



**长城汽车**  
 专注 专业 专家

**HAVAL**

SUV领导者

**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

ALL TERRAIN  
 CONTROL SYSTEM



ACTIVE SUSPENSION  
 CONTROL

- DATA . 5756760006860076808688
- DATA . 5756760006860
- DATA . 5756760006860076868
- DATA . 57567600068600768



**2015**  
 Annual Report

\* For identification purpose only

## IMPORTANT NOTICE

I. **The Board, the Supervisory Committee and the directors, supervisors and senior management of the Company warrant that the information in this annual report is true, accurate and complete and does not contain any false representations, misleading statements or material omissions, and jointly and severally take responsibility for its contents.**

II. **Director(s) absent from the Board meeting**

<b>Position of the director(s) absent from the Board meeting</b>	<b>Name of the director(s) absent from the Board meeting</b>	<b>Reasons for being absent from the Board meeting</b>	<b>Representative</b>
Independent director	Liang Shang Shang (Independent non-executive director)	Work commitment	Lu Chuang

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

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

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

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

During the Reporting Period, the Company has issued share dividends by way of capitalization of the undistributed profits on the basis of 10 new shares for every 10 shares in issue and distributed a cash dividend of RMB2.50 per 10 shares (tax inclusive) out of the undistributed profits to all shareholders, aggregating to 3,042,423,000 shares and RMB760,605,750 (tax inclusive) based on the total of 3,042,423,000 share capital as of 30 June 2015. The Company has also issued shares to all shareholders by way of capitalization of capital reserve (share premium) on the basis of 10 shares for every 10 shares in issue, aggregating to 3,042,423,000 shares. After the issue of the share dividends and the capitalization of capital reserves, the total share capital of the Company will increase by 6,084,846,000 shares to 9,127,269,000 shares.

As audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP, the net profit of the Company and net profit attributable to shareholders of the Company in 2015 amounted to RMB8,060,364,756.76 and RMB8,059,332,452.64 respectively. The Company proposed to declare a cash dividend of RMB1,734,181,110.00 at RMB0.19 per share (tax inclusive) for the year ended 31 December 2015. This proposal is subject to the approval by the shareholders in the 2015 annual general meeting of the Company.

VI. **Risks relating to forward-looking statements**

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

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

No

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

No

IX. **Reminder of material risks**

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





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# Section 1 Definitions

## I. DEFINITIONS

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

Definitions for commonly used terms

“A Shares”	domestic share(s) with a nominal value of RMB1.00 each in the share capital of the Company which are listed on the Shanghai Stock Exchange and traded in Renminbi (Stock Code: 601633);
“A Shareholder(s)”	holders of A Share(s);
“Articles”	articles of association of the Company, as amended, modified or otherwise supplemented from time to time;
“Board”	the board of directors of the Company;
“Company” or “Great Wall Motor”	Great Wall Motor Company Limited (長城汽車股份有限公司), a joint stock company incorporated in the PRC with limited liability, the H Shares and A Shares of which are listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange, respectively;
“Company Law”	Company Law of the PRC;
“Competing Business”	a business that is identical with or similar to the principal business and other businesses of Great Wall Motor Company Limited;
“CSRC”	China Securities Regulatory Commission;
“Group”	Great Wall Motor Company Limited and its subsidiaries;
“H Shares”	the overseas-listed foreign share(s) with a nominal value of RMB1.00 each in the share capital of the Company which are listed on the Main Board of the Hong Kong Stock Exchange and traded in Hong Kong dollars (Stock Code: 2333);
“H Shareholder(s)”	holders of H Share(s);
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as amended from time to time;
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules;
“Non-Public Issuance”	the proposed issuance of not more than 833,912,400 A Shares by the Company to not more than ten target investors with the expected proceeds from the issuance of not more than RMB12.0 billion;
“PRC”	the People’s Republic of China;
“Reporting Period” or “Current Period” or “the Year”	twelve months ended 31 December 2015;



## Section 1 Definitions

"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended from time to time; and
"Shanghai Stock Exchange"	Shanghai Stock Exchange in the PRC.



## Section 2 Corporate Profile and Key Financial Indicators

### I. CORPORATE INFORMATION

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

### II. CONTACT PERSONS AND CONTACT METHODS

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

### III. BASIC INFORMATION

Registered address of the Company	No. 2266 Chaoyang Road South, Baoding, Hebei Province, the PRC
Postal code of the registered address of the Company	071000
Office address of the Company	No. 2266 Chaoyang Road South, Baoding, Hebei Province, the PRC
Postal code of the office address of the Company	071000
Company's website	www.gwm.com.cn
E-mail address	zqb@gwm.com.cn
Principal place of business in Hong Kong	13th Floor, One Pacific Place, 88 Queensway, Hong Kong

### IV. INFORMATION DISCLOSURE AND PLACE OF DOCUMENT INSPECTION

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



## Section 2 Corporate Profile and Key Financial Indicators

### V. INFORMATION ON THE COMPANY'S SHARES

#### Information on the Company's Shares

<b>Stock classes</b>	<b>Stock exchanges for the listing of the Company's Shares</b>	<b>Stock abbreviation</b>	<b>Stock code</b>	<b>Previous stock abbreviation</b>
A Shares	Shanghai Stock Exchange	Great Wall Motor	601633	—
H Shares	Hong Kong Stock Exchange	Great Wall Motor	2333	—

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



## Section 2 Corporate Profile and Key Financial Indicators

### VI. OTHER RELEVANT INFORMATION

Domestic accounting firm appointed by the Company	Name	Deloitte Touche Tohmatsu Certified Public Accountants LLP
	Office address	30/F, 222 Yan An Road East, Huangpu District, Shanghai
	Names of the signing accountants	Xu Zhao Hui Zhang Luan Qing
Legal adviser to the Company (as to Hong Kong law)	Simmons & Simmons	
Legal adviser to the Company (as to the PRC law)	Zhong Lun Law Firm	
H Share registrar and transfer office in Hong Kong	Computershare Hong Kong Investor Services Limited	Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong
A Share registrar and transfer office	Shanghai Branch of China Securities Depository and Clearing Corporation Limited	3/F, China Insurance Building, 166 Lujiazui East Road, New Pudong District, Shanghai, PRC
Investor and media relations consultant (H Shares)	CorporateLink Limited	18/F, Shun Ho Tower, Nos 24-30 Ice House Street, Central, Hong Kong
Principal bankers	Bank of China, Baoding Yuhua sub-branch The Industrial and Commercial Bank of China, Baoding Yonghua Road sub-branch China Construction Bank, Baoding Hengxiang South Street sub-branch China Everbright Bank, Shijiazhuang sub-branch China CITIC Bank, Baoding sub-branch	
Authorised representatives	Ms. Wang Feng Ying Mr. Xu Hui	
Financial year-end date	31 December	
Executive directors	Mr. Wei Jian Jun (Chairman) Mr. Liu Ping Fu (resigned on 24 December 2015) Ms. Wang Feng Ying (Vice Chairman and general manager) Mr. Hu Ke Gang (resigned on 24 December 2015) Ms. Yang Zhi Juan	

## Section 2 Corporate Profile and Key Financial Indicators

Non-executive directors	Mr. He Ping Mr. Niu Jun (resigned on 28 January 2016)
Independent non-executive directors	Mr. Wong Chi Hung, Stanley Mr. Lu Chuang Mr. Liang Shang Shang (resigned on 18 March 2016 and shall continue to serve as an independent non-executive director until the Company convenes a shareholders' general meeting to perform relevant legal procedures in order to comply with the Articles) Mr. Ma Li Hui
Employee representative supervisor	Mr. Zhu En Ze (resigned on 18 December 2015) Mr. Chen Biao (appointed on 18 December 2015)
Independent supervisors	Ms. Zong Yi Xiang Ms. Luo Jin Li
Audit Committee	Mr. Wong Chi Hung, Stanley Mr. He Ping Mr. Lu Chuang Mr. Liang Shang Shang (resigned on 18 March 2016 and shall continue to serve as a member of the Audit Committee until the Company convenes a shareholders' general meeting to perform relevant legal procedures in order to comply with the Articles) Mr. Ma Li Hui
Remuneration Committee	Mr. Wei Jian Jun Mr. Lu Chuang Mr. Liang Shang Shang (resigned on 18 March 2016 and shall continue to serve as a member of the Remuneration Committee until the Company convenes a shareholders' general meeting to perform relevant legal procedures in order to comply with the Articles)
Nomination Committee	Mr. Wei Jian Jun Mr. Liang Shang Shang (resigned on 18 March 2016 and shall continue to serve as a member of the Nomination Committee until the Company convenes a shareholders' general meeting to perform relevant legal procedures in order to comply with the Articles) Mr. Ma Li Hui
Strategy Committee	Mr. Wei Jian Jun Ms. Wang Feng Ying Mr. He Ping Mr. Lu Chuang Mr. Ma Li Hui



## Section 2 Corporate Profile and Key Financial Indicators

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

#### (I) Key accounting data

Unit: 10,000 Currency: RMB

Key accounting data	2015	2014	Increase/ decrease for the Reporting Period over the corresponding period last year (%)	2013	2012	2011
Total operating revenue	<b>7,603,314.25</b>	6,259,910.42	21.46	5,678,431.43	4,315,996.66	3,008,947.67
Operating revenue	<b>7,595,458.60</b>	6,259,077.26	21.35	5,678,431.43	4,315,996.66	3,008,947.67
Net profit attributable to shareholders of the Company	<b>805,933.25</b>	804,153.55	0.22	822,364.84	569,244.90	342,619.51
Net profit attributable to shareholders of the Company after extraordinary gains/losses	<b>765,198.58</b>	771,688.17	-0.84	798,725.63	551,936.09	331,237.71
Net cash flow from operating activities	<b>1,003,369.04</b>	609,578.44	64.60	903,904.34	433,697.08	444,874.26
Total operating costs	<b>6,685,060.20</b>	5,338,320.60	25.23	4,716,807.22	3,652,636.14	2,610,511.15
Operating costs	<b>5,686,391.14</b>	4,525,176.11	25.66	4,053,799.47	3,156,150.14	2,259,379.79
Business tax and surcharges	<b>288,628.58</b>	228,160.70	26.50	205,703.17	159,476.51	105,232.49
Selling expenses	<b>284,156.51</b>	208,475.51	36.30	189,526.26	165,635.21	119,271.25
Administrative expenses	<b>403,060.40</b>	382,234.20	5.45	274,741.71	174,369.96	128,387.30
Financial expenses	<b>13,937.09</b>	-12,938.09	—	-8,384.99	-10,532.57	-2,293.47
Impairment loss on assets	<b>8,185.11</b>	7,212.17	13.49	1,421.60	7,536.89	533.80
Gains or losses from changes in fair value	<b>-21.44</b>	-405.57	—	-738.12	1,047.36	313.12
Investment income	<b>9,809.67</b>	3,183.85	208.11	5,917.63	1,932.29	2,435.73
Share of profit of associates and jointly controlled entities	<b>783.58</b>	2,000.68	-60.83	1,134.20	221.59	1,195.45
Operating profit	<b>928,042.28</b>	924,368.10	0.40	966,803.73	666,340.17	401,185.36
Non-operating income	<b>46,734.50</b>	44,057.40	6.08	27,883.75	22,057.08	12,630.76
Non-operating expenses	<b>5,919.11</b>	4,417.94	33.98	2,715.30	4,293.62	750.99
Losses from disposal of non-current assets	<b>4,723.57</b>	2,388.21	97.79	1,428.27	2,712.68	252.20
Total profit	<b>968,857.68</b>	964,007.56	0.50	991,972.18	684,103.63	413,065.13
Income tax expenses	<b>162,821.20</b>	159,887.92	1.83	168,759.01	111,896.50	61,999.84
Net profit	<b>806,036.48</b>	804,119.64	0.24	823,213.17	572,207.13	351,065.29
Profit or loss attributable to minority interests	<b>103.23</b>	-33.91	—	848.33	2,962.24	8,445.78

## Section 2 Corporate Profile and Key Financial Indicators

Unit: 10,000 Currency: RMB

Key accounting data	As at the end of 2015	As at the end of 2014	Increase/decrease for the Reporting Period over the corresponding period last year (%)	As at the end of 2013	As at the end of 2012	As at the end of 2011
Net assets attributable to shareholders of the Company	<b>3,833,086.94</b>	3,345,186.05	14.59	2,799,589.80	2,151,424.40	1,673,710.84
Total assets	<b>7,191,062.68</b>	6,134,525.21	17.22	5,260,480.89	4,256,939.65	3,313,485.77
Total liabilities	<b>3,352,371.04</b>	2,782,680.60	20.47	2,459,681.21	2,092,602.71	1,611,335.40
Total share capital as at the end of the Reporting Period	<b>912,726.90</b>	304,242.30	200.00	304,242.30	304,242.30	304,242.30

### (II) Key financial indicators

Key financial indicators	2015	2014	Increase/decrease for the Reporting Period over the corresponding period last year (%)	2013	2012	2011
Basic earnings per share (RMB/share) (Note)	<b>0.88299</b>	0.88105	0.22	0.90100	0.62367	0.40582
Diluted earnings per share (RMB/share)	<b>N/A</b>	N/A	N/A	N/A	N/A	N/A
Basic earnings per share after extraordinary gains/losses (RMB/share)	<b>0.8384</b>	0.8455	-0.84	0.8751	0.6047	0.3923
Weighted average return on net assets (%)	<b>22.47</b>	26.35	Decreased by 3.88 percentage points	33.41	29.88	27.83
Weighted average return on net assets after extraordinary gains/losses (%)	<b>21.34</b>	25.42	Decreased by 4.08 percentage points	32.61	29.11	27.03

(Note): Pursuant to a resolution of the first extraordinary general meeting of the Company in 2015 held on 22 September 2015, a capital reserve of RMB3,042,423,000.00 was capitalised and 3,042,423,000 share dividends were distributed, after which the share capital of the Company increased by RMB3,042,423,000.00 and the registered capital of the Company was changed to RMB9,127,269,000.00. The earnings per share for each reporting period were recalculated accordingly.

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



## Section 2 Corporate Profile and Key Financial Indicators

In recent five years, operating results of the Company has maintained steady growth attributable to the business expansion, optimization of product mix and improvement of quality of products based on customers' needs through putting great efforts in research and development. During the Reporting Period, in view of slowdown of economic growth and intense competition in automobile industry, the Company actively adopted promotion strategies resulting in the increase in sales volume and income despite the decrease in gross profit margin (yet still at a relatively high level in the industry). As such, the net profit attributable to shareholders of the Company slightly increased as compared with last year.

### VIII QUARTERLY KEY FINANCIAL DATA IN 2015

	<i>Unit: RMB Currency: RMB</i>			
	First Quarter (January to March)	Second Quarter (April to June)	Third Quarter (July to September)	Fourth Quarter (October to December)
Operating revenue	19,327,023,212.18	17,788,322,984.12	15,488,752,715.44	23,350,487,052.90
Net profit attributable to shareholders of the Company	2,535,906,367.40	2,181,146,417.20	1,491,528,330.41	1,850,751,337.63
Net profit attributable to shareholders of the Company after extraordinary gains/losses	2,504,137,096.17	2,097,339,189.74	1,350,905,494.78	1,699,604,029.43
Net cash flow from operating activities	1,611,167,128.57	5,665,878,242.65	2,748,696,894.56	7,948,145.93

Differences between quarterly data and data disclosed in regular reports

Applicable  Not applicable

### IX. ITEMS AND AMOUNT OF EXTRAORDINARY GAINS/LOSSES

Applicable  Not applicable

<b>Item of extraordinary gains/losses</b>	<i>Unit: RMB Currency: RMB</i>		
	<b>2015</b>	2014	2013
Profit or loss from disposal of non-current assets	<b>-45,216,114.66</b>	-22,406,632.60	-11,824,310.90
Government grants accounted for in profit and loss account of the current period except for government grants closely related to the corporate business and in compliance with the State policies that were given at a fixed standard amount or quantity as stipulated by the State	<b>341,033,077.39</b>	362,719,006.90	210,023,578.95
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	<b>51,644.99</b>	—	—
Non-operating gains and losses other than the above items	<b>112,285,304.05</b>	56,082,221.21	53,485,200.44
Investment gains from the disposal of long-term equity investments and the disposal of assets	<b>84,203,645.84</b>	11,831,669.85	47,834,345.40
Gains from the equity in acquiree already held before the date of acquisition and measured at fair value	<b>6,057,283.20</b>	—	—
Gains (losses) from changes in fair value	<b>-214,440.00</b>	-4,055,677.86	-7,381,189.40
Effect of minority interests	<b>-12,869.54</b>	-229,268.59	-831,263.02
Effect of income tax	<b>-90,840,888.75</b>	-79,287,543.23	-54,914,298.39
<b>Total</b>	<b>407,346,642.52</b>	324,653,775.68	236,392,063.08

## Section 2 Corporate Profile and Key Financial Indicators

### X. PROJECTS MEASURED AT FAIR VALUE

Unit: RMB Currency: RMB

Name of project	Balance at the beginning of the period	Balance at the end of the period	Changes in the period	Effect on profit for the period
Derivative financial assets				
— Forward exchange contracts	<b>214,440.00</b>	—	-214,440.00	-214,440.00
Total	<b>214,440.00</b>	—	-214,440.00	-214,440.00



# Section 3 Business Highlights of the Company

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

### 1. Principal Business of the Company

Great Wall Motor is the largest SUV manufacturer in the PRC. At present, the Company has two brands, Havel and Great Wall, and its major products include SUVs, sedans and pick-up trucks. The Company also manufactures and supplies relative automotive parts and components.

### 2. Operating Model

The Group focuses on SUV category and the innovation of its product lines. Through expanding its business in all segments of SUV, the Group is able to fulfill different needs of customers and maintain its leading position in all segments. The position of the Group in SUV market is therefore consolidated.

The Group has devoted itself in establishing a sound system comprising research, procurement, production and sales of automobile.

The Company has persisted in research and development to further enhance the quality of products of the Company and fulfill the increasingly strict demands of customers. For its research and development facilities, the Company has established one of the largest automobile testing plants with the highest specification in the PRC. The Company has also set up a Havel technical center for research and development, trial production, testing, modeling and data processing. The Company has built up the foundation for the research and development of automobile and parts and components.

In respect of procurement of parts and components, Great Wall Motor has targeted to establish an international advanced supply chain and control the sources of parts and components through vertical integration and strategic cooperation with international brand suppliers. Through vertical integration of the production of core parts and components, the Group is able to predominate the market. The vertically integrated parts and components production unit manufactures various products, including engines, transmissions, chassis, electronics, interior and exterior decoration parts and molds. In addition, through entering into long-term strategic cooperation with international suppliers, such as Bosch and ZF, the Group aims to maintain stable and win-win cooperation in the long-run.

In respect of manufacturing, the Group has established production bases in Baoding and Tianjin. The two phrases of construction of base in Xushui have already met the target production capacity of automobiles and parts and components, ensuring the sufficient production capacity of the Group. The first production base for automobiles in Xushui has commenced operation while the second production base for automobiles is under construction and is expected to commence operation in 2016. The automobile plant in Xushui is equipped with automatic and intelligent facilities, in order to enhance the precision of products and speed up the production, providing reliable production capacity for new products.

In respect of sales, the Group has continuously refined its sales network. In order to connect consumers in China, the Group has launched Havel (哈弗商城), the first customised automobile e-commerce in China. In addition, the Group has exerted efforts to expand its overseas market. The overseas sales achieved satisfactory result. The Group has established sales companies in Russia, Australia and South Africa, among which the ones in Russia and Australia have already commenced operation.

## Section 3 Business Highlights of the Company

Furthermore, the Company put efforts in exploring automobile related services market and provides automobile financing and other services. Tianjin Great Wall Binyin Automotive Finance Company Limited (天津長城濱銀汽車金融有限公司), a joint venture of the Group, commenced business in the second half of 2014, engaging in individual automobile loan and dealer inventory financing, so as to extend its automobile industrial chain. The Group established a company for leasing Haval brand automobiles in 2014 and Haval Insurance Brokers Company Limited (哈弗保險經紀公司) in 2015, in order to expand its existing business.

### 3. Industry Development

#### (1) *Steady growth in production and sales volume of automobiles*

The production and sales volume of automobiles in the PRC in 2015 hit a record high and amounted to 24,503,300 units and 24,597,600 units, respectively, representing an increase of 3.25% and 4.68% as compared with last year, respectively. The production and sales volume of automobile remained the world's highest for the seventh consecutive years.

#### (2) *Passenger vehicles maintained its growth while SUVs grew at the highest rate*

Passenger vehicles are the main driving force for the growth of automobile industry. In 2015, the production and sales volume of passenger vehicles was 21,079,400 units and 21,146,300 units, respectively, representing an increase of 5.78% and 7.30%, respectively, as compared with last year. The growth rate was 2.53 percentage points and 2.62 percentage points higher than the increment of production and sales volume of the overall automobile industry, respectively. The production and sales volume of SUVs were 6,243,600 units and 6,220,300 units, respectively, representing an increase of 49.65% and 52.39%, respectively.

#### (3) *New energy vehicles recorded a rapid growth*

The production and sales volume of new energy vehicles in 2015 was 340,500 units and 331,100 units, respectively, representing an increase of 3.3 times and 3.4 times as compared with last year, respectively. The production and sales volume of battery electric vehicle was 254,600 units and 247,300 units, respectively, representing an increase of 4.2 times and 4.5 times as compared with last year, respectively. The production and sales volume of hybrid vehicles was 85,800 units and 83,600 units, respectively, representing an increase of 1.9 times and 1.8 times as compared with last year, respectively.

#### (4) *With increasingly intense competition in overseas market, the export volume decreased*

In 2015, the export volume of vehicles was 755,500 units, representing a decrease of 20.25% as compared with last year. The export value amounted to US\$12,437 million, representing a decrease of 9.92% as compared with last year. Among all main categories of the vehicles for export, the export volume of sedans decreased at a rapid rate while export volume of trucks and passenger vehicles stopped to grow and declined rapidly.

Note: The above data is sourced from China Association of Automobile Manufacturers



## Section 3 Business Highlights of the Company

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

During the Reporting Period, there were no significant changes in the major assets of the Company.

### III. ANALYSIS OF THE CORE COMPETITIVENESS DURING THE REPORTING PERIOD

#### 1. Creating fair and just corporate culture

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

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

The Company has put great emphasis on its development strategies and has focused on its principal businesses to which more resources were allocated and has been devoted itself to enhancing development in various segments in order to establish unique advantages and maintain its leading position.

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

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

#### 4. Setting up industrial cluster through vertical integration

The Company has been devoting itself to researching, developing and producing core parts and components and has been enhancing the level of vertical integration. As of 2015, the Company was able to solely produce engines, transmissions, auto headlights and other core parts and components, which significantly enhanced the competitive edges in quality and cost. With the establishment of automobile production plants in Tianjin and Xushui, the production of parts and components of the Company has footholds in various regions, which lays a solid foundation for the long-term development of the Company with competitive advantages in resources.

#### 5. Committing to investment in research and development

The Company has persisted in research and development, with an accumulated contribution of over RMB10 billion and over ten thousand technicians. The Company is able to design and develop ten types of automobiles at the same time. For its research and development facilities, the Company has established one of the largest automobile testing plants with the highest specification in the PRC. The Company has also set up a Havel technical center for research and development, trial production, testing, modeling and data processing. The Company has built up the foundation for the research and development of automobile and parts and components and strengthened its research and development capability.

## Section 4 Chairman's Statement

To all shareholders:

I am pleased to present the audited consolidated results of the Group for the year ended 31 December 2015 (the "Year").

In 2015, China's economy was severely hit and challenged and experienced increasing downward pressure. Facing the complex situation, the PRC government had adhered to the work guidance of "making progress while maintaining stability" by implementing a series of policies to stabilize growth, to push ahead with economic restructuring and reforms, and to improve people's livelihood. As a result, the national economic growth was maintained at a reasonable range, with a 6.9% GDP growth for 2015.

According to the statistics from China Association of Automobile Manufacturers, the production and sales volume of automobiles in the PRC in 2015 hit a new record high and remained the world's highest for the seventh consecutive year. Passenger vehicles remained the major driving force for the growth of automobile industry.

During the Year, the Group's production and sales volume amounted to 860,000 units and 850,000 units respectively, representing a year-on-year increase of 17.07% and 15.45% respectively, which continued to surpass the industry growth rate. The Group achieved a total operating revenue of RMB 76,033,000,000, and net profit attributable to shareholders of the Company of RMB 8,059,000,000. The Group has sustained a relatively high level of profitability when compared with that of the industry.

In 2015, China's macro economy was under downward pressure and the automobile industry experienced slowdown in growth. Against this backdrop, the Company stimulated growth in overall sales through constant launch of new products, adopting proactive marketing strategies, and continued improvement in after-sales services. As a result, the Group set a new record in automobile sales volume at 850,000 units, achieving its annual sales target for the Year. Great Wall Motor continued to display extraordinary performance in the SUV market, especially its key models, which achieved outstanding success. During the Year, the sales volume of Haval H6 reached 380,000 units, ranking the first in terms of monthly sales volume for 33 months since its debut, and setting a world record high in sales volume for a single SUV model within an individual market segment. Haval H2, launched in 2014, continued to achieve exceptional results, ranking top ten in sales volume among all SUV models during the Year. The Group's high-end automobile models, Haval H8 and Haval H9, boasted superb performance and quality. The Group will continue to improve its models to increase sales volume.

During the Year, the Group further enhanced its production capacity to meet the needs for growth of the Company's sales. Following the inauguration of Haval Technology Centre during the Year, the Company's technological development and testing capability improved. The Group has now set up a technology research and development centre in Japan, and additional research centres will be established in other overseas countries in the future so as to achieve globalisation of research and development. With regard to sales, the Group continued to implement decisive measures to further enhance its sales service. The Company was awarded the first prize in "2015 China Automobile Customer Satisfactory Index" for its sales service under self-owned brand category, and its "Haval" brand ranked the first in "China Auto Dealer Satisfaction Survey" held by All-China Federation of Industry & Commerce in 2015.

2016 will be a year full of challenges and opportunities. In view of the slowdown in macroeconomic growth, more intensified competition in the automobile market, as well as the implementation of the PRC economic policies, the performance of the automobile industry will be affected. However, consumption structure upgrade and first-time car buyers' replacement demand will support the SUV segment to maintain a relatively high growth rate. In addition, the preferential policy on purchase tax launched in 2015 will continue to help the automobile industry achieve stable growth. The Group will focus on strengthening the development of SUV models, enriching its product line, and further improvement in product quality, in order to maintain SUV competitiveness. Meanwhile, the Group will also develop new energy products so as to meet customers' needs.



## Section 4 Chairman's Statement

Last but not least, the Group will adhere to its mission to develop self-owned brand products, while continuing to make constant improvement in product quality, providing customers with premium products and services, actively assuming social responsibilities, and making more contribution to customers, shareholders and society. On behalf of Great Wall Motor, I would like to express our heartfelt thanks to all the staff, shareholders, investors, suppliers and customers for their continuous support to and trust in the Group.

**Wei Jian Jun**

*Chairman*

Baoding, Hebei Province, the PRC

24 March 2016

# Section 5 Management Discussion and Analysis

## I. MANAGEMENT DISCUSSION AND ANALYSIS

### Operating Environment

The automobile industry experienced ups and downs in 2015. The industry looked promising at the beginning of the Year, and automobile enterprises were optimistic about the annual sales volume of automobiles. However, the sales volume in the automobile industry began to decline since April. The PRC government timely introduced the preferential policy that halved the purchase tax on low-emission vehicles with engines of 1.6 litres and under, which led to a gradual increase in the sales volume in the automobile industry. According to the statistics from China Association of Automobile Manufacturers, the production and sales volume of automobiles in the PRC in 2015 reached 24,503,300 units and 24,597,600 units respectively, representing increases of 3.25% and 4.68% respectively from those of the same period last year. The growth rate of domestic production and sales volume had slowed down, decreasing by 4.01 percentage points and 2.18 percentage points year-on-year. The production and sales volume of passenger vehicles amounted to 21,079,400 units and 21,146,300 units respectively, representing increases of 5.78% and 7.30% year-on-year respectively, while the production and sales volume of commercial vehicles reached 3,423,900 units and 3,451,300 units respectively, representing a year-on-year decline of 9.97% and 8.97% respectively. Passenger vehicles had remained the major driving force for the growth of automobile industry. Within the passenger vehicle market, SUV category achieved the fastest growth rate of 52.39% for the year, with a total sales volume of 6,220,300 units.

Although the domestic market turned sluggish during the middle of the year, its annual sales volume continued to grow. The changes in the political and economic environment in overseas markets had resulted in a significant decrease in the PRC's automobile export sales volume. According to the statistics from China Association of Automobile Manufacturers, the automobile export volume from the PRC in 2015 was 755,500 units, representing a year-on-year decline of 20.25%.

In view of the intensified competition in the automobile industry during the Year, automobile enterprises kept rolling out new car models to expand their market share. In response to the increasing competitive market environment, the Group enhanced product performance and quality through constant innovation, with the aim to satisfy the constantly changing consumer needs. During the Year, the Group launched Haval H8, Haval H6 Coupe and facelift models of existing cars to improve the overall sales volume.

## Section 5 Management Discussion and Analysis

### Financial Review

*Currency: RMB Unit: RMB*

	<b>From 1 January 2015 to 31 December 2015 (Audited)</b>	From 1 January 2014 to 31 December 2014 (Audited)	Changes %
Total operating revenue	<b>76,033,142,505.96</b>	62,599,104,189.86	21.46
Operating revenue	<b>75,954,585,964.64</b>	62,590,772,604.67	21.35
Revenue from sale of automobiles (Note 1)	<b>72,859,187,538.87</b>	59,345,501,289.71	22.77
Revenue generated from the sale of automotive parts and components	<b>3,095,398,425.77</b>	3,245,271,314.96	-4.62
Interest income (Note 2)	<b>78,269,451.37</b>	8,330,509.02	839.55
Selling expenses (Note 3)	<b>2,841,565,090.40</b>	2,084,755,133.80	36.30
Administrative expenses	<b>4,030,603,966.73</b>	3,822,341,956.08	5.45
Financial expenses (Note 4)	<b>139,370,863.43</b>	-129,380,918.13	—
Gross Profit	<b>19,162,217,283.47</b>	17,347,343,121.47	10.46
Income tax expenses	<b>1,628,212,003.74</b>	1,598,879,183.23	1.83
Net profit attributable to shareholders of the Company (Note 5)	<b>8,059,332,452.64</b>	8,041,535,517.60	0.22
Basic earnings per share	<b>0.88299</b>	0.88105	0.22
Gross profit margin (%)	<b>25.20</b>	27.71	Decreased by 2.51 percentage points
Percentage of selling expenses to operating revenue (%)	<b>3.74</b>	3.33	Increased by 0.41 percentage point
Percentage of administrative expenses to operating revenue (%)	<b>5.31</b>	6.11	Decreased by 0.80 percentage point

(Note 1) The increase in revenue from sales of automobiles was mainly due to the increase in sales volume of automobiles of the Group and the increase in sales volume of SUVs which had higher selling price.

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

(Note 3) The increase in selling expenses was mainly due to increases in the transportation fees and after-sales service fees resulting from the increase in sales volume.

(Note 4) The increase in financial expenses was mainly due to the recognition of financial expenses in relation to discounted performance bond for land receivables aged more than 1 year.

(Note 5) The increase in net profit attributable to shareholders of the Company was mainly due to the promotion strategies actively adopted by the Company in view of slowdown of economic growth and intense competition in automobile industry, leading to the increase in sales volume and income despite the decrease in gross profit margin (yet still at a relatively high level in the industry). As such, the net profit attributable to shareholders of the Company slightly increased as compared with last year.



## Section 5 Management Discussion and Analysis

### *Assets and liabilities*

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

### *Gearing ratio*

*Currency: RMB Unit: RMB*

	<b>As at 31 December 2015 (Audited)</b>	As at 31 December 2014 (Audited)
Total liabilities	<b>33,523,710,369.30</b>	27,826,806,022.22
Total equity	<b>38,386,916,401.54</b>	33,518,446,101.23
Gearing ratio	<b>87.33%</b>	83.02%

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

### *Acquisition and disposal of assets*

For details, please refer to the descriptions of “Acquisitions of major assets” and “Disposal of major assets and equity interest” in item II “The Operation during the Reporting Period” of section 5 “Management Discussion and Analysis” of this annual report.

Except for the transaction (the transaction has been published on the websites of the Hong Kong Stock Exchange, the Shanghai Stock Exchange and the Company) between the Company and Bochuang Urban Development Company Limited, the relevant acquisitions and disposals were neither connected transactions nor notifiable transactions as defined under the Hong Kong Listing Rules. It is therefore not required to publish any announcements under Chapters 14 and 14A of the Hong Kong Listing Rules.

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

### *Capital structure*

The Group generally finances its day-to-day operations with its internal cash flows. As of 31 December 2015, Tianjin Great Wall Binyin Automotive Finance Company Ltd, our subsidiary, borrowed a short-term loan of RMB300,000,000.00 and a long-term loan of RMB50,000,000.00 for lending loan. Such loans were guaranteed by the Company.

### *Exposure to foreign exchange risk*

All the Group’s domestic sales were settled in RMB while sales to overseas customers accounted for 1.92% of total sales and were mainly settled in US dollars or Euros. The sales to overseas customers were mainly directly used in the import of facilities and parts and components. As such, during the Reporting 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.

## Section 5 Management Discussion and Analysis

### *Employment, training and development*

As of 31 December 2015, the Group employed a total of 68,999 employees (31 December 2014: 71,575 employees). Employees were remunerated by the Group based on their performance, experience and prevailing industry practices. The Group's remuneration policies and packages were reviewed on a regular basis. As an incentive for employees, bonuses and cash awards may also be given to employees based on individual performance evaluation. Total staff cost accounted for 8.14% of the Group's total operating revenue as of 31 December 2015 (31 December 2014: 8.71%).

### *Taxation*

During the Year, income tax expenses of the Group was RMB1,628,212,003.74 (2014: RMB1,598,879,183.23).

### *Segment information*

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

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

	For the twelve months ended 31 December	
	2015 RMB (Audited)	2014 RMB (Audited)
China	<b>74,574,750,059.30</b>	59,467,547,004.37
Chile	<b>258,777,111.12</b>	338,668,359.97
Iran	<b>155,380,974.02</b>	202,332,954.49
Algeria	<b>151,832,326.78</b>	109,772,236.90
Ecuador	<b>129,339,037.59</b>	226,510,727.07
Peru	<b>89,158,963.04</b>	85,361,428.28
Other overseas countries	<b>673,904,034.11</b>	2,168,911,478.78
Total	<b>76,033,142,505.96</b>	62,599,104,189.86

The Group's major non-current assets for disclosure in the segment information (which consist of fixed assets, investment properties, construction in progress and investment in jointly controlled entities and associates) are 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 operating revenue.

## Section 5 Management Discussion and Analysis

### BUSINESS REVIEW

Analysis on production and sales volume of automobiles

Car classification	Project	Sales Volume (unit)			Production Volume (Unit)		
		Total for the Year	Total for last year	Increase/decrease (%)	Total for the Year	Total for last year	Increase/decrease (%)
Pick-up truck	Domestic sales	93,347	104,547	-10.71	—	—	—
	Export	7,392	17,055	-56.66	—	—	—
	<b>Sub-total</b>	<b>100,739</b>	<b>121,602</b>	<b>-17.16</b>	<b>100,632</b>	<b>119,701</b>	<b>-15.93</b>
SUV	Domestic sales	682,104	499,185	36.64	—	—	—
	Export	11,242	24,023	-53.20	—	—	—
	<b>Sub-total</b>	<b>693,346</b>	<b>523,208</b>	<b>32.52</b>	<b>700,493</b>	<b>528,701</b>	<b>32.49</b>
Sedan	Domestic sales	46,899	80,013	-41.39	—	—	—
	Export	4,900	7,466	-34.37	—	—	—
	<b>Sub-total</b>	<b>51,799</b>	<b>87,479</b>	<b>-40.79</b>	<b>53,479</b>	<b>81,544</b>	<b>-34.42</b>
Others	Domestic sales	385	700	-45.00	—	—	—
	Export	3	0	100.00	—	—	—
	<b>Sub-total</b>	<b>388</b>	<b>700</b>	<b>-44.57</b>	<b>396</b>	<b>411</b>	<b>-3.65</b>
Total	Domestic sales	822,735	684,445	20.20	—	—	—
	Export	23,537	48,544	-51.51	—	—	—
	<b>Sub-total</b>	<b>846,272</b>	<b>732,989</b>	<b>15.45</b>	<b>855,000</b>	<b>730,357</b>	<b>17.07</b>

Other vehicles: including special vehicles etc.

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

During the Year, the increase in the Group's domestic sales volume of automobiles was mainly due to the Group's optimisation of product mix, continual focus on SUV category, manufacture of high price-performance products, and commitment to gain the satisfaction of customers.

#### (1) Pick-up truck

According to the statistics of the China Association of Automobile Manufacturers, pick-up trucks of the Group continued to rank first in the PRC market in terms of sales volume of pick-up trucks for 18 consecutive years, thereby consolidating the Group's leading market position in this respect.



## Section 5 Management Discussion and Analysis

### (2) SUV

During the Year, the Group achieved outstanding performance in the domestic SUV market, with steady growth in sales volume. The sales volume of the Group's flagship product Haval H6 maintained a notable growth momentum, representing a year-on-year increase of 18.59% to 376,911 units. Haval H6 remained as the best-selling SUV model by sales volume. Haval H2, a small SUV, also gained wide recognition and became another popular car model of the Group. In 2015, Haval H2 was among the top 10 best-selling SUVs by sales volume. Haval H8, which was relaunched this year, and the brand new model — Haval H6 Coupe also contributed to the increase in sales volume, thereby further consolidating the Group's leading position in the SUV market.

### (3) Sedan

During the Year, the Group launched facelift models of sedans to maintain the sales volume of sedans.

#### *Domestic market*

During the Year, the PRC's economic growth further slowed down, with a GDP growth rate of only 6.9%. 2015 was the first year in which the PRC entered the stage of new normal. Against the backdrop of a new normal of economic growth, the growth in overall automobiles sales volume decelerated, increasing by only 4.68% for the year. On the other hand, there was further change in the sales structure, with continued increase in the percentage of second-time car purchase and higher proportion of SUV sales. The Group continued to focus on SUV category. Through the improvement of product and service quality, the Group stimulated further growth in domestic sales volume.

During the Year, revenue generated from the sale of automobiles of the Group in the domestic market amounted to RMB71,505,165,889.15, representing 94.14% of the Group's operating revenue.

In 2015, the sales structure of China's automobile industry changed further. The SUV segment maintained a rapid growth of 52.39%, which became the major driving force of the growth in the passenger vehicle market. The Group also achieved stable growth in SUV sales, securing the No. 1 position in the PRC's SUV market in terms of sales volume; and continuing to lead the SUV sector by a single SUV model. Haval H6 remained as the monthly best-selling SUV in the domestic market for 33 months and Haval H2 was among the top 10 best-selling SUVs.

#### *Overseas market*

In 2015, the global economy experienced relatively large fluctuations. Staple raw material prices decreased and crude oil price continued to fall. At the same time, the economies of overseas markets were further weakened by their turbulent political situations, putting further downward pressure on the export of automobiles from the PRC. In order to protect its overseas sales network, the Group had developed its own overseas distribution network to expand the influence of the Haval brand, paving the way for the recovery of the international market.

During the Reporting Period, revenue generated from the export of automobiles of the Group amounted to RMB1,354,021,649.72, accounting for approximately 1.78% of the Group's operating revenue.

The Group's overseas sales network had started to produce results. Sales companies had been established in Russia, Australia and South Africa. Operation of the sales companies in Russia and Australia had commenced.

## Section 5 Management Discussion and Analysis

### *Launch of products*

During the Reporting Period, the Group's super deluxe SUV model Haval H8 was launched during the Shanghai International Automobile Industry Exhibition in April 2015 after undergoing an upgrade programme for over a year. After optimisation, Haval H8 is much better in terms of stable quality and performance.

In April 2015, the Group launched its first coupe-style SUV model, Haval H6 Coupe. It boasts a sporty coupe look, lavish technical configuration, safe design and powerful engine, signifying the introduction of a formidable product under the Haval brand in the urban SUV market.

In May 2015, Haval H6 (sporty version) and Haval H2 with 6-speed automatic transmission were launched simultaneously, providing more choices for consumers while satisfying the market demand for cars with automatic transmission. As a result, sales volume of these two popular models was further boosted.

In addition, in April 2015, the Group displayed at the "2015 Shanghai International Automobile Industry Exhibition" several of its SUV models, including Haval H1, Haval H2, Haval H5, Haval H6 sporty version, Haval H6 upgraded version, Haval H7, Haval H7L, Haval H8, Haval H9, Haval H6 Coupe and Dakar Rally Racecar. The Group also exhibited two concept cars — Concept R (with a red logo) and Concept B (with a blue logo) for the first time. To showcase its research and development prowess, the Group also put on display five powertrains, a four-wheel drive chassis for a smart new-energy car using hybrid power, and "Internet of Cars" technology.

### **OUTLOOK**

In 2016, China's economy has entered a new normal stage. The PRC government introduced reforms on supply side to accelerate the restructuring progress. As global trade is experiencing slow growth, external demand will continue to remain weak, while investment growth will return to normal and the overall consumption will remain stable. It is expected that the PRC government will step up efforts in the proactive implementation of fiscal policies, and increase the flexibility and level of forward-looking element in the execution of sound monetary policy. The PRC economy will continue to grow at a new normal pace in 2016.

In the second half of 2015, the PRC government introduced the preferential policy that halved the purchase tax on vehicles with engines of 1.6 litres and under, which had positive and stimulating effects on the domestic automobile industry. It is expected that in 2016, this policy will continue to affect the sales volume of the automobile industry, thereby further facilitating the development of passenger vehicles with small displacement. In future, as consumers increasingly demand personalization and replacement, the growth rate of SUV segment will continue to surpass that of the automobile industry.

The Group's sales volume target for 2016 is 950,000 units. The Group will achieve its annual sales volume target through continued enhancement of product quality, launch of new models, improvement of existing models, as well as development of the domestic and overseas markets, etc.

In 2016, the Group will adhere to its basic principles of "focus on product quality, reform on research and development, and improvement in strategic management". By pushing ahead with the reform on research and development, the Group will develop an "extensive R&D" approach aimed at achieving optimal efficiency and synergies of a value chain consisting of R&D, production, supply and sale to cultivate world-class technology development capability. At the same time, the Group will continue to implement the lavish R&D spending strategy, integrating global resources and constantly improving product competitiveness, thereby enhancing the preplanning ability, technology development, product quality, and sales service satisfaction. The Group will also attain superb quality and boost brand premium. In addition, the Group will insist on strategic operations and develop core competitiveness that supports the Group's long-term development, as well as business model innovation and technology advancement.

## Section 5 Management Discussion and Analysis

### *New Products*

The Group continues to increase its investment in research and development, employ experts from domestic and overseas to enhance its overall research and development capability. In future, there will be more international cooperation on research and development to enhance the research and development capability as well as product quality.

In 2016, the Group will launch a brand new "Haval H7", which includes 5-seat and 7-seat models, so as to provide consumers with more choices. With the promotion of the red and blue label strategy, the Group will also introduce blue label models for existing "Haval H2" and "Haval H6" to enrich the existing product lines through the introduction of new features.

With respect to new energy vehicles, the Group will launch a pure electric notchback sedan model in 2016. The Group will not target this model only at the private sector consumption, but will also actively explore businesses in public transport, urban taxis, car rental, etc.

With respect to pick-up trucks, the Group will upgrade and develop facelifts for existing models in order to meet customers' needs.

### *Overseas markets*

With the promulgation of the State's "One Belt One Road" policy, the PRC government entered into free trade agreements with neighbouring countries, facilitating long-term development of overseas markets.

The Group had achieved a considerable amount of sales in overseas markets. Its products were primarily sold to South America, Middle East, Asia Pacific, Europe and other countries and regions. It had also established a well-developed sales network in its major overseas markets. The Group had invested in the establishment of sales companies in Russia, Australia, South Africa as well as other countries to improve the brand influence and boost overseas sales volume. The sales companies in Russia and Australia had commenced operation.

### *New facilities*

The second automobile plant in Xushui is expected to commence operation in the first half of 2016, which will further lift the Company's production capacity.

Haval H8, Haval H9, H6 Coupe, Haval H7 and successive products will be produced at the Xushui plant. The Group's future high-end car models will be produced and tested at the intelligent Xushui plant, thereby ensuring the improvement of product quality.

Construction of the Group's plant in Tula Oblast, Russia commenced in 2015, and is expected to be completed in 2018. It will manufacture SUVs.

The Group's new Haval technology centre commenced operation in 2015. The new technology centre consists of five major areas, namely R&D centre, prototype workshop, testing centre, design centre and data centre. The inauguration of the new technology centre will accelerate the advancement of the Company's research and development capability to international level, and lay a foundation for research and development of successive models.



## Section 5 Management Discussion and Analysis

### *Non-public issuance of A Shares*

As one of the strategic emerging industries, new energy vehicles will benefit from the increasing standards of energy saving and environment protection, as well as the continuous significant support from State policies, and enter a rapid development stage.

Intellectualization and informatization are the direction and trend for the automobile industry's future development. Smart vehicles, as a mobile intelligent terminal, will become another important access to Internet.

The Company, leveraging its solid foundation and competitive edges in the automobile industry, will swiftly increase its presence in the new energy and smart vehicle sector and embark on its upgrade strategy. The Board approved the Proposal on the Non-Public Issuance of A Shares of Great Wall Motor Company Limited on 10 July 2015 and the Proposal on the Non-Public Issuance of A Shares of Great Wall Motor Company Limited (Revised) on 28 August 2015, which was considered and approved in the first EGM held on 22 September 2015. On 22 September 2015, the Proposal on the Non-Public Issuance of A Shares of Great Wall Motor Company Limited (revised) was considered and approved in the first extraordinary general meeting of the Company in 2015.

The proceeds from the non-public issuance of A shares will be used in the following investment projects:

1. Research and development of new energy vehicles;
2. Smart transmission system for new energy vehicle with annual production capacity of 500,000 units;
3. New energy vehicle motor and management device with annual production capacity of 500,000 sets;
4. Driving battery system for new energy vehicle with annual production capacity of 1 million packs;
5. Research and development of smart vehicles.

For details of the announcement contents, please refer to the announcements regarding the Proposal on the Non-Public Issuance of A Shares (Revised) published by the Company on the websites of Shanghai Stock Exchange, Hong Kong Stock Exchange and the Company on 28 August 2015.

In view of the volatility of the capital market in the second half of 2015 and as the market price of the shares of the Company has fallen below the minimum issue price under the proposal on the non-public issuance of shares (revised), the Company resolved to terminate the non-public issuance of A shares. The resolution has been passed at the 18th meeting of the fifth session of the Board and is subject to the approval from the shareholders' general meeting.

After the termination of non-public issuance of A Shares, the Group will continue to invest in such projects with its own funds. The Group will consider to raise funds through various financing methods in case of insufficiency of own funds, in order to ensure the project will progress smoothly and business will be developed as scheduled.

The termination of non-public issuance of A Shares will not have material adverse effect on the normal production and operation of the Group.

## Section 5 Management Discussion and Analysis

### *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 was 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 paid its income tax at the rate of 15% from 2010 to 2012. In accordance with the Administrative Measures for the Accreditation of High-Tech Enterprises (高新技術企業認定管理辦法), enterprises may submit applications for the renewal of their High-Tech Enterprise Certificates within three months before their expiration. An enterprise whose application is approved will be granted with the renewed High-Tech Enterprise Certificate and may enjoy the aforesaid tax concession. The Company's application for the renewal of its High-Tech Enterprise Certificate had been approved by the Hebei Provincial Department of Science and Technology in 2013, and obtained the High-Tech Enterprise Certificate on 22 July 2013. The certificate is valid for three years. Starting from the year when the approval of the renewal application comes into effect, the Company can apply for the enterprise income tax concession. The Company has applied to the tax authorities for the tax concession and has completed the relevant procedures for tax reduction. Under the conditions of continued compliance with the Enterprise Income Tax Law and its implementation rules, as well as other relevant requirements, the Company is entitled to pay its enterprise income tax at the rate of 15% from 2013 to 2015.

## II. THE OPERATION DURING THE REPORTING PERIOD

During the Reporting Period, the total operating revenue, operating profit and net profit attributable to shareholders of the Company of the Company were RMB76,033,000,000, RMB9,280,000,000 and RMB8,059,000,000, representing increases of 21.46%, 0.40% and 0.22% as compared to the corresponding period of last year.

### (I) Analysis of principal business

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

Unit: RMB Currency: RMB

Item	For the Current Period	For the corresponding period last year	Changes (%)	2013	2012	2011
Total operating revenue	76,033,142,505.96	62,599,104,189.86	21.46	56,784,314,344.30	43,159,966,648.39	30,089,476,665.00
Operating revenue	75,954,585,964.64	62,590,772,604.67	21.35	56,784,314,344.30	43,159,966,648.39	30,089,476,665.00
Operating costs	56,863,911,403.05	45,251,761,068.39	25.66	40,537,994,662.12	31,561,501,368.09	22,593,797,877.09
Selling expenses	2,841,565,090.40	2,084,755,133.80	36.30	1,895,262,609.80	1,656,352,069.11	1,192,712,451.22
Administrative expenses	4,030,603,966.73	3,822,341,956.08	5.45	2,747,417,124.13	1,743,699,625.96	1,283,873,003.63
Financial expenses	139,370,863.43	-129,380,918.13	—	-83,849,943.15	-105,325,665.78	-22,934,689.66
Net cash flows from operating activities	10,033,690,411.71	6,095,784,407.40	64.60	9,039,043,397.56	4,336,970,802.21	4,448,742,617.37
Net cash flows from investing activities	-6,516,889,077.71	-7,209,952,718.60	—	-6,696,353,291.18	-3,936,137,742.94	-3,491,001,464.81
Net cash flows from financing activities	-4,112,054,970.50	-1,309,157,089.95	—	-2,404,718,214.67	-1,103,872,557.05	3,282,772,537.64
Research and development expenses	2,760,609,085.70	2,571,581,207.82	7.35	1,692,880,148.50	956,565,066.15	635,409,230.98

## Section 5 Management Discussion and Analysis

### 1. Revenue and cost analysis

#### (1) Major businesses by industries, products and regions

Unit: RMB Currency: RMB

Major businesses by industries						
Industry	Operating revenue	Operating costs	Gross profit margin (%)	Increase/decrease in operating revenue over last year (%)	Increase/decrease in operating costs over last year (%)	Increase/decrease in gross profit margin over last year (%)
Automobile industry	75,776,789,622.52	56,747,665,662.37	25.11	21.49	25.80	Decreased by 2.57 percentage points

Major businesses by products						
Product	Operating revenue	Operating costs	Gross profit margin (%)	Increase/decrease in operating revenue over last year (%)	Increase/decrease in operating costs over last year (%)	Increase/decrease in gross profit margin over last year (%)
Sale of automobiles	72,859,187,538.87	54,643,629,643.34	25.00	22.77	27.66	Decreased by 2.87 percentage points
Sale of automotive parts and components	2,301,430,289.20	1,645,668,939.74	28.49	-5.40	-9.46	Decreased by 3.20 percentage points
Moulds and others	468,883,477.50	339,924,488.66	27.50	-1.37	-10.10	Decreased by 7.04 percentage points
Provision of services	147,288,316.95	118,442,590.63	19.58	25.69	8.42	Decreased by 12.81 percentage points

Major businesses by regions						
Region	Operating revenue	Operating costs	Gross profit margin (%)	Increase/decrease in operating revenue over last year (%)	Increase/decrease in operating costs over last year (%)	Increase/decrease in gross profit margin over last year (%)
Domestic	74,319,462,485.26	55,509,986,348.64	25.31	25.44	30.79	Decreased by 3.06 percentage points
Overseas	1,457,327,137.26	1,237,679,313.73	15.07	-53.33	-53.61	Increased by 0.51 percentage point



## Section 5 Management Discussion and Analysis

Description of major businesses by industries, products and regions

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

The domestic business was mainly located in the mainland China.

### (2) Analysis of output and sales volume

*Unit: unit*

Major product	Output	Sales volume	Inventory	Increase/ decrease in output over last year (%)	Increase/ decrease in sales volume over last year (%)	Increase/ decrease in inventory over last year (%)
Pick-up trucks	100,632	100,739	3,091	-15.93	-17.16	-15.59
SUVs	700,493	693,346	24,701	32.49	32.52	36.03
Sedans	53,479	51,799	1,891	-34.42	-40.79	33.26
Others	396	388	28	-3.65	-44.57	40.00
Total	855,000	846,272	29,711	17.07	15.45	27.73

Description of output and sales volume

The Group optimised product mix and continued to focus on SUV category. During the Reporting Period, the Group achieved excellent performance in the domestic SUV market with steady growth of sales and increased output.

### (3) Cost analysis

*Unit: RMB*

Industry	Cost item	By industries		Amount for the corresponding period last year	Proportion to total costs for the corresponding period last year (%)	Amount for the corresponding period last year	Proportion to total costs for the corresponding period last year (%)	Changes in the amount for the Current Period over the corresponding period last year (%)	Description
		Amount for the Current Period	Proportion to total costs for the Current Period (%)						
Automobile industry	Raw materials, wages and salaries, depreciation and energy etc.	56,747,665,662.37	99.80	45,108,474,577.88	99.68	25.80	—		

## Section 5 Management Discussion and Analysis

Product	Cost item	Amount for the Current Period	Proportion to total costs for the Current Period (%)	By products			Description
				Amount for the corresponding period last year	Proportion to total costs for the corresponding period last year (%)	Changes in the amount for the Current Period over the corresponding period last year (%)	
Automobiles	Raw materials, wages and salaries, depreciation and energy etc.	54,643,629,643.34	96.10	42,803,518,285.70	94.59	27.66	—
Automotive parts and components	Raw materials, wages and salaries, depreciation and energy etc.	1,645,668,939.74	2.89	1,817,592,960.84	4.02	-9.46	—
Moulds and others	Raw materials, wages and salaries, depreciation and energy etc.	339,924,488.66	0.60	378,119,352.93	0.84	-10.10	—
Services	Toll, fuel costs, travelling costs, and wages and salaries etc.	118,442,590.63	0.21	109,243,978.41	0.24	8.42	—

### 2. Expenses

Items	2015	2014	Changes (%)	Unit: RMB Currency: RMB Reasons
Selling expenses	<b>2,841,565,090.40</b>	2,084,755,133.80	36.30	Mainly due to increases in transportation fees and after-sales service fees resulted from the increase in sales volume during the Reporting Period
Administrative expenses	<b>4,030,603,966.73</b>	3,822,341,956.08	5.45	—
Financial expenses	<b>139,370,863.43</b>	-129,380,918.13	—	Mainly due to the recognition of financial expenses in relation to discounted performance bond for land receivables aged more than 1 year

## Section 5 Management Discussion and Analysis

### 3. Research and development expenses

#### Statement of research and development expenses

	<i>Unit: RMB</i>
Research and development expenses for the Current Period	2,760,609,085.70
Research and development expenses capitalized for the Current Period	—
Total research and development expenses	2,760,609,085.70
Percentage of total research and development expenses over operating revenue (%)	3.63
Number of research and development employees (person)	15,920
Percentage of the number of research and development employees over the total number of employees of the Company (%)	23.07
Percentage of research and development expenses capitalized (%)	—

#### Description

In 2015, the research and development expenses of the Company amounted to RMB2.761 billion, representing an increase of 7.35% as compared with last year.

The Company put a great emphasis on research and development. As at the end of 2015, the Company applied for 5,333 patents in China and overseas and was granted 3,937 patents for its core technologies, including engine, transmission, new energy and electronics. The Company also enhanced its cooperation with well-known universities. In 2015, the Company cooperated with Tsinghua University, Jilin University, Tianjin University and Tongji University in respect of development, analysis and testing of automotive engine.

As new energy vehicles are one of the strategic emerging industries, the Group has persisted in research and development and establishing a professional team for the research and development of new energy vehicles. The responsibility of the team covers system integration, performance simulation, electronic control development, motor/battery core components development and vehicle calibration. The team has the capability for the research and development of core parts and components for new energy vehicles.

## Section 5 Management Discussion and Analysis

### 4. Cash flow

Items			Changes (%)	Reasons
	2015	2014		
Net cash flows from operating activities	<b>10,033,690,411.71</b>	6,095,784,407.40	64.60	Mainly due to an increase in cash generated from operation due to an increase in revenue
Net cash flows from investing activities	<b>-6,516,889,077.71</b>	-7,209,952,718.60	—	Mainly due to the decrease in cash payment for acquiring long-term assets resulted from the completion of the production bases of Tianjin Phase II (天津二期) and the first automobile plant in Xushui during the Reporting Period
Net cash flows from financing activities	<b>-4,112,054,970.50</b>	-1,309,157,089.95	—	Mainly due to the increase in cash dividend distributed and restricted bank deposits during the Reporting Period

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

Applicable     Not applicable



## Section 5 Management Discussion and Analysis

### (III) Analysis of assets and liabilities

#### Assets and liabilities

Unit: RMB

Item	Amount as at the end of the Current Period	Proportion to total assets (%)	Amount as at the end of last year	Proportion to total assets (%)	Changes in the amount as at the end of the Current Period over last year (%)	Description	2013	2012	2011
Current assets	40,389,996,353.27	56.17	35,313,744,747.57	57.57	14.37	—	31,026,191,451.06	25,847,677,215.69	20,374,192,443.93
Cash and bank balances	3,641,764,292.73	5.06	3,394,260,013.36	5.53	7.29	—	6,990,516,902.03	6,336,981,784.93	7,107,086,034.95
Bills receivable	28,161,748,218.41	39.16	23,352,366,377.86	38.07	20.59	—	17,548,258,868.49	14,790,887,422.30	8,702,977,854.66
Accounts receivable	675,922,020.83	0.94	730,113,031.42	1.19	-7.42	—	656,312,754.79	691,488,679.17	679,370,292.96
Prepayments	880,716,835.91	1.22	723,332,515.18	1.18	21.76	—	446,068,066.03	391,549,732.29	360,600,901.18
Other receivables	101,849,236.83	0.14	2,896,787,792.18	4.72	-96.48	Mainly due to the reclassification of performance bond receivable to long-term receivables and non-current assets due within one year during the Reporting Period	2,559,193,416.74	854,389,669.52	650,401,167.30
Inventories	4,119,805,909.61	5.73	3,470,386,550.65	5.66	18.71	—	2,763,890,772.66	2,695,117,691.59	2,776,681,563.15
Non-current assets due within one year	1,023,694,956.31	1.42	52,161,068.06	0.09	1,862.57	Mainly due to the reclassification of performance bond receivable due within one year to non-current assets due within one year during the Reporting Period and the increase in receivables due within one year resulted from the increase in volume of lending business of Tianjin Great Wall Binyin Automotive Finance Company Ltd, a subsidiary of the Company	—	—	—
Other current assets	1,769,572,570.82	2.46	681,225,623.01	1.11	159.76	Mainly due to the purchase of principal and income guaranteed financial products during the Reporting Period	48,680,552.46	60,330,465.60	95,896,929.73
Non-current assets	31,520,630,417.57	43.83	26,031,507,375.88	42.43	21.09	—	21,578,617,480.23	16,721,719,321.09	12,760,665,271.54
Distributing loan and advances	561,063,510.14	0.78	100,508,080.46	0.16	458.23	Mainly due to the increase in volume of lending business of Tianjin Great Wall Binyin Automotive Finance Company Ltd, a subsidiary of the Company	—	—	—
Long-term receivables	1,613,829,351.48	2.24	0.00	0.00	100.00	Mainly due to the reclassification of performance bond receivable for more than 1 year to long-term receivables during the Reporting Period	—	22,970,074.17	—
Long-term equity investments	18,006,939.74	0.03	65,990,244.87	0.11	-72.71	Mainly due to the declaration of payment of dividends by joint ventures and the acquisition of equity of joint ventures for the purpose of transforming such joint ventures into subsidiaries during the Reporting Period	45,983,437.72	41,841,473.15	70,038,060.49
Investment properties	21,474,328.15	0.03	6,344,662.41	0.01	238.46	Mainly due to the lease of properties by the acquired subsidiary during the Reporting Period	6,090,029.75	6,251,972.88	6,413,916.01
Deferred income tax assets	709,618,712.26	0.99	441,378,429.46	0.72	60.77	Mainly due to the outstanding rebate from distributors and the increase in provisions during the Reporting Period	400,509,782.43	407,966,015.58	351,908,470.87
Current liabilities	31,786,437,525.14	44.20	26,144,697,042.57	42.62	21.58	—	22,839,474,722.18	19,319,167,273.16	14,713,538,188.81
Short-term borrowings	300,000,000.00	0.42	0.00	0.00	100.00	Due to borrowings from banks of Tianjin Great Wall Binyin Automotive Finance Company Ltd, a subsidiary of the Company, during the Reporting Period	182,198,866.04	—	—
Bills payable	5,480,528,560.69	7.62	4,138,158,178.41	6.75	32.44	Due to the increase in amount paid to suppliers through bank acceptance bills during the Reporting Period	4,539,529,276.71	4,341,672,114.91	3,977,526,932.93
Account payables	15,603,253,561.15	21.70	14,093,151,931.66	22.97	10.72	—	10,712,169,742.15	8,697,430,801.03	6,033,540,800.73
Payments received in advance	4,937,845,265.44	6.87	3,180,045,338.74	5.18	55.28	Mainly due to the increase in advances from distributors resulted from the increase in sales volume during the Reporting Period	2,808,752,768.45	3,195,376,434.87	2,711,470,723.34
Salaries payable	1,534,598,723.77	2.13	1,326,601,449.19	2.16	15.68	—	1,096,561,764.67	736,035,068.04	501,866,128.29
Tax payable	979,247,478.39	1.36	880,096,384.40	1.43	11.27	—	527,274,939.62	537,079,490.65	283,940,139.56
Interest payables	6,388,819.44	0.01	0.00	0.00	100.00	Due to the interest payable resulted from borrowings from banks of Tianjin Great Wall Binyin Automotive Finance Company Ltd, a subsidiary of the Company, during the Reporting Period	—	—	—
Other payables	1,665,434,069.11	2.32	1,778,299,444.45	2.90	-6.35	—	2,270,050,353.66	1,219,640,824.99	852,932,381.01
Other current liabilities	1,195,842,038.07	1.66	672,530,061.79	1.10	77.81	Mainly due to the increase in provision for automotive after-sales services fee during the Reporting Period	633,678,296.27	540,227,876.22	266,265,212.39
Non-current liabilities	1,737,272,844.16	2.42	1,682,108,979.65	2.74	3.28	—	1,757,337,365.71	1,606,859,855.26	1,399,815,782.93
Long-term borrowings	50,000,000.00	0.07	0.00	0.00	100.00	Due to borrowings from banks of Tianjin Great Wall Binyin Automotive Finance Company Ltd, a subsidiary of the Company, during the Reporting Period	—	—	—

## Section 5 Management Discussion and Analysis

### (IV) Analysis of operation information by industries

#### Analysis of operation information of automobile manufacturing industry

##### 1. Production capacity

Applicable     Not applicable

*Current production capacity*

Applicable     Not applicable

Major factory	Designated production capacity (Unit 10,000)	Production capacity during the Reporting Period (Unit 10,000)	Utilisation rate of production capacity (%)
Baoding (including the second automobile plant in Xushui)	50	32.9	65.8
Tianjin	45	52.6	116.9
Total	95	85.5	90.0

Production capacity during the Reporting Period refers to the actual production volume during the Reporting Period.

##### *Production capacity of factories under construction*

Applicable     Not applicable

*Unit: RMB    Currency: RMB*

Factory under construction	Planned investment amount	Investment amount during the Reporting Period	Total investment amount	Expected date of commencement of production	Estimated production capacity (Unit 10,000)
The second automobile plant in Xushui	3,397,142,970.00	595,061,426.39	2,116,567,923.68	2016	10
The third automobile plant in Xushui	3,614,304,600.00	1,065,578,216.53	1,448,524,457.88	2017	10
Russia automobile plant	2,442,256,660.00	49,500,719.49	50,380,466.37	2018	5

##### *Calculation standards of production capacity*

Applicable     Not applicable

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

## Section 5 Management Discussion and Analysis

### *Adjustment plan of production capacity in next year*

As H6 and H2 achieved a high level of sales volume in 2015, in order to satisfy the growing customer demand and to shorten the delivery time and fully utilize the current production capacity of the Company, the production of H2 will be moved from Tianjin production bases to Xushui production bases.

### 2. *Output and sales volume of vehicles*

Applicable     Not applicable

#### *By types of vehicles*

Applicable     Not applicable

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

#### *By regions*

Applicable     Not applicable

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

### 3. *Output and sales volume of parts and components*

Applicable     Not applicable

The revenue from manufacturing of automotive parts and components accounted for 3% of the total operating revenue of the Company, which is not subject to disclosure.

### 4. *New energy automobile business*

Applicable     Not applicable

### 5. *Explanation on other matters*

Applicable     Not applicable

## Section 5 Management Discussion and Analysis

### (V) Analysis of investments

#### 1. Analysis of external equity investments

During the Reporting Period, the total equity investment of the Group was RMB370,413,400, representing a decrease of the 73.86% as compared with RMB1,416,859,450 in the corresponding period of last year.

#### (1) Major equity investment

Name of investee	Major business	Investment amount (RMB10,000)	Percentage of shareholding
Haval Motors South Africa Proprietary Limited (哈弗汽車南非有限公司)	Import and export of whole vehicles, sales and distribution of automobiles, sale of automotive parts and components, after-sales services of automobile and auxiliary services.	430.04	100%
Havel Logistic Company Limited (哈弗物流有限公司)	General cargo transportation, logistics (warehousing and transportation), repair of automobiles (conducting operations within the approved scope of business under the road transport license), sales of automotive accessories, as well as leasing of automobiles and premises (Operations that require pre-approvals according to laws and regulations can only be conducted after obtaining approvals from the relevant authorities)	5,000.00	100%
Great Wall Japan Motor Co., Ltd (長城日本技研株式會社)	<ol style="list-style-type: none"> <li>1. Development, manufacturing, import and export, sales, leasing and maintenance of automobiles, industrial vehicles, other transportation equipment and other parts and components</li> <li>2. Second-hand commodities operations</li> <li>3. Transaction, leasing, brokerage and management of real estate</li> <li>4. Services in relation to information processing, information communication and information provision as well as the development, sales and leasing of related software</li> <li>5. Design and development of commodity trading systems with the use of the Internet and other networks, sales, leasing and maintenance of computers running on such systems and engaging in the communication and sales industries using such systems</li> <li>6. Engaging in the land transport, maritime transport, air transport, cargo handling and warehousing industries</li> </ol>	2,591.53	100%



## Section 5 Management Discussion and Analysis

Name of investee	Major business	Investment amount (RMB10,000)	Percentage of shareholding
Haval Motor Manufacturing Rus Limited Liability Company (俄羅斯哈弗汽車製造有限公司)	<ol style="list-style-type: none"> <li>7. Operation and management of facilities such as parking lots, exhibition halls and shops</li> <li>8. Carrying out damage insurance and life insurance agent services</li> <li>9. Engineering, consulting, invention, research and application in relation to the above-mentioned businesses</li> <li>10. All other related businesses</li> </ol>	20,000.00	100%
Haval Insurance Brokers Company Limited (哈弗保險經紀有限公司)	<ol style="list-style-type: none"> <li>1. Marketing, sales, promotion, production and manufacture of automobiles, automotive parts and components and accessories and any other relevant operating activities, including intermediary trading activities and foreign trading activities;</li> <li>2. Provision of technical maintenance and repair services for automobiles and provision of other types of technical maintenance services for automobiles;</li> <li>3. Engagement in financial intermediary activities for the sale of automobiles.</li> </ol> <p>Preparing insurance plans, selecting insurers, proceeding with insurance application procedures for the insured; assisting the insured or beneficiary in any claim; carrying out re-insurance brokerage business; providing clients with disaster prevention, loss prevention or risk assessment, risk management consultancy services; and other business approved by China Insurance Regulatory Commission (Operations that require pre-approvals according to laws and regulations can only be conducted after obtaining approvals from the relevant authorities)</p>	5,000.00	100%

## Section 5 Management Discussion and Analysis

### (2) Major Investment in Non-equity Interest

Unit: RMB Currency: RMB

Project	Total investment amount	Progress	Investment amount during the Reporting Period	Total investment amount	Revenue
Phase II of Construction Project of Tianjin Production Base for Great Wall Motor Passenger Vehicles	2,110,633,500.00	91.34%	135,040,257.29	1,927,831,184.12	2,838,438,555.16
Construction Project of Great Wall Motor Technology Centre	1,995,605,000.00	87.13%	596,310,350.16	1,738,720,750.16	—
Great Wall Motor Passenger Vehicles Xushui Complete Vehicle Factory No. 1	2,906,052,270.00	99.37%	224,521,545.25	2,887,624,397.98	1,221,689,218.43
Great Wall Motor Passenger Vehicles Xushui Complete Vehicle Factory No. 2	3,397,142,970.00	62.30%	595,061,426.39	2,116,567,923.68	—
Great Wall Motor Passenger Vehicles Xushui Complete Vehicle Factory No. 3	3,614,304,600.00	40.08%	1,065,578,216.53	1,448,524,457.88	—
Smart transmission system for new energy vehicle with annual production capacity of 500,000 units	4,142,339,700.00	0.94%	38,779,600.27	38,779,600.27	—
Russia automobile plant (俄羅斯整車廠)	2,442,256,660.00	2.06%	49,500,719.49	50,380,466.37	—
<b>Total</b>	<b>20,608,334,700.00</b>	<b>/</b>	<b>2,704,792,115.37</b>	<b>10,208,428,780.45</b>	<b>/</b>

Other explanations:

The Phase II of Construction Project of Tianjin Production Base for Great Wall Motor Passenger Vehicles and the Great Wall Motor Passenger Vehicles Xushui Complete Vehicle Factory No. 1 have been completed and have commenced operation.

## Section 5 Management Discussion and Analysis

### (VI) Acquisitions of major assets

Unit: RMB Currency: RMB

Counter party or ultimate controller	Assets acquired	Date of acquisition	Assets Acquisition price	Net profit contributed to the Listed Company by the assets to the end of this year	Net profit contributed to the Listed Company by the assets combination to the end of this year (applicable to business combination)	Is it a related party transaction? (If yes, state the basis of pricing)	Basis of pricing for the asset acquisition	Has the ownership of the assets been fully transferred	Has the obligations and liabilities been fully transferred	Percentage of net profit contributed to the Listed Company by the assets over the total profit of the Company (%)	Relationship
Billion Sunny Development Limited (億新發展有限公司)	Macs (Baoding) Auto A/C Systems Co.,Ltd (麥克斯 (保定) 汽車空調系統有限公司)	4 March 2015	16,907,400	0.00	—	No	Asset valuation	Yes	Yes	0.000	—
Dragonet International Company Limited (驕龍國際有限公司)	Beijing Great Automotive Components Co., Ltd (北京格瑞特汽車零部件有限公司)	28 May 2015	11,789,100	308,868.37	—	No	Asset valuation	Yes	Yes	0.007	—
Shanghai Jiehua Automotive Accessories Development Co. Ltd (上海杰華汽車飾件發展有限公司)	Baoding Jiehua Automobile Components and Accessories Company Limited (保定杰華汽車零部件有限公司)	23 June 2015	23,408,700	92,876.59	—	No	Asset valuation	Yes	Yes	0.002	—

#### Description of acquisitions of major assets

- (1) As at the date of this annual report, the Company completed the acquisition of the 25% equity interest in Macs (Baoding) Auto A/C Systems Co.,Ltd (麥克斯 (保定) 汽車空調系統有限公司) held by Billion Sunny Development Limited (億新發展有限公司);
- (2) As at the date of this annual report, the Company completed the acquisition of the 25% equity interest in Beijing Great Automotive Components Co., Ltd (北京格瑞特汽車零部件有限公司) held by Dragonet International Company Limited (驕龍國際有限公司);
- (3) As at the date of this annual report, the Company completed the acquisition of the 50% equity interest in Baoding Jiehua Automobile Components and Accessories Company Limited (保定杰華汽車零部件有限公司) held by Shanghai Jiehua Automotive Accessories Development Co. Ltd (上海杰華汽車飾件發展有限公司).

## Section 5 Management Discussion and Analysis

### (VII) Disposal of major assets and equity interest

Unit: RMB Currency: RMB

Counter party	Assets disposal	Date of disposal	Disposal price	Net profit contributed to the Listed company by the assets from the beginning of the Year to the date of disposal	Gain or loss from disposal	Is it a related party transaction? (If yes, state the basis of pricing)	Basis of pricing for the asset disposal	Has the ownership of the assets been fully transferred	Has the obligations and liabilities been fully transferred	Percentage of net profit contributed to the Listed Company by the assets disposal over the total profit of the Listed Company (%)	Relationship
Bochuang Urban Development Company Limited (博創城市建設開發有限公司)	Baoding Clean Heat Supplying Company Limited (保定科林供熱有限公司)	10 June 2015	192,088,700	2,593,099.46	17,737,950.68	Yes	Asset valuation	Yes	Yes	0.38	Other related party

Note: As at the date of this annual report, the Company completed the disposal of the entire equity interest in Xushui Clean Heat Supplying Company Limited (徐水縣科林供熱有限公司), which has been sold to Bochuang Urban Development Company Limited (博創城市建設開發有限公司).

Xushui Clean Heat Supplying Company Limited (徐水縣科林供熱有限公司) was renamed as Baoding Clean Heat Supplying Company Limited (保定科林供熱有限公司) on 10 September 2015.

### (VIII) Major subsidiaries and investees

Unit: RMB Currency: RMB

Full name of subsidiaries	Business nature	Registered capital	Proportion of shareholding (%)	Proportion of voting rights (%)	Total assets as at the end of the Year	Total net assets as at the end of the Year	Operating revenue for the Year	Operating profit for the Year	Net profit for the Year
Tianjin Boxin Automotive Parts Company Limited (天津博信汽車零部件有限公司)	Manufacturing of automotive parts and components	1,890,000,000	100	100	6,371,210,639.32	3,476,651,757.78	7,748,844,170.76	1,735,822,028.86	1,372,036,581.91
Great Wall Baoding Huabei Automotive Company Limited (保定長城華北汽車有限公司)	Manufacturing of automotive parts and components	177,550,000	100	100	855,379,223.96	420,400,317.46	1,896,306,027.84	203,539,836.93	154,022,728.12
Great Wall Baoding Internal Combustion Engine Manufacturing Company Limited (保定長城內燃機製造有限公司)	Manufacturing of automotive parts and components	452,716,300	100	100	1,144,804,250.88	688,008,612.51	1,460,605,944.80	180,839,292.97	137,220,948.67
Baoding Haval Auto Sales Company Limited (保定哈弗汽車銷售有限公司)	Sale of automobiles	5,000,000	100	100	4,342,234,730.51	120,292,512.54	60,392,895,281.67	182,818,994.65	136,867,708.05
Tianjin Great Wall Lean Automotive Parts Company Limited (天津長城精益汽車零部件有限公司)	Manufacturing of automotive parts and components	140,000,000	100	100	754,054,439.08	347,833,099.14	680,796,684.61	136,748,329.29	117,429,578.32



## Section 5 Management Discussion and Analysis

Unit: RMB Currency: RMB

Full name of subsidiaries	Business nature	Registered capital	Proportion of shareholding (%)	Proportion of voting rights (%)	Total assets as at the end of the Year	Total net assets as at the end of the Year	Operating revenue for the Year	Operating profit for the Year	Net profit for the Year
Baoding Great Wall Ants Logistics Co., Ltd (保定市長城螞蟻物流有限公司)	Logistics and ordinary goods transportation services	86,000,000	100	100	347,604,632.67	213,331,334.73	1,082,203,215.71	147,967,129.27	108,125,232.93
Baoding Great Wall Automotive Parts Sales Co., Ltd (保定長城汽車配件銷售有限公司)	Sale of automobile accessories and Lubricating oil	7,000,000	100	100	220,962,137.76	78,292,139.93	418,585,756.91	90,399,191.30	67,792,139.93
Baoding Jinggong Foundry Company Limited (保定長城精工鑄造有限公司)	Manufacturing of steel castings and provision of after-sales services	85,000,000	100	100	266,686,642.73	159,883,139.42	246,362,285.11	79,370,660.35	63,173,767.06
Great Wall Baoding Automotive Customer Service Company Limited (保定市長城汽車售後服務有限公司)	Provision of after-sales Service	35,000,000	100	100	675,652,743.94	105,612,729.38	1,986,370,414.00	80,714,216.56	63,123,623.68
Baoding Yixin Auto Parts Company Limited (保定億新汽車配件有限公司)	Manufacturing of automotive parts and components	13,000,000	100	100	276,061,943.85	96,771,961.39	321,770,814.00	78,610,565.51	62,562,038.64
Tianjin Great Wall Binyin Automotive Finance Company Ltd (天津長城濱銀汽車金融有限公司)	Automotive Finance	550,000,000	90	90	1,058,878,338.57	560,470,239.92	78,556,541.32	18,095,128.80	13,510,231.19

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

#### (I) Competition and development trend of the industry

##### **Industry development in 2015**

According to the statistics from China Association of Automobile Manufactures, the production and sales volume of automobiles in the PRC in 2015 reached 24,503,300 units and 24,597,600 units, respectively, representing an increase of 3.25% and 4.68% as compared to the corresponding period last year. Generally, with SUV and new energy vehicles, the self-owned brand accounted for 40% of the market share. Joint venture brands exerted pressure on self-owned brands by reducing their selling prices continuously. It is expected that the competition among automobile industry will be increasingly intense.

##### **The market position of the Company**

In 2015, in terms of total sales volume, Great Wall Motor ranked eighth among all peers.

With the support of strong sales of Haval H6 and H2, the sales volume of Haval SUV grew steadily in 2015 and reached 693,300 units, representing an increase of 32.52% as compared with last year. Haval SUV ranked No.1 in terms of sales volume for 13 consecutive years.

In 2015, the sales volume of pick-up truck reached 100,700 units and ranked No.1 for 18 consecutive years.

## Section 5 Management Discussion and Analysis

### ***Development trends of the automotive industry***

- (1) *Market of passenger cars will continue to expand given the great potential of domestic automobile market*

In the next decade, GDP and income of residents in China will continue to grow driven by the rapid development of industrialization and urbanization. It is expected that the government will launch further favourable policies to stimulate domestic demands. Demand for cars in the third and fourth tier cities as well as rural markets will increase, and China's automobile market is expected to further expand.

- (2) *SUV will maintain rapid growth*

In terms of car model, it is expected that SUV will remain the fastest growing sub-sectors in 2016, which is attributable to upgrade of consumption, increase in demand, larger share of younger consumers and acceleration of launch of new SUV models.

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

In recent years, car ownership in China has increased substantially, resulting in the sharp increase in demand for resources and increasingly serious air pollution problems. Therefore, energy saving and environmental protection become a top priority in business development. In the meantime, with the rise of the internet and the widespread application of smart technology, the industries of energy saving, environmentally-friendly and intelligent automobiles and related parts and components will be the new growth drivers for investment, as well as the key for the future development of automotive industry.

### **(II) Development strategy of the Company**

With the target of becoming a "global SUV leader", the Company placed great focus on SUV categories and enhanced brand value leveraging the advantages of category diversity, so as to build a professional SUV brand.

The Company will focus on the development of the technology of pure electronic and plug-in hybrid power and intends to invest RMB17 billion in the research and development of new energy vehicles, smart vehicles and core parts and components.

### **(III) Operation plan**

The Group sets the sales target of 950,000 units for 2016. Great Wall Motor will continuously value the quality of products and strengthen the preliminary planning of products with emphasis on high quality, good experience and reliability so as to surpass the international standard. Furthermore, the technology development will be facilitated to improve the productivity and enhance the attractiveness of its products to increase the brand premium.

## Section 5 Management Discussion and Analysis

### (IV) Potential risks

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

1. with the new normal and the slowdown of the domestic economy, the demand for automobiles has been dampened as the domestic automobile market has entered into an “era of slight growth”. It is expected that during the “13th Five-Year Plan”, the average growth rate will be 4% with intensified business competition. More new products will also be introduced to the market while the SUV market has become lackluster;
2. “Air Pollution Prevention and Control Law” (大氣污染防治法) is in the process of revision in the face of increasing pressure over environment protection. In accordance with the “Draft Amendments” (修訂草案), restriction on the purchase/use of automobiles will be legalized, which will be adopted as a “regular” measure in various cities and will cause further adverse impacts on the sale and use of automobiles. In the meanwhile, automobile enterprises are required to improve their technologies speedily due to the tightening of overseas and domestic regulations on emission/safety of automobiles, which further increases pressure over the investment and operation of the Company;
3. as the domestic and overseas automobiles markets become more mature, customers become more demanding on the product quality. They demand a higher quality of the automobiles produced by the better enterprises under their own brands;
4. the difficulties to expand into the international market are increasing as there are more technical barriers in overseas market, intensive trade protectionism as well as a greater risk of declining automobile demand due to the slowdown of the emerging economies.

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

1. in order to strengthen its market position, the Company has fully leveraged on the advantages of its products and introduced differentiated products. On the other hand, the Company has refined its products structure by improving market research and developing key models in order to expand into high end and emerging markets, and to attract customers by high quality products and excellent services;
2. the Company has steered its focus to new energy and intelligence aspects and has mastered core technologies such as integrating the entire new energy vehicle system. It has also attained leading edges in areas such as Internet access and lightweight vehicles;
3. the Company has continued to expand its market coverage through refining its sales and services network. It has also established a professional and efficient sales and services network with high quality. Through continuing to take decisive measures and providing sales and services with high quality, the Company has provided its customers with differentiated experience and satisfied market demand;
4. the Company has enhanced its research and development in order to attain the international standard for research and development. The Company has also refined its preliminary product planning to ensure optimal product development.

### IV. DETAILS OF AND REASONS FOR THE ISSUES NOT DISCLOSED BY THE COMPANY IN ACCORDANCE WITH THE STANDARDS DUE TO INAPPLICABILITY AND OTHER SPECIAL REASONS

Applicable     Not applicable

# Section 6 Report of the Board

The Group is principally engaged in the design, research and development, manufacture and sales as well as distribution of SUVs, sedans, pick-up trucks and automobile-related parts and components. There has not been any significant change to the nature of the Group's principal business during the Year.

The subsidiaries of the Company established in the PRC during the year ended 31 December 2015 or in previous years are limited companies.

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

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

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

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

## **III. RESULTS AND DIVIDENDS**

The Group's operating results for the year ended 31 December 2015 and the financial positions of the Company and the Group for the year ended 31 December 2015 are set out in the audited financial statements.

Details of distribution of 2015 interim dividend and the final dividend for the year ended 31 December 2015 are set out under "Profit Distribution Plan for Ordinary Shares or Plan for Capitalisation of Capital Reserves" of Section 8 "Significant Events" of this annual report.

## **IV. SHARE CAPITAL**

Details of movements of the share capital of the Company as at 31 December 2015, together with the reasons for such movements, are set out under "changes in ordinary shares and shareholders" of section 9 of this annual report.

## **V. FIXED ASSETS**

Details of the fixed assets of the Group and the Company as at 31 December 2015 are set out in the audited financial report.

## **VI. PRE-EMPTIVE RIGHTS**

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



## Section 6 Report of the Board

### VII. RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

### VIII. UNDISTRIBUTED PROFITS

For details of distribution of share dividend and cash dividend out of undistributed profit of the Company for the interim period of 2015, please refer to the "Proposal of profit distribution or capital reserve during the Reporting Period approved by the Board" in the "Important Notice" of this report.

As at 31 December 2015, pursuant to the Company Law and the Articles, the undistributed profits of the Group was RMB24,581,585,137.24, the final dividend for the year of 2015 proposed to be distributed was RMB0.19 per share (tax inclusive). In addition, the capital premium and part of the capital reserves may be distributed through capitalization issue in the future.

### IX. MAJOR CUSTOMERS AND SUPPLIERS

#### 1. Major customers

Name of customer	Unit: RMB Currency: RMB	
	Operating revenue	Percentage of the total operating revenue of the Company (%)
Customer 1	2,698,363,345.36	3.55
Customer 2	1,964,993,635.13	2.58
Customer 3	1,734,336,652.28	2.28
Customer 4	1,397,032,626.32	1.84
Customer 5	1,231,808,615.63	1.62
Total	9,026,534,874.72	11.87

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

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

## Section 6 Report of the Board

### 2. Major suppliers

Unit: RMB Currency: RMB

Name of supplier	Purchases	Proportion to total purchases for the Year (%)
Supplier 1	1,071,557,528.03	1.96
Supplier 2	1,000,671,636.92	1.83
Supplier 3	983,357,688.30	1.79
Supplier 4	944,244,402.54	1.72
Supplier 5	671,955,925.98	1.23
Total	4,671,787,181.77	8.53

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

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

### X. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

A list of the Company's directors, supervisors and senior management who held office during the Year and up to the date of this report and their biographies are set out in Section 10 "Directors, Supervisors, Senior Management and Employees" of this report.

### XI. MATERIAL CONTRACTS

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

### XII. MANAGEMENT CONTRACTS

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

## Section 6 Report of the Board

### XIII. DIRECTORS' AND SUPERVISORS' INTERESTS IN SECURITIES

As at 31 December 2015, the interests and short positions of each of the directors, supervisors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning as defined in Part XV of the SFO, which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register required to be kept as referred to in Section 352 of the SFO (including the interests and short positions which they were taken or deemed to have under such provisions of the SFO) or were otherwise required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code as set out in Appendix 10 to the Hong Kong Listing Rules, were as follows:

Name of director/ supervisor	Capacity/ nature of interest	Number of shares	Approximate percentage of A Shares (%)	Approximate percentage of H Shares (%)	Approximate percentage of total number of shares (%)
Mr. Wei Jian Jun	Interests in controlled companies	5,115,000,000 (L) (A Shares)	84.86	—	56.04
Mr. Hu Ke Gang	Interests of beneficial owner	68,650 (L) (A Shares)	0.0011	—	0.0008
Total		5,115,068,650 (L) (A Shares)	84.8590	—	56.0416

Notes:

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

### XIV. INTERESTS IN CONTROLLED COMPANIES

As at 31 December 2015, Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司) was controlled by Baoding Wangsheng Investment Company Limited (保定市旺盛投資有限公司) which was in turn controlled by Mr. Wei Jian Jun. Accordingly, pursuant to the SFO, Mr. Wei Jian Jun is deemed to be interested in the 5,115,000,000 A Shares held by Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司).

Save as disclosed above, so far as the directors of the Company are aware, as at 31 December 2015, none of the directors, supervisors or chief executives of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register required to be kept as referred to in Section 352 of the SFO or were otherwise required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code. For this purpose, the relevant provisions of the SFO shall be construed as if they were applicable to the supervisors.

### XV. SHAREHOLDING STRUCTURE AND NUMBER OF SHAREHOLDERS

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

### XVI. SHARES HELD BY SUBSTANTIAL SHAREHOLDERS (SFO REQUIREMENTS)

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

### XVII. PUBLIC FLOAT

Based on the public information available to the Company prior to the publication of this report and to the knowledge of the directors of the Company, the directors of the Company confirmed as at 31 December 2015, there was sufficient public float with approximately 43.96% of the issued share capital of the Company held by the public.

### XVIII. CONNECTED TRANSACTIONS

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

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

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

Apart from the transaction between the Company and Bochuang Urban Development Company Limited (博創城市建設開發有限公司) which has been disclosed on the websites of Hong Kong Stock Exchange, the Shanghai Stock Exchange and the Company, the connected transactions and the continuing connected transactions conducted by the Group during the Year were exempt from the reporting, annual review, announcement and independent shareholders’ approval requirements under Chapter 14A of the Hong Kong Listing Rules.

### XIX. REMUNERATION POLICIES

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

#### Directors

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

## Section 6 Report of the Board

### Non-executive directors

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

### Employees

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

### XX. UNCOLLECTED DIVIDENDS

As at 31 December 2015, as for the Company's 2009 final dividends, there were 55 cases of unclaimed dividends, amounting to HK\$12,691.40. As for the Company's 2010 final dividends, there were 55 cases of unclaimed dividends, amounting to HK\$26,316.78. As for the Company's 2011 final dividends, there were 56 cases of unclaimed dividends, amounting to HK\$40,143.85. As for the Company's 2012 final dividends, there were 52 cases of unclaimed dividends, amounting to HK\$73,473.32. As for the Company's 2013 final dividends, there were 52 cases of unclaimed dividends, amounting to HK\$112,823.61. As for the Company's 2014 final dividends, there were 60 cases of unclaimed dividends, amounting to HK\$131,658.43.

### XXI. MATERIAL LITIGATIONS

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

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

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

### XXIII. CORPORATE GOVERNANCE

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

### XXIV. ENVIRONMENT AND SOCIAL RESPONSIBILITIES

Please refer to "Fulfillment of Social Responsibilities" in item XV of Section 8 of this report.

### XXV. EXPLANATION ON OTHER MATTERS

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



### **XXVI. AUDIT COMMITTEE**

The Company has set up the Audit Committee for the purposes of reviewing and supervising over financial reporting process and internal controls of the Group. The Audit Committee comprises four independent non-executive directors and one non-executive director of the Company. At the meeting held on 23 March 2016, the Audit Committee reviewed the 2015 annual report and financial statements of the Group and gave their opinions and recommendations to the Board of the Company. The Audit Committee is of the opinion that the 2015 annual report and financial statements of the Company comply with the applicable accounting standards and the Company has made appropriate disclosure thereof.

### **XXVII. REMUNERATION COMMITTEE**

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

### **XXVIII. NOMINATION COMMITTEE**

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

### **XXIX. STRATEGY COMMITTEE**

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

### **XXX. COMPLIANCE WITH THE MODEL CODE**

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

### **XXXI. AUDITOR**

Deloitte Touche Tohmatsu Certified Public Accountants LLP was the Company's external auditor for the year ended 31 December 2015. A resolution for the re-appointment of Deloitte Touche Tohmatsu Certified Public Accountants LLP as the Company's external auditor will be proposed at the annual general meeting. There was no change in the auditor of the Company in any of the preceding three years. For details, please refer to Section 11 "Corporate Governance Report" of this report.

# Section 7 Report of the Supervisory Committee

To all shareholders:

During the year 2015, all members of the Supervisory Committee of the Company adhered strictly to the requirements of the Company Law and the Articles, and, according to the principles of integrity, discharged their supervisory duties in accordance with the relevant regulations and, actively as well as cautiously, proceeded with various initiatives to safeguard the interests of the Company and all its shareholders. The Supervisory Committee played an effective role in ensuring that the Company's operation was in conformity with all relevant requirements and contributed to the Company's sustained development.

## 1. MEETINGS AND RESOLUTIONS OF THE SUPERVISORY COMMITTEE

The 4th meeting of the 5th session of the Supervisory Committee was held on 20 March 2015 in the conference room of the Company, whereupon the relevant proposals of the Company's audited financial report for the year of 2014, report of the Supervisory Committee, profit distribution proposal, annual report for the year of 2014 of the Company and its summary report, appointment of the accounting firm, internal control self-evaluation report, social responsibility report, special report on the deposit and actual use of proceeds were considered and approved.

The 5th meeting of the 5th session of the Supervisory Committee was held on 17 April 2015 in the conference room of the Company, whereupon the first quarterly report for the year of 2015 was considered and approved.

The 6th meeting of the 5th session of the Supervisory Committee was held on 10 July 2015 in the conference room of the Company, whereupon the relevant proposals of the feasibility report on the use of proceeds from the non-public issuance of A shares, report on the use of proceeds from previous fund raising exercise, proposed adoption of profit distribution plan to shareholders for the coming three years (2015-2017), terms of the Non-Public Issuance of A Shares and proposal of the Non-Public Issuance of A Shares were considered and approved.

The 7th meeting of the 5th session of the Supervisory Committee was held on 28 August 2015 in the conference room of the Company, whereupon the relevant proposals of the Company's audited interim financial report for the year of 2015, the interim report for the year of 2015 and its summary, feasibility report on the use of proceeds from the non-public issuance of A Shares (revised), report on the use of proceeds from previous fund raising exercise (as at 30 June 2015), adjustment of terms of the Non-Public Issuance of A Shares, proposal of the Non-Public Issuance of A Shares (revised) and plans for profit distribution and capitalisation of capital reserves were considered and approved.

The 8th meeting of the 5th session of the Supervisory Committee was held on 23 October 2015 in the conference room of the Company, whereupon the third quarterly report for the year of 2015 was considered and approved.

The 9th meeting of the 5th session of the Supervisory Committee was held on 24 December 2015 in the conference room of the Company, whereupon the chairman of Supervisory Committee was elected and approved.

## Section 7 Report of the Supervisory Committee

### 2. TASKS OF THE SUPERVISORY COMMITTEE DURING THE REPORTING PERIOD

During the Reporting Period, not only did members of the Supervisory Committee attend the regular Board meetings of the Company in 2015, but also that they duly supervised and monitored the financial affairs of the Company, operation decisions made by the management, operation of the Company in accordance with the law and the discharge of duties by the directors and the senior management of the Company. The Supervisory Committee is of the opinion that:

1. The Company and its subsidiaries were not involved in any violation of the Company Law, the Articles, the relevant accounting standards, and the laws and regulations of the PRC during their operation in 2015. Acquisitions of assets and connected transactions of the Company were fair and reasonable, and did not prejudice the interests of other shareholders and the Company, nor were there any significant deficiencies in the design and operation of the Company's internal control system. The Company's internal control system was sound and its execution was effective.
2. The directors and senior management of the Company have discharged their duties with commitment, due observance of the law, well-regulated management, innovation, and a high regard to all shareholders' interest during 2015 and there was no violation of the Company Law, the Articles, the relevant accounting standards, and the laws and regulations of the PRC.
3. The accounting firm issued a standard and unqualified auditor's report. The Company's financial statements reflected a true view of the financial positions of the Group and the Company as at 31 December 2015, and the results of the Group for the year then ended.
4. The Company disclosed information strictly in accordance with relevant provisions of regulatory authorities and its information disclosure system. The information disclosed by the Company was true, accurate and complete. There was no information which should be disclosed but was not disclosed by the Company.

By Order of the Supervisory Committee

**Chen Biao**

*Supervisor*

Hebei Province, the People's Republic of China, 24 March 2016

## Section 8 Significant Events

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

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

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

During the Reporting Period, the resolution regarding the profit distribution proposal for the year 2014 (《關於2014年度利潤分配方案的議案》) was approved at the 2014 annual general meeting of the Company. Based on the total share capital of 3,042,423,000 shares as at 31 December 2014, a final cash dividend of RMB0.8 for every share (tax inclusive) would be paid, amounting to RMB2,433,938,400.00 in total. On 20 May 2015, the Company published the Announcement on the Implementation of the Profit Distribution Plan for A Shares of Great Wall Motor Company Limited for the Year of 2014 (《長城汽車股份有限公司2014年度A股利潤分配實施公告》) on China Securities Journal, Shanghai Securities News and the website of the Shanghai Stock Exchange. The announcement was also published on the website of the Hong Kong Stock Exchange in the form of overseas regulatory announcement. The distribution of dividend to A Shareholders was completed on 26 May 2015. Meanwhile, the dividend for H Shareholders was distributed in accordance with the relevant requirements of the Hong Kong Stock Exchange.

During the Reporting Period, the Proposal on Profit Distribution and Capitalisation of Capital Reserves (《關於利潤分配及資本公積金轉增股本的議案》) was approved at the first extraordinary general meeting of the Company in 2015. On the basis of 10 new shares for every 10 shares in issue and a cash dividend of RMB2.50 per 10 shares (tax inclusive) out of the undistributed profits to all shareholders, an aggregate of 3,042,423,000 shares dividends and RMB760,605,750 (tax inclusive) cash dividends will be distributed based on the total of 3,042,423,000 share capital as of 30 June 2015. The Company has also issued shares to all shareholders by way of capitalization of capital reserve (share premium) on the basis of 10 new shares for every 10 shares in issue, aggregating to 3,042,423,000 shares. After the issue of the share dividends and the capitalization of capital reserves, the total share capital of the Company will increase by 6,084,846,000 shares to 9,127,269,000 shares. On 30 September 2015, the Board published the Announcement of Great Wall Motor Company Limited on the Interim Profit Distribution for A Shares and Capitalisation of Capital Reserves for the Year of 2015 (《長城汽車股份有限公司2015年中期A股利潤分配及資本公積金轉增股本實施公告》) on China Securities Journal, Shanghai Securities News and the website of the Shanghai Stock Exchange as well as the website of the Hong Kong Stock Exchange in the form of overseas regulatory announcement. The distribution of share dividends and cash dividends to A Shareholders was completed on 13 October 2015. In addition, the share dividends and cash dividends for H Shareholders were distributed in accordance with the relevant requirements of the Hong Kong Stock Exchange.

## Section 8 Significant Events

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

Unit: RMB Currency: RMB

Year of distribution	Number of bonus shares for every 10 shares (share)	Dividend for every 10 shares (RMB) (Tax inclusive)	Number of scrip shares for every 10 shares (share)	Total amount of cash dividend (Tax inclusive)	Net profits attributable to shareholders of the Company in the consolidated financial statements for the year during which dividend was distributed	Ratio of the net profits attributable to shareholders of the Company in the consolidated financial statements (%)
2015	—	1.9	—	1,734,181,110.00	8,059,332,452.64	30.96
2015 Interim	10	2.5	10	760,605,750.00		
2014	—	8.0	—	2,433,938,400.00	8,041,535,517.60	30.27
2013	—	8.2	—	2,494,786,860.00	8,223,648,390.71	30.34

Note: For details of distribution of 2015 interim profit, please refer to (I) "Formulation, implementation or adjustment of cash dividend policy" under the item I "Profit Distribution Plan for Ordinary Shares or Plan for Capitalisation of Capital Reserves" of this section.

### (III) If the Company recorded profits distributable to the ordinary shareholders during the Reporting Period, but has not proposed any cash dividend for the ordinary shares, it shall disclose the reasons for non-distribution as well as the use and future plans of the undistributed profits

Applicable     Not applicable



## Section 8 Significant Events

### II. PERFORMANCE OF UNDERTAKINGS

√ Applicable    □ Not applicable

#### (I) Undertakings of the Company, its shareholders, de facto controller, acquiring parties, directors, supervisors, senior management or other related parties during the Reporting Period or subsisting to the Reporting Period

Background of undertakings	Type of undertakings	Undertaking party	Description of undertakings	Date and duration of undertakings	Any time frame for performance (yes/no)	Strict and timely performance (yes/no)	Reasons for failure of performance (if undertakings cannot be performed timely)	Next step (if undertakings cannot be performed timely)
Undertakings relating to the initial public offering of the shares of the Company	Termination of related party transaction	Great Wall Motor Company Limited	From 1 January 2012, Great Wall Motor Company Limited (長城汽車股份有限公司) would not enter into any transactions relating to automotive parts and components with Hebei Baoding Tai Hang Group Company Limited (河北保定太行集團有限責任公司) and Baoding Tai Hang Pump Manufacturing Company Limited (保定市太行製泵有限公司).	From 1 January 2012, permanent	No	Yes	—	—
Undertakings relating to the initial public offering of the shares of the Company	Resolving business competition	Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司)	<ol style="list-style-type: none"> <li>1. Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司) is not directly or indirectly engaged in any Competing Business.</li> <li>2. As long as Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司) remains as a related party that has control over Great Wall Motor Company Limited (長城汽車股份有限公司), its directly or indirectly controlled subsidiaries would not in any way, directly or indirectly, engage in any existing or potential Competing Business.</li> <li>3. Subject to the same conditions, Great Wall Motor Company Limited (長城汽車股份有限公司) shall have the right of first refusal over the investment or other business opportunities relating to Competing Businesses that Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司) will pursue or may get in the future.</li> </ol>	From 10 December 2010, permanent	No	Yes	—	—

## Section 8 Significant Events

Background of undertakings	Type of undertakings	Undertaking party	Description of undertakings	Date and duration of undertakings	Any time frame for performance (yes/no)	Strict and timely performance (yes/no)	Reasons for failure of performance (if undertakings cannot be performed timely)	Next step (if undertakings cannot be performed timely)
Undertakings relating to the initial public offering of the shares of the Company	Resolving business competition	Wei Jian Jun	<ol style="list-style-type: none"> <li>The subsidiaries directly or indirectly controlled by Mr. Wei Jian Jun are not directly or indirectly engaged in any Competing Business.</li> <li>As long as Mr. Wei Jian Jun remains as a related party who has control over Great Wall Motor Company Limited (長城汽車股份有限公司), the subsidiaries directly or indirectly controlled by him would not in any way, directly or indirectly, engage in any existing or potential Competing Business.</li> <li>Subject to the same conditions, Great Wall Motor Company Limited (長城汽車股份有限公司) shall have the right of first refusal over the investment or other business opportunities relating to the Competing Businesses that the subsidiaries directly or indirectly controlled by Mr. Wei Jian Jun will pursue or may get in the future.</li> </ol>	From 10 December 2010, permanent	No	Yes	—	—
Other undertakings	Others	Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司)	Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司) would actively assume social responsibilities and would not reduce its shareholdings in Great Wall Motor Company Limited (長城汽車股份有限公司) within six months from the date of the Notice of Increase in Shareholding of the Listed Company by its Substantial Shareholder, Directors, Supervisors and Senior Management Officers (《關於上市公司大股東及董事、監事、高級管理人員增持本公司股票相關事項的通知》).	From 8 July 2015, six months	Yes	Yes	—	—

## Section 8 Significant Events

Background of undertakings	Type of undertakings	Undertaking party	Description of undertakings	Date and duration of undertakings	Any time frame for performance (yes/no)	Strict and timely performance (yes/no)	Reasons for failure of performance (if undertakings cannot be performed timely)	Next step (if undertakings cannot be performed timely)
Other undertakings	Others	Hu Ke Gang	For a period of 12 months from 3 December 2015, Mr. Hu Ke Gang would not sell the shares of Great Wall Motor Company Limited (長城汽車股份有限公司) held by him.	From 3 December 2015, twelve months	Yes	Yes	—	—
Other undertakings	Others	Hu Ke Gang	Mr. Hu Ke Gang undertook to purchase not less than 22,883 A shares of Great Wall Motor Company Limited (長城汽車股份有限公司) on the secondary market upon the expiry of the lock-up period as stipulated by the applicable laws and regulations (from 20 May 2016) to increase his shareholding in Great Wall Motor Company Limited (長城汽車股份有限公司).	From 20 May 2016, as and when opportunities arise	No	Yes	—	—

## Section 8 Significant Events

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

Applicable  Not applicable

Unit: 10,000 Currency: RMB

Balance of the Company's appropriated by the controlling shareholders and other related parties for non-operation purposes					Capital recovered during the Reporting Period				
Opening balance	Amount appropriated during the Reporting Period	Closing balance	Expected payment method	Payment time	Total amount of capital appropriated during the Reporting Period and paid by at the end of the Reporting Period	Total amount paid during the Reporting Period	Method of recovering the capital	Recovered amount	Payment time (month)
1.70	0.00	0.00	—	—	—	1.70	cash	1.70	April 2015

### IV. EXPLANATION OF THE BOARD ON "NON-STANDARD AUDITOR'S REPORT"

#### (I) Explanation of the Board and the Supervisory Committee on "non-standard auditor's report"

Applicable  Not applicable

#### (II) Analysis and explanation of the Board on the reasons for and impact of changes in accounting policies, accounting estimation or verification methods

Applicable  Not applicable

#### (III) Analysis and explanation of the Board on the reasons for and impact of the correction to material errors made previously

Applicable  Not applicable

## Section 8 Significant Events

### V. APPOINTMENT AND DISMISSAL OF ACCOUNTING FIRM

Unit: RMB Currency: RMB

	<b>Current appointment</b>
Name of local accounting firm	Deloitte Touche Tohmatsu Certified Public Accountants LLP
Remuneration for local accounting firm	3,364,150.94
Audit years of local accounting firm	6 years

	<b>Name</b>	<b>Remuneration</b>
Accounting firm for internal control audit	Deloitte Touche Tohmatsu Certified Public Accountants LLP	377,358.49

#### Description of appointment and dismissal of accounting firm

Applicable  Not applicable

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

### VI. RISKS OF SUSPENSION OF LISTING

#### (I) Reasons for suspension of listing, and measures adopted by the Company to remove the suspension of listing.

During the Reporting Period, there were no events which would result in the suspension of listing or delisting of the Company.

### VII. BANKRUPTCY AND RESTRUCTURING

Applicable  Not applicable

### VIII. MATERIAL LITIGATIONS, ARBITRATION

Applicable  Not applicable

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



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

Applicable  Not applicable

During the Reporting Period, the Company received the Decision on the Administrative and Supervisory Measure in relation to the Issue of a Warning Letter to the Great Wall Motor Company Limited (《關於對長城汽車股份有限公司採取出具警示函行政監管措施的決定》) and the Decision on Administrative and Supervisory Measure 2015 No.9 ((行政監管措施決定書[2015]9號)) (the “Decisions”) from Hebei Securities Regulatory Bureau of China Securities Regulatory Commission. On 30 December 2015, the Company published the Announcement of Great Wall Motor Company Limited on the Administrative and Supervisory Measure in relation to the Receipt of a Warning Letter from Hebei Securities Regulatory Bureau of the CSRC 《長城汽車股份有限公司關於收到中國證監會河北監管局警示函行政監管措施的公告》 on China Securities Journal, Shanghai Securities News and the website of the Shanghai Stock Exchange as well as on the website of the Hong Kong Stock Exchange in the form of overseas regulatory announcement. The Decisions stated that the Company failed to disclose the reduction of 22,833 A Shares held by Hu Ke Gang, the Director and Deputy General Manager of the Company, on November 19, 2015 within the next two trading days, and such matter was only disclosed on 30 December 2015 by publishing the Announcement of Great Wall Motor Company Limited in relation to the Reduction of Shareholding by the Director of the Company 《長城汽車股份有限公司關於公司董事減持股票的公告》. This violated the Announcement in Relation to the Issuance of “The Guidelines on Management of Holding and Dealing in the Shares of Listed Companies by Its Directors, Supervisors and Senior Management” (Zheng Jian Gong Si Zi No. [2007] 56) 《關於發布<上市公司董事、監事和高級管理人員所持本公司股份及其變動管理規則>的通知》(證監公司字[2007]56號) and the Administrative Measures for the Disclosure of Information of Listed Companies (Order No. 40 of CSRC) 《上市公司信息披露管理辦法》(證監會令第四十號). Pursuant to the Administrative Measures for the Disclosure of Information of Listed Companies, Hebei Regulatory Bureau of the CSRC decided to issue a warning letter to the Company as an administrative and supervisory measure. The Company was ordered to improve internal training for its employees on relevant laws, administrative regulations, departmental rules and other applicable requirements, enhance the management of information disclosure and compliance management in relation to the dealing of shares of the Company by its directors, supervisors and senior management, and conduct thorough self-examination and rectification of existing problems, and to submit a rectification report within 30 working days.

According to the Decisions of the Hebei Regulatory Bureau of the CSRC, the Company published the Announcement of Great Wall Motor Company Limited on the Self Examination and Rectification on Relevant Matters under the Decisions on Administrative and Supervisory Measure by Hebei Regulatory Bureau of the CSRC 《長城汽車股份有限公司關於中國證監會河北監管局行政監管措施決定書相關問題的自查及整改的公告》 on China Securities Journal, Shanghai Securities News and the website of the Shanghai Stock Exchange as well as on the website of the Hong Kong Stock Exchange in the form of overseas regulatory announcement on 9 January 2016. The Company conducted self-examination and analysis on the issues mentioned in the Decisions and formulated corresponding policies, appointed the person in charge and fixed the deadline for the rectification. The Company has submitted the rectification report to the Hebei Regulatory Bureau of the CSRC.

### X. INTEGRITY OF THE CONTROLLING SHAREHOLDERS AND DE FACTO CONTROLLER OF THE COMPANY DURING THE REPORTING PERIOD

During the Reporting Period, the Company, its controlling shareholders and de facto controller had not been subject to, among others, any incompliance with effective court judgements or default of repayment of any significant outstanding loan when due.

## Section 8 Significant Events

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

Applicable  Not applicable

### XII. MATERIAL RELATED PARTY TRANSACTIONS

Applicable  Not applicable

#### (I) Related party transactions relating to daily operations of the Company

##### 1. Matters undisclosed in temporary announcement

Applicable  Not applicable

Unit: RMB Currency: RMB

Related parties	Relationship	Type of related party transaction	Description of the related party transaction	Basis of pricing for the related party transaction	Price of related party transaction	Amount of related party transaction	Percentage of total amount of similar transactions (%)	Settlement of related party transaction	Market price	Reason for the substantial difference between transaction price and market price
Baoding Xinyi Automobile Seating Co., Ltd. (保定信益汽車座椅有限公司)	Jointly controlled entity	Purchase of goods	Purchase of automotive parts and components including automobile seating	Mutually agreed price	—	111,923,112.26	0.2	—	—	—
Baoding Clean Heat Supplying Company Limited (保定科林供熱有限公司)	Subsidiary of shareholder	Water, electricity, gas and other utilities expense (purchase)	Purchase of steam	Government pricing	—	19,975,537.20	0.04	—	—	—
Total				/	/	131,898,649.46	0.24	/	/	/
Details of substantial sales return				—						
Description of related party transaction				—						

Notes: 1. On 7 January 2016, Baoding Xinyi Automobile Seating Co., Ltd. (保定信益汽車座椅有限公司) changed its name from Baoding Yanfeng Johnson Controls Automobile Seating Co., Ltd. (保定延鋒江森汽車座椅有限公司). In accordance with the Listing Rules of Shanghai Stock Exchange, Baoding Xinyi Automobile Seating Co., Ltd. (保定信益汽車座椅有限公司) ceased to be a related party of the Company since 23 June 2015;

2. On 10 September 2015, Baoding Clean Heat Supplying Company Limited (保定縣科林供熱有限公司) was renamed from previously known Xushui Clean Heat Supplying Company Limited (徐水縣科林供熱有限公司).

## Section 8 Significant Events

### (II) Related party transactions relating to assets or equity interest acquired or disposal

1. Related party transactions disclosed in preliminary announcements with subsequent development or changes

Unit: RMB Currency: RMB

Related parties	Transaction Date	Relationship	Type of related party transaction	Description of the related party transaction	Basis of pricing for the related party transaction	Amount of related party transaction	Percentage of total amount of similar transactions (%)
Bochuang Urban Development Company Limited (博創城市建設開發有限公司)	10 June 2015	Baoding Wangsheng Investment Company Limited (保定市旺盛投資有限公司), a wholly-owned subsidiary of the indirect controlling shareholder of the Company	Equity disposal	Transfer of entire equity interest in Baoding Clean Heat Supplying Company Limited (保定科林供熱有限公司) (formerly known as Xushui Clean Heat Supplying Company Limited (徐水縣科林供熱有限公司)), a wholly-owned subsidiary of the Company, to Bochuang Urban Development Company Limited (博創城市建設開發有限公司)	Asset valuation of valuation date	192,088,700	100.00

Except for the related party transactions entered into between the Group and Hubei Kait Automotive Electronic & Electrical Systems Co., Ltd. (湖北開特汽車電子電器系統股份有限公司), Baoding Xinyi Automobile Seating Co., Ltd. (保定信益汽車座椅有限公司) (formerly known as Baoding Yanfeng Johnson Controls Automobile Seating Co., Ltd. (保定延鋒江森汽車座椅有限公司)), 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), Baoding Jiehua Automobile Components and Accessories Company Limited (保定杰華汽車零部件有限公司), and senior management of the Company, namely Mr. Zhang Wen Hui, Mr. Zhao Guo Qing and Mr. Xu Hui, the material related party transactions set out above and in Note (XI) to the financial statements constitute connected transactions and continuing connected transactions under the Hong Kong Listing Rules. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Hong Kong Listing Rules or is exempt from the compliance with the disclosure requirements under Chapter 14A of the Hong Kong Listing Rules.

## Section 8 Significant Events

### XIII. MATERIAL CONTRACTS AND PERFORMANCE THEREOF

#### (I) Trust, contracting and leasing

Applicable  Not applicable

#### (II) Guarantee

Applicable  Not applicable

Unit: RMB Currency: RMB

Total guaranteed amount during the Reporting Period (excluding guarantees provided to subsidiaries)	—
Balance of total guarantees as at the end of the Reporting Period (A) (excluding guarantees provided to subsidiaries)	—
Guarantees provided by the Company to subsidiaries	
Total guaranteed amount to subsidiaries during the Reporting Period	1,500,000,000.00
Total guaranteed balance to subsidiaries as at the end of the Reporting Period (B)	200,000,000.00
Total guarantees (including guarantees to subsidiaries) provided by the Company	
Total guaranteed amount (A+B)	200,000,000.00
Total guaranteed amount as a percentage of the net asset value of the Company	0.52
Of which:	
Guaranteed amount provided for shareholders, parties which have de facto control and their related parties (C)	—
Debt guaranteed amount provided directly or indirectly to parties with gearing ratio exceeding 70% (D)	—
Total guaranteed amount in excess of 50% of net asset value (E)	—
Total guaranteed amount of the above three items (C+D+E)	—
Statement on the contingent joint liability in connection with unexpired guarantees	—

During the Reporting Period, the Board had approved the provision of guarantee of RMB1.5billion for Tianjin Great Wall Binyin Automotive Finance Company Ltd (天津長城濱銀汽車金融有限公司), a subsidiary of the Company.

As of 31 December 2015, the Company has entered into guarantee agreements with the Tianjin Binhai New Area Branch of China Bohai Bank Co., Ltd.

(渤海銀行股份有限公司天津濱海新區分行), the Hai Gang Sub-branch of Tianjin Binhai Rural Commercial Bank Corporation

(天津濱海農村商業銀行股份有限公司海港支行) and Tianjin Binhai Branch of Bank of China for maximum guarantees of RMB300 million, RMB500 million and RMB500 million, respectively.

Details of guarantees provided by the Company

## Section 8 Significant Events

### (III) Entrustment of asset management

#### 1. Entrusted wealth management

Applicable  Not applicable

Unit: RMB Currency: RMB

Trustee	Type of entrusted wealth management	Amount of entrusted wealth management	Commencement date of entrusted wealth management	Ended date of entrusted wealth management	Method to determine the remuneration	Actual amount of recovered principals	Actual gain	Whether approved in accordance to mandatory procedure or not	Impairment provisions	Whether be a related transaction or not	Whether involved in any litigation	Related relationship
Baoding Branch of Bank of Communications	Income-guaranteed	400,000,000.00	20151214	20160114	—	—	—	Yes	—	No	No	Others
Baoding Branch of Bank of Communications	Income-guaranteed	650,000,000.00	20151215	20160125	—	—	—	Yes	—	No	No	Others
Total	/	1,050,000,000.00	/	/	/	—	—	/	—	/	/	/
Outstanding principals overdue and accrued gain (RMB)				—								
Conditions of entrusted wealth management				The Group used its idle funds to purchase principal guaranteed financial products to increase efficiency of usage of funds and to maximize capital gains.								

#### 2. Entrusted loans

Applicable  Not applicable

#### 3. Other investment and wealth management and investment in derivatives

Applicable  Not applicable

### (IV) Other material contracts

During the Reporting Period, the Company had no other material contracts.



## Section 8 Significant Events

### XIV. OTHER SIGNIFICANT EVENTS

Applicable     Not applicable

### XV. FULFILLMENT OF SOCIAL RESPONSIBILITIES

#### (I) Social responsibilities

For the fulfillment of social responsibilities of the Company during the Reporting Period, please refer to the Social Responsibility Report of Great Wall Motor Company Limited for the year 2015 published on the website of the Shanghai Stock Exchange and the relevant overseas regulatory announcement published on the website of the Hong Kong Stock Exchange.

#### (II) Measures for environmental protection taken out by the listed company and its subsidiaries which cause heavy pollution as specified by the environmental protection departments in the PRC

The Group has established environmental protection facilities and conducted emission in strict compliance with the PRC environmental protection requirements and standards. The Group is engaged in the manufacturing of automobiles and automotive parts and components, the business of which does not fall into the scope of the industries which cause heavy pollution as specified by the environmental protection departments in the PRC.

### XVI. CONVERTIBLE CORPORATE BONDS

Applicable     Not applicable

# Section 9 Changes in Ordinary Shares and Shareholders

## I. CHANGES IN ORDINARY SHARE CAPITAL

### (I) Table of changes in ordinary share

#### 1. Table of changes in ordinary share

*Unit: share*

	Before		Changes (+,-)					After	
	Number of shares	Percentage (%)	New issue	Bonus shares	Shares transfer from reserve	Others	Subtotal	Number of shares	Percentage (%)
I. Shares with selling restrictions									
1. State-owned shares									
2. State-owned legal person shares									
3. Other domestic shares									
Including: Domestic non-state-owned legal person shares									
Domestic natural person shares									
4. Foreign shares									
Including: Overseas legal person shares									
Overseas natural person shares									
II. Tradable shares without selling restrictions	3,042,423,000 (A Shares and H Shares)	100.00	—	3,042,423,000 (A Shares and H Shares)	3,042,423,000 (A Shares and H Shares)	—	6,084,846,000 (A Shares and H Shares)	9,127,269,000 (A Shares and H Shares)	100.00
1. Ordinary shares denominated in RMB	2,009,243,000 (A Shares)	66.04	—	2,009,243,000 (A Shares)	2,009,243,000 (A Shares)	—	4,018,486,000 (A Shares)	6,027,729,000 (A Shares)	66.04
2. Domestic listed foreign shares									
3. Overseas listed foreign shares	1,033,180,000 (H Shares)	33.96	—	1,033,180,000 (H Shares)	1,033,180,000 (H Shares)	—	2,066,360,000 (H Shares)	3,099,540,000 (H Shares)	33.96
4. Others									
III. Total number of shares	3,042,423,000 (A Shares and H Shares)	100.00	—	3,042,423,000 (A Shares and H Shares)	3,042,423,000 (A Shares and H Shares)	—	6,084,846,000 (A Shares and H Shares)	9,127,269,000 (A Shares and H Shares)	100.00

#### 2. Explanation for changes in ordinary share

The Company have issued share dividend by way of capitalisation of the undistributed profits on the basis of 10 new shares for every 10 shares in issue and distribute cash dividend of RMB2.50 per 10 shares (tax inclusive) out of the undistributed profits to all shareholders, aggregating to 3,042,423,000 shares and RMB760,605,750 (tax inclusive) based on the total share capital of 3,042,423,000 shares as of 30 June 2015. The Company also proposes to issue shares to all shareholders by way of capitalisation of capital reserve (share premium) on the basis of 10 shares for every 10 shares in issue, aggregating to 3,042,423,000 shares. After the issue of the share dividend and the capitalisation of capital reserves, the total share capital of the Company will increase by 6,084,846,000 shares to 9,127,269,000 shares.

## Section 9 Changes in Ordinary Shares and Shareholders

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

During the Reporting Period, the capital shares of the Company increased by RMB6,084,846,000 to RMB9,127,269,000.00 with a nominal value of RMB1.00 each in December 2015. The aforesaid changes in the capital shares of the Company resulted in the dilution in indicators, among others, the basic earnings per share and net assets value per share. As calculated based on the total capital of 3,042,423,000 shares before the above changes, the basic earnings per share and net asset value per share in 2015 would be RMB2.65 and RMB12.60, respectively. As calculated based on the total of 9,127,269,000 shares upon the changes, the basic earnings per share and net asset value per share in 2015 were RMB0.88 and RMB4.20, respectively.

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

For details of non-public issuance of A Shares, please refer to “Non-public Issuance of A Shares” in “Section 5 Management Discussion and Analysis”.

#### (II) Changes in shares with selling restrictions

Applicable  Not Applicable

## II. ISSUE AND LISTING OF SECURITIES

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

During the Reporting Period, the Company has issued share dividends by way of capitalization of undistributed profits on the basis of 10 new shares for every 10 shares in issue to all shareholders, aggregating to 3,042,423,000 shares. The Company has also issued shares to all shareholders by way of capitalization of capital reserve (share premium) on the basis of 10 shares for every 10 shares in issue, aggregating to 3,042,423,000 shares. After the issue of the share dividends and the capitalization of capital reserves, the total share capital of the Company will increase by 6,084,846,000 shares to 9,127,269,000 shares.

At the beginning of the Reporting Period, total assets and total liabilities amounted to RMB61,345,252,123.45 and RMB27,826,806,022.22, respectively, with a gearing ratio of 45.36%. At the end of the Reporting Period, total assets and total liabilities amounted to RMB71,910,626,770.84 and RMB33,523,710,369.30, respectively, with a gearing ratio of 46.62%.

#### (II) Employee shares

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

## III. CONTROLLING SHAREHOLDERS AND DE FACTO CONTROLLER

### (1) Total number of shareholders

Total number of shareholders as at the end of Reporting Period (person)	116,538
Total number of shareholders as at the end of the last month prior to the date of this annual report (person)	119,592

## Section 9 Changes in Ordinary Shares and Shareholders

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

#### Shareholding of the top 10 shareholders

Name of shareholder (full name)	Increase/decrease during the Reporting Period	Total number of shares held at the end of the Reporting Period	Percentage (%)	Number of shares with selling restrictions held	Situation of shares pledged or frozen		
					state of shares	Number	Type of shareholder
Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司)	3,410,000,000 (A Shares)	5,115,000,000 (A Shares)	56.04	0 (A Shares)	Nil	—	Domestic non-state-owned legal person
HKSCC Nominees Limited	2,073,326,218 (H Shares)	3,081,559,602 (H Shares)	33.76	—	Unknown	—	Overseas legal person
China Securities Finance Co., Ltd	144,543,318 (A Shares)	144,543,318 (A Shares)	1.58	—	Unknown	—	Others
National Social Security Fund 108 Package	32,283,191 (A Shares)	32,283,191 (A Shares)	0.35	—	Unknown	—	Others
Central Huijin Asset Management Co., Ltd	22,308,300 (A Shares)	22,308,300 (A Shares)	0.24	—	Unknown	—	Others
Bank of China Co., Ltd. — Chinese New Economic flexible Configuration Hybrid Type Of Securities Investment Funds	12,350,253 (A Shares)	12,350,253 (A Shares)	0.14	—	Unknown	—	Others
BILL & MELINDA GATES FOUNDATION TRUST	12,123,223 (A Shares)	12,123,223 (A Shares)	0.13	—	Unknown	—	Others
Hong Kong Securities Clearing Company Limited	7,666,635 (A Shares)	8,191,492 (A Shares)	0.09	—	Unknown	—	Overseas legal person
Orient Securities Company Limited	7,890,000 (A Shares)	7,914,900 (A Shares)	0.09	—	Unknown	—	Others
First State Investment Management (UK) Limited — First State China A Shares Fund	5,637,318 (A Shares)	7,745,520 (A Shares)	0.08	—	Unknown	—	Others

## Section 9 Changes in Ordinary Shares and Shareholders

### Shareholding of the top 10 shareholders holding shares without selling restrictions

Name of shareholder	Number of shares without selling restrictions held	Class and number of shares	
		Class	Number
Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司)	5,115,000,000 (A Shares)	RMB-denominated ordinary shares	5,115,000,000 (A Shares)
HKSCC Nominees Limited	3,081,559,602 (H Shares)	Overseas listed foreign shares	3,081,559,602 (H Shares)
China Securities Finance Co., Ltd	144,543,318 (A Shares)	RMB-denominated ordinary shares	144,543,318 (A Shares)
National Social Security Fund 108 Package	32,283,191 (A Shares)	RMB-denominated ordinary shares	32,283,191 (A Shares)
Central Huijin Asset Management Co., Ltd	22,308,300 (A Shares)	RMB-denominated ordinary shares	22,308,300 (A Shares)
Bank of China Co., Ltd. — Chinese New Economic flexible Configuration Hybrid Type Of Securities Investment Funds	12,350,253 (A Shares)	RMB-denominated ordinary shares	12,350,253 (A Shares)
BILL & MELINDA GATES FOUNDATION TRUST	12,123,223 (A Shares)	RMB-denominated ordinary shares	12,123,223 (A Shares)
Hong Kong Securities Clearing Company Limited	8,191,492 (A Shares)	RMB-denominated ordinary shares	8,191,492 (A Shares)
Orient Securities Company Limited	7,914,900 (A Shares)	RMB-denominated ordinary shares	7,914,900 (A Shares)
First State Investment Management (UK) Limited — First State China A Shares Fund	7,745,520 (A Shares)	RMB-denominated ordinary shares	7,745,520 (A Shares)
Description of the related party relationship or acting in concert relationship among the above shareholders	There is no related party relationship between Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司), the controlling shareholder of the Company, and the other shareholders. In addition, the Company is not aware of any related party relationship among the other shareholders mentioned above.		
Description of the shareholders holding preference shares with restored voting rights and their shareholding	—		



## Section 9 Changes in Ordinary Shares and Shareholders

### **Shares Held by Substantial Shareholders (SFO Requirements)**

As at 31 December 2015, the following shareholders (excluding the directors, supervisors and chief executives of the Company) had interests or short positions in any shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

<b>Name</b>	<b>No. of shares</b>	<b>Approximate percentage of A Shares (%)</b>	<b>Approximate percentage of H Shares (%)</b>	<b>Approximate percentage of total number of shares (%)</b>
Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司) (Note 1)	5,115,000,000 (L) (A Shares)	84.86	—	56.04
Baoding Wangsheng Investment Company Limited (保定市旺盛投資有限公司) (Note 2)	5,115,000,000(L) (A Shares)	84.86	—	56.04
BlackRock, Inc.	216,731,386(L) (H Shares)	—	6.99(L)	2.37(L)
	45,000(S) (H Shares)	—	0.00(S)	0.00049(S)
JPMorgan Chase & Co.	202,965,050(L) (H Shares)	—	6.54(L)	2.22(L)
	24,538,784(S) (H Shares)	—	0.79(S)	0.27(S)
	86,386,134(P) (H Shares)	—	2.78(P)	0.95(P)
Invesco Advisers, Inc.	197,278,950(L) (H Shares)	—	6.36(L)	2.16(L)
Han Xue Juan (Note 3)	5,115,000,000 (L) (A Shares)	84.86	—	56.04
Management Centre of Collective Assets of Nandayuan Town, Lianchi District, Baoding (保定市蓮池區南大園鄉 集體資產經管中心) (Note 4)	5,115,000,000 (L) (A Shares)	84.86	—	56.04

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

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

(P) denotes shares available for lending

## Section 9 Changes in Ordinary Shares and Shareholders

### Notes:

- (1) Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司) (formerly known as Baoding Woerte Management Consultant Company Limited (保定市沃爾特管理諮詢有限公司)) was established on 1 December 2005. Its place of incorporation is Baoding, Hebei Province, the PRC and its registered address is 638 Yonghua South Street, Baoding. Its business scope covers investments in manufacturing, real estate and horticulture industries, as well as corporate planning and management consultancies (operations that require pre-approvals according to laws and administrative regulations or as prescribed by the State Council can only be conducted after obtaining approvals). As at 31 December 2015, 62.854%, 0.125%, 0.001% and 37.02% equity interest in Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司) were held by Baoding Wangsheng Investment Company Limited (保定市旺盛投資有限公司), Mr. Wei Jian Jun, Ms. Han Xue Juan and Management Centre of Collective Assets of Nandayuan Town, Lianchi District, Baoding (保定市蓮池區南大園鄉集體資產經管中心) respectively. Further, 99% and 1% equity interest in Baoding Wangsheng Investment Company Limited (保定市旺盛投資有限公司) were held by Mr. Wei Jian Jun and Ms. Han Xue Juan respectively. Therefore, Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司) is a company controlled by Baoding Wangsheng Investment Company Limited (保定市旺盛投資有限公司) which is in turn controlled by Mr. Wei Jian Jun and Mr. Wei Jian Jun is deemed to be interested in all the shares of the Company held by Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司) pursuant to the SFO.
- (2) As at 31 December 2015, Baoding Wangsheng Investment Company Limited (保定市旺盛投資有限公司) held 62.854% equity interest in Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司) and is deemed to be interested in all the shares of the Company held by Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司) for the purposes of the SFO.
- (3) As at 31 December 2015, Ms. Han Xue Juan held 0.001% equity interest in Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司) and 1% equity interest in Baoding Wangsheng Investment Company Limited (保定市旺盛投資有限公司), and is the spouse of Mr. Wei Jian Jun. Ms. Han Xue Juan is deemed to be interested in all the shares of the Company in which Mr. Wei Jian Jun is interested for the purposes of the SFO.
- (4) Management Centre of Collective Assets of Nandayuan Town, Lianchi District, Baoding (保定市蓮池區南大園鄉集體資產經管中心) (formerly known as Management Centre of Collective Assets of Nandayuan Town, Nanshi District, Baoding (保定市南市區南大園鄉集體資產經管中心)). As at 31 December 2015, Management Centre of Collective Assets of Nandayuan Town, Lianchi District, Baoding (保定市蓮池區南大園鄉集體資產經管中心) held 37.02% equity interest in Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司) and is deemed to be interested in all the shares of the Company held by Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司) for the purposes of the SFO.

Save as disclosed above, as at 31 December 2015, so far as the directors, supervisors and chief executives of the Company are aware, no other person (excluding the directors, supervisors and chief executives of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

## Section 9 Changes in Ordinary Shares and Shareholders

### IV. CONTROLLING SHAREHOLDERS AND DE FACTO CONTROLLER

#### (I) Details of controlling shareholders

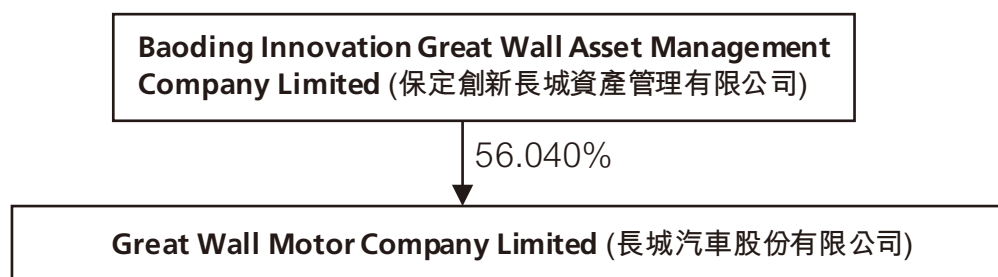
##### 1. Legal person

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

##### 2. Change in controlling shareholder during the Reporting Period and the relevant date of change

During the Reporting Period, the controlling shareholder of the Company remained to be Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司) and no change has been made.

##### 3. Chart showing the shareholding and controlling relationship between the Company and the controlling shareholder



## Section 9 Changes in Ordinary Shares and Shareholders

### (II) Details of the de facto controller

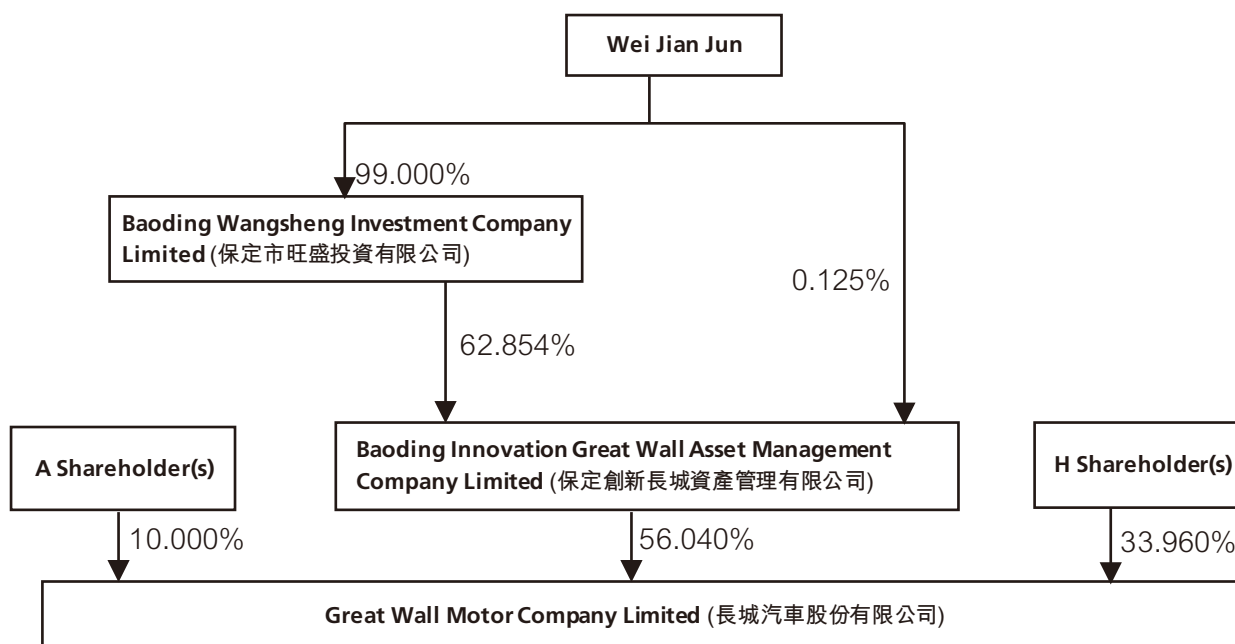
#### 1. Natural Person

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

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

During the Reporting Period, there was no change in de facto controller of the Company.

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



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

As at 31 December 2015, HKSCC Nominees Limited, an overseas legal person, held 3,081,559,602 H Shares, representing 33.76% of the total shares of the Company. HKSCC Nominees Limited held these shares for a number of customers.

# Section 10 Directors, Supervisors, Senior Management and Employees

## I. CHANGE IN SHAREHOLDINGS AND REMUNERATION

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

√ Applicable    □ Not applicable

Unit: Share

Name	Position	Gender	Age	Term commencement date	Term expiration date	No. of shares held at the beginning of the Year (note 2)	No. of shares held at the end of the Year (note 2)	Changes (+/-) in shareholdings during the Year (note 2)	Reason for changes	Total remuneration from the Company during the Reporting Period (RMB10,000) (before tax)	Remuneration from related parties
Wei Jian Jun	Chairman and Executive Director	Male	52	9 May 2014	8 May 2017	0	0	0	—	569.24	No
Liu Ping Fu	Former Vice Chairman and Executive Director	Male	66	9 May 2014	24 December 2015	0	0	0	—	50.73	No
Wang Feng Ying	Vice Chairman, Executive Director and General Manager	Female	45	9 May 2014	8 May 2017	0	0	0	—	550.20	No
Hu Ke Gang (note 1)	Executive Director and Deputy General Manager	Male	70	9 May 2014	24 December 2015	30,511	68,650	-22,883	Trading in Secondary Market	190.08	No
Yang Zhi Juan	Executive Director	Female	49	9 May 2014	8 May 2017	0	0	0	—	67.44	No
He Ping	Non-executive Director	Male	39	9 May 2014	8 May 2017	0	0	0	—	5.48	No
Niu Jun	Non-executive Director	Male	41	9 May 2014	28 January 2016	0	0	0	—	0	No
Wong Chi Hung, Stanley	Independent Non-executive Director	Male	52	9 May 2014	8 May 2017	0	0	0	—	14.29	No
Lu Chuang	Independent Non-executive Director	Male	36	9 May 2014	8 May 2017	0	0	0	—	5.48	No
Liang Shang Shang	Independent Non-executive Director	Male	45	9 May 2014	8 May 2017	0	0	0	—	5.48	No
Ma Li Hui	Independent Non-executive Director	Male	48	9 May 2014	8 May 2017	0	0	0	—	5.48	No
Zhu En Ze	Chairman of Supervisory Committee	Male	70	9 May 2014	18 December 2015	0	0	0	—	0	No
Chen Biao	Chairman of Supervisory Committee	Male	31	18 December 2015	8 May 2017	0	0	0	—	39.95	No
Luo Jin Li	Supervisor	Female	56	9 May 2014	8 May 2017	0	0	0	—	2.01	No
Zong Yi Xiang	Supervisor	Female	45	9 May 2014	8 May 2017	0	0	0	—	2.01	No
Hu Shu Jie	Deputy General Manager	Male	44	9 May 2014	8 May 2017	0	0	0	—	416.18	No
Huang Yong	Deputy General Manager	Male	47	9 May 2014	27 July 2015	0	0	0	—	17.95	No
Zhang Xin	Deputy General Manager	Male	46	9 May 2014	24 December 2015	0	0	0	—	22.59	No
Hao Jian Jun	Deputy General Manager	Male	43	9 May 2014	8 May 2017	0	0	0	—	402.66	No
Zheng Chun Lai	Deputy General Manager	Male	46	9 May 2014	8 May 2017	0	0	0	—	123.12	No
Dong Ming	Deputy General Manager	Male	46	9 May 2014	7 May 2015	0	0	0	—	59.19	No
Zhao Guo Qing	Deputy General Manager	Male	38	9 May 2014	8 May 2017	0	0	0	—	181.75	No
Li Yan Qing	Deputy General Manager	Male	49	9 May 2014	10 July 2015	0	0	0	—	9.84	No
Li Feng Zhen	Deputy General Manager and Chief Financial Controller	Female	53	9 May 2014	8 May 2017	0	0	0	—	138.78	No
Zhang Wen Hui	Deputy General Manager	Male	40	9 May 2014	8 May 2017	0	0	0	—	140.67	No
Xu Hui	Secretary to the Board	Male	37	9 May 2014	8 May 2017	0	0	0	—	102.10	No
Total	/	/	/	/	/	30,511,	68,650	-22,883	/	3,122.7	/

Notes:

- The number of shares held by Mr. Hu Ke Gang at the beginning of the Year excluded the capitalisation of capital reserves and share dividend by way of capitalisation of the undistributed profits. The number of shares held by Mr Hu Ke Gang at the end of the Year included the capitalisation of capital reserves and share dividend by way of capitalisation of the undistributed profits.
- The number of shares held at the beginning of the Year, the number of shares held at the end of the Year and changes in shareholdings during the year only disclosed the number of shares directly held by directors, supervisors and senior management members and the number of shares indirectly held by them is not included.

## Section 10 Directors, Supervisors, Senior Management and Employees

Name	Major working experience (biographical details)
Wei Jian Jun	<p><b>Mr. Wei Jian Jun (魏建軍先生) (“Mr. Wei”)</b>, aged 52, is the chairman and executive director of the Company. He graduated from the Committee College of Hebei Province of the PRC Communist Party (中共河北省委黨校) in 1999 specializing in corporate management studies. Mr. Wei joined Baoding Great Wall Motor Industry Company (保定長城汽車工業公司) (the predecessor of the Company) as the general manager in 1990. He has been the chairman of the Company since June 2001. He is responsible for the overall strategic planning and business development of the Group. Moreover, Mr. Wei was appointed as a representative to the Ninth and Tenth National People’s Congress of Hebei Province respectively, as well as a representative to the Eighteenth National Congress of the Communist Party of China. In addition, Mr. Wei is also a director of the Company’s substantial shareholder, Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司). Details of the disclosure of interests of the aforementioned substantial shareholder are set out under “Shares Held by Substantial Shareholders (SFO Requirements)” of Section 9 of this report.</p>
Liu Ping Fu	<p><b>Mr. Liu Ping Fu (劉平福先生) (“Mr. Liu”)</b>, aged 66, is an assistant political work professional, and former vice chairman and executive director of the Company. He graduated from Hebei Normal College (河北師範學院) specializing in Chinese language and literature in 1988. He has been the general manager of the Management Centre of Collective Assets of Nandayuan Town, Lianchi District, Baoding (保定市蓮池區南大園鄉集體資產經管中心) (renamed on 7 January 2016, which was previously named as Management Centre of Collective Assets of Nandayuan Town, Nanshi District, Baoding (保定市南市區南大園鄉集體資產經管中心)) from 2001 to December 2015. He was the vice chairman of the Company from June 2001 to December 2015. Mr. Liu resigned as vice chairman and executive director of the Company on 24 December 2015.</p>
Wang Feng Ying	<p><b>Ms. Wang Feng Ying (王鳳英女士) (“Ms. Wang”)</b>, aged 45, is a vice chairman, executive director and general manager of the Company. She graduated from Tianjin Institute of Finance (天津財經學院) in 1999 and obtained a master’s degree in economics. Ms. Wang joined the Company in 1991. She is responsible for the sales and marketing management of the Company. Ms. Wang has been acting as the general manager of the Company since November 2002. She is concurrently the general manager of Baoding Great Wall Automobile Sales Company Limited (保定長城汽車銷售有限公司). She has been acting as an executive director of the Company since June 2001. In addition, Ms. Wang was a representative to the Eleventh and Twelfth National People’s Congress respectively.</p>
Hu Ke Gang	<p><b>Mr. Hu Ke Gang (胡克剛先生) (“Mr. Hu”)</b>, aged 70, is a senior economist, and an executive director and deputy general manager of the Company. He graduated from Hebei University (河北大學) with a major in law in 1987. Mr. Hu joined the Company in 1995. His previous positions in the Company include general manager of Great Wall Baoding Vehicle Axles Company Limited (保定長城汽車橋業有限公司), general manager of Great Wall Baoding Internal Combustion Engine Manufacturing Company Limited (保定長城內燃機製造有限公司), and general manager of Baoding Great Wall Huabei Automotive Company Limited (保定長城華北汽車有限責任公司). Mr. Hu is responsible for the research and development as well as production of the Group’s engines. Moreover, he has been acting as a deputy general manager of the Company since May 2005, and was an executive director of the Company from June 2007 to December 2015. Mr. Hu resigned as executive director and deputy general manager of the Company on 24 December 2015.</p>



## Section 10 Directors, Supervisors, Senior Management and Employees

Name	Major working experience (biographical details)
Yang Zhi Juan	<p><b>Ms. Yang Zhi Juan (楊志娟女士) (“Ms. Yang”)</b>, aged 49, is an executive director of the Company. She graduated from Hebei University (河北大學) with a major in law in 1987. Ms. Yang joined the Company in 1999, and served as the general office supervisor of Baoding Great Wall Huabei Automotive Company Limited (保定長城華北汽車有限責任公司) and the head of investment management department of the Company. She has been an executive director of the Company since August 2001.</p>
He Ping	<p><b>Mr. He Ping (何平先生) (“Mr. He”)</b>, aged 39, is a non-executive director of the Company. He graduated from Fudan University (復旦大學) with a major in international economic law in 1997 and obtained a bachelor’s degree in law. Since June 1997, Mr. He worked in the investment banking headquarters of China Southern Securities Company Limited (南方證券有限責任公司). From March 2002 to December 2005, Mr. He successively acted as the deputy general manager and general manager at the investment banking headquarters of Guo Du Securities Company Limited (國都證券有限責任公司). Mr. He was appointed as the director of the investment department of Beijing Hong Yi Yuan Fang Investment Consultants Advisor Company Limited (北京弘毅遠方投資顧問有限公司) on December 2010. From October 2012 to April 2014, Mr. He was appointed as general manager of the risk control and compliance department. On 22 October 2014, Mr. He was appointed as an executive director and the legal representative of Wuhu Zhuo Hui Chuang Shi Investment Management Company Limited (蕪湖卓輝創世投資管理有限公司). Mr. He has been acting as a non-executive director of the Company since May 2002.</p>
Niu Jun	<p><b>Mr. Niu Jun (牛軍先生) (“Mr. Niu”)</b>, aged 41, is a non-executive director of the Company. He graduated from Hebei University of Science and Technology (河北科技大學) with a major in marketing in 1996. In 1996, he joined the marketing and sales department of Baoding Great Wall Motor Industry Company (保定長城汽車工業公司) (the predecessor of the Company), where he was responsible for the sales of automobiles and logistics management successively. In 2001, he acted as the sales and marketing manager of Baoding Great Wall Automobile Sales Network Company Limited (保定市長城汽車營銷網絡有限公司). In 2002, he acted as the general manager of Baoding Ants Logistics Company Limited (保定市螞蟻物流網絡有限公司). Since October 2007, Mr. Niu has been acting as the general manager of Hebei Baocang Expressway Co., Ltd. (河北保滄高速公路有限公司). Mr. Niu was an executive director of the Company from July 2003 to January 2016. Mr. Niu resigned as non-executive director of the Company on 28 January 2016.</p>

## Section 10 Directors, Supervisors, Senior Management and Employees

Name	Major working experience (biographical details)
Wong Chi Hung, Stanley	<p><b>Mr. Wong Chi Hung, Stanley (黃志雄先生) (“Mr. Wong”)</b>, aged 52, is an independent non-executive director of the Company. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants in the United Kingdom. Mr. Wong holds a bachelor’s degree in accounting from the University of Kent at Canterbury, the United Kingdom and a master’s degree in senior management and business administration from Peking University (北京大學). Mr. Wong has more than 29 years of experience in auditing, accounting and financial advisory services. In 1 November 2009, Mr. Wong joined Hongri International Company Limited (紅日國際控股有限公司) as the chief financial officer. Mr. Wong was appointed as an independent non-executive director of Ping Shan Tea Group Limited (坪山茶業集團有限公司) on 31 July 2012 and he resigned as independent non-executive director of Ping Shan Tea Group Limited (坪山茶業集團有限公司) on 31 July 2014. On 16 October 2013, Mr. Wong was appointed as an independent non-executive director of China Pioneer Pharma Holdings Limited (中國先鋒醫藥控股有限公司). In 1 August 2014, he was appointed as a director and chief financial officer of KBS Fashion Group Limited (KBS時尚集團有限公司) listed in the United States. On 15 March 2015, Mr. Wong resigned as director and chief financial officer of KBS Fashion Group Limited and all positions within its subsidiaries. Mr. Wong has been acting as an independent non-executive director of the Company since November 2010.</p>
Lu Chuang	<p><b>Mr. Lu Chuang (盧闖先生) (“Mr. Lu”)</b>, aged 36, is an independent non-executive director of the Company. He graduated with a doctoral degree in management from the Renmin University of China (中國人民大學) in 2007. He is an professor of the School of Accountancy of Central University of Finance and Economics (中央財經大學). His research focuses include senior management incentives, corporate results evaluation and incentive system, management and control system, corporate financial management and information management. On 14 November 2013, Mr. Lu was appointed as an independent director of Zhongnongfa Seed Industry Group Co., Ltd. (中農發種業集團股份有限公司) (formerly known as Zhongken Agricultural Resource Development Co., Ltd. (中墾農業資源開發股份有限公司), which was renamed on 13 January 2014). Mr. Lu has been acting as an independent nonexecutive director of the Company since May 2014.</p>
Liang Shang Shang	<p><b>Mr. Liang Shang Shang (梁上上先生) (“Mr. Liang”)</b>, aged 45, is an independent non-executive director of the Company. He graduated with a doctoral degree in law from Tsinghua University (清華大學) in 2004. He was admitted as a lawyer in 2000. He is a professor and supervisor of students studying doctoral degree in Tsinghua University (清華大學). In December 2004, he was accredited as the “Excellent Middle-aged Law Expert in Zhejiang” (浙江省優秀中青年法學專家). He also received the nomination award in the sixth session of the Top 10 Excellent Young Law Experts in the PRC (第六屆全國十大傑出青年法學家提名獎) in November 2010. Mr. Liang was appointed as an independent director of Rizhao Port Company Limited (日照港股份有限公司) on 4 July 2014. Mr. Liang served as an independent director of Zhejiang Goldensea Environment Technology Co., Ltd. (浙江金海環境技術股份有限公司) in July 2014. Mr. Liang has been acting as an independent non-executive director of the Company since May 2014.</p>

## Section 10 Directors, Supervisors, Senior Management and Employees

Name	Major working experience (biographical details)
Ma Li Hui	<p><b>Mr. Ma Li Hui (馬力輝先生) (“Mr. Ma”)</b>, aged 48, is a professor in mechanical engineering and an independent non-executive director of the Company. Mr. Ma graduated from Hebei Institute of Technology (河北工學院) with a major in machine manufacturing technology and equipment in 1989. He has been teaching in Hebei Institute of Technology (河北工學院) after obtaining a master’s degree in engineering from Hebei Institute of Technology (河北工學院) in 1992. He obtained a doctoral degree in mechanic design and theory from Hebei University of Technology (河北工業大學) in June 2007. He is a professor of School of Quality and Technology Supervision (質量技術監督學院) in Hebei University (河北大學), and a member of the technological innovation committee of China Innovation Method Society (中國創新方法研究會). His research focuses include innovative design of mechanical and electrical products. Mr. Ma has been acting as an independent non-executive director of the Company since May 2014.</p>
Zhu En Ze	<p><b>Mr. Zhu En Ze (朱恩澤先生) (“Mr. Zhu”)</b>, aged 70, is a supervisor of the Company. He graduated from Agricultural University of Hebei (河北農業大學) in 1970. He worked as the deputy chief of Nanshi District, Baoding, and the chairman of the Standing Committee of the Nanshi District People’s Congress. Mr. Zhu joined the Company in July 2003 as the Committee secretary of the Communist Party of China of the Company and acted as a supervisor of the Company from March 2006 to December 2015. Mr. Zhu resigned as the employee representative supervisor and chairman of the Supervisory Committee on 18 December 2015.</p>
Chen Biao	<p><b>Mr. Chen Biao (陳彪先生) (“Mr. Chen”)</b>, aged 31, is an assistant engineer. He graduated from Chengde Petroleum College in 2007 majoring in automotive engineering. Mr. Chen joined the Company in 2007 and served as an assistant to the division head of the quality management division and as a deputy division head of the operation and supervision division of the Company. Since October 2014, he has served as a division head of the supervision and audit division of the Company. He has also served as a supervisor of Baoding Great Wall Automobile Recycling and Dismantling Company Limited (保定長城報廢汽車回收拆解有限公司) and Tianjin Boxin Automobile Parts Company Limited (天津博信汽車零部件有限公司), both of which are wholly-owned subsidiaries of the Company, since August 2015 and October 2015, respectively. Since December 2015, Mr. Chen has been acting as the Company’s supervisor.</p>
Luo Jin Li	<p><b>Ms. Luo Jin Li (羅金莉女士) (“Ms. Luo”)</b>, aged 56, a senior economist, is a supervisor of the Company. She graduated from Hebei Normal University (河北師範大學) with a major in physics in 1982. Ms. Luo has been working at the personnel department of Hebei University (河北大學) since December 1993, responsible for human resources management. Ms. Luo has been acting as a supervisor of the Company since September 2003.</p>

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Name	Major working experience (biographical details)
Zong Yi Xiang	<p><b>Ms. Zong Yi Xiang (宗義湘女士) (“Ms. Zong”)</b>, aged 45, is a professor, supervisor of students studying doctoral degree, a certified asset valuer in the PRC and a supervisor of the Company. Ms. Zong graduated from the Chinese Academy of Agricultural Sciences (中國農業科學院) with a doctoral degree in 2006. She currently serves as the department head of statistics department of the College of Economics and Trade in Agricultural University of Hebei (河北農業大學經濟貿易學院), a committee member of Statistical Association of Hebei (河北省統計學會) and a standing committee member of Research Committee of Legal System for Agriculture and Rural Area under the Law Association of Hebei (河北省法學會農業與農村法制研究會). Her research focuses include economic theories and policies of property and statistics. Ms. Zong has been acting as the Company’s supervisor since May 2014.</p>
Hu Shu Jie	<p><b>Mr. Hu Shu Jie (胡樹杰先生) (“Mr. Hu”)</b>, aged 44, is a deputy general manager of the Company. Mr. Hu joined the Company in 1996 and worked in Baoding Great Wall Automobile Sales Network Company Limited (保定市長城汽車營銷網絡有限公司) as the head of external affairs department, manager of the information management department and marketing manager. He also worked as the general manager of Baoding Great Wall Automobile After-sales Services Company Limited (保定市長城汽車售後服務有限公司), the general manager of the first manufacturing division of the Company and the general manager of the second manufacturing division of the Company. He is currently in charge of the Group’s development of automobile products and has been acting as a deputy general manager of the Company since December 2005.</p>
Huang Yong	<p><b>Mr. Huang Yong (黃勇先生) (“Mr. Huang”)</b>, aged 47, is a deputy general manager of the Company and supervisor of the technology center. Mr. Huang joined the Company in 1992 and acted as the head of the technology department, head of the supporting facilities department and deputy director of the technology research institute of the Company. He was in charge of the development of automobile products and acted as the deputy general manager of the Company from March 2006 to July 2015. Mr. Huang resigned as the deputy general manager of the Company on 27 July 2015.</p>
Zhang Xin	<p><b>Mr. Zhang Xin (張鑫先生) (“Mr. Zhang”)</b>, aged 46, is a deputy general manager of the Company. Mr. Zhang joined the Company in 1992 and worked in Great Wall Automobile Sales Network Company Limited (長城汽車營銷網絡有限公司) as the manager of customer services department, and manager of logistics department, manager of marketing management department. He has been the general manager of Great Wall Automobile After-sales Services Company Limited (長城汽車售後服務有限公司) and has been in charge of the Group’s research and development as well as production of interior and exterior decoration. He was the general manager of the Tianjin Haval Branch of Great Wall Motor Company Limited (長城汽車股份有限公司天津哈弗分公司). Mr. Zhang served as the deputy general manager of the Company from June 2006 to December 2015. Mr. Zhang was unable to perform his duties of senior management due to the change in duties. The Company terminated the duty of Mr. Zhang as the deputy manager of the Company on 24 December 2015.</p>

## Section 10 Directors, Supervisors, Senior Management and Employees

Name	Major working experience (biographical details)
Hao Jian Jun	<p><b>Mr. Hao Jian Jun (郝建軍先生) (“Mr. Hao”)</b>, aged 43, is a deputy general manager of the Company. Mr. Hao joined the Company in 1997, and worked as a supervisor of the tooling plant of the Great Wall Baoding Vehicle Axles Company Limited (保定長城汽車橋業有限公司) and the general manager of Company’s tooling center. He is currently responsible for the Group’s project construction and production process development. Mr. Hao has been acting as the Company’s deputy general manager since November 2006.</p>
Zheng Chun Lai	<p><b>Mr. Zheng Chun Lai (鄭春來先生) (“Mr. Zheng”)</b>, aged 46, is a deputy general manager of the Company. He joined the Company in 1991 and acted as the factory head of Baoding Taihang Automobile Parts and Components Factory (保定市太行汽車零部件廠), the general manager of Baoding Xincheng Automobile Development Company Limited (保定市信誠汽車發展有限公司) and the general manager of Baoding Nuobo Rubber Production Co., Ltd. (保定市諾博橡膠製品有限公司). He is currently responsible for the Group’s research and development as well as production of seals and vibration control products. Mr. Zheng has been acting as a deputy general manager of the Company since March 2007.</p>
Dong Ming	<p><b>Mr. Dong Ming (董明先生) (“Mr. Dong”)</b>, aged 46, is a deputy general manager of the Company. Mr. Dong joined the Company in 2004 and served in various positions successively, including the manager of the public relations department of a marketing company, assistant to the general manager of the Company and deputy general manager of a marketing company. Mr. Dong had acted as the deputy general manager of the Company from May 2010 to May 2015. Mr. Dong resigned as the deputy general manager of the Company on 7 May 2015.</p>
Zhao Guo Qing	<p><b>Mr. Zhao Guo Qing (趙國慶先生) (“Mr. Zhao”)</b>, aged 38, is a deputy general manager of the Company. He joined the Company in 2000 and acted as the director of lean promotion department, the deputy director of the technology research institute, the director of the supporting facilities management department and the deputy supervisor of the technology center. He is currently responsible for the procurement of ancillary parts and equipment. He has been acting as the Company’s deputy general manager since June 2010.</p>
Li Yan Qing	<p><b>Mr. Li Yan Qing (李彥青先生) (“Mr. Li”)</b>, aged 49, is a deputy general manager of the Company. He joined the Company in 1999 and served as the director of lean management department of the Company and the general manager of Tianjin Haval branch. He is currently the supervisor of electronic and electrical platform center of the technology center. Mr Li acted as the deputy general manager of the Company from June 2010 to July 2015. Mr. Li resigned as the deputy general manager of the Company on 10 July 2015.</p>
Li Feng Zhen	<p><b>Ms. Li Feng Zhen (李鳳珍女士) (“Ms. Li”)</b>, aged 53, is the deputy general manager and chief financial controller of the Company. Ms. Li is qualified as a PRC registered accountant, PRC registered valuer and PRC registered tax adviser. Ms. Li has worked as a financial accountant in enterprises for 15 years and has been engaged in auditing work in accounting firms for seven years. Ms. Li joined the Company in 2001 and was appointed as the chief financial controller of the Company in May 2005 and has been a deputy general manager of the Company since June 2010.</p>



## Section 10 Directors, Supervisors, Senior Management and Employees

Name	Major working experience (biographical details)
Zhang Wen Hui	<b>Mr. Zhang Wen Hui (張文輝先生) (“Mr. Zhang”)</b> , aged 40, is a deputy general manager of the Company. Mr. Zhang joined the Company in 2000 and was responsible for daily management of GW Internal Combustion Engine Company (長城內燃機公司). He acted as the head of the operation management department. He is currently the head of the strategic management department and the secretary of the party committee. Since January 2012, he has been acting as the Company’s deputy general manager.
Xu Hui	<b>Mr. Xu Hui (徐輝先生) (“Mr. Xu”)</b> , aged 37, is the secretary to the Board. Mr. Xu joined the Company in 2001 and is responsible for corporate finance, equity investment and management authorization. He has been acting as the head of Securities Department of the Company since July 2008 and the secretary to the Board since June 2010.

### Additional Information

#### ***Directors’ and Supervisors’ Service Agreements and Letters of Appointment***

In May 2014, the Company entered into service agreements with each of the executive directors and supervisors, including Mr. Zhu En Ze and Ms. Luo Jin Li, and Ms. Zong Yi Xiang, and entered into appointment letters with each of the non-executive directors and independent non-executive directors. Pursuant to the above service agreements and appointment letters, the terms of directors are three years until the expiry of the fifth session of the Board, and that of supervisors will expire upon the expiry of the fifth session of the Supervisory Committee. On 18 December 2015, Mr. Zhu En Ze resigned as employee representative supervisor of the Company due to his age. Mr. Chen Biao (陳彪) was appointed as an employee representative employee of the Company on the same day for a term from 18 December 2015 until the expiry of the fifth session of the Supervisory Committee. Save as disclosed above, none of the directors or supervisors had entered into or proposed to enter into any other service contracts with the Company or its subsidiaries, nor any service contracts not determinable by the employer within one year without payment of compensation (other than statutory compensation).

#### ***Independence of Independent Non-Executive Directors***

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

#### ***Interests of Controlling Shareholders, Directors and Supervisors in Material Contracts***

Save for “Acquisitions of major assets” and “Disposal of major assets and equity interest” described in item II “The Operation during the Reporting Period” under Section 5 headed “Management Discussion and Analysis”, none of the controlling shareholders or their subsidiaries, directors or supervisors or entities connected with such directors or supervisors was or had been materially interested, whether directly or indirectly, in any contract subsisting during 2015 or at the end of 2015 which was significant to the business of the Company or any of its subsidiaries.

#### **(II) Stock options granted to directors, supervisors and senior management during the Reporting Period**

Applicable     Not applicable



## Section 10 Directors, Supervisors, Senior Management and Employees

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

#### (I) Positions held in the Company's shareholders

√ Applicable     Not applicable

Name	Name of the Company's shareholders	Positions held in the Company's shareholders	Term commencement date	Term expiration date
Wei Jian Jun	Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司)	Chairman and general manager	1 December 2005	
Wei Jian Jun	Baoding Wangsheng Investment Company Limited (保定市旺盛投資有限公司)	Executive director and general manager	31 January 2013	
Liu Ping Fu	Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司)	Vice chairman	24 November 2010	18 January 2016
Liu Ping Fu	Management Centre of Collective Assets of Nandayuan Town, Lianchi District, Baoding (保定市蓮池區南大園鄉集體資產經管中心) <sup>(Note)</sup>	Legal representative and General manager	28 March 2001	7 January 2016
Hao Jian Jun	Baoding Wangsheng Investment Company Limited (保定市旺盛投資有限公司)	Director	25 October 2015	
Description of Positions held in the Company's shareholders	Baoding Wangsheng Investment Company Limited (保定市旺盛投資有限公司) (controlling shareholder of Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司)) is an indirect shareholder of the Company. Management Centre of Collective Assets of Nandayuan Town, Lianchi District, Baoding (保定市蓮池區南大園鄉集體資產經管中心) (shareholder of Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司)) is an indirect shareholder of the Company.			

Note: 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) was renamed as Management Centre of Collective Assets of Nandayuan Town, Lianchi District, Baoding (保定市蓮池區南大園鄉集體資產經管中心) on 7 January 2016.

#### (II) Positions held in other entities

√ Applicable     Not applicable

Name	Name of other entities	Position in other units	Appointment date	End date of appointment
Wei Jian Jun	Baoding Great Wall Pioneer Enterprise Investment Company Limited (保定市長城創業投資有限公司)	Chairman and general manager	14 April 2004	

## Section 10 Directors, Supervisors, Senior Management and Employees

Name	Name of other entities	Position in other units	Appointment date	End date of appointment
Wei Jian Jun	Hebei Baocang Expressway Co. Ltd. (河北保滄高速公路有限公司)	Director	10 December 2004	
Wei Jian Jun	Baoding Taihang Steel Structure Engineering Co., Ltd. (保定太行鋼結構工程有限公司)	Director	20 September 2000	
Wei Jian Jun	Bochuang Urban Development Company Limited (博創城市建設開發有限公司)	Executive director	7 May 2009	
Wei Jian Jun	Baoding Great Wall Kindergarten (保定市長城幼兒園)	Director	23 May 2014	
Wei Jian Jun	Baoding Lukang Planting Co., Ltd. (保定綠康種植有限公司)	Executive director	7 May 2013	
Wei Jian Jun	Baoding Bochuang Park Construction and Development Co., Ltd. (保定博創園區建設開發有限公司)	Executive director	21 May 2015	
Wei Jian Jun	Baoding Bochuang Public Facility Investment Co., Ltd. (保定博創公共設施管理有限公司)	Executive director	21 May 2015	
Wei Jian Jun	Baoding Kelin Heat Supplying Co., Ltd. (保定科林供熱有限公司)	Executive director	20 July 2012	
Liu Ping Fu	Management Centre of Collective Assets of Nandayuan Town, Lianchi District, Baoding (保定市蓮池區南大園鄉集體資產經營中心)	Legal representative and General manager	28 March 2001	7 January 2016
Niu Jun	Hebei Baocang Expressway Co., Ltd. (河北保滄高速公路有限公司)	Director and general manager	16 October 2007	
He Ping	Wuhu Zhuo Hui Chuang Shi Investment Management Ltd. (蕪湖卓輝創世投資管理有限公司)	Executive director/ Legal representative	22 October 2014	
Wong Chi Hung, Stanley	Hongri International Company Limited (紅日國際控股有限公司)	Director	1 November 2009	15 March 2015
Wong Chi Hung, Stanley	Roller Rome Ltd	Director	15 September 2010	15 March 2015
Wong Chi Hung, Stanley	France Cock (China) Limited (法國公雞(中國)有限公司)	Director	15 September 2010	15 March 2015
Wong Chi Hung, Stanley	Gaozhao Investment Company Limited (高兆投資有限公司)	Director	14 February 2011	15 March 2015
Wong Chi Hung, Stanley	China Pioneer Pharma Holdings Limited (中國先鋒醫藥控股有限公司)	Independent non-executive director	24 October 2013	
Wong Chi Hung, Stanley	KBS Fashion Group Limited (KBS時尚集團有限公司)	Director/Chief Financial Officer	1 August 2014	15 March 2015
Lu Chuang	Zhongnongfa Seed Industry Group Co., Ltd. (中農發種業集團股份有限公司)	Independent director	14 November 2013	

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Name	Name of other entities	Position in other units	Appointment date	End date of appointment
Lu Chuang	Sichuan Guangyun Group Co., Ltd (四川廣運集團股份有限公司)	Independent director	28 June 2013	
Liang Shang Shang	Rizhao Port Co.,Ltd. (日照港股份有限公司)	Independent director	4 July 2014	
Liang Shang Shang	Zhejiang Goldensea Environment Technology Co.,Ltd. (浙江金海環境技術股份有限公司)	Independent director	July 2014	
Liang Shang Shang	Zhejiang Kanglongda Special Protection Technology Co.,Ltd. (浙江康隆達特種防護科技股份有限公司)	Independent director	September 2014	
Zhu En Ze	Baoding Xinyi Automobile Seating Co., Ltd. (保定信益汽車座椅有限公司)	Supervisor	15 January 2010	4 January 2016
Huang Yong	China Automobile (Beijing) Automobile Lightweight Technology Research Institute Company Limited (國汽(北京)汽車輕量化技術研究院有限公司)	Director	26 December 2011	
Hao Jian Jun	Baoding Lukang Planting Co., Ltd. (保定綠康種植有限公司)	General manager	11 April 2013	23 July 2015
Hao Jian Jun	Baoding Kelin Engineering Test Co., Ltd. (保定科林工程檢測有限公司)	Executive director	4 November 2015	
Positions held in other entities				

### Notes:

- Baoding Bochuang Real Estate Development Company Limited (保定市博創房地產開發有限公司) was renamed as Bochuang Urban Development Company Limited (博創城市建設開發有限公司) on 3 June 2015.
- Xushui Lukang Planting Co. Ltd.(徐水縣綠康種植有限公司) was renamed as Baoding Lukang Planting Co., Ltd.(保定綠康種植有限公司) on 10 September 2015.
- Xushui Clean Heat Supplying Company Limited (徐水縣科林供熱有限公司) was renamed as Baoding Kelin Heat Supplying Co., Ltd. (保定科林供熱有限公司) on 10 September 2015.
- 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營中心) was renamed as Management Centre of Collective Assets of Nandayuan Town, Lianchi District, Baoding (保定市蓮池區南大園鄉集體資產經營中心) on 7 January 2016.
- On 7 January 2016, the Company acquired 50% equity interest in Baoding Yanfeng Johnson Controls Automobile Seating Co., Ltd. (保定延鋒江森汽車座椅有限公司) from Shanghai Yanfeng Johnson Controls Seating Co., Ltd. (上海延鋒江森座椅有限公司) Baoding Yanfeng Johnson Controls Automobile Seating Co., Ltd. (保定延鋒江森汽車座椅有限公司) has become an indirect wholly-owned subsidiary of the Company and has been renamed as "Baoding Xinyi Automobile Seating Co., Ltd" (保定信益汽車座椅有限公司).

## Section 10 Directors, Supervisors, Senior Management and Employees

### III. REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Decision-making process for determining remuneration of directors, supervisors and senior management	The Board has set up a Remuneration Committee, which conducts evaluation of directors and senior management according to the performance appraisal standards and procedures, and makes reasonable recommendations on remuneration of directors and senior management based on their evaluation results and the Company's operating results.
Basis of determination of remuneration of directors, supervisors and senior management	According to the Company's remuneration policy, the annual remuneration of directors, supervisors and senior management is paid by the Company on a monthly basis. Year-end bonuses are given to executive directors and senior management based on the Company's operating results and appraisal results at the end of the year.
Remuneration payable to directors, supervisors and senior management	For the actual amount paid to directors, supervisors and senior management according to the abovementioned principles, please refer to the table under "(I) The change in shareholdings and remuneration of existing and resigned/retired directors, supervisors and senior management during the Reporting Period" of item (I) "Change in Shareholdings and Remuneration" in this section.
Total remuneration actually received by all the directors, supervisors and senior management at the end of the Reporting Period	As at the end of the Reporting Period, the total amount of remuneration actually received by all the directors, supervisors and senior management from the Company was RMB31.227 million.

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

Name	Position	Change	Reason for change
Liu Ping Fu	Executive Director and former Vice Chairman	Resignation	Age
Hu Ke Gang	Executive Director and Deputy General Manager	Resignation	Age
Niu Jun	Non-executive Director	Resignation	Personal reasons
Zhu En Ze	Employee Representative Supervisor	Resignation	Age
Huang Yong	Deputy General Manager	Resignation	Age
Zhang Xin	Deputy General Manager	Termination	Unable to discharge his duties of senior management due to change in duties
Dong Ming	Deputy General Manager	Resignation	Personal reasons
Li Yan Qing	Deputy General Manager	Resignation	Personal reasons

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

Applicable     Not applicable

## Section 10 Directors, Supervisors, Senior Management and Employees

### VI. EMPLOYEES OF THE COMPANY AND MAJOR SUBSIDIARIES

#### (I) Employees

Number of serving employees of the Company	51,894
Number of serving employees of major subsidiaries	17,105
The total number of serving employees	68,999
Number of disengaged and retired employees for whom the Company and its major subsidiaries shall be liable to expenses	59

#### *Composition of employees by profession*

<b>Profession</b>	<b>Number</b>
Manufacturing personnel	33,124
Sales	1,070
Technicians	16,512
Financial personnel	773
Administrators	5,435
Others	12,085
Total	68,999

#### *Education level*

<b>Education levels</b>	<b>Number (person)</b>
Doctor's degree	28
Master's degree	1,443
Bachelor's degree	15,221
University diploma	14,786
Secondary schools and below	37,521
Total	68,999

#### (II) Remuneration policy

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

#### (III) Training Program

To uphold its training philosophy of "talents will make an enterprise strong", the Company aims at enhancing all its employees' abilities, strengthening the foundation for its employees' training, innovating the ways to train up talents, and focusing on training up its core talents. As a result, the Company's training to its employees is effective which helps the Company to implement its business strategies.

#### (IV) Subcontracting

Total working hours for subcontracting	6,124,854 hours
Total remuneration paid for subcontracting	RMB67,114,822.97

# Section 11 Corporate Governance Report

## I. DESCRIPTION ON CORPORATE GOVERNANCE

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

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

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

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

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

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



## Section 11 Corporate Governance Report

### II. SUMMARY OF THE GENERAL MEETINGS

Session	Date of general meeting	Designated website on which the resolution was published	Publication date of the resolution
2014 annual general meeting	12 May 2015	SSE www.sse.com.cn; Hong Kong Stock Exchange www.hkexnews.hk	12 May 2015
The first extraordinary general meeting in 2015	22 September 2015	SSE www.sse.com.cn; Hong Kong Stock Exchange www.hkexnews.hk	22 September 2015

### III. PERFORMANCE OF DUTIES BY DIRECTORS

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

Name of director	Independent director	Attendance at Board meetings						Attendance at general meetings		
		No. of meetings during the Year	Attendance in person	Attendance by means of communications	Attendance by proxy	Absence	Absent from meetings for two consecutive times	Attendance rate for Board meetings	Attendance at general meetings	Attendance rate for general meetings
Wei Jian Jun	No	11	11	7	0	0	No	100%	2	100%
Wang Feng Ying	No	11	11	7	0	0	No	100%	2	100%
Liu Ping Fu (resigned on 24 December 2015)	No	10	10	6	0	0	No	100%	2	100%
Hu Ke Gang (resigned on 24 December 2015)	No	10	10	6	0	0	No	100%	2	100%
Yang Zhi Juan	No	11	10	7	1	0	No	100%	2	100%
He Ping	No	11	10	7	1	0	No	100%	0	0%
Niu Jun (resigned on 28 January 2016)	No	11	11	7	0	0	No	100%	0	0%
Wong Chi Hung, Stanley	Yes	11	11	7	0	0	No	100%	0	0%
Lu Chuang	Yes	11	10	7	1	0	No	100%	0	0%
Liang Shang Shang (resigned on 18 March 2016 and shall continue to serve as an independent non-executive director until the Company convenes a shareholders' general meeting perform relevant legal procedures in order to comply with the Articles)	Yes	11	11	7	0	0	No	100%	0	0%
Ma Li Hui	Yes	11	10	7	1	0	No	100%	0	0%

## Section 11 Corporate Governance Report

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

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

No. of Board meetings held during the Year	11
Including: no. of on-site Board meetings	2
No. of Board meetings convened by means of communication	7
No. of Board meetings held both on-site and by communication	2

The Company held two general meetings in 2015 at which two non-executive directors and four independent non-executive directors did not attend. However, they all attended the relevant Board meetings in connection with the matters to be considered in the general meetings. All the directors, including independent non-executive directors and non-executive directors, are aware that they should attend general meetings and develop a balanced understanding of the views of the shareholders.

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

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

Description of disagreements of the independent directors on matters related to the Company

During the Reporting Period, the independent directors (independent non-executive directors) of the Company have no disagreement on matters considered and approved by the Board.

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

The duties performed by the special committees under the Board during the Reporting Period are summarized as follows: the Audit Committee under the Board played an important role in the auditing of the 2015 annual report. During the auditing, the Audit Committee under the Board enhanced the communication with the auditor and solved the problems in a timely manner to ensure the completion of the auditor's report as scheduled. The Audit Committee under the Board also reviewed the auditor's report of the Company and submitted the same to the 18th meeting of the 5th session of the Board for voting. The Remuneration Committee under the Board made suggestion for the remuneration adjustment of certain independent directors (independent non-executive directors) of the Company. During the Reporting Period, the Audit Committee under the Board reviewed and provided valuable opinions on the relevant financial reports including the quarterly and interim reports.

### V. RISKS OF THE COMPANY IDENTIFIED BY THE SUPERVISORY COMMITTEE

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

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

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

## Section 11 Corporate Governance Report

controlling shareholder. The Company has its own independent business and autonomous operation capability, and the Board, the Supervisory Committee and other internal organizations of the Company can operate independently.

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

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

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

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

Applicable    Not applicable

For details of the internal control self-evaluation report, please refer to the Self-evaluation Report on Internal Control for the Year of 2015 of Great Wall Motor Company Limited published by the Company on the website of the Shanghai Stock Exchange ([www.sse.com.cn](http://www.sse.com.cn)) (this report was also published on the website of the Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) in the form of overseas regulatory announcement).

Description on material defect of internal control during the Reporting Period

Applicable    Not applicable

### IX. RELEVANT MATTERS OF AUDIT REPORT ON INTERNAL CONTROL

Has the audit report on internal control been disclosed: Yes

For details of the audit report on internal control, please refer to the Audit Report on Internal Control for the Year of 2015 published by the Company on the website of the Shanghai Stock Exchange ([www.sse.com.cn](http://www.sse.com.cn)) (this report was also published on the website of the Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) in the form of overseas regulatory announcement).

### X. INVESTOR RELATIONS

During the Year, the Company enhanced the two-way communication between the Company and its investors so as to enable the general investors to keep abreast of the operation condition of the Company, promote a better relationship between the Company and its investors and help its investors to have a timely and accurate understanding of the operation condition of the Company. During the Year, the Company enabled its investors to have a timely understanding of the Company's operation condition through inviting them to participate in the Company's activities, such as general meetings and technology festivals. The Company had a comprehensive communication with its investors by organising domestic and overseas roadshows, conducting investors surveys and researches, organising teleconferences and attending summit meetings organized by investment banks. During the Year, the Company has organized 3 domestic and overseas roadshows, conducted 24 surveys and researches for domestic and overseas investors, organized 36 teleconferences and attended 6 summit meetings organized by investment banks.

## Section 11 Corporate Governance Report

### XI. OTHERS

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

#### Principal Corporate Governance Principles and Practices of the Company

##### A. Board of Directors

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

The members of the Board are as follows:

##### Executive Directors:

Mr. WEI Jian Jun (*Chairman*)

Mr. LIU Ping Fu (*Vice-chairman*) (*resigned on 24 December 2015*)

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

Mr. HU Ke Gang (*resigned on 24 December 2015*)

Ms. YANG Zhi Juan

##### Non-Executive Directors:

Mr. HE Ping

Mr. NIU Jun (*resigned on 28 January 2016*)

##### Independent Non-Executive Directors:

Mr. Wong Chi Hung, Stanley

Mr. Lu Chuang

Mr. Liang Shang Shang (*resigned on 18 March 2016 and shall continue to serve as an independent non-executive director until the Company convenes a shareholders' general meeting to perform relevant legal procedures in order to comply with the Articles*)

Mr. Ma Li Hui

- All independent non-executive directors have complied with the guidelines on independence set out under Rule 3.13 of the Hong Kong Listing Rules and have not violated any provision thereunder throughout the Year.
- There is no financial, business, family or other material relationship among members of the Board.
- The biographies of directors are set out in Section 10.

Deviation: NIL

## Section 11 Corporate Governance Report

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

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

Deviation: NIL

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

- Pursuant to the Articles, "the directors shall be elected at a general meeting for a term of three years. Upon expiry of his term of office, a director may offer himself for re-election". All the directors of the Company, including the independent non-executive directors and non-executive directors, were re-elected or elected and appointed on 9 May 2014 for a term of three years. Mr. Liu Ping Fu and Mr. Hu Ke Gang tendered their resignation as executive directors of the Company on 24 December 2015. Mr. Niu Jun tendered his resignation as a non-executive director of the Company on 28 January 2016. Mr. Liang Shang Shang tendered his resignation as an independent non-executive director of the Company on 18 March 2016. Mr. Liang shall continue to serve his positions in the Board and the relevant Board Committees until the Company convenes a shareholders' general meeting to perform relevant legal procedures in order to comply with the Articles. The above resignation of directors has no impact on the operation of the Board.

Deviation: NIL

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

- The Board meets regularly and Board meetings are held at least four times a year. The Board is responsible for formulating and reviewing the business direction and strategy for the relevant auditing period and for supervising the operating and financial performance of the Group. Where necessary, the Board will also convene extraordinary meetings to discuss matters requiring a decision by the Board on an ad hoc basis. The management is authorised to exercise discretion on day-to-day operation.
- The Board is accountable to the general meeting and discharges the following duties:
  - (1) to convene general meetings and report to the general meeting on their work;
  - (2) to implement resolutions of the general meetings;

## Section 11 Corporate Governance Report

- (3) to determine operating plans and investment proposals of the Company;
- (4) to prepare annual financial budgets and financial statements of the Company;
- (5) to prepare proposals for profit distribution and making up losses of the Company;
- (6) to prepare proposals for the increase or decrease in registered share capital and issue of bonds of the Company;
- (7) to prepare proposals for the mergers, segregation and dissolution of the Company;
- (8) to determine the internal management structure of the Company;
- (9) to appoint or remove the general manager of the Company, and on the basis of nomination by the general manager, to appoint or remove the deputy general manager, financial controller and other senior management of the Company and to determine their remunerations;
- (10) to set up the basic management systems of the Company;
- (11) to prepare proposals for amendments to the Articles; and
- (12) other authorisations from the general meetings.

Deviation: NIL

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

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

Deviation: NIL

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

- During the Year, the Board held 11 meetings. Pursuant to the Articles, "meetings or extraordinary meetings of the Board may be convened by means of telephone or similar telecommunication facilities".



## Section 11 Corporate Governance Report

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

### **Attendance of individual directors at Board meetings and general meetings in 2015**

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

Deviation: NIL

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

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

Deviation: NIL

## Section 11 Corporate Governance Report

### *Compliance with Model Code*

- The Company has complied with the Model Code set out in Appendix 10 of the Hong Kong Listing Rules and has not adopted any separate code of conduct on terms no less exacting than those set out in the Model Code. The Company has made specific enquiry to each director in respect of securities transactions by directors. None of the directors of the Company violated any provisions of the Model Code.

Deviation: NIL

### *The Board committee*

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

<b>Strategy Committee</b>	<b>Remuneration Committee</b>	<b>Nomination Committee</b>	<b>Audit Committee</b>
Mr. Wei Jian Jun ( <i>Chairman</i> )	Mr. Wei Jian Jun	Mr. Wei Jian Jun	Mr. Wong Chi Hung, Stanley ( <i>Chairman</i> )
Ms. Wang Feng Ying	Mr. Lu Chuang	Mr. Liang Shang Shang	Mr. He Ping
Mr. He Ping	Mr. Liang Shang Shang ( <i>Chairman</i> )	Mr. Ma Li Hui ( <i>Chairman</i> )	Mr. Lu Chuang
Mr. Lu Chuang			Mr. Liang Shang Shang
Mr. Ma Li Hui			Mr. Ma Li Hui

Deviation: NIL

### **B. The Strategy Committee**

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

## Section 11 Corporate Governance Report

### Attendance of committee members at meetings of the Strategy Committee in 2015

<b>No. of meetings</b>		1
<b>Date and Business</b>	<b>19 March 2015</b> <b>To consider the proposal on</b> <b>the strategies of the Company</b> <b>for 2015</b>	
	<b>No. of attendance/ No. of meeting</b>	<b>Attendance rate</b>
Wei Jian Jun	1/1	100%
Wang Feng Ying	1/1	100%
He Ping	1/1	100%
Lu Chuang	1/1	100%
Ma Li Hui	1/1	100%
<b>Average attendance rate</b>	—	100%

During the Reporting Period, the Company held a meeting of the Strategy Committee to review and pass the Strategies of the Company for the Year 2015.

Deviation: NIL

### C. Remuneration of Directors and Senior Management

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

- The Company has set up the Remuneration Committee comprising two independent non-executive directors (Lu Chuang and Liang Shang Shang (*Chairman*)) and one executive director (Wei Jian Jun).
- The Remuneration Committee is responsible for making recommendations on the remuneration policies in relation to the directors and senior management of the Group, and determining the remuneration packages for executive directors and senior management, including benefits in kind, pensions and compensation payments. The terms of reference of the Remuneration Committee include the specific duties set out under the Corporate Governance Code.
- The Group proposes the basis of remuneration for directors and employees according to the performance and qualification of the directors and employees as well as the prevailing industry practice. The remuneration policies and packages are reviewed regularly. Based on the performance assessment report, employees may receive bonus and incentive payments as rewards.
- In May 2014, the Company and each of the directors, including non-executive directors and independent non-executive directors, entered into a Director's Service Agreement or an appointment letter for a term of three years, which set out the respective remunerations of the directors.
- Details of directors' and senior management's remuneration as well as the five highest paid individuals in the Group are set out in item I. (I) "The change in shareholdings and remuneration of existing and resigned/retired directors, supervisors and senior management during the Reporting Period" in Section 10 and note (XI) to the financial statements.

## Section 11 Corporate Governance Report

### Attendance of committee members at meetings of the Remuneration Committee in 2015

<b>No. of meetings</b>			1
<b>Date and Business</b>		<b>16 April 2015</b>	
		<b>To consider the resolution on the adjustment of the remuneration of Directors of the Company</b>	
		<b>No. of attendance/ No. of meeting</b>	<b>Attendance rate</b>
Wei Jian Jun		1/1	100%
Lu Chuang		1/1	100%
Liang Shang Shang		1/1	100%
<b>Average attendance rate</b>		—	100%

During the Reporting Period, the Company held a meeting of the Remuneration Committee to adjust remuneration of certain independent non-executive directors.

Deviation: NIL

#### D. **Nomination Committee**

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

No meeting was held by the Nomination Committee of the Company in 2015.

#### *Board diversity policy*

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

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

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As at the date of this report, the Board comprises 8 directors, two of them are women. The educational background of the directors covers accounting, law, management and machine manufacturing, etc. The Company considers that the current composition of the Board has the characteristic of diversity in gender, professional background or skills.

Deviation: NIL

### **E. Accountability and Audit**

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

- The directors are responsible for supervising the preparation of accounts for each financial period, which are required to give a true and fair view of the operating conditions, results and cash flow of the Group during the relevant period. When preparing the accounts for the year ended 31 December 2015, the directors have:
  1. selected and consistently applied appropriate accounting policies, made prudent and reasonable judgments and estimations and prepared accounts on a going concern basis; and
  2. announced interim and final results of the Group every year in accordance with the Hong Kong Listing Rules and disclosed other financial information as required by the Hong Kong Listing Rules.

Deviation: NIL

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

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

Deviation: NIL

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

## Section 11 Corporate Governance Report

- Deloitte Touche Tohmatsu Certified Public Accountants LLP was the external auditor of the Company in 2015. Its auditing fees in respect of the interim audit service amounted to RMB1.1 million. The financial statements of the Company's annual report have been prepared in accordance with the ASBE and audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP. In 2015, Deloitte Touche Tohmatsu Certified Public Accountants LLP charged the Company RMB1.8868 million, RMB0.3774 million, RMB0.2615 million and RMB0.0445 million for the auditing fees in respect of the annual audit and the annual internal control audit, audit service provided by Deloitte and the entities thereunder to the Company's subsidiaries and the annual consultation fees (including other entities under "Deloitte") respectively. Apart from these, there was no fee payable for non-audit services by Deloitte Touche Tohmatsu Certified Public Accountants LLP in 2015.
- The directors of the Company acknowledge that it is their responsibility for preparing the accounts of the Group.
- A statement by the auditors about their reporting responsibilities is set out in Section 12 "Financial Report".
- During the Year, the Board has conducted a review of the effectiveness of the internal control system of the Group.
- The Company has set up an Audit Committee comprising all the current independent non-executive directors (Wong Chi Hung, Stanley (*Chairman*), Lu Chuang, Liang Shang Shang, Ma Li Hui) and one non-executive director (He Ping) of the Company.
- The terms of reference of the Audit Committee conformed with the recommendations set out in A Guide for Effective Audit Committees issued by the Hong Kong Institute of Certified Public Accountants, which stipulates the following specific functions:
  - (1) monitoring and evaluating the external auditors;
  - (2) providing guidance on work of internal audit;
  - (3) reviewing financial statements, annual reports, interim reports and quarterly reports of the Company and making comments thereon;
  - (4) assessing the effectiveness of internal control and risk management;
  - (5) reviewing and identifying the list of connected parties;
  - (6) coordinating communication between the management, internal audit departments and relevant departments with the external auditors;
  - (7) other matters as authorized by the Board and other matters involved in the relevant laws and regulations.
- The principal work of the Audit Committee includes reviewing and supervising the financial reporting procedures and internal control of the Group.



## Section 11 Corporate Governance Report

- The Audit Committee holds at least four meetings each year to review the audited annual accounts, unaudited interim accounts and unaudited quarterly accounts. The principal duties of the Audit Committee include reviewing the financial reporting of the Group, auditors' advice on internal control and compliance matters and financial risk management. The Audit Committee has performed the above duties at its meetings during the Year.
- In 2015, the Audit Committee considered and passed the Resolution on Proposal to the Board in relation to the Appointment of Auditor (提議董事會聘任會計師事務所的議案), Resolution on Auditing of the Independence, Objectivity and Effectiveness of Audit Procedures of the External Auditor of the Company (審核公司外聘會計師事務所的獨立客觀性及審計程序有效性的議案), Resolution on Auditing of the Financial Report for the Year of 2014 of the Company (審核公司2014年度財務決算報告的議案), Resolution on Auditing of Related Party Transactions of the Company for the Year of 2014 (審核公司2014年度關聯交易情況的議案), Resolution on Reviewing of the List of Related Parties of the Company for the Year of 2014 (審核公司2014年度關聯人名單的議案), Resolution on Reviewing of the Internal Control Self-evaluation Report of the Company for the year of 2014 (審核公司2014年度內部控制自我評價報告的議案), Resolution on Reviewing of the Audit Report on Internal Control of the Company for the year of 2014 (審核2014年度內部控制審計報告的議案), Resolution on Conclusion of Audit for the Year of 2014 and Audit Plan for the Year of 2015 of the Company (審核公司2014年度審計總結及2015年度審計工作規劃的議案), Resolution on Auditing of the First Quarterly Financial Report for the Year of 2015 of the Company (關於審核公司2015年度第一季度財務報告的議案), Resolution on the Equity Transfer and Related Party (Connected) Transactions of Xushui Clean Heat Supplying Co., Ltd. (關於徐水縣科林供熱有限公司股權轉讓暨關聯(連)交易的議案), Resolution on Auditing of the Independence, Objectivity and Effectiveness of Audit Procedures of the External Auditor of the Company (審核公司外聘會計師事務所的獨立客觀性及審閱程序有效性的議案), Resolution on Auditing of the Interim Financial Report for the Year of 2015 of the Company (審核公司2015年度中期財務報告的議案), Resolution on Auditing of Related Party Transactions of the Company for the Interim Period of the Year of 2015 (審核公司2015年度中期關聯交易情況的議案), Resolution on Auditing of the List of Related Parties of the Company for the Interim Period of the Year of 2015 (審核公司2015年度中期關聯人名單的議案), Resolution on Internal Audit Report of the Company for the Interim Period of the Year of 2015 (審核公司2015年度中期內部審計工作報告的議案), Resolution on Auditing of the Third Quarterly Financial Report for the Year of 2015 of the Company (關於審核公司2015年度第三季度財務報告的議案) and Audit Plan for the Year of 2015 (2015年度審計計劃) at its meetings.

## Section 11 Corporate Governance Report

### Attendance of committee members in meetings of the Audit Committee in 2015

No. of meetings	6	
Date and Main Business		
	<b>19 March 2015</b>	
	To review the annual financial report for 2014	
	<b>16 April 2015</b>	
	To review the first quarterly financial report for 2015	
	<b>8 June 2015</b>	
	To review the Resolution on the Equity Transfer and Related Party (Connected) Transactions of Xushui Clean Heat Supplying Co., Ltd. (關於徐水縣科林供熱有限公司股權轉讓暨關聯(連)交易的議案)	
	<b>27 August 2015</b>	
	To review the interim financial report for 2015	
	<b>22 October 2015</b>	
	To review the third quarterly financial report for 2015	
	<b>28 December 2015</b>	
	To review the Audit Plan for the Year of 2015 (2015年度審計計劃)	
	<b>No. of attendance/ No. of meeting</b>	<b>Attendance rate</b>
Wong Chi Hung, Stanley	6/6	100%
He Ping	6/6	100%
Lu Chuang	6/6	100%
Liang Shang Shang	6/6	100%
Ma Li Hui	6/6	100%
<b>Average attendance rate</b>	—	100%

- The Audit Committee held a meeting on 23 March 2016 and reviewed the annual results announcement, annual report and annual financial statements of the Group for the year ended 31 December 2015.
- The terms of reference of the Audit Committee covered all duties set out in the Corporate Governance Code. During the Year, the Audit Committee recommended to the Board for the reappointment of Deloitte Touche Tohmatsu Certified Public Accountants LLP as the external auditor of the Company for 2015.
- The Audit Committee reviewed the independence and objectivity as well as the effectiveness of the auditing procedures adopted by Deloitte Touche Tohmatsu Certified Public Accountants LLP, the external auditor of the Company.
- The Audit Committee reviewed the Company and its subsidiaries' financial report for the year of 2014, the first quarterly financial report for the year of 2015, the interim financial report for the year of 2015, the third quarterly financial report for the year of 2015 and the audit plan for the year of 2015.

## Section 11 Corporate Governance Report

- The Audit Committee reviewed the related party transactions of the Company for the year of 2014 and for the interim period of the year of 2015.
- The Audit Committee reviewed the internal control system of the Company and its subsidiaries for the year of 2014.
- The minutes of meetings of the Audit Committee are duly kept by the secretary to the Board. Such minutes of the meetings recorded opinions and suggestions raised by the committee members in details at the meetings. The minutes are filed for record upon signing and confirmation by the committee members.
- All members of the Audit Committee are all the current independent non-executive directors and one non-executive director of the Company.
- In the last three years, the Company has not changed its auditors. Deloitte Touche Tohmatsu Certified Public Accountants LLP was the external auditor of the Company in 2015.

Deviation: NIL

### **F. Corporate Governance Functions**

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

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

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

Deviation: NIL

### **G. Company Secretary**

Mr. Xu Hui is the secretary to the Board of the Company. In compliance with Rule 3.29 of the Hong Kong Listing Rules, Mr. Xu Hui has taken no less than 15 hours of relevant professional training during the year ended 31 December 2015.

Deviation: NIL

## Section 11 Corporate Governance Report

### **H. Corporate Communications**

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

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

Deviation: NIL

### **I. Shareholders' right**

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

Deviation: NIL

### **J. Investor Relations**

- At the 2014 annual general meeting held on 12 May 2015, the resolution on the amendments to the Articles in respect of the changes in the Company's scope of business was considered and approved. The amendments came into effect on 22 May 2015.
- At the first extraordinary general meeting for 2015 held on 22 September 2015, the resolution on the amendments to the profit distribution policy and change in the number of shares of the Company was considered and approved. The amendments came into effect on 13 November 2015.

For the details of the above amendments, please refer to related announcements published on the websites of Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)), Shanghai Stock Exchange ([www.sse.com.cn](http://www.sse.com.cn)) and the website of the Company ([www.gwm.com.cn](http://www.gwm.com.cn)).

Deviation: NIL

# Section 12 Financial Report

## Auditor's Report

**Deloitte.**  
**德勤**

De Shi Bao (Shen) Zi (16) No. P0533

### **TO THE SHAREHOLDERS OF GREAT WALL MOTOR COMPANY LIMITED:**

We have audited the accompanying financial statements of Great Wall Motor Company Limited ("Great Wall Motor Company"), which comprise the Company's and consolidated balance sheets as at 31 December 2015, 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, and the notes to the financial statements for the year then ended.

#### **1. MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS**

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

#### **2. CERTIFIED PUBLIC ACCOUNTANTS' RESPONSIBILITY**

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

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the certified public accountants' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the Certified Public Accountants consider the internal control relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## Section 12 Financial Report Auditor's Report

### 3. AUDIT OPINION

In our opinion, the financial statements of the Company present fairly, in all material respects, the Company's and consolidated financial position as of 31 December 2015, and the Company's and consolidated results of operations and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

**Deloitte Touche Tohmatsu CPA LLP.**

Shanghai China

*Chinese Certified Public Accountants*

**Xu Zhaohui**  
**Zhang Luanqing**

24 March 2016



# Consolidated Balance Sheet

At 31 December 2015

Item	Note	RMB	
		2015.12.31	2014.12.31
<b>Current Assets:</b>			
Cash and bank balances	(VI)1	<b>3,641,764,292.73</b>	3,394,260,013.36
Financial assets at fair value through profit or loss	(VI)2	—	214,440.00
Bills receivable	(VI)3	<b>28,161,748,218.41</b>	23,352,366,377.86
Accounts receivable	(VI)4	<b>675,922,020.83</b>	730,113,031.42
Prepayments	(VI)5	<b>880,716,835.91</b>	723,332,515.18
Interest receivable	(VI)6	<b>5,130,559.76</b>	4,897,335.85
Dividends receivable		<b>9,791,752.06</b>	8,000,000.00
Other receivables	(VI)7	<b>101,849,236.83</b>	2,896,787,792.18
Inventories	(VI)8	<b>4,119,805,909.61</b>	3,470,386,550.65
Non-current assets due within one year	(VI)9	<b>1,023,694,956.31</b>	52,161,068.06
Other current assets	(VI)10	<b>1,769,572,570.82</b>	681,225,623.01
<b>Total Current Assets</b>		<b>40,389,996,353.27</b>	35,313,744,747.57
<b>Non-current Assets:</b>			
Loans and advances to customers	(VI)11	<b>561,063,510.14</b>	100,508,080.46
Available-for-sale financial assets	(VI)12	<b>7,200,000.00</b>	7,200,000.00
Long-term receivables	(VI)13	<b>1,613,829,351.48</b>	—
Long-term equity investments	(VI)14	<b>18,006,939.74</b>	65,990,244.87
Investment properties	(VI)15	<b>21,474,328.15</b>	6,344,662.41
Fixed assets	(VI)16	<b>19,156,433,056.78</b>	17,273,386,734.44
Construction in progress	(VI)17	<b>6,240,538,917.53</b>	5,274,343,890.07
Intangible assets	(VI)18	<b>3,135,781,642.66</b>	2,812,510,619.35
Goodwill	(VI)19	<b>2,163,713.00</b>	2,163,713.00
Long-term prepaid expenses		<b>54,520,245.83</b>	47,681,001.82
Deferred tax assets	(VI)20	<b>709,618,712.26</b>	441,378,429.46
<b>Total Non-current Assets</b>		<b>31,520,630,417.57</b>	26,031,507,375.88
<b>TOTAL ASSETS</b>		<b>71,910,626,770.84</b>	61,345,252,123.45

# Consolidated Balance Sheet

At 31 December 2015

Item	Note	RMB	
		2015.12.31	2014.12.31
<b>Current Liabilities:</b>			
Short-term borrowings	(VI)21	300,000,000.00	—
Bills payable	(VI)22	5,480,528,560.69	4,138,158,178.41
Accounts payable	(VI)23	15,603,253,561.15	14,093,151,931.66
Advances from customers	(VI)24	4,937,845,265.44	3,180,045,338.74
Salaries payable	(VI)25	1,534,598,723.77	1,326,601,449.19
Taxes payable	(VI)26	979,247,478.39	880,096,384.40
Interests payable		6,388,819.44	—
Dividends payable		—	156,709.77
Other payables	(VI)27	1,665,434,069.11	1,778,299,444.45
Non-current liabilities due within one year	(VI)28	83,299,009.08	75,657,544.16
Other current liabilities	(VI)29	1,195,842,038.07	672,530,061.79
<b>Total Current Liabilities</b>		<b>31,786,437,525.14</b>	<b>26,144,697,042.57</b>
<b>Non-current Liabilities:</b>			
Long-term borrowings	(VI)21	50,000,000.00	—
Deferred income	(VI)30	1,686,178,567.28	1,682,108,979.65
Deferred tax liabilities	(VI)20	1,094,276.88	—
<b>Total Non-current Liabilities</b>		<b>1,737,272,844.16</b>	<b>1,682,108,979.65</b>
<b>TOTAL LIABILITIES</b>		<b>33,523,710,369.30</b>	<b>27,826,806,022.22</b>
<b>SHAREHOLDERS' EQUITY:</b>			
Share capital	(VI)31	9,127,269,000.00	3,042,423,000.00
Capital reserve	(VI)32	1,411,231,014.42	4,453,872,204.02
Other comprehensive income	(VI)49	(147,973,964.82)	(97,592,596.69)
Surplus reserve	(VI)33	3,358,758,190.71	2,429,620,841.78
Undistributed profits	(VI)34	24,581,585,137.24	23,623,537,021.85
<b>Total Equity Attributable to Shareholders of the Company</b>		<b>38,330,869,377.55</b>	<b>33,451,860,470.96</b>
<b>Minority Interests</b>		<b>56,047,023.99</b>	<b>66,585,630.27</b>
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>38,386,916,401.54</b>	<b>33,518,446,101.23</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>71,910,626,770.84</b>	<b>61,345,252,123.45</b>

The notes form an integral part of the financial statements.

The financial statements as set out from pages 109 to 253 have been signed by:

**Wei Jian Jun**  
Legal Representative

**Wang Feng Ying**  
General Manager

**Li Feng Zhen**  
Chief Financial Officer

**Lu Cai Juan**  
Head of the Finance Section

# Balance Sheet of the Company

At 31 December 2015

Item	Note	RMB	
		2015.12.31	2014.12.31
<b>Current Assets:</b>			
Cash and bank balances	(XIV)1	1,454,543,758.39	978,394,101.12
Financial assets at fair value through profit or loss		—	214,440.00
Bills receivable	(XIV)2	24,603,364,219.79	19,639,242,895.83
Accounts receivable	(XIV)3	693,408,067.96	798,347,333.80
Prepayments		828,407,273.87	654,724,897.26
Dividends receivable		281,344,641.90	292,327,049.84
Other receivables	(XIV)4	67,738,627.94	2,898,608,092.49
Inventories	(XIV)5	2,380,956,595.58	2,027,546,852.97
Non-current assets maturing within one year		575,036,877.60	—
Other current assets		1,745,823,141.39	659,223,478.97
<b>Total Current Assets</b>		<b>32,630,623,204.42</b>	<b>27,948,629,142.28</b>
<b>Non-current Assets:</b>			
Available-for-sale financial assets		7,200,000.00	7,200,000.00
Long-term receivable		1,613,829,351.48	—
Long-term equity investments	(XIV)6	5,030,289,680.38	4,940,191,440.46
Investment properties		6,171,876.09	6,344,662.41
Fixed assets	(XIV)7	16,230,324,808.72	14,329,877,913.45
Construction in progress	(XIV)8	6,055,847,025.03	5,033,940,379.62
Intangible assets	(XIV)9	2,907,353,944.61	2,492,077,530.55
Long-term prepaid expenses		50,531,878.84	40,439,948.41
Deferred tax assets		258,336,053.53	139,981,277.28
Other Non-current assets		—	5,000,000.00
<b>Total Non-current Assets</b>		<b>32,159,884,618.68</b>	<b>26,995,053,152.18</b>
<b>TOTAL ASSETS</b>		<b>64,790,507,823.10</b>	<b>54,943,682,294.46</b>

# Balance Sheet of the Company

At 31 December 2015

Item	Note	RMB	
		2015.12.31	2014.12.31
<b>Current Liabilities:</b>			
Bills payable	(XIV)10	<b>3,701,669,046.17</b>	2,228,314,043.46
Accounts payable	(XIV)11	<b>17,300,314,761.06</b>	15,007,767,900.38
Advances from customers	(XIV)12	<b>3,380,851,164.79</b>	2,221,451,257.04
Salaries payable		<b>1,174,349,332.73</b>	927,082,210.16
Taxes payable		<b>606,052,186.30</b>	595,505,852.74
Other payables		<b>1,154,704,720.27</b>	1,241,662,471.57
Non-current liabilities due within one year		<b>64,144,590.25</b>	55,107,664.84
Other current liabilities		<b>301,800,919.63</b>	253,641,021.61
<b>Total Current Liabilities</b>		<b>27,683,886,721.20</b>	22,530,532,421.80
<b>Non-current Liabilities:</b>			
Deferred income		<b>1,453,415,597.48</b>	1,409,252,820.71
<b>Total Non-current Liabilities</b>		<b>1,453,415,597.48</b>	1,409,252,820.71
<b>TOTAL LIABILITIES</b>		<b>29,137,302,318.68</b>	23,939,785,242.51
<b>SHAREHOLDERS' EQUITY:</b>			
Share capital		<b>9,127,269,000.00</b>	3,042,423,000.00
Capital reserve	(XIV)13	<b>1,463,654,023.11</b>	4,506,077,023.11
Surplus reserve		<b>2,305,616,493.42</b>	1,521,231,233.17
Undistributed profits	(XIV)14	<b>22,756,665,987.89</b>	21,934,165,795.67
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>35,653,205,504.42</b>	31,003,897,051.95
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>64,790,507,823.10</b>	54,943,682,294.46

# Consolidated Income Statement

For the year ended 31 December 2015

Item	Note	2015	RMB 2014
<b>I. Total operating revenue</b>		<b>76,033,142,505.96</b>	62,599,104,189.86
Including: Operating revenue	(VI)35	<b>75,954,585,964.64</b>	62,590,772,604.67
Interest income	(VI)36	<b>78,269,451.37</b>	8,330,509.02
Fee and commission income		<b>287,089.95</b>	1,076.17
Less: Total operating costs		<b>66,850,601,965.87</b>	53,383,205,956.11
Including: Operating costs	(VI)35	<b>56,863,911,403.05</b>	45,251,761,068.39
Interest expense		<b>7,013,819.44</b>	—
Business tax and surcharges	(VI)37	<b>2,886,285,766.99</b>	2,281,607,010.79
Selling expenses	(VI)38	<b>2,841,565,090.40</b>	2,084,755,133.80
Administrative expenses	(VI)39	<b>4,030,603,966.73</b>	3,822,341,956.08
Financial expenses	(VI)40	<b>139,370,863.43</b>	(129,380,918.13)
Impairment loss on assets	(VI)41	<b>81,851,055.83</b>	72,121,705.18
Add: Gains or losses from changes in fair value	(VI)42	<b>(214,440.00)</b>	(4,055,677.86)
Investment income	(VI)43	<b>98,096,748.64</b>	31,838,477.00
Including: share of profit of associates and jointly controlled entities		<b>7,835,819.60</b>	20,006,807.15
<b>II. Operating profit</b>		<b>9,280,422,848.73</b>	9,243,681,032.89
Add: Non-operating income	(VI)44	<b>467,345,017.87</b>	440,573,966.71
Including: Gains from disposal of non-current assets		<b>2,019,569.27</b>	1,475,506.96
Less: Non-operating expenses	(VI)45	<b>59,191,106.10</b>	44,179,371.20
Including: Losses from disposal of non-current assets		<b>47,235,683.93</b>	23,882,139.56
<b>III. Total profit</b>		<b>9,688,576,760.50</b>	9,640,075,628.40
Less: Income tax expenses	(VI)46	<b>1,628,212,003.74</b>	1,598,879,183.23
<b>IV. Net profit</b>	(VI)47	<b>8,060,364,756.76</b>	8,041,196,445.17
Net profit attributable to shareholders of the Company		<b>8,059,332,452.64</b>	8,041,535,517.60
Profit or loss attributable to minority interests		<b>1,032,304.12</b>	(339,072.43)
<b>V. Net other comprehensive income after taxes</b>		<b>(50,381,368.13)</b>	(90,786,205.37)
Net other comprehensive income attributable to shareholders of the Company after taxes		<b>(50,381,368.13)</b>	(90,786,205.37)
Items that may be reclassified subsequently to profit or loss satisfying prescribed conditions		<b>(50,381,368.13)</b>	(90,786,205.37)
Foreign currency translation differences	(VI)49	<b>(50,381,368.13)</b>	(90,786,205.37)
Net other comprehensive income attributable to minority interests after taxes		—	—
<b>VI. Total comprehensive income:</b>		<b>8,009,983,388.63</b>	7,950,410,239.80
Total comprehensive income attributable to shareholders of the Company		<b>8,008,951,084.51</b>	7,950,749,312.23
Total comprehensive income attributable to minority interests		<b>1,032,304.12</b>	(339,072.43)
<b>VII. Earnings per share:</b>			
(I) Basic earnings per share	(VI)48	<b>0.88</b>	0.88
(II) Diluted earnings per share	(VI)48	<b>N/A</b>	N/A

# Income Statement of the Company

For the year ended 31 December 2015

Item	Note	2015	RMB 2014
<b>I. Total operating revenue</b>	(XIV)15	<b>73,317,204,913.63</b>	60,344,804,322.22
Less: Operating costs	(XIV)15	<b>59,751,934,596.86</b>	47,398,410,589.40
Business tax and surcharges	(XIV)16	<b>2,759,315,402.92</b>	2,188,293,086.37
Selling expenses		<b>677,549,515.71</b>	683,365,237.52
Administrative expenses	(XIV)17	<b>3,544,379,366.25</b>	3,327,052,625.99
Financial expenses		<b>182,001,340.16</b>	(25,828,609.38)
Impairment loss on assets		<b>54,081,156.88</b>	71,356,231.73
Add: Gains or losses from changes in fair value		<b>(214,440.00)</b>	(4,055,677.86)
Investment income	(XIV)18	<b>2,098,947,807.17</b>	1,780,917,786.69
Including: share of profit of associates and jointly controlled entities		<b>3,932,491.39</b>	10,179,237.86
<b>II. Operating profit</b>		<b>8,446,676,902.02</b>	8,479,017,269.42
Add: Non-operating income		<b>325,228,667.33</b>	296,625,396.22
Including: Gains from disposal of non-current assets		<b>827,406.69</b>	575,519.62
Less: Non-operating expenses		<b>41,573,299.13</b>	36,192,625.71
Including: Losses from disposal of non-current assets		<b>34,862,006.70</b>	20,630,324.02
<b>III. Total profit</b>		<b>8,730,332,270.22</b>	8,739,450,039.93
Less: Income tax expenses	(XIV)19	<b>886,479,667.75</b>	940,743,114.73
<b>IV. Net profit</b>		<b>7,843,852,602.47</b>	7,798,706,925.20
<b>V. Net other comprehensive income after taxes</b>		—	—
<b>VI. Total comprehensive income</b>		<b>7,843,852,602.47</b>	7,798,706,925.20



# Consolidated Cash Flow Statement

For the year ended 31 December 2015

Item	Note	2015	RMB 2014
<b>I. Cash Flows from Operating Activities:</b>			
Cash received from selling goods and rendering services		<b>82,581,396,826.30</b>	67,140,609,584.17
Cash received from interest, fee and commission		<b>78,323,317.41</b>	3,434,249.34
Cash received for net increase by borrowing from other financial institutions		<b>350,000,000.00</b>	—
Tax rebate received		<b>60,195,007.07</b>	86,923,357.65
Other cash received relating to operating activities	(VI)50(1)	<b>452,262,140.91</b>	436,793,263.96
Sub-total of cash inflow from operating activities		<b>83,522,177,291.69</b>	67,667,760,455.12
Cash paid for purchasing goods and receiving services		<b>55,326,757,096.11</b>	46,649,510,438.82
Cash paid for net increase in customers' loans and advance		<b>870,797,860.49</b>	154,976,741.66
Cash paid for interest, fee and commission charge		<b>625,000.00</b>	—
Cash payments to and on behalf of employees		<b>5,908,610,481.09</b>	5,218,117,953.75
Taxes and surcharges paid		<b>7,915,370,396.26</b>	6,546,983,454.68
Other cash paid relating to operating activities	(VI)50(2)	<b>3,466,326,046.03</b>	3,002,387,458.81
Sub-total of cash outflow from operating activities		<b>73,488,486,879.98</b>	61,571,976,047.72
Net Cash Flows from Operating Activities	(VI)51(1)	<b>10,033,690,411.71</b>	6,095,784,407.40
<b>II. Cash Flows from Investing Activities:</b>			
Cash received from disposal of investments		<b>14,581,002,000.00</b>	2,895,000,000.00
Cash received from return on investments		<b>109,142,890.92</b>	12,831,669.85
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		<b>18,393,016.48</b>	6,030,811.01
Net cash received from disposal of subsidiaries and other business entities	(VI)51(2)	<b>172,827,683.52</b>	—
Other cash received relating to investing activities	(VI)50(3)	<b>102,400,000.00</b>	12,000,000.00
Sub-total of cash inflow from investing activities		<b>14,983,765,590.92</b>	2,925,862,480.86
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		<b>5,856,834,012.79</b>	7,228,946,659.46
Net cash paid for acquisition of subsidiaries and other business entities	(VI)51(2)	<b>22,820,655.84</b>	—
Cash paid for investment		<b>15,621,000,000.00</b>	2,895,000,000.00
Other cash paid relating to investing activities		—	11,868,540.00
Sub-total of cash outflow from investing activities		<b>21,500,654,668.63</b>	10,135,815,199.46
Net Cash Flow from Investing Activities		<b>(6,516,889,077.71)</b>	(7,209,952,718.60)
<b>III. Cash Flows from Financing Activities:</b>			
Cash received from borrowings		<b>743,000,222.30</b>	764,370,545.56
Cash received from investors		—	55,000,000.00
Other cash received relating to financing activities	(VI)50(4)	—	1,155,146,048.96
Sub-total of cash inflow from financing activities		<b>743,000,222.30</b>	1,974,516,594.52
Cash paid for repayment of borrowings		<b>773,621,493.20</b>	777,889,002.79
Cash paid for dividends, profits distribution or interest repayment		<b>3,198,973,382.90</b>	2,505,784,681.68
Including: Dividend and profit paid by subsidiaries to minority shareholders		<b>156,709.77</b>	17,412.20
Other cash paid relating to financing activities	(VI)50(5)	<b>882,460,316.70</b>	—
Sub-total of cash outflow from financing activities		<b>4,855,055,192.80</b>	3,283,673,684.47
Net Cash Flow from Financing Activities		<b>(4,112,054,970.50)</b>	(1,309,157,089.95)

# Consolidated Cash Flow Statement

For the year ended 31 December 2015

Item	Note	2015	RMB 2014
<b>IV. Effect on cash and cash equivalents due to change in foreign currency exchange rate</b>		<b>(27,913,300.83)</b>	(17,785,438.56)
<b>V. Net Increase in Cash and Cash Equivalents</b>		<b>(623,166,937.33)</b>	(2,441,110,839.71)
Add: Balance of cash and cash equivalents at the beginning of the year		<b>3,081,531,924.78</b>	5,522,642,764.49
<b>VI. Balance of cash and cash equivalents at the end of the year</b>	<i>(VI)51(3)</i>	<b>2,458,364,987.45</b>	3,081,531,924.78

# Cash Flow Statement of the Company

For the year ended 31 December 2015

Item	Notes	2015	RMB 2014
<b>I. Cash Flows from Operating Activities:</b>			
Cash received from selling goods and rendering services		<b>80,178,492,403.92</b>	63,511,928,917.99
Tax rebate received		<b>8,244,956.74</b>	36,410,577.62
Other cash received relating to operating activities		<b>319,558,819.84</b>	307,268,811.88
Sub-total of cash inflow from operating activities		<b>80,506,296,180.50</b>	63,855,608,307.49
Cash paid for purchasing goods and receiving services		<b>60,996,843,897.88</b>	48,883,871,775.99
Cash paid to and on behalf of employees		<b>4,292,988,524.82</b>	3,671,386,713.96
Taxes and surcharges paid		<b>5,882,104,446.56</b>	4,999,448,731.74
Other cash paid relating to operating activities		<b>1,370,542,423.14</b>	1,656,490,870.30
Sub-total of cash outflow from operating activities		<b>72,542,479,292.40</b>	59,211,198,091.99
Net cash flows from operating activities	(XIV)20(1)	<b>7,963,816,888.10</b>	4,644,410,215.50
<b>II. Cash Flows from Investing Activities:</b>			
Cash received from disposal of investments		<b>13,262,596,976.48</b>	1,208,000,000.00
Cash received from return on investments		<b>2,110,610,778.71</b>	1,700,904,873.20
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		<b>18,114,911.09</b>	16,199,506.18
Other cash receipts relating to investing activities		<b>102,400,000.00</b>	12,000,000.00
Sub-total of cash inflow from investing activities		<b>15,493,722,666.28</b>	2,937,104,379.38
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		<b>5,368,293,390.46</b>	6,636,303,857.59
Cash paid for investment		<b>14,388,373,780.00</b>	1,691,209,100.00
Net cash paid for acquisition of subsidiaries and other business entities		—	165,000,000.00
Other cash paid relating to investing activities		—	11,868,540.00
Sub-total of cash outflow from investing activities		<b>19,756,667,170.46</b>	8,504,381,497.59
Net Cash Flow from Investing Activities		<b>(4,262,944,504.18)</b>	(5,567,277,118.21)
<b>III. Cash Flows from Financing Activities:</b>			
Cash received from borrowings		<b>743,000,222.30</b>	764,370,545.56
Other cash received relating to financing activities		—	298,832,727.77
Sub-total of cash inflow from financing activities		<b>743,000,222.30</b>	1,063,203,273.33
Cash paid for repayment of borrowings		<b>773,621,493.20</b>	777,889,002.79
Cash paid for dividends, profits distribution or interest repayment		<b>3,198,816,673.13</b>	2,505,767,269.48
Other cash paid relating to financing activities		<b>385,837,728.56</b>	—
Sub-total of cash outflow from financing activities		<b>4,358,275,894.89</b>	3,283,656,272.27
Net Cash Flow from Financing Activities		<b>(3,615,275,672.59)</b>	(2,220,452,998.94)

# Cash Flow Statement of the Company

For the year ended 31 December 2015

Item	Notes	2015	RMB 2014
<b>IV. Effect on cash and cash equivalents due to change in foreign currency exchange rate</b>		<b>4,715,217.38</b>	(4,917,055.26)
<b>V. Net Increase in Cash and Cash Equivalents</b>		<b>90,311,928.71</b>	(3,148,236,956.91)
Add: Balance of cash and cash equivalents at the beginning of the year		<b>926,209,380.56</b>	4,074,446,337.47
<b>VI. Balance of cash and cash equivalents at the end of the year</b>	(XIV)20(2)	<b>1,016,521,309.27</b>	926,209,380.56

# Consolidated Statement of Changes in Shareholders' Equity

For the year ended 31 December 2015

RMB

Item	2015							Total equity
	Attributable to shareholders of the Company							
	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Undistributed profits	Minority interests	
I. Balance at the beginning of the year	3,042,423,000.00	4,453,872,204.02	(97,592,596.69)	2,429,620,841.78	—	23,623,537,021.85	66,585,630.27	33,518,446,101.23
II. Changes in the current year	6,084,846,000.00	(3,042,641,189.60)	(50,381,368.13)	929,137,348.93	—	958,048,115.39	(10,538,606.28)	4,868,470,300.31
(I) Total comprehensive income	—	—	(50,381,368.13)	—	—	8,059,332,452.64	1,032,304.12	8,009,983,388.63
(II) Shareholders' capital injection and capital reduction	—	(218,189.60)	—	—	—	—	(11,570,910.40)	(11,789,100.00)
1. Capital injection from shareholders	—	—	—	—	—	—	—	—
2. Acquisition of subsidiaries	—	—	—	—	—	—	—	—
3. Acquisition of minority interests of subsidiaries (Note (VIII) 3)	—	(218,189.60)	—	—	—	—	(11,570,910.40)	(11,789,100.00)
(III) Profit distribution	3,042,423,000.00	—	—	995,879,557.56	—	(7,232,846,707.56)	—	(3,194,544,150.00)
1. Transfer to statutory reserve	—	—	—	979,829,502.79	—	(979,829,502.79)	—	—
2. Transfer to discretionary reserve	—	—	—	—	—	—	—	—
3. Transfer to venture expansion fund	—	—	—	—	—	—	—	—
4. Transfer to reserve fund	—	—	—	16,050,054.77	—	(16,050,054.77)	—	—
5. Distributions to shareholders	3,042,423,000.00	—	—	—	—	(6,236,967,150.00)	—	(3,194,544,150.00)
6. Transfer to employee bonus and welfare fund	—	—	—	—	—	—	—	—
7. Tax refund for welfare enterprises	—	—	—	—	—	—	—	—
(IV) Transfer of shareholders' equity	3,042,423,000.00	(3,042,423,000.00)	—	(66,742,208.63)	—	66,742,208.63	—	—
1. Transfer of capital reserve to share capital	3,042,423,000.00	(3,042,423,000.00)	—	—	—	—	—	—
2. Transfer of surplus reserve to share capital	—	—	—	—	—	—	—	—
3. Surplus reserve making up of losses	—	—	—	—	—	—	—	—
4. Others (Note (VI) 33)	—	—	—	(66,742,208.63)	—	66,742,208.63	—	—
(V) Others (Note (VI) 34)	—	—	—	—	—	64,820,161.68	—	64,820,161.68
III. Balance at the end of the year	9,127,269,000.00	1,411,231,014.42	(147,973,964.82)	3,358,758,190.71	—	24,581,585,137.24	56,047,023.99	38,386,916,401.54

# Consolidated Statement of Changes in Shareholders' Equity

For the year ended 31 December 2015

RMB

Item	2014							Total equity
	Attributable to shareholders of the Company							
	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Undistributed profits	Minority interests	
I. Balance at the beginning of the year	3,042,423,000.00	4,453,872,204.02	(6,806,391.32)	2,281,860,702.64	—	18,224,548,503.39	12,098,824.67	28,007,996,843.40
II. Changes in the current year	—	—	(90,786,205.37)	147,760,139.14	—	5,398,988,518.46	54,486,805.60	5,510,449,257.83
(I) Total comprehensive income	—	—	(90,786,205.37)	—	—	8,041,535,517.60	(339,072.43)	7,950,410,239.80
(II) Shareholders' capital injection and capital reduction	—	—	—	—	—	—	55,000,000.00	55,000,000.00
1. Capital injection from shareholders	—	—	—	—	—	—	55,000,000.00	55,000,000.00
2. Acquisition of subsidiaries	—	—	—	—	—	—	—	—
3. Acquisition of minority interests of subsidiaries	—	—	—	—	—	—	—	—
(III) Profit distribution	—	—	—	147,760,139.14	—	(2,642,546,999.14)	(174,121.97)	(2,494,960,981.97)
1. Transfer to statutory reserve	—	—	—	137,164,401.18	—	(137,164,401.18)	—	—
2. Transfer to discretionary reserve	—	—	—	—	—	—	—	—
3. Transfer to venture expansion fund	—	—	—	—	—	—	—	—
4. Transfer to reserve fund	—	—	—	10,595,737.96	—	(10,595,737.96)	—	—
5. Distributions to shareholders	—	—	—	—	—	(2,494,786,860.00)	(174,121.97)	(2,494,960,981.97)
6. Transfer to employee bonus and welfare fund	—	—	—	—	—	—	—	—
7. Tax refund for welfare enterprises	—	—	—	—	—	—	—	—
(IV) Transfer of shareholders' equity	—	—	—	—	—	—	—	—
1. Transfer of capital reserve to share capital	—	—	—	—	—	—	—	—
2. Transfer of surplus reserve to share capital	—	—	—	—	—	—	—	—
3. Surplus reserve making up of losses	—	—	—	—	—	—	—	—
4. Others	—	—	—	—	—	—	—	—
(V) Others	—	—	—	—	—	—	—	—
III. Balance at the end of the year	3,042,423,000.00	4,453,872,204.02	(97,592,596.69)	2,429,620,841.78	—	23,623,537,021.85	66,585,630.27	33,518,446,101.23



# Statement of Changes in Shareholders' Equity of the Company

For the year ended 31 December 2015

RMB

Item	2015				
	Share capital	Capital reserve	Surplus reserve	Undistributed profits	Total equity
I. Balance at the beginning of the year	3,042,423,000.00	4,506,077,023.11	1,521,231,233.17	21,934,165,795.67	31,003,897,051.95
II. Changes in the current year	6,084,846,000.00	(3,042,423,000.00)	784,385,260.25	822,500,192.22	4,649,308,452.47
(I) Total comprehensive income	—	—	—	7,843,852,602.47	7,843,852,602.47
(II) Shareholders' capital injection and capital reduction	—	—	—	—	—
1. Capital injection from shareholders	—	—	—	—	—
2. Equity settled share expenses charged to equity	—	—	—	—	—
3. Others	—	—	—	—	—
(III) Profit distribution	3,042,423,000.00	—	784,385,260.25	(7,021,352,410.25)	(3,194,544,150.00)
1. Transfer to surplus	—	—	784,385,260.25	(784,385,260.25)	—
2. Transfer to general provision	—	—	—	—	—
3. Distribution to shareholders	3,042,423,000.00	—	—	(6,236,967,150.00)	(3,194,544,150.00)
4. Others	—	—	—	—	—
(IV) Transfer of shareholders' equity	3,042,423,000.00	(3,042,423,000.00)	—	—	—
1. Transfer of capital surplus to share capital	3,042,423,000.00	(3,042,423,000.00)	—	—	—
2. Transfer of surplus reserve to share capital	—	—	—	—	—
3. Surplus reserve making up of losses	—	—	—	—	—
4. Others	—	—	—	—	—
(V) Special reserve	—	—	—	—	—
1. Extraction in the year	—	—	—	—	—
2. Use in the year	—	—	—	—	—
III. Balance at the end of the year	9,127,269,000.00	1,463,654,023.11	2,305,616,493.42	22,756,665,987.89	35,653,205,504.42

# Statement of Changes in Shareholders' Equity of the Company

For the year ended 31 December 2015

RMB

Item	2014				
	Share capital	Capital reserve	Surplus reserve	Undistributed profits	Total equity
I. Balance at the beginning of the year	3,042,423,000.00	4,506,077,023.11	1,521,231,233.17	16,630,245,730.47	25,699,976,986.75
II. Changes in the current year	—	—	—	5,303,920,065.20	5,303,920,065.20
(I) Total comprehensive income	—	—	—	7,798,706,925.20	7,798,706,925.20
(II) Shareholders' capital injection and capital reduction	—	—	—	—	—
1. Capital injection from shareholders	—	—	—	—	—
2. Equity settled share expenses charged to equity	—	—	—	—	—
3. Others	—	—	—	—	—
(III) Profit distribution	—	—	—	(2,494,786,860.00)	(2,494,786,860.00)
1. Transfer to surplus	—	—	—	—	—
2. Transfer to general provision	—	—	—	—	—
3. Distribution to shareholders	—	—	—	(2,494,786,860.00)	(2,494,786,860.00)
4. Others	—	—	—	—	—
(IV) Transfer of shareholders' equity	—	—	—	—	—
1. Transfer of capital surplus to share capital	—	—	—	—	—
2. Transfer of surplus reserve to share capital	—	—	—	—	—
3. Surplus reserve making up of losses	—	—	—	—	—
4. Others	—	—	—	—	—
(V) Special reserve	—	—	—	—	—
1. Extraction in the year	—	—	—	—	—
2. Use in the year	—	—	—	—	—
III. Balance at the end of the year	3,042,423,000.00	4,506,077,023.11	1,521,231,233.17	21,934,165,795.67	31,003,897,051.95

# Notes to the Financial Statements

For the year ended 31 December 2015

## I. BASIC CORPORATE INFORMATION

Great Wall Motor Company Limited (hereunder “the Company”) is registered in Baoding, Hebei Province which is the principal place of business as well. 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.

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). 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). 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.

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

The company’s and consolidated financial statements have been approved by the Board of Directors on 24 March, 2016.

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

## II. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

### Basis of preparation

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

# Notes to the Financial Statements

For the year ended 31 December 2015

## II. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (continued)

### Basic of preparation and principle of measurement

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

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

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

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

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

### Going concern

The Group has evaluated its ability of going concern for the next 12 month since 31 December 2015. There is no indication of major events that may affect the ability of going concern. Thus, the financial statements have been prepared under the assumption of going concern.

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

### 1. Statement of compliance

The financial statements have been prepared in compliance with the Accounting Standard for Business Enterprises to truly and completely reflect the consolidated financial position of the Company as at 31 December 2015 and its consolidated operating results and consolidated cash flows in 2015.

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

### 2. Financial year

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

### 3. Operating cycle

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

### 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 enterprises 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 when incurred by the combining party.

# Notes to the Financial Statements

For the year ended 31 December 2015

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

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

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

A business combination 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. 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 accounted by cost method 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; no accounting treatment was made on other comprehensive income recognised under equity method of the equity investment held in the acquiree prior to the acquisition date.
- (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. Cost of acquisition is the sum of consideration at acquisition date and the fair value stated above. 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.



## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

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

#### 5.2 *Business combinations not involving enterprises under common control and goodwill (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 occurred as a result of combination shall be recognized separately in the consolidated financial statement and measured at cost less accumulated impairment losses.

### 6. Basis for preparation of consolidated financial statements

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

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

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.

# Notes to the Financial Statements

For the year ended 31 December 2015

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

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

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

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

A joint arrangement is an arrangement under joint control of two or more parties. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. There are two types of joint arrangements: joint venture and joint operation. The Group determines the classification of joint arrangements based on the rights and obligations to the joint arrangements. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Joint arrangements of the Group are joint ventures.

The Group adopted equity method for joint arrangements, for details refer to Note (III) "13.3.2. Long-term equity investments accounted for using the equity method".

### 8. 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.

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

### 9. Translation of transactions and financial statements denominated in foreign currencies

#### 9.1 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.

#### 9.2 Translation of financial statements denominated in foreign currency

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

Cash flow dominated in foreign currency or from foreign subsidiaries shall be translated at the spot exchange rate when it incurs. Effects arising from changes of exchange rate of cash and cash equivalents 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.

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

# Notes to the Financial Statements

For the year ended 31 December 2015

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

### 10. Financial instruments

The Company, recognizes financial assets or liabilities when becoming a party to a financial instrument contract. The financial assets and liabilities were initially recognized at fair value. For the financial assets and liabilities measured at fair value through profit or loss (FVTPL), related transaction expenses are directly charged to the profit or loss, for other financial assets and liabilities, related transaction expenses are included in the initial recognized amount.

#### 10.1 Effective interest method

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.

#### 10.2 Classification, recognition and measurement of the financial assets

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 instruments held by the Group are loans and the accounts receivable, financial assets at FVTPL and available-for-sale financial assets. Financial assets purchased and sold in regular way are recognized and derecognized based on the accounting at transaction date.

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

Financial assets carried at fair value through profit or loss for the current period held by the Group include financial assets held for trading and financial assets designated at fair value through profit or loss for the current period.

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.

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

### 10. Financial instruments (continued)

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

##### 10.2.1 Financial assets carried at fair value through profit or loss for the current period (continued)

A financial asset may be designated, on initial recognition, as at fair value through profit or loss only when one of the following conditions is satisfied: (1) the designation eliminates or significantly reduces a measurement or recognition inconsistency of the related gains or losses that would otherwise result from measuring assets on different bases; (2) a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, and is reported on that basis to the enterprise's key management personnel. Formal documentation has been prepared with respect to such risk management or investment strategy; (3) the embedded derivative which are subject to condition.

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.

##### 10.2.2 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 cash and cash equivalent, bills receivable, accounts receivable, dividend receivable, loans and advances to customers, other receivables and long-term 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.

##### 10.2.3 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.

For those equity instrument investments with no joint control or significant influence over the investee, and there is no quoted price in active markets and the fair value of such instrument cannot be measured reliably, those equity instruments shall be accounted as available-for-sale financial assets and subsequently measured at cost.

#### 10.3 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.

# Notes to the Financial Statements

For the year ended 31 December 2015

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

### 10. Financial instruments (continued)

#### 10.3 Impairment of financial assets (continued)

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

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

#### 10.3.1 Impairment of financial assets measured at amortized cost

The carrying amount of financial assets measured at amortized cost is subsequently reduced to the present value discounted from its projected future cash flow (without future credit losses that have not occurred included) at its original effective interest. The reduced amount is recognized as impairment loss and recorded as profit or loss for the period. Upon recognition of the impairment loss from financial assets, if there is objective evidence showing recovery in value of the amount of such financial assets so impaired and which is related to any event occurring after such recognition, the impairment loss originally recognized shall be reversed to the extent that the carrying value of the financial assets upon reversal will not exceed the amortized cost as at the reversal date assuming there is no provision for impairment.



## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

### 10. Financial instruments (continued)

#### 10.3 Impairment of financial assets (continued)

##### 10.3.1 Impairment of financial assets measured at amortized cost (continued)

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.

##### 10.3.2 Impairment of financial assets measured at cost

For those equity instrument investments where there is no quoted price in active markets and the fair value of such instrument cannot be measured reliably, when impaired, the carrying amount is reduced to the present value of future discounted cash flow using the market return rate of similar financial assets, the reduced amount is recognized as impairment loss, accounted in current profit or loss. The impairment loss of such financial assets cannot be reversed once recognized.

#### 10.4 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.

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.

#### 10.5 Classification and measurement of financial liabilities

Based on the economic substance rather than the form of legal contracts, along with the definition of financial liabilities and equity instruments, the Group shall classify the financial instruments or its components as financial liability or equity instrument at initial recognition.

At initial recognition, financial liabilities are classified either as "financial liabilities at FVTPL" or "other financial liabilities". Financial liabilities of the Group are other financial liabilities.

# Notes to the Financial Statements

For the year ended 31 December 2015

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

### 10. Financial instruments (continued)

#### **10.5 Classification and measurement of financial liabilities (continued)**

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

#### **10.6 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.

#### **10.7 Derivative instruments and embedded derivative instruments**

Derivatives 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 reporting period.

An embedded derivative shall be separated from the hybrid instrument (where the hybrid instrument is not designated as a financial asset or financial liability at fair value through profit or loss) and treated as a standalone derivative if the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract; and a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative. If the enterprise is unable to measure the embedded derivative separately either at acquisition or at a subsequent balance sheet date, it shall designate the entire hybrid instrument as a financial asset or financial liability at fair value through profit or loss.

#### **10.8 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.

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

## 11. Receivables

**11.1** 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.

**11.2** 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**

<b>Aging</b>	<b>Ratio of the provision for accounts receivable (%)</b>	<b>Ratio of the provision for other receivables (%)</b>
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 year ended 31 December 2015

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

### 12. Inventory

#### **12.1 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.

#### **12.2 Method for calculating value of inventories delivered**

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

#### **12.3 Recognition of net realizable value of inventory**

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.

#### **12.4 Inventory taking system**

The inventory taking system shall be on a perpetual basis.

#### **12.5 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 number of usage or one-time write-off.

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

### 13. Long-term equity investments

#### **13.1 Recognition of having joint control or significant influence over the investee**

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

#### **13.2 Determination of initial investment cost**

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

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

#### **13.3 Method for subsequent measurement and profit or loss recognition**

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

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

##### *13.3.1 Long-term equity investments accounted for using the cost method*

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

# Notes to the Financial Statements

For the year ended 31 December 2015

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

### 13. Long-term equity investments (continued)

#### **13.3 Method for subsequent measurement and profit or loss recognition (continued)**

##### *13.3.2 Long-term equity investments accounted for using the equity method*

Under the equity method, where the initial investment cost of a long-term equity investment exceeds the investor's interest in the fair value of the investee's identifiable net assets at the acquisition date, no adjustment shall be made to the initial investment cost. Where the initial investment cost is less than the investor's interest in the fair value of the investee's identifiable net assets at the acquisition date, the difference shall be charged to profit or loss for the current 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 and the carrying amount of the long-term equity investment shall be adjusted accordingly. The carrying amount of the investment shall be reduced by the portion of any profit distributions or cash dividends declared by the investee that is distributed to the investing enterprise. 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 carrying amount of the investment shall be reduced by the portion of any profit distributions or cash dividends declared by the investee that is distributed to the investing enterprise.

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

##### *13.3.3 Disposal of long-term equity investments*

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



## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

### 14. 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 transferring after appreciation and leased constructions, etc.

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

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.

### 15. Fixed assets

#### **15.1 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 period. Fixed assets are only recognized when their related economic benefits are likely to flow to the Group and their cost can be reliably measured. Fixed assets are initially measured at cost.

For subsequent expenses related to fixed assets, if the economic benefits related to such fixed assets are likely to inflow and their 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 year ended 31 December 2015

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

### 15. Fixed assets (continued)

#### 15.2 Method for depreciation of different fixed assets

Depreciation is provided over their estimated useful lives from the month after fixed assets 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 others	3–10	5	9.50–31.67

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

#### 15.3 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. 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.

The Group shall reassess the change in the useful life or estimated net residual value of a fixed asset or the depreciation method used at the year end. Change shall be accounted for as a change in accounting estimate.

### 16. 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.

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

### 17. 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 twelve 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 twelve 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 taking a substantial period of time for acquisition, construction or production to get ready for their intended use or sale.

### 18. Intangible assets

#### 18.1 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 rights and the buildings shall be separately accounted for as intangible asset and fixed assets. For buildings and structures purchased, the purchase consideration shall be allocated among land use rights 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.

# Notes to the Financial Statements

For the year ended 31 December 2015

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

### 18. Intangible assets (continued)

#### 18.1 Intangible assets (continued)

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 useful life and annual amortization rate of each category of intangible assets are as follows:

Category	Depreciable life (year)	Annual depreciation rate (%)
Land use rights	50	2.00
Software and others	2–10	10.00–50.00

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

#### 18.2 Research and development expenditure

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

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

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

- (1) it is technically feasible that the intangible asset can be used or sold upon completion;
- (2) there is intention to complete the intangible asset for use or sale;
- (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.

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

### 19. Impairment of non-current assets

The Group assesses at each balance sheet date whether there is any indication that any long term investments, investment properties measured at cost, fixed assets, construction in progress and intangible assets with a finite useful life may be impaired. If there is any evidence indicating that an asset may be impaired, recoverable amount shall be estimated for the individual asset. Intangible assets with indefinite useful life and have not reached the usable condition should be tested for impairment annually, regardless of whether there is any indication of impairment.

The recoverable amount should be estimated of the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the Group shall determine the recoverable amount of the asset group to which the asset belongs. 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. 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.

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

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.

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

### 20. Long-term deferred expenses

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

# Notes to the Financial Statements

For the year ended 31 December 2015

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

### 21. Employee benefits

#### **21.1 Short-term employee benefits**

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

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

#### **21.2 Post-employment benefits**

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

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

### 22. 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.



## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

### 23. Revenue

#### **23.1 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.

#### **23.2 Revenue from provision of services**

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

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

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

#### **23.3 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.

### 24. Government grants

Government grants are transfer of monetary assets and non-monetary assets from the government to the Group at no consideration. Government grants are recognised when prescribed conditions are satisfied and they will be received without uncertainties.

If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable. Government grants are classified as government grants related to an asset and government grants related to income according to the related documents from the government.

# Notes to the Financial Statements

For the year ended 31 December 2015

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

### 24. Government grants (continued)

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 period 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.

### 25. Income tax

#### 25.1 Current income tax

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

#### 25.2 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.

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

### 25. Income tax (continued)

#### **25.2 Deferred income tax assets and deferred tax liabilities (continued)**

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 period when the asset is realized or the liability is settled, according to the requirements of tax laws.

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

#### **25.3 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 in 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.

#### **25.4 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.

### 26. Operating lease

#### **26.1 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.

# Notes to the Financial Statements

For the year ended 31 December 2015

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

### 26. Operating lease (continued)

#### **26.2 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 twelve months in which it is incurred.

## IV. SIGNIFICANT JUDGEMENTS MADE IN THE APPLICATION OF ACCOUNTING POLICIES AND KEY ASSUMPTIONS AND UNCERTAINTIES IN ACCOUNTING ESTIMATES

In the application of the Group's accounting policies, which are described in Note III, the Group is required to make judgements, estimates and assumptions about the carrying amounts of items in the financial statements that cannot be measured accurately, due to the internal uncertainty of the operating activities. These judgements, estimates and assumptions are based on historical experiences of the Group's management as well as other factors that are considered to be relevant. Actual results may differ from these estimates of the Group.

The Group regularly reviews the aforesaid judgments, estimates and assumptions on the basis of continuous operation. Where the changes in accounting estimates only impact the current 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 debts***

The Group recognizes provision 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.

#### ***Impairment losses on loans and advances***

Loan portfolios are assessed periodically by the Group to make impairment losses. The Group was not only focusing on recognizing signs of impairment losses on individual identified loan, but also made judgement according to the signs of decrease in cash flow of loan portfolio. Objective evidence for impairment includes observable data indicating that there is a deteriorative ability of borrower to repay the loan or it is probable for the borrower to be default resulted from the changes in economic environment of the country and the region. The amount of impairment losses on loans and advances is the difference between present value of future cash flows and book value when assessed by particular way. When loans and advances are collectively evaluated for impairment, the estimate is based on historical loss experience for assets with credit risk characteristics similar to the loans and advances. Historical loss experience is adjusted on the basis of the relevant observable data that reflect current economic conditions. Management reviews the methodology and assumptions used in estimating future cash flows regularly to reduce any difference between loss estimates and actual loss experience.

## IV. 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)

#### ***Provision for inventory impairment***

The Group recognizes provision for inventory impairment according to net realizable value of the inventory. Provision for inventory impairment is required to be recognized when there is sign showing that the net realizable value is lower than cost. Recognition of net realizable value involves judgment and estimation. If the result of new estimation differs from current estimation, such difference will impact the book value of inventory for the corresponding period.

#### ***Useful life 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.

#### ***Impairment of fixed assets and construction in progress***

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 31 December 2015, the Group recognized deferred tax assets at RMB709,618,712.26 (as at 31 December 2014: RMB441,378,429.46) in the consolidated balance sheet. The realization of deferred tax assets is mainly determined by future actual earnings and actual tax rate of temporary difference in future utilization year. If the actual future earning is less than estimates, or the actual tax rate is lower than estimates, the recognized deferred income tax asset shall be reversed, and be recognized in the income statement in the year in which the reversal is incurred. If the actual earnings accrued in the future is more than estimates, or the actual tax rate is higher than estimates, such deferred tax asset shall be recognized in the consolidated income statement in the year in which they are incurred.

# Notes to the Financial Statements

For the year ended 31 December 2015

## IV. 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)

#### *Fees for after-sale services*

Generally, the Group provides one, two or multiple free maintenance services to its domestic customers and provides a warranty period to their domestic customers for a certain period since the date of purchase, during which period free repairs and maintenance services are provided. The Group makes provisions for after-sale services annually according to the sales volumes of vehicles and history of repairs and maintenances. As at 31 December 2015, provisions for after-sale services amounted to RMB1,027,836,691.62 (as at 31 December 2014: RMB549,701,518.61). If the actual fees for after-sale services are more or less than the estimates, profits and losses of the twelve months will be affected.

#### *Income taxes*

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



## V. TAXATION

## 1. Major tax types and tax rates

Tax type	Basis	Tax rate
Business tax	Turnover	3%.5%
Value-added tax	Sales/Purchase (Note 1)	3%.6%.11%.13%.17%
Consumption tax	Sales	3%.5%.9%.12%
Urban maintenance and construction tax	Value-added tax, consumption tax and business tax	5%.7%
Education surtax	Value-added tax, consumption tax and business tax	3%
Enterprise income tax	Taxable income (Note 1)	20%.25%.30%
Real estate tax	Original cost/rental income of the real estate	For self-occupied real estate of the Company, the tax is calculated at 70% of the original cost and a tax rate of 1.2%. For leased real estate, the tax is calculated at 12% of the rental income
Land use tax	Usable area of the land	Relevant tax rate

Note 1: Saved from the tax incentives set out in Note (V) 2, the applicable tax rates of the relevant companies of the Group for 2015 and 2014 are listed on the above table.

## 2. Tax incentives and approvals

## 2.1 Income tax incentives

## 2.1.1 Income tax incentive policy for recruitment of disabled

Pursuant to the Circular on Granting Tax Credit and Exemption relating to Enterprise Income Tax on the Recruitment of Disabled (關於安置殘疾人員就業有關企業所得稅優惠政策問題的通知) (Caishui [2009] No. 70) (the "Circular") issued by the Ministry of Finance and the State Administration of Taxation, Baoding Nuobo Rubber Manufacturing Company Limited ("Baoding Nuobo") (保定市諾博橡膠製品有限公司), Baoding Great Machinery Company Limited ("Baoding Great") (保定市格瑞機械有限公司), Baoding Yixin Automotive Parts Company Limited ("Baoding Yixin") (保定億新汽車配件有限公司), Baoding Xinyuan Automobile Inner Decoration Co.,Ltd ("Baoding Xinyuan") (保定信遠汽車內飾件有限公司), Baoding Great Wall Internal Combustion Engine Manufacturing Company Limited ("Great Wall Internal Combustion Engine") (保定長城內燃機製造有限公司) and Tianjin Boxin Automotive Parts Company Limited ("Tianjin Boxin") (天津博信汽車零部件有限公司) all of which are subsidiaries of the Company, satisfied all conditions as prescribed in the Circular for deduction of 100% of the wages paid to disabled staff from taxable income when determining income tax and passed the examination of relevant authorities, and they were entitled to deduct 100% of the actual wages paid to disabled staff from the taxable income when determining enterprise income taxes.

# Notes to the Financial Statements

For the year ended 31 December 2015

## V. TAXATION (continued)

### 2. Tax incentives and approvals (continued)

#### 2.1 Income tax incentives (continued)

##### 2.1.2 Income tax exemption for new and high-tech enterprise

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 22 July 2013, the Company was approved and recognised as a new and high-technology enterprise in 2013 with a term of three years, and the applicable tax rate of the Company from 2013 to 2015 was 15%.

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 11 November 2015, Nuobo Rubber Production Co. Ltd. (“Xushui Nuobo”) (諾博橡膠製品有限公司), which is one of subsidiaries of the Company was approved and recognised as new and high-technology enterprise with a term of three years, and the applicable tax rate from 2015 to 2017 was 15%.

##### 2.1.3 Income tax credit for small-scaled minimal profit enterprise

According to Pursuant to the Circular on Granting Tax Credit and Exemption relating to Enterprise Income Tax on the Small-Scaled Minimal Profit Enterprise (關於小型微利企業所得稅優惠政策有關問題的通知) (Caishui [2015] No.34) issued by the Ministry of Finance and the State Administration of Taxation, Beijing Great Wall Dong Sheng Business Consulting Company Limited (“Great Wall Dongsheng”) (北京長城東晟商務諮詢有限公司) and Baoding Lean Automotive Occupational Training School (“Lean School”) (保定市精益汽車職業培訓學校), which are subsidiaries of the Company, satisfied all conditions as prescribed of in the Circular above for Small-Scaled Minimal Profit Enterprise with annual taxable income less than RMB200,000 (include RMB200,000) in 2015, the taxable income is reduced to 50% of its total income, and the applicable enterprise income tax rate is 10%.

#### 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, Baoding Great and Baoding Yixin 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 year ended 31 December 2015

## VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. Cash and bank balances

	2015.12.31	2014.12.31
		<i>RMB</i>
<b>Cash:</b>		
RMB	<b>1,158,668.28</b>	1,001,148.28
USD	<b>86,458.84</b>	154,438.18
HKD	<b>11,780.36</b>	13,232.03
EUR	<b>59,064.13</b>	32,902.46
JPY	<b>56,467.46</b>	24,917.40
KRW	<b>39.18</b>	40.24
GBP	<b>20,638.32</b>	98,464.93
RUB	<b>313.16</b>	391.18
THB	<b>23.39</b>	24.53
AUD	<b>21,736.36</b>	45,216.61
SGD	<b>1,426.71</b>	1,438.28
<b>Bank deposits:</b>		
RMB	<b>2,296,099,541.51</b>	2,794,671,236.18
USD	<b>20,908,708.46</b>	196,522,890.95
HKD	<b>383,025.04</b>	4.87
EUR	<b>9,365,168.54</b>	72,616,033.12
JPY	<b>7,935,207.15</b>	0.05
RUB	<b>102,941,407.41</b>	866,827.35
GBP	<b>12.50</b>	4.68
AUD	<b>17,543,571.47</b>	15,463,077.39
CHF	—	19,636.07
ZAR	<b>1,771,729.18</b>	—
<b>Other cash and bank balances:</b>		
RMB	<b>1,181,126,545.28</b>	289,843,443.76
USD	<b>2,272,760.00</b>	7,497,821.68
EUR	—	15,386,823.14
<b>Total</b>	<b>3,641,764,292.73</b>	3,394,260,013.36
Include: overseas cash and bank deposits	<b>321,412,995.55</b>	188,498,363.55

# Notes to the Financial Statements

For the year ended 31 December 2015

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

### 1. Cash and bank balances (continued)

As at 31 December 2015, the Group had restricted cash and bank balances of RMB1,183,399,305.28, in which guarantee on bank acceptance bills amounted to RMB1,168,352,756.67, guarantee on letter of credit amounted to RMB5,008,596.50, required reserves RMB9,636,352.11, other guarantees amounted to RMB401,600.00.

As at 31 December 2014, the Group had restricted cash and bank balances of RMB312,728,088.58, in which guarantee on bank acceptance bills amounted to RMB188,581,950.96, guarantee on letter of credit amounted to RMB113,536,137.62, deposited investment fund RMB5,000,000.00, and other guarantees amounted to RMB5,610,000.00.

### 2. Financial assets at fair value through profit or loss

Category	<i>RMB</i>	
	2015.12.31	2014.12.31
Derivative financial assets		
— Forward exchange contracts	—	214,440.00
Total	—	214,440.00

### 3. Bills receivable

#### (1) Classification of bills receivable:

Category	<i>RMB</i>	
	2015.12.31	2014.12.31
Bank acceptance bills	<b>28,161,748,218.41</b>	23,352,366,377.86
Total	<b>28,161,748,218.41</b>	23,352,366,377.86

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

Category	<i>RMB</i>	
	2015.12.31	2014.12.31
Bank acceptance bills	<b>3,050,954,858.00</b>	3,805,371,907.60
Total	<b>3,050,954,858.00</b>	3,805,371,907.60

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

# Notes to the Financial Statements

For the year ended 31 December 2015

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

### 3. Bills receivable (continued)

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

Category	RMB	
	2015.12.31	2014.12.31
Bank acceptance bills	<b>14,158,523,236.04</b>	9,909,310,303.90
Total	<b>14,158,523,236.04</b>	9,909,310,303.90

As above, those bills which were endorsed and discounted but yet undue have been terminated.

### 4. Accounts receivable

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

Category	2015.12.31					2014.12.31				
	Carrying amount		Provision for bad debts			Carrying amount		Provision for bad debts		
	Amount	Ratio (%)	Amount	Provision ratio (%)	Book value	Amount	Ratio (%)	Amount	Provision ratio (%)	Book value
Individually significant and subject to separate provision	657,556,562.25	86.61	(81,557,001.35)	12.40	575,999,560.90	681,297,957.92	88.98	(26,133,575.13)	3.84	655,164,382.79
Accounts receivable with high risks based on the characteristics of credit risk as a group	101,356,396.44	13.35	(1,433,936.51)	1.41	99,922,459.93	82,321,497.69	10.75	(7,975,478.59)	9.69	74,346,019.10
Accounts receivable which are individually insignificant but subject to separate provision	262,425.24	0.04	(262,425.24)	100.00	—	2,054,226.92	0.27	(1,451,597.39)	70.66	602,629.53
Total	759,175,383.93	100.00	(83,253,363.10)	10.97	675,922,020.83	765,673,682.53	100.00	(35,560,651.11)	4.64	730,113,031.42

Accounts receivable which are individually significant and subject to separate provision:

Accounts receivable (by customers)	2015.12.31			Reason for provision
	Accounts receivable	Provision for bad debts	Provision ratio (%)	
Customer 1	324,557,870.15	(69,024,775.76)	21.27	Past due
Customer 2	27,126,435.08	(1,237,502.28)	4.56	Past due
Customer 3	23,469,906.95	(101,348.25)	0.43	Past due
Customer 4	15,861,034.75	(57,865.40)	0.36	Past due
Customer 5	7,673,105.95	(3,836,552.98)	50.00	Past due
Customer 6	7,483,845.50	(3,381,864.00)	45.19	Past due
Customer 7	6,785,837.53	(943,584.58)	13.91	Past due
Customer 8	5,603,287.60	(991,871.60)	17.70	Past due
Customer 9	4,192,895.00	(1,981,451.50)	47.26	Past due
Customer 10	3,182,695.21	(185.00)	0.01	Past due
Others	231,619,648.53	—	—	
Total	657,556,562.25	(81,557,001.35)	12.40	

# Notes to the Financial Statements

For the year ended 31 December 2015

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

### 4. Accounts receivable (continued)

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

RMB

Aging	2015.12.31				2014.12.31			
	Amount	Ratio (%)	Provision for bad debts	Book value	Amount	Ratio (%)	Provision for bad debts	Book value
Within 1 year	422,180,087.61	55.61	(12,991,085.06)	409,189,002.55	748,324,339.41	97.73	(26,864,962.21)	721,459,377.20
1 to 2 years	336,951,684.70	44.38	(70,262,278.04)	266,689,406.66	13,314,882.10	1.74	(4,797,027.88)	8,517,854.22
2 to 3 years	43,611.62	0.01	—	43,611.62	1,760,630.00	0.23	(1,740,630.00)	20,000.00
Over 3 years	—	—	—	—	2,273,831.02	0.30	(2,158,031.02)	115,800.00
Total	759,175,383.93	100.00	(83,253,363.10)	675,922,020.83	765,673,682.53	100.00	(35,560,651.11)	730,113,031.42

The analysis of aging of accounts receivable is based on the time of delivering goods or providing services.

#### (3) Provision for bad debts, written back or reversed bad debts during the reporting year

Provision for bad debts amounted to RMB68,001,133.81, written back or reversed bad debts amounted to RMB19,754,054.07.

Written back or reversal of bad debts with significant amount during the reporting year:

RMB

Customer	Amount of written back or reversed	Method of recovery	Reason for written back or reversal	Reason for recognise original provision of bad debts
Customer 1	3,265,661.67	Cash and other methods	The management of the Group exerted efforts on collecting account receivable in cash and other methods.	Past due



# Notes to the Financial Statements

For the year ended 31 December 2015

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

### 4. Accounts receivable (continued)

#### (4) Accounts receivable actually written off during the reporting year

Item	RMB Amounts of written off
Accounts receivable actually written off	554,367.75

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

Name of unit	Balance at end of the year	Percentage of total account receivable (%)	RMB Amount of provision of bad debts
Customer 1	324,557,870.15	42.75	(69,024,775.76)
Customer 2	45,800,833.39	6.03	—
Customer 3	42,551,705.41	5.61	—
Customer 4	27,126,435.08	3.57	(1,237,502.28)
Customer 5	23,469,906.95	3.09	(101,348.25)
Total	463,506,750.98	61.05	(70,363,626.29)

### 5. Prepayment

#### (1) Prepayment by aging:

Aging	2015.12.31		2014.12.31	
	Amount	Ratio (%)	Amount	Ratio (%)
Within 1 year	<b>821,830,923.38</b>	<b>93.31</b>	703,929,120.97	97.33
1 to 2 years	<b>55,515,958.43</b>	<b>6.30</b>	18,642,822.77	2.57
2 to 3 years	<b>3,366,612.22</b>	<b>0.39</b>	759,651.44	0.10
Over 3 years	<b>3,341.88</b>	—	920.00	—
Total	<b>880,716,835.91</b>	<b>100.00</b>	723,332,515.18	100.00

Description of aging of prepayment:

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

# Notes to the Financial Statements

For the year ended 31 December 2015

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

### 5. Prepayment (continued)

#### (2) Five units with largest amounts of prepayment

Name of unit	Amount	RMB
		Percentage of total prepayment (%)
Supplier1	121,488,806.82	13.79
Supplier2	116,293,011.12	13.20
Supplier3	75,869,989.58	8.61
Supplier4	68,832,513.85	7.83
Supplier5	53,288,354.70	6.05
Total	435,772,676.07	49.48

### 6. Interest receivable

Item	2015.12.31	RMB
		2014.12.31
Interest from loans and advances to customers	5,130,559.76	768,723.25
Interest from deposit in central bank and placements with other financial institutions	—	4,128,612.60
Total	5,130,559.76	4,897,335.85

### 7. Other receivables

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

Category	2015.12.31					2014.12.31				
	Carrying amount		Provision for bad debts			Carrying amount		Provision for bad debts		
	Amount	Ratio (%)	Amount	Provision ratio (%)	Book value	Amount	Ratio (%)	Amount	Provision ratio (%)	Book value
Individually significant and subject to separate provision	84,595,604.24	81.63	(1,744,140.00)	2.06	82,851,464.24	2,875,977,522.70	99.21	(1,744,140.00)	0.06	2,874,233,382.70
Other receivables with high risks based on the characteristics of credit risk as a group	18,997,772.59	18.33	—	—	18,997,772.59	21,983,743.23	0.76	(188,867.45)	0.86	21,794,875.78
Other receivables which are individually insignificant but subject to separate provision	40,552.14	0.04	(40,552.14)	100.00	—	759,533.70	0.03	—	—	759,533.70
Total	103,633,928.97	100.00	(1,784,692.14)	1.72	101,849,236.83	2,898,720,799.63	100.00	(1,933,007.45)	0.07	2,896,787,792.18

# Notes to the Financial Statements

For the year ended 31 December 2015

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

### 7. Other receivables (continued)

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

Other receivables which are individually significant and subject to separate provision:

RMB

Other receivables	2015.12.31			Reason for provision
	Amount	Provision for bad debts	Provision ratio (%)	
Unit 1	23,160,066.15	—	—	
Unit 2	21,500,000.00	—	—	
Unit 3	10,200,000.00	—	—	
Unit 4	8,591,334.95	—	—	
Unit 5	5,000,000.00	—	—	
Unit 6	1,744,140.00	(1,744,140.00)	100.00	Unrecoverable
Others	14,400,063.14	—	—	
<b>Total</b>	<b>84,595,604.24</b>	<b>(1,744,140.00)</b>	<b>2.06</b>	

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

RMB

Aging	2015.12.31				2014.12.31			
	Amount	Ratio (%)	Provision for bad debts	Book Value	Amount	Ratio (%)	Provision for bad debts	Book Value
Within 1 year	84,539,263.77	81.57	(40,552.14)	84,498,711.63	589,646,670.49	20.34	(1,744,140.00)	587,902,530.49
1 to 2 years	16,928,096.82	16.33	(1,744,140.00)	15,183,956.82	2,299,768,194.53	79.34	—	2,299,768,194.53
2 to 3 years	1,093,179.41	1.06	—	1,093,179.41	6,536,723.20	0.22	—	6,536,723.20
Over 3 years	1,073,388.97	1.04	—	1,073,388.97	2,769,211.41	0.10	(188,867.45)	2,580,343.96
<b>Total</b>	<b>103,633,928.97</b>	<b>100.00</b>	<b>(1,784,692.14)</b>	<b>101,849,236.83</b>	<b>2,898,720,799.63</b>	<b>100.00</b>	<b>(1,933,007.45)</b>	<b>2,896,787,792.18</b>

#### (3) Provision for bad debts, written back or reversed bad debts during the reporting year:

Provision for bad debts amounted to RMB59,432.14, written back or reversed bad debts amounted to RMB45,000.00.

#### (4) Other receivables actually written off during the reporting year

RMB

Item	Amount
Other receivables actually written off	162,747.45

# Notes to the Financial Statements

For the year ended 31 December 2015

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

### 7. Other receivables (continued)

#### (5) Other receivables were disclosed by nature as follows:

Nature	RMB	
	2015.12.31	2014.12.31
Petty cash	8,545,235.09	13,823,281.28
Deposits	33,404,931.15	2,702,443,697.05
Export rebates	23,160,066.15	19,104,276.99
Energy-saving subsidies	—	149,153,000.00
Others	38,523,696.58	14,196,544.31
Total	103,633,928.97	2,898,720,799.63

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

Name of unit	Relationship with the Group	Amount	Aging	Percentage of the total other receivables (%)	RMB
					Balance of provision for bad debt
Unit 1	Export rebate receivable	23,160,066.15	within 1 year	22.74	—
Unit 2	Receivable of Equity transfer	21,500,000.00	within 1 year	21.11	—
Unit 3	Performance Bond	10,200,000.00	within 2 years	10.01	—
Unit 4	Customs Deposit	8,591,334.95	within 1 year	8.44	—
Unit 5	Steel Deposit	5,000,000.00	within 1 year	4.91	—
Total		68,451,401.10		67.21	—

#### (7) At the end of reporting year, there were no other receivables which are related to government grant.

# Notes to the Financial Statements

For the year ended 31 December 2015

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

### 8. Inventory

#### (1) Inventory categories

Item	2015.12.31		
	Book balance	Provision for obsolete stocks	Book value
Raw materials	949,821,453.82	(3,614,222.82)	946,207,231.00
Work in progress	629,294,183.35	—	629,294,183.35
Finished goods	2,412,767,840.98	(11,510,775.52)	2,401,257,065.46
Low-valued consumables	143,186,748.51	(179,363.00)	143,007,385.51
Outsourced processing materials	40,044.29	—	40,044.29
<b>Total</b>	<b>4,135,110,270.95</b>	<b>(15,304,361.34)</b>	<b>4,119,805,909.61</b>

RMB

Item	2014.12.31		
	Book balance	Provision for obsolete stocks	Book value
Raw materials	1,031,447,542.90	(2,707,895.58)	1,028,739,647.32
Work in progress	530,241,333.32	(268,275.37)	529,973,057.95
Finished goods	1,833,988,126.35	(4,361,354.25)	1,829,626,772.10
Low-valued consumables	81,876,658.13	(210,573.96)	81,666,084.17
Outsourced processing materials	380,989.11	—	380,989.11
<b>Total</b>	<b>3,477,934,649.81</b>	<b>(7,548,099.16)</b>	<b>3,470,386,550.65</b>

RMB

#### (2) Provision for obsolete stocks

Inventory categories	2015.1.1	Provision for the year	Decrease for the year		2015.12.31
			Reversals	Write-offs	
Raw materials	2,707,895.58	1,952,914.74	(372,002.31)	(674,585.19)	3,614,222.82
Work in progress	268,275.37	—	—	(268,275.37)	—
Finished goods	4,361,354.25	20,318,236.81	(2,052,489.47)	(11,116,326.07)	11,510,775.52
Low-valued consumables	210,573.96	—	(2,535.98)	(28,674.98)	179,363.00
<b>Total</b>	<b>7,548,099.16</b>	<b>22,271,151.55</b>	<b>(2,427,027.76)</b>	<b>(12,087,861.61)</b>	<b>15,304,361.34</b>

RMB

# Notes to the Financial Statements

For the year ended 31 December 2015

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

### 8. Inventory (continued)

#### (3) Analysis of provision for obsolete stocks

Item	Basis of provision for obsolete stocks	Reason for reversal or write-off of provision for obsolete stocks during the year	Percentage of the reversal to the closing balance of such inventory during the year (%)
Raw materials	Note 1	Note 2	0.04
Work in progress	—	Note 2	—
Finished goods	Note 1	Note 2	0.09
Low-valued consumables	—	Note 2	—

Descriptions of inventories:

Note 1: As the estimated net realizable value of some whole vehicle products at the end of reporting year was lower than the inventory cost as at the end of year, provision for obsolete stocks had been made for raw materials and finished goods.

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

### 9. Non-current assets due within one year

Item	Note	2015.12.31	RMB 2014.12.31
Loans due within one year	(VI) 11	448,658,078.71	52,161,068.06
Long-term receivable due within one year	(VI) 13	575,036,877.60	—
Total		1,023,694,956.31	52,161,068.06

### 10. Other current assets

	2015.12.31	RMB 2014.12.31
Paint for vehicles	4,005,112.49	4,102,971.02
Taxes to be credited	641,801,457.20	651,725,709.71
Mould (Note 1)	63,613,858.69	16,916,432.90
Wealth management products	1,050,000,000.00	—
Others	10,152,142.44	8,480,509.38
Total	1,769,572,570.82	681,225,623.01

Note 1: The estimated usage is less than one year.



# Notes to the Financial Statements

For the year ended 31 December 2015

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

### 11. Loans and advances to customers

#### (1) Loans and advances to customers were disclosed as follow:

	2015.12.31	RMB 2014.12.31
Personal loans and advances	<b>1,025,774,602.15</b>	154,976,741.66
Of which: automotive consumption loans	<b>1,025,774,602.15</b>	154,976,741.66
Total amount of loans and advances to customers	<b>1,025,774,602.15</b>	154,976,741.66
Less: impairment loss of loans	<b>16,053,013.30</b>	2,307,593.14
Net amount of loans and advances to customers	<b>1,009,721,588.85</b>	152,669,148.52
Less: loans and advances to customers due within one year	<b>448,658,078.71</b>	52,161,068.06
Loans and advances to customers	<b>561,063,510.14</b>	100,508,080.46

Note: Loans and advances are mortgage for collateral.

#### (2) Impairment of loans for provision, recovery or reversal during the year

Impairment of loans for provision amounted to RMB13,882,256.65; impairment of loans for recovery or reversal amounted to RMB136,836.49 during the year.

### 12. Available-for-sale financial assets

#### (1) Available-for-sale financial assets

Item	2015.12.31			2014.12.31		
	Carrying amount	Impairment	Book value	Carrying amount	Impairment	Book value
Available-for-sale equity instrument measured at cost	<b>7,200,000.00</b>	—	<b>7,200,000.00</b>	7,200,000.00	—	7,200,000.00
Total	<b>7,200,000.00</b>	—	<b>7,200,000.00</b>	7,200,000.00	—	7,200,000.00

#### (2) Available-for-sale equity instrument measured at cost at the end of reporting year

Investee	Book value				Impairment				Holding proportion in investee (%)	Cash dividend for this year
	2015.1.1	Increase	Decrease	2015.12.31	2015.1.1	Increase	Decrease	2015.12.31		
China Automobile Development United Investment Co. Ltd.	4,200,000.00	—	—	<b>4,200,000.00</b>	—	—	—	—	2.07	—
China Automobile (Beijing) Automobile Lightweight Technology Research Institute Company Limited	3,000,000.00	—	—	<b>3,000,000.00</b>	—	—	—	—	6.90	—
Total	7,200,000.00	—	—	<b>7,200,000.00</b>	—	—	—	—	—	—

The above investees are non-listed companies, and fair value of investment cannot be reliably measured.

# Notes to the Financial Statements

For the year ended 31 December 2015

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

### 13. Long-term receivables

RMB

Items	2015.12.31			2014.12.31			Range of discount rate
	Carrying amount	Impairment losses	Book value	Carrying amount	Impairment losses	Book value	
Performance bond	2,188,866,229.08	—	2,188,866,229.08	—	—	—	4.00%
Decrease: Long term receivables due within one year	575,036,877.60	—	575,036,877.60	—	—	—	—
Total	1,613,829,351.48	—	1,613,829,351.48	—	—	—	—

### 14. Long-term equity investment

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

RMB

Investee	2015.1.1	Increase	Decrease	Movement in this year				Impairment	others	2015.12.31	Impairment at the end of the year
				Gain or loss recognised under equity method	Adjustment other comprehensive income	Changes in other equity	Declared cash dividend or profit				
Joint-venture											
Baoding Jiehua Automobile Components and Accessories Company Limited ("Baoding Jiehua")(NOTE)	17,373,898.61	—	(17,403,061.79)	29,163.18	—	—	—	—	—	—	—
Baoding Yanfeng Johnson Controls Automobile Seating Co., Ltd. ("Yanfeng Johnson")	48,616,346.26	—	—	7,806,656.42	—	—	(38,416,062.94)	—	—	18,006,939.74	—
Sub-total	65,990,244.87	—	(17,403,061.79)	7,835,819.60	—	—	(38,416,062.94)	—	—	18,006,939.74	—
Associate											
Baoding Fuyao glass Co. Ltd.	—	10,002,000.00	(10,002,000.00)	—	—	—	—	—	—	—	—
Sub-total	—	10,002,000.00	(10,002,000.00)	—	—	—	—	—	—	—	—
Total	65,990,244.87	10,002,000.00	(27,405,061.79)	7,835,819.60	—	—	(38,416,062.94)	—	—	18,006,939.74	—

All of the above investees are non-listed companies.

Note: Baoding Jiehua is a jointly controlled entity by the Company, the Company holds 50% shares of Baoding Jiehua prior June 2015. In June 2015, the Company acquired 50% shares of Baoding Jiehua from Shanghai Jiehua Automotive Trim Development Co., Ltd. at consideration of RMB23,408,700. Upon completion of consideration transfer, the Company directly holds 100% shares of Baoding Jiehua. Baoding Jiehua changed from jointly controlled entity to a subsidiary within consolidated scope of the Company. For details, refer to Notes (VII) 1, (1).

**(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 year ended 31 December 2015

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

### 15. Investment properties

The investment properties measured at cost:

	<i>RMB</i>		
Item	Buildings and Properties	Land	Total
1. Original book value			
2015.1.1	6,973,669.66	—	6,973,669.66
Additions for the year	11,239,135.43	4,320,721.11	15,559,856.54
(1) Additions from business combination	11,239,135.43	4,320,721.11	15,559,856.54
Deductions for the year	—	—	—
2015.12.31	<b>18,212,805.09</b>	<b>4,320,721.11</b>	<b>22,533,526.20</b>
2. Accumulated amortization and depreciation			
2015.1.1	(629,007.25)	—	(629,007.25)
Additions for the year	(408,989.55)	(21,201.25)	(430,190.80)
(1) Provision or amortization	(408,989.55)	(21,201.25)	(430,190.80)
Deductions for the year	—	—	—
2015.12.31	<b>(1,037,996.80)</b>	<b>(21,201.25)</b>	<b>(1,059,198.05)</b>
3. Book value			
2015.12.31	<b>17,174,808.29</b>	<b>4,299,519.86</b>	<b>21,474,328.15</b>
2015.1.1	6,344,662.41	—	6,344,662.41

# Notes to the Financial Statements

For the year ended 31 December 2015

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

### 16. Fixed assets

#### Fixed assets

Item	RMB				
	Properties	Equipment	Transports	Others	Total
I. Original book value					
2015.1.1	8,143,063,729.85	11,704,928,390.89	271,788,727.52	2,996,614,742.99	23,116,395,591.25
Additions for the year	1,498,621,533.30	1,741,738,924.14	163,054,332.63	555,317,996.48	3,958,732,786.55
1. Purchase	143,473,313.00	229,679,058.23	28,893,464.41	122,702,119.15	524,747,954.79
2. Transfer from construction in progress	1,336,453,026.92	1,512,059,865.91	21,307,697.55	432,615,877.33	3,302,436,467.71
3. Transfer from inventory	—	—	112,853,170.67	—	112,853,170.67
4. Addition from business combination	18,695,193.38	—	—	—	18,695,193.38
Deductions for the year	(99,840,463.60)	(116,635,869.69)	(21,762,953.81)	(57,024,636.77)	(295,263,923.87)
1. Disposal and scrap	(964,998.90)	(57,850,959.22)	(21,261,194.48)	(53,775,243.34)	(133,852,395.94)
2. Decrease from disposal of subsidiary	(98,538,464.70)	(57,324,821.19)	(380,782.41)	(937,043.05)	(157,181,111.35)
3. Transfer to construction in progress	—	(540,754.58)	—	(825,382.26)	(1,366,136.84)
4. Others	(337,000.00)	(919,334.70)	(120,976.92)	(1,486,968.12)	(2,864,279.74)
2015.12.31	<b>9,541,844,799.55</b>	<b>13,330,031,445.34</b>	<b>413,080,106.34</b>	<b>3,494,908,102.70</b>	<b>26,779,864,453.93</b>
II. Total accumulated depreciation					
2015.1.1	869,614,579.05	3,397,748,531.56	114,514,815.32	1,374,100,551.99	5,755,978,477.92
Additions for the year	285,650,815.54	1,115,871,756.97	50,407,164.48	446,321,997.70	1,898,251,734.69
1. Provision for this year	285,650,815.54	1,115,871,756.97	50,407,164.48	446,321,997.70	1,898,251,734.69
Deductions for the year	(5,625,412.63)	(50,785,657.03)	(17,468,057.39)	(36,951,956.99)	(110,831,084.04)
1. Disposal and scrap	(512,319.19)	(42,848,075.56)	(17,320,864.80)	(35,496,117.55)	(96,177,377.10)
2. Decrease from disposal of subsidiary	(5,112,922.95)	(7,184,668.11)	(86,343.20)	(278,967.10)	(12,662,901.36)
3. Transfer to construction in progress	—	(298,894.46)	—	(424,496.32)	(723,390.78)
4. Others	(170.49)	(454,018.90)	(60,849.39)	(752,376.02)	(1,267,414.80)
2015.12.31	<b>1,149,639,981.96</b>	<b>4,462,834,631.50</b>	<b>147,453,922.41</b>	<b>1,783,470,592.70</b>	<b>7,543,399,128.57</b>
III. Provision for impairment					
2015.1.1	136,268.33	47,515,780.45	—	39,378,330.11	87,030,378.89
Additions for the year	—	—	—	—	—
Deductions for the year	—	(2,823,898.33)	—	(4,174,211.98)	(6,998,110.31)
1. Disposal and scrap	—	(2,823,898.33)	—	(4,174,211.98)	(6,998,110.31)
2015.12.31	<b>136,268.33</b>	<b>44,691,882.12</b>	<b>—</b>	<b>35,204,118.13</b>	<b>80,032,268.58</b>
VI. Book value					
2015.12.31	<b>8,392,068,549.26</b>	<b>8,822,504,931.72</b>	<b>265,626,183.93</b>	<b>1,676,233,391.87</b>	<b>19,156,433,056.78</b>
2015.1.1	7,273,312,882.47	8,259,664,078.88	157,273,912.20	1,583,135,860.89	17,273,386,734.44

As at 31 December 2015, among the fixed assets, the net book value of properties without title certificates amounted to RMB1,942,730,939.00, (As at 31 December 2014: RMB4,357,424,590.96) and the application of relevant title certificates is in progress.

# Notes to the Financial Statements

For the year ended 31 December 2015

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

### 17. Construction in progress

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

Project	2015.12.31			2014.12.31		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Annual production of 400,000 sets of axles and brakes	1,234,403.71	—	1,234,403.71	13,068,494.34	—	13,068,494.34
Annual production of 400,000 sets of interior and exterior decorations	994,691.22	—	994,691.22	2,965,930.53	—	2,965,930.53
Annual production of 300,000 sets of EG engines	—	—	—	3,323,198.53	—	3,323,198.53
Annual production of 400,000 sets of aluminium alloy casting	2,000,568.77	—	2,000,568.77	14,589,190.19	—	14,589,190.19
Annual production of 400,000 sets of automotive lightings	—	—	—	940,170.94	—	940,170.94
Tianjin Automobile project	45,684,661.20	—	45,684,661.20	158,070,063.06	—	158,070,063.06
Tianjin parts and components project	143,978,004.11	—	143,978,004.11	178,657,886.53	—	178,657,886.53
Tianjin branch's residential area supporting project	—	—	—	8,836,314.52	—	8,836,314.52
Industrial park phase I II III						
Reconstruction and expansion	258,227,920.78	(11,013,179.46)	247,214,741.32	270,334,425.82	(11,013,179.46)	259,321,246.36
Xindatong Reconstruction	6,201,363.92	—	6,201,363.92	913,108.97	—	913,108.97
Jiaozhuang infrastructure	847,696.00	—	847,696.00	546,016.00	—	546,016.00
Jiaozhuang equipment	59,216,915.95	—	59,216,915.95	108,414,998.56	—	108,414,998.56
New technology centre	381,748,924.54	—	381,748,924.54	1,317,596,809.79	—	1,317,596,809.79
Xushui Automobile Project	3,737,652,655.74	—	3,737,652,655.74	2,222,241,438.49	—	2,222,241,438.49
Xushui parts and components project	1,302,227,493.61	—	1,302,227,493.61	624,243,787.77	—	624,243,787.77
Xushui supporting infrastructure project	133,248,777.99	—	133,248,777.99	83,794,848.03	—	83,794,848.03
Russia 80,000 sets of automobile and residential area supporting project	40,784,780.44	—	40,784,780.44	—	—	—
Part and Components Department Reconstruction project	137,503,239.01	—	137,503,239.01	276,965,007.46	(144,620.00)	276,820,387.46
<b>Total</b>	<b>6,251,552,096.99</b>	<b>(11,013,179.46)</b>	<b>6,240,538,917.53</b>	<b>5,285,501,689.53</b>	<b>(11,157,799.46)</b>	<b>5,274,343,890.07</b>

RMB

# Notes to the Financial Statements

For the year ended 31 December 2015

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

### 17. Construction in progress (continued)

#### (2) Changes in major construction in progress

Project	Budget amount	2015.1.1	Additions for the year	Transfer to fixed assets	Other deductions	Investment to budget (%)	Accumulated capitalized interest amount	Of which: capitalized interest amount for the year	Ratio of capitalized interest amount for the year (%)	Sources of fund	RMB
											2015.12.31
Annual production of 400,000 sets of axles and brakes	588,593,900.00	13,068,494.34	5,691,687.42	(17,297,521.76)	(228,256.29)	98.26	—	—	—	Raising and Own funds	1,234,403.71
Annual production of 400,000 sets of interior and exterior decorations	575,893,500.00	2,965,930.53	371,632.47	—	(2,342,871.78)	100.00	—	—	—	Raising and Own funds	994,691.22
Annual production of 300,000 sets of EG engines	547,163,800.00	3,323,198.53	2,055,403.00	(1,999,332.64)	(3,379,268.89)	100.00	—	—	—	Raising and Own funds	—
Annual production of 400,000 sets of aluminium alloy casting	303,376,600.00	14,589,190.19	—	(12,268,108.60)	(320,512.82)	100.00	—	—	—	Raising funds	2,000,568.77
Annual production of 400,000 sets of automotive lightings	180,677,200.00	940,170.94	—	(940,170.94)	—	100.00	—	—	—	Raising and Own funds	—
Tianjin Automobile project	4,916,407,056.00	158,070,063.06	106,909,096.01	(217,674,329.02)	(1,620,168.85)	98.34	—	—	—	Own funds	45,684,661.20
Tianjin parts and components project	2,260,947,166.32	178,657,886.53	139,848,505.42	(174,184,218.59)	(344,169.25)	74.87	—	—	—	Own funds	143,978,004.11
Tianjin branch's residential area supporting project	524,125,700.00	8,836,314.52	5,395,878.69	(14,232,193.21)	—	92.68	—	—	—	Own funds	—
Industrial park phase I III Reconstruction and expansion	1,047,925,723.00	270,334,425.82	296,120,041.56	(279,278,940.39)	(28,947,606.21)	78.86	—	—	—	Own funds	258,227,920.78
Xindatong Reconstruction	8,786,603.00	913,108.97	5,985,341.07	(634,015.36)	(63,070.76)	100.00	—	—	—	Own funds	6,201,363.92
Jiaozhuang infrastructure	254,193,000.00	546,016.00	1,203,077.06	(886,997.06)	(14,400.00)	80.55	—	—	—	Own funds	847,696.00
Jiaozhuang equipment	1,384,811,857.00	108,414,998.56	116,955,004.93	(155,393,680.85)	(10,759,406.69)	100.00	—	—	—	Own funds	59,216,915.95
New technology center	1,976,539,000.00	1,317,596,809.79	232,385,063.62	(1,167,989,958.05)	(242,990.82)	78.96	—	—	—	Own funds	381,748,924.54
Xushui Automobile Project	10,541,374,775.00	2,222,241,438.49	1,853,850,498.13	(328,862,076.45)	(9,577,204.43)	65.29	—	—	—	Own funds	3,737,652,655.74
Xushui parts and components project	9,296,520,507.60	624,243,787.77	1,334,813,996.01	(651,912,060.30)	(4,918,229.87)	45.05	—	—	—	Own funds	1,302,227,493.61
Xushui supporting infrastructure project	806,681,120.00	83,794,848.03	66,910,744.03	(9,425,625.73)	(8,031,188.34)	36.00	—	—	—	Own funds	133,248,777.99
Russia 80,000 sets of automobile and residential area supporting project	2,442,256,660.00	—	40,784,780.44	—	—	1.67	—	—	—	Own funds	40,784,780.44
Part and Components Department Reconstruction project	887,556,333.24	276,965,007.46	144,960,752.37	(269,457,238.76)	(14,965,282.06)	74.40	—	—	—	Own funds	137,503,239.01
<b>Total</b>	<b>38,543,830,501.16</b>	<b>5,285,501,689.53</b>	<b>4,354,241,502.23</b>	<b>(3,302,436,467.71)</b>	<b>(85,754,627.06)</b>		<b>—</b>	<b>—</b>	<b>—</b>		<b>6,251,552,096.99</b>

Note: During the year, the book value of construction in progress decreased by RMB14,062,969.34 due to transfer into intangible assets.



# Notes to the Financial Statements

For the year ended 31 December 2015

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

### 18. Intangible assets

#### Intangible assets

Item	RMB		
	Land use rights	Software and others	Total
I. Original book value			
2015.1.1	2,969,660,054.19	129,126,156.32	3,098,786,210.51
Additions for the year	437,876,064.15	23,159,866.52	461,035,930.67
1. Purchase	428,565,502.77	9,096,897.18	437,662,399.95
2. Transfer in from construction in progress	—	14,062,969.34	14,062,969.34
3. Addition from business combination	9,310,561.38	—	9,310,561.38
Deductions for the year	(69,600,075.82)	(89,059.82)	(69,689,135.64)
1. Transfer out from disposal of subsidiary	(55,113,788.00)	(89,059.82)	(55,202,847.82)
2. Disposal	(14,486,287.82)	—	(14,486,287.82)
2015.12.31	<b>3,337,936,042.52</b>	<b>152,196,963.02</b>	<b>3,490,133,005.54</b>
II. Total accumulated amortization			
2015.1.1	233,851,629.90	52,423,961.26	286,275,591.16
Additions for the year	57,948,715.94	13,079,146.01	71,027,861.95
1. Amortization	57,948,715.94	13,079,146.01	71,027,861.95
Deductions for the year	(2,944,839.47)	(7,250.76)	(2,952,090.23)
1. Transfer out from disposal of subsidiary	(2,345,247.14)	(7,250.76)	(2,352,497.90)
2. Disposal	(599,592.33)	—	(599,592.33)
2015.12.31	<b>288,855,506.37</b>	<b>65,495,856.51</b>	<b>354,351,362.88</b>
III. Book value			
2015.12.31	<b>3,049,080,536.15</b>	<b>86,701,106.51</b>	<b>3,135,781,642.66</b>
2015.1.1	2,735,808,424.29	76,702,195.06	2,812,510,619.35

As at 31 December 2015, among the intangible assets, the net book value of land use rights without land use right certificates amounted to RMB36,257,504.17 (As at 31 December 2014: RMB379,528,335.25), and the application of relevant land use right certificates is in progress.

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

Item	RMB	
	2015.12.31	2014.12.31
Located in mainland China — 10 to 50 years	<b>3,049,080,536.15</b>	2,735,808,424.29

# Notes to the Financial Statements

For the year ended 31 December 2015

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

### 19. Goodwill

Name of investee or matters generating goodwill	2015.1.1	Additions for the year	Deductions for the year	RMB	
				2015.12.31	Impairment provision as at the end of the year
Baoding Changfu Pressings Co., Ltd. (保定長福衝壓件有限公司)	2,163,713.00	—	—	<b>2,163,713.00</b>	—

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 evaluated the recoverable amount and expected that no impairment provision will be required for goodwill during the reporting year.

### 20. Deferred tax assets and deferred tax liabilities

#### (1) Deferred tax assets before offsetting

Item	2015.12.31		2014.12.31	
	Deductible temporary difference	Deferred tax assets	Deductible temporary difference	Deferred tax assets
Provision for bad debts	<b>85,038,055.24</b>	<b>14,534,946.80</b>	37,493,658.56	6,484,105.26
Provision losses for loans	<b>5,795,267.28</b>	<b>1,448,816.82</b>	769,197.71	192,299.43
Impairment of inventories	<b>15,304,361.33</b>	<b>2,756,277.71</b>	7,548,099.16	1,376,788.56
Impairment of fixed assets	<b>80,032,268.58</b>	<b>12,476,510.60</b>	87,030,378.89	13,873,396.84
Impairment of construction in progress	<b>11,013,179.46</b>	<b>1,651,976.92</b>	11,157,799.46	1,688,131.92
Accrued expenses which are deductible upon payment Taxable upon receipt	<b>962,411,223.68</b>	<b>222,096,872.43</b>	490,019,459.53	107,041,384.74
of advance payment	<b>934,288,140.10</b>	<b>174,482,526.37</b>	218,549,971.68	53,783,988.64
Deductible loss	<b>41,984,781.71</b>	<b>11,727,555.58</b>	59,634,690.98	14,908,672.75
Deferred income	<b>1,004,757,560.59</b>	<b>175,271,734.20</b>	966,646,432.78	173,639,382.02
Unrealized profit through internal transactions in consolidated financial statement	<b>362,930,384.25</b>	<b>86,313,133.50</b>	299,265,820.12	67,647,554.65
Others	<b>156,469,809.30</b>	<b>26,557,778.48</b>	28,578,770.46	8,143,245.57
Total	<b>3,660,025,031.52</b>	<b>729,318,129.41</b>	2,206,694,279.33	448,778,950.38

# Notes to the Financial Statements

For the year ended 31 December 2015

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

### 20. Deferred tax assets and deferred tax liabilities (continued)

#### (2) Deferred tax liabilities before offsetting

Item	2015.12.31		2014.12.31	
	Taxable temporary difference	Deferred tax liabilities	Taxable temporary difference	Deferred tax liabilities
Difference between the book value of accumulated depreciation and tax base	(125,375,722.31)	(19,519,397.96)	(40,986,831.09)	(6,148,024.66)
Held for trading financial assets	—	—	(214,440.00)	(32,166.00)
Temporary difference of interests receivable	(5,097,184.29)	(1,274,296.07)	(4,881,321.03)	(1,220,330.26)
Total	(130,472,906.60)	(20,793,694.03)	(46,082,592.12)	(7,400,520.92)

RMB

#### (3) Deferred tax assets and deferred tax liabilities disclosed as net amount after offsetting

Item	2015.12.31		2014.12.31	
	Amount of deferred tax assets and liabilities after netting	Deferred tax assets and liabilities after offsetting	Amount of deferred tax assets and liabilities after netting	Deferred tax assets and liabilities after offsetting
Deferred tax assets	(19,699,417.15)	709,618,712.26	(7,400,520.92)	441,378,429.46
Deferred tax liabilities	19,699,417.15	(1,094,276.88)	7,400,520.92	—

RMB

### 21. Short term borrowing and long-term borrowing

Item	2015.12.31	2014.12.31
	Short-term Borrowing	
Guaranteed Loan	300,000,000.00	—
Long-term Borrowing		
Guaranteed Loan	50,000,000.00	—

RMB

Note: At the end of reporting year, the balance of guaranteed loan was the borrowing of Tianjin Great Wall Binyin Automotive Finance Company, Limited ("Automotive Finance") (天津長城濱銀汽車金融有限公司), which was guaranteed by the Company. Annual interest rate of long-term borrowing is 5.94% to 6.25%.

Overview of long-term borrowings due of the Group:

Bank loan repayment requirements	2015.12.31	2014.12.31
	Within 1 year	200,000.00
1–2 years	200,000.00	—
2–5 years	49,600,000.00	—
Total	50,000,000.00	—

RMB

# Notes to the Financial Statements

For the year ended 31 December 2015

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

### 22. Bills payable

Category	RMB	
	2015.12.31	2014.12.31
Bank acceptance bills	5,480,528,560.69	4,138,158,178.41
Total	5,480,528,560.69	4,138,158,178.41

### 23. Accounts payable

#### (1) Accounts payable

Item	RMB	
	2015.12.31	2014.12.31
Within 1 year	15,571,825,918.48	14,038,702,703.11
1 to 2 years	15,198,746.67	35,714,726.38
2 to 3 years	11,002,961.40	15,552,947.66
Over 3 years	5,225,934.60	3,181,554.51
Total	15,603,253,561.15	14,093,151,931.66

The analysis of aging of accounts payable is based on the time of purchasing materials, goods or receiving services.

(2) *There was no accounts payable aged over one year with significant amount during the year.*

### 24. Advance from customers

#### (1) Advance from customers

Item	RMB	
	2015.12.31	2014.12.31
Within 1 year	4,917,525,012.83	3,156,766,946.54
1 to 2 years	16,225,788.52	14,838,191.02
2 to 3 years	3,016,584.83	6,253,183.17
Over 3 years	1,077,879.26	2,187,018.01
Total	4,937,845,265.44	3,180,045,338.74

(2) *Advance from customers aged over 1 year with significant amount:*

Item	2015.12.31	RMB
		Reason for outstanding
Supplier 1	4,653,520.83	Outstanding terms have not been reached
Total	4,653,520.83	

# Notes to the Financial Statements

For the year ended 31 December 2015

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

### 25. Salaries payable

#### (1) Salaries payable disclosed as follow:

Item				RMB
	2015.1.1	Increase	Decrease	2015.12.31
1. Short-term salaries payable	1,326,507,578.78	5,789,362,922.17	(5,581,540,838.81)	<b>1,534,329,662.14</b>
2. Post-employee benefits- defined contribution plan	93,870.41	398,784,262.78	(398,609,071.56)	<b>269,061.63</b>
Total	1,326,601,449.19	6,188,147,184.95	(5,980,149,910.37)	<b>1,534,598,723.77</b>

#### (2) Short-term salaries payable disclosed as follow:

Item				RMB
	2015.1.1	Increase	Decrease	2015.12.31
1. Salaries, bonuses, allowances and subsidies	1,054,267,106.30	4,886,786,553.17	(4,638,695,257.10)	<b>1,302,358,402.37</b>
2. Staff welfare	168,398,076.26	441,202,276.18	(430,737,362.95)	<b>178,862,989.49</b>
3. Staff bonuses and welfare fund (Note VI, 34(4))	68,734,853.68	—	(64,898,707.34)	<b>3,836,146.34</b>
4. Social insurance premiums	24,647.21	186,130,843.30	(186,147,864.25)	<b>7,626.26</b>
Of which: Medical insurance	(151.67)	157,287,905.27	(157,283,884.85)	<b>3,868.75</b>
Work-related injury insurance	23,008.36	16,957,339.76	(16,978,688.58)	<b>1,659.54</b>
Maternity insurance	1,790.52	11,885,598.27	(11,885,290.82)	<b>2,097.97</b>
5. Housing provident funds	909.91	100,665,512.75	(100,659,561.66)	<b>6,861.00</b>
6. Labour union expenditures	28,672,927.50	62,064,715.93	(53,157,100.31)	<b>37,580,543.12</b>
7. Employees' education expenses	3,172,587.56	4,779,028.09	(4,696,554.06)	<b>3,255,061.59</b>
8. Service charge	3,236,470.36	107,733,992.75	(102,548,431.14)	<b>8,422,031.97</b>
Total	1,326,507,578.78	5,789,362,922.17	(5,581,540,838.81)	<b>1,534,329,662.14</b>

#### (3) Defined contribution plan

Item				RMB
	2015.1.1	Increase	Decrease	2015.12.31
1. Basic retirement insurance	89,330.10	375,494,285.34	(375,318,139.29)	<b>265,476.15</b>
2. Unemployment insurance	4,540.31	23,289,977.44	(23,290,932.27)	<b>3,585.48</b>
Total	93,870.41	398,784,262.78	(398,609,071.56)	<b>269,061.63</b>

Employees of the Group are required to join a pension plan operated by the local government. Under such plan, the Group is required to make contribution at a fixed percentage of the salaries of its employees. The obligation of Group to such pension plan is limited to the fixed contribution to the plan.

# Notes to the Financial Statements

For the year ended 31 December 2015

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

### 26. Taxes payable

Item	RMB	
	2015.12.31	2014.12.31
Value added tax	<b>269,631,255.96</b>	195,179,938.46
Consumption tax	<b>224,833,298.21</b>	210,168,355.96
Business tax	<b>722,972.11</b>	356,031.14
Enterprise income tax	<b>393,204,088.93</b>	395,943,084.57
Individual income tax	<b>14,090,802.52</b>	7,371,534.92
Urban maintenance and construction tax	<b>35,796,162.27</b>	33,881,832.63
Education surcharges	<b>26,741,369.20</b>	24,736,811.69
Duty stamp	<b>9,328,544.69</b>	8,931,011.70
Real estate tax	<b>525,175.70</b>	748,424.65
Others	<b>4,373,808.80</b>	2,779,358.68
Total	<b>979,247,478.39</b>	880,096,384.40

### 27. Other payables

#### (1) Other payables disclosed by nature as follow:

Item	RMB	
	2015.12.31	2014.12.31
Project payment	<b>425,410,878.28</b>	461,132,083.19
Equipment payment	<b>672,099,968.84</b>	844,039,533.67
Deposit	<b>454,258,567.36</b>	396,403,624.84
Others	<b>113,664,654.63</b>	76,724,202.75
Total	<b>1,665,434,069.11</b>	1,778,299,444.45

#### (2) The breakdown of other payables was as follows:

Item	RMB	
	2015.12.31	2014.12.31
Within 1 year	<b>1,289,090,977.11</b>	1,457,769,455.57
1 to 2 years	<b>259,220,556.64</b>	235,959,474.70
2 to 3 years	<b>72,181,645.42</b>	33,271,937.38
Over 3 years	<b>44,940,889.94</b>	51,298,576.80
Total	<b>1,665,434,069.11</b>	1,778,299,444.45



# Notes to the Financial Statements

For the year ended 31 December 2015

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

### 27. Other payables (continued)

#### (3) Descriptions of other significant payables aged over one year

Item	2015.12.31	RMB
		Reason for outstanding
Unit1	<b>17,286,934.98</b>	Payment terms have not been reached
Unit2	<b>11,268,000.00</b>	Payment terms have not been reached
Unit3	<b>10,879,335.00</b>	Payment terms have not been reached
Unit4	<b>8,567,709.26</b>	Payment terms have not been reached
Unit5	<b>8,287,147.14</b>	Payment terms have not been reached
Total	<b>56,289,126.38</b>	

### 28. Non-current liabilities due within one year

Item	Note	RMB	
		2015.12.31	2014.12.31
Non-current liabilities due within one year	(VI)30	<b>83,299,009.08</b>	75,657,544.16

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

### 29. Other current liabilities

Item	RMB	
	2015.12.31	2014.12.31
Accrued after-sale service expenses	<b>1,027,836,691.62</b>	549,701,518.61
Accrued advertising and media service expenses	<b>6,197,953.68</b>	1,914,254.01
Accrued transportation costs	<b>12,437,764.49</b>	19,151,644.52
Accrued technology development expenditure	<b>38,727,944.33</b>	13,326,188.47
Accrued utilities fees	<b>17,214,176.45</b>	11,189,411.71
Accrued port charges	<b>1,727,710.26</b>	2,530,147.72
Others	<b>91,699,797.24</b>	74,716,896.75
Total	<b>1,195,842,038.07</b>	672,530,061.79

# Notes to the Financial Statements

For the year ended 31 December 2015

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

### 30. Deferred income

The closing balances of deferred income are all related to government grants.

Type	2015.1.1	Additions for the year	Credited to Non-operating income for the year	Other movements (Note 25)	RMB	
					2015.12.31	related to an asset/ related to income
Infrastructure supporting fund (Note 1)	780,781,511.07	—	(24,438,502.03)	(20,107,181.71)	<b>736,235,827.33</b>	related to an asset
Government industrial policy supporting fund (Note 2)	368,988,894.98	—	(21,347,796.43)	—	<b>347,641,098.55</b>	related to an asset
Soft soil foundation subsidy (Note 3)	275,360,492.22	—	(6,114,973.96)	—	<b>269,245,518.26</b>	related to an asset
Hybrid power SUV development project (Note 4)	98,000,000.00	—	—	—	<b>98,000,000.00</b>	related to income
New technical centre infrastructure construction project (Note 5)	91,237,468.57	—	(298,228.88)	—	<b>90,939,239.69</b>	related to an asset
Tax refund for purchasing domestic manufactured equipment (Note 6)	49,589,206.03	—	(12,948,724.38)	—	<b>36,640,481.65</b>	related to an asset
Urban construction fund (Note 7)	55,463,050.29	—	(2,319,828.34)	—	<b>53,143,221.95</b>	related to an asset
Connected car project (Note 8)	12,000,000.00	—	(23,760.00)	—	<b>11,976,240.00</b>	related to income
Subsidies for material technological innovation projects (Note 9)	6,516,666.49	—	(1,150,000.04)	—	<b>5,366,666.45</b>	related to an asset
Development fund for SMEs (Note 10)	4,998,534.16	—	(295,479.84)	—	<b>4,703,054.32</b>	related to an asset
Diesel engine development project fund (Note 11)	700,000.00	—	(100,000.00)	—	<b>600,000.00</b>	related to an asset
New Plug-in Hybrid Power SUV (Note 12)	—	500,000.00	(500,000.00)	—	—	related to income
Engine construction project (Note 13)	12,000,000.00	—	—	—	<b>12,000,000.00</b>	related to an asset
The core technology of domestic automotive electronic chip (Note 14)	470,700.00	648,000.00	(1,118,700.00)	—	—	related to income
Subsidies for innovation demonstration enterprise (Note 15)	100,000.00	—	(100,000.00)	—	—	related to income
High grade CNC technology project (Note 16)	560,000.00	270,000.00	(439,872.70)	—	<b>390,127.30</b>	related to income
Fund for technology based SMEs (Note 17)	1,000,000.00	—	(1,000,000.00)	—	—	related to income
Development of Strategic Emerging Industry (Note 18)	—	2,000,000.00	—	—	<b>2,000,000.00</b>	related to an asset
Special funds to spreading and demonstrating the innovative methods from Hebei Province (Note 19)	—	150,000.00	(150,000.00)	—	—	related to income
Scientific and Technological Innovation (Note 20)	—	500,000.00	(361,100.00)	—	<b>138,900.00</b>	related to income
Innovation Platform Construction Project (Note 21)	—	400,000.00	—	—	<b>400,000.00</b>	related to an asset
Development of Gasoline Direct Injection Engine Project (Note 22)	—	200,000.00	(200,000.00)	—	—	related to income
Super Magnesium Alloy and Coating Project (Note 23)	—	300,000.00	(239,600.00)	—	<b>60,400.00</b>	related to income
Energy-saving Gasoline Direct Injection Engine Project (Note 24)	—	100,000,000.00	(3,199.14)	—	<b>99,996,800.86</b>	related to an asset
<b>Total</b>	<b>1,757,766,523.81</b>	<b>104,968,000.00</b>	<b>(73,149,765.74)</b>	<b>(20,107,181.71)</b>	<b>1,769,477,576.36</b>	
Less: Non-current liabilities due within one year	(75,657,544.16)				<b>(83,299,009.08)</b>	
<b>Deferred</b>	<b>1,682,108,979.65</b>	<b>104,968,000.00</b>	<b>(73,149,765.74)</b>	<b>(20,107,181.71)</b>	<b>1,686,178,567.28</b>	

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

### 30. Deferred income (continued)

*Note 1:* According to the “Circular Regarding the Allocation of Infrastructure Construction Fund to Great Wall Motor Company Limited” issued by Baoding Xushui government, Xushui government allocated money to the Company as the supporting fund for the infrastructure (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 2:* According to the “Provisional Regulations on the Development of Advanced Manufacturing Industry in Tianjin Economic-Technological Development Area” and the cooperation agreement entered into between Tianjin Economic-Technological Development Area and the Company, the Company and Tianjin Great Wall Wantong Automotive Parts Company Limited (“Tianjin Wantong”) and Tianjin Great Wall Lean Automotive Parts Company Limited (Tianjin Lean), subsidiaries of the Company, received industrial policy supporting fund from Tianjin Economic-Technological Development Area in 2009.

*Note 3:* According to the “Provisional Regulations on the Development of Advanced Manufacturing Industry in Tianjin Economic-Technological Development Area”, the cooperation agreement entered into between Tianjin Economic-Technological Development Area and the Company, and “Payment agreement of soft soil foundation treatment subsidy” of Tianjin Economic and Technological Development Zone Development Bureau, the Company and two subsidiaries of the company, Tianjin Wantong and Tianjin Lean, received soft soil foundation subsidiary from Tianjin Economic-Technological Development Area.

*Note 4:* According to the “Notice regarding reward fund appropriations in advance of new energy automobile industry technological innovation project by the Bureau of Finance in Baoding”, “New Plug-in Hybrid Power SUV Development Project” developed by the Company is shortlisted for the new energy vehicles industry technological innovation project.

*Note 5:* According to the “Notice regarding the Central Infrastructure Investment Expenditure Budget (Allocated Fund) for Revitalization of Industry and Technological Transformation in 2012 (Central evaluated second patch) by the Bureau of Finance in Baoding”, the Bureau of Finance in Southern Baoding allocated the Central Infrastructure Expenditure Budget (Allocated Fund) as Central Infrastructure expenditure budget (appropriation) quota for the construction project of the new technology centre of the Company exclusively.

*Note 6:* This refers to value-added tax refunded to the Company and Great Wall Vehicle Axles Industries (“Great Wall Vehicle Axles”), a subsidiary of the Company, for the purchase of domestic manufactured equipment by foreign-invested enterprises.

*Note 7:* 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 8:* According to “Notice regarding supplemental fund for satellite and appliance industry development in 2013 by the Finance Department and Development and Reform Commission of Hebei Province”, the Bureau of Finance and Development and Reform in Baoding allocated money for the development of front installed telematics services platform and terminals based on the BeiDou Navigation Satellite System of the Company exclusively.

*Note 9:* 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 money to the company for innovation project of Automobile safety and environmental protection. Baoding Finance Bureau allocated money to Great Wall Internal Combustion Engine, a subsidiary of the company for Diesel engine technology reconstruction project. Moreover, according to the “Notice Regarding the Central Infrastructure Expenditure Budget (Fund Allocated) for Independent Innovation and Advanced Technology Industrialization in 2011 by Bureau of Finance in Baoding”, the Bureau of Finance in Southern Baoding allocated the Central Infrastructure Expenditure Budget (Allocated Fund) as Central Infrastructure expenditure budget (appropriation) quota for the innovation project of the technology centre of the Company exclusively.

# Notes to the Financial Statements

For the year ended 31 December 2015

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

### 30. Deferred income (continued)

*Note 10:* 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 Baoding Great Wall Resource Recycling Co. Ltd. ("Great Wall Resource Recycling"), a subsidiary of the Company. The fund was used for the construction of infrastructure of a scrap steel project with annual capacity of 80,000 tons.

*Note 11:* According to "Notice regarding the projects and funding of Hebei Province Scientific and technological research and development program (the first batch) in 2011", the company's GW4D20 Diesel product development project was granted directly from the Bureau of Finance in Hebei Province.

*Note 12:* According to "Mission Statement of Special Project on Major Technology Achievement in Hebei Province", the Hebei Provincial Department of Science and Technology issued budget index of 2014 for initiate fund of New Plug-in Hybrid Power SUV Development and Industrialisation, specialise in research activities during the transformation of New Plug-in Hybrid Power SUV achievement of the Company, which was granted project funding of RMB500,000 during the reporting year.

*Note 13:* According to "Notice Regarding the Fund for Technological Renovation in 2014 by Baoding Finance Bureau and Bureau of Industry and Information," Baoding Finance Bureau allocated fund amounted to RMB12,000,000 for the construction of the Company's engine test center project.

*Note 14:* According to "Major Subject of National Science and Technology— Agreement on Technology of Domestic Automotive Electronic Chip", the Company assisted to complete the project until acceptance, and amount of RMB648,000 was granted.

*Note 15:* According to "Mission Statement of Project by Science and Technology Department of Hebei Province", Hebei Province Department of Finance allocated fund to the Company for training expense on innovative staffs which amounted to RMB100,000.

*Note 16:* According to the "Mission Statement 2014ZX04002-071 by Scientific Development Department", the Company took charge of the research project of typical forming process and key equipment technology of aluminium alloy autobody parts in the major special projects of "high-end CNC machine and fundamental manufacturing equipment" and was granted project research funding amounted to RMB270,000.

*Note 17:* According to the "Mission Statement of Little Giant (Nurture) Enterprise Project by Hebei Science and Technology (Project No. 14C1303123005)", Baoding Science and Technology Bureau allocated fund amounted to RMB1,000,000 to Baoding Great Machinery Company Limited, a subsidiary of the Company. The fund was allocated for the development of "High-Reliability Automotive Ball Pin Assembly" project under Little Giant (Nurture) Enterprise Project by Hebei Science and Technology.

*Note 18:* According to "Notice of Allocating the Special Provincial Funds for the Development of Strategic Emerging Industry in 2014" which announced by Hebei Province Department of Finance and Hebei Development and Reform Commission, the Company has been allocated special funds to the project of Develop Innovation Capacity of Company Technique Centre, which amounted to RMB2,000,000 this period.

*Note 19:* According to "Mission statement of Innovation Methods Project [Project NO. 2013IM020300-2]" issued by Ministry of Science and Technology, the company has been allocated special funds for spreading and demonstrating the innovative methods by Hebei Province, which was granted RMB150,000 during the reporting period.

*Note 20:* According to "Implementation Plan of Incentive Subsidy Project on Scientific and Technological Innovation in 2015" by the Bureau of Finance in Baoding, the Company has been allocated special funds to the project for development, research and industrialization in 2.0L Gasoline Direct Injection Engine, which was amounted to RMB500,000.

*Note 21:* According to "Hebei province Mission statement of the Expenditure of Innovation Platform Construction", RMB400,000 was allocated by Department of Science and Technology of Hebei province, which is dedicated used in the improvement of hardware of loop simulation system and the purchasing of equipment.

# Notes to the Financial Statements

For the year ended 31 December 2015

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

### 30. Deferred income (continued)

Note 22: According to "Baoding Mission Agreement for research and development of Science and Technology", the Company has been allocated special funds RMB200,000 by Baoding Science and Technology which is for research of 2.0L Gasoline Direct Injection Engine.

Note 23: According to "Cooperation Agreement of International technology Corporation between China and Canada", the company received RMB300,000 which is dedicated used in the cooperation with Engineering Science for Super Magnesium Alloy and Coating Project.

Note 24: According to "Baoding Notice of investment from central government for industrial transformation and upgrading", the company received RMB100,000,000 from the Bureau of Finance of Hebei province, which is used in the Energy-saving Gasoline Direct Injection Engine Project

Note 25: During the year, the Company transferred out deferred income amounted to RMB20,107,181.71 due to the disposal of subsidiary.

### 31. Share capital

As at 31 December 2015, the registered capital of the Company amounted to RMB9,127,269,000.00 and the paid up share capital amounted to RMB9,127,269,000.00. The par value of the each share was RMB1.00. The type of shares and the capital structure were as follows:

RMB

Item	Opening balance	New issue	Changes for the year		Others	Subtotal	Closing balance
			Bonus shares	Shares transfer from reserve			
<b>For the year 2015:</b>							
Promoters' shares	1,705,000,000.00	—	1,705,000,000.00	1,705,000,000.00	—	3,410,000,000.00	5,115,000,000.00
Outstanding overseas listed foreign shares	1,033,180,000.00	—	1,033,180,000.00	1,033,180,000.00	—	2,066,360,000.00	3,099,540,000.00
Outstanding domestic listed RMB ordinary shares	304,243,000.00	—	304,243,000.00	304,243,000.00	—	608,486,000.00	912,729,000.00
Total number of shares	3,042,423,000.00	—	3,042,423,000.00	3,042,423,000.00	—	6,084,846,000.00	9,127,269,000.00
<b>For the year 2014:</b>							
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

Note: According to the resolution of the first extraordinary shareholders' meeting on 22 September 2015, RMB3,042,432,000 of capital reserves transferred into share capital; share capital increased by RMB3,042,432,000 to distribute 3,042,423,000 share dividends. The registered capital of the Company amounted to RMB9,127,269,000.00 after change.

# Notes to the Financial Statements

For the year ended 31 December 2015

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

### 32. Capital reserves

Item	Opening balance	Additions	Deductions	Closing balance
<i>RMB</i>				
<b>For the year 2015:</b>				
Capital premiums (Note VI, 31 Note)	4,509,010,149.89	—	(3,042,423,000.00)	1,466,587,149.89
Other capital reserves	(55,137,945.87)	—	(218,189.60)	(55,356,135.47)
Of which: Transfer from capital reserves				
under the previous standards	13,911,809.08	—	—	13,911,809.08
Difference between				
the consideration of acquiring				
minority interest in				
subsidiary and the fair value of				
minority interest (Note)	(37,562,103.69)	—	(218,189.60)	(37,780,293.29)
Translation differences of				
foreign capital	27,752.39	—	—	27,752.39
Reserve for revaluation gain of				
assets	(31,515,403.65)	—	—	(31,515,403.65)
<b>Total</b>	<b>4,453,872,204.02</b>	<b>—</b>	<b>(3,042,641,189.60)</b>	<b>1,411,231,014.42</b>
<b>For the year 2014:</b>				
Capital premiums	4,509,010,149.89	—	—	4,509,010,149.89
Other capital reserves	(55,137,945.87)	—	—	(55,137,945.87)
Of which: Transfer from capital reserves				
under the previous standards	13,911,809.08	—	—	13,911,809.08
Difference between				
the consideration of acquiring				
minority interest in				
subsidiary and the fair value of				
minority interest	(37,562,103.69)	—	—	(37,562,103.69)
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)
<b>Total</b>	<b>4,453,872,204.02</b>	<b>—</b>	<b>—</b>	<b>4,453,872,204.02</b>

Note: The Company acquired the minority interests from Beijing Great Automotive Components Company Limited ("Beijing Great") in May 2015, the differences between the net identifiable assets of the additional shareholdings and acquisition cost shall accounted into capital reserve.



# Notes to the Financial Statements

For the year ended 31 December 2015

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

### 33. Surplus reserves

RMB

Item	Opening balance	Additions	Deductions (Note 1)	Reclassification (Note 2)	Closing balance
<b>For the year 2015:</b>					
Statutory surplus reserves	1,964,877,644.23	979,829,502.79	(66,742,208.63)	115,797,792.16	2,993,762,730.55
Discretionary surplus reserves	2,855,650.48	—	—	—	2,855,650.48
Enterprise expansion fund	53,119,475.87	—	—	(50,032,726.76)	3,086,749.11
Reserve fund	156,930,046.45	16,050,054.77	—	(65,765,065.40)	107,215,035.82
Tax credit for social welfare enterprises	251,838,024.75	—	—	—	251,838,024.75
<b>Total</b>	<b>2,429,620,841.78</b>	<b>995,879,557.56</b>	<b>(66,742,208.63)</b>	<b>—</b>	<b>3,358,758,190.71</b>
<b>For the year 2014:</b>					
Statutory surplus reserves	1,827,713,243.05	137,164,401.18	—	—	1,964,877,644.23
Discretionary surplus reserves	2,855,650.48	—	—	—	2,855,650.48
Enterprise expansion fund	53,119,475.87	—	—	—	53,119,475.87
Reserve fund	146,334,308.49	10,595,737.96	—	—	156,930,046.45
Tax credit for social welfare enterprises	251,838,024.75	—	—	—	251,838,024.75
<b>Total</b>	<b>2,281,860,702.64</b>	<b>147,760,139.14</b>	<b>—</b>	<b>—</b>	<b>2,429,620,841.78</b>

Note 1: According to the shareholders' resolution of Beijing Great and Great Wall Vehicle Axles on 12 September 2015, surplus reserves which greater than 50% of registered capital will transfer to undistributed profits, amounted to RMB66,461,678.05.

In 2015, the Company disposed its subsidiaries Xushui Clean Heat Supplying Co. Ltd. (change its name as Baoding Clean Heat Supplying “保定科林供熱有限公司” (“Clean Heat”), Baoding Qingchuang Property Services Company Limited (“Qingchuang Property”) (保定市勤創物業服務有限公司); cancelled its subsidiary Baoding Zhiteng Automation Technology Company Limited (“Zhiteng Automation”) (保定市智騰自動化科技有限公司). Undistributed profits transferred from previous surplus reserves of above subsidiaries amounted to RMB280,530.58.

Note 2: Beijing Great and Great Wall Vehicle Axles transferred from overseas-funded enterprises to domestic enterprises, and Enterprise expansion fund and reserve fund of above companies in prior years was reclassified to statutory surplus reserves.

# Notes to the Financial Statements

For the year ended 31 December 2015

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

### 34. Undistributed profits

Item	Amount	RMB Proportion of appropriation or allocation
<b>For the year 2015:</b>		
Undistributed profits at the beginning of the year	<b>23,623,537,021.85</b>	
Add: Net profits attributable to the shareholders of the Company of the year	<b>8,059,332,452.64</b>	
Transfer from surplus reserves (Note VI, 33 Note 1)	<b>66,742,208.63</b>	
Other transformation	<b>64,820,161.68</b>	<b>(4)</b>
Less: Appropriation of statutory surplus reserves	<b>(979,829,502.79)</b>	<b>(1)</b>
Appropriation of discretionary surplus reserves	—	
Appropriation of enterprise expansion fund	—	<b>(2)</b>
Appropriation of reserve fund	<b>(16,050,054.77)</b>	<b>(2)</b>
Distribution of cash dividends	<b>(3,194,544,150.00)</b>	<b>(3)</b>
Appropriation of staff incentive bonus and welfare fund	—	<b>(2)</b>
Share capital transferred from ordinary shares	<b>(3,042,423,000.00)</b>	<b>(3)</b>
Undistributed profits at the end of the year	<b>24,581,585,137.24</b>	
<b>For the year 2014:</b>		
Undistributed profits at the beginning of the year	18,224,548,503.39	
Add: Net profits attributable to the shareholders of the Company of the year	8,041,535,517.60	
Other	—	
Less: Appropriation of statutory surplus reserves	(137,164,401.18)	(1)
Appropriation of discretionary surplus reserves	—	
Appropriation of enterprise expansion fund	—	(2)
Appropriation of reserve fund	(10,595,737.96)	(2)
Distribution of cash dividends	(2,494,786,860.00)	
Appropriation of staff incentive bonus and welfare fund	—	(2)
Undistributed profits at the end of the year	23,623,537,021.85	

#### (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 provision. Subject to certain provisions of the Company Law and the Articles of Association, part of the statutory surplus reserve may be transferred into the share capital of the Company provided that the balance of statutory surplus reserve shall not be less than 25% of its registered capital.

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

### 34. Undistributed profits (continued)

#### **(2) Appropriation of enterprise expansion fund, reserve fund and staff incentive 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 \ stock dividend as approved at the shareholders' meeting for the year**

The 2014 Annual General Meeting of the Company held on 12 May 2015 considered and approved the resolution regarding the profit distribution proposal for the year 2014. The Company declared the 2014 annual cash dividends of RMB0.80 per share (tax inclusive) to all shareholders, aggregating to RMB2,433,938,400.00 based on the total of 3,042,423,000 shares with a par value of RMB1 each.

The first extraordinary shareholders meeting on 22 September 2015 discussed and agreed with "The resolution of profit distribution and capital reserves transfer to share capital". The meeting reached an agreement that share dividends and cash dividends would be distributed to shareholders according to the rule that 10 share dividends derived from 10 shares. Total share dividends amount to RMB3,042,423,000; RMB2.5 (tax-inclusive). cash dividends derived from 10 shares. Total cash dividends amount to RMB760,605,750.00 (tax-inclusive).

#### **(4) Beijing Great and Great Wall Vehicle Axles transferred from foreign-funded enterprises to domestic-funded enterprises. According to shareholders' resolution of Beijing Great on 14 September 2015 and shareholders' resolution of Great Wall Vehicle Axles on 12 September 2015, accrued employee bonus and welfare fund extracted before 31 August 2015 would transfer to undistributed profits which amounted to RMB64,820,161.68.**

#### **(5) Distribution of profits after balance sheet date**

On the basis of a total of 9,127,269,000 shares with a par value of RMB1 each in 2015, the Board proposed cash dividend to the shareholders of the Company, declare a cash dividend of RMB1,734,181,110.00 at RMB0.19 per share (tax inclusive), which has been proposed by the Board of Directors and is subject to approval by the shareholders in general meeting.

# Notes to the Financial Statements

For the year ended 31 December 2015

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

### 35. Operating revenue and operating costs

#### (1) Operating revenue

Item	2015	RMB 2014
Revenue from principal businesses	<b>75,776,789,622.52</b>	62,370,772,469.40
Of which: Revenue from the sale of automobiles	<b>72,859,187,538.87</b>	59,345,501,289.71
Revenue from the sale of automotive parts and components	<b>2,301,430,289.20</b>	2,432,716,708.05
Revenue from the sale of moulds and others	<b>468,883,477.50</b>	475,373,960.95
Revenue from providing services	<b>147,288,316.95</b>	117,180,510.69
Revenue from other businesses	<b>177,796,342.12</b>	220,000,135.27
Total	<b>75,954,585,964.64</b>	62,590,772,604.67

#### (2) Operating costs

Item	2015	RMB 2014
Costs from principal businesses	<b>56,747,665,662.37</b>	45,108,474,577.88
Of which: Expenses from the sales of automobiles	<b>54,643,629,643.34</b>	42,803,518,285.70
Expenses from the sales of automotive parts and components	<b>1,645,668,939.74</b>	1,817,592,960.84
Expenses from the sale of moulds and others	<b>339,924,488.66</b>	378,119,352.93
Expenses from providing services	<b>118,442,590.63</b>	109,243,978.41
Expenses from other businesses	<b>116,245,740.68</b>	143,286,490.51
Total	<b>56,863,911,403.05</b>	45,251,761,068.39

### 36. Interest income

Item	2015	RMB 2014
Personal loans and advances	<b>74,916,482.40</b>	1,972,170.41
Due from placements with banks and other financial institutions	<b>3,254,757.15</b>	6,358,338.61
Due from placements with central bank	<b>98,211.82</b>	—
Total	<b>78,269,451.37</b>	8,330,509.02

# Notes to the Financial Statements

For the year ended 31 December 2015

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

### 37. Business tax and surcharges

Item	RMB	
	2015	2014
Business tax	6,550,554.55	2,566,378.53
Consumption tax	2,198,805,000.51	1,671,451,933.97
Urban maintenances and construction tax	369,297,031.28	334,004,959.93
Educational surcharges	274,781,635.22	241,587,014.71
Others	36,851,545.43	31,996,723.65
Total	2,886,285,766.99	2,281,607,010.79

### 38. Sales expenses

Item	RMB	
	2015	2014
Transportation expenses	1,077,161,595.22	929,856,850.06
After-sale services expenses	1,254,518,669.94	643,382,827.14
Wages and salaries	191,556,832.63	191,696,192.67
Taxes	30,815,945.73	31,176,313.86
Advertising and media services fees	178,613,146.14	163,504,626.03
Port charges	21,035,601.78	41,521,804.46
Travelling expenses	19,565,938.24	18,597,335.05
Others	68,297,360.72	65,019,184.53
Total	2,841,565,090.40	2,084,755,133.80

### 39. Administrative expenses

Item	RMB	
	2015	2014
Technology development expenditures	2,760,609,085.70	2,571,581,207.82
Wages and salaries	650,039,524.56	615,374,183.68
Taxes	140,840,629.78	118,107,557.19
Depreciation and Amortization	123,956,063.16	178,874,157.99
Business reception fees	8,009,419.05	7,710,774.06
Office expenses	96,268,294.93	71,290,124.26
Repair and maintenance fees	129,961,697.67	136,669,190.54
Auditors' remuneration (Note 1)	4,164,792.02	3,334,942.19
Service charges	16,404,956.55	22,645,357.48
Others	100,349,503.31	96,754,460.87
Total	4,030,603,966.73	3,822,341,956.08

Note 1: Among this, the Company pay the mid-term and annual auditors' remuneration to Deloitte with RMB3.36 million in 2015.

# Notes to the Financial Statements

For the year ended 31 December 2015

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

### 40. Finance expenses

Item	2015	<i>RMB</i> 2014
Pledge loan interest expenses	<b>5,131,964.59</b>	11,063,073.47
Less: interest income from bank deposits	<b>(65,161,572.84)</b>	(98,042,012.94)
Foreign currency translation differences	<b>(6,380,674.62)</b>	(53,249,922.81)
Interest of discount on notes	<b>45,635,107.66</b>	1,297,519.34
Long-term receivable discount	<b>149,700,748.52</b>	—
Others	<b>10,445,290.12</b>	9,550,424.81
Total	<b>139,370,863.43</b>	(129,380,918.13)

### 41. Impairment loss on assets

Item	2015	<i>RMB</i> 2014
1. Loss on bad debts	<b>48,261,511.88</b>	31,289,311.69
2. Loss on impairment of inventory	<b>19,844,123.79</b>	5,336,989.27
3. Loss on impairment of fixed assets	—	22,994,631.62
4. Loss on impairment of construction in progress	—	10,193,179.46
5. Loss on impairment of loans	<b>13,745,420.16</b>	2,307,593.14
Total	<b>81,851,055.83</b>	72,121,705.18

### 42. Profit or loss from changes in fair value

Item	2015	<i>RMB</i> 2014
Profit or loss from changes in fair value from derivative financial instruments	<b>(214,440.00)</b>	(4,055,677.86)
Total	<b>(214,440.00)</b>	(4,055,677.86)



# Notes to the Financial Statements

For the year ended 31 December 2015

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

### 43. Investment income

**Breakdown:**

Item	2015	RMB 2014
Income from long-term equity investments under equity method	<b>7,835,819.60</b>	20,006,807.15
Income from wealth management products	<b>66,527,511.84</b>	11,831,669.85
Investment gains from disposal of subsidiary	<b>17,676,134.00</b>	—
Gains or losses measured by fair value of existing shareholdings prior to acquisition date	<b>6,057,283.20</b>	—
Total	<b>98,096,748.64</b>	31,838,477.00

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

The Group has no gains on investments from listed companies.

### 44. Non-operating income

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

Item	2015	2014	RMB Amount included in extraordinary gains and losses
Total gains from disposal of non-current assets	<b>2,019,569.27</b>	1,475,506.96	2,019,569.27
Of which: Gains from disposal of fixed assets	<b>1,679,414.85</b>	1,467,957.95	1,679,414.85
Gains from disposal of construction in progress	<b>111,227.14</b>	7,549.01	111,227.14
Gains from disposal of intangible assets	<b>228,927.28</b>	—	228,927.28
Government grants	<b>341,033,077.39</b>	362,719,006.90	341,033,077.39
Amount of combination costs less fair value of the share of identifiable net assets obtained ( <i>(VII), 1</i> )	<b>51,644.99</b>	—	51,644.99
Gains from compensation	<b>47,260,565.50</b>	38,554,807.82	47,260,565.50
Unpayable amount	<b>40,068,132.93</b>	6,556,699.16	40,068,132.93
Others	<b>36,912,027.79</b>	31,267,945.87	36,912,027.79
Total	<b>467,345,017.87</b>	440,573,966.71	467,345,017.87

# Notes to the Financial Statements

For the year ended 31 December 2015

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

### 44. Non-operating income (continued)

#### (2) Government grants credited in profit and loss of the year:

Item	2015	2014	RMB related to an asset/ related to income
Infrastructure supporting fund	24,438,502.03	24,999,355.18	related to an asset
Funds in support of the industrial policy of the government	21,347,796.43	21,045,030.68	related to an asset
Welfare enterprises VAT refund (Note 1)	13,212,508.18	20,953,351.82	related to income
Domestic equipment rebate	12,948,724.38	14,597,429.44	related to an asset
Subsidies for soft soil foundation section	6,114,973.96	6,114,973.96	related to an asset
Urban construction funds	2,319,828.34	2,319,828.34	related to an asset
New Technology Center infrastructure construction funds	—	(712,112.40)	related to an asset
Special funds for technical SME development in He Bei Province	1,000,000.00	—	related to income
Significant technical innovation project grant	1,150,000.04	1,150,000.04	related to an asset
Special funds for spreading and demonstrating the innovative methods by Hebei Province	150,000.00	—	related to income
Scientific and Technological Innovation	361,100.00	—	related to income
Development of Gasoline Direct Injection Engine Project	200,000.00	—	related to income
Super Magnesium Alloy and Coating Project	239,600.00	—	related to income
Energy-saving Gasoline Direct Injection Engine Project	3,199.14	—	related to an asset
Special funds for SME development	295,479.84	295,479.84	related to an asset
Core technology of domestic automotive electronic chip	1,118,700.00	129,300.00	related to income
Funds for demonstration innovation enterprise	100,000.00	—	related to income
863-data integration platform project	—	250,000.00	related to income
Subsidy for scrap car	—	1,062,000.00	related to income
Engine development	100,000.00	100,000.00	related to an asset
New Technology center of land	439,872.70	—	related to income
863 plan (power)	—	2,872,800.00	related to income
Connected car project	23,760.00	—	related to income
863 plan (pure electronic motor)	—	2,839,200.00	related to income
New technology center construction project	298,228.88	62,531.43	related to an asset
Financial return	233,948,035.84	—	related to income
Other government grants	21,222,767.63	264,639,838.57	related to income
Includes: Technical transformation project funds			
and foreign trade service	—	4,774,766.00	related to income
Innovation subsidy	—	1,050,000.00	related to income
Fiscal subsidy for interest	3,380,000.00	—	related to income
Fiscal subsidy	9,445,198.11	247,803,945.62	related to income
Technology development bonus	4,205,680.00	190,000.00	related to income
Subsidy from social security bureau for continuing education training	1,538,854.98	—	related to income
New plug-in SUV project	500,000.00	1,500,000.00	related to income
Special subsidy for high-level talents	—	2,260,950.95	related to income
Funds for exoteric economic development	—	2,000,000.00	related to income
Imported product subsidy	—	1,793,276.00	related to income
High-level talented training and Skill master studio project	—	1,500,000.00	related to income
Hebei giants program funding	—	500,000.00	related to income
Other	2,153,034.54	1,266,900.00	related to income
<b>Total</b>	<b>341,033,077.39</b>	<b>362,719,006.90</b>	

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

# Notes to the Financial Statements

For the year ended 31 December 2015

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

### 45. Non-operating expenses

Item	<i>RMB</i>		
	2015	2014	Amount included in extraordinary gains and losses
Total loss on disposal of non-current assets	<b>47,235,683.93</b>	23,882,139.56	47,235,683.93
Of which: Loss on disposal of fixed assets	<b>25,388,921.22</b>	12,392,144.44	25,388,921.22
Loss on disposal of construction in progress	<b>20,697,583.71</b>	11,489,995.12	20,697,583.71
Loss on disposal of intangible assets	<b>1,149,179.00</b>	—	1,149,179.00
Donations	<b>5,502,125.99</b>	9,011,211.27	5,502,125.99
Expenses for compensations and fines	<b>3,420,817.92</b>	9,004,320.46	3,420,817.92
Others	<b>3,032,478.26</b>	2,281,699.91	3,032,478.26
Total	<b>59,191,106.10</b>	44,179,371.20	59,191,106.10

### 46. Income tax expenses

Item	<i>RMB</i>	
	2015	2014
Current income tax	<b>1,901,692,617.48</b>	1,639,968,520.81
Deferred income tax	<b>(273,480,613.74)</b>	(41,089,337.58)
Total	<b>1,628,212,003.74</b>	1,598,879,183.23

# Notes to the Financial Statements

For the year ended 31 December 2015

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

### 46. Income tax expenses (continued)

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

Item	2015	RMB 2014
Total profit	<b>9,688,576,760.50</b>	9,640,075,628.40
Income tax rate	<b>25%</b>	25%
Income tax calculated at tax rate of 25%	<b>2,422,144,190.13</b>	2,410,018,907.10
Change of opening balance of deferred tax asset resulted from tax rate adjustment	<b>4,276,957.53</b>	—
Effect of preferential tax rates applied to some companies	<b>(598,754,360.46)</b>	(629,388,553.59)
Influence of additional tax deduction for research and development expenses	<b>(213,179,274.91)</b>	(170,369,758.36)
Tax effect of non-taxable income	<b>(12,288,178.41)</b>	(14,148,983.91)
Tax effect of non-deductible expenses	<b>26,012,669.86</b>	2,767,571.99
Total	<b>1,628,212,003.74</b>	1,598,879,183.23

### 47. Net profit

Net profit of the Company has been arrived at after charging (crediting):

Item	Note	2015	RMB 2014
Depreciation for fixed assets	(VI)16	<b>1,898,251,734.69</b>	1,606,157,742.95
Depreciation and amortization for investment properties	(VI)15	<b>430,190.80</b>	165,267.34
Amortisation of intangible assets	(VI)18	<b>71,027,861.95</b>	66,164,677.53
Total amount of depreciation and amortization		<b>1,969,709,787.44</b>	1,672,487,687.82
Loss on disposal of non-current assets	(VI)44,45	<b>45,216,114.66</b>	22,406,632.60
Gross rental income from investment properties		<b>2,963,899.22</b>	1,900,000.00
Employee benefits expense	(VI)25	<b>6,188,147,184.95</b>	5,450,976,895.87

# Notes to the Financial Statements

For the year ended 31 December 2015

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

### 48. Calculation of basic and diluted earnings per share

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

<b>Item</b>	<b>2015</b>	<i>RMB</i> 2014
Net profit attributable to ordinary shareholders	<b>8,059,332,452.64</b>	8,041,535,517.60
Of which: Net profit attributable to continuing operations	<b>8,059,332,452.64</b>	8,041,535,517.60
Total	<b>8,059,332,452.64</b>	8,041,535,517.60

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

<b>Item</b>	<b>2015</b>	2014
Number of outstanding ordinary shares at the beginning of the year	<b>9,127,269,000.00</b>	9,127,269,000.00
Add: Weighted number of ordinary shares issued in the year	—	—
Less: Weighted number of ordinary shares repurchased in the year	—	—
Weighted number of outstanding ordinary shares at the end of the year	<b>9,127,269,000.00</b>	9,127,269,000.00

# Notes to the Financial Statements

For the year ended 31 December 2015

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

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

Item	2015	RMB 2014
Based on the net profit attributable to shareholders of the Company:		
Basic earnings per share	<b>8,059,332,452.64</b>	8,041,535,517.60
Diluted earnings per share	<b>0.88</b>	0.88
Based on the net profit from continuing operations attributable to shareholders of the Company:		
Basic earnings per share	<b>N/A</b>	N/A
Diluted earnings per share	<b>8,059,332,452.64</b>	8,041,535,517.60
Basic earnings per share	<b>0.88</b>	0.88
Diluted earnings per share	<b>N/A</b>	N/A

Note: The company increase share capital RMB6,084,846,000.00 in December 2015. Share capital reached to RMB9,127,269,000.00 after the change. Details can be found in note VI (31). Earning per share of 2014 was recalculated depended on above fact.

### 49. Other comprehensive income

#### *Foreign currency translation differences*

Item	2015	RMB 2014
Opening balance	<b>(97,592,596.69)</b>	(6,806,391.32)
Exchange differences arising on translation to presentation currency	<b>(50,381,368.13)</b>	(90,786,205.37)
Closing balance	<b>(147,973,964.82)</b>	(97,592,596.69)



# Notes to the Financial Statements

For the year ended 31 December 2015

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

### 50. Notes to cash flow statements

#### (1) Other cash received relating to operating activities

Item	2015	RMB 2014
Interest income from bank deposits	<b>65,161,572.84</b>	98,042,012.94
Government grants	<b>257,238,803.47</b>	272,804,638.57
Reparations (penalty) income	<b>47,260,565.50</b>	29,694,040.66
Customs deposit withdraw	<b>47,183,826.05</b>	—
Others	<b>35,417,373.05</b>	36,252,571.79
Total	<b>452,262,140.91</b>	436,793,263.96

#### (2) Other cash paid relating to operating activities

Item	2015	RMB 2014
Advertising and media services fee	<b>174,329,446.47</b>	167,890,556.05
Transportation costs and port charges	<b>1,105,713,514.49</b>	963,597,235.05
Technology development expenditures	<b>940,931,532.65</b>	858,134,467.34
After-sale charges and repair charges	<b>906,345,194.60</b>	727,039,494.01
Business entertainment expenses and office expenses	<b>112,842,186.78</b>	92,961,135.77
Travelling expenses	<b>19,565,938.24</b>	18,597,335.05
Consultation fees	<b>27,558,777.34</b>	22,645,357.48
Others	<b>179,039,455.46</b>	151,521,878.06
Total	<b>3,466,326,046.03</b>	3,002,387,458.81

# Notes to the Financial Statements

For the year ended 31 December 2015

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

### 50. Notes to cash flow statements (continued)

#### (3) Other cash received relating to investing activities

Item	2015	RMB 2014
Government grants	102,400,000.00	12,000,000.00
Total	102,400,000.00	12,000,000.00

#### (4) Other cash received relating to financing activities

Item	2015	RMB 2014
Decrease in restricted bank deposits	—	1,155,146,048.96
Total	—	1,155,146,048.96

#### (5) Other cash paid relating to financing activities

Item	2015	RMB 2014
Increase in restricted bank deposits	870,671,216.70	—
Acquisition minority interests from a subsidiary	11,789,100.00	—
Total	882,460,316.70	—

# Notes to the Financial Statements

For the year ended 31 December 2015

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

### 51. Supplemental information of cash flow statements

#### (1) Supplemental information of cash flow statements

Supplemental information	2015	RMB 2014
<b>1. Reconciliation of net profits and cash flow from operating activities:</b>		
Net profits	<b>8,060,364,756.76</b>	8,041,196,445.17
Add: Impairment provision for assets	<b>81,851,055.83</b>	72,121,705.18
Depreciation of fixed assets	<b>1,898,251,734.69</b>	1,606,157,742.95
Amortization of intangible assets	<b>71,027,861.95</b>	66,164,677.53
Amortization of long-term prepaid expenses	<b>11,597,160.70</b>	11,478,445.29
Depreciation and amortization of investment properties	<b>430,190.80</b>	165,267.34
(Gains)/losses from change of fair value	<b>214,440.00</b>	4,055,677.86
(Gains)/losses on disposal of fixed assets, intangible assets and other long-term assets	<b>45,216,114.66</b>	22,406,632.60
Amortization of deferred income	<b>(73,149,765.74)</b>	(78,275,928.91)
Financing costs/(gains)	<b>162,985,916.71</b>	(48,419,236.11)
Investment losses/(gains)	<b>(98,096,748.64)</b>	(31,838,477.00)
(Increase)/decrease in deferred tax assets	<b>(273,267,078.23)</b>	(40,868,647.03)
Increase/(Decrease) in deferred tax liabilities	<b>1,094,276.88</b>	—
(Increase)/decrease in inventories	<b>(1,136,871,949.57)</b>	(1,327,906,531.33)
Amount of combination costs less fair value of the share of identifiable net assets obtained	<b>(51,644.99)</b>	—
(Increase)/decrease in operating receivables	<b>(5,553,059,490.78)</b>	(7,041,825,875.56)
Increase/(decrease) in operating payables	<b>6,835,153,580.68</b>	4,841,172,509.42
Net cash flows from operating activities	<b>10,033,690,411.71</b>	6,095,784,407.40
<b>2. Net change in cash and cash equivalents:</b>		
Cash balance at the end of the year	<b>2,458,364,987.45</b>	3,081,531,924.78
Less: Cash balance at the beginning of the year	<b>3,081,531,924.78</b>	5,522,642,764.49
Net increase in cash and cash equivalents	<b>(623,166,937.33)</b>	(2,441,110,839.71)

# Notes to the Financial Statements

For the year ended 31 December 2015

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

### 51. Supplemental information of cash flow statements (continued)

#### (2) Information related to the acquisition or disposal of subsidiaries and other business units

Item	2015	RMB 2014
I. Acquisition of subsidiaries and other business units:		
1. Price of acquisition of subsidiaries and other business units	23,408,700.00	—
2. Cash and cash equivalents paid for acquisition of subsidiaries and other business units	23,408,700.00	—
Less: Cash and cash equivalents held by subsidiaries and other business units	(588,044.16)	—
3. Net cash paid for acquisition of subsidiaries and other business units	22,820,655.84	—
4. Net asset of acquired subsidiaries	46,920,689.98	—
Current assets	3,375,544.16	—
Non-current assets	43,565,611.30	—
Current liabilities	20,465.48	—
Non-current liabilities	—	—
II Disposal of subsidiaries and other business units:		
1. Price of disposal of subsidiaries and other business units	200,094,400.00	—
2. Cash and cash equivalents received from disposal of subsidiaries and other business units	200,094,400.00	—
Less: Cash and cash equivalents held by subsidiaries and other business units	(27,266,716.48)	—
3. Net cash received from disposal of subsidiaries and other business units	172,827,683.52	—
4. Net asset of subsidiaries disposed	182,418,266.00	—
Current assets	30,431,600.41	—
Non-current assets	210,426,543.68	—
Current liabilities	(39,048,679.14)	—
Non-current liabilities	(19,391,198.95)	—

# Notes to the Financial Statements

For the year ended 31 December 2015

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

### 51. Supplemental information of cash flow statements (continued)

#### (3) Components of cash and cash equivalents

Item	2015	<i>RMB</i> 2014
I. Cash	<b>2,458,364,987.45</b>	3,081,531,924.78
Of which: Cash in hand	<b>1,416,616.19</b>	1,372,214.12
Bank deposits readily available for payment	<b>2,456,948,371.26</b>	3,080,159,710.66
Other cash and bank balances readily available for payment	—	—
II. Cash and cash equivalent balance at the end of the year	<b>2,458,364,987.45</b>	3,081,531,924.78

# Notes to the Financial Statements

For the year ended 31 December 2015

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

### 52. Monetary items denominated in foreign currency

#### *Monetary items denominated in foreign currency:*

Item	Closing balance of foreign currency	Exchange rate	Closing balance of RMB
<i>RMB</i>			
<b>Cash</b>			
Include: RMB	191,569,023.43	1.0000	191,569,023.43
USD	3,552,016.57	6.4936	23,065,374.49
HKD	414,087.60	0.8378	346,914.31
EUR	1,328,254.69	7.0952	9,424,232.67
JPY	2,695,493.21	0.0539	145,219.58
KRW	7,110.00	0.0055	39.18
GBP	2,147.57	9.6159	20,650.82
RUB	3,542.56	0.0884	313.16
THB	130.00	0.1799	23.39
AUD	170,816.08	4.7276	807,549.73
SGD	311.00	4.5875	1,426.71
<b>Accounts receivable</b>			
Include: USD	63,277,723.01	6.4936	410,900,222.14
EUR	2,264,116.32	7.0952	16,064,358.12
<b>Other accounts receivable</b>			
Include: USD	124,408.89	6.4936	807,861.57
JPY	1,600,000.00	0.0539	86,200.00
EUR	17,250.00	7.0952	122,392.20
AUD	10,820.00	4.7276	51,152.63
<b>Accounts payable</b>			
Include: JPY	7,717,960.00	0.0539	415,805.10
EUR	19,931.76	7.0952	141,419.82
USD	341,674.79	6.4936	2,218,699.41
HKD	129,819.58	0.8378	108,760.25
<b>Other accounts payable</b>			
Include: USD	10,873,061.80	6.4936	70,605,314.10
EUR	16,587,937.41	7.0952	117,694,733.51
JPY	205,998,478.00	0.0539	11,103,317.96
CHF	2,480,972.20	6.4018	15,882,687.83
GBP	74,667.50	9.6159	717,995.21

# Notes to the Financial Statements

For the year ended 31 December 2015

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

### 53. Net current assets

Item	RMB	
	2015.12.31	2014.12.31
Current assets	<b>40,389,996,353.27</b>	35,313,744,747.57
Less: Current liabilities	<b>31,786,437,525.14</b>	26,144,697,042.57
Net current assets	<b>8,603,558,828.13</b>	9,169,047,705.00

### 54. Total assets less current liabilities

Item	RMB	
	2015.12.31	2014.12.31
Total assets	<b>71,910,626,770.84</b>	61,345,252,123.45
Less: Current liabilities	<b>31,786,437,525.14</b>	26,144,697,042.57
Total assets less current liabilities	<b>40,124,189,245.70</b>	35,200,555,080.88

## VII. CHANGES IN BUSINESS COMBINATION

### 1. Subsidiaries acquired through business combination of enterprises not under common control

#### (1) The business combinations not under common control during reporting year

Acquiree	Cost of shareholdings	Proportion of shareholdings (%)	Acquisition method	Acquisition date	Basis of determining acquisition date	RMB	
						Revenue of acquiree from acquisition date to the end of year	Net gain of acquiree from acquisition date to the end of year
Baoding Jiehua	23,408,700.00	50	Cash	23 June 2015	Note	399,303.90	185,753.17

Note: Acquisition date is the date on which the acquirer effectively obtains control of the acquiree, which is the date when control of acquiree's net assets and operation decision making rights transferred to acquirer.

Basic information of acquiree:

Baoding Jiehua is established by the Company and Shanghai Jiehua Automotive Trim Development Co., Ltd. in September 2004, nature of the business is manufacturing automotive parts. Prior to acquisition date, registered capital of Baoding Jiehua amounted to RMB31,308,000.00; the Company holds 50% of total shareholdings, the long-term equity investment to Baoding Jiehua accounted using equity method. In June 2015, the Company acquired 50% shareholdings from Shanghai Jiehua Automotive Trim Development Co., Ltd. with consideration amounted to RMB23,408,700.00, upon completion, the Company holds 100% shares of Baoding Jiehua.



# Notes to the Financial Statements

For the year ended 31 December 2015

## VII. CHANGES IN BUSINESS COMBINATION (continued)

### 1. Subsidiaries acquired through business combination of enterprises not under common control (continued)

#### (2) Combination costs and goodwill

<b>Combination costs</b>	<i>RMB</i> <b>Baoding Jiehua</b>
Cash	23,408,700.00
Fair value at acquisition date of existing shareholdings prior to acquisition date	23,460,344.99
Total combination costs	46,869,044.99
Less: fair value of the share of identifiable net assets obtained	46,920,689.98
Amount of combination costs less fair value of the share of identifiable net assets obtained	(51,644.99)

#### (3) Acquiree's identifiable assets and liabilities at acquisition date

	<i>RMB</i>	
	<b>Baoding Jiehua</b>	
	<b>Acquisition date</b>	<b>Acquisition date</b>
	<b>Fair value</b>	<b>Carrying value</b>
Current assets	3,375,544.16	3,375,544.16
Non-current assets	43,565,611.30	31,451,045.17
Current liabilities	(20,465.48)	(20,465.48)
Net assets	46,920,689.98	34,806,123.85
Less: minority interests	—	—
Net assets acquired	46,920,689.98	34,806,123.85

Note: Fair value of identifiable assets and liabilities is determinate by cost method.

# Notes to the Financial Statements

For the year ended 31 December 2015

## VII. CHANGES IN BUSINESS COMBINATION (continued)

### 1. Subsidiaries acquired through business combination of enterprises not under common control (continued)

#### (4) Gains or losses recalculated by fair value of existing shareholdings

Acquiree	Carrying value at acquisition date of existing shareholdings prior to acquisition date	Fair value at acquisition date of existing shareholdings prior to acquisition date	Gains or losses recalculated by fair value of existing shareholdings prior to acquisition date	RMB
				Amount transferred from investment income to other comprehensive income prior to acquisition date
Baoding Jiehua	17,403,061.79	23,460,344.99	6,057,283.20	—

### 2. Subsidiaries acquired through business combination of enterprises under common control

There was no subsidiaries acquired through business combination of enterprises under common control during the reporting year.

### 3. Disposal of subsidiaries

Losses of controlling right of subsidiary with single disposal:

Name of subsidiary	Consideration of disposal	Disposed proportion (%)	Disposal method	Date of loses of controlling rights	Determine basis of loses of controlling rights	Difference between the consideration of disposal and proportion of the carrying amount of the investment at consolidated level
Clean Heat	192,088,700.00	100	Cash transaction	June 2015	Note	17,737,950.68
Qingchuang Property	8,005,700.00	100	Cash transaction	November 2015	Note	(61,816.68)

Note: The date of loses of controlling rights is when the Company loses the ability to affect financial and operational decisions over the acquiree, no longer able to gain interests from its operating activities.

# Notes to the Financial Statements

For the year ended 31 December 2015

## VII. CHANGES IN BUSINESS COMBINATION (continued)

### 4. Other reasons of changes in scope of business combination.

New established subsidiary during the reporting year:

Name	Establishment date	RMB	
		Net assets at the end of reporting year	Profits at the end of reporting year
Haval Logistic Company Limited 哈弗物流有限公司 ("Logistics")	6 May 2015	73,919,131.48	23,919,131.48
Scrap car recycling and dismantling Co. Ltd. 保定長城報廢汽車回收拆解有限公司 ("Scrap car recycling and dismantling")	21 August 2015	4,713,107.95	(286,892.05)
Great Wall Japan Motor Co.,Ltd. 長城日本技研株式會社 ("Japan Motor")	16 September 2015	23,105,691.68	(3,455,001.25)
Haval Insurance Brokers Company Limited 哈弗保險經紀有限公司 ("Haval Insurance Brokers")	2 November 2015	50,039,690.10	39,690.10

Cancelled subsidiary during the year

Name	Cancellation date	RMB	
		Net assets at disposal date	Net profits for the year from the opening to disposal date
Zhiteng Automation	15 December 2015	7,500,576.48	1,022,513.46

# Notes to the Financial Statements

For the year ended 31 December 2015

## VIII. INTERESTS IN OTHER ENTITIES

### 1. Interests in subsidiaries

#### (1) Structure of the Group

*Subsidiaries established by investment*

Full name of subsidiaries	Legal form	Place of main management	Place of registration	Business nature	RMB	
					Proportion of shareholdings (%)	
					Direct	Indirect
Great Wall Baoding Huabei Automobile Company Limited (保定長城華北汽車有限責任公司) ("Great Wall Huabei")	Limited liability company	Gaobeidian	Gaobeidian	Manufacture of automotive parts and components	100.00	—
Great Wall Internal Combustion Engine Baoding Great	Limited liability company	Dingxing, Baoding	Dingxing, Baoding	Manufacture of automotive parts and components	100.00	—
Great Wall Vehicle Axles	Limited liability company	Baoding	Baoding	Manufacture of automotive parts and components	100.00	—
Baoding Nuobo	Limited liability company	Baoding	Baoding	Manufacture of automotive parts and components	100.00	—
Beijing Great	Limited liability company	Beijing	Beijing	Manufacture of automotive parts and components	100.00	—
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")	Limited liability company	Baoding	Baoding	Provision of after-sales service	100.00	—
Baoding Great Wall Automobile Sales Company Limited (保定長城汽車銷售有限公司) ("Great Wall Sales")	Limited liability company	Baoding	Baoding	Marketing and sale of automobiles	100.00	—

# Notes to the Financial Statements

For the year ended 31 December 2015

## VIII. INTERESTS IN OTHER ENTITIES (continued)

### 1. Interests in subsidiaries (continued)

#### (1) Structure of the Group (continued)

*Subsidiaries established by investment (continued)*

Full name of subsidiaries	Legal form	Place of main management	Place of registration	Business nature	Proportion of shareholdings (%)	
					Direct	Indirect
Macs (Baoding) Auto A/C Systems Co.,Ltd (麥克斯(保定)汽車空調系統有限公司) ("Macs")	Limited liability company	Baoding	Baoding	Manufacture of automotive parts and components	100.00	—
Tide Technology and Trade Company Limited (泰德科貿有限公司) ("Tide Technology and Trade")	—	Hong Kong	Hong Kong	Investment and financing services	100.00	—
Russia Great Wall Closed Joint-Stock Company Limited (俄羅斯長城股份有限公司) ("Russia Great Wall")	—	Russia	Russia	Export of automobiles and related spare parts and provision of after-sales services	100.00	—
Baoding Mind Auto Component Company Limited (保定曼德汽車配件有限公司) ("Mind Component")	Limited liability company	Baoding	Baoding	Manufacture of automotive parts and components	75.00	25.00
Tianjin Lean	Limited liability company	Tianjin Development Zone	Tianjin Development Zone	Manufacture of automotive parts and components	—	100.00
Baoding Jinggong Foundry Company Limited (保定長城精工鑄造有限公司) ("Jinggong Foundry")	Limited liability company	Shunping, Baoding	Shunping, Baoding	Manufacture of steel casting and provision of after-sales service	100.00	—
Baoding Great Wall Ants Logistics Company Limited (保定市長城螞蟻物流有限公司) ("Great Wall Ants")	Limited liability company	Baoding	Baoding	Logistics and ordinary goods transportation	100.00	—
Lean School	Private non-enterprise school	Baoding	Baoding	Occupational training	100.00	—
Tianjin Boxin	Limited liability company	Tianjin	Tianjin	Manufacture of automotive parts and components	100.00	—
Ningxia Great Wall Automobile Leasing Company Limited (寧夏長城汽車租賃有限公司) ("Ningxia Leasing")	Limited liability company	Yinchuan Economic and Technological Development Zone	Yinchuan Economic and Technological Development Zone	Buildings rental	100.00	—
Great Wall Resource Recycling	Limited liability company	Qingyuan, Baoding	Qingyuan, Baoding	Processing, recycling and sale of waste and used material	100.00	—

# Notes to the Financial Statements

For the year ended 31 December 2015

## VIII. INTERESTS IN OTHER ENTITIES (continued)

### 1. Interests in subsidiaries (continued)

#### (1) Structure of the Group (continued)

*Subsidiaries established by investment (continued)*

Full name of subsidiaries	Legal form	Place of main management	Place of registration	Business nature	Proportion of shareholdings (%)	
					Direct	Indirect
Baoding Exquisite Auto Mould Technology Co., Ltd. (保定市精工汽車模具技術有限公司) ("Exquisite Mould")	Limited liability company	Baoding	Baoding	Research and development and manufacture of auto moulds	100.00	—
Xushui Nuobo	Limited liability company	Baoding	Baoding	Manufacture of automotive parts and components	100.00	—
Baoding Great Wall Automobile Component Sales Co., Ltd. (保定長城汽車配件銷售有限公司) ("Xushui Component")	Limited liability company	Baoding	Baoding	Sale of automotive parts and components and lubricants	100.00	—
Great Wall Dongsheng	Limited liability company	Beijing	Beijing	Business information consultation	—	100.00
Haval Automotive Rental Co.,Ltd (originally named Baoding Great Wall Automotive Rental Co., Ltd.) (哈弗汽車租賃有限公司, 原保定市長城汽車出租有限公司) ("Haval Rental")	Limited liability company	Baoding	Baoding	Auto Rental	100.00	—
Shanghai Haval Automotive Technology Limited Company 上海哈弗汽車科技有限公司 ("Shanghai Haval ")	Limited liability company	Shanghai	Shanghai	Automotive technology research, development and technical consultation	100.00	—
Haval Motors Australia Pty Ltd 哈弗汽車澳大利亞有限公司 ("Haval Australia")	—	Australia	Australia	Auto selling	—	100.00
Haval Motor Rus Limited Liability Company 俄羅斯哈弗汽車有限責任公司 ("Haval Russia ")	—	Russia	Russia	Auto selling	—	100.00
Baoding Haval Auto Sales Company Limited 保定哈弗汽車銷售有限公司 ("Haval Auto Sales")	Limited liability company	Baoding	Baoding	Auto selling	100.00	—

# Notes to the Financial Statements

For the year ended 31 December 2015

## VIII. INTERESTS IN OTHER ENTITIES (continued)

### 1. Interests in subsidiaries (continued)

#### (1) Structure of the Group (continued)

*Subsidiaries established by investment (continued)*

Full name of subsidiaries	Legal form	Place of main management	Place of registration	Business nature	Proportion of shareholdings (%)	
					Direct	Indirect
Automotive Finance	Limited liability company	Tianjin	Tianjin	Design, production and sale of automotive parts and components	90.00	—
Australia Sinyos Technology And Trade Pty Ltd (澳大利亞森友斯科貿有限公司) ("Sinyos Technology and Trade")	—	Australia	Australia	Auto selling	—	100.00
Haval Motor Manufacturing Rus Limited Liability Company (俄羅斯哈弗汽車製造有限公司) ("Russia Manufacturing")	—	Russia	Russia	Auto manufacture	88.50	11.50
Haval Motors South Africa Proprietary Limited (哈弗汽車南非有限公司) ("Haval South Africa")	—	South Africa	South Africa	Auto selling	100.00	—
Haval Logistics (Note 1)	Limited liability company	Baoding	Baoding	Logistics and ordinary goods transportation	100.00	—
Haval Insurance Brokers (Note 2)	Limited liability company	Baoding	Baoding	Insurance Brokers	100.00	—
Scrap car recycling and dismantling (Note 3)	Limited liability company	Baoding	Baoding	Scrap car recycling and dismantling	100.00	—
Japan Motor (Note 4)	—	Japan	Japan	Research and design of automobile and auto parts	—	100.00

Note 1: Haval Logistics is a wholly owned subsidiary which has been established in Baoding by the Company in May 2015, with a registered capital of RMB85 million. The actual investment of the Company was RMB50 million until 31 December 2015.

Note 2: Haval Insurance Brokers is a wholly owned subsidiary which has been established in Baoding by the Company in November 2015, with a registered capital of RMB50 million.

Note 3: Scrap car recycling and dismantling is a wholly owned subsidiary which has been established in Baoding by the Company in August 2015, with a registered capital of RMB5 million.

Note 4: Japan Motor is a wholly owned subsidiary which has been established in Japan by the Company's another subsidiary Billion Sunny Development Limited ("Billion Sunny Development") (億新發展有限公司) in September 2015, with a registered capital of JPY495 million.



# Notes to the Financial Statements

For the year ended 31 December 2015

## VIII. INTERESTS IN OTHER ENTITIES (continued)

### 1. Interests in subsidiaries (continued)

#### (1) Structure of the Group (continued)

*Subsidiaries acquired through business combination of enterprises not under common control*

Full name of subsidiaries	Legal form	Place of main management	Place of registration	Business nature	RMB	
					Proportion of shareholdings (%)	
					Direct	Indirect
Billion Sunny Development	—	Hong Kong	Hong Kong	Investment holding	—	100.00
Baoding Great Wall Boxiang Automotive Parts Manufacturing Company Limited (保定長城博翔汽車零部件製造有限公司) ("Great Wall Boxiang")	Limited liability company	Baoding	Baoding	Design, production and sale of automotive parts and components	100.00	—
Baoding Xinyuan	Limited liability company	Baoding	Baoding	Design, production and sale of automotive parts and components	100.00	—
Baoding Jiehua	Limited liability company	Baoding	Baoding	Manufacture of automotive parts and components	100.00	—

*Subsidiaries acquired through business combination of enterprises under common control*

Full name of subsidiaries	Legal form	Place of main management	Place of registration	Business nature	RMB	
					Proportion of shareholdings (%)	
					Direct	Indirect
Tianjin Wantong	Limited liability company	Tianjin Development Zone	Tianjin Development Zone	Manufacture of automotive parts and components	—	100.00
Baoding Yixin	Limited liability company	Baoding	Baoding	Manufacture of automotive parts and components	75.00	25.00

# Notes to the Financial Statements

For the year ended 31 December 2015

## VIII. INTERESTS IN OTHER ENTITIES (continued)

### 1. Interests in subsidiaries (continued)

#### (2) Significant non-wholly-owned subsidiary

RMB

Full name of subsidiaries	Proportion of minority shareholdings	Total profit or loss attributable to minority interests	Dividends attributable to minority interests	Balance of Minority interests
Automotive Finance	10%	1,351,023.12	—	56,047,023.99

#### (3) Important financial information of significant non-wholly-owned subsidiary

RMB

Full name of subsidiaries	2015.12.31					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Automotive Finance	482,282,062.37	576,596,276.20	1,058,878,338.57	448,408,098.65	50,000,000.00	498,408,098.65

Full name of subsidiaries	2014.12.31					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Automotive Finance	433,012,378.03	121,007,793.54	554,020,171.57	7,060,162.84	—	7,060,162.84

RMB

Full name of subsidiaries	2015				2014			
	Operating revenue	Net profit	Total comprehensive income	Cash flows from operating activities	Operating revenue	Net profit	Total comprehensive income	Cash flows from operating activities
Automotive Finance	78,556,541.32	13,510,231.19	13,510,231.19	(344,954,368.68)	8,331,585.19	(3,039,991.27)	(3,039,991.27)	(172,865,447.98)

# Notes to the Financial Statements

For the year ended 31 December 2015

## VIII. INTERESTS IN OTHER ENTITIES (continued)

### 2. Transaction which caused changes in proportion of equity but still under control.

#### (1) Changes in proportion of subsidiaries' equity shares

In May 2015, the Company acquired 25% shares of Beijing Great, a subsidiary of the Company, from Dragonet International Company Limited at consideration of RMB1,178,910,000.

#### (2) Effect on minority equity and owner's equity attributable to parent company

	RMB
	<b>Beijing Great</b>
Consideration of acquisition	
Cash	11,789,100.00
Less: net assets of the proportion shareholdings acquired	11,570,910.40
Difference	218,189.60
Of which: Adjusted capital surplus	218,189.60

### 3. Interests in joint ventures or associates

#### (1) Financial information about insignificant joint venture as follows:

	Closing balance/ Amount incurred during current year	Opening balance/ Amount incurred during current year
Joint venture:		
Baoding Jiehua (Note (VII). 1)	—	17,373,898.61
Yanfeng Johnson	18,006,939.74	48,616,346.26
Total book value of investment	18,006,939.74	65,990,244.87
Follows were calculated by the proportion of shareholding:		
— Net profit	6,098,831.41	21,417,923.84
— Other comprehensive income	—	—
— Total comprehensive income	6,098,831.41	21,417,923.84

# Notes to the Financial Statements

For the year ended 31 December 2015

## IX. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Major financial instruments of the Group include cash and bank balances, designated at fair value through profit or loss, derivative financial instruments, receivables, loans and advances to customers, borrowings 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.

The Group applied sensitive analysis technic to analyze the reasonableness of risk variables, possible changes that may affect profit and loss or shareholders' equity. Risk variables are less likely to change isolated, whereas the correlation between variables have major effect on the changes of single risk. Thus, contents below are under the assumption that the changes of single variable are isolated.

### 1 Objective and policies of risk management

The objective of the risk management of the Group is to maintain an appropriate balance between 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. Based on such objective, the principle strategy of the Group's risk management is to identify and analyze all types of risks of the Group, establish appropriate risk tolerance thresholds, carry out risk management procedures and perform risk monitoring on all kinds of risks in a timely and reliable manner, thus controlling the risk exposures within a prescribed level.

#### 1.1 Market risk

##### 1.1.1 Foreign exchange risk

Foreign exchange risk represents risks of loss incurred as a result of changes in exchange rates. 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, all assets and liabilities of the Group were denominated in RMB.

Item	RMB	
	2015.12.31	2014.12.31
Cash and cash equivalents	<b>225,380,767.45</b>	324,459,294.41
Accounts receivable	<b>426,964,580.25</b>	528,816,610.64
Other receivables	<b>1,067,606.40</b>	1,031,360.64
Accounts payable	<b>(2,884,684.58)</b>	(13,564,056.00)
Other payables	<b>(216,004,048.61)</b>	(102,480,289.90)

The Group manages its foreign exchange risk by purchase forward exchange contracts.

# Notes to the Financial Statements

For the year ended 31 December 2015

## IX. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

### 1 Objective and policies of risk management (continued)

#### 1.1 Market risk (continued)

##### 1.1.1 Foreign exchange risk (continued)

Sensitivity analysis of foreign exchange risk

Holding other variables constant, the effects of potential reasonable changes in exchange rates on the profit and loss and equity interests before tax for the year are set out below:

Item	Fluctuation of foreign exchange rate	RMB	
		2015 Influence on profit	Influence on shareholders' interest
USD	5% strengthening against RMB	<b>18,097,472.23</b>	<b>18,097,472.23</b>
USD	5% weakening against RMB	<b>(18,097,472.23)</b>	<b>(18,097,472.23)</b>
EUR	5% strengthening against RMB	<b>(4,611,258.52)</b>	<b>(4,611,258.52)</b>
EUR	5% weakening against RMB	<b>4,611,258.52</b>	<b>4,611,258.52</b>
HKD	5% strengthening against RMB	<b>11,907.70</b>	<b>11,907.70</b>
HKD	5% weakening against RMB	<b>(11,907.70)</b>	<b>(11,907.70)</b>
GBP	5% strengthening against RMB	<b>(34,867.22)</b>	<b>(34,867.22)</b>
GBP	5% weakening against RMB	<b>34,867.22</b>	<b>34,867.22</b>
JPY	5% strengthening against RMB	<b>(564,385.17)</b>	<b>(564,385.17)</b>
JPY	5% weakening against RMB	<b>564,385.17</b>	<b>564,385.17</b>
AUD	5% strengthening against RMB	<b>42,935.12</b>	<b>42,935.12</b>
AUD	5% weakening against RMB	<b>(42,935.12)</b>	<b>(42,935.12)</b>
CHF	5% strengthening against RMB	<b>(794,134.39)</b>	<b>(794,134.39)</b>
CHF	5% weakening against RMB	<b>794,134.39</b>	<b>794,134.39</b>

Note: The effects of the possible reasonable changes in the exchange rates of other foreign currencies to the profit and loss and equity interests after tax for the year are relatively small.

# Notes to the Financial Statements

For the year ended 31 December 2015

## IX. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

### 1 Objective and policies of risk management (continued)

#### 1.1 Market risk (continued)

##### 1.1.1 Foreign exchange risk (continued)

Sensitivity analysis of foreign exchange risk (continued)

Item	Fluctuation of foreign exchange rate	RMB	
		2014 Influence on profit	Influence on shareholders' interest
USD	5% strengthening against RMB	30,718,947.77	30,718,947.77
USD	5% weakening against RMB	(30,718,947.77)	(30,718,947.77)
EUR	5% strengthening against RMB	4,742,846.27	4,742,846.27
EUR	5% weakening against RMB	(4,742,846.27)	(4,742,846.27)
GBP	5% strengthening against RMB	(119,821.03)	(119,821.03)
GBP	5% weakening against RMB	119,821.03	119,821.03
JPY	5% strengthening against RMB	(52,565.25)	(52,565.25)
JPY	5% weakening against RMB	52,565.25	52,565.25
AUD	5% strengthening against RMB	10,531.53	10,531.53
AUD	5% weakening against RMB	(10,531.53)	(10,531.53)

Note: The effects of the possible reasonable changes in the exchange rates of other foreign currencies to the profit and loss and equity interests after tax for the year are relatively small.

**IX. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT** (continued)**1 Objective and policies of risk management** (continued)**1.1 Market risk** (continued)

## 1.1.2 Interest rate risk

The risk of changes in cash flow of financial instruments resulted from changes in interest rate is connected with floating rate and bank borrowing (Note VI, 21). The policy of the company is that keep the floating rate stable to eliminate the risk of changes in the fair value of interest rate.

Sensitivity analysis of interest rate risk

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.

In accordance with the assumption above, with no changes in other factors, the influence on profit and shareholders' interest (before tax) which caused by reasonable fluctuation of interest risk in this year were as follow:

Item	Fluctuation of interest risk	RMB	
		2015 Influence on profit	Influence on shareholders' interest
Loans and advances to customers	Increase 100 basis points	7,853,925.49	7,853,925.49
Loans and advances to customers	Decrease 100 basis points	(7,853,925.49)	(7,853,925.49)
Long-term borrowings	Increase 100 basis points	(500,000.00)	(500,000.00)
Long-term borrowings	Decrease 100 basis points	500,000.00	500,000.00

**1.2 Credit risk**

As at 31 December 2015, the biggest credit risk exposure that may cause financial loss of the Group is mainly coming from the other party of the contract could not fulfil their obligations that caused the loss on the Group's financial assets, which include the book value of a confirmed financial asset in the consolidated balance sheet. For those financial instruments that are measured by fair value, the book value reflects its risk exposure, but not its biggest risk exposure, the biggest risk exposure will change as the future fair value changes.

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 only accept bank acceptance bills from banks with relatively high level of credit rating; as such the risk of bill receivables is low. The Group only deposit cash and cash equivalents into banks with relatively high level of credit rating; as such the risk of cash and cash equivalents is low.



# Notes to the Financial Statements

For the year ended 31 December 2015

## IX. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

### 1 Objective and policies of risk management (continued)

#### 1.2 Credit risk (continued)

The Group does not require any collateral from its customers as it only conducts sales with the third-party customers with good credit records. The Group uses letter of credit and insurance with Sinosure to manage credit risk from oversea sales without any collateral from customers. During the reporting year, 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 61.05% (31 December 2014: 68.88%) 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 0.89% of the Group's revenue in 31 December 2015, the credit risk of the Group is not significant.

Further details regarding the quantified data of the credit risk arising from notes receivable, accounts receivable, other receivables and loans and advance of the Group are disclosed in note (VI) (3), (4) (7) and (11).

#### 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 liabilities of the Group based on the undiscounted remaining contractual obligations as at the end of each year are set out as follows:

Item	31/12/2015			RMB
	Within 6 months	6-12 months	Over one year	Total
Short-term borrowings	—	(317,700,000.00)	—	(317,700,000.00)
Bills payable	(5,480,528,560.69)	—	—	(5,480,528,560.69)
Accounts payable	(15,555,867,216.36)	(47,386,344.79)	—	(15,603,253,561.15)
Other payables	(1,001,525,228.50)	(663,908,840.61)	—	(1,665,434,069.11)
Long-term borrowings	(1,584,375.00)	(1,584,375.00)	(55,160,243.06)	(58,328,993.06)

Item	31/12/2014			RMB
	Within 6 months	6-12 months	Over one year	Total
Bills payable	(4,138,158,178.41)	—	—	(4,138,158,178.41)
Account payable	(14,082,115,436.56)	(11,036,495.10)	—	(14,093,151,931.66)
Other payable	(897,412,949.96)	(880,886,494.49)	—	(1,778,299,444.45)
Dividends payable	—	(156,709.77)	—	(156,709.77)

# Notes to the Financial Statements

For the year ended 31 December 2015

## X. FAIR VALUE

### 1. Fair value at the end of reporting year of assets and liabilities

Some of the Group's financial assets and liabilities are measured at fair value at the end of each reporting year. The following table gives information about how the fair values of these financial assets and liabilities are determined (in particular, the valuation technique(s) and inputs used).

Item	Fair value		Fair value level	Valuation technique and main inputs
	2015.12.31	2014.12.31		
Fair value measurement				
1. Held-for-trading financial assets				
Derivative financial assets- forward exchange contracts		Asset RMB214,440.00	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting year) and the contract forward rate, discounted at a rate that reflects the credit risk of various counterparties.

Group management believes that the carrying value of the other financial assets and financial liabilities in financial statements are close to the fair value of those assets and liabilities.

### 2. Non fair value at the end of reporting year of financial assets and financial liabilities

Group management believes that the carrying value of financial assets and financial liabilities measured by amortized cost of financial statements on 12 December 2015 are close to the fair value of those assets and liabilities.

# Notes to the Financial Statements

For the year ended 31 December 2015

## XI. RELATED PARTIES AND TRANSACTIONS

### 1. Holding company of the Company

Name of company	Place of registration	Nature of business	Registered capital	RMB	
				Shareholding of holding company (%)	Shareholding of holding company (%)
Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司)	Baoding	Investment	5,000,000,000.00	56.04	56.04

The ultimate controlling shareholder of the Company is Wei Jian Jun.

### 2. Subsidiaries of the Company

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

### 3. Joint ventures of the Company

Details of the joint ventures of the Company are set out in Note (VIII).

## XI. RELATED PARTIES AND TRANSACTIONS (continued)

## 4. Other related parties of the Company

Name	Relationship with the company
Baoding Wan Wei Municipal Engineering Co.Ltd (保定市萬維市政工程有限公司)	Company indirectly controlled by ultimate controlling shareholder
Baoding Bochuang Urban Development Company Limited (博創城市建設開發有限公司)	Company indirectly controlled by ultimate controlling shareholder
Baoding Bo Chuang Property Service Co., Ltd. (保定市博創物業服務有限公司)	Company indirectly controlled by ultimate controlling shareholder
Baoding Zhong Tie Flower-plant Co., Ltd 保定中鐵苗木花卉有限公司	Company indirectly controlled by ultimate controlling shareholder
Clean Heat ((VII)3)	Company indirectly controlled by ultimate controlling shareholder
Beijing Eastern Riwa Technology Company Limited (北京市東方日瓦科貿有限公司)	Company indirectly controlled by ultimate controlling shareholder
Baoding Kelin Engineering Test Co., Ltd. (保定科林工程檢測有限公司)	Company indirectly controlled by ultimate controlling shareholder
Baoding Great Wall Kindergarten (保定市長城幼兒園)	Company indirectly controlled by ultimate controlling shareholder
Baoding Tai Hang Pump Manufacturing Company Limited (保定市太行制泵有限公司)	Company indirectly controlled by ultimate controlling shareholder
Baoding Furui Landscape Co., Ltd (保定市富瑞園林有限公司)	Company indirectly controlled by ultimate controlling shareholder
Baoding Rui Cheng Real Estate Development Co., Ltd. (保定瑞城房地產開發有限公司)	Company indirectly controlled by ultimate controlling shareholder
Baoding Great Wall Real Estate Development and Construction Co., Ltd. (保定市長城房地產開發建設集團有限公司)	Company directly controlled by controlling shareholder
Hebei Baoding Tai Hang Group Company Limited (河北保定太行集團有限責任公司)	Company directly controlled by related natural person (Wei Tian Yan)
Hubei Kait Automotive Electronic & Electrical Systems Co., Ltd. (湖北開特汽車電子電器系統股份有限公司)	Independent director as an independent director of the entity
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)	Senior management as director of the entity
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
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托管中心)	Minority shareholder of the controlling shareholder (which have significant influence)
Hebei Baocang Expressway Co. Ltd. (河北保滄高速公路有限公司)	Controlling shareholder has a great impact on the entity
Zhang Wen Hui	Emolument of key management
Zhao Guo Qing	Emolument of key management
Xu Hui	Emolument of key management
Yang Gui Yong	Emolument of key management
Hao Jian Min	Emolument of key management

# Notes to the Financial Statements

For the year ended 31 December 2015

## XI. RELATED PARTIES AND TRANSACTIONS (continued)

### 5. Related party transactions

#### (1) Procurement of raw materials and accessories

Related parties	Related party transaction	RMB	
		2015	2014
Yanfeng Johnson	Purchase of raw materials	142,914,615.12	353,913,247.25
Hebei Baoding Tai Hang Group Company Limited	Purchase of raw materials	36,581.19	24,102.56
Hubei Kait Automotive Electronic & Electrical Systems Co., Ltd	Purchase of raw materials	6,004,731.72	8,661,482.61
Clean Heat	Purchase of steam	19,975,537.20	—

#### (2) Sales of automobiles and components and parts of automobiles

Related parties	Related party transaction	RMB	
		2015	2014
Yanfeng Johnson	Sales of automobiles or components and parts of automobiles	574,508.27	493,344.34
Baoding Wan Wei Municipal Engineering Co.Ltd	Sales of automobiles or components and parts of automobiles	59,316.24	—
Baoding Bochuang Urban Development Company Limited	Sales of automobiles or components and parts of automobiles	130,654.70	80,170.94
Baoding Great Wall Real Estate Development and Construction Co., Ltd.	Sales of automobiles or components and parts of automobiles	58,461.54	—
Baoding Furui Landscape Co., Ltd	Sales of automobiles or components and parts of automobiles	—	59,658.12
Baoding Zhong Tie Flower-plant Co., Ltd	Sales of automobiles or components and parts of automobiles	59,316.24	—

# Notes to the Financial Statements

For the year ended 31 December 2015

## XI. RELATED PARTIES AND TRANSACTIONS (continued)

### 5. Related party transactions (continued)

#### (3) Purchase of fixed assets

Related parties	Related party transaction	RMB	
		2015	2014
Hebei Baoding Tai Hang Group Company Limited	Purchase of fixed assets	119,611.11	—
Baoding Furui Landscape Co., Ltd	Purchase of fixed assets	702,439.33	—
Yanfeng Johnson	Purchase of fixed assets	9,575,752.01	—
Baoding Great Wall Real Estate Development and Construction Co., Ltd.	Purchase of fixed assets	—	64,800.00

#### (4) Sales of fixed assets

Related parties	Related party transaction	RMB	
		2015	2014
Baoding Wan Wei Municipal Engineering Co.Ltd	Sales of fixed assets	37,663.33	12,414.53
Baoding Zhong Tie Flower-plant Co., Ltd	Sales of fixed assets	1,518.53	—
Yanfeng Johnson	Sales of fixed assets	81,033.12	—
Baoding Bo Chuang City Construction Co., Ltd.	Sales of fixed assets	71,965.96	—
Baoding Kelin Engineering Test Co., Ltd.	Sales of fixed assets	658,064.78	—

# Notes to the Financial Statements

For the year ended 31 December 2015

## XI. RELATED PARTIES AND TRANSACTIONS (continued)

### 5. Related party transactions (continued)

#### (5) Purchase of services

Related parties	Related party transaction	RMB	
		2015	2014
Baoding Bo Chuang Property Service Co., Ltd.	Purchase of services	189,365.00	8,891.40
Baoding Jiehua	Purchase of services	194,273.49	—
Baoding Bochuang Urban Development Company Limited	Purchase of services	3,811,676.80	1,085,643.60

#### (6) Rendering of services

Related parties	Related party transaction	RMB	
		2015	2014
Yanfeng Johnson	Rendering of services	403,978.52	1,803,783.58
Hebei Baoding Tai Hang Group Company Limited	Rendering of services	24,165.00	—
Baoding Bochuang Urban Development Company Limited	Rendering of services	9,540.00	—
Clean Heat	Rendering of services	5,000.00	—
China Automobile (Beijing) Automobile Lightweight Technology Research Institute Company Limited	Rendering of services	141,509.43	141,509.43
Others	Rendering of services	11,295.00	—

#### (7) Claims income and others

Related parties	Related party transaction	RMB	
		2015	2014
Baoding Rui Cheng Real Estate Development Co., Ltd.	Leasing income and others	125,024.90	77,361.49
Yanfeng Johnson	Claims income and others	567,621.37	756,172.25
Baoding Innovation Great Wall Asset Management Company Limited	Leasing income	30,000.00	—
Baoding Furui Landscape Co., Ltd	Other material purchase	(42,780.00)	—
Baoding Fuyao Glass Co. Ltd.	Other sales income	122,282.82	—
Baoding Kelin Engineering Test Co., Ltd.	Other sales income	404,415.23	—
Clean Heat	Other sales income	44,947.44	—
Zhang Wen Hui	Rental income	9,496.64	—
Zhao Guo Qing	Rental income	5,935.40	—
Xu Hui	Rental income	5,697.99	—
Yang Gui Yong	Rental income	10,684.62	—
Hao Jian Min	Rental income	4,748.32	—
Hubei Kait Automotive Electronic & Electrical Systems Co., Ltd.	Claims income	—	51,282.05



# Notes to the Financial Statements

For the year ended 31 December 2015

## XI. RELATED PARTIES AND TRANSACTIONS (continued)

### 5. Related party transactions (continued)

#### (8) Emolument of key management

Item	RMB'000	
	2015	2014
Emolument of key management	<b>31,403</b>	30,994

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

#### (a) Independent non-executive directors' remuneration

Independent non-executive directors' remuneration within the year are as follows:

Name	RMB'000	
	2015	2014
Huang Zhi Xiong	<b>143</b>	143
Lu Chuang	<b>55</b>	27
Liang Shang Shang	<b>55</b>	27
Ma Li Hui	<b>55</b>	27
Wei Lin	—	21
He Bao Yin	—	21
Li Ke Qiang	—	21
Total	<b>308</b>	287

The remuneration of the above independent non executive directors is the service reward for their services as a director for the company. The remuneration of the above non executive directors and supervisors is the service reward for their services as directors and management for the company. There are no other remuneration payable to independent non-executive directors (2014: None).

# Notes to the Financial Statements

For the year ended 31 December 2015

## XI. RELATED PARTIES AND TRANSACTIONS (continued)

### 5. Related party transactions (continued)

#### (8) Emolument of key management (continued)

(b) Executive directors, non-executive directors and supervisors

RMB'000

2015	Director's emoluments	Other remuneration		Total
		Salaries, bonus, allowance and benefit in kind	Retiring benefit	
Executive directors:				
Wei Jian Jun	—	5,682	11	5,693
Liu Ping Fu	—	507	—	507
Wang Feng Ying	—	5,491	11	5,502
Hu Ke Gang	—	1,901	—	1,901
Yang Zhi Juan	—	664	11	675
Non-executive directors:				
He Ping	55	—	—	55
Niu Jun	—	—	—	—
Supervisor:				
Zhu En Ze	—	—	—	—
Luo Jin Li	20	—	—	20
Zong Yi Xiang	20	—	—	20
<b>Total</b>	<b>95</b>	<b>14,245</b>	<b>33</b>	<b>14,373</b>

# Notes to the Financial Statements

For the year ended 31 December 2015

## XI. RELATED PARTIES AND TRANSACTIONS (continued)

### 5. Related party transactions (continued)

#### (8) Emolument of key management (continued)

##### (b) Executive directors, non-executive directors and supervisors (continued)

				RMB'000
2014	director's emoluments	Other remuneration Salaries, bonus, allowance and benefit in kind	retiring benefit	Total
Executive directors:				
Wei Jian Jun	—	4,639	11	4,650
Liu Ping Fu	—	549	—	549
Wang Feng Ying	—	4,450	11	4,461
Yang Zhi Juan	—	491	11	502
Hu Ke Gang	—	1,654	—	1,654
Non-executive directors:				
He Ping	48	—	—	48
Niu Jun	—	—	—	—
Supervisor:				
Yuan Hong Li	8	—	—	8
Zhu En Ze	—	285	—	285
Luo Jin Li	18	—	—	18
Zong Yi Xiang	11	—	—	11
<b>Total</b>	<b>85</b>	<b>12,068</b>	<b>33</b>	<b>12,186</b>

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group. Emoluments for above executive directors and supervisors except for Zhu En Ze were mainly for their services for the Company as company directors. Emolument for Zhu En Ze is rewarded for his service for the Company as an administrator.

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

# Notes to the Financial Statements

For the year ended 31 December 2015

## XI. RELATED PARTIES AND TRANSACTIONS (continued)

### 5. Related party transactions (continued)

#### (8) Emolument of key management (continued)

##### (c) Five highest emolument individuals

Of the five individuals with the highest emoluments in the Group, the emoluments of three (2014: two) of them are included in the above table. The emoluments of the remaining two (2014: three) individuals were as follows:

	2015	RMB'000 2014
Salary, bonus, allowance and other benefits	8,167	9,453
Contributions to pension	21	30
<b>Total</b>	<b>8,188</b>	<b>9,483</b>

Their emoluments were within the following bands:

	2015	2014
HK\$0 to HK\$1,000,000 (equivalent to RMB0 to RMB837,800)	—	—
HK\$1,000,000 to HK\$2,000,000 (equivalent to RMB837,800 to RMB1,675,600)	—	—
HK\$2,000,000 to HK\$3,000,000 (equivalent to RMB1,675,600 to RMB2,513,400)	—	—
HK\$3,000,000 to HK\$4,000,000 (equivalent to RMB2,513,400 to RMB3,351,200)	—	3
HK\$4,000,000 to HK\$5,000,000 (equivalent to RMB3,351,200 to RMB4,189,000)	2	—
HK\$5,000,000 to HK\$6,000,000 (equivalent to RMB4,189,000 to RMB5,026,800)	—	—
HK\$6,000,000 to HK\$7,000,000 (equivalent to RMB5,026,800 to RMB5,864,600)	—	—

**(9) The Company transferred 100% shares of its subsidiary Clean Heat to the related party Baoding Bochuang Urban Development Company Limited at a consideration of RMB192,088,700.00.**

# Notes to the Financial Statements

For the year ended 31 December 2015

## XI. RELATED PARTIES AND TRANSACTIONS (continued)

### 6. Amounts due from/due to related parties

Item	Related parties	RMB	
		2015.12.31	2014.12.31
Accounts receivable	Baoding Bochuang Urban Development Company Limited	—	2,465.20
Accounts receivable	Clean Heat	44,764.50	—
Accounts receivable	Hebei Baocang Expressway Co. Ltd.	104,075.88	—
Sub-total:		148,840.38	2,465.20
Other receivables	Baoding Bochuang Urban Development Company Limited	1,480,248.60	300,000.00
Other receivables	Baoding Wan Wei Municipal Engineering Co. Ltd	—	14,525.00
Sub-total:		1,480,248.60	314,525.00
Bills payable	Yanfeng Johnson	27,454,213.75	33,010,000.00
Bills payable	Hubei Kait Automotive Electronic & Electrical Systems Co., Ltd.	—	4,262,000.00
Bills payable	Clean Heat	3,274,814.10	—
Sub-total:		30,729,027.85	37,272,000.00
Accounts payable	Yanfeng Johnson	24,455,380.67	93,581,264.45
Accounts payable	Hebei Baoding Tai Hang Group Company Limited	149,122.65	185,496.58
Accounts payable	Hubei Kait Automotive Electronic & Electrical Systems Co., Ltd.	—	4,409,016.38
Accounts payable	Clean Heat	8,615,279.85	—
Accounts payable	Baoding Tai Hang Pump Manufacturing Company Limited	480.00	—
Sub-total:		33,220,263.17	98,175,777.41
Other payables	Baoding Tai Hang Steel Structure Construction Company Limited	4,779,511.85	4,779,511.85
Other payables	Baoding Tai Hang Pump Manufacturing Company Limited	7,526.00	8,006.00
Other payables	Baoding Furui Landscape Co., Ltd	702,439.33	—
Other payables	Hebei Baoding Tai Hang Group Company Limited	22,000.00	52,000.00
Other payables	Yanfeng Johnson	72,351.60	—
Other payables	Wei Jian Jun	320,000.00	—
Other payables	Zhao Guo Qing	80,409.24	—
Other payables	Zhang Wen Hui	61,825.13	—
Other payables	Xu Hui	84,542.00	—
Other payables	Hao Jian Min	80,409.23	—
Sub-total:		6,211,014.38	4,839,517.85
Advance from customers	Management Centre of Collective Assets of Nandayuan Town, Nanshi District, Baoding	—	34,000.00
Advance from customers	Baoding Zhong Tie Flower-plant Co., Ltd	73,600.80	—
Advance from customers	Zhao Guo Qing	36,799.64	—
Advance from customers	Zhang Wen Hui	33,238.40	—
Advance from customers	Xu Hui	62,678.08	—
Advance from customers	Hao Jian Min	37,986.72	—
Sub-total:		244,303.64	34,000.00
Dividends receivable	Yanfeng Johnson	3,800,683.86	8,000,000.00
Dividends receivable	Clean Heat	5,991,068.20	—
Sub-total:		9,791,752.06	8,000,000.00
Advance to suppliers	Hebei Baoding Tai Hang Group Company Limited	13,948.72	—
Sub-total		13,948.72	—

# Notes to the Financial Statements

For the year ended 31 December 2015

## XII. COMMITMENTS

### 1. Significant Commitments

#### (1) Capital commitments

Item	RMB'000	
	2015.12.31	2014.12.31
Contracted for but not provided	<b>7,822,477</b>	7,330,498
Include: Capital commitments of joint ventures not included in consolidated financial statements	—	650

#### (2) Operating lease commitments

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

Item	RMB'000	
	2015.12.31	2014.12.31
Minimum lease payments under non-cancellable operating leases:		
Within one year from the balance sheet date	<b>10,469</b>	8,032
In the second year from the balance sheet date	<b>8,009</b>	5,919
In the third year from the balance sheet date	<b>6,492</b>	2,404
Subsequent years	<b>37,176</b>	14,102
Total	<b>62,146</b>	30,457

## XIII. OTHER SIGNIFICANT EVENTS

### 1. Segment reporting

The Group is mainly engaged in the manufacture and sales of automobiles and automotive parts and components in the PRC, and the majority of its assets are located in the PRC. The Group determined the reporting segments and disclosed the segment information according to No.3 Interpretation of Accounting Standards for Business Enterprises in 2009. The management determined the reporting segments according to the organization structure, management requirements and internal reporting system of the Group for the purposes of resource allocation and performance evaluation. As the resource allocation and performance evaluation of the Group are carried out based on the overall operation of the production and sales of automobiles and automotive parts and components, the Group has only one business segment for internal reporting purpose.

# Notes to the Financial Statements

For the year ended 31 December 2015

## XIII. OTHER SIGNIFICANT EVENTS (continued)

### 1. Segment reporting (continued)

Revenue from external customers by location of revenue sources:

Item	2015	RMB 2014
Revenue from external customers in China	<b>74,574,750,059.30</b>	59,467,547,004.37
Northeast China	<b>5,610,358,478.05</b>	4,759,862,752.10
Northern China	<b>11,711,371,100.84</b>	10,907,368,407.04
Eastern China	<b>22,116,544,437.52</b>	15,671,066,071.55
Central China	<b>18,554,911,405.45</b>	13,550,741,776.69
Northwest China	<b>5,703,479,498.34</b>	5,627,793,779.15
Southwest China	<b>10,878,085,139.10</b>	8,950,714,217.84
Revenue from external customers in other countries	<b>1,458,392,446.66</b>	3,131,557,185.49
Chile	<b>258,777,111.12</b>	338,668,359.97
Iran	<b>155,380,974.02</b>	202,332,954.49
Algeria	<b>151,832,326.78</b>	109,772,236.90
Ecuador	<b>129,339,037.59</b>	226,510,727.07
Peru	<b>89,158,963.04</b>	85,361,428.28
Malaysia	<b>76,428,992.49</b>	13,292,584.02
South Africa	<b>56,659,343.53</b>	161,111,231.99
Iraq	<b>45,995,308.41</b>	239,816,542.99
Columbia	<b>44,939,715.35</b>	50,797,461.30
Bolivia	<b>42,758,617.32</b>	53,384,455.97
Russia	<b>25,249,992.78</b>	950,391,920.18
Australia	<b>20,662,744.42</b>	157,878,417.04
Bulgaria	<b>5,347,821.70</b>	110,078,014.98
Others	<b>355,861,498.11</b>	432,160,850.31
Total	<b>76,033,142,505.96</b>	62,599,104,189.86

Majority of the non-current assets required to be disclosed in the segment report, including fixed assets, investment property, construction in progress and investment in jointly controlled entities and associates are located in the PRC.

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



# Notes to the Financial Statements

For the year ended 31 December 2015

## XIV. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY

### 1. Cash and bank balances

Item	2015.12.31	2014.12.31
		<i>RMB</i>
<b>Cash:</b>		
RMB	<b>403,800.80</b>	363,248.30
USD	<b>86,458.84</b>	154,438.18
HKD	<b>11,780.36</b>	13,232.03
EUR	<b>59,064.13</b>	32,902.46
JPY	<b>52,827.13</b>	24,917.40
KRW	<b>39.18</b>	40.24
GBP	<b>20,638.32</b>	98,464.93
RUB	<b>313.16</b>	391.18
THB	<b>23.39</b>	24.53
AUD	<b>15,785.74</b>	16,903.92
SGD	<b>1,426.71</b>	1,438.28
<b>Bank deposits:</b>		
RMB	<b>994,456,582.98</b>	846,785,565.14
USD	<b>11,672,973.67</b>	6,088,541.94
HKD	<b>335,133.95</b>	—
EUR	<b>8,612,635.88</b>	72,609,627.12
JPY	<b>49.30</b>	0.05
GBP	<b>12.50</b>	4.68
AUD	<b>791,763.23</b>	4.11
CHF	—	19,636.07
<b>Other cash and bank balances:</b>		
RMB	<b>435,749,689.12</b>	46,131,340.72
USD	<b>2,272,760.00</b>	6,053,379.84
<b>Total</b>	<b>1,454,543,758.39</b>	978,394,101.12
Include: overseas cash and bank deposits	—	—

As at 31 December 2015, the Company had restricted cash and bank balances of RMB438,022,449.12, in which guarantee on bank acceptance bills amounted to RMB434,849,889.12, guarantee on letter of credit amounted to RMB3,172,560.00.

As at 31 December 2014, the Company had restricted cash and bank balances of RMB52,184,720.56, in which guarantee on bank acceptance bills amounted to RMB39,396,340.72, guarantee on letter of credit amounted to RMB7,178,379.84, and other guarantees amounted to RMB5,610,000.00.

# Notes to the Financial Statements

For the year ended 31 December 2015

## XIV. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY (continued)

### 2. Bills receivable

#### (1) Classification of bills receivable

Category	RMB	
	2015.12.31	2014.12.31
Bank acceptance bills	24,603,364,219.79	19,639,242,895.83
Total	24,603,364,219.79	19,639,242,895.83

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

Category	RMB	
	2015.12.31	2014.12.31
Bank acceptance bills	1,867,570,210.00	1,827,207,120.00
Total	1,867,570,210.00	1,827,207,120.00

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

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

Category	RMB	
	2015.12.31	2014.12.31
Bank acceptance bills	16,793,479,822.13	12,751,018,545.09
Total	16,793,479,822.13	12,751,018,545.09

The above bills endorsed but yet undue have been derecognised.

# Notes to the Financial Statements

For the year ended 31 December 2015

## XIV. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY (continued)

### 3. Accounts receivable

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

RMB

Item	2015.12.31					2014.12.31				
	Carrying amount		Provision for bad debt			Carrying amount		Provision for bad debt		
	Amount	Ratio (%)	Amount	Provision ratio (%)	Book value	Amount	Ratio (%)	Amount	Provision ratio (%)	Book value
Individually significant and subject to separate provision	706,760,138.70	93.13	(65,501,530.27)	9.27	641,258,608.43	799,275,750.33	96.83	(25,172,440.39)	3.15	774,103,309.94
Accounts receivables sorted based on the characteristics of credit risk as a group	52,149,459.53	6.87	—	—	52,149,459.53	24,723,939.91	3.00	(479,916.05)	1.94	24,244,023.86
Accounts receivable which are individually insignificant but subject to separate provision	—	—	—	—	—	1,451,597.39	0.17	(1,451,597.39)	100.00	—
Total	758,909,598.23	100.00	(65,501,530.27)	8.63	693,408,067.96	825,451,287.63	100.00	(27,103,953.83)	3.28	798,347,333.80

Accounts receivable which are individually significant and subject to separate provision:

RMB

Accounts receivable (by customers)	2015.12.31			
	Accounts receivable	Provision for bad debts	Provision ratio (%)	Reason for provision
Customer 1	27,126,435.08	(1,237,502.28)	4.56	Past due
Customer 2	300,911,840.56	(64,264,027.99)	21.36	Past due
Others	378,721,863.06	—	—	
Total	706,760,138.70	(65,501,530.27)	9.27	

# Notes to the Financial Statements

For the year ended 31 December 2015

## XIV. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY (continued)

### 3. Accounts receivable (continued)

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

Aging	2015.12.31				2014.12.31			
	Carrying amount	Ratio (%)	Provision for bad debts	Book value	Carrying amount	Ratio (%)	Provision for bad debts	Book value
Within 1 year	432,502,876.06	56.99	—	432,502,876.06	812,775,735.33	98.47	(23,818,024.11)	788,957,711.22
1 to 2 years	326,406,722.17	43.01	(65,501,530.27)	260,905,191.90	12,559,752.30	1.52	(3,285,929.72)	9,273,822.58
2 to 3 years	—	—	—	—	—	—	—	—
Over 3 years	—	—	—	—	115,800.00	0.01	—	115,800.00
Total	758,909,598.23	100.00	(65,501,530.27)	693,408,067.96	825,451,287.63	100.00	(27,103,953.83)	798,347,333.80

RMB

The analysis of aging of accounts receivable is based on the time of delivering goods or providing services.

#### (3) Provision for bad debts, written back or reversed bad debts during the reporting year

Provision for bad debts amounted to RMB45,849,342.51, written back or reversed bad debts amounted to RMB7,436,906.07 during the reporting year.

Written back or reversal of bad debts with significant amount during the reporting year:

Customer	Amount of written back or reversal	Method of recovery	Reason for written back or reversal	Reason for recognise original provision of bad debts
Customer 1	3,265,661.67	Cash and other methods	The management of the Company exerted efforts on collecting account receivable in cash and other methods.	Past due
Total	3,265,661.67			

RMB

#### (4) Accounts receivable actually written off during the reporting year

Name of unit	Amounts of written off
Actual amounts written off	14,860.00

RMB

# Notes to the Financial Statements

For the year ended 31 December 2015

## XIV. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY (continued)

### 3. Accounts receivable (continued)

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

Name of unit	Balance at the year end	Percentage of total accounts receivable (%)	RMB
			Amount of provision of bad debts
Customer1	300,911,840.56	39.65	(64,264,027.99)
Customer2	45,800,833.39	6.04	—
Customer3	27,126,435.08	3.57	(1,237,502.28)
Customer4	26,594,232.38	3.50	—
Customer5	16,319,907.11	2.15	—
Total	416,753,248.52	54.91	(65,501,530.27)

### 4. Other receivables

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

Item	2015.12.31					2014.12.31				
	Carrying amount		Provision for bad debts			Carrying amount		Provision for bad debts		
	Amount	Ratio (%)	Amount	Provision ratio (%)	Book value	Amount	Ratio (%)	Amount	Provision ratio (%)	Book value
Individually significant and subject to separate provision	59,140,913.94	85.12	(1,744,140.00)	2.95	57,396,773.94	2,887,568,848.91	99.56	(1,744,140.00)	0.06	2,885,824,708.91
Other receivables sorted based on the characteristics of credit risk as a group	10,341,854.00	14.88	—	—	10,341,854.00	12,828,383.58	0.44	(45,000.00)	0.35	12,783,383.58
Other receivables which are individually insignificant but subject to separate provision	—	—	—	—	—	—	—	—	—	—
Total	69,482,767.94	100.00	(1,744,140.00)	2.51	67,738,627.94	2,900,397,232.49	100.00	(1,789,140.00)	0.06	2,898,608,092.49

# Notes to the Financial Statements

For the year ended 31 December 2015

## XIV. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY (continued)

### 4. Other receivables (continued)

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

Other receivables which are individually significant and subject to separate provision:

Other accounts receivable (by customers)	2015.12.31			Reason for provision
	Other accounts receivable	Provision for bad debts	Provision ratio (%)	
Unit 1	21,500,000.00	—	—	
Unit 2	10,200,000.00	—	—	
Unit 3	8,591,334.95	—	—	
Unit 4	5,000,000.00	—	—	
Unit 5	4,437,356.90	—	—	
Unit 6	1,744,140.00	(1,744,140.00)	100.00	Uncoverable
Others	7,668,082.09	—	—	
Total	59,140,913.94	(1,744,140.00)	2.95	

RMB

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

Aging	2015.12.31				2014.12.31			
	Carrying amount	Ratio (%)	Provision for bad debts	Book value	Carrying amount	Ratio (%)	Provision for bad debts	Book value
Within 1 year	49,152,196.45	70.74	—	49,152,196.45	562,092,211.57	19.38	(1,744,140.00)	560,348,071.57
1 to 2 years	18,263,052.24	26.28	(1,744,140.00)	16,518,912.24	2,310,623,400.15	79.66	—	2,310,623,400.15
2 to 3 years	1,622,763.57	2.34	—	1,622,763.57	25,471,631.42	0.88	—	25,471,631.42
Over 3 years	444,755.68	0.64	—	444,755.68	2,209,989.35	0.08	(45,000.00)	2,164,989.35
Total	69,482,767.94	100.00	(1,744,140.00)	67,738,627.94	2,900,397,232.49	100.00	(1,789,140.00)	2,898,608,092.49

RMB

#### (3) Provision for bad debts, written back or reversed bad debts during the reporting year

Provision for bad debts amounted to RMB8,880.00, written back or reversed bad debts amounted to RMB45,000.00 during the reporting year.

#### (4) Accounts receivable actually written off during the reporting year

Name of unit	Amounts of written off
Actual amounts written off	8,880.00

RMB

# Notes to the Financial Statements

For the year ended 31 December 2015

## XIV. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY (continued)

### 4. Other receivables (continued)

#### (5) Other accounts receivable disclosed as nature:

Nature of other accounts receivable	RMB	
	2015.12.31	2014.12.31
Petty cash	6,603,016.85	9,120,867.65
Deposit	30,075,904.44	2,698,734,012.87
Energy-saving subsidies	—	149,153,000.00
Others	32,803,846.65	43,389,351.97
Total	69,482,767.94	2,900,397,232.49

#### (6) Five units with largest amounts of other accounts receivable

Name of unit	Nature of other accounts receivable			Percentage of the total other receivables (%)	RMB
		Amount	Aging		Closing balance of provision of bad debts
Unit1	Receivable of Equity transfer	21,500,000.00	Within 1 year	31.74	—
Unit2	Performance bound	10,200,000.00	Within 2 years	15.06	—
Unit3	Customs Deposit	8,591,334.95	Within 1 year	12.68	—
Unit4	Steel Deposit	5,000,000.00	Within 1 year	7.38	—
Unit5	Advanced money for another	4,437,356.90	Within 1 year	6.55	—
Total		49,728,691.85		73.41	

#### (7) There were no other accounts receivable related to government grants.

### 5. Inventory

#### (1) Inventory categories

Item	RMB		
	Book balance	2015.12.31 Provision for obsolete stocks	Book value
Raw materials	834,640,913.45	(1,890,113.64)	832,750,799.81
Work in progress	553,760,350.06	—	553,760,350.06
Finished goods	890,285,232.83	(6,815,669.80)	883,469,563.03
Low-valued consumables	110,975,882.68	—	110,975,882.68
Total	2,389,662,379.02	(8,705,783.44)	2,380,956,595.58



# Notes to the Financial Statements

For the year ended 31 December 2015

## XIV. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY (continued)

### 5. Inventory (continued)

#### (1) Inventory categories (continued)

Item	Book balance	2014.12.31	
		Provision for obsolete stocks	Book value
Raw materials	790,470,922.71	(385,654.29)	790,085,268.42
Work in progress	462,780,321.69	(268,275.37)	462,512,046.32
Finished goods	727,916,780.11	(4,448,432.70)	723,468,347.41
Low-valued consumables	51,481,190.82	—	51,481,190.82
<b>Total</b>	<b>2,032,649,215.33</b>	<b>(5,102,362.36)</b>	<b>2,027,546,852.97</b>

#### (2) Provision for obsolete stocks

Inventory categories	2015.1.1	Provision for the year	Decrease for the year		RMB
			Reversals	Write-offs	2015.12.31
Raw materials	385,654.29	1,890,113.64	—	(385,654.29)	<b>1,890,113.64</b>
Work in progress	268,275.37	—	—	(268,275.37)	—
Finished goods	4,448,432.70	13,886,760.69	(72,033.89)	(11,447,489.70)	<b>6,815,669.80</b>
<b>Total</b>	<b>5,102,362.36</b>	<b>15,776,874.33</b>	<b>(72,033.89)</b>	<b>(12,101,419.36)</b>	<b>8,705,783.44</b>

#### (3) Analysis of provision for obsolete stocks

Item	Basis of provision for obsolete stocks	Reason for reversal or write-off of provision for obsolete stocks during the year	Percentage of the reversal to the closing balance of such inventory during the year (%)
Raw materials	Note 1	Note 2	—
Work in progress	—	Note 2	—
Finished goods	Note 1	Note 2	0.01

# Notes to the Financial Statements

For the year ended 31 December 2015

## XIV. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY (continued)

### 5. Inventory (continued)

#### (3) Analysis of provision for obsolete stocks (continued)

Descriptions of inventories:

*Note 1:* As the estimated net realizable value of whole vehicle products for the reporting year was lower than the inventory cost as at the end of the year, the impairment provision for inventory had been made for raw materials and finished goods.

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

### 6. Long-term equity investment

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

Item	2015.12.31			2014.12.31		
	Carrying amount	Impairment losses	Book value	Carrying amount	Impairment losses	Book value
Investment in subsidiary	5,021,595,119.18	—	5,021,595,119.18	4,898,818,277.39	—	4,898,818,277.39
Investment in associates and joint venture	8,694,561.20	—	8,694,561.20	41,373,163.07	—	41,373,163.07
Total	5,030,289,680.38	—	5,030,289,680.38	4,940,191,440.46	—	4,940,191,440.46

RMB

# Notes to the Financial Statements

For the year ended 31 December 2015

## XIV. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY (continued)

### 6. Long-term equity investment (continued)

The breakdown of investments in subsidiary was as follows:

Investee	2015.1.1	Addition	Reduction	2015.12.31	RMB	
					Provision for impairment during the year	Closing balance of provision for bad debt
Great Wall Huabei	268,092,310.00	—	—	268,092,310.00	—	—
Great Wall Internal						
Combustion Engine	583,255,808.00	—	—	583,255,808.00	—	—
Great Wall Vehicle Axles	347,555,714.49	—	—	347,555,714.49	—	—
Baoding Nuobo	72,240,000.00	—	—	72,240,000.00	—	—
Beijing Great (Note 1)	750,000.00	11,789,100.00	—	12,539,100.00	—	—
Baoding Great	23,000,000.00	—	—	23,000,000.00	—	—
Great Wall After-sales	34,850,000.00	—	—	34,850,000.00	—	—
Macs (Note 2)	25,021,090.00	16,907,400.00	—	41,928,490.00	—	—
Tide Technology and Trade	159,353,665.00	—	—	159,353,665.00	—	—
Russia Great Wall	404,335.00	—	—	404,335.00	—	—
Mind Component	71,250,000.00	—	—	71,250,000.00	—	—
Exquisite Foundry	85,000,000.00	—	—	85,000,000.00	—	—
Baoding Yixin	9,750,000.00	—	—	9,750,000.00	—	—
Great Wall Ants	86,000,000.00	—	—	86,000,000.00	—	—
Lean School	100,000.00	—	—	100,000.00	—	—
Tianjin Boxin	1,891,553,510.28	—	—	1,891,553,510.28	—	—
Ningxia Leasing	20,000,000.00	—	—	20,000,000.00	—	—
Great Wall Resource						
Recycling	50,000,000.00	—	—	50,000,000.00	—	—
Great Wall Boxiang	39,116,124.26	—	—	39,116,124.26	—	—
Exquisite Mould	5,000,000.00	—	—	5,000,000.00	—	—
Baoding Xinyuan (Note 3)	47,025,720.36	26,968,200.00	—	73,993,920.36	—	—
Xushui Component	7,000,000.00	—	—	7,000,000.00	—	—
Clean Heat (Note 4)	175,000,000.00	—	(175,000,000.00)	—	—	—
Haval Rental	25,000,000.00	—	—	25,000,000.00	—	—
Great Wall Sales	8,000,000.00	—	—	8,000,000.00	—	—
Automotive Finance	495,000,000.00	—	—	495,000,000.00	—	—
Qinchuang Property (Note 5)	8,000,000.00	—	(8,000,000.00)	—	—	—
Shanghai Haval	1,500,000.00	—	—	1,500,000.00	—	—
Haval Auto Sales	5,000,000.00	—	—	5,000,000.00	—	—
Xushui Nuobo	255,000,000.00	—	—	255,000,000.00	—	—
Zhiteng Automation (Note 6)	100,000,000.00	—	(100,000,000.00)	—	—	—
Baoding Jie Hua (Note 7)	—	40,811,761.79	—	40,811,761.79	—	—
Haval Motors South Africa (Note 8)	—	4,300,380.00	—	4,300,380.00	—	—
Haval Logistics	—	50,000,000.00	—	50,000,000.00	—	—
Russia Manufacturing (Note 9)	—	200,000,000.00	—	200,000,000.00	—	—
Haval Insurance Brokers	—	50,000,000.00	—	50,000,000.00	—	—
Scrap car recycling and dismantling	—	5,000,000.00	—	5,000,000.00	—	—
<b>Total</b>	<b>4,898,818,277.39</b>	<b>405,776,841.79</b>	<b>(283,000,000.00)</b>	<b>5,021,595,119.18</b>	<b>—</b>	<b>—</b>

# Notes to the Financial Statements

For the year ended 31 December 2015

## XIV. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY (continued)

### 6. Long-term equity investment (continued)

The breakdown of investments in associates and joint venture was as follows:

Investee	2015.1.1	Addition	Reduction	Investment profit or loss recognised under equity method	Adjustment of other comprehensive income	Change in other equity	Declared cash dividends or profit	Provision for impairment	Others	RMB	
										2015.12.31	Provision for impairment during the year
<b>Investments in joint venture</b>											
Baoding Jiehua (note 7)	17,373,898.61	—	(17,403,061.79)	29,163.18	—	—	—	—	—	—	—
Sub-total	17,373,898.61	—	(17,403,061.79)	29,163.18	—	—	—	—	—	—	—
<b>Investment in associates</b>											
Yanfeng Johnson	23,999,264.46	—	—	3,903,328.21	—	—	(19,208,031.47)	—	—	8,694,561.20	—
Baoding Fuyao Glass Co Ltd.	—	10,002,000.00	(10,002,000.00)	—	—	—	—	—	—	—	—
Sub-total	23,999,264.46	10,002,000.00	(10,002,000.00)	3,903,328.21	—	—	(19,208,031.47)	—	—	8,694,561.20	—
<b>Total</b>	<b>41,373,163.07</b>	<b>10,002,000.00</b>	<b>(27,405,061.79)</b>	<b>3,932,491.39</b>	<b>—</b>	<b>—</b>	<b>(19,208,031.47)</b>	<b>—</b>	<b>—</b>	<b>8,694,561.20</b>	<b>—</b>

Note 1: In May 2015, the Company acquired 25% shares of Beijing Great from Dragonet International Company. After this acquisition, the Company holds 100% shares of Beijing Great directly.

Note 2: In March 2015, the Company acquired 25% shares of Macs from Billion Sunny Development, a subsidiary of the Company. After this acquisition, the Company holds 100% shares of Macs directly.

Note 3: In July 2015, the company acquired 25% shares of Baoding Xinyuan from Billion Sunny Development. After this acquisition, the company holds 100% shares of Baoding Xinyuan.

Note 4: In June 2015, the company transferred 100% shares of Clean Heat to Baoding Bochuang Urban Development Company Limited. After this transformation, the company was not shareholder of Clean Heat any more.

Note 5: In November 2015, the company transferred 100% shares of Qingchuang Property to the third party and was no longer shareholder of Qingchuang.

Note 6: In December 2015, one of subsidiaries Zhiteng Automation was cancelled.

Note 7: In June 2015, the company acquired 50% shares of Baoding Jiehua from Shanghai Jiehua Automotive Trim Development Co. Ltd. After this acquisition, the company directly holds 100% shares of Baoding Jiehua.

Note 8: In May 2015, the company invested in Haval Motors South Africa. After the investment, registered capital of Haval Motors South Africa increase to ZAR7,000,000.

Note 9: In October 2015, the company invested in Russia Manufacturing and holds 88.5% shares of it. Registered capital of Russia Manufacturing increase to RUB2,260,000,000 from RUB260,000,000.

# Notes to the Financial Statements

For the year ended 31 December 2015

## XIV. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY (continued)

### 7. Fixed assets

#### Fixed assets:

	RMB				
Item	Buildings and structures	Machinery and equipment	Motor vehicles	Other equipment	Total
I. Original book value					
2015.1.1	6,812,338,312.47	9,288,663,881.57	60,444,966.71	2,477,195,644.74	18,638,642,805.49
Additions for the year	1,370,552,543.00	1,589,288,642.83	43,720,039.21	438,732,854.59	3,442,294,079.63
1. Purchase	40,524,630.40	196,580,871.12	25,341,562.26	58,254,138.81	320,701,202.59
2. Transfer from construction in progress	1,330,027,912.60	1,392,707,771.71	18,378,476.95	380,478,715.78	3,121,592,877.04
Deductions for the year	(765,023.26)	(15,939,135.32)	(4,761,780.37)	(47,636,308.85)	(69,102,247.80)
1. Disposal and scrap	(765,023.26)	(14,990,039.71)	(4,640,803.45)	(45,800,354.90)	(66,196,221.32)
2. Transfer to construction in progress	—	(348,874.22)	—	(700,927.60)	(1,049,801.82)
3. Others	—	(600,221.39)	(120,976.92)	(1,135,026.35)	(1,856,224.66)
2015.12.31	8,182,125,832.21	10,862,013,389.08	99,403,225.55	2,868,292,190.48	22,011,834,637.32
II. Total accumulated depreciation					
2015.1.1	629,193,631.39	2,476,087,694.34	19,971,577.25	1,104,670,010.29	4,229,922,913.27
Additions for the year	225,440,036.85	917,789,083.27	13,289,155.18	360,509,470.78	1,517,027,746.08
1. Provision for this year	225,440,036.85	917,789,083.27	13,289,155.18	360,509,470.78	1,517,027,746.08
Deductions for the year	(247,959.32)	(8,292,116.27)	(2,223,981.19)	(29,992,339.46)	(40,756,396.24)
1. Disposal and scrap	(247,959.32)	(7,674,305.72)	(2,163,131.80)	(29,158,571.73)	(39,243,968.57)
2. Transfer to construction in progress	—	(238,870.75)	—	(331,410.34)	(570,281.09)
3. Others	—	(378,939.80)	(60,849.39)	(502,357.39)	(942,146.58)
2015.12.31	854,385,708.92	3,385,584,661.34	31,036,751.24	1,435,187,141.61	5,706,194,263.11
III. Provision for impairment					
2015.1.1	136,268.33	44,949,729.61	—	33,755,980.83	78,841,978.77
Additions for the year	—	—	—	—	—
Deductions for the year	—	(2,093,883.21)	—	(1,432,530.07)	(3,526,413.28)
1. Disposal and scrap	—	(2,093,883.21)	—	(1,432,530.07)	(3,526,413.28)
2015.12.31	136,268.33	42,855,846.40	—	32,323,450.76	75,315,565.49
IV. Book value					
2015.12.31	7,327,603,854.96	7,433,572,881.34	68,366,474.31	1,400,781,598.11	16,230,324,808.72
2015.1.1	6,183,008,412.75	6,767,626,457.62	40,473,389.46	1,338,769,653.62	14,329,877,913.45

As at 31 December 2015, among the fixed assets, the net book value of properties without title certificates amounted to RMB1,920,434,767.20 (As at 31 December 2014: RMB3,765,364,205.15) and the application of relevant title certificates is in progress.

# Notes to the Financial Statements

For the year ended 31 December 2015

## XIV. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY (continued)

### 8. Construction in progress

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

Project	2015.12.31			2014.12.31		
	Book balance	Impairment provision	Net book value	Book balance	Impairment provision	Net book value
Annual production of 300,000 sets of EG engines	—	—	—	3,323,198.53	—	3,323,198.53
Annual production of 400,000 sets of aluminium alloy casting	2,000,568.77	—	2,000,568.77	20,411,508.93	—	20,411,508.93
Annual production of 400,000 sets of automotive lightings	—	—	—	940,170.94	—	940,170.94
Tianjin automobile project	45,684,661.20	—	45,684,661.20	158,070,063.06	—	158,070,063.06
Tianjin branch's parts and components project	99,492,279.22	—	99,492,279.22	60,950,625.76	—	60,950,625.76
Tianjin branch's residential area supporting project	—	—	—	8,836,314.52	—	8,836,314.52
Industrial park phase I. II. III	258,227,920.78	(11,013,179.46)	247,214,741.32	270,334,425.82	(11,013,179.46)	259,321,246.36
Xindatong Reconstruction	6,201,363.92	—	6,201,363.92	913,108.97	—	913,108.97
Jiaozhuang infrastructure	847,696.00	—	847,696.00	546,016.00	—	546,016.00
Jiaozhuang equipment	59,216,915.95	—	59,216,915.95	108,414,998.56	—	108,414,998.56
New technology center	381,748,924.54	—	381,748,924.54	1,317,596,809.79	—	1,317,596,809.79
Xushui Automobile Project	3,737,652,655.74	—	3,737,652,655.74	2,222,241,438.49	—	2,222,241,438.49
Xushui parts and components project	1,287,617,245.49	—	1,287,617,245.49	604,513,692.85	—	604,513,692.85
Xushui supporting infrastructure project	133,248,777.99	—	133,248,777.99	67,708,439.46	—	67,708,439.46
Others	54,921,194.89	—	54,921,194.89	200,152,747.40	—	200,152,747.40
<b>Total</b>	<b>6,066,860,204.49</b>	<b>(11,013,179.46)</b>	<b>6,055,847,025.03</b>	<b>5,044,953,559.08</b>	<b>(11,013,179.46)</b>	<b>5,033,940,379.62</b>

RMB

# Notes to the Financial Statements

For the year ended 31 December 2015

## XIV. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY (continued)

### 8. Construction in progress (continued)

#### (2) Changes of major construction in progress

Project	Budget amount	2015.1.1	Additions	Transfer to fixed assets	Other deductions	Investment to budget (%)	Accumulated capitalized interest amount	Of which: capitalized interest amount	Ratio of capitalized interest amount (%)	Sources of fund	RMB
											2015.12.31
Annual production of 300,000 sets of EG engines	547,163,800.00	3,323,198.53	2,055,403.00	(1,999,332.64)	(3,379,268.89)	100.00	—	—	—	Raising and own fund	—
Annual production of 400,000 sets of aluminium alloy casting	303,376,600.00	20,411,508.93	—	(18,090,427.34)	(320,512.82)	100.00	—	—	—	Raising fund	2,000,568.77
Annual production of 400,000 sets of automotive lightings	180,677,200.00	940,170.94	—	(940,170.94)	—	100.00	—	—	—	Raising and own fund	—
Tianjin automobile project	4,916,407,056.00	158,070,063.06	106,909,096.01	(217,674,329.02)	(1,620,168.85)	98.34	—	—	—	Own fund	45,684,661.20
Tianjin branch's parts and components project	1,467,803,256.00	60,950,625.76	118,082,871.65	(78,143,971.17)	(1,397,247.02)	72.47	—	—	—	Own fund	99,492,279.22
Tianjin branch's residential area supporting project	524,125,700.00	8,836,314.52	5,395,878.69	(14,232,193.21)	—	92.68	—	—	—	Own fund	—
Industrial park phase I. II. III	1,047,925,723.00	270,334,425.82	296,120,041.56	(279,278,940.39)	(28,947,606.21)	78.86	—	—	—	Own fund	258,227,920.78
Xindatong Reconstruction	8,786,603.00	913,108.97	5,985,341.07	(634,015.36)	(63,070.76)	100.00	—	—	—	Own fund	6,201,363.92
Jiaozhuang infrastructure	254,193,000.00	546,016.00	1,203,077.06	(886,997.06)	(14,400.00)	80.55	—	—	—	Own fund	847,696.00
Jiaozhuang equipment	1,384,811,857.00	108,414,998.56	116,955,004.93	(155,393,680.85)	(10,759,406.69)	100.00	—	—	—	Own fund	59,216,915.95
New technology center	1,976,539,000.00	1,317,596,809.79	232,385,063.62	(1,167,989,958.05)	(242,990.82)	78.96	—	—	—	Own fund	381,748,924.54
Xushui Automobile Project	10,541,374,775.00	2,222,241,438.49	1,853,850,498.13	(328,862,076.45)	(9,577,204.43)	65.29	—	—	—	Own fund	3,737,652,655.74
Xushui parts and components project	9,256,406,120.00	604,513,692.85	1,333,630,716.06	(644,392,881.72)	(6,134,281.70)	44.73	—	—	—	Own fund	1,287,617,245.49
Xushui supporting infrastructure project	593,250,000.00	67,708,439.46	65,540,338.53	—	—	22.46	—	—	—	Own fund	133,248,777.99
Others	369,849,389.00	200,152,747.40	68,375,576.11	(213,073,902.84)	(533,225.78)	82.60	—	—	—	Own fund	54,921,194.89
<b>Total</b>	<b>33,372,690,079.00</b>	<b>5,044,953,559.08</b>	<b>4,206,488,906.42</b>	<b>(3,121,592,877.04)</b>	<b>(62,989,383.97)</b>						<b>6,066,860,204.49</b>

Note: During the year, the book value of construction in progress decreased by RMB13,527,969.34 due to transfer into intangible assets.



# Notes to the Financial Statements

For the year ended 31 December 2015

## XIV. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY (continued)

### 9. Intangible assets

#### *Intangible assets*

Item	RMB		
	Land use rights	Software and others	Total
I. Original book value			
2015.1.1	2,619,582,799.98	98,815,130.13	2,718,397,930.11
Additions for the year	477,293,672.29	20,022,911.59	497,316,583.88
1. Purchase	477,293,672.29	6,494,942.25	483,788,614.54
2. Transfer in from construction in progress	—	13,527,969.34	13,527,969.34
Deductions for the year	(14,486,287.82)	—	(14,486,287.82)
2015.12.31	3,082,390,184.45	118,838,041.72	3,201,228,226.17
II. Total accumulated amortization			
2015.1.1	178,247,620.76	48,072,778.80	226,320,399.56
Additions for the year	58,074,474.36	10,078,999.97	68,153,474.33
Deductions for the year	(599,592.33)	—	(599,592.33)
2015.12.31	235,722,502.79	58,151,778.77	293,874,281.56
III. Book value			
2015.12.31	2,846,667,681.66	60,686,262.95	2,907,353,944.61
2015.1.1	2,441,335,179.22	50,742,351.33	2,492,077,530.55

Analysis on the location and aging of prepaid lease payments (land use rights) is as follows:

Item	RMB	
	2015.12.31	2014.12.31
Located in mainland China — 10 to 50 years	<b>2,846,667,681.66</b>	2,441,335,179.22

### 10. Bills payable

Category	RMB	
	2015.12.31	2014.12.31
Bank acceptance bills	<b>3,701,669,046.17</b>	2,228,314,043.46
Total	<b>3,701,669,046.17</b>	2,228,314,043.46

# Notes to the Financial Statements

For the year ended 31 December 2015

## XIV. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY (continued)

### 11. Accounts payable

#### (1) Accounts payable

Item	RMB	
	2015.12.31	2014.12.31
Within 1 year	<b>17,280,203,199.27</b>	14,943,116,529.09
1 to 2 years	<b>9,378,897.77</b>	44,161,866.60
2 to 3 years	<b>8,378,422.84</b>	15,504,507.04
Over 3 years	<b>2,354,241.18</b>	4,984,997.65
Total	<b>17,300,314,761.06</b>	15,007,767,900.38

The analysis of aging of accounts payable is based on the time of purchasing materials, goods or receiving services.

(2) *There was no accounts payable aged over one year with significant amount during the year.*

### 12. Advances from customers

#### (1) Advance from customers

Item	RMB	
	2015.12.31	2014.12.31
Within 1 year	<b>3,367,280,265.77</b>	2,198,256,861.74
1 to 2 years	<b>9,523,559.92</b>	14,806,867.86
2 to 3 years	<b>3,014,525.18</b>	6,250,534.77
Over 3 years	<b>1,032,813.92</b>	2,136,992.67
Total	<b>3,380,851,164.79</b>	2,221,451,257.04

(2) *Advance from customers aged over 1 year with significant amount*

Item	RMB	
	2015.12.31	Reason for outstanding
Supplier 1	<b>4,653,520.83</b>	Payment terms have not been reached
Total	<b>4,653,520.83</b>	

# Notes to the Financial Statements

For the year ended 31 December 2015

## XIV. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY (continued)

### 13. Capital reserve

Item	RMB			
	Opening balance	Additions	Deductions	Closing balance
<b>2015</b>				
Capital premiums (Note1)	4,509,010,149.89	—	(3,042,423,000.00)	1,466,587,149.89
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	—	—	—	—
<b>Total</b>	<b>4,506,077,023.11</b>	<b>—</b>	<b>(3,042,423,000.00)</b>	<b>1,463,654,023.11</b>
<b>2014</b>				
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	—	—	—	—
<b>Total</b>	<b>4,506,077,023.11</b>	<b>—</b>	<b>—</b>	<b>4,506,077,023.11</b>

Note 1: According to the resolution of the first extraordinary meeting convened on 22 September 2015, capital reserves of the company would transfer to capital amounted to RMB3,042,423,000.00.

# Notes to the Financial Statements

For the year ended 31 December 2015

## XIV. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY (continued)

### 14. Undistributed profits

Item	RMB	
	Amount	Proportion of appropriation or allocation
<b>2015</b>		
Undistributed profits at the beginning of the year	<b>21,934,165,795.67</b>	
Add: Net profit	<b>7,843,852,602.47</b>	
Less: Appropriation of statutory surplus reserves	<b>(784,385,260.25)</b>	<b>(1)</b>
Distribution of cash dividends	<b>(3,194,544,150.00)</b>	<b>(2)</b>
Capital transferred from ordinary dividend	<b>(3,042,423,000.00)</b>	<b>(2)</b>
Undistributed profits at the end of the year	<b>22,756,665,987.89</b>	
<b>2014</b>		
Undistributed profits at the beginning of the year	16,630,245,730.47	
Add: Net profit	7,798,706,925.20	
Less: Appropriation of statutory surplus reserves	—	(1)
Distribution of cash dividends	(2,494,786,860.00)	(2)
Undistributed profits at the end of the year	21,934,165,795.67	

#### (1) Appropriation of statutory surplus reserves

As required by the Articles of Association, statutory surplus reserve shall be withdrawn at 10% of net profit. If the accumulated amount of the Company's statutory surplus reserve is over 50% of its registered capital, no provision. 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 and share dividend as approved at the shareholders' meeting for the year

The 2014 annual general meeting of the Company held on 12 May 2015 considered and approved the resolution regarding the profit distribution proposal for the year 2014. The Company declared the 2014 annual cash dividend of RMB0.80 per share (tax inclusive) to all shareholders, aggregating to RMB2,433,938,400.00 based on the total of 3,042,423,000 shares with a par value of RMB1 each.

On 22 September 2015, the first extraordinary meeting of the company in 2015 discussed and agreed with "The resolution about profit distribution and capital reserves transfer to share capital". It stipulated that total 3,042,423,000 shares (RMB1 per share) would be distributed to shareholders by share dividends or cash dividends. Every 10 shares distributed 10 share dividends which amounted to RMB3,042,423,000; every 10 shares distributed cash dividends RMB2.5 (tax-inclusive), and total cash dividends amounted to RMB760,605,750.00 (tax-inclusive).

#### (3) Distribution of profits after balance sheet date

On the basis of a total of 9,127,269,000 shares with a par value of RMB1 each in 2015, the Board proposed cash dividend to the shareholders of the Company, declare a cash dividend of RMB1,734,181,110.00 at RMB0.19 per share (tax inclusive), which has been proposed by the Board of Directors and is subject to approval by the shareholders in general meeting.

# Notes to the Financial Statements

For the year ended 31 December 2015

## XIV. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY (continued)

### 15. Operating revenue and operating costs

#### (1) Operating revenue

Item	2015	RMB 2014
Revenue from principal businesses	<b>72,918,972,354.29</b>	59,891,642,355.01
Of which: Revenue from the sale of automobiles	<b>71,753,409,808.60</b>	58,256,667,769.68
Revenue from the sale of automotive parts and components	<b>1,066,327,899.37</b>	1,555,535,089.09
Revenue from the sale of moulds and others	<b>24,510,253.33</b>	34,710,774.41
Revenue from render service	<b>74,724,392.99</b>	44,728,721.83
Revenue from other businesses	<b>398,232,559.34</b>	453,161,967.21
Total	<b>73,317,204,913.63</b>	60,344,804,322.22

#### (2) Operating costs

Item	2015	RMB 2014
Operating costs from principal businesses	<b>59,415,043,353.82</b>	47,010,742,767.66
Of which: Costs incurred from the sale of automobiles	<b>58,389,299,771.52</b>	45,646,122,076.24
Costs incurred from the sale of automotive parts and components	<b>933,030,380.40</b>	1,289,060,300.05
Costs incurred from the sale of mould and others	<b>38,847,799.03</b>	28,393,400.21
Costs incurred from render service	<b>53,865,402.87</b>	47,166,991.16
Costs incurred from other businesses	<b>336,891,243.04</b>	387,667,821.74
Total	<b>59,751,934,596.86</b>	47,398,410,589.40

# Notes to the Financial Statements

For the year ended 31 December 2015

## XIV. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY (continued)

### 16. Business tax and surcharges

Item	RMB	
	2015	2014
Business tax	<b>2,530,375.04</b>	2,105,293.49
Consumption tax	<b>2,198,805,000.51</b>	1,671,451,933.97
Urban maintenances and construction tax	<b>302,912,157.88</b>	282,583,236.03
Educational surcharges	<b>222,308,118.23</b>	202,833,440.23
Others	<b>32,759,751.26</b>	29,319,182.65
Total	<b>2,759,315,402.92</b>	2,188,293,086.37

### 17. Administrative expenses

Item	RMB	
	2015	2014
Technology development expenditures	<b>2,632,401,417.52</b>	2,433,362,077.63
Wages and salaries	<b>463,808,582.24</b>	426,485,575.43
Taxes	<b>115,854,878.65</b>	95,145,481.47
Depreciation and amortization	<b>97,924,050.92</b>	150,064,397.12
Business reception fees	<b>6,902,779.19</b>	6,686,270.11
Office expenses	<b>64,145,511.11</b>	35,875,172.45
Repair and maintenance fees	<b>102,422,199.59</b>	99,116,622.18
Auditors' remuneration	<b>3,565,993.74</b>	3,039,406.92
Service charges	<b>10,469,475.08</b>	19,859,427.19
Others	<b>46,884,478.21</b>	57,418,195.49
Total	<b>3,544,379,366.25</b>	3,327,052,625.99

# Notes to the Financial Statements

For the year ended 31 December 2015

## XIV. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY (continued)

### 18. Investment income

#### Breakdown

Item	2015	RMB 2014
Income from long-term equity investments under equity method	<b>3,932,491.39</b>	10,179,237.86
Income from wealth management products	<b>59,512,415.92</b>	6,655,978.08
Income (loss) from the disposal of long-term equity investments	<b>14,594,976.48</b>	—
Income from long-term equity investments under cost method	<b>2,020,907,923.38</b>	1,764,082,570.75
<b>Total</b>	<b>2,098,947,807.17</b>	1,780,917,786.69

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

### 19. Income tax expenses

Item	2015	RMB 2014
Current income tax	<b>1,004,834,444.00</b>	943,506,124.85
Deferred income tax	<b>(118,354,776.25)</b>	(2,763,010.12)
<b>Total</b>	<b>886,479,667.75</b>	940,743,114.73

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

Item	2015	RMB 2014
Total profit	<b>8,730,332,270.22</b>	8,739,450,039.93
Income tax rate	<b>25%</b>	25%
Income tax expenses calculated at tax rate of 25%	<b>2,182,583,067.56</b>	2,184,862,509.98
Tax holidays, exemptions and concessionary rates	<b>(592,386,045.27)</b>	(629,232,976.22)
Additional deduction for research and development costs	<b>(210,467,008.05)</b>	(164,922,061.10)
Tax effect of non-taxable income	<b>(512,551,781.42)</b>	(450,546,765.97)
Tax effect of non-deductible expenses	<b>19,301,434.93</b>	582,408.04
<b>Total</b>	<b>886,479,667.75</b>	940,743,114.73



# Notes to the Financial Statements

For the year ended 31 December 2015

## XIV. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY (continued)

### 20. Supplemental information of cash flow statements

#### (1) Supplemental information of cash flow statements

Supplemental information	2015	RMB 2014
<b>1. Reconciliation of net profits and cash flow from operating activities:</b>		
Net profit	<b>7,843,852,602.47</b>	7,798,706,925.20
Add: Impairment provision for assets	<b>54,081,156.88</b>	71,356,231.73
Depreciation of fixed assets	<b>1,517,027,746.08</b>	1,278,121,358.51
Amortization of intangible assets	<b>68,153,474.33</b>	57,930,557.03
Amortization of long-term prepaid expenses	<b>5,596,942.82</b>	4,024,980.64
Depreciation and amortization of investment properties	<b>172,786.32</b>	165,267.34
(Gains)/losses from change of fair value	<b>214,440.00</b>	4,055,677.86
(Gains)/losses on disposal of fixed assets, intangible assets and other long-term assets, net of gains	<b>34,034,600.01</b>	20,054,804.40
Amortization of deferred income	<b>(51,768,297.82)</b>	(58,287,373.21)
Financing costs/(gains)	<b>30,178,576.65</b>	29,415,921.97
Investment losses/(gains)	<b>(2,098,947,807.17)</b>	(1,780,917,786.69)
(Increase)/decrease in deferred tax assets, net of increase	<b>(118,354,776.25)</b>	(2,763,010.12)
(Increase)/decrease in inventories, net of increase	<b>(725,013,537.44)</b>	(1,123,977,291.03)
(Increase)/decrease in operating receivables, net of increase	<b>(4,637,381,525.60)</b>	(5,900,755,218.34)
Increase/(decrease) in operating payables, net of decrease	<b>6,041,970,506.82</b>	4,247,279,170.21
Net cash flows from operating activities	<b>7,963,816,888.10</b>	4,644,410,215.50
<b>2. Net change in cash and cash equivalents:</b>		
Cash balance at the end of the year	<b>1,016,521,309.27</b>	926,209,380.56
Less: Cash balance at the beginning of the year	<b>926,209,380.56</b>	4,074,446,337.47
Add: Cash equivalents balance at the end of the year	—	—
Less: Cash equivalents balance at the beginning of the year	—	—
Net increase in cash and cash equivalents	<b>90,311,928.71</b>	(3,148,236,956.91)

# Notes to the Financial Statements

For the year ended 31 December 2015

## XIV. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY (continued)

### 20. Supplemental information of cash flow statements (continued)

#### (2) Components of cash and cash equivalents

Item	RMB	
	2015.12.31	2014.12.31
<b>1. Cash</b>	<b>1,016,521,309.27</b>	926,209,380.56
Of which: Cash in hand	<b>652,157.76</b>	706,001.45
Bank deposits readily available for payment	<b>1,015,869,151.51</b>	925,503,379.11
Other cash and bank balances readily available for payment	—	—
<b>2. Cash and cash equivalent balance as at the end of the year</b>	<b>1,016,521,309.27</b>	926,209,380.56

### 21. Related party transactions

#### (1) Purchases of raw materials and components

Related party	Category of related party transaction	RMB	
		2015	2014
Subsidiaries of the Company	Purchase of raw materials	<b>14,340,985,864.27</b>	14,498,941,104.58
Associates of the Company	Purchase of raw materials	<b>121,635,959.88</b>	248,241,931.31
Other related party of the Company	Purchase of steam	<b>19,204,969.94</b>	—

#### (2) Sales of automobiles and components and parts of automobiles

Related party	Category of related party transaction	RMB	
		2015	2014
Subsidiaries of the Company	Sales of automobiles or components and parts of automobiles	<b>71,279,101,017.49</b>	56,375,113,334.14
Associates of the Company	Sales of automobiles or components and parts of automobiles	<b>574,508.27</b>	493,344.34
Other related parties of the Company	Sales of automobiles or components and parts of automobiles	<b>307,748.72</b>	139,829.06

# Notes to the Financial Statements

For the year ended 31 December 2015

## XIV. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY (continued)

### 21. Related party transactions (continued)

#### (3) Purchases of fixed assets and construction in progress

		<i>RMB</i>	
Related party	Category of related party transaction	2015	2014
Subsidiaries of the Company	Purchases of fixed assets and construction in progress	119,021,332.26	147,818,287.23
Associates of the Company	Purchases of fixed assets and construction in progress	9,575,752.01	—
Other related parties of the Company	Purchases of fixed assets and construction in progress	119,611.11	64,800.00

#### (4) Sales of fixed assets

		<i>RMB</i>	
Related party	Category of related party transaction	2015	2014
Subsidiaries of the Company	Sales of fixed assets	4,808,535.99	11,739,961.60
Associates of the Company	Sales of fixed assets	81,033.12	—
Other related parties of the Company	Sales of fixed assets	769,212.60	12,414.53

#### (5) Acceptance of services

		<i>RMB</i>	
Related party	Category of related party transaction	2015	2014
Subsidiaries of the Company	Acceptance of services	556,089,137.24	386,593,694.52
Associates of the Company	Acceptance of services	194,273.49	—
Other related parties of the Company	Acceptance of services	4,001,041.80	1,094,535.00

# Notes to the Financial Statements

For the year ended 31 December 2015

## XIV. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY (continued)

### 21. Related party transactions (continued)

#### (6) Rendering of services

		<i>RMB</i>	
Related party	Category of related party transaction	2015	2014
Subsidiaries of the Company	Rendering of services	68,886,063.15	58,921,196.29
Associates of the Company	Rendering of services	403,978.52	1,756,607.33
Other related parties of the Company	Rendering of services	186,509.43	141,509.43

#### (7) Claims income and others

		<i>RMB</i>	
Related party	Category of related party transaction	2015	2014
Subsidiaries of the Company	Claims income and others	(65,686,475.57)	4,494,950.31
Associates of the Company	Claims income and others	(280,056.86)	283,674.78
Other related parties of the Company	Claims income and others	520,605.23	—

#### (8) Guarantee

				<i>RMB</i>	
Warrantee	Relationship with the company	Type of guarantee	Currency	Maximum guaranteed amount	Actual balance of loan borrowed by warrantee
Automotive Finance	Subsidiary of the Company	Maximum guaranteed	RMB	1,300,000,000.00	350,000,000.00

#### (9) Emolument of key management

		<i>RMB'000</i>	
Item		2015	2014
Emolument of key management		26,475	24,617

# Notes to the Financial Statements

For the year ended 31 December 2015

## XIV. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY (continued)

### 22. Receivables and payables of related parties

Item	Related party	RMB	
		2015.12.31	2014.12.31
Accounts receivable	Subsidiaries of the Company	<b>267,588,341.26</b>	261,000,984.05
Accounts receivable	Other related parties of the Company	<b>104,075.88</b>	—
Subtotal:		<b>267,692,417.14</b>	261,000,984.05
Other receivables	Subsidiaries of the Company	<b>5,006,644.77</b>	35,771,089.75
Other receivables	Other related parties of the Company	<b>1,475,800.00</b>	314,525.00
Subtotal:		<b>6,482,444.77</b>	36,085,614.75
Advance to suppliers	Subsidiaries of the Company	<b>12,140,124.04</b>	19,101,359.50
Advance to suppliers	Other related parties of the Company	<b>13,948.72</b>	—
Subtotal:		<b>12,154,072.76</b>	19,101,359.50
Bills receivable	Subsidiaries of the Company	<b>7,453,380.45</b>	6,761,775.59
Subtotal:		<b>7,453,380.45</b>	6,761,775.59
Dividends receivable	Subsidiaries of the Company	<b>271,552,889.85</b>	284,327,049.84
Dividends receivable	Associates of the Company	<b>3,800,683.86</b>	8,000,000.00
Dividends receivable	Other related parties of the Company	<b>5,991,068.20</b>	—
Subtotal:		<b>281,344,641.91</b>	292,327,049.84
Accounts payable	Subsidiaries of the Company	<b>4,885,180,836.68</b>	4,418,161,474.78
Accounts payable	Associates of the Company	<b>24,140,774.69</b>	66,699,582.35
Accounts payable	Other related parties of the Company	<b>8,278,696.50</b>	132,007.80
Subtotal:		<b>4,917,600,307.87</b>	4,484,993,064.93
Other payables	Subsidiaries of the Company	<b>8,376,290.13</b>	6,223,167.22
Other payables	Associates of the Company	<b>70,855.98</b>	—
Other payables	Other related parties of the Company	<b>5,831,477.18</b>	4,839,517.85
Subtotal:		<b>14,278,623.29</b>	11,062,685.07
Advance from customers	Subsidiaries of the Company	<b>3,268,425,702.41</b>	2,089,821,170.54
Advance from customers	Other related parties of the Company	<b>73,600.80</b>	34,000.00
Subtotal:		<b>3,268,499,303.21</b>	2,089,855,170.54
Bills payable	Subsidiaries of the Company	<b>47,874,752.47</b>	46,347,808.66
Bills payable	Associates of the Company	<b>23,169,126.69</b>	1,620,000.00
Bills payable	Other related parties of the Company	<b>3,274,814.10</b>	—
Subtotal:		<b>74,318,693.26</b>	47,967,808.66

# Supplementary Information

## SUPPLEMENTARY

### 1. Breakdown of extraordinary gains and losses

Item	2015	<i>RMB</i> 2014
Profit or loss from disposal of non-current assets	<b>(45,216,114.66)</b>	(22,406,632.60)
Government grants accounted for in profit and loss account of the current year (except for government grants closely related to the corporate business that were given under at a fixed standard amount or quantity as stipulated by the State)	<b>341,033,077.39</b>	362,719,006.90
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	<b>51,644.99</b>	—
Investment losses from the disposal of long-term equity investments and investment gains from the disposal of wealth management products	<b>84,203,645.84</b>	11,831,669.85
Gains from the equity in acquiree already held before the date of acquisition and measured at fair value	<b>6,057,283.20</b>	—
Gains (losses) from changes in fair value	<b>(214,440.00)</b>	(4,055,677.86)
Non-operating gains and losses other than the above items	<b>112,285,304.05</b>	56,082,221.21
Effect of income tax	<b>(90,840,888.75)</b>	(79,287,543.23)
Effect of minority interests (after tax)	<b>(12,869.54)</b>	(229,268.59)
Total	<b>407,346,642.52</b>	324,653,775.68

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 (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.

2015	Weighted average return on net assets (%)	Earnings per share Basic	Diluted
Net profit attributable to holders of ordinary shares of the Company	22.47	0.88	N/A
Net profit attributable to holders of ordinary shares of the Company, after deducting extraordinary gains and losses	21.34	0.84	N/A
2014	Weighted average return on net assets (%)	Earnings per share Basic (Note)	Diluted
Net profit attributable to holders of ordinary shares of the Company	26.35	0.88	N/A
Net profit attributable to holders of ordinary shares of the Company, after deducting extraordinary gains and losses	25.42	0.85	N/A

Note: The company increase share capital from RMB6,084,846,000.00 to RMB9,127,269,000.00, details can be found in note VI (31). Earnings per share were recalculated depended on above fact.

The supplemental information provided by the management was endorsed by the following representatives of Great Wall Motor Company Limited on 24 March 2016:

Legal Representative:

General Manager:

Chief Financial Officer:

Head of Financial Department:

24 March 2016



## Section 13 Index of Documents Available for Inspection

Index of documents  
available for inspection

Financial statements signed and sealed by the legal representative, person-in-charge of the accounting affairs and person-in-charge of the accounting department.

Index of documents  
available for inspection

The original auditor's report with the seal of the accounting firm and signatures and seals of the certified public accountants.

**Chairman: Wei Jian Jun**

**Submission date approved by the Board: 24 March 2016**



長城汽車股份有限公司  
GREAT WALL MOTOR COMPANY LIMITED\*