.19

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

RMB

Name of unit	Nature of accounts receivable	Amounts written off	Reason for write-off	Whether arising from connected transaction
Shenzhen Isca Trade Co., Ltd. (深圳市伊斯卡貿易有限公司)	sale of goods	49,530.00	Unrecoverable	No
Tianma Automobile Group Co., Ltd. (天馬汽車集團有限公司)	sale of goods	29,756.90	Unrecoverable	No
Diyuan (Shanghai) Trading Co., Ltd. (狄原(上海)商貿有限公司)	sale of mold	20,000.00	Unrecoverable	No
Linqing Zhong yuan Casting Co., Ltd. (臨清市中遠精鑄有限責任公司)	sale of goods	17,709.74	Unrecoverable	No
Baoding Dadi Automotive Industry Co., Ltd. (保定大迪汽車工業有限公司)	sale of goods	16,757.40	Unrecoverable	No
Total		133,754.04		

- (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.

Notes to the Financial Statements

For the six months ended 30 June 2012

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	196,353,942.66	Within one year	29.95
Customer 2	Non-related party	67,665,465.60	Within one year	10.32
Customer 3	Non-related party	49,951,513.93	Within one year	7.62
Customer 4	Non-related party	35,196,117.79	Within one year	5.37
Customer 5	Non-related party	27,739,712.44	Within one year	4.23
Total		376,906,752.42		57.49

(8) Accounts receivable from related parties

At the end of the reporting period, there was no accounts receivable from related parties.

(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	67,975,182.66	6.3249	429,936,232.82
EUR	3,630,303.86	7.8710	28,574,121.68
Total			458,510,354.50



Notes to the Financial Statements

For the six months ended 30 June 2012

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. Prepayment

(1) Prepayment by aging

Aging	2012.6.30 (unaudited)		2011.12.31 (audited)	
	Amount	Ratio (%)	Amount	Ratio (%)
Within 1 year	365,257,860.92	99.72	356,824,700.04	98.95
1 to 2 years	748,206.68	0.20	3,127,353.40	0.87
2 to 3 years	170,144.47	0.05	428,445.76	0.12
Over 3 years	118,214.58	0.03	220,401.98	0.06
Total	366,294,426.65	100.00	360,600,901.18	100.00

RMB

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	66,079,832.37	Within 1 year	Prepayment for steel plates
Supplier 2	Non-related party	47,256,829.08	Within 1 year	Prepayment for steel plates
Supplier 3	Non-related party	20,541,032.35	Within 1 year	Prepayment for steel plates
Supplier 4	Non-related party	15,353,931.35	Within 1 year	Prepayment for steel plates
Supplier 5	Non-related party	14,197,220.85	Within 1 year	Prepayment for steel plates
Total		163,428,846.00		

RMB

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

Notes to the Financial Statements

For the six months ended 30 June 2012

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	
	2012.6.30 (unaudited)	2011.12.31 (audited)
Individually significant payments	305,001,846.45	294,704,080.07
Prepayments of small amounts with high risks based on the characteristics of credit risk as a group	1,036,565.73	3,776,201.14
Other insignificant prepayment	60,256,014.47	62,120,619.97
Total	366,294,426.65	360,600,901.18

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	2012.6.30 (unaudited)				2011.12.31 (audited)			
	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	384,247,631.46	94.70	—	—	627,595,511.06	96.44	—	—
Subject to provision by groups								
Accounts receivable of small amounts with high risks based on the characteristics of credit risk as a group	2,448,817.38	0.60	(396,524.00)	85.36	3,455,056.57	0.53	(281,749.00)	76.24
Other insignificant Other receivables	19,072,378.14	4.70	(68,000.00)	14.64	19,720,148.67	3.03	(87,800.00)	23.76
Subtotal	21,521,195.52	5.30	(464,524.00)	100.00	23,175,205.24	3.56	(369,549.00)	100.00
Other receivables which are individually insignificant but subject to separate provision	—	—	—	—	—	—	—	—
Total	405,768,826.98	100.00	(464,524.00)	100.00	650,770,716.30	100.00	(369,549.00)	100.00



Notes to the Financial Statements

For the six months ended 30 June 2012

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	2012.6.30 (unaudited)				2011.12.31 (audited)			
	Amount	Ratio (%)	Provision for bad debts	Book value	Amount	Ratio (%)	Provision for bad debts	Book value
Within 1 year	364,840,008.60	89.91	(68,000.00)	364,772,008.60	165,799,176.94	25.49	(87,800.00)	165,711,376.94
1 to 2 years	39,325,394.38	9.69	(1,100.00)	39,324,294.38	483,618,966.09	74.31	—	483,618,966.09
2 to 3 years	952,800.00	0.23	(144,800.00)	808,000.00	1,062,046.27	0.16	(106,500.00)	955,546.27
Over 3 years	650,624.00	0.17	(250,624.00)	400,000.00	290,527.00	0.04	(175,249.00)	115,278.00
Total	405,768,826.98	100.00	(464,524.00)	405,304,302.98	650,770,716.30	100.00	(369,549.00)	650,401,167.30

(3) *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:*

Other receivables	Reason for write-back	Accounts receivable	Reason for write-back	Accounts receivable
Wu Nan	The management of the Group exerted efforts on collecting accounts receivable in cash	Past due	(14,399.00)	5,400.00
Zhou Junjiang	The management of the Group exerted efforts on collecting accounts receivable in cash	Past due	(61,500.00)	61,500.00
Total			(75,899.00)	66,900.00

(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
Wuhan Ruixin Jiazhi Control Equipment Co., Ltd. (武漢瑞新佳智控設備有限公司)	Payment for goods	2,100.00	Unrecoverable	No
Chengqi Shangpin (Beijing) Technology Co., Ltd. (誠企尚品(北京)科技有限公司)	Payment for goods	12,900.00	Unrecoverable	No
Dafeng Tongcheng Machinery Manufacturing Co., Ltd. (大豐市通城機械製造有限公司)	Payment for goods	19,800.00	Unrecoverable	No
Total		34,800.00		

Notes to the Financial Statements

For the six months ended 30 June 2012

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	300,630,001.00	Performance bond	Within one year and one to two years	74.09
Unit 2	No-related party	69,000,000.00	Performance bond	Within one year	17.00
Unit 3	No-related party	10,021,426.69	Customs deposit	Within one year	2.47
Unit 4	No-related party	2,251,000.00	Energy-saving subsidies	Within one year	0.55
Unit 5	No-related party	1,242,648.97	Tax refund for export	Within one year	0.31
Total		383,145,076.66			94.42

(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	2012.6.30 (unaudited)		
	Book balance	Provision for obsolete stocks	Book value
Raw materials	758,430,674.26	(1,824,592.24)	756,606,082.02
Work in progress	153,889,582.92	—	153,889,582.92
Finished goods	2,455,305,195.20	(7,670,072.41)	2,447,635,122.79
Low-valued consumables	34,276,892.72	(1,532,896.78)	32,743,995.94
Outsourced processing materials	2,048,442.19	—	2,048,442.19
Total	3,403,950,787.29	(11,027,561.43)	3,392,923,225.86



Notes to the Financial Statements

For the six months ended 30 June 2012

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. Inventory (continued)

(1) Inventory categories (continued)

Item	Book balance	2011.12.31 (audited)		RMB
		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	

(2) Provision for obsolete stocks

Inventory categories	2011.12.31 (audited)	Provision for the six months	Decrease for the six months		RMB
			Reversals	Write-offs	2012.6.30 (unaudited)
Raw materials	2,646,472.86	240,580.20	(105,495.13)	(956,965.69)	1,824,592.24
Work in progress	23,997.48	—	—	(23,997.48)	—
Finished goods	856,290.52	7,670,072.41	(581,736.19)	(274,554.33)	7,670,072.41
Low-valued consumables	1,575,465.98	—	—	(42,569.20)	1,532,896.78
Total	5,102,226.84	7,910,652.61	(687,231.32)	(1,298,086.70)	11,027,561.43

Notes to the Financial Statements

For the six months ended 30 June 2012

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. Inventory (continued)

(3) Analysis of provision for obsolete stocks Item Basis of provision for obsolete

Item	Basis of provision for obsolete stocks	Reason for reversal or write-off of provision for obsolete stocks during the six months	Percentage of the reversal to the closing balance of such inventory during the six months (%)
Raw materials	Note 1	Note 2	0.01
Work in progress	—	Note 2	—
Finished goods	Note 1	Note 2	0.02
Low-valued consumables	—	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, 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 six months was higher than the inventory cost as at the end of the six months, 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 six months, the provision for obsolete stocks had been written off.

7. Other current assets

	2012.6.30 (unaudited)	RMB 2011.12.31 (audited)
Paint for vehicles	3,883,475.73	3,883,475.73
Taxes to be credited	136,093,992.77	68,279,622.84
Others	10,772,533.88	23,733,831.16
Total	150,750,002.38	95,896,929.73



Notes to the Financial Statements

For the six months ended 30 June 2012

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

8. Long-term receivables

	2012.6.30 (unaudited)	2011.12.31 (audited)
Installment sales of goods	45,793,895.17	—
Total	45,793,895.17	—

RMB

9. Investment in joint ventures and associates

Name of investee	Type of enterprise	Place of registration	Legal representative	Nature of business	Registered capital	Percentage of Shareholding in the investee held by the Company (%)	Percentage of voting right in the investee held by the Company (%)	Total assets as at the end of the six months	Total liabilities as at the end of the six months	Total net assets as at the end of the six months	Total operating income for the six months	Net profit for the six months
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	34,745,387.53	983,061.65	33,762,325.88	945,000.00	95,311.75
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	103,704,876.71	35,872,463.48	67,832,413.23	62,818,904.00	248,858.98
II. Associates												
Baoding Yanfeng Johnson Controls Automobile Seating Co., Ltd (保定延峰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	170,395,320.31	141,725,244.76	28,670,075.55	124,201,081.21	1,489,419.39

RMB

Notes to the Financial Statements

For the six months ended 30 June 2012

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

10. Long-term equity investment

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

RMB

Name of investee	Accounting method	Initial investment cost	2011.12.31 (audited)	Movements	2012.6.30 (unaudited)	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 six months	Cash bonuses for the six months
Investment in joint ventures Baoding Jehua 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	16,833,506.93	47,655.88	16,881,162.81	50.00	50.00	—	—	—
Baoding Xinchang Auto Parts Company Limited (保定信昌汽車零部件有限公司) (Note 1)	Equity method	17,107,975.19	26,962,225.53	156,585.40	27,118,810.93	45.00	45.00	—	—	—
Subtotal		32,761,975.19	43,795,732.46	204,241.28	43,999,973.74					
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	22,042,328.03	(14,936,259.05)	7,106,068.98	25.00	25.00	—	—	—
Subtotal		4,540,000.00	22,042,328.03	(14,936,259.05)	7,106,068.98					
Investment in other enterprises										
China Automobile Development United Investment Co. Ltd. (中發聯投資有限公司)	Cost method	4,200,000.00	4,200,000.00	—	4,200,000.00	2.07	2.07	—	—	—
China Automobile (Beijing) Automobile Lightweight Technology Research Institute Company Limited (國汽(北京)汽車輕量化技術研究院有限公司) (Note 2)	Cost method	3,000,000.00	—	3,000,000.00	3,000,000.00	6.90	6.90	—	—	—
Subtotal		7,200,000.00	4,200,000.00	3,000,000.00	7,200,000.00	—	—	—	—	—
Total		44,501,975.19	70,038,060.49	(11,732,017.77)	58,306,042.72	—	—	—	—	—

All of the above investees are non-listed companies.

Note 1. 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 2. China Automobile (Beijing) Automobile Lightweight Technology Research Institute Company Limited (國汽(北京)汽車輕量化技術研究院有限公司) was established in January 2012 in Beijing, the company invested RMB3 million, and the percentage of shareholding of 6.9%.

(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.



Notes to the Financial Statements

For the six months ended 30 June 2012

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

11. Investment properties

RMB

Item	2011.12.31 (audited)	Additions for the six months	Deductions for the six months	2012.6.30 (unaudited)
I. Total original book value:	6,553,769.66	—	—	6,553,769.66
Of which: Buildings and structures	6,553,769.66	—	—	6,553,769.66
Land use rights	—	—	—	—
II. Total accumulated depreciation and accumulated amortization:	(139,853.65)	(80,971.57)	—	(220,825.22)
Of which: Buildings and structures	(139,853.65)	(80,971.57)	—	(220,825.22)
Land use rights	—	—	—	—
III. Total net book value of investment properties	6,413,916.01	(80,971.57)	—	6,332,944.44
Of which: Buildings and structures	6,413,916.01	(80,971.57)	—	6,332,944.44
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	6,413,916.01	(80,971.57)	—	6,332,944.44
Of which: Buildings and structures	6,413,916.01	(80,971.57)	—	6,332,944.44
Land use rights	—	—	—	—

Note 1. Accumulated amortization for the six months increased by RMB80,971.57 due to the amortization.

Notes to the Financial Statements

For the six months ended 30 June 2012

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. Fixed assets

Fixed assets

Item	RMB			
	2011.12.31 (audited)	Additions for the six months	Deductions for the six months	2012.6.30 (unaudited)
1. Total original book value:	9,688,239,499.29	664,790,235.73	(14,689,625.12)	10,338,340,109.90
Of which: Buildings and structures	3,174,848,599.78	172,514,484.71	—	3,347,363,084.49
Machinery and equipment	5,036,041,299.15	271,515,055.33	(6,376,425.23)	5,301,179,929.25
Motor vehicles	165,034,036.88	10,597,553.56	(1,001,785.92)	174,629,804.52
Other equipment	1,312,315,563.48	210,163,142.13	(7,311,413.97)	1,515,167,291.64
2. Total accumulated depreciation:	2,294,231,496.55	420,490,906.13	(8,855,141.77)	2,705,867,260.91
Of which: Buildings and structures	327,588,325.74	56,195,684.52	—	383,784,010.26
Machinery and equipment	1,318,336,417.45	245,161,508.46	(3,370,759.40)	1,560,127,166.51
Motor vehicles	57,650,243.71	11,518,143.99	(754,849.25)	68,413,538.45
Other equipment	590,656,509.65	107,615,569.16	(4,729,533.12)	693,542,545.69
3. Total net book value of fixed assets	7,394,008,002.74	244,299,329.60	(5,834,483.35)	7,632,472,848.99
Of which: Buildings and structures	2,847,260,274.04	116,318,800.19	—	2,963,579,074.23
Machinery and equipment	3,717,704,881.70	26,353,546.87	(3,005,665.83)	3,741,052,762.74
Motor vehicles	107,383,793.17	(920,590.43)	(246,936.67)	106,216,266.07
Other equipment	721,659,053.83	102,547,572.97	(2,581,880.85)	821,624,745.95
4. Total impairment provision	1,626,915.46	31,668,344.24	(1,626,915.46)	31,668,344.24
Of which: Buildings and structures	—	—	—	—
Machinery and equipment	—	—	—	—
Motor vehicles	—	—	—	—
Other equipment	1,626,915.46	31,668,344.24	(1,626,915.46)	31,668,344.24
V. Total net carrying amount of fixed assets	7,392,381,087.28	212,630,985.36	(4,207,567.89)	7,600,804,504.75
Of which: Buildings and structures	2,847,260,274.04	116,318,800.19	—	2,963,579,074.23
Machinery and equipment	3,717,704,881.70	26,353,546.87	(3,005,665.83)	3,741,052,762.74
Motor vehicles	107,383,793.17	(920,590.43)	(246,936.67)	106,216,266.07
Other equipment	720,032,138.37	70,879,228.73	(954,965.39)	789,956,401.71



Notes to the Financial Statements

For the six months ended 30 June 2012

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. Fixed assets (continued)

Fixed assets (continued)

During the six months, the original book value of fixed assets increased by RMB101,597,109.26, RMB544,389,079.69, and RMB18,804,046.78 due to additions, transfer from construction in progress and transfer from self-produced moulds, respectively.

During the six months, the original book value of fixed assets decreased by RMB14,088,899.15 and RMB600,725.97 due to disposals and transfer into construction in progress, respectively.

During the six months, the accumulated depreciation increased by RMB420,490,906.13 due to provisions.

During the six months, the accumulated depreciation decreased by RMB8,716,564.34 and RMB138,577.43 due to disposals and transfer into construction in progress, respectively.

During the six months, the impairment provision increased by RMB31,668,344.24, due to provisions, and decreased by RMB1,626,915.46 due to write-off.

As at 30 June 2012, among the fixed assets, the net book value of properties without title certificates amounted to RMB1,365,873,555.42, and the application of relevant title certificates is in progress.

Notes to the Financial Statements

For the six months ended 30 June 2012

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

13. Construction in progress

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

Project	2012.06.30 (unaudited)			2011.12.31 (audited)			RMB
	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	216,331,489.65	—	216,331,489.65	100,237,487.79	—	100,237,487.79	
Annual production of 400,000 sets of axles and brakes	45,179,983.07	—	45,179,983.07	66,393,418.50	—	66,393,418.50	
Annual production of 400,000 sets of interior and exterior decorations	35,721,784.04	—	35,721,784.04	63,150,699.35	—	63,150,699.35	
Annual production of 300,000 sets of EG engines	291,209,938.64	—	291,209,938.64	206,470,479.51	—	206,470,479.51	
Annual production of 200,000 sets of six-speed manual transmissions	292,092,922.69	—	292,092,922.69	191,775,632.31	—	191,775,632.31	
Annual production of 400,000 sets of aluminium alloy casting	171,067,647.85	—	171,067,647.85	102,025,618.18	—	102,025,618.18	
Annual production of 400,000 sets of automotive lightings	87,682,133.76	—	87,682,133.76	9,128,298.58	—	9,128,298.58	
Tianjin Automobile project phase	1,021,710,172.14	—	1,021,710,172.14	829,469,763.08	—	829,469,763.08	
Tianjin branch's parts and components project	274,889,375.53	—	274,889,375.53	148,861,950.69	—	148,861,950.69	
Tianjin branch's residential area supporting project	128,367,838.73	—	128,367,838.73	89,862,404.30	—	89,862,404.30	
Shunping project	42,624,819.34	—	42,624,819.34	46,546,230.22	—	46,546,230.22	
Industrial park phase I II III Reconstruction and expansion	245,237,342.17	—	245,237,342.17	244,936,652.33	—	244,936,652.33	
Steam project	14,696,500.00	—	14,696,500.00	126,000.00	—	126,000.00	
Xindatong Reconstruction	50,606,397.49	—	50,606,397.49	45,168,585.04	—	45,168,585.04	
Jiaozhuang infrastructure	4,931,816.51	—	4,931,816.51	833,744.11	—	833,744.11	
Jiaozhuang equipment	149,349,123.85	—	149,349,123.85	144,184,442.65	—	144,184,442.65	
New technology centre	20,758,571.50	—	20,758,571.50	12,952,137.60	—	12,952,137.60	
Xushui Automobile Project	869,150,419.01	—	869,150,419.01	451,598,757.59	—	451,598,757.59	
Xushui parts and components project	126,117,107.43	—	126,117,107.43	30,200,976.87	—	30,200,976.87	
Xushui supporting infrastructure project	108,234,234.89	—	108,234,234.89	89,303,598.18	—	89,303,598.18	
Part and Components Department Reconstruction project	173,356,551.59	—	173,356,551.59	176,999,008.46	—	176,999,008.46	
Total	4,369,316,169.88	—	4,369,316,169.88	3,050,225,885.34	—	3,050,225,885.34	



Notes to the Financial Statements

For the six months ended 30 June 2012

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

13. Construction in progress (continued)

(2) Changes in major construction in progress

											RMB
Project	Budget amount	2011.12.31 (audited)	Additions for the six months	Transfer to fixed assets	Other deductions	Investment to budget (%)	Accumulated capitalized interest amount	Of which: capitalized interest amount for the six months	Ratio of capitalized interest amount for the six months (%)	Sources of fund	2012.6.30
											(unaudited)
Annual production of 100,000 sets of diesel engines of model number GW4D20	288,544,000.00	100,237,487.79	163,855,217.63	(47,761,215.77)		91.53	—	—	—	Fund raised	216,331,489.65
Annual production of 400,000 sets of axles and brakes	450,630,000.00	66,393,418.50	6,465,210.09	(27,678,645.52)		53.61	—	—	—	Fund raised	45,179,983.07
Annual production of 400,000 sets of interior and exterior decorations	399,046,000.00	63,150,699.35	10,010,713.70	(37,439,629.01)		76.85	—	—	—	Fund raised	35,721,784.04
Annual production of 300,000 sets of EG engines	497,570,000.00	206,470,479.51	84,739,459.13	—		58.53	—	—	—	Fund raised	291,209,938.64
Annual production of 200,000 sets of six-speed manual transmissions	449,430,000.00	191,775,632.31	100,317,290.38	—		64.99	—	—	—	Fund raised	292,092,922.69
Annual production of 400,000 sets of aluminium alloy casting	379,347,000.00	102,025,618.18	87,094,812.46	(18,052,782.79)		47.45	—	—	—	Fund raised	171,067,647.85
Annual production of 400,000 sets of automotive lightings	158,091,000.00	9,128,298.58	78,618,382.19	(64,547.01)		55.46	—	—	—	Fund raised	87,682,133.76
Tianjin Automobile project phase	4,318,892,100.00	829,469,763.08	308,068,262.52	(115,827,853.46)		61.98	—	—	—	Internal resources	1,021,710,172.14
Tianjin branch's parts and components project	471,072,075.86	148,861,950.69	131,726,044.52	(5,699,866.81)		74.41	—	—	—	Internal resources	274,889,375.53
Tianjin branch's residential area supporting project	493,019,700.00	89,862,404.30	114,454,861.09	(75,949,426.66)		56.95	—	—	—	Internal resources	128,367,838.73
Shunping project	259,577,000.00	46,546,230.22	1,778,455.93	(5,698,619.68)		100.00	—	—	—	Internal resources	42,624,819.34
Industrial park phase I III Reconstruction and expansion	397,480,053.00	244,936,652.33	68,756,243.26	(68,455,553.42)		77.35	—	—	—	Internal resources	245,237,342.17
Steam project	48,711,540.00	126,000.00	14,570,500.00	—		30.17	—	—	—	Internal resources	14,696,500.00
Xindatong Reconstruction	223,327,700.00	45,168,585.04	6,652,358.25	—	(1,214,545.80)	22.66	—	—	—	Internal resources	50,606,397.49
Jiaozhuang infrastructure	253,863,000.00	833,744.11	5,685,792.40	(1,587,720.00)		75.35	—	—	—	Internal resources	4,931,816.51
Jiaozhuang equipment	1,210,071,000.00	144,184,442.65	71,633,081.77	(66,468,400.57)		79.16	—	—	—	Internal resources	149,349,123.85
New technology center	2,063,355,700.00	12,952,137.60	7,806,433.90	—		1.01	—	—	—	Internal resources	20,758,571.50
Xushui Automobile Project	2,000,000,000.00	451,598,757.59	417,551,661.42	—		43.46	—	—	—	Internal resources	869,150,419.01
Xushui parts and components project	2,244,822,866.00	30,200,976.87	95,940,348.50	(24,217.94)		5.62	—	—	—	Internal resources	126,117,107.43
Xushui supporting infrastructure project	900,000,000.00	89,303,598.18	18,930,636.71	—		12.03	—	—	—	Internal resources	108,234,234.89
Part and Components Department Reconstruction project	276,404,426.69	176,999,008.46	70,038,144.18	(73,680,601.05)		89.20	—	—	—	Internal resources	173,356,551.59
Total	17,783,255,161.55	3,050,225,885.34	1,864,693,910.03	(544,389,079.69)	(1,214,545.80)						4,369,316,169.88

Notes to the Financial Statements

For the six months ended 30 June 2012

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

14. Intangible Assets

(1) Intangible assets

Item				RMB
	2011.12.31 (audited)	Additions for the six months	Deductions for the six months	2012.6.30 (unaudited)
1. Total original book value	1,988,841,682.94	512,049,108.97	(4,652.00)	2,500,886,139.91
Land use rights	1,940,388,389.47	505,778,262.10	—	2,446,166,651.57
Others	48,453,293.47	6,270,846.87	(4,652.00)	54,719,488.34
2. Total accumulated amortization	119,575,464.23	25,854,387.03	(3,650.50)	145,426,200.76
Land use rights	94,857,347.46	21,035,375.01	—	115,892,722.47
Others	24,718,116.77	4,819,012.02	(3,650.50)	29,533,478.29
3. Total net book value of intangible assets	1,869,266,218.71	486,194,721.94	(1,001.50)	2,355,459,939.15
Land use rights	1,845,531,042.01	484,742,887.09	—	2,330,273,929.10
Others	23,735,176.70	1,451,834.85	(1,001.50)	25,186,010.05

During the six months, the original book value increased by 512,049,108.97 due to additions.

During the six months, the original book value increased by 4,652.00 due to disposals.

During the six months, the accumulated amortization increased by RMB25,854,387.03 due to provisions.

During the six months, the accumulated amortization decreased by RMB3,650.50 due to disposals.

As at 30 June 2012, among the intangible assets, the net book value of land use rights without land use right certificates amounted to RMB528,921,206.50, and the application of relevant land use right certificates is in progress.



Notes to the Financial Statements

For the six months ended 30 June 2012

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

14. 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	
	2012.6.30 (unaudited)	2011.12.31 (audited)
Located in mainland China — 10 to 50 years	2,330,273,929.10	1,845,531,042.01

15. Goodwill

Name of investee or matters generating goodwill	2011.12.31 (audited)	Additions for the six months	Deductions for the six months	RMB	
				2012.6.30 (unaudited)	Impairment provision as at the end of the six months
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.

Notes to the Financial Statements

For the six months ended 30 June 2012

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

16. Deferred tax assets and deferred tax liabilities

(1) Recognized deferred tax assets and deferred tax liabilities

Item	RMB	
	2012.6.30 (unaudited)	2011.12.31 (audited)
Deferred tax assets:		
Provision for bad debts	8,349,682.88	2,358,863.44
Impairment provision for inventory	16,448,228.88	15,583,542.83
Difference between the carrying amount of accumulated depreciation and tax basis	4,750,251.64	—
Accrued expenses which are deductible upon payment	32,525,265.71	21,918,083.34
Advances which are taxable upon receipt	53,073,821.35	51,824,715.36
Deductible losses	4,256,132.99	18,956,845.80
Deferred income	131,539,146.20	123,733,824.06
Unrealized profit arising from the consolidation of financial statements	163,941,528.79	117,083,477.30
Others	2,957,758.00	2,045,909.34
Subtotal	417,841,816.44	353,505,261.47
Deferred tax liabilities:		
Procurement Discount without invoice	(35,855,466.24)	(1,420,135.60)
Financial assets held for trading	—	(176,655.00)
Subtotal	(35,855,466.24)	(1,596,790.60)
Deferred tax assets after offsetting as at the end of the reporting period	393,941,966.50	351,908,470.87
Deferred tax liabilities after offsetting as at the end of the reporting period	(11,955,616.30)	—



Notes to the Financial Statements

For the six months ended 30 June 2012

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

16. Deferred tax assets and deferred tax liabilities (continued)

(2) Temporary difference of deferred tax assets

Item	Temporary difference	
	2012.6.30 (unaudited)	2011.12.31 (audited)
		<i>RMB</i>
Deductible temporary difference:		
Provision for bad debts	33,711,530.08	10,530,682.97
Impairment provision for inventory	66,196,180.84	63,648,516.84
Difference between the carrying amount of accumulated depreciation and tax basis	31,668,344.24	—
Accrued expenses which are deductible upon payment	151,785,436.67	114,120,555.63
Advances which are taxable upon receipt	294,501,165.73	287,860,548.98
Deductible losses	17,024,531.94	75,827,383.16
Deferred income	653,472,350.07	601,584,200.93
Unrealized profit arising from the consolidation of financial statements	727,801,171.16	506,910,290.19
Others	19,695,290.91	12,525,608.57
Subtotal	1,995,856,001.64	1,673,007,787.27
Deferred tax liabilities:		
Procurement Discount without invoice	(143,421,864.96)	(9,467,570.69)
Financial assets held for trading	—	(1,177,700.00)
Subtotal	(143,421,864.96)	(10,645,270.69)
Deferred tax assets after offsetting as at the end of the reporting period	1,900,256,601.90	1,662,362,516.58
Deferred tax liabilities after offsetting as at the end of the reporting period	(47,822,465.22)	—

Notes to the Financial Statements

For the six months ended 30 June 2012

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

16. Deferred tax assets and deferred tax liabilities (continued)

(3) The breakdown of offsetting between deferred tax assets and liabilities

Item	RMB	
	2012.6.30 (unaudited)	2011.12.31 (audited)
Deferred tax assets	23,899,849.94	1,596,790.60
Deferred tax liabilities	23,899,849.94	1,596,790.60

The net amount of Deferred tax assets and liabilities after offsetting are as follows:

Item	RMB	
	2012.6.30 (unaudited)	2011.12.31 (audited)
Deductible temporary differences after offsetting	1,900,256,601.90	1,662,362,516.58
Taxable temporary differences after offsetting	(47,822,465.22)	—
Deferred tax assets after offsetting	393,941,966.50	351,908,470.87
Deferred tax liabilities after offsetting	(11,955,616.30)	—



Notes to the Financial Statements

For the six months ended 30 June 2012

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

17. Impairment provision for assets

RMB

Item	2011.12.31 (audited)	Additions for the six months	Deductions for the six months Reversals	Write-offs	2012.6.30 (unaudited)
1. Provision for bad debts	10,530,682.97	28,525,752.94	(5,176,351.79)	(168,554.04)	33,711,530.08
Of which:					
Provision for bad debts of accounts receivable	10,161,133.97	28,199,709.34	(4,980,083.19)	(133,754.04)	33,247,006.08
Provision for bad debts of other receivables	369,549.00	326,043.60	(196,268.60)	(34,800.00)	464,524.00
2. Impairment provision for inventory	5,102,226.84	7,910,652.61	(687,231.32)	(1,298,086.70)	11,027,561.43
3. Impairment provision for fixed assets	1,626,915.46	31,668,344.24	—	(1,626,915.46)	31,668,344.24
Total	17,259,825.27	68,104,749.79	(5,863,583.11)	(3,093,556.20)	76,407,435.75

18. Short-term borrowings

RMB

Item	2012.6.30 (unaudited)	2011.12.31 (audited)
Secured loans with securities under the custody of lenders (Note 1)	282,043,812.25	—
Total	282,043,812.25	—

Note 1: The secured loans was a short-term borrowing amounted to HKD345,972,635.92 obtained from the Agricultural Bank of China Co., Ltd. Baoding Sanfeng Branch, secured by certificates of deposit of RMB285,081,500.00 provided by the company, and the borrowing rate of the secured loans is lower than the interest rate on the pledged certificates of deposit.

19. Financial assets (liabilities) held for trading

RMB

Item	2012.6.30 (unaudited)	2011.12.31 (audited)
Financial assets (liabilities) held for trading — forward exchange contracts	(7,213,175.32)	1,177,700.00
Total	(7,213,175.32)	1,177,700.00

Notes to the Financial Statements

For the six months ended 30 June 2012

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

20. Bills payable

Category	RMB	
	2012.6.30 (unaudited)	2011.12.31 (audited)
Bank acceptance notes	4,713,678,481.94	3,977,526,932.93
Total	4,713,678,481.94	3,977,526,932.93

21. Accounts payable

Item	RMB	
	2012.6.30 (unaudited)	2011.12.31 (audited)
Within 1 year	7,115,746,268.30	5,991,799,559.72
1 to 2 years	17,328,868.47	25,713,546.87
2 to 3 years	11,628,201.91	8,357,715.34
Over 3 years	11,144,272.98	7,669,978.80
Total	7,155,847,611.66	6,033,540,800.73

Note 1: Accounts payable aged over one 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.

22. Advance from customers

Item	RMB	
	2012.6.30 (unaudited)	2011.12.31 (audited)
Within 1 year	3,174,236,940.68	2,688,682,824.89
1 to 2 years	10,948,154.25	10,419,610.86
2 to 3 years	2,916,763.17	6,558,487.39
Over 3 years	3,493,870.71	5,809,800.20
Total	3,191,595,728.81	2,711,470,723.34

Note 1: Advance receipts aged over one 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.



Notes to the Financial Statements

For the six months ended 30 June 2012

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

23. Salaries payable

RMB

Item	2011.12.31 (audited)	Additions for the six months	Deductions for the six months	2012.6.30 (unaudited)
1. Salaries, bonuses, allowances and subsidies	370,724,890.82	963,933,549.51	(1,161,015,598.17)	173,642,842.16
2. Staff welfare	26,250,277.30	111,321,857.67	(135,984,682.59)	1,587,452.38
3. Staff bonuses and welfare fund	69,631,363.84	—	(38,684.00)	69,592,679.84
4. Social insurance premiums				
Of which: Medical insurance	554,026.64	28,095,739.05	(28,635,283.72)	14,481.97
Basic retirement Insurance	889,876.06	75,228,259.46	(76,075,171.38)	42,964.14
Unemployment insurance	117,112.50	7,590,256.09	(7,646,850.72)	60,517.87
Work-related injury insurance	608,270.60	4,774,483.62	(5,318,872.02)	63,882.20
Maternity insurance	6,214.08	2,278,600.86	(2,263,317.99)	21,496.95
5. Housing provident funds	364,205.70	21,639,732.03	(21,288,675.02)	715,262.71
6. Labour union expenditures	24,494,110.07	16,309,857.16	(23,774,938.41)	17,029,028.82
7. Employees' education expenses	8,225,780.68	179,359.43	(1,112,882.47)	7,292,257.64
Total	501,866,128.29	1,231,351,694.88	(1,463,154,956.49)	270,062,866.68

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.

24. Taxes payable

RMB

Item	2012.6.30 (unaudited)	2011.12.31 (audited)
Value added tax	28,757,533.56	(12,374,063.29)
Consumption tax	94,855,592.53	97,166,176.03
Business tax	1,336,610.88	937,426.66
Enterprise income tax	170,878,454.36	158,421,103.12
Individual income tax	1,496,405.25	1,085,834.49
Urban maintenance and construction tax	10,897,511.85	17,954,468.93
Education surcharges	7,827,603.09	12,903,942.86
Duty stamp	3,926,204.09	4,354,043.04
Real estate tax	545,267.54	2,976,396.60
Others	1,664,098.23	514,811.12
Total	322,185,281.38	283,940,139.56

Notes to the Financial Statements

For the six months ended 30 June 2012

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

25. Dividends payable

Company Name	RMB	
	2012.6.30 (unaudited)	2011.12.31 (audited)
Dragonet International Company Limited (驕龍國際有限公司)	99,835,988.59	59,536,914.89
Total	99,835,988.59	59,536,914.89

26. Other payables

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

Item	RMB	
	2012.6.30 (unaudited)	2011.12.31 (audited)
Within 1 year	668,759,149.82	718,677,808.78
1 to 2 years	58,122,628.36	68,576,135.33
2 to 3 years	31,533,236.18	24,160,604.97
Over 3 years	42,267,045.62	41,517,831.93
Total	800,682,059.98	852,932,381.01

(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.*



Notes to the Financial Statements

For the six months ended 30 June 2012

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

27. Non-current liabilities due within one year

Item	RMB	
	2012.6.30 (unaudited)	2011.12.31 (audited)
Non-current liabilities due within one year	29,607,589.28	26,458,955.67

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

28. Other current liabilities

Item	RMB	
	2012.6.30 (unaudited)	2011.12.31 (audited)
Accrued after-sale service expenses	181,097,895.62	141,025,058.00
Accrued advertising and media service expenses	36,207,450.23	71,662,260.28
Accrued transportation costs	5,614,603.95	4,735,228.15
Accrued technology development expenditure	27,526,271.34	13,781,170.84
Accrued utilities fees	11,948,680.92	12,268,549.23
Accrued port charges	7,889,180.00	3,581,935.00
Others	25,631,977.05	19,211,010.89
Total	295,916,059.11	266,265,212.39

Notes to the Financial Statements

For the six months ended 30 June 2012

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

29. Other non-current liabilities

RMB

Type	2011.12.31 (audited)	Additions for the six months	Amortization for the six months	2012.6.30 (unaudited)
Urban construction fund (Note 1)	62,422,535.31	—	(1,159,914.17)	61,262,621.14
Tax refund for purchasing domestic manufactured equipment (Note 2)	102,013,807.35	—	(10,709,377.55)	91,304,429.80
Government industrial policy supporting fund (Note 3)	243,981,892.82	—	—	243,981,892.82
Soft soil foundation subsidy (Note 4)	220,373,693.63	60,000,000.00	(2,347,750.32)	278,025,943.31
Infrastructure supporting fund (Note 5)	770,000,000.00	—	—	770,000,000.00
Subsidies for material technological innovation projects (Note 6)	9,966,666.61	—	(575,000.02)	9,391,666.59
Development fund for SMEs (Note 7)	5,884,973.68	—	(147,739.92)	5,737,233.76
Capital for technical centre infrastructure construction (Note 8)	11,631,169.20	—	(118,685.40)	11,512,483.80
Diesel engine development project fund (Note 9)	—	1,000,000.00	(50,000.00)	950,000.00
863 National High Technology Research and Development Program of subsidies (Note 10)	—	3,200,000.00	—	3,200,000.00
Hebei Province major technical innovation project fund (Note 11)	—	1,500,000.00	—	1,500,000.00
Total	1,426,274,738.60	65,700,000.00	(15,108,467.38)	1,476,866,271.22
Less: Non-current liabilities due within one year	(26,458,955.67)			(29,607,589.28)
Other non-current liabilities	1,399,815,782.93			1,447,258,681.94

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 Changcheng Axles Industries, 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", the cooperation agreement entered into between Tianjin Economic-Technological Development Area and the Company, and "Payment agreement of soft soil foundation treatment subsidy" of Tianjin Economic and Technological Development Zone Development Bureau, the Company and two subsidiaries of the company, Tianjin Wantong and Tianjin Lean, received soft soil foundation subsidiary from Tianjin Economic-Technological Development Area.



Notes to the Financial Statements

For the six months ended 30 June 2012

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

29. Other non-current liabilities (continued)

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 2010 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.

Note 6: According to “Notice regarding improving the ability of independent innovation and high-tech industry development projects in 2010 the first batch of the central budget for investment projects” issued by Hebei Development and Reform Commission and forwarded by Baoding Development and Reform Commission, Baoding Development and Reform Commission allocated RMB4 million to the company for innovation project of Automobile safety and environmental protection. Baoding Finance Bureau allocated RMB3.5 million to Great Wall Internal Combustion Engine, a subsidiary of the company for Diesel engine technology reconstruction project.

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 as Central Infrastructure expenditure budget (appropriation) quota for 2011 in 2011 for the innovation project of the technology centre 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 centre 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.

Note 9: According to “Notice regarding the projects and funding of Hebei Province Scientific and technological research and development program (the first batch)”, the company’s GW4D20 Diesel product development project was granted funding amounted to RMB1,000,000 directly from the Bureau of Finance in Hebei Province.

Note 10: According to “Mission statement of National High Technology Research and Development Program (Program 863)”, in critical automotive powertrain technology projects of Modern transport technology areas, the company’s development on diesel for high pressure beard common rail car was granted project research funding amounted to RMB3,200,000.

Note 11: According to “Mission statement of Hebei Province’s Major technological innovation projects”, the company’s research on project of “Research and development, and Research on industrialized technology of Great Wall Tengyi C20 pure electric car” assigned by Science and Technology Agency of Hebei Province, was granted project funding amounted to RMB1,500,000.

Notes to the Financial Statements

For the six months ended 30 June 2012

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

30. Share capital

As at 30 June 2012, 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	Changes for the six months						Closing balance
	Opening balance	New issue	Shares transfer		Others	Subtotal	
			Bonus shares	from reserve			
<i>RMB</i>							
For the six months ended							
30 June 2012 (unaudited):							
Promoters' shares	1,705,000,000.00	—	—	—	—	—	1,705,000,000.00
Outstanding overseas listed							
foreign shares	1,033,180,000.00	—	—	—	—	—	1,033,180,000.00
Outstanding domestic listed RMB							
ordinary shares	304,243,000.00	—	—	—	—	—	304,243,000.00
Total number of shares	3,042,423,000.00	—	—	—	—	—	3,042,423,000.00
For the six months ended							
30 June 2011 (unaudited):							
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	—	—	—	—	—	—	—
Total number of shares	1,095,272,000.00	—	—	1,642,908,000.00	—	1,642,908,000.00	2,738,180,000.00



Notes to the Financial Statements

For the six months ended 30 June 2012

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

31. Capital reserves

RMB

Item	Opening balance	Additions for the six months	Deductions for the six months	Closing balance
For the six months ended 30 June 2012 (unaudited):				
Capital premiums	4,509,010,149.89	—	—	4,509,010,149.89
Other capital reserves	(45,215,062.94)	—	(2,685,777.70)	(47,900,840.64)
Of which: Transfer from capital reserves under the previous standards	14,823,095.08	—	—	14,823,095.08
Difference between the consideration of acquiring minority interest in subsidiary and the decreased amount on minority interest	(28,550,506.76)	—	(2,685,777.70)	(31,236,284.46)
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	4,463,795,086.95	—	(2,685,777.70)	4,461,109,309.25
For the six months ended 30 June 2011 (unaudited):				
Capital premiums	2,561,788,880.90	—	(1,642,908,000.00)	918,880,880.90
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 consideration of acquiring minority interest in subsidiary and the decreased amount on minority interest	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	—	(1,691,115,389.46)	873,665,817.96

Notes to the Financial Statements

For the six months ended 30 June 2012

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

32. Surplus reserves

RMB

Item	Opening balance	Additions for the six months	Deductions for the six months	Closing balance
For the six months ended 30 June 2012 (unaudited):				
Statutory surplus reserves	1,170,268,598.53	—	—	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	105,163,923.73	—	—	105,163,923.73
Tax credit for social welfare enterprises	251,838,024.75	—	—	251,838,024.75
Total	1,583,245,673.36	—	—	1,583,245,673.36
For the six months ended 30 June 2011 (unaudited):				
Statutory surplus reserves	814,173,415.56	—	—	814,173,415.56
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	2,502,277.36	—	96,079,390.45
Tax credit for social welfare enterprises	251,838,024.75	—	—	251,838,024.75
Total	1,215,563,679.75	2,502,277.36	—	1,218,065,957.11



Notes to the Financial Statements

For the six months ended 30 June 2012

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

33. Undistributed profits

Item	Amount	Proportion of appropriation or allocation
<i>RMB</i>		
For the six months ended 30 June 2012 (Unaudited):		
Undistributed profits at the beginning of the six months	7,653,974,196.03	
Add: Net profits attributable to the shareholders of parent company of the six months	2,353,515,940.60	
Less: Appropriation of statutory surplus reserves	—	(1)
Appropriation of discretionary surplus reserves	—	
Appropriation of enterprise expansion fund	—	(2)
Appropriation of reserve fund	—	(2)
Distribution of cash dividends	(912,726,900.00)	(3)
Appropriation of staff incentive bonus and welfare fund	—	(2)
Undistributed profits at the end of the six months	9,094,763,236.63	
For the six months ended 30 June 2011 (Unaudited):		
Undistributed profits at the beginning of the six months	5,143,097,076.86	
Add: Net profits attributable to the shareholders of parent company of the six months	1,811,803,710.01	
Less: Appropriation of statutory surplus reserves	—	(1)
Appropriation of discretionary surplus reserves	—	
Appropriation of enterprise expansion fund	—	(2)
Appropriation of reserve fund	(2,502,277.36)	(2)
Distribution of cash dividends	(547,636,000.00)	
Appropriation of staff incentive bonus and welfare fund	—	(2)
Undistributed profits at the end of the six months	6,404,762,509.51	

Notes to the Financial Statements

For the six months ended 30 June 2012

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

33. Undistributed profits (continued)

(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) 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 2011 Annual General Meeting of the Company held on 7 May 2012 considered and approved the resolution regarding the profit distribution proposal for the year 2011. The Company declared the 2011 annual cash dividend of RMB0.30 per share (tax inclusive) to all shareholders, aggregating to RMB912,726,900.00 based on the total of 3,042,423,000 shares with a par value of RMB1 each.

34. Operating revenue and operating costs

(1) Operating revenue

Item	RMB	
	Six months ended 30 June 2012 (unaudited)	Six months ended 30 June 2011 (unaudited)
Revenue from principal businesses		
Of which: Revenue from the sale of automobiles	17,078,913,330.97	13,268,998,277.22
Revenue from the sale of automotive parts and components	764,783,361.29	491,406,481.65
Revenue from providing services	43,395,308.82	31,728,409.06
Revenue from other businesses	400,479,439.98	407,580,514.57
Total	18,287,571,441.06	14,199,713,682.50



Notes to the Financial Statements

For the six months ended 30 June 2012

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

34. Operating revenue and operating costs (continued)

(2) Operating costs

Item	RMB	
	Six months ended 30 June 2012 (unaudited)	Six months ended 30 June 2011 (unaudited)
Costs from principal businesses		
Of which: Expenses from the sales of automobiles	12,419,539,720.43	9,654,980,933.07
Expenses from the sales of automotive parts and components	714,055,976.89	450,491,530.11
Expenses from providing services	39,571,592.85	29,254,219.27
Expenses from other businesses	302,938,115.60	353,937,666.99
Total	13,476,105,405.77	10,488,664,349.44

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

Name of customer	RMB	
	Operating revenue	Percentage of the total operating revenue of the Company (%)
Customer 1	800,351,061.10	4.38
Customer 2	485,501,765.06	2.65
Customer 3	421,210,855.23	2.31
Customer 4	359,282,468.45	1.96
Customer 5	350,164,590.39	1.91
Total	2,416,510,740.23	13.21

Notes to the Financial Statements

For the six months ended 30 June 2012

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

35. Business tax and surcharges

Item	<i>RMB</i>	
	Six months ended 30 June 2012 (unaudited)	Six months ended 30 June 2011 (unaudited)
Business tax	5,094,762.47	4,968,925.11
Consumption tax	512,855,704.53	414,087,536.83
Urban maintenances and construction tax	82,632,258.73	69,629,149.46
Educational surcharges	59,203,020.91	40,552,999.26
Others	3,765,468.57	413,501.92
Total	663,551,215.21	529,652,112.58

36. Selling expenses

Item	<i>RMB</i>	
	Six months ended 30 June 2012 (unaudited)	Six months ended 30 June 2011 (unaudited)
Transportation expenses	281,012,345.96	246,581,924.04
After-sale services expenses	125,576,996.32	64,274,674.23
Wages and salaries	54,724,957.74	46,188,921.35
Taxes	9,247,143.00	7,690,265.60
Advertising and media services fees	108,972,121.61	123,118,073.67
Port charges	23,647,796.16	12,209,746.49
Travelling expenses	6,168,696.95	5,809,586.19
Others	24,368,907.67	19,369,801.18
Total	633,718,965.41	525,242,992.75



Notes to the Financial Statements

For the six months ended 30 June 2012

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

37. Administrative expenses

Item	RMB	
	Six months ended 30 June 2012 (unaudited)	Six months ended 30 June 2011 (unaudited)
Technology development expenditures	363,735,613.46	252,674,130.45
Wages and salaries	170,692,125.52	170,752,598.63
Taxes	35,757,737.63	24,060,887.16
Depreciation and Amortization	37,432,752.41	24,375,753.72
Business reception fees	3,048,831.80	1,812,847.09
Office expenses	21,581,368.93	21,156,761.38
Repair and maintenance fees	23,842,136.91	17,965,714.39
Auditors' remuneration	480,000.00	1,382,773.00
Service charges	6,994,575.77	9,805,614.33
Others	23,683,969.42	18,183,660.44
Total	687,249,111.85	542,170,740.59

38. Impairment loss on assets

Item	RMB	
	Six months ended 30 June 2012 (unaudited)	Six months ended 30 June 2011 (unaudited)
1. Loss on bad debts	23,349,401.15	(759,055.77)
2. Loss on impairment of inventory	7,223,421.29	8,690,393.63
3. Loss on impairment of fixed assets	31,668,344.24	—
Total	62,241,166.68	7,931,337.86

39. Profit or loss from changes in fair value

Item	RMB	
	Six months ended 30 June 2012 (unaudited)	Six months ended 30 June 2011 (unaudited)
Derivative financial instruments measured at fair value	(8,390,875.32)	2,007,256.00
Total	(8,390,875.32)	2,007,256.00

Notes to the Financial Statements

For the six months ended 30 June 2012

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

40. Investment income

(1) Breakdown of investment income

Item	RMB	
	Six months ended 30 June 2012 (unaudited)	Six months ended 30 June 2011 (unaudited)
Income from long-term equity investments under equity method	548,445.26	8,925,790.99
Income from available-for-sale financial asset investment	6,384,204.81	746,426.19
Income generated from the equity interests in acquirees held prior to the date of acquisition and measured at fair value	—	7,598,891.52
Total	6,932,650.07	17,271,108.70

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

Investee	RMB	
	Six months ended 30 June 2012 (unaudited)	Six months ended 30 June 2011 (unaudited)
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) (保定德業汽車內飾有限公司)	—	3,099,397.02
Baoding Jiehua Automobile Components and Accessories Company Limited (保定杰華汽車零部件有限公司)	47,655.88	47,041.50
Baoding Yanfeng Johnson Controls Automobile Seating Co., Ltd. (保定延鋒江森汽車座椅有限公司)	344,203.98	466,983.52
Baoding Xinchang Auto Parts Company Limited (保定信昌汽車零部件有限公司)	156,585.40	4,748,716.47
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) (保定天球電器有限公司)	—	563,652.48
Total	548,445.26	8,925,790.99



Notes to the Financial Statements

For the six months ended 30 June 2012

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

40. Investment income (continued)

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

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

41. Non-operating income

(1) Breakdown of non-operating income was as follows:

Item	RMB		
	Six months ended 30 June 2012 (unaudited)	Six months ended 30 June 2011 (unaudited)	Amount included in non-recurring gains and losses in the six months
Total gains from disposal of non-current assets	2,523,865.07	442,373.12	2,523,865.07
Of which: Gains from disposal of fixed assets	2,523,865.07	200,490.51	2,523,865.07
Gains from disposal of intangible assets	—	241,882.61	—
Government grants	8,493,920.16	4,723,333.00	8,493,920.16
Difference of fair value of net identifiable assets of subsidiaries acquired in excess of the cost of business combination	—	14,567,651.20	—
Amortization of deferred incomes	15,108,467.38	13,411,718.04	15,108,467.38
Gains from compensation	2,819,680.72	1,650,660.14	2,819,680.72
Value added tax refund on social welfare enterprises	385,000.00	—	385,000.00
Unpayable amount	17,540,964.26	13,374,455.92	17,540,964.26
Others	4,855,519.69	1,540,223.79	4,855,519.69
Total	51,727,417.28	49,710,415.21	51,727,417.28

Notes to the Financial Statements

For the six months ended 30 June 2012

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

41. Non-operating income (continued)

(2) Government grants:

Item	Six months ended 30 June 2012 (unaudited)	Six months ended 30 June 2011 (unaudited)	Description
Project funds for technological innovation and foreign trade services	3,820,000.00	1,500,000.00	Project funds for technological innovation and foreign trade services
Innovative funding	2,800,000.00	—	Special funding for innovation
Invention patents Subventions	1,000,000.00	1,100,000.00	Invention patents Subventions
Scientific and technological research and development bonus	500,000.00	—	Award for R&D on Science and Technology
Special funds of high-level personnel	—	2,000,000.00	Special funds to attract, train and retain high-level personnel
Others	373,920.16	123,333.00	
Total	8,493,920.16	4,723,333.00	



Notes to the Financial Statements

For the six months ended 30 June 2012

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

42. Non-operating expenses

Item	<i>RMB</i>		
	Six months ended 30 June 2012 (unaudited)	Six months ended 30 June 2011 (unaudited)	Amount included in non-recurring gains and losses in the six months
Total loss on disposal of non-current assets	1,564,950.05	588,537.31	1,564,950.05
Of which: Loss on disposal of fixed assets	1,562,824.53	588,537.31	1,562,824.53
Loss on disposal of intangible assets	2,125.52	—	2,125.52
Donations	3,797,520.41	187,935.69	3,797,520.41
Expenses for compensations and fines	1,479,901.00	1,224,916.03	1,479,901.00
Others	591,600.58	341,803.34	591,600.58
Total	7,433,972.04	2,343,192.37	7,433,972.04

43. Income tax expenses

Item	<i>RMB</i>	
	Six months ended 30 June 2012 (unaudited)	Six months ended 30 June 2011 (unaudited)
Current income tax calculated according to tax laws and relevant rules	508,662,375.31	364,097,371.78
Deferred income tax	(30,077,879.33)	(46,285,330.34)
Total	478,584,495.98	317,812,041.44

Notes to the Financial Statements

For the six months ended 30 June 2012

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

43. Income tax expenses (continued)

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

Item	<i>RMB</i>	
	Six months ended 30 June 2012 (unaudited)	Six months ended 30 June 2011 (unaudited)
Accounting profit/loss	2,855,386,010.13	2,180,874,423.74
Income tax rate	25%	25%
Income tax calculated at tax rate of 25%	713,846,502.53	545,218,605.94
Tax holidays, exemptions and concessionary rates	(214,529,259.80)	(198,370,286.72)
Additional tax deduction for research and development expenses	(33,468,152.46)	(27,567,872.08)
Tax effect of non-taxable income	(137,111.32)	(2,430,432.35)
Tax effect of non-deductible expenses	12,872,517.03	962,026.65
Total	478,584,495.98	317,812,041.44

44. 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	<i>RMB</i>	
	Six months ended 30 June 2012 (unaudited)	Six months ended 30 June 2011 (unaudited)
Net profit attributable to ordinary shareholders	2,353,515,940.60	1,811,803,710.01
Of which: Net profit attributable to continuing operations	2,353,515,940.60	1,811,803,710.01
Total	2,353,515,940.60	1,811,803,710.01



Notes to the Financial Statements

For the six months ended 30 June 2012

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

44. Calculation of basic and diluted earnings per share (continued)

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

Item	Six months ended 30 June 2012 (unaudited)	Six months ended 30 June 2011 (unaudited)
Number of outstanding ordinary shares at the beginning of the six months	3,042,423,000.00	2,738,180,000.00
Add: Weighed number of ordinary shares issued in the six months	—	—
Less: Weighted number of ordinary shares repurchased in the six months	—	—
Weighted number of outstanding ordinary shares at the end of the six months	3,042,423,000.00	2,738,180,000.00

Item	Six months ended 30 June 2012 (unaudited)	Six months ended 30 June 2011 (unaudited)
Based on the net profit attributable to shareholders of parent company:		<i>RMB</i>
Basic earnings per share	2,353,515,940.60	1,811,803,710.01
Diluted earnings per share	0.77	0.66
Based on the net profit from continuing operations attributable to shareholders of parent company:		
Basic earnings per share	2,353,515,940.60	1,811,803,710.01
Diluted earnings per share	0.77	0.66
	N/A	N/A

Notes to the Financial Statements

For the six months ended 30 June 2012

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

45. Other comprehensive income

Item	<i>RMB</i>	
	Six months ended 30 June 2012 (unaudited)	Six months ended 30 June 2011 (unaudited)
1. Translation difference of financial statements denominated in foreign currency	110,898.73	(1,297,451.91)
Less: Net income from disposal of foreign operations recognized in profit or loss in the current period	—	—
Subtotal	110,898.73	(1,297,451.91)
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	110,898.73	(1,297,451.91)

46. Notes to cash flow statements

(1) Other cash received relating to operating activities

Item	<i>RMB</i>	
	Six months ended 30 June 2012 (unaudited)	Six months ended 30 June 2011 (unaudited)
Interest income	49,492,819.66	19,126,227.18
Government grants	8,493,920.16	4,723,333.00
Release of guarantees	—	26,169,599.51
Others	2,283,730.64	11,107,146.48
Total	60,270,470.46	61,126,306.17



Notes to the Financial Statements

For the six months ended 30 June 2012

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

46. Notes to cash flow statements (continued)

(2) Other cash paid relating to operating activities

Item	RMB	
	Six months ended 30 June 2012 (unaudited)	Six months ended 30 June 2011 (unaudited)
Advertising and media services fee	145,673,271.66	108,091,054.85
Transportation costs and port charges	299,473,521.32	260,375,468.08
Technology development expenditures	136,264,423.43	109,172,636.97
After-sales charges and repairs charges	114,520,451.99	77,313,241.19
Business entertainment expenses and office expenses	42,277,804.29	25,414,453.00
Travelling expenses	6,168,696.95	5,809,586.19
Consultation fees	7,020,195.77	9,805,614.33
Others	47,279,373.23	25,216,124.27
Total	798,677,738.64	621,198,178.88

(3) Other cash received relating to investing activities

Item	RMB	
	Six months ended 30 June 2012 (unaudited)	Six months ended 30 June 2011 (unaudited)
Government grants	65,700,000.00	3,487,415.11
Cash receipts from acquiring of subsidiaries and other business units	—	1,705,449.30
Total	65,700,000.00	5,192,864.41

(4) Other cash paid relating to financing activities

Item	RMB	
	Six months ended 30 June 2012 (unaudited)	Six months ended 30 June 2011 (unaudited)
Restricted bank deposits	137,874,931.36	738,072,838.30
Acquiring minority interests in subsidiaries	128,596,700.00	—
Total	266,471,631.36	738,072,838.30

Notes to the Financial Statements

For the six months ended 30 June 2012

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

47. Supplemental information of cash flow statements

(1) Supplemental information of cash flow statements

	Six months ended 30 June 2012 (unaudited)	RMB Six months ended 30 June 2011 (unaudited)
Supplemental information		
1. Reconciliation of net profits and cash flow from operating activities:		
Net profits	2,376,801,514.15	1,863,062,382.30
Add: Impairment provisions for assets	62,241,166.68	7,931,337.86
Depreciation of fixed assets	420,490,906.13	315,598,289.39
Amortization of intangible assets	25,854,387.03	10,128,925.81
Amortization of long-term prepaid expenses	2,491,601.14	679,209.89
Depreciation of real estate held for investment	80,971.57	30,713.79
(Gains)/losses from change of fair value	8,390,875.32	(2,007,256.00)
(Gains)/losses on disposal of fixed assets, intangible assets and other long-term assets	(958,915.02)	146,164.19
Amortization of deferred gains	(15,108,467.38)	(13,411,718.04)
Financing costs/(gains)	1,668,754.01	5,625,337.28
Difference of fair value of net identifiable assets of subsidiaries acquired in excess of the cost of business combination	—	(14,567,651.20)
Investment losses/(gains)	(6,932,650.07)	(17,271,108.70)
(Increase)/decrease in deferred tax assets	(42,033,495.63)	(46,285,330.34)
(Decrease)/increase in deferred tax liabilities	11,955,616.30	—
(Increase)/decrease in inventories	(705,911,723.48)	(784,889,289.52)
(Increase)/decrease in operating receivables	(2,053,197,972.09)	(1,296,163,615.89)
Increase/(decrease) in operating payables	2,346,378,863.48	2,878,184,842.42
Net cash flows from operating activities	2,432,211,432.14	2,906,791,233.24
2. Net change in cash and cash equivalents:		
Cash balance at the end of the six months	5,488,907,622.28	2,146,297,023.51
Less: Cash balance at the beginning of the six months	6,306,279,224.47	2,073,626,962.53
Add: Cash equivalents balance at the end of the six months	—	—
Less: Cash equivalents balance at the beginning of the six months	—	—
Net increase in cash and cash equivalents	(817,371,602.19)	72,670,060.98



Notes to the Financial Statements

For the six months ended 30 June 2012

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

47. Supplemental information of cash flow statements (continued)

(2) Components of cash and cash equivalents

Item	RMB	
	Six months ended 30 June 2012 (unaudited)	Six months ended 30 June 2011 (unaudited)
I. Cash	5,488,907,622.28	2,146,297,023.51
Of which: Cash in hand	1,390,697.73	1,932,018.59
Bank deposits readily available for payment	5,487,516,924.55	2,144,365,004.92
Other cash and bank balances readily available for payment	—	—
II. Cash and cash equivalent balance as at the end of the six months	5,488,907,622.28	2,146,297,023.51

48. Net current assets

Item	2012.6.30 (Unaudited)	2011.12.31 (Audited)
Current assets	22,076,740,948.86	20,374,192,443.93
Less: Current liabilities	(17,168,668,655.00)	(14,713,538,188.81)
Net current assets	4,908,072,293.86	5,660,654,255.12

49. Total assets less current assets

Item	2012.6.30 (Unaudited)	2011.12.31 (Audited)
Total assets	36,925,994,080.17	33,134,857,715.47
Less: Current liabilities	(17,168,668,655.00)	(14,713,538,188.81)
Total assets less current liabilities	19,757,325,425.17	18,421,319,526.66

Notes to the Financial Statements

For the six months ended 30 June 2012

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 (%)	Shareholding of holding company (%)	Ultimate owner	Company code
Boading 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

2. Subsidiaries of the Company

Details of the subsidiaries of the Company are set out in Note (V) 9.

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) 9.

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
Baoding Bo Chuang Real Estate Development Co., Ltd. (保定市博創房地產開發有限公司)	Company indirectly controlled by controlling shareholder	68926059-X
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 (保定太行熱士美工業有限公司)	Company significantly influenced by related natural person (Wei De Yi)	60120863-2
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
He Bei Bao Cang Expressway Co., Ltd (河北保滄高速公路有限公司)	Company significantly influenced by Wei Jian Jun	76982156-1
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)	Minority shareholder of the controlling shareholder	72879122-0



Notes to the Financial Statements

For the six months ended 30 June 2012

VII. RELATED PARTIES AND TRANSACTIONS (continued)

5. Connected transactions

(1) Procurement of raw materials and accessories

RMB

Related parties	Category of related party transaction	Related party transaction	Pricing and Decision making procedure	Six months ended 30 June 2012 (unaudited)	
				Amount	Percentage of total amount (%)
Beijing Weide Automobile System Accessories Company Limited	Purchase	Purchase of raw materials	Mutually agreed price	3,150.00	—
Baoding Yanfeng Johnson Controls Automobile Seating Co., Ltd	Purchase	Purchase of raw materials	Mutually agreed price	97,639,683.00	0.61
Baoding Xinchang Auto Parts Company Limited	Purchase	Purchase of raw materials	Mutually agreed price	53,644,424.18	0.34

RMB

Related parties	Category of related party transaction	Related party transaction	Pricing and Decision making procedure	Six months ended 30 June 2011 (unaudited)	
				Amount	Percentage of total amount (%)
Baoding Tai Hang Pump Manufacturing Company Limited	Purchase	Purchase of raw materials	Mutually agreed price	2,004,691.74	0.01
Hebei Baoding Tai Hang Group Company Limited	Purchase	Purchase of raw materials	Mutually agreed price	17,137,550.94	0.12
Baoding Yanfeng Johnson Controls Automobile Seating Co., Ltd	Purchase	Purchase of raw materials	Mutually agreed price	95,003,414.66	0.67
Baoding Xinchang Auto Parts Company Limited	Purchase	Purchase of raw materials	Mutually agreed price	142,830,268.89	1.00

Notes to the Financial Statements

For the six months ended 30 June 2012

VII. RELATED PARTIES AND TRANSACTIONS (continued)

5. Connected transactions (continued)

(2) Sales of automobiles and automotive parts

RMB

Related parties	Category of related party transaction	Related party transaction	Pricing and Decision making procedure	Six months ended 30 June 2012 (unaudited)	
				Amount	Percentage of total amount (%)
Baoding Bo Chuang Real Estate Development Co., Ltd.	Sale	Automobiles and automotive parts	Mutually agreed price	247,350.43	—
He Bei Bao Cang Expressway Co., Ltd	Sale	Automobiles and automotive parts	Mutually agreed price	271,282.05	—
Baoding Yanfeng Johnson Controls Automobile Seating Co., Ltd	Sale	Automobiles and automotive parts	Mutually agreed price	7,555.05	—
Baoding Xinchang Auto Parts Company Limited	Sale	Automobiles and automotive parts	Mutually agreed price	165,204.29	—

RMB

Related parties	Category of related party transaction	Related party transaction	Pricing and Decision making procedure	Six months ended 30 June 2011 (unaudited)	
				Amount	Percentage of total amount (%)
Baoding Furui Garden Company Limited	Sale	Automobiles and automotive parts	Mutually agreed price	68,376.07	—
Hebei Baoding Tai Hang Group Company Limited	Sale	Automobiles and automotive parts	Mutually agreed price	2,694,174.92	0.02
Baoding Yanfeng Johnson Controls Automobile Seating Co., Ltd	Sale	Automobiles and automotive parts	Mutually agreed price	5,340.32	—
Baoding Xinchang Auto Parts Company Limited	Sale	Automobiles and automotive parts	Mutually agreed price	239,783.24	—



Notes to the Financial Statements

For the six months ended 30 June 2012

VII. RELATED PARTIES AND TRANSACTIONS (continued)

5. Connected transactions (continued)

(3) Purchase of fixed assets

RMB

Related parties	Category of related party transaction	Related party transaction	Pricing and Decision making procedure	Six months ended 30 June 2012 (unaudited)	
				Amount	Percentage of total amount (%)
Beijing Weide Automobile System Accessories Company Limited	Purchase of fixed assets	Purchase of fixed assets	Mutually agreed price	49,000.00	—
Hebei Baoding Tai Hang Group Company Limited	Purchase of fixed assets	Purchase of fixed assets	Mutually agreed price	3,189,234.23	0.15
Baoding Xinchang Auto Parts Company Limited	Purchase of fixed assets	Purchase of fixed assets	Mutually agreed price	18,831,450.77	0.89
Baoding Tai Hang Pump Manufacturing Company Limited	Purchase of fixed assets	Purchase of fixed assets	Mutually agreed price	4,790.00	—
Baoding Tai Hang Steel Structure Construction Company Limited	Purchase of fixed assets	Purchase of fixed assets	Mutually agreed price	403,060.00	0.02

RMB

Related parties	Category of related party transaction	Related party transaction	Pricing and Decision making procedure	Six months ended 30 June 2011 (audited)	
				Amount	Percentage of total amount (%)
Baoding Tai Hang Steel Structure Construction Company Limited	Purchase of fixed assets	Purchase of fixed assets	Mutually agreed price	4,126,925.00	0.27

(4) Purchase of services

RMB

Related parties	Category of related party transaction	Related party transaction	Pricing and Decision making procedure	Six months ended 30 June 2012 (unaudited)	
				Amount	Percentage of total amount (%)
Baoding Tai Hang Pump Manufacturing Company Limited	Purchase of services	Purchase of services	Mutually agreed price	33,747.86	0.01
Hebei Baoding Tai Hang Group Company Limited	Purchase of services	Purchase of services	Mutually agreed price	2,598.29	—

RMB

Related parties	Category of related party transaction	Related party transaction	Pricing and Decision making procedure	Six months ended 30 June 2011 (unaudited)	
				Amount	Percentage of total amount (%)
Baoding Tai Hang Pump Manufacturing Company Limited	Purchase of services	Purchase of services	Mutually agreed price	20,777.77	0.01
Hebei Baoding Tai Hang Group Company Limited	Purchase of services	Purchase of services	Mutually agreed price	181,386.58	0.07

Notes to the Financial Statements

For the six months ended 30 June 2012

VII. RELATED PARTIES AND TRANSACTIONS (continued)

5. Connected transactions (continued)

(5) Rendering of services

RMB

Related parties	Category of related party transaction	Related party transaction	Pricing and Decision making procedure	Six months ended 30 June 2012 (unaudited)	
				Amount	Percentage of total amount (%)
Baoding Yanfeng Johnson Controls Automobile Seating Co., Ltd	Rendering of services	Rendering of services	Mutually agreed price	102,217.43	0.17

RMB

Related parties	Category of related party transaction	Related party transaction	Pricing and Decision making procedure	Six months ended 30 June 2011 (unaudited)	
				Amount	Percentage of total amount (%)
Baoding Tai Hang Pump Manufacturing Company Limited	Rendering of services	Rendering of services	Mutually agreed price	26,829.04	0.11
Hebei Baoding Tai Hang Group Company Limited	Rendering of services	Rendering of services	Mutually agreed price	44,432.60	0.17
Baoding Yanfeng Johnson Controls Automobile Seating Co., Ltd	Rendering of services	Rendering of services	Mutually agreed price	103,236.48	0.41
Baoding Xinchang Auto Parts Company Limited	Rendering of services	Rendering of services	Mutually agreed price	34,770.45	0.14



Notes to the Financial Statements

For the six months ended 30 June 2012

VII. RELATED PARTIES AND TRANSACTIONS (continued)

5. Connected transactions (continued)

(6) Claims and others

RMB

Related parties	Category of related party transaction	Related party transaction	Pricing and Decision making procedure	Six months ended 30 June 2012 (unaudited)	
				Amount	Percentage of total amount (%)
Baoding Bo Chuang Real Estate Development Co., Ltd.	Claims and others	Claims and others	Mutually agreed price	67,393.40	0.11
Baoding Tai Hang Pump Manufacturing Company Limited	Claims and others	Claims and others	Mutually agreed price	(32,758.09)	(0.05)
Hebei Baoding Tai Hang Group Company Limited	Claims and others	Claims and others	Mutually agreed price	(1,965.81)	—
Baoding Yanfeng Johnson Controls Automobile Seating Co., Ltd	Claims and others	Claims and others	Mutually agreed price	81,194.39	0.13
Baoding Xinchang Auto Parts Company Limited	Claims and others	Claims and others	Mutually agreed price	(472,062.35)	(0.77)

RMB

Related parties	Category of related party transaction	Related party transaction	Pricing and Decision making procedure	Six months ended 30 June 2011 (Unaudited)	
				Amount	Percentage of total amount (%)
Baoding Yanfeng Johnson Controls Automobile Seating Co., Ltd	Claims and others	Claims and others	Mutually agreed price	47,366.10	0.89
Baoding Xinchang Auto Parts Company Limited	Claims and others	Claims and others	Mutually agreed price	1,246,996.35	23.41
Others	Claims and others	Claims and others	Mutually agreed price	35,136.98	0.66

(7) Emolument of key management

RMB'000

Item	Six months ended 30 June 2012 (unaudited)	Six months ended 30 June 2011 (unaudited)
Emolument of key management	14,491	10,232

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.

Notes to the Financial Statements

For the six months ended 30 June 2012

VII. RELATED PARTIES AND TRANSACTIONS (continued)

6. Amounts due from/due to related parties

		<i>RMB</i>	
Item	Related parties	2012.6.30 (unaudited)	2011.12.31 (audited)
Prepayment	Hebei Baoding Tai Hang Group Company Limited	3,040.00	—
Sub-total:		3,040.00	—
Bills receivable	Baoding Xinchang Auto Parts Company Limited	160,000.00	—
Sub-total:		160,000.00	—
Dividends receivable	Baoding Yanfeng Johnson Controls Automobile Seating Co., Ltd.	15,280,463.03	—
Sub-total:		15,280,463.03	—
Accounts payable	Baoding Xinchang Auto Parts Company Limited	20,731,316.53	80,238,777.39
Accounts payable	Baoding Yanfeng Johnson Controls Automobile Seating Co., Ltd.	71,052,541.33	20,349,503.49
Accounts payable	Beijing Dongfang Riya Kemaoy Company Limited	741,188.39	165,706.00
Accounts payable	Hebei Baoding Tai Hang Group Company Limited	594,284.30	283,425.21
Accounts payable	Baoding Tai Hang Pump Manufacturing Company Limited	1,608.03	20,240.00
Sub-total:		93,120,938.58	101,057,652.09
Other payables	Baoding Tai Hang Steel Structure Construction Company Limited	9,327,286.17	9,654,346.17
Other payables	Hebei Baoding Tai Hang Group Company Limited	137,000.00	2,000.00
Other payables	Baoding Tai Hang Pump Manufacturing Company Limited	39,506.00	90,316.00
Other payables	Baoding Tai Hang Rosemex Engineering Company Limited	2,455.61	2,455.61
Other payables	Beijing Weide Automobile System Accessories Company Limited	49,000.00	—
Sub-total:		9,555,247.78	9,749,117.78
Advances from customers	The Management Centre of Collective Assets of Nandayuan Town, Nanshi District, Baoding	34,000.00	34,000.00
Sub-total:		34,000.00	34,000.00
Bills payable	Baoding Yanfeng Johnson Controls Automobile Seating Co., Ltd.	16,314,112.32	8,600,000.00
Bills payable	Baoding Xinchang Auto Parts Company Limited	7,780,000.00	2,100,000.00
Bills payable	Hebei Baoding Tai Hang Group Company Limited	148,000.00	120,000.00
Sub-total:		24,242,112.32	10,820,000.00



Notes to the Financial Statements

For the six months ended 30 June 2012

VIII. COMMITMENTS

1. Significant Commitments

(1) Capital commitments

Item	RMB'000	
	2012.6.30 (unaudited)	2011.12.31 (audited)
Contracted for but not provided Authorised by the Board of Directors but not contracted for	4,198,391	3,468,701
Others — Capital commitments of joint ventures not included in consolidated financial statements	8,089,853	7,412,998
	26,982	6,240

(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:

Item	RMB'000	
	2012.6.30 (unaudited)	2011.12.31 (audited)
Minimum lease payments under non-cancellable operating leases:		
Within one year from the balance sheet date	76	135
In the second year from the balance sheet date	—	135
In the third year from the balance sheet date	—	—
Subsequent years	—	—
Total	76	270

Notes to the Financial Statements

For the six months ended 30 June 2012

IX. OTHER SIGNIFICANT ITEMS

1. Financial expenses

Item	<i>RMB</i>	
	Six months ended 30 June 2012 (unaudited)	Six months ended 30 June 2011 (unaudited)
Interest expenses on pledged loans	—	—
Less: interest income	(49,492,819.66)	(19,126,227.18)
Exchange (gain)loss	(8,010,238.51)	3,612,353.74
Interests on discounted bills	3,621,076.18	1,566,053.69
Others	6,036,767.99	5,771,132.83
Total	(47,845,214.00)	(8,176,686.92)

2. 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. 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.



Notes to the Financial Statements

For the six months ended 30 June 2012

IX. OTHER SIGNIFICANT ITEMS (continued)

2. Segment reporting (continued)

Revenue from external customers by location of revenue sources:

Item	<i>RMB</i>	
	Six months ended 30 June 2012 (unaudited)	Six months ended 30 June 2011 (unaudited)
Revenue from external customers in China	15,235,337,994.11	12,270,640,373.43
Northeast China	1,382,686,870.36	929,796,619.92
Northern China	3,585,425,901.68	2,894,020,144.42
Eastern China	3,705,563,354.62	3,051,395,479.33
Central China	2,740,292,358.02	2,246,667,945.74
Northwest China	1,659,234,018.95	1,421,932,198.06
Southwest China	2,162,135,490.48	1,726,827,985.96
Revenue from external customers in other countries	3,052,233,446.95	1,929,073,309.07
Russia	800,351,060.71	570,273,335.15
Australia	485,501,765.06	218,931,689.44
Chile	279,686,832.04	208,747,025.86
South Africa	230,198,541.44	153,960,588.64
Iraq	222,316,425.06	93,502,337.21
Other overseas countries	1,034,178,822.64	683,658,332.77
Total	18,287,571,441.06	14,199,713,682.50

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.

3. 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.

Notes to the Financial Statements

For the six months ended 30 June 2012

IX. OTHER SIGNIFICANT ITEMS (continued)

3. Financial instruments and risk management (continued)

3.1 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.

3.1.1 Market risk

3.1.1.1 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	
	2012.6.30 (unaudited)	2011.12.31 (audited)
Cash and cash equivalents	165,347,656.12	140,483,367.61
Accounts receivable	458,510,354.50	494,429,241.03
Other receivables	1,797,529.52	1,100,791.26
Short-term borrowings	(282,043,812.25)	—
Accounts payable	(2,626,816.86)	(3,355,623.24)
Other payables	(60,903,950.39)	(59,822,158.00)
Total	280,080,960.64	572,835,618.66

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



Notes to the Financial Statements

For the six months ended 30 June 2012

IX. OTHER SIGNIFICANT ITEMS (continued)

3. Financial instruments and risk management (continued)

3.1 Objective and policies of risk management (continued)

3.1.2 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 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 57.49 % (31 December 2011: 60.76%) 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 3.40% of the Group's revenue in 30 June 2012, 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).

3.1.3 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:

	2012.6.30			Total
	Within 6 months	6–12 months	Over one year	
Bills receivable	10,696,192,693.48	—	—	10,696,192,693.48
Accounts receivable	632,756,528.85	22,896,947.59	—	655,653,476.44
Other receivables	401,239,130.09	4,529,696.89	—	405,768,826.98
Short-term borrowing	(284,300,162.75)	—	—	(284,300,162.75)
Bills payable	(4,713,678,481.94)	—	—	(4,713,678,481.94)
Accounts payable	(7,085,492,505.55)	(70,355,106.11)	—	(7,155,847,611.66)
Other payables	(466,956,795.02)	(333,725,264.96)	—	(800,682,059.98)

RMB

Notes to the Financial Statements

For the six months ended 30 June 2012

IX. OTHER SIGNIFICANT ITEMS (continued)

3. Financial instruments and risk management (continued)

3.1 Objective and policies of risk management (continued)

3.1.3 Liquidity risk (continued)

	2011.12.31			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	689,160,477.12	370,949.81	—	689,531,426.93
Other receivables	646,481,872.62	4,288,843.68	—	650,770,716.30
Bills payable	(3,977,526,932.93)	—	—	(3,977,526,932.93)
Accounts 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)

3.1.4 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.



Notes to the Financial Statements

For the six months ended 30 June 2012

IX. OTHER SIGNIFICANT ITEMS (continued)

3. Financial instruments and risk management (continued)

3.1 Objective and policies of risk management (continued)

3.1.4 Fair value (continued)

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.

				<i>RMB</i>
				2012.6.30 (unaudited)
	Level one	Level two	Level three	Total
Financial liabilities held for trading		7,213,175.32		7,213,175.32
				<i>RMB</i>
				2011.12.31 (audited)
	Level one	Level two	Level three	Total
Financial assets held for trading	—	1,177,700.00	—	1,177,700.00

Notes to the Financial Statements

For the six months ended 30 June 2012

IX. OTHER SIGNIFICANT ITEMS (continued)

3. Financial instruments and risk management (continued)

3.2 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.

3.2.1 Foreign exchange risk

3.2.1.1 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 six months are set out below:

RMB

Item	Changes in exchange rates	Six months ended 30 June 2012 (unaudited)	
		Effects on profits	Effects on shareholders' equity interests
USD	5% strengthening against RMB	28,263,544.11	28,263,544.11
USD	5% weakening against RMB	(28,263,544.11)	(28,263,544.11)
EUR	5% strengthening against RMB	96,998.76	96,998.76
EUR	5% weakening against RMB	(96,998.76)	(96,998.76)
HKD	5% strengthening against RMB	(14,101,489.04)	(14,101,489.04)
HKD	5% weakening against RMB	14,101,489.04	14,101,489.04
GBP	5% strengthening against RMB	159,962.02	159,962.02
GBP	5% weakening against RMB	(159,962.02)	(159,962.02)



Notes to the Financial Statements

For the six months ended 30 June 2012

IX. OTHER SIGNIFICANT ITEMS (continued)

3. Financial instruments and risk management (continued)

3.2 Sensitivity analysis (continued)

3.2.1 Foreign exchange risk (continued)

3.2.1.1 (continued)

		<i>RMB</i>	
		Six months ended 30 June 2011 (Unaudited)	
Item	Changes in exchange rates	Effects on profits	Effects on shareholders' equity interests
USD	5% strengthening against RMB	15,246,259.54	15,246,259.54
USD	5% weakening against RMB	(15,246,259.54)	(15,246,259.54)
HKD	5% strengthening against RMB	(9,252,844.00)	(9,252,844.00)
HKD	5% weakening against RMB	9,252,844.00	9,252,844.00
EUR	5% strengthening against RMB	2,417,028.28	2,417,028.28
EUR	5% weakening against RMB	(2,417,028.28)	(2,417,028.28)
GBP	5% strengthening against RMB	366,907.29	366,907.29
GBP	5% weakening against RMB	(366,907.29)	(366,907.29)

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 six months are relatively small.

Notes to the Financial Statements

For the six months ended 30 June 2012

IX. OTHER SIGNIFICANT ITEMS (continued)

3. Financial instruments and risk management (continued)

3.2 Sensitivity analysis (continued)

3.2.2 Sensitivity analysis of interest rate risk:

3.2.2.1 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;

3.2.2.2 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 six months are set out below:

RMB

Item	Changes in interest rates	Six months ended 30 June 2012 (unaudited)	
		Effects on profits	Effects on shareholders' equity interests
Bank deposits	Increased by 0.27%	17,350,736.40	17,350,736.40
Bank deposits	Decreased by 0.27%	(17,350,736.40)	(17,350,736.40)

RMB

Item	Changes in interest rates	Six months ended 30 June 2011 (unaudited)	
		Effects on profits	Effects on shareholders' equity interests
Bank deposits	Increased by 0.27%	10,539,253.76	10,539,253.76
Bank deposits	Decreased by 0.27%	(10,539,253.76)	(10,539,253.76)



Notes to the Financial Statements

For the six months ended 30 June 2012

X. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

1. Cash and bank balances

RMB

Item	2012.6.30 (unaudited)		
	Foreign currency	Exchange rate	RMB equivalent
Cash:			
RMB			564,808.41
USD	18,381.23	6.3249	116,259.44
HKD	19,653.40	0.8152	16,021.84
EUR	12,951.82	7.8710	101,943.78
JPY	607,980.00	0.0796	48,424.39
KRW	22,110.00	0.0054	118.73
GBP	3,256.13	9.8169	31,965.10
RUB	9,577.72	0.1911	1,830.11
THB	4,030.00	0.1988	801.04
AUD	1,360.85	6.3474	8,637.86
SGD	310.00	4.9390	1,531.09
Bank deposits:			
RMB			3,202,014,132.06
USD	17,887,272.52	6.3249	113,135,208.38
EUR	542,198.61	7.8710	4,267,645.43
GBP	343,285.00	9.8169	3,369,994.22
AUD	1.26	6.3474	8.00
Other cash and bank balances:			
RMB			628,511,329.59
USD	2,178,000.03	6.3249	13,775,632.20
EUR	88,335.65	7.8710	695,289.90
Total			3,966,661,581.57

As at 30 June 2012, the Company had restricted cash and bank balances of RMB642,982,251.69, in which guarantee on bank acceptance notes amounted to RMB288,856,279.59, guarantee on letter of credit amounted to RMB58,644,472.10, pledged certificates of deposit amounted to 285,081,500.00, and other guarantees amounted to 10,400,000.00.

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.

Notes to the Financial Statements

For the six months ended 30 June 2012

X. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

(continued)

1. Cash and bank balances (continued)

Item	2011.12.31 (audited)		RMB
	Foreign currency	Exchange rate	RMB equivalent
Cash:			
RMB			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
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
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, 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 Group.



Notes to the Financial Statements

For the six months ended 30 June 2012

X. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

(continued)

2. Bills receivable

(1) Classification of bills receivable

Category	RMB	
	2012.06.30 (unaudited)	2011.12.31 (audited)
Bank acceptance notes	8,358,392,076.11	6,640,961,869.01
Total	8,358,392,076.11	6,640,961,869.01

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

Category	RMB	
	2012.06.30 (unaudited)	2011.12.31 (audited)
Bank acceptance notes	3,173,255,694.00	2,074,280,613.00
Total	3,173,255,694.00	2,074,280,613.00

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

As at 30 June 2012, five pledged bills receivable with largest amounts were as follows:

Issuing unit	Date of issue	Due date	RMB
			Amount
Customer 1	15 February 2012	15 August 2012	10,000,000.00
Customer 2	7 March 2012	7 September 2012	10,000,000.00
Customer 3	3 May 2012	3 August 2012	10,000,000.00
Customer 4	3 May 2012	3 November 2012	10,000,000.00
Customer 5	5 April 2012	5 October 2012	9,000,000.00
Total			49,000,000.00

Notes to the Financial Statements

For the six months ended 30 June 2012

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 2011, five pledged bills receivable with largest amounts were as follows:

			RMB
Issuing unit	Date of issue	Due date	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

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

		RMB	
Category	2012.06.30 (unaudited)	2011.12.31 (audited)	
Bank acceptance notes	6,302,889,000.00	4,886,457,000.00	
Total	6,302,889,000.00	4,886,457,000.00	

As at 30 June 2012, five bills receivable endorsed to other parties but undue with largest amounts were as follows:

			RMB
Issuing unit	Date of issue	Due date	Amount
Customer 1	20 February 2012	20 August 2012	20,000,000.00
Customer 2	13 February 2012	13 August 2012	15,000,000.00
Customer 3	24 February 2012	24 August 2012	10,000,000.00
Customer 4	26 March 2012	26 September 2012	10,000,000.00
Customer 5	11 April 2012	11 October 2012	10,000,000.00
Total			65,000,000.00



Notes to the Financial Statements

For the six months ended 30 June 2012

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 six months, bills endorsed by the Group to other parties but undue were as follows: (continued)

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 2012	17 May 2012	9,500,000.00
Total			52,500,000.00

(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.

Notes to the Financial Statements

For the six months ended 30 June 2012

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:

RMB

	2012.06.30 (unaudited)				2011.12.31 (audited)			
	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	428,369,456.10	28.08	—	—	517,430,426.56	38.81	—	—
Subject to provision by groups								
Accounts receivable of small amounts with high risks based on the characteristics of credit risk as a group	404,536.24	0.03	(57,000.00)	9.31	2,625,098.53	0.20	(1,807,795.76)	77.00
Other insignificant accounts receivable	1,096,520,206.12	71.89	(555,097.45)	90.69	813,045,946.47	60.99	(539,878.42)	23.00
Subtotal	1,096,924,742.36	71.92	(612,097.45)	100.00	815,671,045.00	61.19	(2,347,674.18)	100.00
Accounts receivable which are individually insignificant but subject to separate provision		—		—	—	—	—	—
Total	1,525,294,198.46	100.00	(612,097.45)	100.00	1,333,101,471.56	100.00	(2,347,674.18)	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:

RMB

Aging	2012.06.30 (unaudited)				2011.12.31 (audited)			
	Amount	Ratio (%)	Provision for bad debts	Book value	Amount	Ratio (%)	Provision for bad debts	Book value
Within 1 year	1,524,889,662.22	99.97	(555,097.45)	1,524,334,564.77	1,330,476,373.03	99.80	(539,878.42)	1,329,936,494.61
1 to 2 years	404,536.24	0.03	(57,000.00)	347,536.24	2,550,348.53	0.19	(1,733,045.76)	817,302.77
2 to 3 years	—	—	—	—	74,750.00	0.01	(74,750.00)	—
Over 3 years	—	—	—	—	—	—	—	—
Total	1,525,294,198.46	100.00	(612,097.45)	1,524,682,101.01	1,333,101,471.56	100.00	(2,347,674.18)	1,330,753,797.38



Notes to the Financial Statements

For the six months ended 30 June 2012

X. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

(continued)

3. Accounts receivable (continued)

(3) *There was no 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*

RMB

Name of unit	Nature of accounts receivable	Amounts written off	Reason for write-off	Whether arising from connected transaction
Shenzhen Isca Trade Co., Ltd. (深圳市伊斯卡貿易有限公司)	Payment for goods	49,530.00	Unrecoverable	No
Total		49,530.00		

(5) *Five units with largest amounts of accounts receivable*

RMB

Name of unit	Relationship with the Group	Amount	Aging	Percentage of the total accounts receivable (%)
Customer 1	Non-related party	196,353,942.66	Within 1 year	12.87
Customer 2	Non-related party	67,665,465.60	Within 1 year	4.44
Customer 3	Non-related party	49,951,513.93	Within 1 year	3.27
Customer 4	Non-related party	35,196,117.79	Within 1 year	2.31
Customer 5	Subsidiary	29,567,550.99	Within 1 year	1.94
Total		378,734,590.97		24.83

(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.*

(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 six months.

Notes to the Financial Statements

For the six months ended 30 June 2012

X. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

(continued)

4. Other receivables

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

	2012.06.30 (unaudited)				2011.12.31 (audited)			
	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	383,004,983.73	92.38	—	—	625,595,511.06	98.37	—	—
Subject to provision by groups								
Other receivables of small amounts with high risks based on the characteristics of credit risk as a group	1,340,638.12	0.32	(169,899.00)	100.00	1,459,300.01	0.23	(120,899.00)	100.00
Other insignificant other receivables	30,258,392.11	7.30	—	—	8,917,545.39	1.40	—	—
Subtotal	31,599,030.23	7.62	(169,899.00)	100.00	10,376,845.40	1.63	(120,899.00)	100.00
Other receivables which are individually insignificant but subject to separate provision					—	—	—	—
Total	414,604,013.96	100.00	(169,899.00)	100.00	635,972,356.46	100.00	(120,899.00)	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.

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

Aging	2012.06.30 (unaudited)				2011.12.31 (audited)			
	Amount	Ratio (%)	Provision for bad debts		Amount	Ratio (%)	Provision for bad debts	
			Amount	Book value			Amount	Book value
Within one year	374,783,374.84	90.40	—	374,783,374.84	151,904,245.14	23.88	—	151,904,245.14
One to two years	39,651,840.12	9.56	(1,100.00)	39,650,740.12	483,947,212.32	76.10	—	483,947,212.32
Two to three years	114,800.00	0.03	(114,800.00)	—	8,851.48	—	(8,851.48)	—
Over three years	53,999.00	0.01	(53,999.00)	—	112,047.52	0.02	(112,047.52)	—
Total	414,604,013.96	100.00	(169,899.00)	414,434,114.96	635,972,356.46	100.00	(120,899.00)	635,851,457.46



Notes to the Financial Statements

For the six months ended 30 June 2012

X. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

(continued)

4. Other receivables (continued)

- (3) *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:*

Other receivables	Reason for write-back	Accounts receivable	Reason for write-back	Accounts receivable
Wu Nan	The management of the company exerted efforts on collecting accounts receivable in cash	Past due	(14,399.00)	5,400.00
Zhou Junjiang	The management of the company exerted efforts on collecting accounts receivable in cash	Past due	(61,500.00)	61,500.00
Total			(75,899.00)	66,900.00

- (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.*

Notes to the Financial Statements

For the six months ended 30 June 2012

X. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

(continued)

4. Other receivables (continued)

(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	Non-related party	300,630,001.00	Performance bond	Within one year and one to two years	72.51
Unit 2	Non-related party	69,000,000.00	Performance bond	Within one year	16.64
Unit 3	Subsidiary of a subsidiary	19,116,045.00	Advance money for another	Within one year	4.61
Unit 4	Non-related party	10,021,426.69	The customs margin	Within one year	2.42
Unit 5	Subsidiary	2,873,680.04	Advance money for another	Within one year and two to three years	0.69
Total		401,641,152.73			96.87

(7) Other receivables from related parties

Please refer to item 24 of Note (X) for details of the balance of other receivables from related parties by the Company as at the end of the six months.



Notes to the Financial Statements

For the six months ended 30 June 2012

X. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

(continued)

5. Inventory

(1) Inventory categories

RMB

Item	2012.06.30 (unaudited)		Book value
	Book balance	Provision for obsolete stocks	
Raw materials	325,455,782.47	—	325,455,782.47
Work in progress	108,892,328.11	—	108,892,328.11
Finished goods	774,465,552.62	(1,008,163.46)	773,457,389.16
Low-valued consumables	17,995,034.35	—	17,995,034.35
Total	1,226,808,697.55	(1,008,163.46)	1,225,800,534.09

RMB

Item	2011.12.31 (audited)		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
Total	1,003,815,195.72	(2,231,695.68)	1,001,583,500.04

(2) Provision for obsolete stocks

RMB

Inventory categories	2011.12.31 (audited)	Provision for six months	Decrease for six months		2012.06.30 (unaudited)
			Reversals	Write-offs	
Raw materials	1,087,137.54	—	—	(1,087,137.54)	—
Work in progress	23,997.48	—	—	(23,997.48)	—
Finished goods	1,120,560.66	1,008,163.46	(581,736.19)	(538,824.47)	1,008,163.46
Total	2,231,695.68	1,008,163.46	(581,736.19)	(1,649,959.49)	1,008,163.46

Notes to the Financial Statements

For the six months ended 30 June 2012

X. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

(continued)

5. 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 six months	Percentage of the reversal to the closing balance of such inventory during the six months (%)
Raw materials	—	Note 2	—
Work in progress	—	Note 2	—
Finished goods	Note 1	Note 2	0.08

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 the period, the impairment provision for inventory had been made for finished goods.

Note 2: As estimated net realizable value of whole vehicle products at the end of the six months is higher than the inventory cost as at the end of the period, the impairment provision for inventory had been written back, and As the inventories for which Impairment provision was made in the previous period had been sold during this period, the Impairment provision for inventory had been written off.

6. Long-term receivables

	2012.06.30 (unaudited)	RMB 2011.12.31 (audited)
Installment sales of goods	45,793,895.17	—
Total	45,793,895.17	—



Notes to the Financial Statements

For the six months ended 30 June 2012

X. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

(continued)

7. Long-term equity investment

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

										RMB
Name of investee	Accounting method	Initial investment cost	2011.12.31 (audited)	Movement	2012.06.30 (unaudited)	Percentage of shareholding in the investee (%)	Percentage of voting right in the investee (%)	Impairment provision	Provision of impairment for the six months	Cash bonuses for the six months
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	268,092,310.00	—	268,092,310.00	100.00	100.00	—	—	113,083,601.87
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	583,255,808.00	—	583,255,808.00	100.00	100.00	—	—	141,483,583.49
Baoding Changcheng Vehicle Axles Industries Company Limited (保定長城汽車機業有限公司)	Cost method	209,846,614.49	51,540,000.00	158,306,614.49	209,846,614.49	75.00	100.00	—	—	83,875,043.44
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	72,240,000.00	—	72,240,000.00	100.00	100.00	—	—	—
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	—	—	82,414,297.34
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	—	—	3,643,798.19
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	—	—	28,779,375.25
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	—	—	28,254,289.83
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	—	—	—
Tide Technology and Trade Company Limited (泰德科貿有限公司)	Cost method	159,353,665.00	58,102,465.00	101,251,200.00	159,353,665.00	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	100.00	—	—	—
Great Wall Motor Middle East FZE (長城汽車中東公司)	Cost method	—	3,471,966.00	(3,471,966.00)	—	—	—	—	—	—
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	—	—	14,967,476.84
Baoding Yixin Auto Parts Company Limited (保定德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	—	—	—
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	86,000,000.00	—	86,000,000.00	100.00	100.00	—	—	16,180,244.01

Notes to the Financial Statements

For the six months ended 30 June 2012

X. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

(continued)

7. Long-term equity investment (continued)

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

RMB

Name of investee	Accounting method	Initial investment cost	2011.12.31 (audited)	Movement	2012.06.30 (unaudited)	Percentage of shareholding in the investee (%)	Percentage of voting right in the investee (%)	Impairment provision	Provision of impairment for the six months	Cash bonuses for the six months
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)	—	—	—	—	—	—
Tianjin Boxin Automobile Parts Co., Ltd. (天津博信汽車零件有限公司)	Cost method	1,777,884,771.10	1,777,884,771.10	—	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	95,000,000.00	—	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	—	—	1,709,302.78
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)	Cost method	39,116,124.26	39,116,124.26	—	39,116,124.26	100.00	100.00	—	—	—
Baoding Equisite 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	100.00	—	—	—
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	—	—	1,181,965.44
保定長城汽車配件銷售有限公司	Cost method	7,000,000.00	—	7,000,000.00	7,000,000.00	100.00	100.00	—	—	—
Subtotal		3,649,238,796.26	3,544,459,562.26	104,779,234.00	3,649,238,796.26					515,572,978.48
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	22,042,328.03	(14,936,259.05)	7,106,068.98	25.00	25.00	—	—	—
Subtotal		4,540,000.00	22,042,328.03	(14,936,259.05)	7,106,068.98					—
Investment in joint ventures										
Baoding Jiehua Automobile Components and Accessories Company Limited (保定杰華汽車零件有限公司)	Equity method	15,654,000.00	16,833,506.93	47,655.88	16,881,162.81	50.00	50.00	—	—	—
Subtotal		15,654,000.00	16,833,506.93	47,655.88	16,881,162.81					—
Investment in other enterprises										
Zhongfalian Investment Company Limited (中發聯投資有限公司)	Cost method	4,200,000.00	4,200,000.00	—	4,200,000.00	2.07	2.07	—	—	—
北汽(北京)汽車輕量化技術研究院有限公司	Cost method	3,000,000.00	—	3,000,000.00	3,000,000.00	6.90	6.90	—	—	—
Subtotal		7,200,000.00	4,200,000.00	3,000,000.00	7,200,000.00					—
Total		3,676,632,796.26	3,587,535,397.22	92,890,630.83	3,680,426,028.05					515,572,978.48



Notes to the Financial Statements

For the six months ended 30 June 2012

X. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

(continued)

8. Fixed Assets

Fixed assets

Item	<i>RMB</i>			2012.06.30 (unaudited)
	2011.12.31 (audited)	Additions for six months	Deductions for six months	
1. Total original carrying amount:	7,139,254,296.61	383,869,614.90	(7,790,996.82)	7,515,332,914.69
Of which: Buildings and structures	2,441,180,355.41	113,958,412.65	—	2,555,138,768.06
Machinery and equipment	3,636,606,521.69	115,361,217.80	(3,945,424.58)	3,748,022,314.91
Motor vehicles	27,062,847.37	8,220,604.80	(914,646.03)	34,368,806.14
Other equipment	1,034,404,572.14	146,329,379.65	(2,930,926.21)	1,177,803,025.58
2. Total accumulated depreciation:	1,483,971,340.09	310,765,666.00	(4,663,329.20)	1,790,073,676.89
Of which: Buildings	203,234,185.34	37,870,360.48	—	241,104,545.82
Machinery and equipment	846,660,258.80	181,883,079.52	(1,756,173.39)	1,026,787,164.93
Motor vehicles	6,595,254.87	1,681,842.02	(477,690.43)	7,799,406.46
Other equipment	427,481,641.08	89,330,383.98	(2,429,465.38)	514,382,559.68
3. Total net book value of fixed assets	5,655,282,956.52	73,103,948.90	(3,127,667.62)	5,725,259,237.80
Of which: Buildings	2,237,946,170.07	76,088,052.17	—	2,314,034,222.24
Machinery and equipment	2,789,946,262.89	(66,521,861.72)	(2,189,251.19)	2,721,235,149.98
Motor vehicles	20,467,592.50	6,538,762.78	(436,955.60)	26,569,399.68
Other equipment	606,922,931.06	56,998,995.67	(501,460.83)	663,420,465.90
4. Total impairment provision	—	31,668,344.24	—	31,668,344.24
Of which: Buildings	—	—	—	—
Machinery and equipment	—	—	—	—
Motor vehicles	—	—	—	—
Other equipment	—	31,668,344.24	—	31,668,344.24
5. Total net carrying amount of fixed assets	5,655,282,956.52	41,435,604.66	(3,127,667.62)	5,693,590,893.56
Of which: Buildings	2,237,946,170.07	76,088,052.17	—	2,314,034,222.24
Machinery and equipment	2,789,946,262.89	(66,521,861.72)	(2,189,251.19)	2,721,235,149.98
Motor vehicles	20,467,592.50	6,538,762.78	(436,955.60)	26,569,399.68
Other equipment	606,922,931.06	25,330,651.43	(501,460.83)	631,752,121.66

During the first half of the six months, the original book value of fixed assets increased by RMB12,702,293.48, RMB352,363,274.64, and RMB18,804,046.78 due to additions, transfer from construction in progress and transfer from self-produced moulds, respectively.

During the six months, the original value of fixed assets decreased by 7,790,996.82 due to disposals.

During the six months, the accumulated depreciation increased by RMB310,765,666.00 due to provisions.

During the six months, the accumulated depreciation decreased by RMB4,663,329.20 due to disposal.

Notes to the Financial Statements

For the six months ended 30 June 2012

X. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

(continued)

8. Fixed Assets (continued)

Fixed assets (continued)

During the six months, the impairment provision increased by RMB31,668,344.24 due to provision.

As at 30, June, 2012, among the fixed assets, the net book value of properties without title certificates amounted to RMB1,040,045,218.54, and the application of relevant title certificates is in progress.

9. Construction in progress

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

Project	2012.06.30 (unaudited)			2011.12.31 (audited)		
	Book balance	Impairment provision	Net book value	Book balance	Impairment provision	Net book value
Annual production of 300,000 sets of EG engines	291,209,938.64	—	291,209,938.64	206,470,479.51	—	206,470,479.51
Annual production of 200,000 sets of six-speed manual transmissions	292,092,922.69	—	292,092,922.69	191,775,632.31	—	191,775,632.31
Annual production of 400,000 sets of aluminium alloy casting	171,067,647.85	—	171,067,647.85	102,025,618.18	—	102,025,618.18
Annual production of 400,000 sets of automotive lightings	87,682,133.76	—	87,682,133.76	9,128,298.58	—	9,128,298.58
Tianjin automobile project phase	1,021,710,172.14	—	1,021,710,172.14	829,469,763.08	—	829,469,763.08
Tianjin parts and components project	215,366,639.07	—	215,366,639.07	100,702,757.51	—	100,702,757.51
Tianjin branch's residential area supporting project	128,367,838.73	—	128,367,838.73	89,862,404.30	—	89,862,404.30
Shunping project	42,624,819.34	—	42,624,819.34	46,546,230.22	—	46,546,230.22
Industrial park phase I. II. III	245,237,342.17	—	245,237,342.17	244,936,652.33	—	244,936,652.33
Steam project	14,696,500.00	—	14,696,500.00	126,000.00	—	126,000.00
Xindatong Reconstruction	50,606,397.49	—	50,606,397.49	45,168,585.04	—	45,168,585.04
Jiaozhuang infrastructure	4,931,816.51	—	4,931,816.51	833,744.11	—	833,744.11
Jiaozhuang equipment	149,349,123.85	—	149,349,123.85	144,184,442.65	—	144,184,442.65
New technology center	20,758,571.50	—	20,758,571.50	12,952,137.60	—	12,952,137.60
Xushui Automobile Project	869,150,419.01	—	869,150,419.01	451,598,757.59	—	451,598,757.59
Xushui parts and components project	113,524,397.30	—	113,524,397.30	30,200,976.87	—	30,200,976.87
Xushui supporting infrastructure project	108,234,234.89	—	108,234,234.89	89,303,598.18	—	89,303,598.18
Others	12,104,053.53	—	12,104,053.53	3,615,277.26	—	3,615,277.26
Total	3,838,714,968.47	—	3,838,714,968.47	2,598,901,355.32	—	2,598,901,355.32



Notes to the Financial Statements

For the six months ended 30 June 2012

X. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY
(continued)

9. Construction in progress (continued)

(2) 重大在建工程項目變動情況

Project	Budget amount						Investment to budget (%)	Accumulated capitalized interest amount	Of which: capitalized interest amount for the six months	Ratio of capitalized interest amount for the six months (%)	Sources of fund	RMB
		2011.12.31 (audited)	Additions for the six month	Transfer to fixed assets	Other deductions							2012.6.30 (unaudited)
Annual production of 300,000 sets of EG engines	497,570,000.00	206,470,479.51	84,739,459.13	—	—	58.53	—	—	—	Proceeds of A Shares Issue	291,209,938.64	
Annual production of 200,000 sets of six-speed manual transmissions	449,430,000.00	191,775,632.31	100,317,290.38	—	—	64.99	—	—	—	Proceeds of A Shares Issue	292,092,922.69	
Annual production of 400,000 sets of aluminium alloy casting	379,347,000.00	102,025,618.18	87,094,812.46	(18,052,782.79)	—	47.45	—	—	—	Proceeds of A Shares Issue	171,067,647.85	
Annual production of 400,000 sets of automotive lightings	158,091,000.00	9,128,298.58	78,618,382.19	(64,547.01)	—	55.46	—	—	—	Proceeds of A Shares Issue	87,682,133.76	
Tianjin automobile project phase	4,318,892,100.00	829,469,763.08	308,068,262.52	(115,827,853.46)	—	61.98	—	—	—	Internal capital	1,021,710,172.14	
Tianjin parts and components project	325,098,000.00	100,702,757.51	114,663,881.56	—	—	89.51	—	—	—	Internal capital	215,366,639.07	
Tianjin branch's residential area supporting project	493,019,700.00	89,862,404.30	114,454,861.09	(75,949,426.66)	—	56.95	—	—	—	Internal capital	128,367,838.73	
Shunping project	259,577,000.00	46,546,230.22	1,778,455.93	(5,699,866.81)	—	100.00	—	—	—	Internal capital	42,624,819.34	
Industrial park phase I, II, III	397,480,053.00	244,936,652.33	68,756,243.26	(68,455,553.42)	—	77.35	—	—	—	Internal capital	245,237,342.17	
Steam project	48,711,540.00	126,000.00	14,570,500.00	—	—	30.17	—	—	—	Internal capital	14,696,500.00	
Xindatong Reconstruction	223,327,700.00	45,168,585.04	6,652,358.25	—	(1,214,545.80)	22.66	—	—	—	Internal capital	50,606,397.49	
Jiaozhuang infrastructure	253,863,000.00	833,744.11	5,685,792.40	(1,587,720.00)	—	75.35	—	—	—	Internal capital	4,931,816.51	
Jiaozhuang equipment	1,210,071,000.00	144,184,442.65	71,633,081.77	(66,468,400.57)	—	79.16	—	—	—	Internal capital	149,349,123.85	
New technology center	2,063,355,700.00	12,952,137.60	7,806,433.90	—	—	1.01	—	—	—	Internal capital	20,758,571.50	
Xushui Automobile Project	2,000,000,000.00	451,598,757.59	417,551,661.42	—	—	43.46	—	—	—	Internal capital	869,150,419.01	
Xushui parts and components project	2,171,847,779.00	30,200,976.87	83,347,638.37	(24,217.94)	—	5.23	—	—	—	Internal capital	113,524,397.30	
Xushui supporting infrastructure project	900,000,000.00	89,303,598.18	18,930,636.71	—	—	12.03	—	—	—	Internal capital	108,234,234.89	
Others	12,104,053.53	3,615,277.26	8,721,682.25	(232,905.98)	—	100.00	—	—	—	Internal capital	12,104,053.53	
Total	16,161,785,625.53	2,598,901,355.32	1,593,391,433.59	(352,363,274.64)	(1,214,545.80)						3,838,714,968.47	

Notes to the Financial Statements

For the six months ended 30 June 2012

X. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

(continued)

10. Intangible assets

Intangible assets

	<i>RMB</i>			
Item	2011.12.31 (audited)	Additions for six months	Deductions for six months	2012.06.30 (unaudited)
1. Total original book value	1,474,062,837.87	485,735,213.04	—	1,959,798,050.91
Land use rights	1,429,449,925.59	479,612,913.99	—	1,909,062,839.58
Others	44,612,912.28	6,122,299.05	—	50,735,211.33
2. Total accumulated amortization	70,781,987.48	20,676,308.31	—	91,458,295.79
Land use rights	47,814,240.24	16,988,937.55	—	64,803,177.79
Others	22,967,747.24	3,687,370.76	—	26,655,118.00
3. Total net book value				
of intangible assets	1,403,280,850.39	465,058,904.73	—	1,868,339,755.12
Land use rights	1,381,635,685.35	462,623,976.44	—	1,844,259,661.79
Others	21,645,165.04	2,434,928.29	—	24,080,093.33

During the six months, the original book value increased by RMB485,735,213.04 due to additions.

During the six months, the accumulated amortization increased by RMB20,676,308.31 due to provision.

As at 30 June 2012, among the intangible assets, the net book value of land use rights without land use right certificates amounted to RMB503,161,704.20, 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:

	<i>RMB</i>	
Item	2012.6.30 (unaudited)	2011.12.31 (audited)
Located in mainland China — 10 to 50 years	1,844,259,661.79	1,381,635,685.35

11. Bills payable

	<i>RMB</i>	
Category	2012.6.30 (unaudited)	2011.12.31 (audited)
Bank acceptance notes	3,163,287,643.34	2,679,375,046.99
Total	3,163,287,643.34	2,679,375,046.99



Notes to the Financial Statements

For the six months ended 30 June 2012

X. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

(continued)

12. Accounts payable

Item	RMB	
	2012.6.30 (unaudited)	2011.12.31 (audited)
Within 1 year	6,869,193,861.25	5,717,651,819.06
1 to 2 years	6,469,468.72	10,987,028.25
2 to 3 years	5,616,485.58	69,768.94
Over 3 years	7,829,199.71	13,747,918.99
Total	6,889,109,015.26	5,742,456,535.24

Note 1: Accounts payable aged over one 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.

13. Advances from customers

Item	RMB	
	2012.6.30 (unaudited)	2011.12.31 (audited)
Within 1 year	2,273,395,598.21	1,933,209,117.34
1 to 2 years	8,087,631.68	8,218,525.66
2 to 3 years	2,903,089.23	6,537,923.38
Over 3 years	3,463,058.26	4,354,309.62
Total	2,287,849,377.38	1,952,319,876.00

Note 1: Advances from customers aged over one 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.

Notes to the Financial Statements

For the six months ended 30 June 2012

X. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

(continued)

14. Other non-current liabilities

	RMB			
Category	2011.12.31 (audited)	Additions for the six months	Amortizations for the six months	2012.6.30 (unaudited)
Urban construction fund (Note 1)	62,422,535.31	—	(1,159,914.17)	61,262,621.14
Tax refund for purchasing domestic manufactured equipment (Note 2)	100,052,905.35	—	(10,504,106.13)	89,548,799.22
Government industrial policy supporting fund (Note 3)	66,787,650.02	—	—	66,787,650.02
Soft soil foundation subsidy (Note 4)	60,304,207.38	60,000,000.00	(642,673.62)	119,661,533.76
Infrastructure supporting fund (Note 5)	770,000,000.00	—	—	770,000,000.00
Subsidies for material technological innovation projects (Note 6)	6,933,333.33	—	(400,000.00)	6,533,333.33
Capital for technical centre infrastructure construction (Note 7)	11,631,169.20	—	(118,685.40)	11,512,483.80
Diesel engine development project fund (Note 8)	—	1,000,000.00	(50,000.00)	950,000.00
863 National High Technology Research and Development Program of subsidies (Note 9)	—	3,200,000.00	—	3,200,000.00
Hebei Province major technical innovation project fund (Note 10)	—	1,500,000.00	—	1,500,000.00
Total	1,078,131,800.59	65,700,000.00	(12,875,379.32)	1,130,956,421.27
Less: Non-current liabilities due within one year	(22,638,259.40)			(25,786,893.01)
Other non-current liabilities	1,055,493,541.19	65,700,000.00	(12,875,379.32)	1,105,169,528.26

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 Changcheng Axles Industries, 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 received industrial policy supporting fund from Tianjin Economic-Technological Development Area in 2009.



Notes to the Financial Statements

For the six months ended 30 June 2012

X. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

(continued)

14. Other non-current liabilities (continued)

Note 4: According to the "Provisional Regulations on the Development of Advanced Manufacturing Industry in Tianjin Economic-Technological Development Area", the cooperation agreement entered into between Tianjin Economic-Technological Development Area and the Company, and "Payment agreement of soft soil foundation treatment subsidy" of Tianjin Economic and Technological Development Zone Development Bureau, the Company and two subsidiaries of the company, Tianjin Wantong and Tianjin Lean, received soft soil foundation subsidiary of RMB60million from Tianjin Economic-Technological Development Area.

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 2010 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.

Note 6: According to "Notice regarding improving the ability of independent innovation and high-tech industry development projects in 2010 the first batch of the central budget for investment projects" issued by Hebei Development and Reform Commission and forwarded by Baoding Development and Reform Commission, Baoding Development and Reform Commission allocated RMB4 million to the company for innovation project of Automobile safety and environmental protection.

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 as Central Infrastructure expenditure budget (appropriation) quota for 2011 in 2011 for the innovation project of the technology centre of the Company exclusively.

Note 7: According to the "Notice regarding the allocation of infrastructure construction fund to the new technology centre 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 centre of the Company exclusively.

Note 8: According to "Notice regarding the projects and funding of Hebei Province Scientific and technological research and development program (the first batch)", the company's GW4D20 Diesel product development project was granted funding amounted to RMB1,000,000 directly from the Bureau of Finance in Hebei Province.

Note 9: According to "Mission statement of National High Technology Research and Development Program (Program 863)", in critical automotive powertrain technology projects of Modern transport technology areas, the company's development on diesel for high pressure beard common rail car was granted project research funding amounted to RMB3,200,000.

Note 10: According to "Mission statement of Hebei Province's Major technological innovation projects", the company's research on project of "Research and development, and Research on industrialized technology of Great Wall Tengyi C20 pure electric car" assigned by Science and Technology Agency of Hebei Province, was granted project funding amounted to RMB1,500,000.

Notes to the Financial Statements

For the six months ended 30 June 2012

X. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

(continued)

15. Capital reserve

RMB

Item	Opening balance	Additions for the six months	Deductions for the six months	Closing balance
Six months ended 30 June 2012 (unaudited)				
Capital premiums	4,509,010,149.89	—	—	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	4,506,077,023.11	—	—	4,506,077,023.11
Six months ended 30 June 2011 (unaudited)				
Capital premiums	2,561,788,880.90	—	(1,642,908,000.00)	918,880,880.90
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	—	(1,642,908,000.00)	915,947,754.12



Notes to the Financial Statements

For the six months ended 30 June 2012

X. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

(continued)

16. Undistributed profits

Item	RMB	
	Amount	Proportion of appropriation or allocation
Six months ended 30 June 2012 (Unaudited)		
Undistributed profits at the beginning of the six months	6,714,550,744.13	
Add: Net profits attributable to the shareholders of parent company of the six months	2,565,456,350.55	
Less: Appropriation of statutory surplus reserves	—	(1)
Distribution of cash dividends	(912,726,900.00)	(2)
Undistributed profits at the end of the six months	8,367,280,194.68	
Six months ended 30 June 2011 (Unaudited)		
Undistributed profits at the beginning of the six months	4,357,575,407.67	
Add: Net profits attributable to the shareholders of parent company of the six months	1,977,287,732.81	
Less: Appropriation of statutory surplus reserves	—	(1)
Distribution of cash dividends	(547,636,000.00)	
Undistributed profits at the end of the six months	5,787,227,140.48	

(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 six months

The 2011 Annual General Meeting of the Company held on 7 May 2012 considered and approved the resolution regarding the profit distribution proposal for the six months 2011. In 2011, the Company declared a cash dividend of RMB0.30 per share (tax inclusive) to all shareholders, aggregating to RMB912,726,900.00 based on the total of 3,042,423,000 shares with a par value of RMB1 each.

Notes to the Financial Statements

For the six months ended 30 June 2012

X. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

(continued)

17. Operating revenue and operating costs

(1) Operating revenue

Item	<i>RMB</i>	
	Six months ended 30 June 2012 (unaudited)	Six months ended 30 June 2011 (unaudited)
Revenue from principal businesses		
Of which: Revenue from the sale of automobiles	17,116,196,026.43	13,520,699,429.54
Revenue from the sale of automotive parts and components	92,219,013.82	42,808,446.07
Revenue from other businesses	820,934,734.96	736,831,639.19
Total	18,029,349,775.21	14,300,339,514.80

(2) Operating costs

Item	<i>RMB</i>	
	Six months ended 30 June 2012 (unaudited)	Six months ended 30 June 2011 (unaudited)
Operating costs from principal businesses		
Of which: Costs incurred from the sale of automobiles	13,909,205,587.23	10,916,049,947.62
Costs incurred from the sale of automotive parts and components	66,135,311.01	30,118,688.21
Costs incurred from other businesses	665,503,520.86	632,584,512.37
Total	14,640,844,419.10	11,578,753,148.20



Notes to the Financial Statements

For the six months ended 30 June 2012

X. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

(continued)

17. 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	800,351,061.10	4.44
Customer 2	485,501,765.06	2.69
Customer 3	421,210,855.23	2.34
Customer 4	229,960,519.03	1.28
Customer 5	195,175,516.66	1.08
Total	2,132,199,717.08	11.83

18. Business tax and surcharges

Item	<i>RMB</i>	<i>RMB</i>
	Six months ended 30 June 2012 (unaudited)	Six months ended 30 June 2011 (unaudited)
Business tax	548,885.95	437,530.12
Consumption tax	512,855,704.53	414,087,536.83
Urban maintenances and construction tax	66,918,006.58	57,013,913.34
Educational surcharges	47,798,576.09	31,932,834.75
Others	3,696,082.70	916,248.83
Total	631,817,255.85	504,388,063.87

Notes to the Financial Statements

For the six months ended 30 June 2012

X. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

(continued)

19. Administrative expenses

Item	RMB	
	Six months ended 30 June 2012 (unaudited)	Six months ended 30 June 2011 (unaudited)
Technology development expenditures	319,936,015.89	213,011,705.32
Wages and salaries	94,205,421.45	94,812,164.75
Taxes	26,464,238.86	17,342,379.35
Depreciation and amortization	23,634,019.24	13,006,896.77
Business reception fees	2,204,342.32	1,266,323.99
Office expenses	10,341,272.83	11,362,567.83
Repair and maintenance fees	7,917,365.01	5,350,473.15
Auditors' remuneration	480,000.00	1,227,376.00
Service charges	6,208,893.40	9,414,558.33
Others	10,767,693.04	6,919,051.47
Total	502,159,262.04	373,713,496.96

20. Investment income

(1) Breakdown of investment income

Item	RMB	
	Six months ended 30 June 2012 (unaudited)	Six months ended 30 June 2011 (unaudited)
Income from long-term equity investments under equity method	391,859.86	4,177,074.52
Income from available-for-sale financial asset investment	3,071,258.26	—
Income from the disposal of long-term equity investments	(2,075,513.36)	—
Income from long-term equity investments under cost method	709,821,322.92	438,226,666.09
Total	711,208,927.68	442,403,740.61



Notes to the Financial Statements

For the six months ended 30 June 2012

X. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

(continued)

20. Investment income (continued)

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

Investee	RMB	
	Six months ended 30 June 2012 (unaudited)	Six months ended 30 June 2011 (unaudited)
Baoding Xinyuan (Formerly known as Baoding Deye Automobile Inner Decoration Company Limited)	—	3,099,397.02
Baoding Jiehua Automobile Components and Accessories Company Limited	47,655.88	47,041.50
Baoding Yanfeng Johnson Controls Automobile Seating Co., Ltd.	344,203.98	466,983.52
Great Wall Botai (Formerly known as Baoding Tianqiu Electrical Company Limited)	—	563,652.48
Total	391,859.86	4,177,074.52

There is no significant restriction on remittance of investment income back to the Company.

21. Income tax expenses

Item	RMB	
	Six months ended 30 June 2012 (unaudited)	Six months ended 30 June 2011 (unaudited)
Current income tax calculated according to tax laws and relevant rules	327,548,143.81	241,169,443.50
Deferred income tax	(14,218,548.22)	12,607,677.94
Total	313,329,595.59	253,777,121.44

Notes to the Financial Statements

For the six months ended 30 June 2012

X. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

(continued)

21. Income tax expenses (continued)

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

Item	<i>RMB</i>	
	Six months ended 30 June 2012 (unaudited)	Six months ended 30 June 2011 (unaudited)
Accounting profit/loss	2,878,785,946.14	2,231,064,854.25
Income tax rate	25%	25%
Income tax expenses calculated at tax rate of 25%	719,696,486.54	557,766,213.56
Tax holidays, exemptions and concessionary rate	(209,437,814.62)	(170,233,698.15)
Additional deduction for research and development costs	(30,036,485.38)	(23,625,693.10)
Tax effect of non-taxable income	(177,553,295.70)	(110,600,935.15)
Tax effect of non-deductible expenses	10,660,704.75	471,234.28
Total	313,329,595.59	253,777,121.44



Notes to the Financial Statements

For the six months ended 30 June 2012

X. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

(continued)

22. Supplemental information of cash flow statements

(1) Supplemental information of cash flow statements

Supplemental information	Six months ended 30 June 2012 (unaudited)	Six months ended 30 June 2011 (unaudited)
		<i>RMB</i>
1. Reconciliation of net profits and cash flow from operating activities:		
Net profit	2,565,456,350.55	1,977,287,732.81
Add: Impairment provisions for assets	30,457,724.78	3,708,639.38
Depreciation of fixed assets	310,765,666.00	236,314,280.15
Amortization of intangible assets	20,676,308.31	11,402,123.67
Amortization of long-term prepaid expenses	959,267.93	413,527.77
Depreciation of real estate held for investment	80,971.57	30,713.79
(Gains)/losses from change of fair value	8,390,875.32	(2,007,256.00)
(Gains)/losses on disposal of fixed assets, intangible assets and other long-term assets, net of gains	304,017.70	101,815.63
Amortization of deferred gains	(12,875,379.32)	(11,268,763.63)
Financing costs/(gains)	1,862,768.37	5,362,822.20
Investment losses/(gains)	(711,208,927.68)	(442,403,740.61)
(Increase)/decrease in deferred tax assets, net of increase	(14,218,548.22)	12,607,677.94
(Increase)/decrease in inventories, net of increase	(307,090,100.80)	(255,199,034.10)
(Increase)/decrease in operating receivables, net of increase	(1,844,544,752.30)	447,303,900.32
Increase/(decrease) in operating payables, net of decrease	1,881,462,429.48	504,610,698.42
Net cash flows from operating activities	1,930,478,671.69	2,488,265,137.74
2. Net change in cash and cash equivalents:		
Cash balance at the end of the six months	3,323,679,329.88	1,178,956,908.04
Less: Cash balance at the beginning of the six months	3,775,429,524.51	961,977,227.28
Add: Cash equivalents balance at the end of the six months	—	—
Less: Cash equivalents balance at the beginning of the six months	—	—
Net increase in cash and cash equivalents	(451,750,194.63)	216,979,680.76

Notes to the Financial Statements

For the six months ended 30 June 2012

X. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

(continued)

22. Supplemental information of cash flow statements (continued)

(2) Components of cash and cash equivalents

Item	RMB	
	Six months ended 30 June 2012 (unaudited)	Six months ended 30 June 2011 (unaudited)
1. Cash	3,323,679,329.88	1,178,956,908.04
Of which: Cash in hand	892,341.79	751,734.84
Bank deposits readily available for payment	3,322,786,988.09	1,178,205,173.20
Other cash and bank balances readily available for payment	—	—
2. Cash and cash equivalent balance as at the end of the six months	3,323,679,329.88	1,178,956,908.04

23. Related party transactions

(1) Purchases of raw materials and components

Related party	Category of related party transaction	Related party transaction	Pricing and decision making procedure	RMB	
				Six months ended 30 June 2012 (unaudited) Amount	Percentage of the Company's total purchases of raw materials (%)
Subsidiaries of the Company	Purchase	Purchases of raw materials	Mutually agreed price	5,683,952,607.49	52.48
Jointly controlled entities of the Company	Purchase	Purchases of raw materials	Mutually agreed price	53,615,746.66	0.50
Associates of the Company	Purchase	Purchases of raw materials	Mutually agreed price	48,492,213.72	0.45

Related party	Category of related party transaction	Related party transaction	Pricing and decision making procedure	RMB	
				Six months ended 30 June 2011 (unaudited) Amount	Percentage of the Company's total purchases of raw materials (%)
Subsidiaries of the Company	Purchase	Purchases of raw materials	Mutually agreed price	4,889,896,672.52	74.10
Jointly controlled entities of the Company	Purchase	Purchases of raw materials	Mutually agreed price	18,445,707.78	0.28
Associates of the Company	Purchase	Purchases of raw materials	Mutually agreed price	36,842,135.11	0.56
Other related parties of the Company	Purchase	Purchases of raw materials	Mutually agreed price	13,216,440.18	0.20



Notes to the Financial Statements

For the six months ended 30 June 2012

X. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

(continued)

23. 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	Six months ended 30 June 2012 (Unaudited)	
				Amount	Percentage of the Company's total sales of automobiles and components and parts (%)
Subsidiaries of the Company	Sales	Sales of automobiles or components and parts	Mutually agreed price	14,743,730,604.20	82.61
Jointly controlled entities of the Company	Sales	Sales of automobiles or components and parts	Mutually agreed price	95,678.67	—
Associates of the Company	Sales	Sales of automobiles or components and parts	Mutually agreed price	7,386.12	—
Other related parties of the Company	Sales	Sales of automobiles or components and parts	Mutually agreed price	518,632.48	—

RMB

Related party	Category of related party transaction	Related party transaction	Pricing and decision making procedure	Six months ended 30 June 2011 (Unaudited)	
				Amount	Percentage of the Company's total sales of automobiles and components and parts (%)
Subsidiaries of the Company	Sales	Sales of automobiles or components and parts	Mutually agreed price	12,008,375,285.43	84.33
Other related parties of the Company	Sales	Sales of automobiles or components and parts	Mutually agreed price	2,521,272.50	0.02

Notes to the Financial Statements

For the six months ended 30 June 2012

X. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

(continued)

23. Related party transactions (continued)

(3) Purchases of fixed assets and construction in progress

RMB

Related party	Category of related party transaction	Related party transaction	Pricing and decision making procedure	Six months ended 30 June 2012 (Unaudited)	
				Amount	Percentage of the Company's purchases of fixed assets and construction in progress (%)
Subsidiaries of the Company	Purchases of fixed assets and construction in progress	Purchases of fixed assets and construction in progress	Mutually agreed price	19,386,810.19	1.16
Jointly controlled entities of the Company	Purchases of fixed assets and construction in progress	Purchases of fixed assets and construction in progress	Mutually agreed price	18,781,550.77	1.13
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	544,315.00	0.03

RMB

Related party	Category of related party transaction	Related party transaction	Pricing and decision making procedure	Six months ended 30 June 2011 (Unaudited)	
				Amount	Percentage of the Company's purchases of fixed assets and construction in progress (%)
Subsidiaries of the Company	Purchases of fixed assets and construction in progress	Purchases of fixed assets and construction in progress	Mutually agreed price	158,825,533.34	25.10
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	4,126,925.00	0.65



Notes to the Financial Statements

For the six months ended 30 June 2012

X. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

(continued)

23. Related party transactions (continued)

(4) Sales of fixed assets

RMB

Related party	Category of related party transaction	Related party transaction	Pricing and decision making procedure	Six months ended 30 June 2012 (unaudited)	
				Amount	Percentage of the company's total sales of fixed assets (%)
Subsidiaries of the Company	Sales of fixed assets	Sales of fixed assets	Mutually agreed price	397,820.11	7.90

RMB

Related party	Category of related party transaction	Related party transaction	Pricing and decision making procedure	Six months ended 30 June 2011 (unaudited)	
				Amount	Percentage of the Company's total sales of fixed assets (%)
Subsidiaries of the Company	Sales of fixed assets	Sales of fixed assets	Mutually agreed price	135,897.44	4.08

(5) Acceptance of services

RMB

Related party	Category of related party transaction	Related party transaction	Pricing and decision making procedure	Six months ended 30 June 2012 (unaudited)	
				Amount	Percentage of the Company's acceptance of services (%)
Subsidiaries of the Company	Acceptance of services	Acceptance of services	Mutually agreed price	37,792,855.27	89.09
Other related parties of the Company	Acceptance of services	Acceptance of services	Mutually agreed price	35,576.92	0.08

RMB

Related party	Category of related party transaction	Related party transaction	Pricing and decision making procedure	Six months ended 30 June 2011 (unaudited)	
				Amount	Percentage of the Company's acceptance of services (%)
Subsidiaries of the Company	Acceptance of services	Acceptance of services	Mutually agreed price	31,037,133.07	77.37
Other related parties of the Company	Acceptance of services	Acceptance of services	Mutually agreed price	197,095.98	0.49

Notes to the Financial Statements

For the six months ended 30 June 2012

X. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

(continued)

23. Related party transactions (continued)

(6) Rendering of services

Related party	Category of related party transaction	Related party transaction	Pricing and decision making procedure	RMB	
				Amount	Percentage of the Company's provision of services (%)
Subsidiaries of the Company	Rendering of services	Rendering of services	Mutually agreed price	15,069,522.76	65.80

Related party	Category of related party transaction	Related party transaction	Pricing and decision making procedure	RMB	
				Amount	Percentage of the Company's provision of services (%)
Subsidiaries of the Company	Rendering of services	Rendering of services	Mutually agreed price	9,772,253.61	58.93
Jointly controlled entities of the Company	Rendering of services	Rendering of services	Mutually agreed price	34,770.45	0.21
Associates of the Company	Rendering of services	Rendering of services	Mutually agreed price	21,760.58	0.13
Other related parties of the Company	Rendering of services	Rendering of services	Mutually agreed price	44,432.60	0.27



Notes to the Financial Statements

For the six months ended 30 June 2012

X. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

(continued)

23. Related party transactions (continued)

(7) Claims and others

RMB

Related party	Category of related party transaction	Related party transaction	Pricing and decision making procedure	Six months ended 30 June 2012 (unaudited)	
				Amount	Percentage of the Company's total claims and others (%)
Subsidiaries of the Company	Claims and others	Claims and others	Mutually agreed price	4,610,396.08	13.58
Jointly controlled entities of the Company	Claims and others	Claims and others	Mutually agreed price	(871,858.23)	(2.57)
Associates of the Company	Claims and others	Claims and others	Mutually agreed price	58,653.11	0.17
Other related parties of the Company	Claims and others	Claims and others	Mutually agreed price	32,669.50	0.10

RMB

Related party	Category of related party transaction	Related party transaction	Pricing and decision making procedure	Six months ended 30 June 2011 (unaudited)	
				Amount	Percentage of the Company's total claims and others (%)
Subsidiaries of the Company	Claims and others	Claims and others	Mutually agreed price	910,262.63	14.72
Other related parties of the Company	Claims and others	Claims and others	Mutually agreed price	39,274.48	0.64

(8) Emolument of key management

RMB'000

Item	Six months ended 30 June 2012 (unaudited)	Six months ended 30 June 2011 (unaudited)
Emolument of key management	12,685	8,720

Notes to the Financial Statements

For the six months ended 30 June 2012

X. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

(continued)

24. Receivables and payables of related parties

		RMB	
Item	Related party	2012.6.30 (unaudited)	2011.12.31 (unaudited)
Trade receivables	Subsidiaries of the Company	1,100,583,781.72	834,015,877.07
Subtotal:		1,100,583,781.72	834,015,877.07
Other receivables	Subsidiaries of the Company	22,247,516.91	2,323,624.87
Subtotal:		22,247,516.91	2,323,624.87
Prepayment	Subsidiaries of the Company	219,707,929.22	176,385,960.39
Prepayment	Other related parties of the Company	3,040.00	—
Subtotal:		219,710,969.22	176,385,960.39
Bills receivable	Subsidiaries of the Company	5,967,198.00	1,625,542,788.83
Subtotal:		5,967,198.00	1,625,542,788.83
Dividends receivable	Subsidiaries of the Company	267,290,623.61	73,042,279.17
Dividends receivable	Associates of the Company	15,280,463.03	—
Subtotal:		282,571,086.64	73,042,279.17
Trade payables	Subsidiaries of the Company	2,275,606,486.65	2,124,391,117.74
Trade payables	Jointly controlled entities of the Company	20,715,107.32	80,238,777.39
Trade payables	Associates of the Company	39,687,278.27	20,349,503.49
Trade payables	Other related parties of the Company	447,931.21	469,371.21
Subtotal:		2,336,456,803.45	2,225,448,769.83
Other payables	Subsidiaries of the Company	843,914.38	—
Other payables	Other related parties of the Company	9,385,741.78	9,749,117.78
Subtotal:		10,229,656.16	9,749,117.78
Advances from customers	Subsidiaries of the Company	2,108,368,460.65	1,816,465,300.45
Advances from customers	Other related parties of the Company	34,000.00	34,000.00
Subtotal:		2,108,402,460.65	1,816,499,300.45
Bills payable	Subsidiaries of the Company	255,201,235.28	491,095,000.00
Bills payable	Jointly controlled entities of the Company	7,780,000.00	2,100,000.00
Bills payable	Associates of the Company	930,000.00	8,600,000.00
Bills payable	Other related parties of the Company	—	120,000.00
Subtotal:		263,911,235.28	501,915,000.00



Notes to the Financial Statements

For the six months ended 30 June 2012

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 24 August 2012.

Supplementary Information

(I) SUPPLEMENTARY INFORMATION

1. Breakdown of extraordinary gains and losses

Item	<i>RMB</i>	
	Six months ended 30 June 2012 (Unaudited)	Six months ended 30 June 2011 (Unaudited)
Profit or loss from disposal of non-current assets	958,915.02	(146,164.19)
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 at a fixed standard amount or quantity as stipulated by the State)	23,987,387.54	18,135,051.04
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	—	14,567,652.63
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	6,384,204.81	746,426.18
Gains from the equity in acquiree already held before the date of acquisition and measured at fair value	—	7,598,895.18
Gains (losses) from changes in fair value	(8,390,875.32)	2,007,256.00
Non-operating gains and losses other than the above items	19,347,142.68	14,810,684.79
Effect of income tax	(8,557,768.11)	(5,474,434.25)
Effect of minority interests (after tax)	(32,415.06)	(61,501.95)
Total	33,696,591.56	52,183,865.43

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)".



Supplementary Information

(I) SUPPLEMENTARY INFORMATION (continued)**2. Return on net assets and earnings per share**

This calculation of return on net assets and earnings per share was prepared by the Group in accordance with the relevant requirements of the "Compilation Rules for Information Disclosures by Companies that Offer Securities to the Public (No. 09) — Calculations and Disclosures for the Return on Net Assets and Earnings per Share" (as amended in 2010) issued by the China Securities Regulatory Commission.

Six months ended 30 June 2012 (unaudited)	Weighted average return on net assets (%)	Earnings per share	
		Basic	Diluted
Net profit attributable to holders of ordinary shares of the Company	13.25	0.77	N/A
Net profit attributable to holders of ordinary shares of the Company, after deducting extraordinary gains and losses	13.07	0.76	N/A
Six months ended 30 June 2011 (unaudited)	Weighted average return on net assets (%)	Earnings per share	
		Basic	Diluted
Net profit attributable to holders of ordinary shares of the Company	16.87	0.66	N/A
Net profit attributable to holders of ordinary shares of the Company, after deducting extraordinary gains and losses	16.43	0.64	N/A

Supplementary Information

(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 30 June 2012 with relatively material changes as compared with that as at 31 December 2011 are set forth below:

		<i>Unit: RMB</i>		
Item		2012.6.30 (unaudited)	2011.12.31 (audited)	Change (%)
Held-for-trading financial assets	(1)	—	1,177,700.00	(100)
Dividends receivable	(2)	15,280,463.03		100
Other receivables	(3)	405,304,302.98	650,401,167.30	(38)
Other current assets	(4)	150,750,002.38	95,896,929.73	57
Construction in progress	(5)	4,369,316,169.88	3,050,225,885.34	43
Short-term borrowings	(6)	282,043,812.25	—	100
Held-for-trading financial liabilities	(1)	7,213,175.32	—	100
Salaries payable	(7)	270,062,866.68	501,866,128.29	(46)
Dividends payable	(8)	99,835,988.59	59,536,914.89	68
Deferred tax liabilities	(9)	11,955,616.30	—	100

- (1) As at 30 June 2012, held-for-trading financial liabilities amounted to RMB7.21 million. The increase was mainly due to the growth in price of forward foreign exchange contracts which has led to reduction in fair value.
- (2) As at 30 June 2012, dividends receivable amounted to RMB15.28 million, representing an increase of 100% as compared with 31 December 2011. The increase was due to the distribution of dividends by associates of the Company.
- (3) As at 30 June 2012, other receivables amounted to RMB405.3 million, representing a decrease of 38% as compared with 31 December 2011. The decrease was mainly due to the reduction of performance bond for land during the current period.
- (4) As at 30 June 2012, other current assets amounted to RMB150.75 million, representing an increase of 57% as compared with 31 December 2011. The increase was mainly due to the increase of tax pending deduction.
- (5) As at 30 June 2012, construction in progress amounted to RMB4,369.32 million, representing an increase of 43% as compared with 31 December 2011. The increase was mainly due to the proceeds from the issuance of A Shares and the increased investment in other projects during the current period.
- (6) As at 30 June 2012, short-term borrowings amounted to RMB282.04 million, representing an increase of 100% as compared with 31 December 2011. The increase was mainly due to the short-term borrowings borrowed from Agricultural Bank of China Co., Ltd. Baoding Sanfeng Branch to earn financial gains.
- (7) As at 30 June 2012, salaries payable amounted to RMB270.06 million, representing a decrease of 46% as compared with 31 December 2011. The decrease was mainly due to the payment of payable employees bonus accrued in the end of the previous period.
- (8) As at 30 June 2012, dividends payable amounted to RMB99.84 million, representing an increase of 68% as compared with 31 December 2011. The increase was due to dividends of subsidiaries of the Company which have been declared but not yet been distributed during the current period.
- (9) As at 30 June 2012, deferred tax liabilities amounted to RMB11.96 million, representing an increase of 100% as compared with 31 December 2011. The increase was mainly due to the increase of purchase discounts of which the invoices have not yet been obtained during the current period.



Supplementary Information

(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 six months ended 30 June 2012 with relatively material changes as compared with that for six months ended 30 June 2011 are set forth below:

Unit: RMB

Item		Six months ended 30 June 2012 (Unaudited)	Six months ended 30 June 2011 (Unaudited)	Change (%)
Financial expenses	(1)	(47,845,214.00)	(8,176,686.92)	485
Impairment loss on assets	(2)	62,241,166.68	7,931,337.86	685
Gains or losses from changes in fair value	(3)	(8,390,875.32)	2,007,256.00	(518)
Investment income	(4)	6,932,650.07	17,271,108.70	(60)
Non-operating expenses	(5)	7,433,972.04	2,343,192.37	217
Income tax expenses	(6)	478,584,495.98	317,812,041.44	51

- (1) Financial expenses in six months ended 30 June 2012 amounted to RMB47.85 million, representing an increase of 485% as compared with six months ended 30 June 2011. The increase was mainly due to the increase in interest income.
- (2) Impairment loss on assets in six months ended 30 June 2012 amounted to RMB62.24 million, representing an increase of 685% as compared with six months ended 30 June 2011. The increase was mainly due to the provision for the impairment on fixed assets during the current period.
- (3) Gains from changes in fair value in six months ended 30 June 2012 amounted to RMB8.39 million, representing a decrease of 518% as compared with six months ended 30 June 2011. The decrease was mainly due to the change in fair value of forward foreign exchange contracts.
- (4) Investment income in six months ended 30 June 2012 amounted to RMB6.93 million, representing a decrease of 60% as compared with six months ended 30 June 2011. The decrease was mainly due to the decrease in investment income from jointly controlled entities and associates during the current period.
- (5) Non-operating expenses in six months ended 30 June 2012 amounted to RMB7.43 million, representing an increase of 217% as compared with six months ended 30 June 2011. The increase was mainly due to the increase of donation and losses of disposal non-current assets during the current period.
- (6) Income tax expenses in six months ended 30 June 2012 amounted to RMB478.58 million, representing an increase of 51% as compared with six months ended 30 June 2011. The increase was mainly due to the increase of sales and profit margin during the current period resulting in the increase in taxable income.

Supplementary Information

(I) SUPPLEMENTARY INFORMATION (continued)

The supplemental information provided by the management was endorsed by the following representatives of Great Wall Motor Company Limited on 24 August 2012:

Legal Representative:

General Manager:

Chief Financial Officer:

Head of Financial Department:

24 August 2012





長城汽車股份有限公司

GREAT WALL MOTOR COMPANY LIMITED*