



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

Annual Report

2016



* 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 legal liability for its contents.**

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

Position of the director(s) absent from the Board meeting	Name of the director(s) absent from the Board meeting	Reasons for being absent from the Board meeting	Representative
Independent director	Lu Chuang	Work commitment	Ma Li Hui

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**

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 2016 amounted to RMB10,553,954,644.48 and RMB10,551,158,884.21 respectively. The Company proposed to declare a cash dividend of RMB3,194,544,150 (representing RMB0.35 per share) (tax inclusive) for the year ended 31 December 2016. This proposal is subject to the approval at the 2016 annual general meeting of the Company.

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

Applicable Not applicable

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 its investors. Investors should be aware of the investment 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**

Applicable Not applicable

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

X. **Others**

Applicable Not applicable

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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;
“PRC”	the People’s Republic of China;
“Reporting Period” or “Current Period” or “the Year”	twelve months ended 31 December 2016;

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.

Section 2 Corporate Profile and Key Financial Indicators

I. CORPORATE INFORMATION

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

II. CONTACT PERSONS AND CONTACT METHODS

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

III. BASIC INFORMATION

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

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

Stock Classes	Stock exchanges for the listing of the Company's Shares	Listing date	Number of issued shares	Board lot
A Shares	Shanghai Stock Exchange	28 September 2011	6,027,729,000 A Shares (Total shares: 9,127,269,000 shares, H Shares: 3,099,540,000 shares)	100
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 Limited, 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) Ms. Wang Feng Ying (Vice Chairman and general manager) 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 17 May 2016) Mr. Ma Li Hui
Employee Representative Supervisor	Mr. Chen Biao
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 17 May 2016) Mr. Ma Li Hui
Remuneration Committee	Mr. Wei Jian Jun Mr. Lu Chuang Mr. Liang Shang Shang (resigned on 17 May 2016) Mr. Ma Li Hui
Nomination Committee	Mr. Wei Jian Jun Mr. Liang Shang Shang (resigned on 17 May 2016) Mr. Wong Chi Hung, Stanley 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	2016	2015	Increase/ decrease for the Current Period over the corresponding period last year (%)	2014	2013	2012
Total operating revenue	9,861,570.24	7,603,314.25	29.70	6,259,910.42	5,678,431.43	4,315,996.66
Operating revenue	9,844,366.51	7,595,458.60	29.61	6,259,077.26	5,678,431.43	4,315,996.66
Net profit attributable to shareholders of the Company	1,055,115.89	805,933.25	30.92	804,153.55	822,364.84	569,244.90
Net profit attributable to shareholders of the Company after extraordinary gains/losses	1,035,362.67	765,198.58	35.31	771,688.17	798,725.63	551,936.09
Net cash flow from operating activities	883,540.62	1,003,369.04	-11.94	609,578.44	903,904.34	433,697.08
Total operating costs	8,636,957.10	6,685,060.20	29.20	5,338,320.60	4,716,807.22	3,652,636.14
Operating costs	7,436,022.35	5,686,391.14	30.77	4,525,176.11	4,053,799.47	3,156,150.14
Tax and surcharges	383,280.64	288,628.58	32.79	228,160.70	205,703.17	159,476.51
Selling expenses	317,542.44	284,156.51	11.75	208,475.51	189,526.26	165,635.21
Administrative expenses	457,469.69	403,060.40	13.50	382,234.20	274,741.71	174,369.96
Financial expenses	-385.86	13,937.09	-102.77	-12,938.09	-8,384.99	-10,532.57
Impairment loss on assets	41,315.30	8,185.11	404.76	7,212.17	1,421.60	7,536.89
Gains or losses from changes in fair value	0.00	-21.44		-405.57	-738.12	1,047.36
Investment income	3,034.78	9,809.67	-69.06	3,183.85	5,917.63	1,932.29
Share of profit of associates and jointly controlled entities	0.00	783.58	-100.00	2,000.68	1,134.20	221.59
Operating profit	1,227,647.93	928,042.28	32.28	924,368.10	966,803.73	666,340.17
Non-operating income	24,892.82	46,734.50	-46.74	44,057.40	27,883.75	22,057.08
Non-operating expenses	4,234.67	5,919.11	-28.46	4,417.94	2,715.30	4,293.62
Losses from disposal of non-current assets	1,712.74	4,723.57	-63.74	2,388.21	1,428.27	2,712.68
Total profit	1,248,306.08	968,857.68	28.84	964,007.56	991,972.18	684,103.63
Income tax expenses	192,910.61	162,821.20	18.48	159,887.92	168,759.01	111,896.50
Net profit	1,055,395.46	806,036.48	30.94	804,119.64	823,213.17	572,207.13
Profit or loss attributable to minority interests	279.58	103.23	170.83	-33.91	848.33	2,962.24

Section 2 Corporate Profile and Key Financial Indicators

Unit: 10,000 Currency: RMB

Key accounting data	As at the end of 2016	As at the end of 2015	Increase/decrease for the end of the Current Period over the end of the corresponding period last year (%)	As at the end of 2014	As at the end of 2013	As at the end of 2012
Net assets attributable to shareholders of the Company	4,729,480.17	3,833,086.94	23.39	3,345,186.05	2,799,589.80	2,151,424.40
Total assets	9,230,916.06	7,191,062.68	28.37	6,134,525.21	5,260,480.89	4,256,939.65
Total liabilities	4,495,551.60	3,352,371.04	34.10	2,782,680.60	2,459,681.21	2,092,602.71
Total share capital as at the end of the Period	912,726.90	912,726.90	0.00	304,242.30	304,242.30	304,242.30

(II) Key financial indicators

Key financial indicators	2016	2015	Increase/decrease for the Current Period over the corresponding period last year (%)	2014	2013	2012
Basic earnings per share (RMB/share)	1.1560	0.8830	30.92	0.8810	0.9010	0.6237
Diluted earnings per share (RMB/share)	N/A	N/A	N/A	N/A	N/A	N/A
Basic earnings per share after extraordinary gains/losses (RMB/share)	1.1344	0.8384	35.31	0.8455	0.8751	0.6047
Weighted average return on net assets (%)	24.73	22.47	increased by 2.26 percentage points	26.35	33.41	29.88
Weighted average return on net assets after extraordinary gains/losses (%)	24.27	21.34	increased by 2.93 percentage points	25.42	32.61	29.11

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

√ Applicable □ Not applicable

In these five years, the Company further expanded its operation scale and optimized its product mix. By focusing on SUV category and manufacturing high price-performance products, the Group was committed to gaining the satisfaction of customers. During the Reporting Period, the net profit attributable to the shareholders of the Company and the earning per share increased as compared to the corresponding period of last year. The increase was due to the increase in sales volume of automobiles and SUVs and the decrease in cost of sale resulting from the decrease in unit fixed cost due to the growth in production and sales volume of Xushui factory.

Section 2 Corporate Profile and Key Financial Indicators

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

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

Applicable Not applicable

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

Applicable Not applicable

(III) Differences between overseas and domestic accounting standards:

Applicable Not applicable

IX. QUARTERLY KEY FINANCIAL DATA IN 2016

Unit: RMB Currency: RMB

	First Quarter (January to March)	Second Quarter (April to June)	Third Quarter (July to September)	Fourth Quarter (October to December)
Operating revenue	20,844,410,881.81	20,756,510,292.50	21,743,755,921.25	35,098,988,020.46
Net profit attributable to shareholders of the Company	2,396,104,310.21	2,529,497,204.78	2,282,981,402.16	3,342,575,967.06
Net profit attributable to shareholders of the Company after extraordinary gains/losses	2,357,269,934.11	2,467,563,907.97	2,234,601,692.77	3,294,191,186.82
Net cash flow from operating activities	-165,686,386.24	4,541,386,600.15	2,218,419,338.21	2,241,286,681.90

Differences between quarterly data and data disclosed in regular reports

Applicable Not applicable

Section 2 Corporate Profile and Key Financial Indicators

X. ITEMS AND AMOUNT OF EXTRAORDINARY GAINS/LOSSES

Applicable Not applicable

Unit: RMB Currency: RMB

Item of extraordinary gains/losses	2016	2015	2014
Profit or loss from disposal of non-current assets	-15,774,408.19	-45,216,114.66	-22,406,632.60
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	133,543,691.38	341,033,077.39	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	0	51,644.99	0
Non-operating gains and expenses other than the above items	88,812,243.30	112,285,304.05	56,082,221.21
Investment gains from the disposal of long-term equity investments and the disposal of wealth management products	29,663,778.76	84,203,645.84	11,831,669.85
Gains from the equity in acquiree already held before the date of acquisition and measured at fair value	684,042.36	6,057,283.20	0
Gains (losses) from changes in fair value	0	-214,440.00	-4,055,677.86
Effect of minority interests	-9,448.47	-12,869.54	-229,268.59
Effect of income tax	-39,387,736.60	-90,840,888.75	-79,287,543.23
Total	197,532,162.54	407,346,642.52	324,653,775.68

XI. PROJECTS MEASURED AT FAIR VALUE

Applicable Not applicable

Unit: RMB Currency: RMB

Name of project	Balance at the beginning of the Period	Balance at the end of the Current Period	Changes in the Current Period	Effect on profit for the Current Period
Wealth management products	0.00	1,438,000,000.00	1,438,000,000.00	0.00
Total	0.00	1,438,000,000.00	1,438,000,000.00	0.00

XII. OTHERS

Applicable Not applicable

Section 3 Business Highlights of the Company

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

1. Principal Business of the Company

Great Wall Motor is the largest SUV manufacturer in the PRC. Currently, the Company has three brands, Great Wall, Havel and WEY, 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, which has further enhanced the research and development of automobile and parts and components. The Company is capable of designing and developing products of international standards.

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 core parts and components through vertical integration and strategic cooperation with internationally renowned brand suppliers. Through vertical integration of the production of core parts and components, the Group is able to master the core technologies of automobile. 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 top suppliers, such as Bosch, ZF, AUTOLIV and BorgWarner, the Company and such suppliers might capitalize their advantages of resources and jointly develop leading automotive products with social and commercial value through sharing information and technologies and research and development of leading technologies.

In respect of manufacturing, the Group has established production bases in Baoding (including Xushui district) and Tianjin. The base in Tianjin has already met the target production capacity of automobiles and parts and components, ensuring the sufficient production capacity of the Group. Xushui Complete Vehicle Factory No. 1 and No. 2 have commenced operation while Xushui Complete Vehicle Factory No. 3 is expected to commence operation in 2017. 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 sales companies in Russia, Australia and South Africa have already commenced operation.

Section 3 Business Highlights of the Company

Furthermore, the Group has expanded its services to cover the automobile industrial chain based on the cycle of the automobiles. It proactively explored automobile related services such as automobile finance and insurance. In respect of automobile finance, the Group established Tianjin Great Wall Binyin Automotive Finance Company Limited (天津長城濱銀汽車金融有限公司) in 2014 to provide individual automobile loan and dealer inventory financing services. By the end of 2016, automobile finance has financially supported customers' needs for purchase of automobiles through the enrichment of product portfolios and extension of channels. Currently, automobile related services also include automobile boutique and lease services.

3. Industry Development

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

The production and sales volume of automobiles in the PRC in 2016 hit a record high and amounted to 28,118,800 units and 28,028,200 units, respectively, representing an increase of 14.46% and 13.65% as compared with last year, respectively. The production and sales volume of automobile remained the world's highest for the eighth 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 2016, the production and sales volume of passenger vehicles was 24,420,700 units and 24,376,900 units, respectively, representing an increase of 15.5% and 14.93%, respectively, as compared with last year. The growth rate was 1.04 percentage points and 1.28 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 9,152,900 units and 9,047,000 units, respectively, representing an increase of 45.72% and 44.59%, respectively.

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

The production and sales volume of new energy vehicles in 2016 was 517,000 units and 507,000 units, respectively, representing an increase of 51.7% and 53%, respectively, as compared with last year. The production and sales volume of battery electric vehicle was 417,000 units and 409,000 units, respectively, representing an increase of 63.9% and 65.1%, respectively, as compared with last year. The production and sales volume of hybrid vehicles was 99,000 units and 98,000 units, respectively, representing an increase of 15.7% and 17.1%, respectively, as compared with last year.

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

In 2016, the export volume of vehicles was 810,000 units, representing an increase of 7.2% as compared with last year. The export value amounted to USD11,420 million, representing a decrease of 8.2% as compared with last year.

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

Applicable Not applicable

III. ANALYSIS OF THE CORE COMPETITIVENESS DURING THE REPORTING PERIOD

Applicable Not applicable

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. The Company is 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

Being committed to investment in research and development, the Company has established a global research and development network headquartered in Baoding and covering Europe, Japan, North America and India. 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, which has further enhanced the research and development of automobile and parts and components and strengthened the overall research and development capability of the Company.

Section 4 Chairman's Statement

To all shareholders:

I am pleased to present the audited consolidated results of the Group for the year ended 31 December 2016 (the "Year").

In 2016, global economic recovery was slow and uneven. Affected by the sluggish international trade and investment, as well as difficult political and economic situation in the euro area, global productivity reduced. World economy was still caught in a "low-growth trap". Amid the complex domestic and overseas economic environment, China's economy was slow but steady and improving. According to the statistics from National Bureau of Statistics of the People's Republic of China, the domestic GDP in 2016 rose by 6.7% year-on-year.

With the development of domestic economy, the income level of residents further increased. Driven by the purchase tax preferential policy for low-emission vehicles with engines of 1.6-litres and under, the automobile industry maintained a rapid growth in 2016. According to the statistics from China Association of Automobile Manufacturers, both the production and sales volume of automobiles in China in 2016 hit a new record high, reaching approximately 28,119,000 units and 28,028,000 units respectively for the full year. Compared with the previous year, China's production and sales volume of automobiles in 2016 rose by 14.5% and 13.7% respectively; the respective growth rates represented increases of 11.2 percentage points and 9.0 percentage points year-on-year.

In light of the rapid growth in the overall automobile industry, the Group launched new products proactively in 2016 and continued to improve pre-sales, sales and after-sales services, thereby stimulating rapid growth in automobile sales. During the Year, the automobile sales volume exceeded 1 million units, reaching 1,070,000 units, which was 13.1% higher than the full-year sales target of automobiles for 2016. The Group was therefore among the list of car manufacturers with sales volume of at least 1 million units. In 2016, the sales volume of Haval series reached 933,000 units, far ahead of its rivals and further consolidating Haval's leading position in the SUV market. Haval H6 remained as the monthly best-selling SUV for 45 months, with a new monthly sales record of 80,000 units in December 2016. After the production of Haval H2 moved from the Tianjin production base to the Xushui production base, its production capacity was further lifted during the Year, thus satisfying the need for increasing sales volume. Sales volume of Haval H7, which was launched during the Year, also increased steadily, with monthly sales surpassing 10,000 units in November 2016. With regard to brand management, "Haval" brand ranked the first in "China Auto Dealer Satisfaction with Suppliers Survey" held by China Auto Dealers Chamber of Commerce for its sales services for two consecutive years. During the Year, the British brand valuation consultancy Brand Finance released the "2016 Brand Finance Auto 100". The Group was included in the list again, taking the 30th position in the global ranking and the first position in the China ranking.

During the year under review, after the inauguration of the Xushui Factory No. 2 of the Group, the Company's production capacity further increased to satisfy the need for increasing sales volume. At the same time, the Company established more research and development facilities. In addition to the technology research and development centre in Japan, the Company also set up research and development centres in the United States, Germany and India to achieve globalisation of research and development.

With respect to corporate culture, the Group will adhere to its corporate philosophy of "improving little by little every day". With its foundation built on "integrity, execution, innovation and quality", the Group is committed to delighting customers, establishing a happy work environment for employees, creating value for customers and benefits for society. The Group will continue to promote a culture of integrity, and act to realise Great Wall Motor's dreams and China's dream.

Section 4 Chairman's Statement

In terms of employee care, the Group aims to create happiness for its employees, and gradually improves the care and welfare system in respect of clothing, food, accommodation and transportation. The Group offers staff free meals and staff quarters for employees who are single, as well as subsidies on car purchase and fuel. All these help increase employees' happiness and satisfaction.

In 2016, the Group's sales volume exceeded 1 million units. Looking into 2017, as the SUV industry has now reached the point of market saturation, the Group will be more determined and confident to launch a more comprehensive product series, with an aim to grab a bigger market share.

In 2017, being the founding year of Great Wall Motor's high-end brand WEY, the Group will strive to create the core values of "luxury" and "safety". The kind of luxury created by WEY is not an inaccessible, but an entry-level luxury that is real and can be felt. The WEY brand will target high-end markets, and the Group is confident in making the WEY brand China's number one entry-level luxury SUV brand.

In 2017, the Company will actively establish its presence in overseas markets. The Company's innovative global research and development approach will help develop global products, and gradually form a production and sales network covering Russia, Australia and other key regional markets. The Group will develop a SUV professional brand to achieve its goal of becoming a global SUV market leader.

Wei Jian Jun

Chairman

Baoding, Hebei Province, the PRC
24 March 2017

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

I. DISCUSSION AND ANALYSIS OF THE BUSINESS OPERATION OF THE COMPANY (MANAGEMENT DISCUSSION AND ANALYSIS)

Operating Environment

The automobile industry got off to a flying start in the first year of the 13th Five-Year Plan. Driven by factors including the purchase tax preferential policy for low-emission vehicles with engines of 1.6-litres and under, the industry's sales volume of each month, except for February, was significantly higher than those for the same period last year. The cumulative growth rate of sales volume was a "straight line pointing upwards", demonstrating robust sales and production. The production and sales volume of automobiles in China for the full year exceeded 28 million units, remaining the world's largest production and sales volume for eight consecutive years.

According to China Association of Automobile Manufacturers, the production and sales volume in China amounted to 28,119,000 units and 28,028,000 units respectively in 2016, representing a year-on-year increase of 14.5% and 13.7% respectively, which were 11.2 percentage points and 9.0 percentage points higher than the respective growth rates of the corresponding period of last year. The production and sales volume of passenger vehicles amounted to 24,421,000 units and 24,377,000 units respectively, representing a year-on-year increase of 15.5% and 14.9% respectively. The production and sales volume of commercial vehicles amounted to 3,698,000 units and 3,651,000 units respectively, representing a year-on-year increase of 8.0% and 5.8% respectively. Affected by the purchase tax preferential policies, the sales volume of passenger cars with engines of 1.6 litres and under amounted to 17,607,000 units, representing a year-on-year increase of 21.4% and accounting for 72.2% of passenger vehicles sales volume, which was 3.6 percentage points higher than that of the corresponding period of last year. Among passenger vehicles, SUV continued to grow rapidly. Total sales volume of SUV for the year rose by 44.6% to 9,047,000 units, with monthly sales volume exceeding 1,000,000 units, thereby maintaining the fastest growth rate in the automobile industry.

Owing to a volatile international political situation, changes in economic environment, overseas markets showed merely a slight growth. According to China Association of Automobile Manufacturers, automobile export volume in 2016 stopped declining; the export volume for the year amounted to 810,000 units, representing a year-on-year increase of 7.19%.

China remains the most robust market in the world. Amid intensifying market competition, automobile companies introduce new models in order to increase their market share. At the same time, the automobile industry is undergoing changes. New energy vehicles and smart vehicles will be the future trend for the automobile industry. The Group will actively develop new energy vehicles and smart cars to meet market demand, while consolidating its traditional markets.

During the Year, the Group's new and existing products realized outstanding results. Sales volume of Haval H2 and H6 reached new record highs. During the Year, the monthly sales volume of Haval H7, which was launched in 2016, surpassed 10,000 units. Looking into 2017, The Group will introduce more new models and facelifts to promote further growth in sales volume.

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

Financial Review

Currency: RMB Unit: RMB

	From 1 January 2016 to 31 December 2016 (Audited)	From 1 January 2015 to 31 December 2015 (Audited)	Changes %
Total operating revenue	98,615,702,427.24	76,033,142,505.96	29.70
Operating revenue	98,443,665,116.02	75,954,585,964.64	29.61
Revenue from sale of automobiles (Note 1)	94,464,961,348.64	72,859,187,538.87	29.65
Revenue generated from the sale of automotive parts and components and others	3,978,703,767.38	3,095,398,425.77	28.54
Interest income (Note 2)	170,343,701.78	78,269,451.37	117.64
Selling expenses (Note 3)	3,175,424,411.26	2,841,565,090.40	11.75
Administrative expenses	4,574,696,893.73	4,030,603,966.73	13.50
Financial expenses (Note 4)	-3,858,556.40	139,370,863.43	-102.77
Gross profit	24,238,353,654.15	19,162,217,283.47	26.49
Income tax	1,929,106,148.72	1,628,212,003.74	18.48
Net profit attributable to shareholders of the Company (Note 5)	10,551,158,884.21	8,059,332,452.64	30.92
Basic earnings per share	1.16	0.88	30.92
Gross profit margin (%)	24.58	25.20	Decreased by 0.62 percentage point
Percentage of selling expenses to operating revenue (%)	3.23	3.74	Decreased by 0.51 percentage point
Percentage of administrative expenses to operating revenue (%)	4.65	5.31	Decreased by 0.66 percentage point

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

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

(Note 3) Decrease 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 4) The increase in net profit attributable to shareholders of the Company was mainly due to the increase in revenue from sales resulting from the increase in sales volume of automobiles of the Group and the decrease in cost of sales resulting from the decrease in unit fixed cost due to the increase of production capacity of Xushui factory.

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

Assets and liabilities

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

Gearing ratio

Currency: RMB Unit: RMB

	As at 31 December 2016 (Audited)	As at 31 December 2015 (Audited)
Total liabilities	44,955,516,048.50	33,523,710,369.30
Total equity	47,353,644,518.20	38,386,916,401.54
Gearing ratio	94.94%	87.33%

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” in item II “The Operation during the Reporting Period” of section 5.

The relevant acquisitions and disposals were neither connected transactions nor notifiable transactions as defined under 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 at 31 December 2016, Tianjin Great Wall Binyin Automotive Finance Company Ltd, a subsidiary of the Company, borrowed a short-term loan of RMB250,000,000.00 and a long-term loan of RMB49,800,000.00 for lending loan.

Exposure to foreign exchange risk

All the Group’s domestic sales were settled in RMB while sales to overseas customers accounted for 1.12 % of total sales and were mainly settled in US dollars. 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 Discussion and Analysis of the Business Operation of the Company (Management Discussion and Analysis)

Employment, training and development

As at 31 December 2016, the Group employed a total of 71,617 employees (31 December 2015: 68,999 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 7.37% of the Group's total operating revenue as at 31 December 2016 (31 December 2015: 8.14%).

Taxation

During the Year, income tax expenses of the Group was RMB1,929,106,148.72 (2015: RMB1,628,212,003.74)

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 Year ended 31 December	
	2016 RMB (Audited)	2015 RMB (Audited)
China	97,512,270,598.35	74,574,750,059.30
Chile	226,463,920.33	258,777,111.12
Russia	117,812,530.89	25,249,992.78
Ecuador	109,620,823.70	129,339,037.59
Peru	90,305,503.73	89,158,963.04
Australia	81,309,761.32	20,662,744.42
Other overseas countries	477,919,288.92	935,204,597.71
Total	98,615,702,427.24	76,033,142,505.96

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) are primarily situated in the PRC.

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

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

Business Review

Analysis of production and sales volume of automobiles

Car classification	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	98,497	93,347	5.52			
	Export	5,557	7,392	-24.82			
	Sub-total	104,054	100,739	3.29	106,175	100,632	5.51
SUV	Domestic sales	925,172	682,104	35.64			
	Export	7,813	11,242	-30.50			
	Sub-total	932,985	693,346	34.56	956,065	700,493	36.48
Sedan	Domestic sales	29,830	46,899	-36.40			
	Export	2,310	4,900	-52.86			
	Sub-total	32,140	51,799	-37.95	31,380	53,479	-41.32
Others	Domestic sales	224	385	-41.82			
	Export	2	3	-33.33			
	Sub-total	226	388	-41.75	198	396	-50.00
Total	Domestic sales	1,053,723	822,735	28.08			
	Export	15,682	23,537	-33.37			
	Sub-total	1,069,405	846,272	26.37	1,093,818	855,000	27.93

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 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 increase customers' satisfaction.

(1) Pick-up truck

According to the statistics of the China Association of Automobile Manufacturers, the Group's pick-up trucks continued to rank first in the PRC market in terms of sales volume of pick-up trucks for 19 consecutive years, thus consolidating its leading market position in this respect. During the Year, the Group introduced new models, Wingle 5 European and Wingle 6, providing more choices for customers.

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

(2) SUV

During the Year, the Group's new and existing products realized outstanding results, with stable growth in overall sales volume. After the production of the Group's Haval H2 moved from Tianjin plant to Xushui plant, its production capacity was further lifted and total sales volume for the Year reached 183,821 units. Sales volume of key model "Haval H6" continued to increase rapidly, with a year-on-year growth of 53.82%, reaching 579,778 units. Haval H6 remained the number one best-selling model in the SUV market and continued to lead the SUV sector. Sales volume of Haval H7 rose steadily after its launch during the Year; its monthly sales volume in November even surpassed 10,000 units, further contributing to the growth of the Company's sales volume.

(3) Sedan

During the Year, the Group's Great Wall C30EV model was included in the promotion catalogue for new energy vehicles. This model will be launched in 2017.

Domestic market

During the Year, China's economy sustained stable growth, with an annual GDP growth of 6.7%. The automobile industry maintained rapid growth during the Year, achieving a 13.7% growth rate, which was 9.1 percentage points higher than that of the previous year. Benefitting from the purchase tax preferential policy, the sales volume of low-emission vehicles with engines of 1.6-litres and under increased by 21.4%. SUV products continued to be well-received by consumers. The sales volume of SUVs during the Year reached a record high, amounting to 9,047,000 units. The Group will focus on SUV categories and introduce more SUV models to meet market demand.

During the Year, revenue generated from the sale of automobiles of the Group in the domestic market amounted to RMB93,450,251,251.60, representing 94.93% of the Group's operating revenue.

During the Year, the Group secured the No. 1 position in the PRC's SUV market in terms of sales volume, and continued to lead the SUV sector. Key product Haval H6 continued to rank first in the domestic SUV market in terms of sales volume for 45 months. This model had realised a monthly sales volume of over 80,000 units during the Year, thus setting a new monthly sales record in the domestic SUV market.

Overseas market

Overseas markets had not fully picked up as a result of political volatility and softened economies in 2016. The Group adhered to its brand management philosophy, continued to operate in overseas markets, and universally promoted standardization of online image. The Group pushed ahead with the development of Haval website, creating an exquisite website for Haval. At the same time, the Group enhanced the core competence of after-sales service to establish trustworthy service reputation for its brand in the overseas markets, thereby increasing Great Wall Motor's brand influence in the overseas markets.

During the Year, revenue generated from the export of automobiles of the Group amounted to RMB1,014,710,097.04, accounting for approximately 1.03% of the Group's operating revenue.

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

Launch of products

During the year, the Group continued to launch brand new models and facelifts, further improving the sales volume of the Company.

The Group launched a 2016 version of “Haval H1” Blue Label in March. The exterior, interior decoration and configuration of the new car had all been upgraded. In April, the Group launched a “Haval H6 Coupe” with a 1.5T engine. This new car model is equipped with 1.5L turbocharged gasoline engine, providing more choices for customers.

During the Beijing International Automotive Exhibition in April 2016, the Group launched Haval H7. This model adopts a wide-body design with a 2,850 mm wheel base. It has as many as 17 active safety and passive safety features. The configuration of Haval H7 has been further upgraded to enhance the car’s overall performance. During the Year, the monthly sales volume of Haval H7 exceeded 10,000 units for two consecutive months. Haval H7 was the first mid-sized SUV model of self-owned brand priced above RMB150,000.

The launch of new Haval H6 (sporty version) Blue Label in October 2016 helped boost the sales volume of Haval H6. In November 2016, the Company launched Haval H7 Red Label and Haval H7L Blue Label, enriching the product lines of Haval H7 and offering consumers the choice of 7-seat model. They helped drive the overall sales of Haval H7.

In addition, Haval H2s was launched in the same month at the Guangzhou International Automobile Exhibition. Both the Red and Blue Label car models were introduced, selling at a range between RMB83,800 and RMB102,800. Haval H2s is designed by the Company’s international design team, providing customers with an experience of driving a car that combines fashion, delicacy, technology and sporty features. Haval H2s Red Label is designed to look sturdy, while the Blue Label has a sporty look, providing two different styles for consumers to choose.

The following table lists other car models launched during the Year

Car Model	Red Label/ Blue Label	Features
Haval H9 2016 version	Red Label	Equipped with technology configuration to enhance price performance
Upgraded Haval H6 2016 version	Blue Label	New automatic transmission model to extend customer reach
Haval H2 comfort version	Red Label	Lower price to explore potential customers
Haval H6 Coupe diesel version	Blue Label	Lower fuel consumption, with improved performance
Haval H2 2017 version	Red Label	Added features to enhance the overall price performance and to attract more customers
Upgraded Haval H6 2017 version	Blue Label	Further improvement in price performance
Haval H2 Blue Label	Blue Label	Boasting competitive advantage different from that of H2 Red Label, to explore different market segments
Haval H6 2017 sporty version	Red Label	More configuration options for customers to choose from
Haval H6 Blue Label sporty version	Blue Label	Complementing the Red Label version to increase competitive advantage
Haval H1 2017 Red Label	Red Label	Further upgrade in functions and configurations
Wingle 6 2017 version	—	Improved safety features, exterior design and interior decoration

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

Outlook

2017 is the year when China's supply-side structural reform will be deepened. The Chinese government will adhere to the keynote of its work — making progress while maintaining stability. It will dedicatedly perform its work, which includes ensuring stable growth, promoting reform, structural adjustment, benefiting people's livelihood and risk prevention, with an aim to facilitate a stable and healthy economic development. The central government will continually implement proactive fiscal policies and prudent monetary policies. It will also push ahead with the supply-side structural reform and reduce the tax burden of enterprises. China's economy is expected to grow steadily.

After the high-speed growth in 2016, car ownership level in China's automobile industry further increased. Nonetheless, factors like reduced car purchase tax incentives and lowered new energy vehicle subsidies are expected to slow the growth of the automobile industry in 2017. However, the overall economic growth will stimulate robust car demand, which will help maintain a stable growth in the domestic automobile industry; and the SUV sector in the industry is expected to continue to grow rapidly.

The Group's automobile sales volume target for 2017 is 1,250,000 units. The Group will adhere to its principles of development, which are "focus, professional, expert", and insist on a focus strategy. The Group will achieve its annual sales volume target through continued enhancement of product quality, launch of new models and facelifts, expansion of sales channels and improvement in sales services etc. Meanwhile, with respect to products, future models will be equipped with more active safety and passive safety features to constantly improve product safety. On the aspect of management, the Group will continue to implement decisive measures to boost sales and carry out ethical management.

In 2017, the Group continues to adhere to its basic principles of "focus on product quality, reform on research and development, and improvement in strategic management". The Group will take a goal-oriented operation approach, carry out reforms according to schedule, adopt simultaneous engineering in all product developments, and 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. The Group will insist on implementing the lavish R&D spending strategy to integrate global resources, thereby cultivating world-class technology development capability. At the same time, the Group is committed to delighting customers, focusing on reliable quality, while ensuring business integrity. The Group will continue to enhance brand equity through excellent product quality and services. The Group will persist with strategic operations, develop core competitiveness that supports the Group's long-term development and improve the Company's operations management ability.

New Products

The Group will integrate its global R&D resources to improve the fuel economy and reduce the average fuel consumption of its products. With the global R&D platform, the look and function of its new products will further be improved. The Group will launch more car models in 2017.

With respect to new car models, in March 2017, the Group rolled out "Haval H6 Coupe" Red Label, which will complement "Haval H6 Coupe" Blue Label, thus enlarging the coverage of this market segment. This model has the signature style of Red Label, with a fashionable look. On the aspect of configurations, the car features a 9-inch central-controlled large screen, connectivity with mobile phones, electronic gear-shifting system, and DTS high audio quality, providing a more convenient and comfortable in-car experience for users.

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

In the first half of 2017, the Group will launch a brand new model of Haval H6. This model will have a new Haval design. The interior and exterior designs surpass those of the same class of other self-owned brands. This new car model will be equipped with a new power system, with cutting-edge engine and transmission technology; it also features numerous technical and intelligent configurations. This product outstrips other competitive brands in design, power technology and functional configurations.

Apart from new car models, the Company will also launch facelift models of existing cars with brand new power system.

The Group announced the WEY new brand in 2016 and plans to launch the first new car model in the first half of 2017, and expects to introduce two other car models in the second half of 2017. WEY is positioned as an entry-level luxury brand, with upgrades to every aspect of the car, including design, power system, function configuration and safety performance, which will provide customers with the experience of a luxury car configuration.

With respect to new-energy vehicles, the Group's pure electric sedan model will be launched in 2017, which will improve the sales of sedan and further reduce the average fuel consumption of the Company. In addition, the Group is actively developing hybrid power car models.

With respect to pick-up trucks, the Group will launch facelifts of existing models in order to meet customers' needs and more stringent environmental requirements.

The Group plans to launch brand new 1.3T and 1.5T direct injection engines in the current year, in order to improve performance and reduce the fuel consumption of its products. The Group will also roll out in the current year a 7DCT transmission system, which will first be used in the upcoming WEY model and in all Haval models in the future, further improve the competitiveness of the Company's products.

Overseas markets

The Group has been committed to the development of overseas markets. However, changes in overseas political landscapes and economic downturn in recent years had led to weak sales in overseas markets. However, the Company still maintained the operation of its overseas sales network, actively developed new markets and carried out brand management in overseas markets. The Company's sales companies in Russia, Australia and South Africa are currently in operation and are mainly marketing products under the Haval brand.

New Facilities

The third plant of the Group's automobile production base in Xushui of Baoding is expected to commence operation in the first half of 2017. The automation system of the new plant will further be upgraded. Upon inauguration, the plant is expected to further expand the total production capacity.

After the commencement of operation of the new plant, the production base in Xushui will produce more different car models. By that time, car models including Haval H2, brand new Haval H6, Haval H6 Coupe, Haval H7, Haval H8, Haval H9 and WEY car models will be produced in the first, second and third plants of the Xushui production base.

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

Construction of the Group's plant in Tula Oblast, Russia has commenced since 2015 and the completion will be extended to 2019 in view of the economic conditions of Russia.

The Group also plans to further expand its R&D facilities. The R&D centre in Japan has commenced operation and the R&D centres in India, Germany and the United States will successively commence operation.

Preferential enterprise income tax rate for high-tech enterprises

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

II. THE OPERATION DURING THE REPORTING PERIOD

During the Reporting Period, the total operating revenue, operating profit and net profit attributable to shareholders of the Company were RMB98,616,000,000, RMB12,276,000,000 and RMB10,551,000,000, representing increases of 29.70%, 32.28% and 30.92% 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 (%)			
				2014	2013	2012
Total operating revenue	98,615,702,427.24	76,033,142,505.96	29.70	62,599,104,189.86	56,784,314,344.30	43,159,966,648.39
Operating revenue	98,443,665,116.02	75,954,585,964.64	29.61	62,590,772,604.67	56,784,314,344.30	43,159,966,648.39
Operating costs	74,360,223,523.10	56,863,911,403.05	30.77	45,251,761,068.39	40,537,994,662.12	31,561,501,368.09
Selling expenses	3,175,424,411.26	2,841,565,090.40	11.75	2,084,755,133.80	1,895,262,609.80	1,656,352,069.11
Administrative expenses	4,574,696,893.73	4,030,603,966.73	13.50	3,822,341,956.08	2,747,417,124.13	1,743,699,625.96
Financial expenses	-3,858,556.40	139,370,863.43	-102.77	-129,380,918.13	-83,849,943.15	-105,325,665.78
Net cash flows from operating activities	8,835,406,234.02	10,033,690,411.71	-11.94	6,095,784,407.40	9,039,043,397.56	4,336,970,802.21
Net cash flows from investing activities	-8,367,460,548.39	-6,516,889,077.71		-7,209,952,718.60	-6,696,353,291.18	-3,936,137,742.94
Net cash flows from financing activities	-1,116,326,659.64	-4,112,054,970.50		-1,309,157,089.95	-2,404,718,214.67	-1,103,872,557.05
Research and development expenses	3,180,236,419.29	2,760,609,085.70	15.20	2,571,581,207.82	1,692,880,148.50	956,565,066.15

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

1. Revenue and cost analysis

√ Applicable □ Not applicable

(1). Principal businesses by industries, products and regions

Unit: RMB Currency: RMB

Principal businesses by industries						
Industry	Operating revenue	Operating costs	Gross profit margin (%)	Increase/decrease in operating revenue over last year (%)	Increase/decrease in operating costs over last year (%)	Increase/decrease in gross profit margin over last year (%)
Automobile industry	98,256,596,879.67	74,232,259,914.20	24.45	29.67	30.81	Decreased by 0.66 percentage points

Principal businesses by products						
Product	Operating revenue	Operating costs	Gross profit margin (%)	Increase/decrease in operating revenue over last year (%)	Increase/decrease in operating costs over last year (%)	Increase/decrease in gross profit margin over last year (%)
Sale of automobiles	94,464,961,348.64	71,634,618,820.41	24.17	29.65	31.09	Decreased by 0.83 percentage points
Sale of automotive parts and components	2,886,291,387.78	1,917,179,246.84	33.58	25.41	16.50	Increased by 5.09 percentage points
Moulds and others	644,470,500.21	487,091,004.56	24.42	37.45	43.29	Decreased by 3.08 percentage points
Provision of services	260,873,643.04	193,370,842.39	25.88	77.12	63.26	Increased by 6.30 percentage points

Principal businesses by regions						
Region	Operating revenue	Operating costs	Gross profit margin (%)	Increase/decrease in operating revenue over last year (%)	Increase/decrease in operating costs over last year (%)	Increase/decrease in gross profit margin over last year (%)
Domestic	97,159,078,767.53	73,363,558,210.91	24.49	30.73	32.16	Decreased by 0.82 percentage points
Overseas	1,097,518,112.14	868,701,703.29	20.85	-24.69	-29.81	Increased by 5.78 percentage points

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

Description of principal businesses by industries, products and regions

Applicable Not applicable

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

The domestic business was mainly located in the mainland China.

(2). Analysis of output and sales volume

Applicable Not applicable

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	106,175.00	104,054.00	5,115.00	5.51	3.29	65.48
SUVs	956,065.00	932,985.00	47,643.00	36.48	34.56	92.88
Sedans	31,380.00	32,140.00	1,064.00	-41.32	-37.95	-43.73
Others	198.00	226.00	0	-50.00	-41.75	-100.00
Total	1,093,818.00	1,069,405.00	53,822.00	27.93	26.37	81.15

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					Description
		Amount for the Current Period	Proportion to total costs for the Current Period (%)	Amount for the corresponding period last year	Proportion to total costs for the corresponding period last year (%)	Changes in the amount for the Current Period over the corresponding period last year (%)	
Automobile industry	Raw materials, wages and salaries, depreciation and energy etc.	74,232,259,914.20	99.83	56,747,665,662.37	99.80	30.81	—

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

Product	Cost item	By products					Description
		Amount for the Current Period	Proportion to total costs for the Current Period (%)	Amount for the corresponding period last year	Proportion to total costs for the corresponding period last year (%)	Changes in the amount for the Current Period over the corresponding period last year (%)	
Automobiles	Raw materials, wages and salaries, depreciation and energy etc.	71,634,618,820.41	96.33	54,643,629,643.34	96.10	31.09	—
Automotive parts and components	Raw materials, wages and salaries, depreciation and energy etc.	1,917,179,246.84	2.58	1,645,668,939.74	2.89	16.50	—
Moulds and others	Raw materials, wages and salaries, depreciation and energy etc.	487,091,004.56	0.66	339,924,488.66	0.60	43.29	—
Services	Toll, fuel costs, travelling costs, and wages and salaries etc.	193,370,842.39	0.26	118,442,590.63	0.21	63.26	—

Other description of cost analysis

Applicable Not applicable

(4). Major customers and suppliers

Applicable Not applicable

Major customers

Name of customer	Unit: RMB Currency: RMB	
	Operating revenue	Proportion to total operating revenue of the Company (%)
Customer 1	4,165,441,877.14	4.22
Customer 2	2,475,588,706.76	2.51
Customer 3	2,092,231,199.86	2.12
Customer 4	1,832,219,202.65	1.86
Customer 5	1,695,837,410.42	1.72
Total	12,261,318,396.83	12.43

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

Sales to the five largest customers amounted to approximately RMB12,261,318,400, accounting for 12.43% of the total sales of the Year. Sales of RMB0 were from the related parties, which accounted for 0% of the total sales of the Year.

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) was interested in the major customers mentioned above.

Major suppliers

Unit: RMB Currency: RMB

Name of supplier	Purchases	Proportion to total purchases for the Year (%)
Supplier 1	2,413,500,196.58	3.02
Supplier 2	1,564,313,242.34	1.96
Supplier 3	1,507,292,937.28	1.89
Supplier 4	1,458,768,137.52	1.83
Supplier 5	1,271,027,438.05	1.59
Total	8,214,901,951.77	10.29

Purchases from the five largest suppliers amounted to approximately RMB8,214,902,000, accounting for 10.29% of the total purchases of the Year. Purchases of RMB0 were from the related parties, which accounted for 0% of the total purchases of the Year.

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) was interested in the major suppliers mentioned above.

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

2. Expenses

Applicable Not applicable

Unit: RMB Currency: RMB

Items	2016	2015	Changes (%)	Reasons
Selling expenses	3,175,424,411.26	2,841,565,090.40	11.75	—
Administrative expenses	4,574,696,893.73	4,030,603,966.73	13.50	—
Financial expenses	-3,858,556.40	139,370,863.43	-102.77	Mainly due to the recognition of financial expenses in relation to discounted performance bond for land receivables aged more than 1 year in the corresponding period of last year

3. Research and development expenses

Statement of research and development expenses

Applicable Not applicable

Unit: RMB

Research and development expenses for the Current Period	3,180,236,419.29
Research and development expenses capitalized for the Current Period	0
Total research and development expenses	3,180,236,419.29
Percentage of total research and development expenses over operating revenue (%)	3.23
Number of research and development employees (person) of the Company	10,236
Percentage of the number of research and development employees over the total number of employees of the Company (%)	14.29
Percentage of research and development expenses capitalized (%)	0

Description

Applicable Not applicable

In 2016, the total research and development expenses of the Company amounted to RMB3.180 billion, representing an increase of 15.20% as compared with last year.

The Company put a great emphasis on research and development of new products and technologies. The Company has persisted in research and development with an aim to consolidate its leading position in the market and lay a solid foundation for innovation. During the Reporting Period, the research and development expenses were mainly used in the research and development of automobile, core parts and components and new energy technology. With our efforts in research and development, the sales of various new products launched were satisfactory. In addition, the first blade electric vehicles of the Company, C30EV, was included in the Catalogue for Promoting the National New Energy Vehicles and will be launched in 2017.

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

During the year, the Company was granted 939 patents, including 412 inventory patents, 364 utility model patents and 163 designs patents. The design patent of Haval H2 was awarded “Chinese Design Gold Award” by 18th Ceremony for the Award for Chinese Outstanding Patents.

4. Cash flow

Applicable Not applicable

Unit: RMB Currency: RMB

Items	2016	2015	Changes (%)	Reasons
Net cash flows from operating activities	8,835,406,234.02	10,033,690,411.71	-11.94	Mainly due to the increases in payment for material procurement and tax payables as a result of a growth in production and sales volume during the Reporting Period.
Net cash flows from investing activities	-8,367,460,548.39	-6,516,889,077.71	28.40	Mainly due to the increase in funds invested in plants and facilities as a result of building and expanding business lines of the Group as well as the increase in investment spending on wealth management products during the Reporting Period.
Net cash flows from financing activities	-1,116,326,659.64	-4,112,054,970.50	-72.85	Mainly due to the decreases in deposits with restricted bank and dividends payable to the shareholders during the Reporting Period.

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

Applicable Not applicable

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

(III) Analysis of assets and liabilities

√ Applicable □ Not applicable

1. Assets and liabilities

Unit: RMB

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	2014	2013	2012
Current assets	53,928,033,538.56	58.42	40,389,996,353.27	56.17	33.52	—	35,313,744,747.57	31,026,191,451.06	25,847,677,215.69
Cash and bank balances	2,153,603,558.38	2.33	3,641,764,292.73	5.06	-40.86	Mainly due to the income gain from the investment in wealth management products with short-term idle funds of the Group	3,394,260,013.36	6,990,516,902.03	6,336,981,784.93
Bill receivables	39,786,248,863.34	43.10	28,161,748,218.41	39.16	41.28	Mainly due to the increase in bill receivables resulting from the increase in sales volume	23,352,366,377.86	17,548,258,868.49	14,790,887,422.30
Accounts receivable	517,976,746.97	0.56	675,922,020.83	0.94	-23.37	—	730,113,031.42	656,312,754.79	691,488,679.17
Prepayments	1,057,180,423.77	1.15	880,716,835.91	1.22	20.04	—	723,332,515.18	446,068,066.03	391,549,732.29
Interest receivables	12,418,121.84	0.01	5,130,559.76	0.01	142.04	Due to the increase in interest receivables from loans and advances resulting from the increase in volume of lending business of Tianjin Great Wall Binyin Automotive Finance Company Ltd, a subsidiary of the Company	4,897,335.85	0	0
Other receivables	251,011,870.83	0.27	101,849,236.83	0.14	146.45	Mainly due to the increase in customs deposit receivables and export rebate receivables	2,896,787,792.18	2,559,193,416.74	854,389,669.52
Inventories	6,061,138,217.68	6.57	4,119,805,909.61	5.73	47.12	Mainly due to the reservation of finished vehicles in response to the increase in sales volume of automobiles	3,470,386,550.65	2,763,890,772.66	2,695,117,691.59
Available-for-sale financial assets	1,438,000,000.00	1.56	0	0	100.00	Due to the purchase of principal guaranteed financial products during the Reporting Period	0	0	0
Non-current assets	38,381,127,028.14	41.58	31,520,630,417.57	43.83	21.77	—	26,031,507,375.88	21,578,617,480.23	16,721,719,321.09
Distributing loan and advances	3,076,249,652.50	3.33	561,063,510.14	0.78	448.29	Due to the increase in volume of lending business of Tianjin Great Wall Binyin Automotive Finance Company Ltd, a subsidiary of the Company	100,508,080.46	0	0
Long-term equity investments	0	0	18,006,939.74	0.03	-100.00	Due to the acquisition of equity of Baoding Yanfeng Johnson Controls Automobile Seating Co., Ltd. (保定延峰江森汽车座椅有限公司), a joint venture, for the purpose of transforming such joint venture into a subsidiary of the Company during the Reporting Period	65,990,244.87	45,983,437.72	41,841,473.15
Investment properties	128,146,873.50	0.14	21,474,328.15	0.03	496.74	Due to the increase in number of properties leased during the Reporting Period	6,344,662.41	6,090,029.75	6,251,972.88
Goodwill	4,972,730.90	0.01	2,163,713.00	0.003	129.82	Due to goodwill recognized for the acquisition of equity of Baoding Yanfeng Johnson Controls Automobile Seating Co., Ltd. (保定延峰江森汽车座椅有限公司), a joint venture, for the purpose of transforming such joint venture into a subsidiary of the Company during the Reporting Period	2,163,713.00	2,163,713.00	2,163,713.00
Deferred income tax assets	963,955,022.84	1.04	709,618,712.26	0.99	35.84	Mainly due to the increase in unrealized profit arising from internal transactions and outstanding rebate from distributors during the Reporting Period	441,378,429.46	400,509,782.43	407,966,015.58
Current liabilities	43,252,239,792.29	46.86	31,786,437,525.14	44.20	36.07	—	26,144,697,042.57	22,839,474,722.18	19,319,167,273.16
Bills payable	4,164,982,676.22	4.51	5,480,528,560.69	7.62	-24.00	—	4,138,158,178.41	4,539,529,276.71	4,341,672,114.91
Account payables	25,007,335,076.72	27.09	15,603,253,561.15	21.70	60.27	Mainly due to the increase in amount purchased of material	14,093,151,931.66	10,712,169,742.15	8,697,430,801.03
Payments received in advance	6,311,928,102.18	6.84	4,937,845,265.44	6.87	27.83	—	3,180,045,338.74	2,808,752,768.45	3,195,376,434.87
Salaries payable	1,966,848,264.70	2.13	1,534,598,723.77	2.13	28.17	—	1,326,601,449.19	1,096,561,764.67	736,035,068.04
Tax payable	1,978,393,497.86	2.14	979,247,478.39	1.36	102.03	Mainly due to the increase in tax payables resulting from the increase in sales volume	880,096,384.40	527,274,939.62	537,079,490.65
Other payables	2,043,696,694.43	2.21	1,665,434,069.11	2.32	22.71	—	1,778,299,444.45	2,270,050,353.66	1,219,640,824.99
Other current liabilities	1,422,960,496.15	1.54	1,195,842,038.07	1.66	18.99	—	672,530,061.79	633,678,296.27	540,227,876.22

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

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

Applicable Not applicable

(1) As at 31 December 2016, the Group had restricted cash and bank balances of RMB261,759,224.63, in which guarantee on bank acceptance bills amounted to RMB114,639,437.41, required reserves amounted to RMB144,356,644.36, guarantee on letter of credit amounted to RMB1,320,000.00, performance guarantee deposit amounted to RMB800,000.00, and other guarantees amounted to RMB643,142.86.

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

Category	2016.12.31	2015.12.31
Bank acceptance bills	3,526,875,391.00	3,050,954,858.00
Total	3,526,875,391.00	3,050,954,858.00

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

3. Explanation on other matters

Applicable Not applicable

(IV) Analysis of operation information by industries

Applicable Not applicable

Analysis of operation information of automobile manufacturing industry

1. Production capacity

Applicable Not applicable

Current production capacity

Applicable Not applicable

Major factory	Designated production capacity (Unit 10,000)	Production capacity during the Reporting Period (Unit 10,000)	Utilisation rate of production capacity (%)
Baoding (including the automobile plant in Xushui)	60	59.5	99.2
Tianjin	45	49.9	110.9
Total	105	109.4	104.2

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

Production capacity of factories under construction

Applicable Not applicable

Unit: 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 third automobile plant in Xushui	3,614,304,600.00	630,866,105.27	2,079,390,563.15	2017	10
Russia automobile plant	2,442,256,660.00	237,092,962.00	287,473,428.37	2019	5

Calculation standards of production capacity

Applicable Not applicable

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

2. *Output and sales volume of vehicles*

Applicable Not applicable

By types of vehicles

Applicable Not applicable

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

By regions

Applicable Not applicable

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

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

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

Applicable Not applicable

The revenue from manufacturing of automotive parts and components accounted for 2.93% of the total operating revenue of the Company, which is not subject to disclosure.

By categories of parts and components

Applicable Not Applicable

By categories of market

Applicable Not Applicable

4. *New energy automobile business*

Applicable Not applicable

5. *Explanation on other matters*

Applicable Not applicable

(V) Analysis of investments

1. *Analysis of external equity investments*

Applicable Not applicable

During the Reporting Period, the total equity investment of the Group was RMB602,650,800, representing an increase of the 62.70% as compared with RMB370,413,400 in the corresponding period of last year.

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

(1) Major equity investment

√ Applicable □ Not applicable

Name of investee	Major business	Investment amount (RMB10,000)	Percentage of shareholding
Baoding Xinyi Automobile Seating Co., Ltd. (保定信益汽車座椅有限公司)	Assembly of automobile seats, design, development, manufacture and sale of parts and components of automobile seats and provision of after-sales services for its products. (Operations that require pre-approvals according to laws and regulations can only be conducted after obtaining approvals from the relevant authorities)	2,150.00	100%
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.	2,161.17	100%
Haval Motors Australia Pty Ltd (哈弗汽車澳大利亞有限公司)	Import and export of automobiles, sale and distribution of automobiles, sale of automotive parts and components and after-sales services.	2,177.33	100%
Great Wall Motor Europe Technical Center GmbH (長城汽車歐洲技術中心有限公司)	Research and development, trial production, testing and purchase, import and export and sale of automobiles and automotive parts and components, and trading and leasing of real estates	3,342.88	100%
Tide Technology and Trade Company Limited (泰德科貿有限公司)	International trade, equity investment, and investment and financing services	9,800.00	100%
Haval Motor Manufacturing Rus Limited Liability Company (俄羅斯哈弗汽車製造有限責任公司)	<ol style="list-style-type: none"> Marketing, 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; Provision of technical maintenance and repair services for automobiles and provision of other types of technical maintenance services for automobiles; Engagement in financial intermediary activities for the sale of automobiles. 	25,000.00	100%
Australia Sinyos Technology and Trade Pty Ltd (澳大利亞森友斯科貿有限公司)	Import and export of automobiles, sale and distribution of automobiles, sale of automotive parts and components and after-sales services.	1,300.00	100%
Haval Motors US Proprietary Limited (美國哈弗汽車有限公司)	Engaging in any lawful activity	11,445.42	100%

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

Name of investee	Major business	Investment amount (RMB10,000)	Percentage of shareholding
Great Wall India Research and Development Private Limited (長城印度研發私人有限公司)	<ol style="list-style-type: none"> 1. Research, testing, trial production, manufacturing, exports, sales, leasing and maintenance of automobiles, automotive parts and components and other related products; 2. Development, consultancy services, import and export, sales and leasing of automotive electronic technology and IT software; 3. Development, sales and leasing of information processing, transmission and provision and other related services and software. 	2,808.28	100%

(2) Major investment in non-equity interest

Applicable Not applicable

Unit: RMB Currency: RMB

Project	Total investment amount	Progress	Investment amount during the Reporting Period	Total investment amount	Net profit generated by project
Construction Project of Great Wall Motor Technology Centre	1,995,605,000.00	88.34%	24,173,771.12	1,762,894,521.28	
Great Wall Motor Passenger Vehicles Xushui Complete Vehicle Factory No. 2	3,667,480,750.00	77.86%	738,798,256.02	2,855,366,179.70	1,121,139,017.07
Great Wall Motor Passenger Vehicles Xushui Complete Vehicle Factory No. 3	3,614,304,600.00	57.53%	630,866,105.27	2,079,390,563.15	
Smart transmission system for new energy vehicle with annual production capacity of 500,000 units	4,142,339,700.00	6.78%	241,977,982.00	280,757,582.27	
Russia automobile plant (俄羅斯整車廠)	2,442,256,660.00	11.77%	237,092,962.00	287,473,428.37	
Total	15,861,986,710.00	/	1,872,909,076.42	7,265,882,274.77	/

(3) Financial assets measured at fair value

Applicable Not applicable

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

(VI) Acquisitions of major assets

Unit: RMB Currency: RMB

Counter party or ultimate controller	Assets acquired	Date of acquisition	Assets of acquisition price	Net profit contributed to the Listed Company by the assets from the beginning of this year to the end of this year (applicable to business combination of enterprises under common control)	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 net profit of the Company (%)	Relationship
Shanghai Yanfeng Johnson Controls Seating Co., Ltd. (上海延鋒江森座椅有限公司)	Baoding Xinyi Automobile Seating Co., Ltd. (保定信益汽車座椅有限公司)	7 January 2016	21,500,000	9,789,781.03	—	NO Asset valuation	Yes	Yes	0.09	—

Description of acquisitions of major assets

- As at the date of this annual report, the Company has completed the acquisition of the 50% equity interest in Baoding Xinyi Automobile Seating Co., Ltd. (保定信益汽車座椅有限公司) held by Shanghai Yanfeng Johnson Controls Seating Co., Ltd. (上海延鋒江森座椅有限公司).

(VII) Disposal of major assets and equity interest

Applicable Not applicable

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

(VIII) Major subsidiaries and investees

√ Applicable □ Not applicable

Unit: RMB Currency: RMB

Full name of subsidiaries	Business nature	Registered capital	Proportion		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
			of shareholding (%)	Proportion of voting rights (%)					
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	100.00	100.00	4,178,018,655.05	3,269,461,551.56	5,946,166,005.34	1,422,692,633.73	1,110,142,717.50
Haval Logistics Company Limited (哈弗物流有限公司)	General cargo transportation, logistics	85,000,000	100.00	100.00	840,475,856.80	282,092,821.93	1,627,664,722.12	308,343,984.64	229,700,908.78
Baoding Mind Auto Component Co.,Ltd. (保定曼德汽車配件有限公司)	Manufacturing of automotive parts and components	95,000,000	100.00	100.00	629,965,561.41	310,273,750.48	940,300,487.20	231,891,956.14	204,076,469.70
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	100.00	100.00	881,069,506.19	334,041,864.85	891,509,105.26	200,518,894.34	162,100,525.85
Baoding Great Wall Automotive Parts Sales Co.,Ltd (保定長城汽車配件銷售有限公司)	Sales of automotive parts and components and lubricants	7,000,000	100.00	100.00	167,159,110.93	28,064,502.67	608,219,345.63	196,565,280.20	147,424,874.96
Baoding Weiyi Motor Company Limited (保定威奕汽車有限公司)	Manufacturing of automotive parts and components	2,000,000,000	100.00	100.00	553,235,959.47	377,772,174.15	548,059,094.02	137,597,853.44	120,033,407.58
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 aftersales service	35,000,000	100.00	100.00	1,011,057,897.86	161,844,852.43	2,598,886,298.52	147,769,500.98	113,043,384.36
Baoding Great Machinery Company Limited (保定市格瑞機械有限公司)	Manufacturing of automotive parts and components	23,000,000	100.00	100.00	286,647,850.87	183,345,531.82	297,333,108.22	76,590,913.58	72,177,193.95
Great Wall Baoding Huabei Automotive Company Limited (保定長城華北汽車有限責任公司)	Manufacturing of automotive parts and components	177,550,000	100.00	100.00	433,652,478.71	326,833,158.89	473,281,171.17	81,931,045.60	60,455,569.55
Baoding Nuobo Rubber Production Co.,Ltd. (保定市諾博橡膠製品有限公司)	Manufacturing of automotive parts and components	72,240,000	100.00	100.00	391,031,460.56	316,292,410.63	343,631,967.76	67,674,600.10	59,912,220.37

(IX) Structured entities under the control of the Company

□ Applicable √ Not applicable

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

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

(I) Competition and development trend of the industry

Applicable Not applicable

Industry development in 2016

According to the statistics from China Association of Automobile Manufactures, the production and sales volume of automobiles in the PRC in 2016 reached 28,118,800 units and 28,028,200 units, respectively, representing an increase of 14.46% and 13.65% as compared to the corresponding period last year. Generally, the self-owned brand performed remarkably in SUV in 2016, the sales volume of which reached 5,268,000, representing an increase of 57.6% as compared to the corresponding period last year and a market share of 58.2%. 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 2016, in terms of total sales volume, Great Wall Motor ranked seventh among all peers.

The sales volume of Haval SUV grew steadily in 2016 and reached 938,000 units, representing an increase of 34% as compared with last year. Haval SUV ranked No.1 in terms of sales volume for 14 consecutive years.

In 2016, the sales volume of pick-up truck reached 105,600 units and ranked No.1 for 19 consecutive years.

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. With increasing demand for cars in the third and fourth tier cities as well as rural markets, 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 2017, which is attributable to upgrade of consumption, increase in demand, larger share of younger consumers and acceleration of launch of new SUV models.

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

(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. 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

Applicable Not applicable

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 RMB30 billion in the research and development of new energy vehicles, smart vehicles and core parts and components.

(III) Operation plan

Applicable Not applicable

The Group sets the sales target of 1,250,000 units for 2017. 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.

(IV) Potential risks

Applicable Not applicable

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

1. with the new normal and 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;

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

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.

(V) Others

Applicable Not applicable

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

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 2016 or in previous years are limited companies.

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

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

III. RESULTS AND DIVIDENDS

The Group's operating results for the year ended 31 December 2016 and the financial positions of the Company and the Group for the year ended 31 December 2016 are set out in the audited financial statements.

Details of distribution of the final dividend for the year ended 31 December 2016 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 2016, 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 2016 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.

VII. RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

VIII. UNDISTRIBUTED PROFITS

As at 31 December 2016, pursuant to the Company Law and the Articles, the undistributed profits of the Group was RMB32,182,789,641, the final dividend for the year of 2016 proposed to be distributed was RMB0.35 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

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

X. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

XI. MATERIAL CONTRACTS

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

XII. MANAGEMENT CONTRACTS

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

XIII. DIRECTORS’ AND SUPERVISORS’ INTERESTS IN SECURITIES

As at 31 December 2016, 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

Section 6 Report of the Board

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
Total		5,115,000,000 (L) (A Shares)	84.86	—	56.04

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

XIV. INTERESTS IN CONTROLLED COMPANIES

As at 31 December 2016, 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 was deemed to be interested in the 5,115,000,000 A Shares held by Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司).

Save as disclosed above, so far as the directors of the Company are aware, as at 31 December 2016, 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 2016, 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 XIV “Material Related Party Transactions” of Section 8 of this report.

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

XIX. REMUNERATION POLICIES

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

Directors

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

Non-executive directors

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

Employees

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

Section 6 Report of the Board

XX. UNCOLLECTED DIVIDENDS

As at 31 December 2016, as for the Company's 2010 final dividends, there were 54 cases of unclaimed dividends, amounting to HK\$25,720.03. As for the Company's 2011 final dividends, there were 55 cases of unclaimed dividends, amounting to HK\$39,216.10. As for the Company's 2012 final dividends, there were 50 cases of unclaimed dividends, amounting to HK\$69,902.32. As for the Company's 2013 final dividends, there were 49 cases of unclaimed dividends, amounting to HK\$106,369.23. As for the Company's 2014 final dividends, there were 56 cases of unclaimed dividends, amounting to HK\$121,511.43. As for the Company's 2015 interim dividends, there were 57 cases of unclaimed dividends, amounting to HK\$35,676.19. As for the Company's 2015 final dividends, there were 59 cases of unclaimed dividends, amounting to HK\$83,930.91.

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

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

For environment policy and social responsibility during the Year, please refer to "Fulfillment of Social Responsibilities" in item XVII of Section 8 of this report and the Social Responsibility Report for 2016 of Great Wall Motor Company Limited (《長城汽車股份有限公司2016年度社會責任報告》) published on the websites of the Shanghai Stock Exchange (www.sse.com.cn) and the Hong Kong Stock Exchange (www.hkexnews.hk).

XXV. 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 three independent non-executive directors and one non-executive director of the Company. At the meeting held on 23 March 2017, the Audit Committee reviewed the 2016 annual report and financial report of the Group and gave their opinions and recommendations to the Board of the Company. The Audit Committee is of the opinion that the 2016 annual report and financial report of the Company comply with the applicable accounting standards and the Company has made appropriate disclosure thereof.

XXVII. REMUNERATION COMMITTEE

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

XXVIII. NOMINATION COMMITTEE

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

XXIX. STRATEGY COMMITTEE

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

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 2016. A resolution for the re-appointment of Deloitte Touche Tohmatsu Certified Public Accountants LLP as the Company's external auditor will be proposed at the annual general meeting. There was no change in the auditor of the Company in any of the preceding three years. For details, please refer to Section 12 "Corporate Governance Report" of this report.

Section 7 Report of the Supervisory Committee

To all shareholders:

During the year 2016, 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.

I. MEETINGS AND RESOLUTIONS OF THE SUPERVISORY COMMITTEE

The 10th meeting of the 5th session of the Supervisory Committee was held on 24 March 2016 in the conference room of the Company, whereupon the proposals regarding the Company's audited financial report for the year of 2015, report of the Supervisory Committee for the year of 2015, profit distribution proposal for the year of 2015, annual report for the year of 2015 of the Company and its summary report, appointment of the accounting firm, internal control self-evaluation report for the year of 2015, social responsibility report for the year of 2015 and the termination of non-public issuance of A Shares were considered and approved.

The 11th meeting of the 5th session of the Supervisory Committee was held on 22 April 2016 in the conference room of the Company, whereupon the first quarterly report for the year of 2016 was considered and approved.

The 12th meeting of the 5th session of the Supervisory Committee was held on 26 August 2016 in the conference room of the Company, whereupon the proposal regarding the interim report for the year of 2016 and its summary was considered and approved.

The 13th meeting of the 5th session of the Supervisory Committee was held on 25 October 2016 in the conference room of the Company, whereupon the third quarterly report for the year of 2016 was considered and approved.

II. TASKS OF THE SUPERVISORY COMMITTEE DURING THE REPORTING PERIOD

During the Reporting Period, the members of the Supervisory Committee not only attended the regular Board meetings of the Company in 2016, but also duly supervised and monitored the financial affairs of the Company, operation decisions made by the management, operation of the Company in accordance with the law and the discharge of duties by the directors and the senior management of the Company. The Supervisory Committee is of the opinion that:

1. The Company and its subsidiaries were not involved in any violation of the Company Law, the Articles, the relevant accounting standards, and the laws and regulations of the PRC during their operation in 2016. 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 2016 and there was no violation of the Company Law, the Articles, the relevant accounting standards, and the laws and regulations of the PRC.

Section 7 Report of the Supervisory Committee

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 2016, 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 2017

Section 8 Significant Events

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

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

√ Applicable Not applicable

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

During the Reporting Period, the resolution regarding the profit distribution proposal for the year 2015 (《關於2015年度利潤分配方案的議案》) was approved at the 2015 annual general meeting of the Company. Based on the total share capital of 9,127,269,000 shares as at 31 December 2015, a final cash dividend of RMB0.19 for every share (tax inclusive) would be paid, amounting to RMB1,734,181,110.00 in total. On 25 May 2016, the board of the Company published the Announcement on the Implementation of the Profit Distribution Plan for A Shares of Great Wall Motor Company Limited for the Year of 2015 (《長城汽車股份有限公司2015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 31 May 2016. Meanwhile, the dividend for H Shareholders of the Company was distributed in accordance with the relevant requirements of the Hong Kong Stock Exchange.

(II) Plan or proposal for profit distribution or capitalisation of capital 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 ordinary shareholders of the Company in the consolidated financial statements for the year during which dividend was distributed	Ratio of the net profits attributable to ordinary shareholders of the Company in the consolidated financial statements (%)
2016	—	3.5	—	3,194,544,150	10,551,158,884.21	30.28
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

(III) Cash dividend by share repurchase offer in cash

Applicable Not applicable

(IV) 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

II. PERFORMANCE OF UNDERTAKINGS

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

Applicable Not applicable

Background of undertakings	Type of undertakings	Undertaking party	Description of undertakings	Date and duration of undertakings	Any time frame for performance (yes/no)	Strict and timely performance (yes/no)	Reasons for failure of performance (if undertakings cannot be performed timely)	Next step (if undertakings cannot be performed in a timely manner)
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	—	—

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 in a timely manner)
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"> 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. 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. 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. 	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 in a timely manner)
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"> The subsidiaries directly or indirectly controlled by Mr. Wei Jian Jun are not directly or indirectly engaged in any Competing Business. 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. 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. 	From 10 December 2010, permanent	No	Yes	—	—
Other undertakings given to small and medium shareholders of the Company	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 in a timely manner)
Other undertakings given to small and medium shareholders of the Company	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	—	—
	Others	Hu Ke Gang	Mr. Hu Ke Gang undertook to purchase not less than 22,883 A Shares of the Company on the secondary market upon the expiry of the lockup period as stipulated by the applicable laws and regulations (from 20 May 2016) to increase his shareholding in the Company.	From 20 May 2016, as and when opportunities arise	No	Yes	—	—

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

Yes No N/A

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

Applicable Not applicable

Unit: RMB10,000 Currency: RMB

Balance of the Company's fund 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 returned at the end of the Reporting Period	Total amount recovered during the Reporting Period	Method of recovering the capital	Recovered amount	Recovering time (month)
—	1.31	1.31	Telegraphic transfer	February 2017	—	—	—	—	—

IV. EXPLANATION OF THE COMPANY ON "NON-STANDARD AUDITOR'S REPORT" ISSUED BY THE ACCOUNTING FIRM

Applicable Not applicable

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

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

Applicable Not applicable

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

Applicable Not applicable

(III) Communication with the former accounting firm

Applicable Not applicable

(IV) Other explanations

Applicable Not applicable

VI. APPOINTMENT AND DISMISSAL OF ACCOUNTING FIRM

Unit: RMB Currency: RMB

	Current appointment
Name of local accounting firm	Deloitte Touche Tohmatsu Certified Public Accountants LLP
Remuneration for local accounting firm	2,905,660.39
Audit years of local accounting firm	7 years

	Name	Remuneration
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.

Change of the accounting firm during the audit period

Applicable Not applicable

Section 8 Significant Events

VII. RISKS OF SUSPENSION OF LISTING

(I) Reasons for suspension of listing

Applicable Not applicable

(II) Measures to be adopted by the Company

Applicable Not applicable

VIII. DELISTING AND ITS REASONS

Applicable Not applicable

IX. BANKRUPTCY AND RESTRUCTURING

Applicable Not applicable

X. MATERIAL LITIGATIONS AND ARBITRATIONS

The Company has material litigations and arbitrations during the Year
 The Company has no material litigations and arbitrations during the Year

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

√ Applicable Not applicable

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》) (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 the CSRC. 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 22,883 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 3 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) (《關於發佈<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40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 in respect of the capital market, 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.

Section 8 Significant Events

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

Applicable Not applicable

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

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

Applicable Not applicable

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

Share Incentive Scheme

Applicable Not applicable

Other description

Applicable Not applicable

Employee Incentive Scheme

Applicable Not applicable

Other incentives

Applicable Not applicable

XIV. MATERIAL RELATED PARTY TRANSACTIONS

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

- Matters disclosed in temporary announcements without subsequent development or changes
 Applicable Not applicable
- Matters disclosed in temporary announcements with subsequent development or changes
 Applicable Not applicable
- Matters undisclosed in temporary announcements
 Applicable Not applicable

Unit: RMB Currency: RMB

Related parties	Relationship	Type of related party transactions	Description of the related party transactions	Basis of pricing for the related party transactions	Price of related party transactions	Amount of related party transactions	Percentage of amount of similar transactions (%)	Method of settlement for related party transactions	Market price	Reason for the obvious gap between transaction price and market price
Baoding Furui Landscape Co., Ltd (保定市富瑞园林有限公司)	Other inflows	Sale of assets other than goods	Transfer of long-term assets income	Mutually agreed price	—	12,036,400.00	0.01	—	—	—
Total				/	/	12,036,400.00	0.01	/	/	/
Details of substantial sales return				—						
Description of related party transaction				—						

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

- Matters disclosed in temporary announcements without subsequent development or changes
 Applicable Not applicable
- Matters disclosed in temporary announcements with subsequent development or changes
 Applicable Not applicable
- Matters undisclosed in temporary announcements
 Applicable Not applicable

Section 8 Significant Events

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

Applicable Not applicable

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

1. *Matters disclosed in temporary announcements without subsequent development or changes*

Applicable Not applicable

2. *Matters disclosed in temporary announcements with subsequent development or changes*

Applicable Not applicable

3. *Matters undisclosed in temporary announcements*

Applicable Not applicable

(IV) Amounts due to or from related parties

1. *Matters disclosed in temporary announcements without subsequent development or changes*

Applicable Not applicable

2. *Matters disclosed in temporary announcements with subsequent development or changes*

Applicable Not applicable

3. *Matters undisclosed in temporary announcements*

Applicable Not applicable

(V) Others

Applicable Not applicable

Apart from the related party transactions between the Group and 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) and Mr. Zhang Wenhui, Mr. Zhao Guoqing and Mr. Xu Hui, the management of the Company, the above-mentioned material related party transactions and those set out in note (XI) to the financial statements constitute connected transactions and continuing connected transactions in accordance with Hong Kong Listing Rules. The Company has complied relevant requirements under the Chapter 14A of the Hong Kong Listing Rules and the connected transactions and continuing connected transactions have been exempted from complying with the reporting, annual review, announcement and independent directors' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

XV. MATERIAL CONTRACTS AND PERFORMANCE THEREOF

(I) Trust, contracting and leasing

1. Trust

Applicable Not applicable

2. Contracting

Applicable Not applicable

3. Leasing

Applicable Not applicable

(II) Guarantee

Applicable Not applicable

Unit: RMB Currency: RMB

Total guaranteed amount during the Reporting Period (excluding guarantees provided to subsidiaries)	0
Balance of total guarantees as at the end of the Reporting Period (A) (excluding guarantees provided to subsidiaries)	0
Guarantees provided by the Company and its subsidiaries to subsidiaries	
Total guaranteed amount to subsidiaries during the Reporting Period	0
Total guaranteed balance to subsidiaries as at the end of the Reporting Period (B)	199,800,000
Total guarantees (including guarantees to subsidiaries) provided by the Company	
Total guaranteed amount (A+B)	199,800,000
Total guaranteed amount as a percentage of the net asset value of the Company (%)	0.42
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	—
Details of guarantee	

In 2015, the Board had considered and approved the provision of guarantee of RMB1.5 billion 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 2016, 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.

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	Expiry date of entrusted wealth management	Method to determine the remuneration	Actual amount of recovered principals	Actual gain	Whether approved in accordance with mandatory procedure or not	Impairment provisions	Whether it is a related transaction or not	Whether any litigation is involved	Related relationship
Baoding Branch of Industrial Bank (興業銀行保定分行)	Principal guaranteed with floating interest rate	880,000,000.00	20161115	20170109	—	—	—	Yes	—	No	No	Others
Baoding Branch of Industrial Bank (興業銀行保定分行)	Principal guaranteed with floating interest rate	510,000,000.00	20161115	20170116	—	—	—	Yes	—	No	No	Others
Baoding Branch of Bank of Communications (交通銀行保定分行)	Income-guaranteed	1,300,000,000.00	20161116	20170120	—	—	—	Yes	—	No	No	Others
Baoding Hengxiang South Street sub-branch of China Construction Bank (建行保定恒祥南大街支行)	Principal guaranteed with floating interest rate	48,000,000.00	20161206	20170109	—	—	—	Yes	—	No	No	Others
Total	/	2,738,000,000.00	/	/	/	/	/	/	/	/	/	/

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

Applicable Not applicable

XVI. OTHER SIGNIFICANT EVENTS

Applicable Not applicable

XVII.FULFILLMENT OF SOCIAL RESPONSIBILITIES

(I) Poverty alleviation of the Company

√ Applicable Not applicable

1. *The accurate poverty alleviation plan*

The Company has organized top-down poverty alleviation meetings and assigned specific personnel to conduct visits and investigations to understand the conditions of impoverished areas in order to formulate poverty alleviation plans and policies for the impoverished areas. In line with specific poverty alleviation plans, the Company has continued to improve the infrastructure, medical care, education and other public welfares.

2. *Summary of the accurate poverty alleviation for the Year*

In 2016, the Company provided a lot of employment opportunities in impoverished areas and subsidies to employees with financial difficulties. One-off financial subsidies from the poverty alleviation fund were offered to employees with substantial financial difficulties due to exceptional reasons such as natural hazards, accidents and serious illness. The Company conducted investigations to identify employees with difficulties, and organized visits and consolation activities during the Chinese New Year holidays.

3. *Statistics on the accurate poverty alleviation of the Company for 2016*

Unit: RMB10,000 Currency: RMB

Items	Number and its implementation
I. General information	
Of which: 1. Capital	340.83
2. Supplies converted to cash	6.26
3. Number of registered poor people lifted out of poverty (person)	23,344
II. Capital injection by project	
1. Poverty alleviation through transferring the form of Jobs were offered to 15,590 persons in employment the impoverished areas	
Of which: 1.1 Capital injected into vocational training	42.5
1.2 Number of people participating in vocational training (person/time)	3,400
1.3 Number of registered poor people obtaining jobs (person)	0

Section 8 Significant Events

Items	Number and its implementation	
2. Poverty alleviation through improving health	A one-off financial subsidy of RMB350,000 from the poverty alleviation fund was offered to employees with substantial financial difficulties due to exceptional reasons such as natural hazards, accidents and serious illness.	
Of which: 2.1 Capital injected into medical and health resources in impoverished regions		0
3. Poverty alleviation through ecological protection		
Of which: 3.1 Project names	<input checked="" type="checkbox"/> Ecology protection and conservation <input type="checkbox"/> Establishment of a mechanism for ecological compensation <input type="checkbox"/> Establishment of ecology conservation related positions <input type="checkbox"/> others	
3.2 Capital injected		0
4. Basic protection	The Company visited orphans and disabled children in Baoding Children's Home (保定市兒童福利院) and the elderly without family in Jinqiu Home for the Elderly (金秋老年公寓), and donated necessities such as rice and cooking oil amounting to approximately RMB20,000.	
Of which: 4.1 Capital injected to help left-behind children, elderly and women		2
4.2 Number of left-behind children, elderly and women funded (person)		320
4.3 Capital injected to help the poor disabled people		250
4.4 Number of poor disabled people funded (person)		734
5. Other projects	The Company visited and provided consolation to the employees with difficulties during the Chinese New Year holidays, and offered consolation payment of RMB32,400 and gifts of RMB22,600.	
Of which: 5.1 Number of projects		2
5.2 Capital injected		5.5
5.3 Number of registered poor people out of poverty (person)		58
5.4 Details about other projects		NIL
III. Awards and its level		NIL

4. *Subsequent accurate poverty alleviation programmes*

1. Donations: The Company will improve the living conditions of impoverished areas through various methods, such as making donations, providing support to students, the elderly and the disabled as well as offering medical assistance;
2. Human resource and technology: Technology support for poverty alleviation will be offered by capitalizing on the human resource advantages of the Company as always. Moreover, various training programmes will be provided on different aspects including practical technologies, production skills and business operation, so as to improve the self-development ability of underprivileged staff and boost their production skills and livelihood;
3. Employment: More job opportunities will be provided in the impoverished local areas and more training programmes will be organized to improve the quality of employment and boost the economic growth of such areas;
4. Others: The Company will encourage its staff to participate in its volunteering activities so as to revive the local economic development.

(II) Social responsibilities

√ Applicable Not applicable

The senior management lives up to its commitment and endeavors to give back to the community. The Company has encouraged its employees to participate actively in public welfare to promote responsible corporate citizenship and harmonious development amongst citizens, automobiles and environment. In line with the corporate development strategy, industry characteristics and geographical considerations, the Company has placed its emphasis on industry research, education, environmental protection and charity support. Active participation in public welfare has also been made. As such, it has contributed to the co-existence of social advancement, cultural development, environmental protection and economic growth.

1. Industry research: The Company provided strong support for the professional research on automobile by major institutes of China. It provided automobiles for teaching purpose to major institutes.
2. Education: Teaching materials were donated to high schools, middle schools, and primary schools while subsidies were provided for the construction of regional hope primary schools.
3. Environmental protection: Other than energy conservation and emission reduction in the process of product design and manufacturing, the Company organized volunteer activities to protect the environment of their hometowns.
4. Charity support: The senior management visited Jinqiu Home for the Elderly, Baoding Welfare Institution to present gifts on behalf of the Company in a bid to show its love and care for the elderly without family and bring hope and encouragement to the disabled children.

Section 8 Significant Events

(III) Environment protection measures taken by the Company and its subsidiaries in respect of key pollutant discharging units announced by the environment protection departments

Applicable Not applicable

The Group established environmental protection facilities maintained the emission of pollutants in strict compliance with the environment protection regulations of the PRC. All hazardous waste of the Group was transferred and disposed of strictly according to the requirement of environmental protection authorities. For details, please see the Social Responsibility Report for 2016 of Great Wall Motor Company Limited (《長城汽車股份有限公司2016年度社會責任報告》) published on the websites of the Shanghai Stock Exchange (www.sse.com.cn) and Hong Kong Stock Exchange (www.hkexnews.hk).

(IV) Other information

Applicable Not applicable

XVIII. CONVERTIBLE CORPORATE BONDS

(I) Issue of convertible corporate bonds

Applicable Not applicable

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

Applicable Not applicable

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

Applicable Not applicable

Accumulated conversion in convertible corporate bonds during the Reporting Period

Applicable Not applicable

(IV) Historical adjustments on the conversion price

Applicable Not applicable

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

Applicable Not applicable

(VI) Other information about convertible corporate bonds

Applicable Not applicable

Section 9 Changes in Ordinary Shares and Shareholders

I. CHANGES IN ORDINARY SHARE CAPITAL

(I) Table of changes in ordinary shares

1. *Table of changes in ordinary shares*

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

2. *Explanation for changes in ordinary shares*

Applicable Not applicable

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

Applicable Not applicable

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

Applicable Not applicable

(II) Changes in shares with selling restrictions

Applicable Not applicable

II. ISSUE AND LISTING OF SECURITIES

(I) Issue of securities as at the Reporting Period

Applicable Not applicable

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

Applicable Not applicable

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

Applicable Not applicable

At the beginning of the Reporting Period, total assets and total liabilities amounted to RMB71,910,626,770.84 and RMB33,523,710,369.30, respectively, with a gearing ratio of 46.62%. At the end of the Reporting Period, total assets and total liabilities amounted to RMB92,309,160,566.70 and RMB44,955,516,048.50, respectively, with a gearing ratio of 48.70%.

(III) Employee shares

Applicable Not applicable

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

Section 9 Changes in Ordinary Shares and Shareholders

III. SHAREHOLDERS AND THE DE FACTO CONTROLLER

(I) Number of shareholders

Total number of ordinary shareholders as at the end of the Reporting Period (person)	79,820
Total number of ordinary shareholders as at the end of the last month prior to the date of this annual report (person)	74,726

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

Unit: share(s)

Shareholding of the top 10 shareholders

Name of shareholder (full name)	Increase/ decrease during the Reporting Period	Number of shares held at the end of the Reporting Period	Percentage (%)	Shares pledged or frozen			Type of shareholder
				Number of shares held with selling restrictions	Condition of shares	Number	
Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城 資產管理有限公司)	0 (A Shares)	5,115,000,000 (A Shares)	56.04	0 (A Shares)	Pledged	1,133,700,000 (A Shares)	Domestic non- state-owned legal person
HKSCC NOMINEES LIMITED	184,660 (H Shares)	3,081,744,262 (H Shares)	33.76	—	Unknown	—	Overseas legal person
China Securities Finance Corporation Limited	5,530,304 (A Shares)	150,073,622 (A Shares)	1.64	—	Unknown	—	Others
National Social Security Fund 108 Package	75,731,712 (A Shares)	108,014,903 (A Shares)	1.18	—	Unknown	—	Others
Hong Kong Securities Clearing Company Limited	21,482,565 (A Shares)	29,674,057 (A Shares)	0.33	—	Unknown	—	Overseas legal person

Section 9 Changes in Ordinary Shares and Shareholders

Unit: share(s)

Shareholding of the top 10 shareholders

Name of shareholder (full name)	Increase/ decrease during the Reporting Period	Number of shares held at the end of the Reporting Period	Percentage (%)	Shares pledged or frozen		Type of shareholder
				Number of shares held with selling restrictions	Condition of shares Number	
Central Huijin Asset Management Co., Ltd	0 (A Shares)	22,308,300 (A Shares)	0.24	—	Unknown	— Others
Hong Kong Monetary Authority — own funds	12,136,576 (A Shares)	17,574,256 (A Shares)	0.19	—	Unknown	— Others
National Social Security Fund 101 Package	8,987,200 (A Shares)	16,360,525 (A Shares)	0.18	—	Unknown	— Others
Bank of China Limited — Chinese New Economic Flexible Configuration Hybrid Type of Securities Investment Fund	0 (A Shares)	12,350,253 (A Shares)	0.14	—	Unknown	— Others
Industrial and Commercial Bank of China Limited — Southern Consumption Dynamic Flexible Configuration Hybrid Securities Investment Fund	10,529,595 (A Shares)	10,529,595 (A shares)	0.12	—	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	3,081,744,262 (H Shares)	Overseas listed foreign shares	3,081,744,262 (H Shares)
China Securities Finance Corporation Limited	150,073,622 (A Shares)	RMB-denominated ordinary shares	150,073,622 (A Shares)
National Social Security Fund 108 Package	108,014,903 (A Shares)	RMB-denominated ordinary shares	108,014,903 (A Shares)
Hong Kong Securities Clearing Company Limited	29,674,057 (A Shares)	RMB-denominated ordinary shares	29,674,057 (A Shares)
Central Huijin Asset Management Co., Ltd	22,308,300 (A Shares)	RMB-denominated ordinary shares	22,308,300 (A Shares)
Hong Kong Monetary Authority — own funds	17,574,256 (A Shares)	RMB-denominated ordinary shares	17,574,256 (A Shares)
National Social Security Fund 101 Package	16,360,525 (A Shares)	RMB-denominated ordinary shares	16,360,525 (A Shares)
Bank of China Limited — 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)
Industrial and Commercial Bank of China Limited — Southern Consumption Dynamic Flexible Configuration Hybrid Securities Investment Fund	10,529,595 (A Shares)	RMB-denominated ordinary shares	10,529,595 (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

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

☐ Applicable √ Not applicable

Shares Held by Substantial Shareholders (SFO Requirements)

As at 31 December 2016, the following shareholders (excluding the directors, supervisors and chief executives of the Company) had interests or short positions in any shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Name	No. of shares	Approximate percentage of A Shares (%)	Approximate percentage of H Shares (%)	Approximate percentage of total number of shares (%)
Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司) (Note 1)	5,115,000,000 (L) (A Shares)	84.86	—	56.04
Baoding 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
JPMorgan Chase & Co.	260,076,053 (L) (H Shares) 50,815,535 (S) (H Shares) 57,393,851 (P) (H Shares)	—	8.39(L) 1.63(S) 1.85(P)	2.85(L) 0.56(S) 0.63(P)
BlackRock, Inc.	209,966,909 (L) (H Shares) 131,000 (S) (H Shares)	—	6.77(L) 0.00(S)	2.30(L) 0.00(S)
Han Xue Juan (Note 3)	5,115,000,000 (L) (A Shares)	84.86	—	56.04
Management Centre of Collective Assets of Nandayuan Town, Lianchi District, Baoding (保定市蓮池區南大園鄉集體資產經管中心) (Note 4)	5,115,000,000 (L) (A Shares)	84.86	—	56.04

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

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

(P) denotes shares available for lending

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 2016, 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

Section 9 Changes in Ordinary Shares and Shareholders

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 2016, 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 2016, 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) was formerly known as Management Centre of Collective Assets of Nandayuan Town, Nanshi District, Baoding (保定市南市區南大園鄉集體資產經管中心). As at 31 December 2016, 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 2016, so far as the directors, supervisors and chief executives of the Company are aware, no other person (excluding the directors, supervisors and chief executives of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

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

Applicable Not applicable

IV. CONTROLLING SHAREHOLDERS AND DE FACTO CONTROLLER

(I) Details of controlling shareholders

1. Legal person

Applicable Not applicable

Name	Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司)
Person in charge or legal representative	Wei Jian Jun
Date of establishment	1 December 2005
Principal business	Investments in manufacturing, real estate and horticulture industries, as well as corporate planning and management 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	

Section 9 Changes in Ordinary Shares and Shareholders

2. *Natural person*

Applicable Not applicable

3. *No controlling shareholder in the Company*

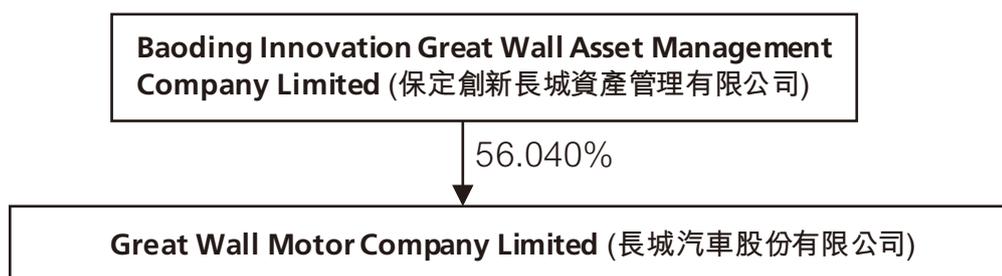
Applicable Not applicable

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

Applicable Not applicable

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

Applicable Not applicable



(II) Details of the *de facto* controller

1. *Legal person*

Applicable Not applicable

2. *Natural Person*

Applicable Not applicable

Name	Wei Jian Jun
Nationality	Chinese
Right of abode in other countries or regions	Yes
Occupation and position	Chairman of Great Wall Motor Company Limited
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.

3. *No de facto controller in the Company*

Applicable Not applicable

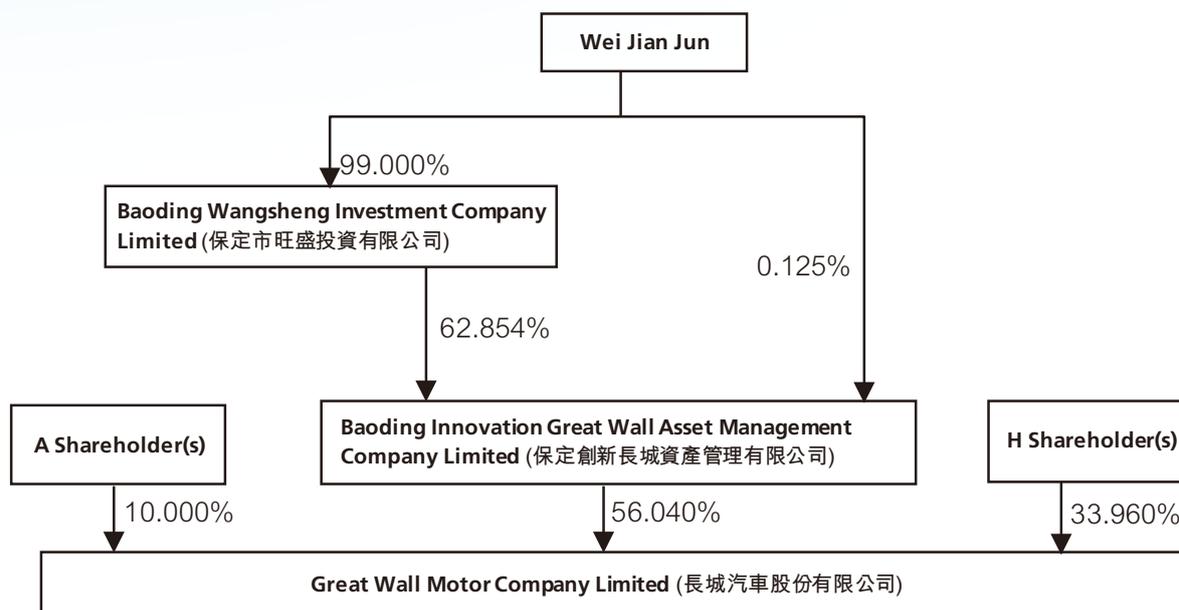
Section 9 Changes in Ordinary Shares and Shareholders

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

Applicable Not applicable

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

Applicable Not applicable



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

Applicable Not applicable

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

Applicable Not applicable

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

Applicable Not applicable

As at 31 December 2016, HKSCC Nominees Limited, an overseas legal person, held 3,081,744,262 H Shares, representing 33.76% of the total shares of the Company. HKSCC Nominees Limited held these shares for a number of customers.

VI. LIMIT ON THE SHAREHOLDING REDUCTION

Applicable Not applicable

Section 10 Description of Preference Shares

Applicable Not applicable

Section 11 Directors, Supervisors, Senior Management and Employees

I. CHANGE IN SHAREHOLDINGS AND REMUNERATION

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

√ Applicable □ Not applicable

Unit: Share

Name	Position	Gender	Age	Term commencement date	Term expiration date	No. of shares held at the beginning of the Year	No. of shares held at the end of the Year	Changes (+/-) in shareholdings during the Year	Reason for changes	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	53	9 May 2014	8 May 2017	0	0	0	—	575.28	No
Wang Feng Ying	Vice Chairman, Executive Director and General Manager	Female	46	9 May 2014	8 May 2017	0	0	0	—	551.41	No
Yang Zhi Juan	Executive Director	Female	50	9 May 2014	8 May 2017	0	0	0	—	63.47	No
He Ping	Non-executive Director	Male	40	9 May 2014	8 May 2017	0	0	0	—	6.00	No
Niu Jun	Non-executive Director	Male	42	9 May 2014	28 January 2016	0	0	0	—	0	No
Wong Chi Hung, Stanley	Independent Non-executive Director	Male	53	9 May 2014	8 May 2017	0	0	0	—	14.29	No
Lu Chuang	Independent Non-executive Director	Male	37	9 May 2014	8 May 2017	0	0	0	—	6.00	No
Liang Shang Shang	Independent Non-executive Director	Male	46	9 May 2014	17 May 2016	0	0	0	—	2.50	No
Ma Li Hui	Independent Non-executive Director	Male	49	9 May 2014	8 May 2017	0	0	0	—	6.00	No
Chen Biao	Chairman of Supervisory Committee	Male	32	18 December 2015	8 May 2017	0	0	0	—	51.65	No
Luo Jin Li	Supervisor	Female	57	9 May 2014	8 May 2017	0	0	0	—	2.01	No
Zong Yi Xiang	Supervisor	Female	46	9 May 2014	8 May 2017	0	0	0	—	2.01	No
Hu Shu Jie	Deputy General Manager	Male	45	9 May 2014	8 May 2017	0	0	0	—	407.04	No
Hao Jian Jun	Deputy General Manager	Male	44	9 May 2014	8 May 2017	0	0	0	—	401.98	No
Zheng Chun Lai	Deputy General Manager	Male	47	9 May 2014	8 May 2017	0	0	0	—	138.44	No
Zhao Guo Qing	Deputy General Manager	Male	39	9 May 2014	8 May 2017	0	0	0	—	207.52	No
Li Feng Zhen	Deputy General Manager and Chief Financial Controller	Female	54	9 May 2014	8 May 2017	0	0	0	—	119.93	No
Zhang Wen Hui	Deputy General Manager	Male	41	9 May 2014	8 May 2017	0	0	0	—	122.51	No
Xu Hui	Secretary to the Board	Male	38	9 May 2014	8 May 2017	0	0	0	—	104.69	No
Total	/	/	/	/	/	0	0	0	/	2,782.73	/

Section 11 Directors, Supervisors, Senior Management and Employees

Name	Major working experience
Wei Jian Jun	<p>Mr. Wei Jian Jun (魏建軍先生) (“Mr. Wei”), aged 53, 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 in the Company are set out under “Shares Held by Substantial Shareholders (SFO Requirements)” of Section 9 of this report.</p>
Wang Feng Ying	<p>Ms. Wang Feng Ying (王鳳英女士) (“Ms. Wang”), aged 46, 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>
Yang Zhi Juan	<p>Ms. Yang Zhi Juan (楊志娟女士) (“Ms. Yang”), aged 50, 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>Mr. He Ping (何平先生) (“Mr. He”), aged 40, 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 GuoDu Securities Company Limited (國都證券有限責任公司). Mr. He was appointed as the director of the investment department of Beijing Hony Future Investment Advisor Ltd. (北京弘毅遠方投資顧問有限公司) 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>

Section 11 Directors, Supervisors, Senior Management and Employees

Name	Major working experience
Niu Jun	<p>Mr. Niu Jun (牛軍先生) (“Mr. Niu”), aged 42, 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 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 a non-executive director of the Company from July 2003 to January 2016. Mr. Niu resigned as a non-executive director of the Company on 28 January 2016.</p>
Wong Chi Hung, Stanley	<p>Mr. Wong Chi Hung, Stanley (黃志雄先生) (“Mr. Wong”), aged 53, 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. On 1 November 2009, Mr. Wong joined Hongri International Holdings 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 an 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). On 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), a holding company listed in the United States. On 15 March 2015, Mr. Wong resigned as a director and chief financial officer of KBS Fashion Group Limited and from all positions within its subsidiaries. Since 1 July 2016, Mr. Wong has been acting as an executive director of Talents Alliance Limited. Mr. Wong has been acting as an independent non-executive director of the Company since November 2010.</p>
Lu Chuang	<p>Mr. Lu Chuang (盧闖先生) (“Mr. Lu”), aged 37, 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 currently a professor of the School of Accountancy of Central University of Finance and Economics (中央財經大學). His research focuses include corporate financial management, corporate results evaluation and incentive system and corporate governance. On 14 November 2013, Mr. Lu was appointed as an independent director of Zhongnongfa Seed Industry Group Ltd. (中農發種業集團股份有限公司) (formerly known as Zhongken Agricultural Resource Development Co., Ltd. (中壘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 director of Inly Media Co., Ltd. since 12 August 2016 and GI Technologies (Beijing) Co., Ltd since 13 October 2016. Mr. Lu has been acting as an independent non-executive director of the Company since May 2014.</p>

Section 11 Directors, Supervisors, Senior Management and Employees

Name	Major working experience
Liang Shang Shang	<p>Mr. Liang Shang Shang (梁上上先生) (“Mr. Liang”), aged 46, 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 currently 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 acted as an independent non-executive director of the Company from May 2014 to May 2016. Mr. Liang resigned as an independent non-executive director and from his positions in the audit committee, remuneration committee and nomination committee of the Company on 17 May 2016.</p>
Ma Li Hui	<p>Mr. Ma Li Hui (馬力輝先生) (“Mr. Ma”), aged 49, 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 currently a professor of School of Quality and Technology Supervision (質量技術監督學院) in Hebei University (河北大學), and a member of the technological innovation committee of China Innovation Method Society (中國創新方法研究會). His research focuses include innovative design of mechanical and electrical products. Mr. Ma has been acting as an independent non-executive director of the Company since May 2014.</p>

Section 11 Directors, Supervisors, Senior Management and Employees

Name	Major working experience
Chen Biao	<p>Mr. Chen Biao (陳彪先生) (“Mr. Chen”), aged 32, 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. Mr. Chen has been acting as a supervisor of Baoding Nuobo Rubber Production Co., Ltd. (保定市諾博橡膠製品有限公司), Baoding Yixin Automotive Parts Company Limited (保定億新汽車配件有限公司), Baoding Great Wall Ants Logistics Co., Ltd (保定市長城螞蟻物流有限公司), Baoding Great Wall Auto Sales Company Limited (保定長城汽車銷售有限公司), Baoding Exquisite Automotive Mould Technology Co., Ltd. (保定市精工汽車模具技術有限公司), Baoding Great Wall Resource Recycling Co. Ltd. (保定長城再生資源利用有限公司), Baoding Great Machinery Company Limited (保定市格瑞機械有限公司), Baoding Mind Auto Component Co., Ltd. (保定曼德汽車配件有限公司) and Baoding Xinyi Automobile Seating Co., Ltd. (保定信益汽車座椅有限公司) since January 2016. He has been serving as a supervisor of Baoding Weiyi Motor Company Limited (保定威奕汽車有限公司) and Ningxia Great Wall Motor Rental Company Limited (寧夏長城汽車租賃有限公司) since February 2016. He has also been serving as a supervisor of Shenzhen Great Wall Automobile Sales Co., Ltd. (深圳長城汽車銷售有限公司) and Haval Financial Leasing Company Limited (哈弗融資租賃有限公司) since July 2016. Since December 2015, Mr. Chen has been acting as the Company’s supervisor.</p>
Luo Jin Li	<p>Ms. Luo Jin Li (羅金莉女士) (“Ms. Luo”), aged 57, is a senior economist, and a supervisor of the Company. She graduated from Hebei Normal University (河北師範大學) with a major in physics in 1982. Ms. Luo has been working at the personnel department of Hebei University (河北大學) since December 1993, responsible for human resources management. Ms. Luo has been acting as a supervisor of the Company since September 2003.</p>
Zong Yi Xiang	<p>Ms. Zong Yi Xiang (宗義湘女士) (“Ms. Zong”), aged 46, is a professor, a 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>

Section 11 Directors, Supervisors, Senior Management and Employees

Name	Major working experience
Hu Shu Jie	<p>Mr. Hu Shu Jie (胡樹杰先生) (“Mr. Hu”), aged 45, 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>
Hao Jian Jun	<p>Mr. Hao Jian Jun (郝建軍先生) (“Mr. Hao”), aged 44, 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>Mr. Zheng Chun Lai (鄭春來先生) (“Mr. Zheng”), aged 47, 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>
Zhao Guo Qing	<p>Mr. Zhao Guo Qing (趙國慶先生) (“Mr. Zhao”), aged 39, is a deputy general manager of the Company. He joined the Company in 2000 and acted as the director of the lean promotion department, the deputy director of the technology research institute, the director of the supporting facilities management department and the deputy supervisor of the technology 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 Feng Zhen	<p>Ms. Li Feng Zhen (李鳳珍女士) (“Ms. Li”), aged 54, 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 has been acting as the chief financial controller of the Company since May 2005 and a deputy general manager of the Company since June 2010.</p>

Section 11 Directors, Supervisors, Senior Management and Employees

Name	Major working experience
Zhang Wen Hui	Mr. Zhang Wen Hui (張文輝先生) (“Mr. Zhang”) , aged 41, is a deputy general manager of the Company. Mr. Zhang joined the Company in 2000 and was responsible for daily management of GW Internal Combustion Engine Company (長城內燃機公司). He acted as the head of the operation management department. He is currently the head of the strategic management department and the secretary of the party committee of the Company. Since January 2012, he has been acting as the Company’s deputy general manager
Xu Hui	Mr. Xu Hui (徐輝先生) (“Mr. Xu”) , aged 38, 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

Applicable Not applicable

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, and entered into appointment letters with each of the non-executive directors and independent non-executive directors in May 2014. Pursuant to the above service agreements and appointment letters, the term of directors is three years expiring upon 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. Save as disclosed above, none of the directors or supervisors had entered into or proposed to enter into any other service contracts with the Company or its subsidiaries or any service contracts not determinable by the employer within one year without payment of compensation (other than statutory compensation).

Independence of Independent Non-Executive Directors

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

Interests of Controlling Shareholders, Directors and Supervisors in Material Contracts

Save for “Acquisitions of major assets” described in item II “The Operation during the Reporting Period” under Section 5 headed “Discussion and Analysis of the Business Operation of the Company (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 2016 or at the end of 2016 which was significant to the business of the Company or any of its subsidiaries.

Section 11 Directors, Supervisors, Senior Management and Employees

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

Applicable Not applicable

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

(I) Positions held in the Company's shareholders

Applicable Not applicable

Name	Name of the Company's shareholders	Positions held in the Company's shareholders	Term commencement date	Term expiration date
Wei Jian Jun	Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司)	Chairman and general manager	1 December 2005	
Wei Jian Jun	Baoding Wangsheng Investment Company Limited (保定市旺盛投資有限公司)	Executive director and general manager	31 January 2013	
Yang Zhi Juan	Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司)	Vice Chairman	18 January 2016	
Yang Zhi Juan	Management Centre of Collective Assets of Nandayuan Town, Lianchi District, Baoding (保定市蓮池區南大園鄉集體資產經管中心)	Legal representative and general manager	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			

(II) Positions held in other entities

Applicable Not applicable

Name	Name of other entities	Positions held in other entities	Term commencement date	Term expiration date
Wei Jian Jun	Baoding Great Wall Pioneer Enterprise Investment Company Limited (保定市長城創業投資有限公司)	Chairman and general manager	14 April 2004	
Wei Jian Jun	Hebei Baocang Expressway Co. Ltd. (河北保滄高速公路有限公司)	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	

Section 11 Directors, Supervisors, Senior Management and Employees

Name	Name of other entities	Positions held in other entities	Term commencement date	Term expiration date
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	Great Wall School of Baoding (保定市長城學校)	Director	28 July 2016	
Wei Jian Jun	Baoding Lukang Planting Co., Ltd. (保定綠康種植有限公司)	Executive director	7 May 2013	28 July 2016
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	
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	China Pioneer Pharma Holdings Limited (中國先鋒醫藥控股有限公司)	Independent non-executive director	16 October 2013	
Wong Chi Hung, Stanley	Talents Alliance Limited	Executive director	1 July 2016	
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	
Lu Chuang	Sichuan Guangyun Group Co., Ltd (四川廣運集團股份有限公司)	Independent director	28 June 2013	
Lu Chuang	Inly Media Co., Ltd. (引力傳媒股份有限公司)	Independent director	12 August 2016	
Lu Chuang	Shanghai Taisen Landscape Co., Ltd. (上海泰森園林股份有限公司)	Independent director	17 August 2016	
Lu Chuang	GI Technologies (Beijing) Co., Ltd (吉艾科技(北京)股份有限公司)	Independent director	13 October 2016	
Lu Chuang	BNC Technologies Co., Ltd. (北京國基科技股份有限公司)	Director	28 October 2016	
Lu Chuang	Beijing Yuan Liu Hong Yuan Electronic Technology Co., Ltd. (北京元六鴻遠電子科技股份有限公司)	Independent director	12 May 2016	
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	
Liang Shang Shang Hu Shu Jie	Shandong Lunan New Materials Co., Ltd. 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)	Independent director Director	29 March 2016	
Hao Jian Jun	Baoding Kelin Engineering Test Co., Ltd. (保定科林工程檢測有限公司)	Executive director	4 November 2015	
Hao Jian Jun	Great Wall School of Baoding (保定市長城學校)	Director	28 July 2016	
Positions held in other entities	—			

Note: Baoding Lukang Planting Co., Ltd. (保定綠康種植有限公司) was deregistered on 28 July 2016.

Section 11 Directors, Supervisors, Senior Management and Employees

III. REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Applicable Not applicable

Decision-making process for determining remuneration of directors, supervisors and senior management	The Board has set up a Remuneration Committee, which conducts evaluation of directors and senior management according to the performance appraisal standards and procedures, and makes reasonable recommendations on remuneration of directors and senior management based on their evaluation results and the Company's operating results.
Basis of 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 actually paid 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 RMB27.8273 million.

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

Applicable Not applicable

Name	Position	Change	Reason for change
Niu Jun	Non-executive Director	Resignation	Personal work reason
Liang Shang Shang	Independent Non-executive Director	Resignation	Personal work reason

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

Applicable Not applicable

Section 11 Directors, Supervisors, Senior Management and Employees

VI. EMPLOYEES OF THE COMPANY AND MAJOR SUBSIDIARIES

(I) Employees

Number of serving employees of the Company	28,116
Number of serving employees of major subsidiaries	43,501
The total number of serving employees	71,617
Number of disengaged and retired employees for whom the Company and its major subsidiaries shall be liable to expenses	53

Composition of employees by profession

Profession	Number
Manufacturing personnel	38,373
Sales personnel	1,474
Technicians	10,236
Financial personnel	741
Administrative officers	4,450
Others	16,343
Total	71,617

Education level

Education levels	Number (person)
Doctor's degree	49
Master's degree	1,637
Bachelor's degree	15,254
University diploma	15,066
Secondary schools and below	39,611
Total	71,617

Note: Other employees include probationers, trainees, interns, quality management personnel and supply chain management personnel.

(II) Remuneration policy

Applicable Not applicable

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

Section 11 Directors, Supervisors, Senior Management and Employees

(III) Training Program

Applicable Not applicable

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

(IV) Subcontracting

Applicable Not applicable

VII. OTHERS

Applicable Not applicable

Section 12 Corporate Governance Report

I. DESCRIPTION ON CORPORATE GOVERNANCE

Applicable Not applicable

The Company has strictly complied with the Securities Law, the Rules Governing the Listing of Stocks on Shanghai Stock Exchange (《上海證券交易所股票上市規則》), the Code of Corporate Governance for Listed Companies in China (《上市公司治理準則》) and the 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 the PRC in 2011, the Company has amended and refined some of its rules, and formulated the Accountability Rules for Material Errors on Information Disclosure in Annual Report (《年報信息披露重大差錯責任追究制度》), the Working Procedures of Independent Directors on Annual Report (《獨立董事年報工作制度》), the Administrative Rules on the Shares of the Company Held by its Directors, Supervisors and Senior Management and the Changes thereof (《董事、監事和高級管理人員持有本公司股份及其變動管理制度》), the Administrative Rules on Information Disclosure (《信息披露管理制度》), the Administrative Rules on the Release of Information to External Parties and the Use of Such Information (《對外信息報送和使用管理制度》), the Administrative Rules on Fund Raising (《籌資管理制度》) and the Administrative Rules on Donation to External Parties (《對外捐贈管理制度》) in accordance with the relevant requirements in the PRC. These rules and procedures help improve the regulatory system of the Company and ensure 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.

Applicable Not applicable

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

Section 12 Corporate Governance Report

II. SUMMARY OF THE GENERAL MEETINGS

Session	Date of general meeting	Designated website on which the resolution was published	Publication date of the resolution
2015 annual general meeting	17 May 2016	Shanghai Stock Exchange www.sse.com.cn; Hong Kong Stock Exchange www.hkexnews.hk	17 May 2015

Description of General Meetings

Applicable Not applicable

III. PERFORMANCE OF DUTIES BY DIRECTORS

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

Name of director	Independent director	Attendance at Board meetings						Attendance at general meetings		
		No. of meetings during the Year	Attendance in person	Attendance by means of 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	8	8	4	0	0	No	100%	1	100%
Wang Feng Ying	No	8	8	4	0	0	No	100%	1	100%
Yang Zhi Juan	No	8	8	4	0	0	No	100%	1	100%
He Ping	No	8	8	4	0	0	No	100%	0	0%
Niu Jun (resigned on 28 January 2016)	No	0	0	0	0	0	No	—	0	—
Wong Chi Hung, Stanley	Yes	8	8	4	0	0	No	100%	0	0%
Lu Chuang	Yes	8	8	4	0	0	No	100%	0	0%
Liang Shang Shang (resigned on 17 May 2016)	Yes	4	3	3	1	0	No	100%	0	0%
Ma Li Hui	Yes	8	8	4	0	0	No	100%	0	0%

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

Applicable Not applicable

Section 12 Corporate Governance Report

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

No. of Board meetings held during the Year	8
Including: no. of on-site Board meetings	2
No. of Board meetings convened by means of communication	4
No. of Board meetings held both on-site and by communication	2

The Company held one general meeting in 2016 at which one non-executive directors and three independent non-executive directors were not present. However, they all attended the relevant Board meetings in connection with the matters to be considered in the general meeting. All the directors, including independent non-executive directors and non-executive directors, are aware that they should attend general meetings and 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

Applicable Not applicable

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.

(III) Others

Applicable Not applicable

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

Applicable Not applicable

The duties performed by the special committees under the Board during the Reporting Period are summarized as follows: the Audit Committee under the Board played an important role in the auditing of the 2016 annual report. During the auditing, the Audit Committee under the Board enhanced the communication with the accountant and solved the relevant problems in a timely manner to ensure the completion of the auditor's report as scheduled. The Audit Committee under the Board also reviewed the auditor's report of the Company and submitted the same to the 27th meeting of the 5th session of the Board for voting. During the Reporting Period, the Audit Committee under the Board reviewed and provided valuable opinions on the relevant financial reports including the quarterly and interim reports. 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 2016.

Section 12 Corporate Governance Report

V. RISKS OF THE COMPANY IDENTIFIED BY THE SUPERVISORY COMMITTEE

Applicable Not applicable

During the Reporting Period, the Supervisory Committee of the Company 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

Applicable Not applicable

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

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

Applicable Not applicable

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

Applicable Not applicable

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

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

Applicable Not applicable

For details of the internal control self-evaluation report, please refer to the Self-evaluation Report on Internal Control for the Year of 2016 of Great Wall Motor Company Limited published by the Company on the website of the Shanghai Stock Exchange (www.sse.com.cn) (this report was also published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) in the form of overseas regulatory announcement).

Section 12 Corporate Governance Report

Description on material defect of internal control during the Reporting Period

Applicable Not applicable

IX. RELEVANT MATTERS OF AUDIT REPORT ON INTERNAL CONTROL

Applicable Not applicable

For details of the audit report on internal control, please refer to the Audit Report on Internal Control for the Year of 2016 published by the Company on the website of the Shanghai Stock Exchange (www.sse.com.cn) (this report was also published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) in the form of overseas regulatory announcement).

Has the audit report on internal control been disclosed: Yes

X. INVESTOR RELATIONS

During the Year, the Company enhanced the two-way communication between the Company and its investors so as to enable the general investors to keep abreast of the operation condition of the Company, promote a better relationship between the Company and its investors and help its investors to have a timely and accurate understanding of the operation condition of the Company. During the Year, the Company enabled its investors to have a timely understanding of the Company's operation condition through inviting them to participate in the Company's activities, such as general meetings 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 27 surveys and researches for domestic and overseas investors, organized 28 teleconferences and attended 15 summit meetings organized by investment banks in total.

XI. OTHERS

Applicable Not applicable

The Company is committed to enhancing its corporate governance standard by improving its transparency, independence, accountability and fairness. The Company has adopted appropriate measures to comply with the Corporate Governance Code as set out in Appendix 14 to the Hong Kong Listing Rules and its principles. During the Year, the Company 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.

Section 12 Corporate Governance Report

The members of the Board are as follows:

Executive Directors:

Mr. Wei Jian Jun (*Chairman*)

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

Ms. Yang Zhi Juan

Non-Executive 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 17 May 2016*)

Mr. Ma Li Hui

- During the year, the Company has complied with the requirements regarding the number of independent non-executive directors and accounting or related financial management expertise set out under Rule 3.10(1) and (2) and Rule 3.10A of the Hong Kong Listing Rules, respectively.
- All independent non-executive directors 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.
- During the year, none of directors engaged in or was interested in any business which competed or was likely to compete, directly or indirectly, with the business of the Group.
- There is no financial, business, family or other material relationship among members of the Board.
- The biographies of directors are set out in Section 11.

Deviation: NIL

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

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

Deviation: NIL

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

Section 12 Corporate Governance Report

- Pursuant to the Articles, “the directors shall be elected at a general meeting for a term of three years. Upon expiry of his term of office, a director may offer himself for re-election”. All the directors of the Company, including the independent non-executive directors and non-executive directors, were re-elected or elected and appointed on 9 May 2014 for a term of three years. 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 17 May 2016. 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 meetings on their work;
 - (2) to implement resolutions of the general meetings;
 - (3) to determine operating plans and investment proposals of the Company;
 - (4) to prepare annual financial budgets and financial statements of the Company;
 - (5) to prepare proposals for profit distribution and making up losses of the Company;
 - (6) to prepare proposals for the increase or decrease in registered share capital and issue of bonds of the Company;
 - (7) to prepare proposals for the mergers, segregation and dissolution of the Company;
 - (8) to determine the internal management structure of the Company;
 - (9) to appoint or remove the general manager of the Company, and on the basis of nomination by the general manager, to appoint or remove the deputy general manager, financial controller and other senior management of the Company and to determine their remunerations;
 - (10) to set up the basic management systems of the Company;
 - (11) to prepare proposals for amendments to the Articles; and
 - (12) other authorisations from the general meetings.

Section 12 Corporate Governance Report

Deviation: NIL

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

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

Deviation: NIL

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

- During the Year, the Board held eight meetings. Pursuant to the Articles, “meetings or extraordinary meetings of the Board may be convened by means of telephone or similar telecommunication facilities”.
- Regular meetings of the Board were held in the middle of the Year and at the end of the Year. Additional meetings were also held to consider important matters arising from time to time. Directors may attend such meetings in person or through other electronic means of communication.
- Notice 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.

Section 12 Corporate Governance Report

Attendance of individual directors at Board meetings and general meetings in 2016

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

Deviation: NIL

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

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

Deviation: NIL

Compliance with Model Code

- The Company has complied with the Model Code set out in Appendix 10 to the Hong Kong Listing Rules and has not adopted any separate code of conduct on terms 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.

Section 12 Corporate Governance Report

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

Attendance of committee members at meetings of the Strategy Committee in 2016

No. of meetings			1
Date and Business		23 March 2016	
		To consider the proposal on the strategies of the Company for the Year of 2016	
		No. of attendance/ No. of meeting	Attendance rate
Wei Jian Jun		1/1	100%
Wang Feng Ying		1/1	100%
He Ping		1/1	100%
Lu Chuang		1/1	100%
Ma Li Hui		1/1	100%
Average attendance rate		—	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 of 2016.

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 (Chairman) and Ma Li Hui) and one executive director (Wei Jian Jun).

Section 12 Corporate Governance Report

- The Remuneration Committee is responsible for making recommendations on the remuneration policies in relation to the directors and senior management of the Group, and determining the remuneration packages for executive directors and senior management, including benefits in kind, pensions and compensation payments. The terms of reference of the Remuneration Committee include the specific duties set out under the Corporate Governance Code.
- The Group proposes the basis of remuneration for directors and employees according to the performance and qualification of the directors and employees as well as the prevailing industry practice. The remuneration policies and packages are reviewed regularly. Based on the performance assessment report, employees may receive bonus and incentive payments as rewards.
- In May 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 11 and note (XI) to the financial statements.

No meeting was held by the Remuneration Committee of the Company in 2016.

Deviation: NIL

D. Nomination Committee

- The Company has set up the Nomination Committee comprising two independent non-executive directors (Wong Chi Hung, Stanley 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 2016.

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.

Section 12 Corporate Governance Report

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

As at the date of this report, the Board comprises seven directors, 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 and 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 2016, 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

Section 12 Corporate Governance Report

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

- Deloitte Touche Tohmatsu Certified Public Accountants LLP was the external auditor of the Company in 2016. Its auditing fees in respect of the interim audit service amounted to RMB641,500. The financial statements of the Company's annual report have been prepared in accordance with the China Accounting Standards for Business Enterprises and audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP. In 2016, Deloitte Touche Tohmatsu Certified Public Accountants LLP charged the Company RMB1.8868 million, RMB377,400, RMB160,000 and RMB91,700 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 2016.
- The directors of the Company acknowledge that it is their responsibility for preparing the accounts of the Group.
- A statement by the auditors about their reporting responsibilities is set out in Section 14 "Financial Report".
- During the Year, the Board 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, 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.

Section 12 Corporate Governance Report

- The principal work of the Audit Committee includes reviewing and supervising the financial reporting procedures and internal control of the Group.
- The Audit Committee holds at least four meetings each year to review the audited annual accounts, unaudited interim accounts and unaudited quarterly accounts. The principal duties of the Audit Committee include reviewing the financial reporting of the Group, auditors' advice on internal control and compliance matters and financial risk management. The Audit Committee has performed the above duties at its meetings during the Year.
- In 2016, the Audit Committee considered and passed the Rules for Implementation of the Audit Committee of the Board of Directors of Great Wall Motor Company Limited (長城汽車股份有限公司董事會審計委員會實施細則), 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 2015 of the Company (審核公司2015年度財務決算報告的議案), Resolution on Auditing of the Annual Report for the Year of 2015 of the Company (審核公司2015年年度報告的議案), Resolution on Auditing of Related Party Transactions of the Company for the Year of 2015 (審核公司2015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 2015 (審核公司2015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 2015 (審核公司2015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 2015 (審核2015年度內部控制審計報告的議案), Resolution on Conclusion of Audit for the Year of 2015 and Audit Plan for the Year of 2016 of the Company (審核公司2015年度審計總結及2016年度審計工作規劃的議案), Resolution on Auditing of the Performance Report of the Audit Committee of the Board of Directors of the Company for the Year of 2015 (審核公司董事會審計委員會2015年度履職情況報告的議案), Resolution on Auditing of the First Quarterly Financial Report for the Year of 2016 of the Company (關於審核公司2016年度第一季度財務報告的議案), Resolution on Auditing of the Independence, Objectivity and Effectiveness of Review Procedures of the External Auditor of the Company (審核公司外聘會計師事務所的獨立客觀性及審閱程序有效性的議案), Resolution on Auditing of the Interim Financial Report for the Year of 2016 of the Company (審核公司2016年度中期財務報告的議案), Resolution on Auditing of the Interim Report for the Year of 2016 of the Company (審核公司2016年半年度報告的議案), Resolution on Auditing of Related Party Transaction of the Company for the Interim Period of the Year of 2016 (審核公司2016年度半年度關聯(連)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 2016 (審核公司2016年度中期關聯(連)人名單的議案), Resolution on Reviewing of the Internal Audit Report of the Company for the Interim Period of the Year of 2016 (審核公司2016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 2016 of the Company (關於審核公司2016年度第三季度財務報告的議案) and Audit Plan for the Year of 2016 (2016年度審計計劃) at its meetings.

Section 12 Corporate Governance Report

Attendance of committee members in meetings of the Audit Committee in 2016

No. of meetings			6
Date and Main Business	<p style="text-align: center;">27 January 2016 To review the Rules for Implementation of the Audit Committee of the Board of Directors of Great Wall Motor Company Limited (長城汽車股份有限公司董事會審計委員會實施細則)</p> <p style="text-align: center;">23 March 2016 To review the annual financial report for the year of 2015</p> <p style="text-align: center;">21 April 2016 To review the first quarterly financial report for the year of 2016</p> <p style="text-align: center;">25 August 2016 To review the interim financial report for the year of 2016</p> <p style="text-align: center;">24 October 2016 To review the third quarterly financial report for the year of 2016</p> <p style="text-align: center;">28 December 2016 To review the Audit Plan for the Year of 2016 (2016年度審計計劃)</p>		
	No. of attendance/ No. of meeting	Attendance rate	
Wong Chi Hung, Stanley	6/6	100%	
He Ping	6/6	100%	
Lu Chuang	6/6	100%	
Liang Shang Shang (<i>resigned on 17 May 2016</i>)	2/2	100%	
Ma Li Hui	6/6	100%	
Average attendance rate	—	100%	

- The Audit Committee held a meeting on 23 March 2017 and reviewed the annual results announcement, annual report and annual financial statements of the Group for the year ended 31 December 2016.
- 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 the year of 2016.
- 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 2015, the first quarterly financial report for the year of 2016, the interim financial report for the year of 2016, the third quarterly financial report for the year of 2016 and the audit plan for the year of 2016.

Section 12 Corporate Governance Report

- The Audit Committee reviewed the related party transactions of the Company for the year of 2015 and for the interim period of the year of 2016.
- The Audit Committee reviewed the internal control system of the Company and its subsidiaries for the year of 2015.
- The minutes of meetings of the Audit Committee are duly kept by the secretary to the Board. Such minutes of the meetings recorded opinions and suggestions raised by the committee members at the meetings in details. 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.
- Deloitte Touche Tohmatsu Certified Public Accountants LLP was the external auditor of the Company in 2016. In the last three years, the Company has not changed its auditors.

Deviation: NIL

F. Corporate Governance Functions

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

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

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

Deviation: NIL

Section 12 Corporate Governance Report

G. Risk Management and Internal Control

The Board confirmed that it is obliged to monitor the risk management and internal control system of the Group and review its effectiveness on an annual basis through the Audit Committee. The risk management and internal control system is designed to manage rather than to eliminate the risks of unable to reach operation objectives, and may only provide reasonable instead of absolute assurance against material misstatement or loss. The Audit Committee is responsible for assisting the Board to evaluate the effectiveness of internal control and risk management, which include monitoring the finance, operation, compliance and other material aspects of the Company. The Board has reviewed and the risk management and internal control system of the Group, and confirmed that, for the year ended 31 December 2016, the risk management and internal control system was effective and it is not aware of any material fault or weakness in respect of supervision during the Reporting Period.

1. Main characteristics of risk management and internal control

Risk management and internal control system:

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

Duties:

The Board

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

Audit Committee

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

Section 12 Corporate Governance Report

- To analyze the findings of important investigation on risk management and internal control and findings of investigation arranged by the management or conducted upon request of the Board.

The management

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

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

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

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

Relevant procedures:

(1) Risk identification

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

(2) Risk evaluation

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

(3) Risk management

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

(4) Risk monitoring

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

Section 12 Corporate Governance Report

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

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

3. Internal Audit

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

4. The Effectiveness of processes for financial reporting and Compliance with the Hong Kong Listing Rules

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

5. Information Disclosure Rules

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

H. 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 2016.

Deviation: NIL

I. 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.

Section 12 Corporate Governance Report

- 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

J. 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 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

K. Investor Relations

- At the 2015 annual general meeting held on 17 May 2016, 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 17 May 2016.

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

Deviation: NIL

Section 13 Corporate Bonds

Applicable Not applicable

Section 14 Financial Report

Auditor's Report



De Shi Bao (Shen) Zi (17) No. P00760
(page 1 of 5)

TO THE SHAREHOLDERS OF GREAT WALL MOTOR COMPANY LIMITED:

1. OPINION

We have audited the accompanying financial statements of Great Wall Motor Company Limited (hereinafter referred as "Great Wall Motor"), which comprise of the company's and consolidated balance sheets as at 31 December 2016, and the company's and consolidated income statements, the company's and consolidated cash flow statements and the company's and consolidated statements of changes in shareholders' equity for the year then ended, and the notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the company's and consolidated financial position as of 31 December 2016, and Great Wall Motor's and consolidated results of operations and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

2. BASIS FOR OPINION

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

3. KEY AUDIT MATTERS

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

Section 14 Financial Report

Auditor's Report (continued)

De Shi Bao (Shen) Zi (17) No. P00760
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3. KEY AUDIT MATTERS (continued)

1) Revenue recognition

Description

As disclosed in Note (VI) 34, Great Wall Motor's revenue from sales of automobiles for the year ended 31 December 2016 was RMB94,464,961,348.64. As revenue is qualitatively significant to the consolidated income statement and is one of key performance indicators of Great Wall Motor, and also since there were automobiles are delivered close to the end of the reporting period, but some of them cannot meet the revenue recognition criteria that are disclosed in Note (III), 23 because certain automobiles are in transit or kept by distributors on behalf of Great Wall Motor at the end of the reporting period. Accordingly, there may be risks of material misstatements related to revenue recognition, hence revenue recognition is identified as a key audit matter.

Audit response

Our main procedures in relation to above key audit matter about the revenue recognition included:

- Testing the key internal controls over the revenue recognition, and assessing the accounting policy relate to the revenue recognition whether were applied appropriately and consistently through the year;
- Performing analytical review on revenue and gross margin by automobile products categories to identify significant unusually revenue fluctuation;
- On a sample basis, making selections from sales journal entry and delivery records, and tracing to their contracts, delivery orders and customer receipts, and paying special attentions to samples before and after the end of the reporting period to assess whether the relevant revenue was recognised in the correct period;
- On a sample basis, selecting distributors to send confirmations and performing inventory count on the automobiles kept by the distributors on behalf of Great Wall Motor at the end of the reporting period; and
- Selecting samples from a list of automobiles in-transit at the end of the reporting period provided by Great Wall Motors, and tracing to vouchers, invoices, delivery records and subsequent customer receipts.

Section 14 Financial Report Auditor's Report (continued)

De Shi Bao (Shen) Zi (17) No. P00760
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3. KEY AUDIT MATTERS (continued)

2) Provision for after-sale service expenses

Description

Pursuant to automobiles sales contracts, customers of Great Wall Motor are entitled to free maintenance services provided by Great Wall Motor. According to accounting policies disclosed in Note (III) 22 and key assumptions and uncertainties in accounting estimates disclosed in Note (IV), Great Wall Motor made a provision for after-sales service expenses based on expected free maintenance frequency and estimated expense for one single maintenance by different automobiles models. As disclosed in Note (VI) 28, the provision for after-sales service expenses was RMB1,118,768,730.43 as at 31 December 2016, which is qualitative significant to consolidated balance sheets and significant management estimate involved in determining the provision. Accordingly, provision for after-sales service expenses is identified as a key audit matter.

Audit response

Our main procedures in relation to above key audit matter about the provision for after-sales service expenses included:

- Testing the key internal controls over provision for after-sales service expenses, and assessing the accounting policy relate to the provision whether were applied appropriately and consistently through the year;
- Understanding and evaluating the reasonableness and consistency of methodology and major assumption used by Great Wall Motor in determining the provision;
- On a sample basis, checking and evaluating the appropriateness of the underlying data used by Great Wall Motor in determining the provision for after-sales service expenses; and
- On a sample basis, recalculating the provision for after-sales service expenses for major automobile models.

4. OTHER INFORMATION

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

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

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

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

Section 14 Financial Report

Auditor's Report (continued)

De Shi Bao (Shen) Zi (17) No. P00760
(page 2 of 5)

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

The management of Great Wall Motor is responsible for preparing of the financial statements that give a fair view in accordance with Accounting Standards for Business Enterprises, and designing, implementing and maintaining the internal control that is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

6. AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENT

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

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

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

Section 14 Financial Report Auditor's Report (continued)

De Shi Bao (Shen) Zi (17) No. P00760
(page 3 of 5)

6. AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENT (continued)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Great Wall Motor to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Deloitte Touche Tohmatsu CPA LLP.
Shanghai China

Chinese Certified Public Accountants:
Xu Zhaohui
(The engagement partner)

Chinese Certified Public Accountants:
Zhang Luanqing

24 March 2017

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

Consolidated Balance Sheet

At 31 December 2016

Item	Notes	RMB	
		2016.12.31	2015.12.31
Current Assets:			
Cash and bank balances	(VI)1	2,153,603,558.38	3,641,764,292.73
Notes receivable	(VI)2	39,786,248,863.34	28,161,748,218.41
Accounts receivable	(VI)3	517,976,746.97	675,922,020.83
Prepayments	(VI)4	1,057,180,423.77	880,716,835.91
Interest receivable	(VI)5	12,418,121.84	5,130,559.76
Dividends receivable		—	9,791,752.06
Other receivables	(VI)6	251,011,870.83	101,849,236.83
Inventories	(VI)7	6,061,138,217.68	4,119,805,909.61
Non-current assets due within one year	(VI)8	1,201,702,064.95	1,023,694,956.31
Available-for-sale financial assets	(VI)11	1,438,000,000.00	—
Other current assets	(VI)9	1,448,753,670.80	1,769,572,570.82
Total Current Assets		53,928,033,538.56	40,389,996,353.27
Non-current Assets:			
Loans and advances to customers	(VI)10	3,076,249,652.50	561,063,510.14
Available-for-sale financial assets	(VI)11	7,700,000.00	7,200,000.00
Long-term receivables	(VI)12	1,361,193,481.58	1,613,829,351.48
Long-term equity investments	(VI)13	—	18,006,939.74
Investment properties	(VI)14	128,146,873.50	21,474,328.15
Fixed assets	(VI)15	24,714,953,082.84	19,156,433,056.78
Construction in progress	(VI)16	4,859,178,711.02	6,240,538,917.53
Intangible assets	(VI)17	3,210,710,562.88	3,135,781,642.66
Goodwill	(VI)18	4,972,730.90	2,163,713.00
Long-term prepaid expenses		54,066,910.08	54,520,245.83
Deferred tax assets	(VI)19	963,955,022.84	709,618,712.26
Total Non-current Assets		38,381,127,028.14	31,520,630,417.57
TOTAL ASSETS		92,309,160,566.70	71,910,626,770.84

Consolidated Balance Sheet

At 31 December 2016

Item	Notes	RMB	
		2016.12.31	2015.12.31
Current Liabilities:			
Short-term borrowings	(VI)20	250,000,000.00	300,000,000.00
Notes payable	(VI)21	4,164,982,676.22	5,480,528,560.69
Accounts payable	(VI)22	25,007,335,076.72	15,603,253,561.15
Receipts in advance	(VI)23	6,311,928,102.18	4,937,845,265.44
Employee benefits payable	(VI)24	1,966,848,264.70	1,534,598,723.77
Taxes payable	(VI)25	1,978,393,497.86	979,247,478.39
Interests payable		924,376.74	6,388,819.44
Other payables	(VI)26	2,043,696,694.43	1,665,434,069.11
Non-current liabilities due within one year	(VI)27	105,170,607.29	83,299,009.08
Other current liabilities	(VI)28	1,422,960,496.15	1,195,842,038.07
Total Current Liabilities		43,252,239,792.29	31,786,437,525.14
Non-current Liabilities:			
Long-term borrowings	(VI)20	49,800,000.00	50,000,000.00
Deferred income	(VI)29	1,651,147,352.90	1,686,178,567.28
Deferred tax liabilities	(VI)19	2,328,903.31	1,094,276.88
Total Non-current Liabilities		1,703,276,256.21	1,737,272,844.16
TOTAL LIABILITIES		44,955,516,048.50	33,523,710,369.30
SHAREHOLDERS' EQUITY:			
Share capital	(VI)30	9,127,269,000.00	9,127,269,000.00
Capital reserve	(VI)31	1,411,231,014.42	1,411,231,014.42
Other comprehensive income	(VI)48	(1,502,334.31)	(147,973,964.82)
Surplus reserve	(VI)32	4,575,014,412.83	3,358,758,190.71
Undistributed profits	(VI)33	32,182,789,641.00	24,581,585,137.24
Total Equity Attributable to Shareholders of the Company		47,294,801,733.94	38,330,869,377.55
Minority Interests		58,842,784.26	56,047,023.99
TOTAL SHAREHOLDERS' EQUITY		47,353,644,518.20	38,386,916,401.54
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		92,309,160,566.70	71,910,626,770.84

The accompanying notes form part of the financial statements.

The financial statements on pages 122 to 273 were 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 2016

Item	Notes	RMB	
		2016.12.31	2015.12.31
Current Assets:			
Cash and bank balances	(XIV)1	3,706,746,488.60	1,454,543,758.39
Notes receivable	(XIV)2	39,004,100,733.85	24,603,364,219.79
Accounts receivable	(XIV)3	536,094,993.79	693,408,067.96
Prepayments		1,135,024,496.35	828,407,273.87
Interests receivable		12,203,875.00	—
Dividends receivable		—	281,344,641.90
Other receivables	(XIV)4	158,182,314.56	67,738,627.94
Inventories	(XIV)5	2,917,339,904.06	2,380,956,595.58
Non-current assets due within one year		669,101,300.00	575,036,877.60
Available-for-sale financial assets		1,390,000,000.00	—
Other current assets		1,396,101,133.89	1,745,823,141.39
Total Current Assets		50,924,895,240.10	32,630,623,204.42
Non-current Assets:			
Available-for-sale financial assets		7,700,000.00	7,200,000.00
Long-term receivables		1,361,193,481.58	1,613,829,351.48
Long-term equity investments	(XIV)6	4,573,289,565.46	5,030,289,680.38
Investment properties	(XIV)7	92,513,725.38	6,171,876.09
Fixed assets	(XIV)8	22,838,140,752.28	16,230,324,808.72
Construction in progress	(XIV)9	4,498,461,602.16	6,055,847,025.03
Intangible assets	(XIV)10	2,982,633,028.28	2,907,353,944.61
Long-term prepaid expenses		52,620,325.16	50,531,878.84
Deferred tax assets		265,433,277.86	258,336,053.53
Total Non-current Assets		36,671,985,758.16	32,159,884,618.68
TOTAL ASSETS		87,596,880,998.26	64,790,507,823.10

Balance Sheet of the Company

At 31 December 2016

Item	Notes	RMB	
		2016.12.31	2015.12.31
Current Liabilities:			
Notes payable	(XIV)11	4,123,771,449.11	3,701,669,046.17
Accounts payable	(XIV)12	27,622,083,830.13	17,300,314,761.06
Receipts in advance	(XIV)13	3,510,866,921.44	3,380,851,164.79
Employee benefits payable		1,685,822,763.39	1,174,349,332.73
Taxes payable		1,628,786,090.05	606,052,186.30
Other payables		2,044,152,043.06	1,154,704,720.27
Non-current liabilities due within one year		86,366,188.50	64,144,590.25
Other current liabilities		403,807,474.58	301,800,919.63
Total Current Liabilities		41,105,656,760.26	27,683,886,721.20
Non-current Liabilities:			
Deferred income		1,343,014,014.73	1,453,415,597.48
Total Non-current Liabilities		1,343,014,014.73	1,453,415,597.48
TOTAL LIABILITIES		42,448,670,774.99	29,137,302,318.68
SHAREHOLDERS' EQUITY:			
Share capital		9,127,269,000.00	9,127,269,000.00
Capital reserve	(XIV)14	1,464,187,305.77	1,463,654,023.11
Surplus reserve		3,521,714,071.43	2,305,616,493.42
Undistributed profits	(XIV)15	31,035,039,846.07	22,756,665,987.89
TOTAL SHAREHOLDERS' EQUITY		45,148,210,223.27	35,653,205,504.42
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		87,596,880,998.26	64,790,507,823.10

Consolidated Income Statement

For the year ended 31 December 2016

Item	Notes	2016	RMB 2015
I. Total operating income		98,615,702,427.24	76,033,142,505.96
Including: Operating income	(VI)34	98,443,665,116.02	75,954,585,964.64
Interest income	(VI)35	170,343,701.78	78,269,451.37
Fee and commission income		1,693,609.44	287,089.95
Less: Total operating costs		86,369,570,981.65	66,850,601,965.87
Including: Operating costs	(VI)34	74,360,223,523.10	56,863,911,403.05
Interest expenses		17,125,249.99	7,013,819.44
Taxes and levies	(VI)36	3,832,806,426.03	2,886,285,766.99
Selling expenses	(VI)37	3,175,424,411.26	2,841,565,090.40
Administrative expenses	(VI)38	4,574,696,893.73	4,030,603,966.73
Financial expenses	(VI)39	(3,858,556.40)	139,370,863.43
Impairment loss on assets	(VI)40	413,153,033.94	81,851,055.83
Add: Gains (Losses) arising from changes in fair value	(VI)41	—	(214,440.00)
Investment income	(VI)42	30,347,821.12	98,096,748.64
Including: Income from investments in associates and joint ventures		—	7,835,819.60
II. Operating profit		12,276,479,266.71	9,280,422,848.73
Add: Non-operating income	(VI)43	248,928,208.47	467,345,017.87
Including: Gains from disposal of non-current assets		1,352,966.00	2,019,569.27
Less: Non-operating expenses	(VI)44	42,346,681.98	59,191,106.10
Including: Losses from disposal of non-current assets		17,127,374.19	47,235,683.93
III. Total profit		12,483,060,793.20	9,688,576,760.50
Less: Income tax expenses	(VI)45	1,929,106,148.72	1,628,212,003.74
IV. Net profit	(VI)46	10,553,954,644.48	8,060,364,756.76
Net profit attributable to shareholders of the Company		10,551,158,884.21	8,059,332,452.64
Profit or loss attributable to minority interests		2,795,760.27	1,032,304.12
V. Net other comprehensive income after taxes		146,471,630.51	(50,381,368.13)
Net other comprehensive income attributable to shareholders of the Company after taxes		146,471,630.51	(50,381,368.13)
Items that may be reclassified subsequently to profit or loss		146,471,630.51	(50,381,368.13)
Foreign currency translation differences	(VI)48	146,471,630.51	(50,381,368.13)
Net other comprehensive income attributable to minority interests after taxes		—	—
VI. Total comprehensive income:		10,700,426,274.99	8,009,983,388.63
Total comprehensive income attributable to shareholders of the Company		10,697,630,514.72	8,008,951,084.51
Total comprehensive income attributable to minority interests		2,795,760.27	1,032,304.12
VII. Earnings per share:			
(I) Basic earnings per share	(VI)47	1.16	0.88
(II) Diluted earnings per share	(VI)47	N/A	N/A

Income Statement of the Company

For the year ended 31 December 2016

Item	Notes	2016	RMB 2015
I. Total operating income	(XIV)16	96,096,775,363.77	73,317,204,913.63
Less: Operating costs	(XIV)16	77,217,756,933.49	59,751,934,596.86
Taxes and levies	(XIV)17	3,666,120,904.50	2,759,315,402.92
Selling expenses		858,259,703.06	677,549,515.71
Administrative expenses	(XIV)18	4,230,206,364.71	3,544,379,366.25
Financial expenses		(26,812,862.68)	182,001,340.16
Impairment loss on assets		348,695,504.99	54,081,156.88
Add: Gains (Losses) from changes in fair value		—	(214,440.00)
Investment income	(XIV)19	2,292,278,838.79	2,098,947,807.17
Including: Income from investments in associates and joint ventures		—	3,932,491.39
II. Operating profit		12,094,827,654.49	8,446,676,902.02
Add: Non-operating income		191,347,957.05	325,228,667.33
Including: Gains from disposal of non-current assets		989,291.72	827,406.69
Less: Non-operating expenses		41,047,572.37	41,573,299.13
Including: Losses from disposal of non-current assets		20,918,684.86	34,862,006.70
III. Total profit		12,245,128,039.17	8,730,332,270.22
Less: Income tax expenses	(XIV)20	1,341,786,830.66	886,479,667.75
IV. Net profit		10,903,341,208.51	7,843,852,602.47
V. Net other comprehensive income after taxes		—	—
VI. Total comprehensive income		10,903,341,208.51	7,843,852,602.47

Consolidated Cash Flow Statement

For the year ended 31 December 2016

Item	Notes	2016	RMB 2015
I. Cash Flows from Operating Activities:			
Cash received from the sales of goods and rendering of services		99,640,709,467.75	82,581,396,826.30
Cash received from interest, fee and commissions		164,749,749.14	78,323,317.41
Cash received for net increase by borrowing from other financial institutions		250,000,000.00	350,000,000.00
Tax rebate received		46,523,184.69	60,195,007.07
Other cash received relating to operating activities	(VI)49(1)	283,072,186.23	452,262,140.91
Sub-total of cash inflow from operating activities		100,385,054,587.81	83,522,177,291.69
Cash payments for goods purchased and services received		69,116,024,232.07	55,326,757,096.11
Net increase in customers' loans and advance		2,641,793,831.19	870,797,860.49
Cash payments for interest, fees and commissions		22,589,692.69	625,000.00
Cash payments to and on behalf of employees		6,837,381,503.97	5,908,610,481.09
Payments of various types of taxes		8,749,960,765.27	7,915,370,396.26
Other cash payments relating to operating activities	(VI)49(2)	4,181,898,328.60	3,466,326,046.03
Sub-total of cash outflow from operating activities		91,549,648,353.79	73,488,486,879.98
Net Cash Flows from Operating Activities	(VI)50(1)	8,835,406,234.02	10,033,690,411.71
II. Cash Flows from Investing Activities:			
Cash received from disposal of investments		19,447,100,000.00	14,581,002,000.00
Cash received from investment income		36,852,877.78	109,142,890.92
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		5,548,426.38	18,393,016.48
Net cash received from disposal of subsidiaries and other business units	(VI)50(2)	—	172,827,683.52
Other cash received relating to investing activities	(VI)49(3)	72,908,823.05	102,400,000.00
Sub-total of cash inflow from investing activities		19,562,410,127.21	14,983,765,590.92
Cash paid to purchase and construct fixed assets, intangible assets and other long-term assets		6,684,140,111.47	5,856,834,012.79
Net cash paid for acquisition of subsidiaries and other business units	(VI)50(2)	12,130,564.13	22,820,655.84
Cash paid for investments		21,135,600,000.00	15,621,000,000.00
Other cash paid relating to investing activities	(VI)49(4)	98,000,000.00	—
Sub-total of cash outflow from investing activities		27,929,870,675.60	21,500,654,668.63
Net Cash Flow from Investing Activities		(8,367,460,548.39)	(6,516,889,077.71)
III. Cash Flows from Financing Activities:			
Cash received from borrowings		—	743,000,222.30
Other cash received relating to financing activities	(VI)49(5)	921,640,080.65	—
Sub-total of cash inflow from financing activities		921,640,080.65	743,000,222.30
Cash repayments of borrowings		300,200,000.00	773,621,493.20
Cash payments for distribution of dividends or profits or settlement of interest expenses		1,737,766,740.29	3,198,973,382.90
Including: payments for distribution of dividends or profits to minority shareholders of subsidiaries		—	156,709.77
Other cash payments relating to financing activities	(VI)49(6)	—	882,460,316.70
Sub-total of cash outflow from financing activities		2,037,966,740.29	4,855,055,192.80
Net Cash Flow from Financing Activities		(1,116,326,659.64)	(4,112,054,970.50)

Consolidated Cash Flow Statement

For the year ended 31 December 2016

Item	Notes	2016	RMB 2015
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents		81,860,320.31	(27,913,300.83)
V. Net Increase in Cash and Cash Equivalents		(566,520,653.70)	(623,166,937.33)
Add: Opening balance of cash and cash equivalents		2,458,364,987.45	3,081,531,924.78
VI. Closing balance of cash and cash equivalents	(VI)50(3)	1,891,844,333.75	2,458,364,987.45

Cash Flow Statement of the Company

For the year ended 31 December 2016

Item	Notes	2016	RMB 2015
I. Cash Flows from Operating Activities:			
Cash received from the sales of goods and rendering of services		95,918,139,072.69	80,178,492,403.92
Tax rebate received		56,316.13	8,244,956.74
Other Cash received relating to operating activities		111,580,446.78	319,558,819.84
Sub-total of cash inflow from operating activities		96,029,775,835.60	80,506,296,180.50
Cash payments for goods purchased and services received		72,730,419,359.05	60,996,843,897.88
Cash payments to and on behalf of employees		5,434,949,650.62	4,292,988,524.82
Payments of various types of taxes		6,680,528,704.14	5,882,104,446.56
Other cash payments relating to operating activities		1,646,007,435.38	1,370,542,423.14
Sub-total of cash outflow from operating activities		86,491,905,149.19	72,542,479,292.40
Net cash flows from operating activities	(XIV)21(1)	9,537,870,686.41	7,963,816,888.10
II. Cash Flows from Investing Activities:			
Cash received from disposal of investments		18,608,000,000.00	13,262,596,976.48
Cash received from investment income		2,501,286,843.02	2,110,610,778.71
Cash received from merging subsidiaries by absorbing		206,830,508.02	—
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		9,442,746.05	18,114,911.09
Other cash received relating to investing activities		272,908,823.05	102,400,000.00
Sub-total of cash inflow from investing activities		21,598,468,920.14	15,493,722,666.28
Cash paid to purchase and construct fixed assets, intangible assets and other long-term assets		6,195,582,649.35	5,368,293,390.46
Cash paid for investments		20,829,150,762.70	14,388,373,780.00
Cash paid for acquisition of subsidiaries and other business unit		21,500,000.00	—
Other cash paid relating to investing activities		98,000,000.00	—
Sub-total of cash outflow from investing activities		27,144,233,412.05	19,756,667,170.46
Net Cash Flow from Investing Activities		(5,545,764,491.91)	(4,262,944,504.18)
III. Cash Flows from Financing Activities:			
Cash received from borrowings		—	743,000,222.30
Other cash received relating to financing activities		354,493,645.52	—
Sub-total of cash inflow from financing activities		354,493,645.52	743,000,222.30
Cash paid for repayment of borrowings		—	773,621,493.20
Cash payments for distribution of dividends or profits or settlement of interest expenses		1,737,766,740.29	3,198,816,673.13
Other cash payments relating to financing activities		—	385,837,728.56
Sub-total of cash outflow from financing activities		1,737,766,740.29	4,358,275,894.89
Net Cash Flow from Financing Activities		(1,383,273,094.77)	(3,615,275,672.59)

Cash Flow Statement of the Company

For the year ended 31 December 2016

Item	Notes	2016	RMB 2015
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents		(2,136,724.00)	4,715,217.38
V. Net Increase in Cash and Cash Equivalents		2,606,696,375.73	90,311,928.71
Add: Opening balance of cash and cash equivalents		1,016,521,309.27	926,209,380.56
VI. Closing balance of cash and cash equivalents	<i>(XIV)21(2)</i>	3,623,217,685.00	1,016,521,309.27

Consolidated Statement of Changes in Shareholders' Equity

For the year ended 31 December 2016

RMB

Item	2016							Total equity
	Attributable to shareholders of the Company							
	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	General risk reserve	Undistributed profits	Minority interests	
I. Balance at the beginning 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
II. Changes in the current year	—	—	146,471,630.51	1,216,256,222.12	—	7,601,204,503.76	2,795,760.27	8,966,728,116.66
(I) Total comprehensive income	—	—	146,471,630.51	—	—	10,551,158,884.21	2,795,760.27	10,700,426,274.99
(II) Owners' contributions and reduction in capital	—	—	—	—	—	—	—	—
1. Capital contributions from owners	—	—	—	—	—	—	—	—
2. Acquisition of subsidiaries	—	—	—	—	—	—	—	—
3. Acquisition of minority interests of subsidiaries	—	—	—	—	—	—	—	—
(III) Profit distribution	—	—	—	1,280,385,340.25	—	(3,014,566,450.25)	—	(1,734,181,110.00)
1. Transfer to statutory reserve	—	—	—	1,269,306,234.93	—	(1,269,306,234.93)	—	—
2. Transfer to discretionary reserve	—	—	—	—	—	—	—	—
3. Transfer to enterprise expansion fund	—	—	—	—	—	—	—	—
4. Transfer to reserve fund	—	—	—	11,079,105.32	—	(11,079,105.32)	—	—
5. Distributions to shareholders	—	—	—	—	—	(1,734,181,110.00)	—	(1,734,181,110.00)
6. Transfer to employee bonus and welfare fund	—	—	—	—	—	—	—	—
7. Tax refund for welfare enterprises	—	—	—	—	—	—	—	—
(IV) Transfer of shareholders' equity	—	—	—	(64,129,118.13)	—	64,129,118.13	—	—
1. Transfer of capital reserve to share capital	—	—	—	—	—	—	—	—
2. Transfer of surplus reserve to share capital	—	—	—	—	—	—	—	—
3. Surplus reserve making up of losses	—	—	—	—	—	—	—	—
4. Others (Note (VI)32)	—	—	—	(64,129,118.13)	—	64,129,118.13	—	—
(V) Others (Note (VI)33)	—	—	—	—	—	482,951.67	—	482,951.67
III. Balance at the end of the year	9,127,269,000.00	1,411,231,014.42	(1,502,334.31)	4,575,014,412.83	—	32,182,789,641.00	58,842,784.26	47,353,644,518.20

Consolidated Statement of Changes in Shareholders' Equity

For the year ended 31 December 2016

RMB

Item	2015							Total equity
	Attributable to shareholders of the Company							
	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	General risk 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) Owners' contributions and reduction in capital	—	(218,189.60)	—	—	—	—	(11,570,910.40)	(11,789,100.00)
1. Capital contributions from owners	—	—	—	—	—	—	—	—
2. Acquisition of subsidiaries	—	—	—	—	—	—	—	—
3. Acquisition of minority interests of subsidiaries	—	(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 enterprise 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	—	—	—	(66,742,208.63)	—	66,742,208.63	—	—
(V) Others	—	—	—	—	—	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

Statement of Changes in Shareholders' Equity of the Company

For the year ended 31 December 2016

RMB

Item	2016				
	Share capital	Capital reserve	Surplus reserve	Undistributed profits	Total equity
I. Balance at the beginning 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
II. Changes in the current year	—	533,282.66	1,216,097,578.01	8,278,373,858.18	9,495,004,718.85
(I) Total comprehensive income	—	—	—	10,903,341,208.51	10,903,341,208.51
(II) Owners' contributions and reduction in capital	—	—	—	—	—
1. Capital contribution from owners	—	—	—	—	—
2. Share-based payment recognized in shareholders' equity	—	—	—	—	—
3. Others	—	—	—	—	—
(III) Profit distribution	—	—	1,090,334,120.85	(2,824,515,230.85)	(1,734,181,110.00)
1. Transfer to surplus reserve	—	—	1,090,334,120.85	(1,090,334,120.85)	—
2. Transfer to general risk reserve	—	—	—	—	—
3. Distribution to shareholders	—	—	—	(1,734,181,110.00)	(1,734,181,110.00)
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. Transfer to special reserve in the year	—	—	—	—	—
2. Amount utilized in the year	—	—	—	—	—
(VI) Others (Note)	—	533,282.66	125,763,457.16	199,547,880.52	325,844,620.34
III. Balance at the end of the year	9,127,269,000.00	1,464,187,305.77	3,521,714,071.43	31,035,039,846.07	45,148,210,223.27

Note: Other changes of capital reserve and undistributed profit refer to Note (XIV), 14 and 15. Other changes of surplus reserve mainly caused by merging subsidiaries by absorbing.

Statement of Changes in Shareholders' Equity of the Company

For the year ended 31 December 2016

RMB

Item	2015				Total equity
	Share capital	Capital reserve	Surplus reserve	Undistributed profits	
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' contributions and reduction in capital	—	—	—	—	—
1. Capital contribution from shareholders	—	—	—	—	—
2. Share-based payment recognized in shareholders' 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 reserve	—	—	784,385,260.25	(784,385,260.25)	—
2. Transfer to general reserve	—	—	—	—	—
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. Transfer to special reserve in the year	—	—	—	—	—
2. Amount utilized 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

Notes to the Financial Statements

For the year ended 31 December 2016

I. BASIC CORPORATE INFORMATION

Great Wall Motor Company Limited (hereinafter referred as “the Company”) is registered in Baoding, Hebei Province which is the main city for its core business as well. The controlling shareholder is Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司) and the ultimate controlling shareholder is Wei Jianjun.

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 2017.

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

II. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

Basis of preparation

The Group has applied the “Accounting Standards for Business Enterprises” (“ASBE”) and guidelines, interpretations and other related provisions promulgated by the Ministry of Finance (“MoF”) 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”.

II. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (continued)

Basic of preparation and principle of measurement

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

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

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

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

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

Going concern

The Group has evaluated its ability of going concern for the next 12 month since 31 December 2016. 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 Company's and consolidated financial position of the Company as at 31 December 2016 and the Company's and consolidated operating results and cash flows for the year ended 31 December 2016.

Notes to the Financial Statements

For the year ended 31 December 2016

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

2. Accounting period

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

3. Operating cycle

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

4. Functional currency

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

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

Business combination 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.

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 acquire on the acquisition date. The overhead for the business combination of the combining party, including the expenses for audit, legal services, assessment, and other administrative expenses, shall be recorded in profit or loss for the current year when incurred. 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 recognized 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 year. 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.

Notes to the Financial Statements

For the year ended 31 December 2016

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 year.

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

6. Basis for preparation of consolidated financial statements

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

The date of acquisition and disposal shall be the day on which the Group obtains or loses the controlling right over its subsidiaries. For the subsidiaries being disposed, their operating results and cash flow prior to the disposal have already been properly included in the consolidated income statement and the consolidated cash flow statement. Subsidiaries that are disposed in the current 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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

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

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

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

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

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

7. 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. Recognition Criterion of Cash and cash equivalents

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

Notes to the Financial Statements

For the year ended 31 December 2016

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 profits) items are translated at the spot exchange rates at the dates on which such items arose; income and expenses and profit appropriation items in the income statement are translated at the spot exchange rate at the date of transaction; Undistributed profits at the beginning of the year is the translated undistributed profits at the end of prior year; undistributed profits at the end of year is presented as the translated items of profit distribution; all exchange differences of assets, liabilities and shareholders' equity resulting from the translation are recognized separately as "other comprehensive income" in the shareholders' equity on the balance sheet.

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

The opening balances of the 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.

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.

Notes to the Financial Statements

For the year ended 31 December 2016

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 equivalents, notes receivable, accounts receivable, dividends receivable, loans and advances to customers, other receivables and long-term receivables etc, are classified as loans and accounts receivable by the Group.

Loans and accounts receivable adopt the actual interest rate method to carry out the ongoing measure based on amortized costs. Gain or loss arising from derecognition, impairment or amortisation is recognised in profit or loss.

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.

Available-for-sale financial assets are subsequently measured at fair value, and gains or losses arising from changes in the fair value are recognized as other comprehensive income, except that impairment losses and exchange differences related to amortized cost of monetary financial assets denominated in foreign currencies are recognized in profit or loss, until the financial assets are derecognized, at which time the gains or losses are released and recognized in profit or loss.

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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

10. Financial instruments (continued)

10.3 Impairment of financial assets

The Group assesses at each balance sheet date the carrying amounts of financial assets other than those at fair value through profit or loss. If there is objective evidence that a financial asset is impaired, the Group determines the amount of any impairment loss.

Objective evidence of impairment on financial asset includes the following observable events:

- (1) Significant financial difficulty of the issuer or obligor;
- (2) A breach of contract by the borrower, such as a default or delinquency in interest or principal payments;
- (3) The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting a concession to the borrower;
- (4) It becoming probable that the borrower will enter bankruptcy or other financial reorganizations;
- (5) The disappearance of an active market for that financial asset because of financial difficulties of the issuer;
- (6) Upon an overall assessment of a group of financial assets, observable data indicates that there is a measurable decrease in the estimated future cash flows from the group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group. Such observable data includes:
 - Adverse changes in the payment status of borrower in the group of assets;
 - Economic conditions in the country or region of the borrower which may lead to a failure to pay the group of assets;
- (7) 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;
- (8) Other objective evidence indicating there is an impairment of a financial asset.

Notes to the Financial Statements

For the year ended 31 December 2016

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

If financial assets carried at amortised cost are impaired, the carrying amounts of the financial assets are reduced to the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The amount of reduction is recognised as an impairment loss in profit or loss. If, subsequent to the recognition of an impairment loss on financial assets carried at amortised cost, there is objective evidence of a recovery in value of the financial assets which can be related objectively to an event occurring after the impairment is recognised, the previously recognised impairment loss is reversed. However, the reversal is made to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

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 available-for-sale financial assets

When an available-for-sale financial asset at fair value is impaired, the cumulative loss arising from decline in fair value previously recognized directly in other comprehensive income is transferred out and recognized in profit or loss. The transferred amount of the cumulative loss is the difference between the acquisition cost (net of any principal repayment and amortization) and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss.

If, subsequent to the recognition of an impairment loss on available-for-sale financial assets, there is objective evidence of a recovery in value of the financial assets which can be related objectively to an event occurring after the impairment is recognized, the previously recognized impairment loss is reversed. The amount of reversal of impairment loss on available-for-sale equity instruments is recognized as other comprehensive income, while the amount of reversal of impairment loss on available-for-sale debt instruments is recognized in profit or loss.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

10. Financial instruments (continued)

10.3 Impairment of financial assets (continued)

10.3.3 Impairment of financial assets measured at cost

If an impairment loss has been incurred on an investment in unquoted equity instrument (without a quoted price in an active market) whose fair value cannot be reliably measured, the carrying amount of the financial asset is reduced to the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. The amount of reduction is recognized as an impairment loss in profit or loss. The impairment loss on such financial asset is not reversed once it is 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.

For a transfer of a financial asset in its entirety that satisfies the derecognition criteria, the difference between (1) the carrying amount of the financial asset transferred; and (2) the sum of the consideration received from the transfer and any cumulative gain or loss that has been recognized in other comprehensive income, is recognized in profit or loss.

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.

On initial recognition, financial liabilities are classified into financial liabilities at fair value through profit or loss and other financial liabilities. The financial liabilities held by the Group is other financial liabilities.

Other financial assets are subsequently measured at amortized costs by using effective interest method. Gain or loss arising from derecognition or amortization is recognized in current profit or loss.

Notes to the Financial Statements

For the year ended 31 December 2016

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

10. Financial instruments (continued)

10.6 Derecognition 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 receivables 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

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

Notes to the Financial Statements

For the year ended 31 December 2016

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

12. Inventories

12.1 Classification of inventories

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

12.2 Valuation method of inventories upon delivery

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

12.3 Recognition of net realizable value of inventories

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

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

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

The inventory count system shall be on a perpetual basis.

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

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

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

13. Long-term equity investments

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

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. Significant influence is the power to participate in the financial and operating policy decisions of an enterprise, except to control or joint control the formulation of such policies together with other parties. In determining whether there is control or significant influence over the investee, potential voting right factors (such as the convertible corporate bonds for the 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 recognize those expenditure in profit or loss.

13.3 Method for subsequent measurement and profit or loss recognition

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

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

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 2016

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 and other comprehensive income represent the Group's share of the net profits or losses and other comprehensive income made by the investee for the current period and the carrying amount of the long-term equity investment shall be adjusted accordingly. The Group shall recognize its share of the investee's net profits or losses based on the fair values of the investee's individual separately identifiable assets at the time of acquisition, after making appropriate adjustments thereto in conformity with the accounting policies and accounting 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 properties

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

Notes to the Financial Statements

For the year ended 31 December 2016

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

15. Fixed assets (continued)

15.2 Method for depreciation of different fixed assets

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

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

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

15.3 Other explanations

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

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

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 rights 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 assets 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 2016

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 intangible assets with infinite useful life are not amortized. The useful life and annual amortization rate of each category of intangible assets are as follows:

Category	Depreciation period (years)	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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

18. Intangible assets (continued)

18.2 Research and development expenditure (continued)

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.

19. Impairment of long-term assets

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

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

If the recoverable amount of an asset or an asset group is less than its carrying amount, a provision for impairment loss of the asset will be made for the reduction and is charged to profit or loss for the current 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, goodwill is reasonably allocated to the related asset group or each of asset group expected to benefit from the synergies of the combination. If the recoverable amount of asset group or portfolio of asset group containing the allocated goodwill is lower than its carrying value, relevant impairment loss is recognized. The amount of impairment loss is first written-down and allocated to the carrying amount of the goodwill of that asset group or portfolio of asset group, and is then written down to the carrying value of all other types of assets proportionally according to the weighting of the carrying value of all other types of assets other than goodwill within asset group or portfolio of asset group.

An impairment loss once recognized shall not be reversed in a subsequent 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 2016

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. Provisions

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

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

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

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 probably 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 recognized 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.

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.

Notes to the Financial Statements

For the year ended 31 December 2016

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

24. Government grants (continued)

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 tax assets and deferred tax liabilities

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

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

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

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

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

25. Income tax (continued)

25.2 Deferred tax assets and deferred tax liabilities (continued)

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

25.3 Income tax expenses

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

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

25.4 Offsetting of income tax

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

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

26. Operating lease

26.1 The Group as lessee under operating leases

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

Notes to the Financial Statements

For the year ended 31 December 2016

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

26. Operating lease (continued)

26.2 The Group as lessor under operating leases

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

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.

Key assumptions and uncertainties in the application of accounting estimates

The following are the critical assumptions and uncertainties which may cause material adjustments to the carrying amounts of assets and liabilities concerning the future at the date of balance sheet:

Provision for 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.

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

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

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.

Provision for decline in value of inventories

The Group recognizes provision for decline in value of inventory according to net realizable value of the inventory. Provision for inventory impairment is required to be recognized when there is sign showing that the net realizable value is lower than cost. Recognition of net realizable value involves judgment and estimation. If the result of 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.

Notes to the Financial Statements

For the year ended 31 December 2016

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

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

Recognition of deferred tax assets

As at 31 December 2016, the Group recognized deferred tax assets of RMB963,955,022.84 (31 December 2015: RMB709,618,712.26) 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.

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 maintenance times and expected standard for each automobile per annum. As at 31 December 2016, provisions for after-sale services amounted to RMB1,118,768,730.43 (as at 31 December 2015: RMB1,027,836,691.62). If the actual fees for after-sale services varies from the estimates, the profits and losses in incurred period will be affected.

Income taxes

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

V. TAXATION

1. Major tax types and rates

Tax type	Basis	Tax rate
Business tax	Turnover (<i>Note 2</i>)	3%, 5%
Value-added tax	Purchase/Sales (<i>Note 1</i>)	3%, 5%, 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 surcharge	Value-added tax, consumption tax and business tax	3%
Enterprise income tax	Taxable income (<i>Note 1</i>)	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: Excluding the tax incentives set out in Note (V) 2, the applicable tax rates of the relevant companies of the Group for 2015 and 2016 are listed on the above table.

Note 2:

- 1) The business tax of property lease services was levied on lease revenue at tax rate of 5%, while since 1 May 2016, value added tax, instead of business tax, has prevailed at tax rate of 11% in addition to the selection of a simple method for the rate of 5%;
- 2) The business tax of capital occupation services was levied on loans services revenue at tax rate of 5%, while since 1 May 2016, value added tax, instead of business tax, has prevailed at tax rate of 6%.
- 3) The business tax of property management services was levied on other business revenue at tax rate of 5%, while since 1 May 2016, value added tax, instead of business tax, has prevailed at tax rate of 6%.
- 4) The business tax of transferring the land use rights was levied on transferring intangible service revenue at tax rate of 5%, while since 1 May 2016, value added tax, instead of business tax, has prevailed at tax rate of 11%.
- 5) The business tax of training business was levied on cultural services revenue at tax rate of 3%, while since 1 May 2016, value added tax, instead of business tax, has prevailed at tax rate of 6%.

Notes to the Financial Statements

For the year ended 31 December 2016

V. TAXATION (continued)

2. Tax incentives and approvals

2.1 Income tax incentives

2.1.1 Income tax incentive policy for recruitment of disabled

Pursuant to the "Circular on Granting Tax Credit and Exemption relating to Enterprise Income Tax on the Recruitment of Disabled" (關於安置殘疾人員就業有關企業所得稅優惠政策問題的通知) (Cai Shui [2009] No. 70) (the "Circular") issued by the Ministry of Finance and the State Administration of Taxation, the Company and its subsidiaries, Baoding Nuobo Rubber Production 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), Tianjin Boxin Automotive Parts Company Limited ("Tianjin Boxin") (天津博信汽車零部件有限公司), Baoding Xinyi Automobile Seating Co., Ltd. ("Xinyi Seating") (保定信益汽車座椅有限公司) and Baoding Weiyi Automobile Co., Ltd. ("Baoding Weiyi") (保定威奕汽車有限公司), satisfied all conditions as prescribed in the Circular for deduction 100% of the wages paid to disabled staff from taxable income when determining income tax and passed the examination of relevant authorities, and they were entitled to deduct 100% of the actual wages paid to disabled staff from the taxable income when determining enterprise income taxes.

2.1.2 Income tax exemption for new and high-tech enterprise

Under the review of Hebei Provincial Department of Science and Technology, Department of Finance of Hebei Province, Hebei Provincial Office of the State Administration of Taxation and Hebei Local Taxation Bureau in 2016, the Company was granted with New and High-Tech Enterprise Certificate on 2 November 2016 as the Company was approved as new and high-tech enterprise (with a term of 3 years), so the applicable income tax rate for the year 2016 to 2018 is 15%.

Baoding Weiyi, which is one of subsidiaries of the Company, was approved as new and high-tech enterprise, and obtained the New and High-Tech Enterprise Certificate jointly issued by the Hebei Provincial Department of Science and Technology, Department of Finance of Hebei Province, Hebei Provincial Office of the State Administration of Taxation and Hebei Local Taxation Bureau on 26 November 2016 with a term of three years, and the applicable tax rate from 2015 to 2017 is 15%.

Baoding Great, which is one of subsidiaries of the Company, was approved as new and high-tech enterprise, and obtained the New and High-Tech Enterprise Certificate jointly issued by the Hebei Provincial Department of Science and Technology, Department of Finance of Hebei Province, Hebei Provincial Office of the State Administration of Taxation and Hebei Local Taxation Bureau on 2 November 2016 with a term of three years, and the applicable tax rate from 2016 to 2018 is 15%.

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 (continued)

Baoding Mind Auto Component Company Limited (“Mind Component”), which is one of subsidiaries of the Company, was approved as new and high-tech enterprise, and obtained the *New and High-Tech Enterprise Certificate* jointly issued by the Hebei Provincial Department of Science and Technology, Department of Finance of Hebei Province, Hebei Provincial Office of the State Administration of Taxation and Hebei Local Taxation Bureau on 2 November 2016 with a term of three years, and the applicable tax rate from 2016 to 2018 is 15%.

2.1.3 Income tax credit for small-scaled minimal profit enterprise

Pursuant to the “Circular on Granting Tax Credit and Exemption relating to Enterprise Income Tax on the Small-Scaled Minimal Profit Enterprise” (關於小型微利企業所得稅優惠政策有關問題的通知) (Caishui [2015] No. 34) and the “Circular on Further Granting Tax Credit and Exemption relating to Enterprise Income Tax on the Small-Scaled Minimal Profit Enterprise to a Larger Extent by the Ministry of Finance and the State Administration of Taxation” (財政部、國家稅務總局關於進一步擴大小型微利企業所得稅優惠政策有關問題的通知) (Caishui [2015] No. 99) issued by the Ministry of Finance and the State Administration of Taxation, Beijing Great Wall Dong Sheng Business Consulting Company Limited (“Great Wall Dong Sheng”) (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 (including RMB200,000) in for 2015 and 2016, so for the year 2015 and 2016, the taxable income is reduced to 50% of original total taxable income, and the applicable enterprise income tax rate is 20%.

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) and “Circular on Preferential Tax Policy for Promoting Disabled Employment Issued by SAT” (財稅[2016]52號《國家稅務總局關於促進殘疾人就業增值稅優惠政策的通知》) (Cai Shui [2016] No. 52) issued by the Ministry of Finance and State Administration of Taxation, Baoding Nuobo, Baoding Great and Baoding Yixin, subsidiaries of the Company, were entitled to immediate refund of value-added tax as they satisfied the requirements of 1) the number of disabled staff bears 25% of the total headcount of the subsidiaries on a monthly basis (including 25%); 2) and the number of recruited disabled staff is more than 10 persons (including 10). Namely, these subsidiaries are subject to “the income from production and sales of commodities or the provision of processing, repair and maintenance services accounted for 50% of the taxation income for the purposes of value added tax and business tax” as approved by relevant authorities. The cap of VAT refund is subject to RMB35,000 per year for each actually employed disabled employee (Cai Shui [2007] No. 92) or specific standard set out by the local tax authorities (above county-level) calculated on the basis of 4 times of the applicable minimum wages approved by the Provincial People’s government of where the taxpayer located (Cai Shui [2016] No. 52).

Notes to the Financial Statements

For the year ended 31 December 2016

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and bank balances

Item	2016.12.31	2015.12.31
		<i>RMB</i>
Cash:		
RMB	824,251.11	1,158,668.28
EUR	67,479.83	59,064.13
USD	62,819.67	86,458.84
JPY	31,837.88	56,467.46
GBP	17,786.94	20,638.32
AUD	10,676.72	21,736.36
HKD	10,528.74	11,780.36
ZAR	3,931.27	—
NZD	3,330.76	—
SGD	1,492.64	1,426.71
RUB	65.90	313.16
KRW	40.95	39.18
THB	25.21	23.39
Bank balances:		
RMB	1,549,604,082.49	2,296,099,541.51
RUB	183,112,224.00	102,941,407.41
USD	55,722,489.97	20,908,708.46
AUD	29,653,377.57	17,543,571.47
ZAR	26,861,587.71	1,771,729.18
INR	24,376,059.72	—
EUR	10,559,780.34	9,365,168.54
JPY	8,317,707.52	7,935,207.15
GBP	2,134,037.40	12.50
NZD	460,813.61	—
HKD	7,894.74	383,025.04
CHF	11.06	—
Other cash and bank balances:		
RMB	261,520,381.77	1,181,126,545.28
NZD	238,842.86	—
USD	—	2,272,760.00
Total	2,153,603,558.38	3,641,764,292.73
Include: overseas cash and bank balances	440,755,093.52	321,412,995.55

Notes to the Financial Statements

For the year ended 31 December 2016

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1. Cash and bank balances (continued)

As at 31 December 2016, the Group had restricted cash and bank balances of RMB261,759,224.63, in which guarantee on bank acceptance bills amounted to RMB114,639,437.41; required reserves amounted to RMB144,356,644.36; guarantee on letter of credit amounted to RMB1,320,000.00, guarantee on letter of guarantee amounted to RMB800,000.00, and other guarantees amounted to RMB643,142.86.

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 amounted to RMB9,636,352.11, other guarantees amounted to RMB401,600.00.

2. Notes receivable

(1) Classification of notes receivable:

Category	RMB	
	2016.12.31	2015.12.31
Bank acceptances	39,786,248,863.34	28,161,748,218.41
Total	39,786,248,863.34	28,161,748,218.41

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

Category	RMB	
	2016.12.31	2015.12.31
Bank acceptances	3,526,875,391.00	3,050,954,858.00
Total	3,526,875,391.00	3,050,954,858.00

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

(3) Notes endorsed and discounted by the Group to other parties but yet undue by the end of the year are as follows:

Category	RMB	
	2016.12.31	2015.12.31
Bank acceptances	21,691,538,965.77	14,158,523,236.04
Total	21,691,538,965.77	14,158,523,236.04

The above notes which were endorsed and discounted but yet undue have been derecognized.

Notes to the Financial Statements

For the year ended 31 December 2016

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. Accounts receivable

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

RMB

Category	Carrying amount		2016.12.31			Carrying amount		2015.12.31		
	Amount	Ratio (%)	Amount	Provision ratio (%)	Book value	Amount	Ratio (%)	Amount	Provision ratio (%)	Book value
Receivables that are individually significant and for which bad debt provision is individually assessed	754,841,412.20	85.67	(358,175,977.45)	47.45	396,665,434.75	657,556,562.25	86.61	(81,557,001.35)	12.40	575,999,560.90
Receivables for which bad debt provision is collectively assessed on a portfolio basis of credit risk character	125,474,083.70	14.24	(4,925,996.33)	3.93	120,548,087.37	101,356,396.44	13.35	(1,433,936.51)	1.41	99,922,459.93
Accounts receivable that are not individually significant but for which bad debt provision is individually assessed	763,224.85	0.09	—	—	763,224.85	262,425.24	0.04	(262,425.24)	100.00	—
Total	881,078,720.75	100.00	(363,101,973.78)	41.21	517,976,746.97	759,175,383.93	100.00	(83,253,363.10)	10.97	675,922,020.83

Receivables that are individually significant and for which bad debt provision is individually assessed:

RMB

Accounts receivable (by customers)	2016.12.31			Reason for provision
	Accounts receivable	Provision for bad debts	Provision ratio (%)	
Customer 1	363,020,310.78	(342,845,492.51)	94.44	Past due
Customer 2	19,662,262.58	(686,575.55)	3.49	Past due
Customer 3	19,002,415.68	(1,802,640.00)	9.49	Past due
Customer 4	14,853,080.50	(913,958.50)	6.15	Past due
Customer 5	8,075,058.85	(1,137,822.79)	14.09	Past due
Customer 6	7,798,023.50	(1,110,800.84)	14.24	Past due
Customer 7	6,419,392.20	(73,268.60)	1.14	Past due
Customer 8	5,366,915.95	(5,366,915.95)	100.00	Past due
Customer 9	4,973,170.09	(1,378,460.05)	27.72	Past due
Customer 10	4,298,616.70	(1,142,944.15)	26.59	Past due
Customer 11	3,134,726.19	(1,717,098.51)	54.78	Past due
Others	298,237,439.18	—	—	—
Total	754,841,412.20	(358,175,977.45)	47.45	

Notes to the Financial Statements

For the year ended 31 December 2016

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. Accounts receivable (continued)

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

RMB

Aging	2016.12.31				2015.12.31			
	Amount	Ratio (%)	Provision for bad debts	Book value	Amount	Ratio (%)	Provision for bad debts	Book value
Within 1 year	509,173,948.52	57.79	(14,391,824.63)	494,782,123.89	422,180,087.61	55.61	(12,991,085.06)	409,189,002.55
1 to 2 years	349,574,065.01	39.68	(343,624,325.06)	5,949,739.95	336,951,684.70	44.38	(70,262,278.04)	266,689,406.66
2 to 3 years	22,330,707.22	2.53	(5,085,824.09)	17,244,883.13	43,611.62	0.01	—	43,611.62
Total	881,078,720.75	100.00	(363,101,973.78)	517,976,746.97	759,175,383.93	100.00	(83,253,363.10)	675,922,020.83

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

(3) *Provision, collection or reversal of bad debts during the current year*

Provision for bad debts amounted to RMB302,808,639.51, and collection or reversal of bad debts amounted to RMB22,960,028.83.

Collection or reversal of bad debts with significant amount during the current year:

RMB

Customer	Amount of collection or reversed	Method of recovery	Reason for collection or reversal	Reason for recognise original provision of bad debts
Customer 1	3,381,864.00	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 2016

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. Accounts receivable (continued)

(4) *No accounts receivable have been written off during the current year.*

(5) *Top five entities with the largest balances of accounts receivable*

RMB			
Name of entity	Closing balance	Proportion of the amount to the total accounts receivable (%)	Amount of provision for bad debts at end of the year
Customer 1	363,020,310.78	41.20	(342,845,492.51)
Customer 2	70,972,818.84	8.06	—
Customer 3	48,749,747.16	5.53	—
Customer 4	35,813,260.33	4.06	—
Customer 5	27,039,911.00	3.07	—
Total	545,596,048.11	61.92	(342,845,492.51)

4. Prepayments

(1) *Prepayments by aging:*

RMB				
Aging	2016.12.31		2015.12.31	
	Amount	Ratio (%)	Amount	Ratio (%)
Within 1 year	991,861,559.73	93.82	821,830,923.38	93.31
1 to 2 years	63,300,097.76	5.99	55,515,958.43	6.30
2 to 3 years	1,693,017.38	0.16	3,366,612.22	0.39
Over 3 years	325,748.90	0.03	3,341.88	—
Total	1,057,180,423.77	100.00	880,716,835.91	100.00

Description of aging of prepayments:

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

Notes to the Financial Statements

For the year ended 31 December 2016

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. Prepayments (continued)

(2) Top five entities with the largest balances of prepayments

Name of entity	Amount	RMB
		Proportion of the amount to the total prepayments (%)
Supplier1	234,968,119.84	22.23
Supplier2	98,976,081.35	9.36
Supplier3	70,200,000.00	6.64
Supplier4	61,006,887.12	5.77
Supplier5	52,150,000.00	4.93
Total	517,301,088.31	48.93

5. Interest receivable

Item	2016.12.31	RMB
		2015.12.31
Interest on loans and advances to customers	12,418,121.84	5,130,559.76
Total	12,418,121.84	5,130,559.76

6. Other receivables

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

Category	2016.12.31					2015.12.31				
	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
Other receivables that are individually significant and for which bad debt provision is individually assessed	226,608,337.71	87.72	(7,141,494.12)	3.15	219,466,843.59	84,595,604.24	81.63	(1,744,140.00)	2.06	82,851,464.24
Other receivables for which bad debt provision is collectively assessed on a portfolio basis of credit risk character	31,545,027.24	12.21	—	—	31,545,027.24	18,997,772.59	18.33	—	—	18,997,772.59
Other receivable that are not individually significant but for which bad debt provision is individually assessed	169,838.00	0.07	(169,838.00)	100.00	—	40,552.14	0.04	(40,552.14)	100.00	—
Total	258,323,202.95	100.00	(7,311,332.12)	2.83	251,011,870.83	103,633,928.97	100.00	(1,784,692.14)	1.72	101,849,236.83

Notes to the Financial Statements

For the year ended 31 December 2016

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. Other receivables (continued)

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

Other receivables that are individually significant and for which bad debt provision is individually assessed:

RMB

Other receivables (by entity)	2016.12.31			
	Amount	Provision for bad debts	Provision ratio (%)	Reason for provision
Entity 1	63,289,727.07	—	—	—
Entity 2	52,793,645.23	—	—	—
Entity 3	29,180,328.06	—	—	—
Entity 4	10,257,195.60	—	—	—
Entity 5	10,200,000.00	—	—	—
Entity 6	5,397,354.12	(5,397,354.12)	100.00	Uncollectible under estimate
Entity 7	1,744,140.00	(1,744,140.00)	100.00	Uncollectible under estimate
Others	53,745,947.63	—	—	—
Total	226,608,337.71	(7,141,494.12)	3.15	—

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

RMB

Aging	2016.12.31				2015.12.31			
	Amount	Ratio (%)	Provision for bad debts	Book Value	Amount	Ratio (%)	Provision for bad debts	Book Value
Within 1 year	237,770,215.00	92.04	(5,567,192.12)	232,203,022.88	84,539,263.77	81.57	(40,552.14)	84,498,711.63
1 to 2 years	2,803,115.56	1.09	—	2,803,115.56	16,928,096.82	16.33	(1,744,140.00)	15,183,956.82
2 to 3 years	16,265,819.64	6.30	(1,744,140.00)	14,521,679.64	1,093,179.41	1.06	—	1,093,179.41
Over 3 years	1,484,052.75	0.57	—	1,484,052.75	1,073,388.97	1.04	—	1,073,388.97
Total	258,323,202.95	100.00	(7,311,332.12)	251,011,870.83	103,633,928.97	100.00	(1,784,692.14)	101,849,236.83

Notes to the Financial Statements

For the year ended 31 December 2016

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. Other receivables (continued)

(3) Provision, collection or reversal of bad debts during the current year:

Provision for bad debts amounted to RMB6,068,805.37, and collection or reversal of bad debts amounted to RMB500,467.95.

(4) Other receivables actually written off during the current year

Item	RMB Amount
Other receivables actually written off	41,697.44

(5) Other receivables disclosed by nature are as follows:

Nature	2016.12.31	RMB 2015.12.31
Deposits	104,116,309.98	33,404,931.15
Export rebates	52,793,645.23	23,160,066.15
Petty cash	27,871,549.57	8,545,235.09
Others	73,541,698.17	38,523,696.58
Total	258,323,202.95	103,633,928.97

(6) Top five entities with the largest balances of other receivables:

Name of unit	Relationship with the Group	Amount	Aging	Proportion of the amount to the total other receivables (%)	RMB Balance of provision for bad debt at end of the year
Entity 1	Customs deposits	63,289,727.07	Within 1 year	24.50	—
Entity 2	Tax refund receivable	52,793,645.23	Within 1 year	20.44	—
Entity 3	Tax refund receivable	29,180,328.06	Within 1 year	11.30	—
Entity 4	Advances for others	10,257,195.60	Within 1 year	3.97	—
Entity 5	Performance bond	10,200,000.00	2 to 3 years	3.95	—
Total		165,720,895.96		64.16	—

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

Notes to the Financial Statements

For the year ended 31 December 2016

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

7. Inventories

(1) Inventories by category

RMB

Item	Carrying amount	2016.12.31 Provision for decline in value of inventories	Book value
Raw materials	809,302,867.30	(1,705,038.57)	807,597,828.73
Work-in-progress	770,621,803.80	(23,149.09)	770,598,654.71
Finished goods	4,274,663,874.52	(4,168,690.27)	4,270,495,184.25
Low-valued and short-lived consumables	212,621,715.54	(175,165.55)	212,446,549.99
Total	6,067,210,261.16	(6,072,043.48)	6,061,138,217.68

RMB

Item	Carrying amount	2015.12.31 Provision for decline in value of inventories	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 and short-lived consumables	143,186,748.51	(179,363.00)	143,007,385.51
Materials on consignment for further processing	40,044.29	—	40,044.29
Total	4,135,110,270.95	(15,304,361.34)	4,119,805,909.61

(2) Provision for decline in value of inventories

RMB

Inventory categories	2016.1.1	Provided for the year	Addition for acquisition of subsidiaries	Decrease for the year Reversals	Written-off	2016.12.31
Raw materials	3,614,222.82	17,814.41	91,638.53	(1,372,771.51)	(645,865.68)	1,705,038.57
Work-in-progress	—	23,149.09	3,362.95	(3,362.95)	—	23,149.09
Finished goods	11,510,775.52	3,963,505.23	80,567.33	(585,361.15)	(10,800,796.66)	4,168,690.27
Low-valued and short-lived consumables	179,363.00	12,698.00	—	—	(16,895.45)	175,165.55
Total	15,304,361.34	4,017,166.73	175,568.81	(1,961,495.61)	(11,463,557.79)	6,072,043.48

Notes to the Financial Statements

For the year ended 31 December 2016

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

7. Inventories (continued)

(3) Analysis of provision for decline in value of inventories

Item	Basis of provision for decline in value of inventories	Reasons for reversal or written-off of provision for decline in value of inventories during the year	Percentage of the reversal to the closing balance of the inventory during the year (%)
Raw materials	Note 1	Note 2	0.17
Work-in-progress	Note 1	Note 2	—
Finished goods	Note 1	Note 2	0.01
Low-valued and short-lived consumables	Note 1	Note 2	—

Descriptions of inventories:

Note 1: As the estimated net realizable value of some vehicle products was lower than the inventory cost as at the end of the year, provision for decline in value of inventories had been made for raw materials, work-in-progress, finished goods and low-valued and short-lived consumables correspondingly.

Note 2: As the estimated net realizable value of some finished automobiles, raw materials, work-in-progress was higher than the inventory cost as at the end of the reporting year, the provision for decline in value of inventories for the previous year has been reversed. In addition, as the inventories for which provision for decline in value has been made in the previous year was sold during the year, the provision for decline in value of inventories has been written off.

8. Non-current assets due within one year

Item	Note	2016.12.31	RMB 2015.12.31
Loans and advances to customers due within one year	(VI) 10	532,600,764.95	448,658,078.71
Long-term receivables due within one year	(VI) 12	669,101,300.00	575,036,877.60
Total		1,201,702,064.95	1,023,694,956.31

9. Other current assets

Item	2016.12.31	RMB 2015.12.31
Paint for vehicles	3,967,367.57	4,005,112.49
Taxes to be deducted	63,942,498.91	641,801,457.20
Mould (Note 1)	63,676,884.10	63,613,858.69
Wealth management products	1,300,000,000.00	1,050,000,000.00
Others	17,166,920.22	10,152,142.44
Total	1,448,753,670.80	1,769,572,570.82

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

Notes to the Financial Statements

For the year ended 31 December 2016

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

10. Loans and advances to customers

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

Item	RMB	
	2016.12.31	2015.12.31
Company loans and advances	—	—
Including: loans	—	—
Personal loans and advances	3,667,568,433.34	1,025,774,602.15
Including: automotive consumption loans	3,667,568,433.34	1,025,774,602.15
Total amount of loans and advances to customers	3,667,568,433.34	1,025,774,602.15
Less: impairment loss of loans	58,718,015.89	16,053,013.30
Net amount of loans and advances to customers	3,608,850,417.45	1,009,721,588.85
Less: loans and advances to customers due within one year	532,600,764.95	448,658,078.71
Loans and advances to customers	3,076,249,652.50	561,063,510.14

Note: All the loans and advances to customers are mortgages with pledged collateral.

(2) Impairment of loans which have been provided, collected or reversed during the year

Provision for impairment loss of loans amounted to RMB42,706,557.59, and collection or reversal of impairment loss of loans amounted to RMB41,555.00.

11. Available-for-sale financial assets

(1) Available-for-sale financial assets measured at fair value at the end of the year

Item	2016.12.31			2015.12.31		
	Carrying amount	Impairment provision	Book value	Carrying amount	Impairment provision	Book value
Wealth management products	1,438,000,000.00	—	1,438,000,000.00	—	—	—
Total	1,438,000,000.00	—	1,438,000,000.00	—	—	—

Notes to the Financial Statements

For the year ended 31 December 2016

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

11. Available-for-sale financial assets (continued)

(2) Available-for-sale financial assets measured at cost at the end of the year

Item	2016.12.31			2015.12.31			RMB
	Carrying amount	Impairment provision	Book value	Carrying amount	Impairment provision	Book value	
Available-for-sale equity instruments measured at cost	7,700,000.00	—	7,700,000.00	7,200,000.00	—	7,200,000.00	
Total	7,700,000.00	—	7,700,000.00	7,200,000.00	—	7,200,000.00	

Breakdown of available-for-sale financial assets measured at cost at the end of the year

Investee	2016.1.1	Carrying amount		2016.12.31	2016.1.1	Impairment		2016.12.31	Holding proportion in investee (%)	Cash dividend for this year	RMB
		Increase	Decrease			Increase	Decrease				
China Automobile Development United Investment Co. Ltd.	4,200,000.00	—	—	4,200,000.00	—	—	—	—	2.07	—	
China Automobile (Beijing) Automobile Lightweight Technology Research Institute Company Limited	3,000,000.00	—	—	3,000,000.00	—	—	—	—	6.90	—	
Beijing Intelligence Automobile United Industry Innovation Center Co., Ltd.	—	500,000.00	—	500,000.00	—	—	—	—	0.80	—	
Total	7,200,000.00	500,000.00	—	7,700,000.00	—	—	—	—	—	—	

All the above investees are non-listed companies, and the fair value of investment in such investees cannot be reliably measured.

12. Long-term receivables

Items	2016.12.31			2015.12.31			RMB
	Carrying amount	Impairment provision	Book value	Carrying amount	Impairment provision	Book value	Range of discount rate
Performance bond	2,030,294,781.58	—	2,030,294,781.58	2,188,866,229.08	—	2,188,866,229.08	3.80% to 4.00%
Decrease: Long-term receivables due within one year	669,101,300.00	—	669,101,300.00	575,036,877.60	—	575,036,877.60	—
Total	1,361,193,481.58	—	1,361,193,481.58	1,613,829,351.48	—	1,613,829,351.48	

Notes to the Financial Statements

For the year ended 31 December 2016

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

13. Long-term equity investments

The breakdown of long-term equity investment is as follows:

RMB

Investee	2016.1.1	Increase	Reduction	Movement in this year					2016.12.31	Impairment at the end of the year
				Gain or loss recognized under equity method	Adjustment on other comprehensive income	Changes in other equity	Declared cash dividend or profit	Impairment		
Joint-venture										
Baoding Yanfeng Johnson Controls Automobile Seating Co., Ltd. ("Former Yanfeng Johnson")	18,006,939.74	—	(18,006,939.74)	—	—	—	—	—	—	—
Total	18,006,939.74	—	(18,006,939.74)	—	—	—	—	—	—	—

The above investee is non-listed company.

Note: Prior to January 2016, the Group originally held 50% equity interest in former Yanfeng Johnson, a joint venture of the Group. After the Company acquired another 50% equity interest in former Yanfeng Johnson from Shanghai Yanfeng Johnson Controls Seating Co., Ltd. at consideration of RMB21.5 million in January 2016, the Group held 100% equity in former Yanfeng Johnson, who changed from a joint venture into a subsidiary of the Company on consolidation basis, and changed its name into "Baoding Xinyi Automobile Seating Co., Ltd.". Details are set out in Note (VII) 1, (1).

Notes to the Financial Statements

For the year ended 31 December 2016

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

14. Investment properties

The investment properties measured at cost:

Item			<i>RMB</i>
	Buildings	Land use rights	Total
I. Original carrying amount			
2016.1.1	18,212,805.09	4,320,721.11	22,533,526.20
Additions for the year	111,587,073.43	17,770,823.45	129,357,896.88
(1) Transfer from fixed assets and intangible assets	39,924,918.19	17,770,823.45	57,695,741.64
(2) Transfer from construction in progress	71,662,155.24	—	71,662,155.24
Decreases for transferring into fixed assets and intangible assets for the year	(11,239,135.43)	(4,320,721.11)	(15,559,856.54)
Foreign currency translation differences	(3,147,840.85)	—	(3,147,840.85)
2016.12.31	115,412,902.24	17,770,823.45	133,183,725.69
II. Accumulated amortization and depreciation			
2016.1.1	(1,037,996.80)	(21,201.25)	(1,059,198.05)
Additions for the year	(3,049,542.88)	(1,216,366.89)	(4,265,909.77)
(1) Provision or amortization	(3,049,542.88)	(207,672.39)	(3,257,215.27)
(2) Transfer from fixed assets and intangible assets	—	(1,008,694.50)	(1,008,694.50)
Decreases for transferred into fixed assets and intangible assets for the year	236,203.23	21,201.25	257,404.48
Foreign currency translation differences	30,851.15	—	30,851.15
2016.12.31	(3,820,485.30)	(1,216,366.89)	(5,036,852.19)
III. Book value			
2016.12.31	111,592,416.94	16,554,456.56	128,146,873.50
2016.1.1	17,174,808.29	4,299,519.86	21,474,328.15

Notes to the Financial Statements

For the year ended 31 December 2016

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

15. Fixed assets

Fixed assets:

Item	RMB				
	Buildings	Machinery and equipment	Transportation vehicles	Others	Total
I. Original carrying amount					
2016.1.1	9,541,844,799.55	13,330,031,445.34	413,080,106.34	3,494,908,102.70	26,779,864,453.93
Additions for the year	2,063,262,183.93	4,618,758,997.99	46,843,405.84	1,566,517,466.66	8,295,382,054.42
1. Acquisition	193,481,073.90	120,716,250.85	14,890,410.98	195,079,729.24	524,167,464.97
2. Transfer from construction in progress	1,858,541,974.60	4,490,989,559.21	31,513,770.58	1,369,367,365.52	7,750,412,669.91
3. Addition from acquisition of subsidiaries	—	7,050,687.08	36,289.12	1,922,668.52	9,009,644.72
4. Transfer from investment properties	11,239,135.43	—	—	—	11,239,135.43
5. Transfer from inventories	—	2,500.85	402,935.16	147,703.38	553,139.39
Decrease for the year	(75,430,703.67)	(142,703,311.76)	(13,469,267.08)	(36,413,976.79)	(268,017,259.30)
1. Disposal or retired	(1,433,144.14)	(29,584,462.37)	(13,459,287.08)	(32,442,636.04)	(76,919,529.63)
2. Decrease for transferring to construction in progress	—	(108,545,589.90)	—	(32,668.93)	(108,578,258.83)
3. Decrease for transferring to investment properties	(39,924,918.19)	—	—	—	(39,924,918.19)
4. Decrease for transferring to intangible assets	(31,483,115.51)	—	—	—	(31,483,115.51)
5. Other transfer-out	(2,589,525.83)	(4,573,259.49)	(9,980.00)	(3,938,671.82)	(11,111,437.14)
2016.12.31	11,529,676,279.81	17,806,087,131.57	446,454,245.10	5,025,011,592.57	34,807,229,249.05
II. Accumulated depreciation					
2016.1.1	1,149,639,981.96	4,462,834,631.50	147,453,922.41	1,783,470,592.70	7,543,399,128.57
Additions for the year	356,900,922.43	1,439,130,270.35	56,432,968.35	616,123,610.79	2,468,587,771.92
1. Provision for the year	356,664,719.20	1,439,130,270.35	56,432,968.35	616,123,610.79	2,468,351,568.69
2. Transfer from investment properties	236,203.23	—	—	—	236,203.23
Decrease for the year	(574,138.93)	(42,673,172.25)	(5,076,900.65)	(26,164,044.90)	(74,488,256.73)
1. Disposal or retired	(343,922.79)	(24,237,103.55)	(5,066,920.65)	(23,702,258.35)	(53,350,205.34)
2. Decrease for transferring to construction in progress	—	(17,394,232.32)	—	(13,929.33)	(17,408,161.65)
3. Other transfer-out	(230,216.14)	(1,041,836.38)	(9,980.00)	(2,447,857.22)	(3,729,889.74)
2016.12.31	1,505,966,765.46	5,859,291,729.60	198,809,990.11	2,373,430,158.59	9,937,498,643.76
III. Provision for impairment					
2016.1.1	136,268.33	44,691,882.12	—	35,204,118.13	80,032,268.58
Additions for the year	—	8,834,866.88	—	70,433,652.62	79,268,519.50
Decrease for the year	—	(441,492.42)	—	(4,081,773.21)	(4,523,265.63)
1. Disposal or retired	—	(441,492.42)	—	(4,081,773.21)	(4,523,265.63)
2016.12.31	136,268.33	53,085,256.58	—	101,555,997.54	154,777,522.45
IV. Book value					
2016.12.31	10,023,573,246.02	11,893,710,145.39	247,644,254.99	2,550,025,436.44	24,714,953,082.84
2016.1.1	8,392,068,549.26	8,822,504,931.72	265,626,183.93	1,676,233,391.87	19,156,433,056.78

Note: Provision of impairment for the year happened on impairment of specific moulds and devices as a result of quit markets with some types of automobiles and change of production techniques.

Notes to the Financial Statements

For the year ended 31 December 2016

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

15. Fixed assets (continued)

As at 31 December 2016, among the fixed assets, the net book value of properties without title certificates amounted to RMB3,467,547,746.25 (As at 31 December 2015: RMB1,942,730,939.00) and the application of relevant title certificates is in progress.

16. Construction in progress

(1) The breakdown of construction in progress is as follows:

Project	2016.12.31			2015.12.31		
	Carrying amount	Impairment provision	Net book value	Carrying amount	Impairment provision	Net book value
Annual production of 400,000 sets of axles and brakes	1,234,403.71	—	1,234,403.71	1,234,403.71	—	1,234,403.71
Annual production of 400,000 sets of interior and exterior decorations	45,600.00	—	45,600.00	994,691.22	—	994,691.22
Annual production of 400,000 sets of aluminum alloy casting	—	—	—	2,000,568.77	—	2,000,568.77
Tianjin automotive project	21,035,961.28	—	21,035,961.28	45,684,661.20	—	45,684,661.20
Tianjin parts and components project	303,344,365.74	(825,758.75)	302,518,606.99	143,978,004.11	—	143,978,004.11
Industrial park phase I, II, III						
Reconstruction and expansion	169,760,315.43	(2,810,400.74)	166,949,914.69	258,227,920.78	(11,013,179.46)	247,214,741.32
Xindatong Reconstruction	32,066.67	—	32,066.67	6,201,363.92	—	6,201,363.92
Jiaozhuang infrastructure	109,481.72	—	109,481.72	847,696.00	—	847,696.00
Jiaozhuang equipment	—	—	—	59,216,915.95	—	59,216,915.95
New technology center	199,992,873.72	—	199,992,873.72	381,748,924.54	—	381,748,924.54
Xushui automotive project	1,379,098,778.59	—	1,379,098,778.59	3,737,652,655.74	—	3,737,652,655.74
Xushui parts and components project	2,074,099,569.20	(83,886.55)	2,074,015,682.65	1,302,227,493.61	—	1,302,227,493.61
Xushui supporting infrastructure project	150,547,321.36	—	150,547,321.36	133,248,777.99	—	133,248,777.99
Russia 80,000 sets of vehicle plant and residential area supporting project	286,052,314.77	—	286,052,314.77	40,784,780.44	—	40,784,780.44
Part and Components Department						
Reconstruction project	277,667,876.25	(122,171.38)	277,545,704.87	137,503,239.01	—	137,503,239.01
Total	4,863,020,928.44	(3,842,217.42)	4,859,178,711.02	6,251,552,096.99	(11,013,179.46)	6,240,538,917.53

Notes to the Financial Statements

For the year ended 31 December 2016

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

16. Construction in progress (continued)

(2) Changes in major construction in progress

Project	Budget amount	2015.12.31	Additions for the year	Transferred to fixed assets	Other Deductions (Note)	Proportion of investment to budget (%)	Accumulated capitalized interest amount	Including: capitalized interest amount for the year	Ratio of capitalized interest amount for the year (%)	Sources of fund	RMB
											2016.12.31
Annual production of 400,000 sets of axles and brakes	578,352,366.14	1,234,403.71	—	—	—	100.00	—	—	—	Raising and Own funds	1,234,403.71
Annual production of 400,000 sets of interior and exterior decorations	575,893,500.00	994,691.22	—	(949,091.22)	—	100.00	—	—	—	Raising and Own funds	45,600.00
Annual production of 400,000 sets of aluminum alloy casting	303,376,600.00	2,000,568.77	—	—	(2,000,568.77)	100.00	—	—	—	Raising funds	—
Tianjin Automobile project	5,076,601,991.00	45,684,661.20	211,477,754.69	(235,723,763.30)	(402,691.31)	99.55	—	—	—	Own funds	21,035,961.28
Tianjin parts and components project	2,688,691,573.83	143,978,004.11	195,337,591.06	(35,283,730.98)	(687,498.45)	85.82	—	—	—	Own funds	303,344,365.74
Industrial park phase I, II, III Reconstruction and expansion	957,181,261.00	258,227,920.78	343,430,816.61	(419,550,435.23)	(12,347,986.73)	91.93	—	—	—	Own funds	169,760,315.43
Xindatong Reconstruction	8,808,790.00	6,201,363.92	22,187.12	—	(6,191,484.37)	100.00	—	—	—	Own funds	32,066.67
Jiaozhuang infrastructure	253,863,000.00	847,696.00	—	(738,214.28)	—	100.00	—	—	—	Own funds	109,481.72
Jiaozhuang equipment	1,384,811,857.00	59,216,915.95	—	(51,790,729.50)	(7,426,186.45)	100.00	—	—	—	Own funds	—
New technology center	1,901,672,549.00	381,748,924.54	36,657,401.27	(216,619,397.03)	(1,794,055.06)	87.62	—	—	—	Own funds	199,992,873.72
Xushui Automobile Project	10,780,193,143.74	3,737,652,655.74	2,122,638,495.07	(4,445,906,077.78)	(35,286,294.44)	84.17	—	—	—	Own funds	1,379,098,778.59
Xushui parts and components project	12,996,169,311.00	1,302,227,493.61	2,998,060,037.96	(2,039,840,575.56)	(186,347,386.81)	56.91	—	—	—	Own funds	2,074,099,569.20
Xushui supporting infrastructure project	593,250,000.00	133,248,777.99	17,298,543.37	—	—	25.38	—	—	—	Own funds	150,547,321.36
Russia 80,000 sets of automobile and residential area supporting project	2,442,256,660.00	40,784,780.44	245,267,534.33	—	—	11.71	—	—	—	Own funds	286,052,314.77
Part and Components Department Reconstruction project	1,215,122,323.81	137,503,239.01	478,977,694.14	(304,010,655.03)	(34,802,401.87)	80.84	—	—	—	Own funds	277,667,876.25
Total	41,756,244,926.52	6,251,552,096.99	6,649,168,055.62	(7,750,412,669.91)	(287,286,554.26)						4,863,020,928.44

Note: The decrease of RMB114,475,496.85 in construction in progress is transferred into intangible assets, and a decrease of RMB71,662,155.24 in construction in progress is transferred into investment properties.

Notes to the Financial Statements

For the year ended 31 December 2016

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

17. Intangible assets

(1) Intangible assets

	<i>RMB</i>		
Item	Land use rights	Software and others (Note)	Total
I. Original carrying amount			
2016.1.1	3,337,936,042.52	152,196,963.02	3,490,133,005.54
Additions for the year	102,507,121.11	73,086,639.02	175,593,760.13
1. Acquisition	—	25,314,426.66	25,314,426.66
2. Transferred from construction in progress	98,186,400.00	16,289,096.85	114,475,496.85
3. Transferred from investment properties	4,320,721.11	—	4,320,721.11
4. Transferred from fixed assets	—	31,483,115.51	31,483,115.51
Deductions for the year	(18,012,207.99)	(311,266.49)	(18,323,474.48)
1. Disposal	(241,384.54)	(311,266.49)	(552,651.03)
2. Decrease for transferring to investment properties	(17,770,823.45)	—	(17,770,823.45)
2016.12.31	3,422,430,955.64	224,972,335.55	3,647,403,291.19
II. Total accumulated amortization			
2016.1.1	288,855,506.37	65,495,856.51	354,351,362.88
Additions for the year	69,934,793.05	13,624,618.12	83,559,411.17
1. Provision	69,913,591.80	13,624,618.12	83,538,209.92
2. Transferred from investment properties	21,201.25	—	21,201.25
Deductions for the year	(1,065,859.21)	(152,186.53)	(1,218,045.74)
1. Disposal	(57,164.71)	(152,186.53)	(209,351.24)
2. Decrease for transferring to investment properties	(1,008,694.50)	—	(1,008,694.50)
2016.12.31	357,724,440.21	78,968,288.10	436,692,728.31
III. Book value			
2016.12.31	3,064,706,515.43	146,004,047.45	3,210,710,562.88
2016.1.1	3,049,080,536.15	86,701,106.51	3,135,781,642.66

Note: Overseas land ownership of subsidiaries included in software and others amounted to RMB39,996,117.73.

As at 31 December 2016, among the intangible assets, the net book value of land use rights without land use rights certificates amounted to RMB132,673,504.89 (As at 31 December 2015: RMB36,257,504.17), and the application of relevant land use rights certificates is in progress.

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

	<i>RMB</i>	
Item	2016.12.31	2015.12.31
Located in mainland China — 10 to 50 years	3,064,706,515.43	3,049,080,536.15

Notes to the Financial Statements

For the year ended 31 December 2016

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

18. Goodwill

Name of investee or matters generating goodwill	2016.1.1	Additions for the year	Deductions for the year	RMB	
				2016.12.31	Impairment provision as at the end of the year
Baoding Changfu Pressings Co., Ltd. (Note) (保定長福衝壓件有限公司)	2,163,713.00	—	—	2,163,713.00	—
Former Yanfeng Johnson (原延鋒江森) (Note (VII), 1)	—	2,809,017.90	—	2,809,017.90	—
Total	2,163,713.00	2,809,017.90	—	4,972,730.90	—

Note: The above goodwill arose from the acquisition of additional 26% equity interest 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 current year.

19. Deferred tax assets and deferred tax liabilities

(1) Deferred tax assets before offsetting

Item	2016.12.31		2015.12.31	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Provision for bad debts	370,413,305.90	57,003,936.80	85,038,055.24	14,534,946.80
Impairment provisions for loans	22,042,331.56	5,510,582.89	5,795,267.28	1,448,816.82
Provision for decline in value of inventories	6,072,043.48	755,389.03	15,304,361.33	2,756,277.71
Impairment of fixed assets	136,833,625.23	21,182,843.12	80,032,268.58	12,476,510.60
Impairment of construction in progress	3,842,217.42	658,908.49	11,013,179.46	1,651,976.92
Accrued expenses which are deductible upon payment	1,035,341,496.46	238,396,411.48	962,411,223.68	222,096,872.43
Taxable upon receipt of advance payment	1,382,656,969.66	273,368,167.12	934,288,140.10	174,482,526.37
Deductible loss	175,777,493.44	42,133,888.33	41,984,781.71	11,727,555.58
Deferred income	922,539,899.49	161,088,191.13	1,004,757,560.59	175,271,734.20
Unrealized profit arising from internal transactions	759,998,621.35	186,500,029.02	362,930,384.25	86,313,133.50
Others	219,497,605.41	46,747,305.32	156,469,809.30	26,557,778.48
Total	5,035,015,609.40	1,033,345,652.73	3,660,025,031.52	729,318,129.41

Notes to the Financial Statements

For the year ended 31 December 2016

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

(2) Deferred tax liabilities before offsetting

Item	2016.12.31		2015.12.31	
	Taxable temporary difference	Deferred tax liabilities	Taxable temporary difference	Deferred tax liabilities
Difference between the book value of accumulated depreciation and tax base	(450,633,396.76)	(68,703,126.86)	(125,375,722.31)	(19,519,397.96)
Temporary difference of interest receivable	(12,065,625.37)	(3,016,406.34)	(5,097,184.29)	(1,274,296.07)
Total	(462,699,022.13)	(71,719,533.20)	(130,472,906.60)	(20,793,694.03)

RMB

(3) Deferred tax assets and deferred tax liabilities disclosed at net amount after offsetting

Item	2016.12.31		2015.12.31	
	Offset amount of deferred tax assets and liabilities	Deferred tax assets (liabilities) after offsetting	Offset amount of deferred tax assets and liabilities	Deferred tax assets (liabilities) after offsetting
Deferred tax assets	(69,390,629.89)	963,955,022.84	(19,699,417.15)	709,618,712.26
Deferred tax liabilities	69,390,629.89	(2,328,903.31)	19,699,417.15	(1,094,276.88)

RMB

20. Short-term borrowings and long-term borrowings

Item	2016.12.31	2015.12.31
	Short-term Borrowings	
Guaranteed Loans(Note)	150,000,000.00	300,000,000.00
Credit Loans	100,000,000.00	—
Sub-total	250,000,000.00	300,000,000.00
Long-term Borrowings		
Guaranteed Loans (Note)	49,800,000.00	50,000,000.00

RMB

Note: The guaranteed loans of the Group are loans to a subsidiary of the Group, Tianjin Great Wall Binyin Automotive Finance Company Limited ("Automotive Finance"), provided the Company being the guarantor. The annual interest rate of the long-term borrowings is 5.9375%.

The maturity analysis of long-term borrowing of the Group is as follows:

Bank loan repayment requirements	2016.12.31	2015.12.31
	Within 1 year	200,000.00
1–2 years	49,600,000.00	200,000.00
2–5 years	—	49,600,000.00
Total	49,800,000.00	50,000,000.00

RMB

Notes to the Financial Statements

For the year ended 31 December 2016

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

21. Notes payable

Category	RMB	
	2016.12.31	2015.12.31
Bank acceptance bills	4,164,982,676.22	5,480,528,560.69
Total	4,164,982,676.22	5,480,528,560.69

22. Accounts payable

(1) Accounts payable

Item	RMB	
	2016.12.31	2015.12.31
Within 1 year	24,974,181,196.26	15,571,825,918.48
1 to 2 years	18,904,468.75	15,198,746.67
2 to 3 years	6,892,698.29	11,002,961.40
Over 3 years	7,356,713.42	5,225,934.60
Total	25,007,335,076.72	15,603,253,561.15

The aging analysis of accounts payable is based on the time of purchasing materials, goods or receiving services.

(2) Accounts payable aged over one year with significant amount

Item	2016.12.31	Reason for outstanding or transfer	RMB
Supplier 1	4,781,739.39	Payment terms have not been reached	
Total	4,781,739.39		

23. Receipts in advance

(1) Receipts in advance

Item	RMB	
	2016.12.31	2015.12.31
Within 1 year	6,252,596,197.84	4,917,525,012.83
1 to 2 years	51,528,376.47	16,225,788.52
2 to 3 years	3,820,193.91	3,016,584.83
Over 3 years	3,983,333.96	1,077,879.26
Total	6,311,928,102.18	4,937,845,265.44

Notes to the Financial Statements

For the year ended 31 December 2016

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

23. Receipts in advance (continued)

(2) Receipts in advance aged over one year with significant amount:

Item	2016.12.31	Reason for outstanding or transfer
Supplier 1	26,554,891.48	Transfer terms have not been reached
Supplier 2	7,544,862.02	Transfer terms have not been reached
Total	34,099,753.50	

24. Employee benefits payable

(1) Employee benefits payable disclosed as follow:

Item	2016.1.1	Increase	Decrease	2016.12.31
1. Short-term employee benefits payable	1,534,329,662.14	6,864,149,110.85	(6,431,942,830.02)	1,966,535,942.97
2. Post-employment benefits-defined contribution plan	269,061.63	408,183,610.51	(408,140,350.41)	312,321.73
Total	1,534,598,723.77	7,272,332,721.36	(6,840,083,180.43)	1,966,848,264.70

(2) Short-term employee benefits payable disclosed as follow:

Item	2016.1.1	Increase	Decrease	2016.12.31
1. Salaries, bonuses, allowances and subsidies	1,302,358,402.37	5,697,086,932.79	(5,350,192,219.35)	1,649,253,115.81
2. Staff welfare	178,862,989.49	479,502,723.35	(482,911,274.75)	175,454,438.09
3. Staff bonuses and welfare fund (Note (VI), 33(4))	3,836,146.34	2,288,314.24	(482,951.67)	5,641,508.91
4. Social insurance premiums	7,626.26	181,152,795.75	(181,089,383.42)	71,038.59
Including: Medical insurance	3,868.75	153,458,726.14	(153,373,443.62)	89,151.27
Work-related injury insurance	1,659.54	18,121,909.11	(18,149,370.94)	(25,802.29)
Maternity insurance	2,097.97	9,572,160.50	(9,566,568.86)	7,689.61
5. Housing provident funds	6,861.00	153,464,862.93	(142,515,479.92)	10,956,244.01
6. Labor union expenditures	37,580,543.12	70,898,771.75	(48,939,025.94)	59,540,288.93
7. Employees' education expenses	3,255,061.59	4,772,850.30	(4,931,255.48)	3,096,656.41
8. Service charge	8,422,031.97	274,981,859.74	(220,881,239.49)	62,522,652.22
Total	1,534,329,662.14	6,864,149,110.85	(6,431,942,830.02)	1,966,535,942.97

Notes to the Financial Statements

For the year ended 31 December 2016

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

24. Employee benefits payable (continued)

(3) Defined contribution plan

Item				RMB
	2016.1.1	Increase	Decrease	2016.12.31
1. Basic endowment insurance	265,476.15	387,761,276.34	(387,719,109.48)	307,643.01
2. Unemployment insurance	3,585.48	20,422,334.17	(20,421,240.93)	4,678.72
Total	269,061.63	408,183,610.51	(408,140,350.41)	312,321.73

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.

25. Taxes payable

Item			RMB
		2016.12.31	2015.12.31
Value added tax		532,557,124.52	269,631,255.96
Consumption tax		747,037,394.74	224,833,298.21
Enterprise income tax		541,083,532.12	393,204,088.93
Individual income tax		16,309,527.31	14,090,802.52
Urban maintenance and construction tax		68,309,162.16	35,796,162.27
Education surcharges		52,861,912.51	26,741,369.20
Duty stamp		13,863,395.78	9,328,544.69
Real estate tax		1,641,684.33	525,175.70
Others		4,729,764.39	5,096,780.91
Total		1,978,393,497.86	979,247,478.39

26. Other payables

(1) Other payables disclosed by nature are as follow:

Item			RMB
		2016.12.31	2015.12.31
Project payment		529,150,550.75	425,410,878.28
Equipment payment		875,316,200.07	672,099,968.84
Deposits		478,895,421.36	454,258,567.36
Others		160,334,522.25	113,664,654.63
Total		2,043,696,694.43	1,665,434,069.11

Notes to the Financial Statements

For the year ended 31 December 2016

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

26. Other payables (continued)

(2) The breakdown of other payables is as follows:

Item	RMB	
	2016.12.31	2015.12.31
Within 1 year	1,599,427,975.39	1,289,090,977.11
1 to 2 years	271,885,138.85	259,220,556.64
2 to 3 years	103,408,439.68	72,181,645.42
Over 3 years	68,975,140.51	44,940,889.94
Total	2,043,696,694.43	1,665,434,069.11

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

Item	RMB	
	2016.12.31	Reason for outstanding or transfer
Entity 1	25,519,379.42	Payment terms have not been reached
Entity 2	8,852,423.19	Payment terms have not been reached
Entity 3	8,394,780.00	Payment terms have not been reached
Entity 4	8,019,000.00	Payment terms have not been reached
Entity 5	7,224,290.92	Payment terms have not been reached
Total	58,009,873.53	

27. Non-current liabilities due within one year

Item	Note	RMB	
		2016.12.31	2015.12.31
Non-current liabilities due within one year	(VI)29	105,170,607.29	83,299,009.08

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

Notes to the Financial Statements

For the year ended 31 December 2016

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

28. Other current liabilities

Item	RMB	
	2016.12.31	2015.12.31
Accrued after-sale service expenses	1,118,768,730.43	1,027,836,691.62
Accrued advertising and media service expenses	20,446,213.00	6,197,953.68
Accrued transportation costs	50,922,376.23	12,437,764.49
Accrued technology development expenditure	37,100,172.49	38,727,944.33
Accrued utilities fees	41,103,370.64	17,214,176.45
Accrued port charges	2,689,237.49	1,727,710.26
Others	151,930,395.87	91,699,797.24
Total	1,422,960,496.15	1,195,842,038.07

29. Deferred income

Item	RMB			
	2016.1.1	Increase	Decrease	2016.12.31
Government grants	1,686,178,567.28	87,512,323.05	(218,001,657.64)	1,555,689,232.69
Subsidy for interest expenses arising from automotive finance loans	—	105,888,676.34	(10,430,556.13)	95,458,120.21
Total	1,686,178,567.28	193,400,999.39	(228,432,213.77)	1,651,147,352.90

Notes to the Financial Statements

For the year ended 31 December 2016

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

29. Deferred income (continued)

Projects related to government grants:

Type	2016.1.1	Increase in grant for the year	Amount recognized in non-operating income for the year	Other changes	2016.12.31	RMB Related to an asset/ related to income
Infrastructure supporting fund (Note 1)	736,235,827.33	—	(24,140,175.88)	—	712,095,651.45	related to an asset
Government industrial policy supporting fund (Note 2)	347,641,098.55	—	(21,347,796.44)	—	326,293,302.11	related to an asset
Soft soil foundation subsidy (Note 3)	269,245,518.26	—	(6,114,973.92)	—	263,130,544.34	related to an asset
Hybrid power SUV development project (Note 4)	98,000,000.00	—	—	(98,000,000.00)	—	related to income
New technical center infrastructure construction project (Note 5)	90,939,239.69	—	(12,386,430.63)	—	78,552,809.06	related to an asset
Tax refund for purchasing domestic manufactured equipment (Note 6)	36,640,481.65	—	(11,974,249.23)	—	24,666,232.42	related to an asset
Urban construction fund (Note 7)	53,143,221.95	—	(2,319,828.36)	—	50,823,393.59	related to an asset
Project for Internet of Vehicles (Note 8)	11,976,240.00	—	(223,680.00)	—	11,752,560.00	related to income
Subsidies for key technological innovation projects (Note 9)	5,366,666.45	—	(1,150,000.04)	—	4,216,666.41	related to an asset
Development fund for SMEs (Note 10)	4,703,054.32	—	(295,479.84)	—	4,407,574.48	related to an asset
Diesel engine development project fund (Note 11)	600,000.00	—	(100,000.00)	—	500,000.00	related to an asset
Engine construction project (Note 12)	12,000,000.00	—	(1,500,000.00)	—	10,500,000.00	related to an asset
High grade CNC technology project (Note 13)	390,127.30	260,000.00	(650,127.30)	—	—	related to income
Development of strategic emerging industry (Note 14)	2,000,000.00	—	(86,835.23)	—	1,913,164.77	related to an asset
Incentive subsidies for scientific and technological innovation (Note 15)	138,900.00	—	(138,900.00)	—	—	related to income
Innovation platform construction project (Note 16)	400,000.00	—	(264,000.00)	—	136,000.00	related to an asset
Super magnesium alloy and coating project (Note 17)	60,400.00	543,500.00	(603,900.00)	—	—	related to income
Energy-saving gasoline direct injection engine project (Note 18)	99,996,800.86	—	(9,166,666.67)	—	90,830,134.19	related to an asset
Research project for automobile industry technology (Note 19)	—	1,000,000.00	(1,000,000.00)	—	—	related to income
Jing-Jin-Ji united R&D project of new energy vehicle (Note 20)	—	3,000,000.00	—	—	3,000,000.00	related to an asset
SUV development project (Note 21)	—	3,000,000.00	(3,000,000.00)	—	—	related to income
110KV transformer substation project (Note 22)	—	30,888,823.05	(1,667,015.89)	—	29,221,807.16	related to an asset
All-electric vehicle R&D project (Note 23)	—	8,000,000.00	—	—	8,000,000.00	related to income
New energy laboratory project (Note 24)	—	500,000.00	—	—	500,000.00	related to an asset
Automobile industry technology research institute project (Note 25)	—	500,000.00	—	—	500,000.00	related to an asset
Special fund for national model enterprises on technology innovation (Note 26)	—	1,000,000.00	—	—	1,000,000.00	related to income
Intelligent network-connected automotive system project (Note 27)	—	38,020,000.00	—	—	38,020,000.00	related to an asset
Project for developing intelligent transmission for new energy vehicles (Note 28)	—	300,000.00	—	—	300,000.00	related to income
Provincial-level intelligence introduction project (Note 29)	—	500,000.00	—	—	500,000.00	related to income
Total	1,769,477,576.36	87,512,323.05	(98,130,059.43)	(98,000,000.00)	1,660,859,839.98	
Less: Non-current liabilities due within one year	(83,299,009.08)	—	—	—	(105,170,607.29)	
Deferred	1,686,178,567.28	87,512,323.05	(98,130,059.43)	(98,000,000.00)	1,555,689,232.69	

Notes to the Financial Statements

For the year ended 31 December 2016

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

29. 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, hence it is awarded the bonus. Pursuant to relevant documents issued by the Bureau of Finance in Baoding, the awarded bonus of RMB98 million from new energy automobile industry technological innovation project is returned in the current year.

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 center 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) 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 center of the Company exclusively.

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**29. 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 "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 million for the construction of the Company's engine test center project.

Note 13: 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 aluminum alloy autobody parts in the major special projects of "high-end CNC machine and fundamental manufacturing equipment" and was granted project research funding. During the year, the Company has been allocated special funds to the project, which amounted to RMB0.26 million.

Note 14: 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 million.

Note 15: 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 in 2015, which was amounted to RMB0.5 million.

Note 16: According to "Hebei province Mission statement of the Expenditure of Innovation Platform Construction", RMB0.4 million 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.

Note 17: According to "Cooperation Agreement of International technology Corporation between China and Canada", the Company received RMB0.54 million which is dedicated used in the cooperation with Engineering Science for Super Magnesium Alloy and Coating Project.

Note 18: According to "Baoding Notice of Central Infrastructure Expenditure Budget for industrial transformation and upgrading (Second Batch) of Industry Revitalization and Technology Reform in 2015", the Company received RMB100 million from the Bureau of Finance of Hebei province in 2015, which is used in the Energy-saving Gasoline Direct Injection Engine Project.

Note 19: According to "Requirements for Technology Construction Project of Hebei Province", the Company obtained special grant of RMB1 million from Department of Science and Technology of Hebei province, which is specially proposed to instruct the construction of Hebei automobile industry institute dedicated in new energy automobile and efficient dynamic assembly.

Note 20: According to "Construction of Experimental Zone for Transformation of G45 Achievements and Application of Jing-Jin-Ji United R&D Project of New Energy Vehicle", the Company obtained special grant of RMB3 million from Hebei Baoding Technology Bureau which dedicated in united R&D of new energy automobile of Great Wall Automobile Institute, and purchasing relevant instruments and equipments.

Note 21: According to "Requirements on Special Projects of Hebei Key Technology Transformation Projects", the Company obtained special grant of RMB3 million from Department of Science and Technology of Hebei province, which is dedicated in R&D achievements transformation activities of high-end luxurious SUV Haval.

Notes to the Financial Statements

For the year ended 31 December 2016

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

29. Deferred income (continued)

Note 22: According to "Symposium Minutes of Western Region Work" filed as Jin Kai Ji (2014) No. 108, the Company obtained RMB30.89 million for the construction of capacity expanding 3rd power circuit project and peripheral expenditures from development zone.

Note 23: According to "Circular regarding the Granting of Special Funds to 2016 Innovative Characteristic Promotion Projects from Hebei Baoding Economic Development Zone Administration Committee", the Company obtained special grant of RMB8 million which is dedicated to R&D activities of all electric vehicles

Note 24: According to "Circular regarding the Granting of Special Funds to 2016 Innovative Characteristic Promotion Projects from Hebei Baoding Economic Development Zone Administration Committee", the Company obtained special grant of RMB0.5 million which is dedicated to the construction of new energy laboratory.

Note 25: According to "Circular regarding the Granting of Special Funds to 2016 Innovative Characteristic Promotion Projects from Hebei Baoding Economic Development Zone Administration Committee", the Company obtained special grant of RMB0.5 million which is dedicated to the construction of automobile industry technology research institute

Note 26: According to "Circular regarding the Granting of Special Funds to 2016 Innovative Characteristic Promotion Projects from Hebei Baoding Economic Development Zone Administration Committee", the Company obtained special grant of RMB1 million which is dedicated to the Company's technology innovation

Note 27: According to "Agreement for the Project to Strengthen Industrial Development Basis in 2016", the Company obtained special grant of RMB38.02 million from the Bureau of Industry and Information Technology in Lianchi District, Baoding, which is dedicated to the construction of intelligent network-connected automotive system and the procurement of software.

Note 28: According to "Agreement for Baoding Science and Technology Research and Development Program", the Company obtained special grant of RMB0.3 million from Baoding City Science & Technology and Intellectual Property Right Bureau, which is dedicated to R&D activities of intelligent transmission for new energy vehicles in the future.

Note 29: According to "Circular regarding the Granting of Provincial-level Intelligence Introduction from the Bureau of Finance in Baoding", the Company obtained special grant of RMB0.5 million from the Bureau of Finance in Lianchi District, Baoding, which is dedicated to R&D activities of all-electric vehicles in the future.

Notes to the Financial Statements

For the year ended 31 December 2016

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

30. Share capital

As at 31 December 2016, 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 shares by type and structure are as follows:

RMB

Item	Opening balance	New issue	Changes for the year			Subtotal	Closing balance
			Bonus shares	Shares transfer from reserve	Others		
2016:							
Promoters' shares	5,115,000,000.00	—	—	—	—	—	5,115,000,000.00
Outstanding overseas listed foreign shares	3,099,540,000.00	—	—	—	—	—	3,099,540,000.00
Outstanding domestic listed RMB ordinary shares	912,729,000.00	—	—	—	—	—	912,729,000.00
Total number of shares	9,127,269,000.00	—	—	—	—	—	9,127,269,000.00
2015:							
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

Notes to the Financial Statements

For the year ended 31 December 2016

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

31. Capital reserve

Item	Opening balance	Additions	Deductions	Closing balance
<i>RMB</i>				
2016:				
Capital premiums	1,466,587,149.89	—	—	1,466,587,149.89
Other capital reserves	(55,356,135.47)	—	—	(55,356,135.47)
Including: Transfer from capital reserves under the previous standards	13,911,809.08	—	—	13,911,809.08
Difference between the consideration of acquiring minority interest in subsidiary and the fair value of minority interest	(37,780,293.29)	—	—	(37,780,293.29)
Translation differences of foreign capital	27,752.39	—	—	27,752.39
Reserve for revaluation gain of assets	(31,515,403.65)	—	—	(31,515,403.65)
Total	1,411,231,014.42	—	—	1,411,231,014.42
2015:				
Capital premiums	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)
Including: Transfer from capital reserves under the previous standards	13,911,809.08	—	—	13,911,809.08
Difference between the consideration of acquiring minority interest in subsidiary and the fair value of minority interest	(37,562,103.69)	—	(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)
Total	4,453,872,204.02	—	(3,042,641,189.60)	1,411,231,014.42

Notes to the Financial Statements

For the year ended 31 December 2016

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

32. Surplus reserve

RMB

Item	Opening balance	Additions	Deductions (Note 1)	Reclassification (Note 2)	Closing balance
2016:					
Statutory surplus reserves	2,993,762,730.55	1,269,306,234.93	(64,129,118.13)	—	4,198,939,847.35
Discretionary surplus reserves	2,855,650.48	—	—	—	2,855,650.48
Enterprise expansion fund	3,086,749.11	—	—	—	3,086,749.11
Reserve fund	107,215,035.82	11,079,105.32	—	—	118,294,141.14
Tax credit for social welfare enterprises	251,838,024.75	—	—	—	251,838,024.75
Total	3,358,758,190.71	1,280,385,340.25	(64,129,118.13)	—	4,575,014,412.83
2015:					
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
Total	2,429,620,841.78	995,879,557.56	(66,742,208.63)	—	3,358,758,190.71

Note 1: Pursuant to the shareholders' resolution of Great Wall Vehicle Axles, a subsidiary of the Company, made on 6 June 2016, Great Wall Vehicle Axles transferred 25% of its surplus reserve which exceeds the registered capital to the undistributed profits.

According to the shareholders' resolution of Beijing Great Automotive Components Co., Ltd ("Beijing Great") on 14 September 2015, surplus reserves which greater than 50% of registered capital transferred to undistributed profits; and according to the shareholders' resolution of Great Wall Vehicle Axles on 12 September 2015, surplus reserves which greater than 25% of registered capital transferred to undistributed profits; total 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" on 10 September 2015) · Baoding Qingchuang Property Services Company Limited (保定市勤創物業服務有限公司); cancelled its subsidiary Baoding Zhiteng Automation Technology Company Limited (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 2016

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

33. Undistributed profits

Item	Amount	RMB Proportion of appropriation or allocation
2016:		
Undistributed profits at the beginning of the year	24,581,585,137.24	
Add: Net profits attributable to the shareholders of the Company of the year	10,551,158,884.21	
Transfer from surplus reserves (Note (VI), 32 Note 1)	64,129,118.13	
Other transformation	482,951.67	(4)
Less: Appropriation of statutory surplus reserves	(1,269,306,234.93)	(1)
Appropriation of discretionary surplus reserves	—	
Appropriation of enterprise expansion fund	—	(2)
Appropriation of reserve fund	(11,079,105.32)	(2)
Distribution of cash dividends	(1,734,181,110.00)	(3)
Appropriation of staff incentive bonus and welfare fund	—	(2)
Share capital transferred from ordinary share dividends	—	
Undistributed profits at the end of the year	32,182,789,641.00	
2015:		
Undistributed profits at the beginning of the year	23,623,537,021.85	
Add: Net profits attributable to the shareholders of the Company of the year	8,059,332,452.64	
Transfer from surplus reserves (Note (VI), 32 Note 1)	66,742,208.63	
Others	64,820,161.68	(4)
Less: Appropriation of statutory surplus reserves	(979,829,502.79)	(1)
Appropriation of discretionary surplus reserves	—	
Appropriation of enterprise expansion fund	—	(2)
Appropriation of reserve fund	(16,050,054.77)	(2)
Distribution of cash dividends	(3,194,544,150.00)	(3)
Appropriation of staff incentive bonus and welfare fund	—	(2)
Share capital transferred from ordinary share dividends	(3,042,423,000.00)	(3)
Undistributed profits at the end of the year	24,581,585,137.24	

(1) Appropriation to statutory surplus reserve

According to the Articles of Association, the Company is required to transfer 10% of its net profit to the statutory surplus reserve. The transfer can be ceased if the balance of the statutory surplus reserve has reached 50% of the Company's registered capital. Under the Articles of Associations and relevant company regulations, some statutory surplus reserve can transfer to share capital of the Company, while the remaining statutory reserves shall be no less than 25% of the registered capital.

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

33. Undistributed profits (continued)

(2) Appropriation to enterprise expansion fund, reserve fund and employee incentives and welfare fund

Certain subsidiaries of the Company are Sino-foreign equity joint ventures. Pursuant to the law of the People's Republic of China on Sino-foreign Equity Joint Ventures and relevant provisions of the articles of association of relevant companies, such subsidiaries shall appropriate enterprise expansion fund, reserve fund and staff incentive bonus and welfare fund based on the net profits calculated under the China Enterprise Accounting Standards and relevant requirements. The ratio of appropriation shall be determined by the Board of Directors.

(3) Cash dividends approved by the shareholders' meeting in this year.

On 17 May 2016, the 2015 shareholders' meeting approved "Proposal on Profit Distribution of 2015", of which allows the Company to distribute cash dividends of RMB0.19 (inclusive of tax) per share, amounting to RMB1,734,181,110.00 in total, based on total shares of 9,127,269,000 shares with face value of RMB1 per share for 2015.

(4) Pursuant to the shareholders' decision of Macs (Baoding) Auto A/C Systems Co., Ltd, a subsidiary of the Company, made on 24 February 2016, the appropriated staff bonuses and welfare fund as of 31 January 2016 are transferred to undistributed profits which amounted to RMB482,951.67.

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) Dividend distribution under resolution subsequent to the balance sheet date

In accordance with the proposal from the board of directors, the Company intends to distribute cash dividends of RMB0.35 (inclusive of tax) per share, amounting to RMB3,194,544,150.00 in total, based on total shares of 9,127,269,000 shares (with face value of RMB1 per share) for 2016. Such dividend distribution plan are pending to be approved in shareholders' meeting.

Notes to the Financial Statements

For the year ended 31 December 2016

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

34. Operating income and operating costs

(1) Operating income

Item	2016	RMB 2015
Principal operating income	98,256,596,879.67	75,776,789,622.52
Including: Income from the sales of automobiles	94,464,961,348.64	72,859,187,538.87
Income from the sales of automotive parts and components	2,886,291,387.78	2,301,430,289.20
Income from the sales of moulds and others	644,470,500.21	468,883,477.50
Income from rendering of services	260,873,643.04	147,288,316.95
Other operating income	187,068,236.35	177,796,342.12
Total	98,443,665,116.02	75,954,585,964.64

(2) Operating costs

Item	2016	RMB 2015
Principal operating costs	74,232,259,914.20	56,747,665,662.37
Including: Costs of sales of automobiles	71,634,618,820.41	54,643,629,643.34
Costs of sales of automotive parts and components	1,917,179,246.84	1,645,668,939.74
Costs of sales of moulds and others	487,091,004.56	339,924,488.66
Costs of rendering services	193,370,842.39	118,442,590.63
Other operating costs	127,963,608.90	116,245,740.68
Total	74,360,223,523.10	56,863,911,403.05

35. Interest income

Item	2016	RMB 2015
Personal loans and advances	169,206,161.37	74,916,482.40
Company loans and advances	20,859.82	—
Deposits made with other banks	494,161.64	3,254,757.15
Deposits with the central bank	622,518.95	98,211.82
Total	170,343,701.78	78,269,451.37

Notes to the Financial Statements

For the year ended 31 December 2016

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

36. Taxes and levies

Item	RMB	
	2016	2015
Consumption tax	2,884,495,933.88	2,198,805,000.51
City maintenances and construction tax	425,608,740.70	369,297,031.28
Educational surcharges	333,021,629.26	274,781,635.22
Stamp duty	65,465,841.13	—
Land use tax	40,676,030.05	—
Real estate tax	37,979,459.24	—
Business tax	3,949,472.70	6,550,554.55
Water resource tax	2,770,252.99	—
Vehicle and vessel use tax	254,735.83	—
Others	38,584,330.25	36,851,545.43
Total	3,832,806,426.03	2,886,285,766.99

Note: In accordance with VAT Accounting Treatment Rule (Cai Shui Kuai [2016] No. 22) issued by the Ministry of Finance, the Group has recognized in the item of "Taxes and levies" for stamp duty, real estate tax, land use tax, water resource tax, vehicle and vessel use tax and other taxes incurred subsequent to 1 May 2016.

37. Selling expenses

Item	RMB	
	2016	2015
Transportation expenses	1,376,677,172.17	1,077,161,595.22
After-sale services expenses	1,164,576,275.09	1,254,518,669.94
Wages and salaries	218,792,034.41	191,556,832.63
Taxes	11,531,906.18	30,815,945.73
Advertising and media services fees	221,149,255.99	178,613,146.14
Port charges	17,036,329.00	21,035,601.78
Travelling expenses	19,007,484.64	19,565,938.24
Others	146,653,953.78	68,297,360.72
Total	3,175,424,411.26	2,841,565,090.40

Notes to the Financial Statements

For the year ended 31 December 2016

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

38. Administrative expenses

Item	2016	RMB 2015
Technology development expenditures	3,180,236,419.29	2,760,609,085.70
Wages and salaries	704,072,924.91	650,039,524.56
Taxes	54,770,498.26	140,840,629.78
Depreciation and Amortization	199,991,250.04	123,956,063.16
Business reception fees	6,730,552.94	8,009,419.05
Office expenses	74,675,682.86	96,268,294.93
Repair and maintenance fees	189,408,743.50	129,961,697.67
Auditors' remuneration (<i>Note 1</i>)	3,306,100.71	4,164,792.02
Service charges	26,905,922.55	16,404,956.55
Others	134,598,798.67	100,349,503.31
Total	4,574,696,893.73	4,030,603,966.73

Note 1: Remuneration for interim review and annual audit of RMB3.07 million paid to Deloitte Touche Tohmatsu CPA LLP is included.

Notes to the Financial Statements

For the year ended 31 December 2016

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

39. Financial expenses

Item	RMB	
	2016	2015
Interest expense from pledged loans	—	5,131,964.59
Less: interest income from bank deposits	(52,577,776.88)	(65,161,572.84)
Foreign currency translation differences	29,211,014.94	(6,380,674.62)
Interest of discount on bills	50,906,759.91	45,635,107.66
Long-term receivables discount	(41,428,552.50)	149,700,748.52
Others	10,029,998.13	10,445,290.12
Total	(3,858,556.40)	139,370,863.43

40. Impairment loss on assets

Item	RMB	
	2016	2015
1. Loss on bad debts	285,416,948.10	48,261,511.88
2. Loss on decline in value of inventories	2,055,671.12	19,844,123.79
3. Loss on impairment of fixed assets	79,268,519.50	—
4. Loss on impairment of construction in progress	3,746,892.63	—
5. Loss on impairment of loans	42,665,002.59	13,745,420.16
Total	413,153,033.94	81,851,055.83

41. Gains (Losses) arising from changes in fair value

Item	RMB	
	2016	2015
Gains (Losses) arising from changes in fair value of derivative financial instruments	—	(214,440.00)
Total	—	(214,440.00)

Notes to the Financial Statements

For the year ended 31 December 2016

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

42. Investment income

Breakdown:

Item	2016	RMB 2015
Income from long-term equity investments under equity method	—	7,835,819.60
Income from wealth management products	29,663,778.76	66,527,511.84
Investment gains from disposal of subsidiary	—	17,676,134.00
Gains from fair value measurement of the acquiree's equity held prior to acquisition date (Note (VII). 1)	684,042.36	6,057,283.20
Total	30,347,821.12	98,096,748.64

There are no significant restrictions on remittance of investment income of the Group.

The Group has no gains on investments from listed companies.

43. Non-operating income

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

Item	2016	2015	RMB Amount included in non-recurring gains and losses
Total gains from disposal of non-current assets	1,352,966.00	2,019,569.27	1,352,966.00
Including: Gains from disposal of fixed assets	470,451.98	1,679,414.85	470,451.98
Gains from disposal of construction in progress	245,991.46	111,227.14	245,991.46
Gains from disposal of intangible assets	636,522.56	228,927.28	636,522.56
Government grants	133,543,691.38	341,033,077.39	133,543,691.38
Amount of combination costs less fair value of the share of identifiable net assets obtained	—	51,644.99	—
Gains from compensation	34,907,889.52	47,260,565.50	34,907,889.52
Unpayable amount	31,716,993.66	40,068,132.93	31,716,993.66
Others	47,406,667.91	36,912,027.79	47,406,667.91
Total	248,928,208.47	467,345,017.87	248,928,208.47

Notes to the Financial Statements

For the year ended 31 December 2016

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

43. Non-operating income (continued)

(2) Government grants recognized in profit and loss of the year:

Item			RMB
	2016	2015	related to asset/ related to income
Infrastructure supporting fund	24,140,175.88	24,438,502.03	Related to asset
Government industrial policy supporting fund	21,347,796.44	21,347,796.43	Related to asset
New technology center infrastructure construction fund	12,386,430.63	298,228.88	Related to asset
Tax refund for purchasing domestic manufactured equipment	11,974,249.23	12,948,724.38	Related to asset
Energy-saving gasoline direct injection engine project	9,166,666.67	3,199.14	Related to asset
Soft soil foundation subsidy	6,114,973.92	6,114,973.96	Related to asset
SUV development project	3,000,000.00	—	Related to income
Urban construction fund	2,319,828.36	2,319,828.34	Related to asset
110KV transformer substation project	1,667,015.89	—	Related to asset
Engine construction project	1,500,000.00	—	Related to asset
Subsidies for key technological innovation projects	1,150,000.04	1,150,000.04	Related to asset
Research project for automobile industry technology	1,000,000.00	—	Related to income
High grade CNC technology project	650,127.30	439,872.70	Related to income
Super magnesium alloy and coating project	603,900.00	239,600.00	Related to income
Development fund for SMEs	295,479.84	295,479.84	Related to asset
Innovation platform construction project	264,000.00	—	Related to asset
Project for Internet of Vehicles	223,680.00	23,760.00	Related to income
Incentive subsidies for scientific and technological innovation	138,900.00	361,100.00	Related to income
Diesel engine development project fund	100,000.00	100,000.00	Related to asset
Development of strategic emerging industry	86,835.23	—	Related to asset
Other government grants	35,413,631.95	270,952,011.65	Related to income
Including: Immediate refund of VAT of welfare enterprises (Note 1)	16,630,833.33	13,212,508.18	Related to income
Financial subsidy	3,171,189.45	9,445,198.11	Related to income
Funds for Technology Revamping and Export trading service	3,000,000.00	—	Related to income
Supportive development fund of export credit insurance	2,431,100.00	—	Related to income
Special funds for foreign economic and trade development	2,426,600.00	—	Related to income
Award for Top 500 private enterprises	2,000,000.00	—	Related to income
Technology R & D bonus	1,851,610.00	4,205,680.00	Related to income
Bonus awarded to high-level innovation teams	1,000,000.00	—	Related to income
Promotion and demonstrative projects of Hebei innovation method application	100,000.00	150,000.00	Related to income
Financial return	—	233,948,035.84	Related to income
Fiscal subsidy for interest	—	3,380,000.00	Related to income
Subsidy for continuous education and training from social security bureau	—	1,538,854.98	Related to income
Key technology of home-made automobile digital chip	—	1,118,700.00	Related to income
Provincial special development fund for technical SMEs	—	1,000,000.00	Related to income
Innovative plug-in SUV project	—	500,000.00	Related to income
Development of gasoline direct injection engine project	—	200,000.00	Related to income
Funds for demonstration innovation enterprise	—	100,000.00	Related to income
Others	2,802,299.17	2,153,034.54	Related to income
Total	133,543,691.38	341,033,077.39	

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 2016

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

44. Non-operating expenses

Item	2016	2015	RMB
			Amount recognized in non-recurring profit or loss for the year
Total loss on disposal of non-current assets	17,127,374.19	47,235,683.93	17,127,374.19
Including: Loss on disposal of fixed assets	8,770,619.52	25,388,921.22	8,770,619.52
Loss on disposal of construction in progress	8,260,067.47	20,697,583.71	8,260,067.47
Loss on disposal of intangible assets	96,687.20	1,149,179.00	96,687.20
Donations	2,175,251.90	5,502,125.99	2,175,251.90
Expenses for compensations and fines	19,171,773.82	3,420,817.92	19,171,773.82
Others	3,872,282.07	3,032,478.26	3,872,282.07
Total	42,346,681.98	59,191,106.10	42,346,681.98

45. Income tax expenses

Item	2016	RMB
		2015
Current income tax	2,179,345,115.11	1,901,692,617.48
Deferred income tax	(250,238,966.39)	(273,480,613.74)
Total	1,929,106,148.72	1,628,212,003.74

Notes to the Financial Statements

For the year ended 31 December 2016

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

45. Income tax expenses (continued)

Reconciliation of income tax expenses to accounting profits is as follows:

Item	2016	RMB 2015
Total profit	12,483,060,793.20	9,688,576,760.50
Income tax rate	25%	25%
Income tax calculated at tax rate of 25%	3,120,765,198.30	2,422,144,190.13
Change of opening balance of deferred tax asset /deferred tax liabilities resulted from tax rate adjustment	3,247,310.06	4,276,957.53
Effects arising from some companies subject to concessionary rates	(926,255,631.08)	(598,754,360.46)
Additional deduction for research and development costs	(272,447,735.69)	(213,179,274.91)
Tax effect of non-taxable income	(10,484,186.17)	(12,288,178.41)
Tax effect of non-deductible expenses	14,281,193.30	26,012,669.86
Total	1,929,106,148.72	1,628,212,003.74

46. Net profit

Net profit of the Group has been arrived at after charging (crediting):

Item	Notes	2016	RMB 2015
Depreciation for fixed assets	(VI)15	2,468,351,568.69	1,898,251,734.69
Depreciation and amortization for investment properties	(VI)14	3,257,215.27	430,190.80
Amortization of intangible assets	(VI)17	83,538,209.92	71,027,861.95
Total amount of depreciation and amortization		2,555,146,993.88	1,969,709,787.44
Loss on disposal of non-current assets	(VI)43, 44	15,774,408.19	45,216,114.66
Gross rental income from investment properties		13,376,789.98	2,963,899.22
Employee benefits expense	(VI)24	7,272,332,721.36	6,188,147,184.95

Notes to the Financial Statements

For the year ended 31 December 2016

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

47. Calculation of basic and diluted earnings per share

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

Item	2016	<i>RMB</i> 2015
Net profit attributable to ordinary shareholders	10,551,158,884.21	8,059,332,452.64
Including: Net profit attributable to continuing operations	10,551,158,884.21	8,059,332,452.64
Total	10,551,158,884.21	8,059,332,452.64

The denominator used for calculating earnings per share is the weighted average of outstanding ordinary shares. The calculation is as follows:

Item	2016	<i>RMB</i> 2015
Number of outstanding ordinary shares at the beginning of the year	9,127,269,000.00	9,127,269,000.00
Add: Weighted number of ordinary shares issued in the year	—	—
Less: Weighted number of ordinary shares repurchased in the year	—	—
Weighted number of outstanding ordinary shares at the end of the year	9,127,269,000.00	9,127,269,000.00

Item	2016	<i>RMB</i> 2015
Based on the net profit attributable to shareholders of the Company:		
Basic earnings per share	1.16	0.88
Diluted earnings per share	N/A	N/A
Based on the net profit from continuing operations attributable to shareholders of the Company:		
Basic earnings per share	1.16	0.88
Diluted earnings per share	N/A	N/A

Notes to the Financial Statements

For the year ended 31 December 2016

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

48. Other comprehensive income

Foreign currency translation differences

Item	2016	RMB 2015
Opening balance	(147,973,964.82)	(97,592,596.69)
Exchange differences arising on translation to presentation currency	146,471,630.51	(50,381,368.13)
Closing balance	(1,502,334.31)	(147,973,964.82)

49. Notes to cash flow statements

(1) Other cash received relating to operating activities

Item	2016	RMB 2015
Interest income from bank deposits	52,577,776.88	65,161,572.84
Government grants	33,386,298.62	257,238,803.47
Fiscal subsidy for interest	95,458,120.21	—
Reparations (penalty) income	34,907,889.52	47,260,565.50
Customs deposit withdrawal	—	47,183,826.05
Collection of software license fee	36,553,415.52	—
Others	30,188,685.48	35,417,373.05
Total	283,072,186.23	452,262,140.91

(2) Other cash payments relating to operating activities

Item	2016	RMB 2015
Advertising and media services fee	206,900,996.67	174,329,446.47
Transportation costs and port charges	1,354,267,362.20	1,105,713,514.49
Technology development expenditures	940,109,176.10	940,931,532.65
After-sale services expenses and repair costs	1,263,315,692.55	906,345,194.60
Business reception fees and office expenses	92,040,449.51	112,842,186.78
Payment of customs deposit	60,064,354.84	—
Travelling expenses	19,007,484.64	19,565,938.24
Consultation fees	50,298,438.99	27,558,777.34
Sales service expenses	46,423,666.19	6,773,386.09
Others	149,470,706.91	172,266,069.37
Total	4,181,898,328.60	3,466,326,046.03

Notes to the Financial Statements

For the year ended 31 December 2016

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

49. Notes to cash flow statements (continued)

(3) Other cash receipts relating to investing activities

Item	2016	RMB 2015
Government grants	72,908,823.05	102,400,000.00
Total	72,908,823.05	102,400,000.00

(4) Other cash payments relating to investing activities

Item	2016	RMB 2015
Returned government grants	98,000,000.00	—
Total	98,000,000.00	—

(5) Other cash received relating to financing activities

Item	2016	RMB 2015
Decrease in restricted bank deposits	921,640,080.65	—
Total	921,640,080.65	—

(6) Other cash payments relating to financing activities

Item	2016	RMB 2015
Increase in restricted bank deposits	—	870,671,216.70
Acquisition of 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 2016

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

50. Supplementary information of cash flow statements

(1) Supplementary information of cash flow statements

Supplementary information	2016	RMB 2015
1. Reconciliation of net profits to cash flow from operating activities:		
Net profits	10,553,954,644.48	8,060,364,756.76
Add: Impairment provision for assets	413,153,033.94	81,851,055.83
Depreciation of fixed assets	2,468,351,568.69	1,898,251,734.69
Amortization of intangible assets	83,538,209.92	71,027,861.95
Amortization of long-term prepaid expenses	9,889,420.32	11,597,160.70
Depreciation and amortization of investment properties	3,257,215.27	430,190.80
Losses from changes in fair value	—	214,440.00
Losses/(Gains) on disposal of fixed assets, intangible assets and other long-term assets	15,774,408.19	45,216,114.66
Amortization of deferred income	(98,130,059.43)	(73,149,765.74)
Financial expense/(income)	11,181,473.17	162,985,916.71
Investment losses/(gains)	(30,347,821.12)	(98,096,748.64)
Decrease/(Increase) in deferred tax assets	(254,226,740.19)	(273,267,078.23)
Increase/(Decrease) in deferred tax liabilities	1,234,626.43	1,094,276.88
Decrease/(Increase) in inventories	(2,866,687,877.36)	(1,136,871,949.57)
Amount of combination costs less fair value of the share of identifiable net assets obtained	—	(51,644.99)
Decrease/(Increase) in operating receivables	(14,040,548,734.64)	(5,553,059,490.78)
Increase/(Decrease) in operating payables	12,565,012,866.35	6,835,153,580.68
Net cash flows from operating activities	8,835,406,234.02	10,033,690,411.71
2. Net change in cash and cash equivalents:		
Cash balance at the end of the year	1,891,844,333.75	2,458,364,987.45
Less: Cash balance at the beginning of the year	2,458,364,987.45	3,081,531,924.78
Net increase in cash and cash equivalents	(566,520,653.70)	(623,166,937.33)

Notes to the Financial Statements

For the year ended 31 December 2016

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

50. Supplementary information of cash flow statements (continued)

(2) Information related to the acquisition or disposal of subsidiaries and other business units during this year

Item	2016	RMB 2015
I. Acquisition of subsidiaries and other business units:		
1. Price of acquisition of subsidiaries and other business units	21,500,000.00	23,408,700.00
2. Cash and cash equivalents paid for acquisition of subsidiaries and other business units	21,500,000.00	23,408,700.00
Less: Cash and cash equivalents held by subsidiaries and other business units	(9,369,435.87)	(588,044.16)
3. Net cash paid for acquisition of subsidiaries and other business units	12,130,564.13	22,820,655.84
4. Net asset of acquired subsidiaries	37,381,964.20	46,920,689.98
Current assets	42,543,965.75	3,375,544.16
Non-current assets	11,116,294.13	43,565,611.30
Current liabilities	16,278,295.68	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 2016

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

50. Supplementary information of cash flow statements (continued)

(3) Components of cash and cash equivalents

Item	2016	<i>RMB</i> 2015
I. Cash	1,891,844,333.75	2,458,364,987.45
Including: Cash in hand	1,034,267.62	1,416,616.19
Bank deposits readily to be withdrawn on demand	1,890,810,066.13	2,456,948,371.26
Other cash and bank balances readily to be withdrawn on demand	—	—
II. Cash and cash equivalent balance at the end of the year	1,891,844,333.75	2,458,364,987.45

Notes to the Financial Statements

For the year ended 31 December 2016

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

51. Monetary items denominated in foreign currency

Monetary items denominated in foreign currency:

Item	Closing balance of foreign currency	Exchange rate	<i>RMB</i> Closing balance of RMB
Cash and bank balances			
Include: RMB	141,236,533.58	1.0000	141,236,533.58
USD	7,178,131.20	6.9370	49,794,696.11
GBP	252,876.15	8.5094	2,151,824.34
EUR	290,485.81	7.3068	2,122,521.71
JPY	20,507,530.87	0.0596	1,222,248.84
HKD	20,596.17	0.8945	18,423.48
AUD	845.06	5.0157	4,238.57
SGD	311.00	4.7995	1,492.64
RUB	572.69	0.1151	65.90
KRW	7,060.34	0.0058	40.95
THB	130.02	0.1939	25.21
CHF	1.63	6.7989	11.06
Accounts receivable			
Include: USD	9,784,085.96	6.9370	67,872,204.30
EUR	40,074.66	7.3068	292,817.53
Other accounts receivable			
Include: USD	124,303.00	6.9370	862,289.91
EUR	14,627.84	7.3068	106,882.70
AUD	12,500.00	5.0157	62,696.25
Accounts payable			
Include: EUR	1,577,132.15	7.3068	11,523,789.20
USD	1,428,273.39	6.9370	9,907,932.51
JPY	2,329,898.15	0.0596	138,861.93
Other accounts payable			
Include: EUR	10,794,871.02	7.3068	78,875,963.55
USD	6,596,443.16	6.9370	45,759,526.20
JPY	671,378,177.18	0.0596	40,014,139.36
CHF	1,215,640.60	6.7989	8,265,018.88
GBP	101,056.10	8.5094	859,926.78

Notes to the Financial Statements

For the year ended 31 December 2016

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

52. Net current assets

Item	RMB	
	2016.12.31	2015.12.31
Current assets	53,928,033,538.56	40,389,996,353.27
Less: Current liabilities	43,252,239,792.29	31,786,437,525.14
Net current assets	10,675,793,746.27	8,603,558,828.13

53. Total assets less current liabilities

Item	RMB	
	2016.12.31	2015.12.31
Total assets	92,309,160,566.70	71,910,626,770.84
Less: Current liabilities	43,252,239,792.29	31,786,437,525.14
Total assets less current liabilities	49,056,920,774.41	40,124,189,245.70

Notes to the Financial Statements

For the year ended 31 December 2016

VII. CHANGES IN CONSOLIDATION SCOPE

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
Former Yanfeng Johnson	21,500,000.00	50	Cash	Jan. 2016	Note	63,573,960.03	9,789,781.03

Note: The acquisition date is the date when the acquirer actually obtains the control over the acquiree, namely when the control over net assets and operation decision of acquiree being transferred to the acquirer.

Basic information of acquiree:

Baoding Yanfeng Johnson Controls Seating Co., Ltd. is a limited liability company established on 16 March 2004. Its business nature is sales and manufacture of seats and seat components of automobile. As of the acquisition date, Shanghai Yanfeng Johnson Controls Seating Co., Ltd., the Company and Yixin Development Co., Ltd. ("Yixin Development") (subsidiary of the Company) respectively hold 50%, 25%, and 25% equity interest in Baoding Yanfeng Johnson Controls Seating Co., Ltd.. The long-term equity investment of the Company in former Yanfeng Johnson is calculated under equity method. In January 2016, the Company acquired 50% equity interest in former Yanfeng Johnson from Shanghai Yanfeng Johnson Controls Seating Co., Ltd. at consideration of RMB21.5 million, hence the Company directly held 75% equity and indirectly held 25% in the former Yanfeng Johnson, and the total equity held by the Group reached to 100%.The former Yanfeng Johnson changed from a joint venture of the Group into a subsidiary. On 7 January 2016, Baoding Yanfeng Johnson Controls Seating Co., Ltd. changed its name into "Baoding Xinyi Automobile Seating Co., Ltd."

Notes to the Financial Statements

For the year ended 31 December 2016

VII. CHANGES IN CONSOLIDATION SCOPE (continued)

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

(2) Combination costs and goodwill

	<i>RMB</i>
Combination costs	Former Yanfeng Johnson
Cash	21,500,000.00
Fair value at acquisition date of existing shareholdings prior to acquisition date	18,690,982.10
Total combination costs	40,190,982.10
Less: fair value of the share of identifiable net assets acquired	37,381,964.20
Goodwill	2,809,017.90

(3) Acquiree's identifiable assets and liabilities at acquisition date

	<i>RMB</i>	
	Former Yanfeng Johnson	Former Yanfeng Johnson
	Acquisition date	Acquisition date
	Fair value	Carrying value
Current assets	42,543,965.75	42,308,001.71
Non-current assets	11,116,294.13	9,119,215.11
Current liabilities	(16,278,295.68)	(16,278,295.68)
Net assets	37,381,964.20	35,148,921.14
Less: minority interests	—	—
Net assets acquired	37,381,964.20	35,148,921.14

Note: Fair value of identifiable assets and liabilities is determined by asset-based method.

(4) Gains or losses recalculated by fair value of existing shareholdings

	<i>RMB</i>			
Acquiree	Book value	Fair value	Gains or losses	Amount
	at acquisition	at acquisition	recalculated	transferred from
	date of existing	date of existing	by fair value	comprehensive
	shareholdings	shareholdings	of existing	income related
	prior to	prior to	shareholdings	to equity
	acquisition date	acquisition date	prior to	holding prior to
	acquisition date	acquisition date	acquisition date	acquisition date
Former Yanfeng Johnson	18,006,939.74	18,690,982.10	684,042.36	—

2. Business combination involving enterprises under common control

There is no business combination involving enterprises under common control at this year.

Notes to the Financial Statements

For the year ended 31 December 2016

VII. CHANGES IN CONSOLIDATION SCOPE (continued)

3. Disposal of subsidiaries

There is no subsidiary being disposed at this year.

4. Changes in consolidation scope for other reasons

Newly established subsidiaries during the current year :

Name	Establishment date	RMB	
		Net assets at the end of the year	Net profits at the end of reporting year
Great Wall Motor Europe Technical Center GmbH ("Europe Technical Center")	17 May 2016	31,047,229.65	(1,851,239.04)
Great Wall India Research and Development Private Limited ("India R&D")	23 June 2016	25,887,973.99	(1,513,395.24)
Shenzhen Great Wall Auto Sales Co., Ltd. ("Shenzhen Great Wall Sales")	11 July 2016	211,150.64	(88,849.36)
Haval Financial Leasing Co., Ltd. ("Haval Financial Leasing")	21 July 2016	—	—
American HAVAL Motor Company ("American HAVAL")	14 September 2016	114,930,902.52	(8,206.07)
American HAVAL Motor Technology, LLC ("American HAVAL Technology")	21 September 2016	3,372,474.30	(94,813.28)
American HAVAL Asset Management, LLC ("American HAVAL Asset")	21 September 2016	110,733,910.09	(256,140.42)

Subsidiaries cancelled during the current year:

Name	Cancellation date	RMB	
		Net assets at the disposal date	Net profit from the beginning of the year to the disposal date
Russia Great Wall Closed Joint-Stock Company Limited ("Russia Great Wall")	25 October 2016	—	51,151.23
Great Wall Internal Combustion Engine	18 October 2016	734,388,631.03	46,380,018.52
Macs (Baoding) Auto A/C Systems Co.,Ltd ("Macs")	8 October 2016	44,090,886.45	3,452,263.85
Baoding Great Wall Exquisite Foundry Company Limited ("Exquisite Foundry")	19 October 2016	173,024,047.08	13,140,907.66
Baoding Great Wall Boxiang Automotive Parts Manufacturing Company Limited ("Great Wall Boxiang")	8 October 2016	108,554,773.54	12,984,287.36
Baoding Xinyuan	30 September 2016	73,611,785.46	3,948,592.75

VIII. INTERESTS IN OTHER ENTITIES

1. Interests in subsidiaries

(1) Structure of the Group

Subsidiaries invested by the Group

Full name of subsidiaries	Legal form	Place of principal operations	Place of registration	Business nature	Proportion of shareholdings (%)	
					Proportion of voting rights (%)	
					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	—
Baoding Great	limited liability company	Baoding	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 Auto 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	—
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	—
Mind Component	limited liability company	Baoding	Baoding	Manufacture of automotive parts and components	100.00	—
Tianjin Lean	limited liability company	Tianjin Development zone	Tianjin Development zone	Manufacture of automotive parts and components	—	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	—

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For the year ended 31 December 2016

VIII. INTERESTS IN OTHER ENTITIES (continued)

1. Interests in subsidiaries (continued)

(1) Structure of the Group (continued)

Subsidiaries invested by the Group (continued)

Full name of subsidiaries	Legal form	Place of principal operations	Place of registration	Business nature	Proportion of shareholdings (%)	
					Direct	Indirect
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	—
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, development and manufacture of auto moulds	100.00	—
Baoding Weiyi (Note 1)	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. (formerly known as 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	Car 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	—

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For the year ended 31 December 2016

VIII. INTERESTS IN OTHER ENTITIES (continued)

1. Interests in subsidiaries (continued)

(1) Structure of the Group (continued)

Subsidiaries invested by the Group (continued)

Full name of subsidiaries	Legal form	Place of principal operations	Place of registration	Business nature	Proportion of shareholdings (%) Proportion of voting rights (%)	
					Direct	Indirect
Haval Motors Australia Pty Ltd (哈弗汽車澳大利亞有限公司) ("Haval Australia")	—	Australia	Australia	Auto selling	53.00	47.00
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	—
Automotive Finance	limited liability company	Tianjin	Tianjin	Automotive Finance	90.00	—
Australia Sinyos Technology And Trade Pty Ltd (澳大利亞森友斯科貿有限公司) ("Sinyos Technology and Trade ")	—	Australia	Australia	Auto selling	100.00	—
Haval Motor Manufacturing Rus Limited Liability Company (俄羅斯哈弗汽車製造有限責任公司) ("Russia Manufacturing ")	—	Russia	Russia	Auto manufacture	94.46	5.54
Haval Motors South Africa Proprietary Limited (哈弗汽車南非有限公司) ("Haval South Africa ")	—	South Africa	South Africa	Auto selling	100.00	—
Haval Logistics Company Limited (哈弗物流有限公司) ("Haval Logistics ")	Limited liability company	Baoding	Baoding	Logistics and ordinary goods transportation	100.00	—
Haval Insurance Brokers Company Limited (哈弗保險經紀有限公司) ("Haval Insurance Brokers")	limited liability company	Baoding	Baoding	Insurance Brokers	100.00	—
Scrap 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 ")	limited liability company	Baoding	Baoding	Scrap car recycling and dismantling	100.00	—

Notes to the Financial Statements

For the year ended 31 December 2016

VIII. INTERESTS IN OTHER ENTITIES (continued)

1. Interests in subsidiaries (continued)

(1) Structure of the Group (continued)

Subsidiaries invested by the Group (continued)

Full name of subsidiaries	Legal form	Place of principal operations	Place of registration	Business nature	Proportion of shareholdings (%)	
					Direct	Indirect
Great Wall Japan Motor Co.,Ltd. (長城日本技研株式会社) ("Japan Motor")	—	Yokuhama, Japan	Yokuhama, Japan	Research and design of automobile and auto parts	—	100.00
Europe Technical Center (Note 2)	—	Germany	Germany	Research and design of automobile and auto parts	100.00	—
India R& D (Note 3)	—	India	India	Research design and sales of automobile and auto parts	99.90	0.10
Shenzhen Great Wall Sales (Note 4)	Limited liability company	Shenzhen	Shenzhen	Auto selling	100.00	—
Haval Financial Leasing (Note 5)	Limited liability company	Baoding	Baoding	Finance Lease business	75.00	25.00
American HAVAL (Note 6)	—	USA	USA	Research and design of automobile and auto parts	100.00	—
American HAVAL Technology (Note 7)	—	USA	USA	Research and design of automobile and auto parts	—	100.00
American HAVAL Asset (Note 8)	—	USA	USA	Real estate	—	100.00

Note 1: In December 2016, Baoding Nuobo Rubber Production Company Limited was renamed as "Baoding Weiyi Automobile Co., Ltd."

Note 2: Europe Technology Center is established in Germany by the Company as a wholly-owned subsidiary in May 2016. The registered capital is EUR25, 000.

Note 3: India R&D is a subsidiary registered and established by the Company and its subsidiary Tide Technology and Trade in India in June 2016,, of which 99.9% equity interest is held by the Company and 0.1% equity interest is held by the Company's subsidiary Tide Technology and Trade. The registered capital of India R&D is INR280 million.

Note 4: Shenzhen Great Wall Sales is established in Shenzhen by the Company as a wholly-owned subsidiary in July 2016. The registered capital is RMB50 million.

Note 5: Haval Financial Leasing is a subsidiary of the Company established in Baoding in July 2016, of which 75% equity interest is held by the Company and 25% equity interest is held by the Company's subsidiary Tide Technology and Trade. The registered capital is RMB170 million. As of 31 December 2016, the Company has not made capital contribution yet.

Note 6: American HAVAL is established in USA by the Company as a wholly-owned subsidiary in September 2016. The registered capital is USD50.

Note 7: American HAVAL Technology is a subsidiary of the Company established in USA in September 2016, of which 100 % equity interest is held by the Company's subsidiary American HAVAL. The registered capital is USD50.

Note 8: American HAVAL Asset is a subsidiary of the Company established in USA in September 2016, of which 100 % equity interest is held by the Company's subsidiary American HAVAL. The registered capital is USD50.

Notes to the Financial Statements

For the year ended 31 December 2016

VIII. INTERESTS IN OTHER ENTITIES (continued)

1. Interests in subsidiaries (continued)

(1) Structure of the Group (continued)

Subsidiaries invested by the Group (continued)

Subsidiaries acquired through business combination not under common control:

Full name of subsidiaries	Legal form	Place of principal operations	Place of registration	Business nature	Proportion of shareholdings (%)	
					Proportion of voting rights (%)	
					Direct	Indirect
Yixin Development	—	Hongkong	Hongkong	Investment holding	—	100.00
Baoding Jiehua Automobile Components and Accessories Company Limited (保定杰華汽車零部件有限公司) ("Baoding Jiehua")	Limited liability company	Baoding	Baoding	Manufacture of automotive parts and components	100.00	—
Xinyi Seating	Limited liability company	Baoding	Baoding	Manufacture and sales of automobile seats	75.00	25.00

Subsidiaries acquired through business combination under common control:

Full name of subsidiaries	Legal form	Place of principal operations	Place of registration	Business nature	Proportion of shareholdings (%)	
					Proportion of voting rights (%)	
					Direct	Indirect
Tianjin Wantong (Note 1)	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

Note 1: In July 2016, Tianjin Wantong was absorbed by the Company's subsidiary Tianjin Lean.

Notes to the Financial Statements

For the year ended 31 December 2016

VIII. INTERESTS IN OTHER ENTITIES (continued)

1. Interests in subsidiaries (continued)

(2) Significant non-wholly-owned subsidiary

Full name of subsidiary	Proportion of minority shareholdings	Total profit or loss attributable to minority interests	Dividends attributable to minority interests	RMB	
				Closing balance of Minority interests	
Automotive Finance	10%	2,795,760.27	—	58,842,784.26	

(3) Important financial information of significant non-wholly-owned subsidiary

Full name of subsidiary	RMB					
	Current assets	Non-current assets	2016.12.31		Current liabilities	Non-current liabilities
			Total assets			Total liabilities
Automotive Finance	770,204,264.33	3,123,448,281.24	3,893,652,545.57	3,159,966,582.75	145,258,120.21	3,305,224,702.96

Full name of subsidiary	RMB					
	Current assets	Non-current assets	2015.12.31		Current liabilities	Non-current liabilities
			Total assets			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 subsidiary	2016				2015			
	Operating income	Net profit	Total comprehensive income	Cash flows from operating activities	Operating income	Net profit	Total comprehensive income	Cash flows from operating activities
Automotive Finance	172,037,311.22	27,957,602.69	27,957,602.69	51,973,760.57	78,556,541.32	13,510,231.19	13,510,231.19	(344,954,368.68)

Notes to the Financial Statements

For the year ended 31 December 2016

VIII. INTERESTS IN OTHER ENTITIES (continued)

2. There is no transaction incurred which gives rise to changes in proportion of equity in subsidiaries while the subsidiaries are still held by the Company.

3. Interests in joint ventures or associates

(1) *Financial information about insignificant joint venture is as follows:*

	<i>RMB</i>	
	Closing balance/ Amount incurred during current year	Opening balance/ Amount incurred during last year
Joint venture:		
Former Yanfeng Johnson (<i>Note (VII), 1</i>)	—	18,006,939.74
Total book value of investment	—	18,006,939.74
Amount calculated on the basis of the proportion of shareholding:		
— Net profit	—	6,098,831.41
— Other comprehensive income	—	—
— Total comprehensive income	—	6,098,831.41

Notes to the Financial Statements

For the year ended 31 December 2016

IX. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Major financial instruments of the Group include cash and bank balances, available-for-sale financial assets, accounts receivable, 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 below. The management of the Group manages and monitors such risk exposures to ensure such risks are limited to a prescribed level.

The Group applied sensitive analysis technic to analyze the reasonableness of risk variables, possible changes that may affect profit and loss or shareholders' equity. Risk variables are less likely to change isolated, whereas the correlation between variables have major effect on the changes of single risk. Thus, contents below are under the assumption that the changes of single variable are isolated.

1、 Objective and policies of risk management

The objective of the risk management of the Group is to maintain an appropriate balance between risks and return so to minimize the negative effects of risks against the Group's operating results in order to maximize the benefits of shareholders. Based on such objective, the principle strategy of the Group's risk management is to identify and analyze all types of risks of the Group, establish appropriate risk tolerance thresholds, carry out risk management procedures and perform risk monitoring on all kinds of risks in a timely and reliable manner, thus controlling the risk exposures within a prescribed level.

1.1 Market risk

1.1.1 Foreign exchange risk

Foreign exchange risk represents risks of loss incurred as a result of changes in exchange rates. Foreign currency assets and liabilities which are possible to influence the business performance might be affected by foreign exchange rate. Such elements set out as bellow:

Item	RMB	
	2016.12.31	2015.12.31
Cash and cash equivalents	196,552,122.39	225,380,767.45
Accounts receivable	68,165,021.83	426,964,580.25
Other receivables	1,031,868.86	1,067,606.40
Accounts payable	(21,570,583.64)	(2,884,684.58)
Other payables	(173,774,574.77)	(216,004,048.61)

The Group manages its foreign exchange risk by purchasing forward exchange contracts.

Notes to the Financial Statements

For the year ended 31 December 2016

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	
		2016 Effects on profit	Effects on shareholders' interest
USD	5% strengthening against RMB	3,143,086.58	3,143,086.58
USD	5% weakening against RMB	(3,143,086.58)	(3,143,086.58)
EUR	5% strengthening against RMB	(4,393,876.54)	(4,393,876.54)
EUR	5% weakening against RMB	4,393,876.54	4,393,876.54
GBP	5% strengthening against RMB	64,594.88	64,594.88
GBP	5% weakening against RMB	(64,594.88)	(64,594.88)
JPY	5% strengthening against RMB	(1,946,537.62)	(1,946,537.62)
JPY	5% weakening against RMB	1,946,537.62	1,946,537.62
CHF	5% strengthening against RMB	(413,250.39)	(413,250.39)
CHF	5% weakening against RMB	413,250.39	413,250.39

Note: The effects of the possible reasonable changes in the exchange rates of other foreign currencies to the profit and loss and equity interests before tax for the year are relatively insignificant.

Notes to the Financial Statements

For the year ended 31 December 2016

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	
		2015	Effects on shareholders' interest
		Effects on profit	
USD	5% strengthening against RMB	18,097,472.23	18,097,472.23
USD	5% weakening against RMB	(18,097,472.23)	(18,097,472.23)
EUR	5% strengthening against RMB	(4,611,258.52)	(4,611,258.52)
EUR	5% weakening against RMB	4,611,258.52	4,611,258.52
HKD	5% strengthening against RMB	11,907.70	11,907.70
HKD	5% weakening against RMB	(11,907.70)	(11,907.70)
GBP	5% strengthening against RMB	(34,867.22)	(34,867.22)
GBP	5% weakening against RMB	34,867.22	34,867.22
JPY	5% strengthening against RMB	(564,385.17)	(564,385.17)
JPY	5% weakening against RMB	564,385.17	564,385.17
AUD	5% strengthening against RMB	42,935.12	42,935.12
AUD	5% weakening against RMB	(42,935.12)	(42,935.12)
CHF	5% strengthening against RMB	(794,134.39)	(794,134.39)
CHF	5% weakening against RMB	794,134.39	794,134.39

Note: The effects of the possible reasonable changes in the exchange rates of other foreign currencies to the profit and loss and equity interests before tax for the year are relatively insignificant.

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 Group's fair value interest rate risk of financial instruments relates primarily to floating-rate bank borrowings (Note (VI) 20). The Group aims at keeping borrowings at variable rates so as to eliminate risk of fair value change of interest.

Sensitivity analysis of interest rate risk

Sensitivity analysis of interest rate risk is based on the assumption that changes in market rate will affect the interest income or expense of financial instruments with floating rates.

In accordance with the assumption above, with no changes in other factors, the influence on profit and shareholders' interest (before tax) which caused by reasonable fluctuation of interest rate in this year is as follow:

Item	Fluctuation of interest rate	RMB	
		2016 Effect on profit	Effect on shareholders' interest
Loans and advances to customers	Increase 100 basis points	33,425,500.35	33,425,500.35
Loans and advances to customers	Decrease 100 basis points	(33,425,500.35)	(33,425,500.35)
Long-term borrowings	Increase 100 basis points	(497,000.00)	(497,000.00)
Long-term borrowings	Decrease 100 basis points	497,000.00	497,000.00

1.2 Credit risk

As at 31 December 2016, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees issued by the Group, including the carrying amount of the respective recognized financial assets as stated in the consolidated balance sheet. For financial instruments measured at fair value, the carrying amount reflects the exposure to risks but not the maximum exposure to risks. The maximum exposure to risks would vary according to the future changes in fair value.

The Group only trades with third-parties with good credit records, and the majority of sales are settled by prepayment or bank acceptance bills. In order to minimize the credit risk, the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts.

The Group only accepts bank acceptance bills from banks with relatively high level of credit rating, therefore, credit risk of bill receivables is low. The Group only deposits cash and cash equivalents into banks with relatively high level of credit rating, therefore, credit risk of cash and cash equivalents is low.

Notes to the Financial Statements

For the year ended 31 December 2016

IX. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

1. Objective and policies of risk management (continued)

1.2 Credit risk (continued)

Only a few creditworthy third parties are granted with credit period for credit transactions. As for overseas credit transactions, the Group adopts letter of credit to settle transactions which insured by Sinasure. During the reporting year, the Group is suffered with credit risk concentration to a certain extent as 61.92% accounts receivable is from top five customers (31 December 2015: 61.05%). As of 31 December 2016, the net amount of accounts receivable takes up to 0.53% of the operating income of the Group, so there is no significant credit risk in the Group.

The further quantitative data of credit risks arising from notes receivable, accounts receivable, other receivables and loans and advances to customers are further disclosed in Note (VI), 2, 3, 6 and Note (VI), 10 in the financial statements.

1.3 Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The following is the maturity analysis for financial assets and financial liabilities held by the Group which is based on undiscounted remaining contractual obligations by the end of each year:

	2016.12.31			RMB
	Within 6 months	6-12 months	Over one year	Total
Short-term borrowings	(151,690,555.56)	(103,124,444.45)	—	(254,815,000.01)
Notes payable	(4,160,109,392.27)	(4,873,283.95)	—	(4,164,982,676.22)
Accounts payable	(24,976,748,402.50)	(30,586,674.22)	—	(25,007,335,076.72)
Other payables	(727,138,297.17)	(1,316,558,397.26)	—	(2,043,696,694.43)
Long-term borrowings	(1,683,696.20)	(1,606,739.59)	(51,724,140.64)	(55,014,576.43)

	2015.12.31			RMB
	Within 6 months	6-12 months	Over one year	Total
Short-term borrowings	—	(317,700,000.00)	—	(317,700,000.00)
Notes 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)

Notes to the Financial Statements

For the year ended 31 December 2016

X. FAIR VALUE

1. Fair value at the end of the year of assets and liabilities at fair value

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 inputs
	2016.12.31	2015.12.31		
Fair value measurement on recurring basis				
Available-for-sale financial assets				
Wealth management products	1,438,000,000.00	—	Level 3	Discounted cash flow. The future cash flow is estimated on the basis of projected income rate, and discounted by discount rate which reflects the counterparty's credit risk.

2. Fair value of financial assets and financial liabilities which are not measured at fair value

The management of the Group considers that the carrying amounts of financial assets and financial liabilities measured at amortized costs in the financial statements as at 31 December 2016 approximate their fair values.

XI. RELATED PARTIES AND TRANSACTIONS

1. Parent company of the Company

Name of company	Place of registration	Nature of business	Registered capital	RMB	
				Shareholding in the Company (%)	Voting rights in the Company (%)
Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司)	Baoding	Investment	5,000,000,000.00	56.04	56.04

The ultimate controlling shareholder of the Company is Wei Jian Jun.

2. Subsidiaries of the Company

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

3. Joint ventures of the Company

Details of the joint ventures of the Company are set out in Note (VIII).

Notes to the Financial Statements

For the year ended 31 December 2016

XI. RELATED PARTIES AND TRANSACTIONS (continued)

4. Other related parties of the Company

Name	Relationship with the company
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
Baoding Clean Heat Supplying Co. Ltd. (保定科林供熱有限公司)	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 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 person
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)	Company in which the senior management hold the position of director
Baoding Tai Hang Steel Structure Construction Company Limited (保定太行鋼結構工程有限公司)	Company indirectly controlled by controlling shareholder
Hebei Baocang Expressway Co. Ltd. (河北保滄高速公路有限公司)	Ultimate controlling shareholder serving as director of the company
Baoding Great Wall Venture and Investment Co., Ltd. (保定市長城創業投資有限公司)	Company indirectly controlled by ultimate controlling shareholder
Baoding Lianchi District Great Wall Home Community Medical Service Center (保定市蓮池區長城家園社區衛生服務站)	Company indirectly controlled by ultimate controlling shareholder
Baoding Wan Wei Municipal Engineering Co., Ltd. (保定市萬維市政工程有限公司)	Company indirectly controlled by ultimate controlling shareholder
Baoding Fuyao Glass Co., Ltd. (保定福耀玻璃有限公司)	Company indirectly controlled by ultimate controlling shareholder
Zhang Wen Hui	Key management executives
Zhao Guo Qing	Key management executives
Xu Hui	Key management executives
Yang Gui Yong	Key management executives
Hao Jian Min	Key management executives
Yu Wei Na	Key management executives

XI. RELATED PARTIES AND TRANSACTIONS (continued)**5. Related party transactions****(1) Procurement of raw materials and accessories**

		<i>RMB</i>	
Related parties	Related party transaction	2016	2015
Former Yanfeng Johnson	Purchase of raw materials	N/A	142,914,615.12
Hebei Baoding Tai Hang Group Company Limited	Purchase of raw materials	40,683.76	36,581.19
Hubei Kait Automotive Electronic & Electrical Systems Co., Ltd	Purchase of raw materials	N/A	6,004,731.72
Baoding Clean Heat Supplying Co. Ltd.	Purchase of steam	86,314,722.49	19,975,537.20

(2) Sales of automobiles and components and parts of automobiles

		<i>RMB</i>	
Related parties	Related party transaction	2016	2015
Former Yanfeng Johnson	Sales of automobiles or components and parts of automobiles	N/A	574,508.27
Baoding Wan Wei Municipal Engineering Co., Ltd	Sales of automobiles or components and parts of automobiles	—	59,316.24
Baoding Great Wall Venture and Investment Co., Ltd.	Sales of automobiles or components and parts of automobiles	190,427.36	—
Bochuang Urban Development Company Limited	Sales of automobiles or components and parts of automobiles	—	130,654.70
Baoding Great Wall Real Estate Development and Construction Co., Ltd.	Sales of automobiles or components and parts of automobiles	—	58,461.54
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 2016

XI. RELATED PARTIES AND TRANSACTIONS (continued)

5. Related party transactions (continued)

(3) Purchase of fixed assets

Related parties	Related party transaction	RMB	
		2016	2015
Hebei Baoding Tai Hang Group Company Limited	Purchase of fixed assets	102,564.09	119,611.11
Baoding Furui Landscape Co., Ltd	Purchase of fixed assets	723,190.68	702,439.33
Former Yanfeng Johnson	Purchase of fixed assets	N/A	9,575,752.01

(4) Sales of fixed assets

Related parties	Related party transaction	RMB	
		2016	2015
Baoding Wan Wei Municipal Engineering Co.Ltd	Sales of fixed assets	—	37,663.33
Baoding Zhong Tie Flower-plant Co., Ltd	Sales of fixed assets	3,979.72	1,518.53
Former Yanfeng Johnson	Sales of fixed assets	N/A	81,033.12
Bochuang Urban Development Co., Ltd.	Sales of fixed assets	—	71,965.96
Baoding Kelin Engineering Test Co., Ltd.	Sales of fixed assets	—	658,064.78
Baoding Lianchi District Great Wall Home Community Medical Service Center	Sales of fixed assets	9,174.82	—

(5) Purchase of services

Related parties	Related party transaction	RMB	
		2016	2015
Baoding Furui Landscape Co., Ltd	Purchase of services	24,487.63	—
Baoding Bo Chuang Property Service Co., Ltd.	Purchase of services	239,425.00	189,365.00
Baoding Jiehua	Purchase of services	N/A	194,273.49
Bochuang Urban Development Company Limited	Purchase of services	5,654,098.56	3,811,676.80
Baoding Clean Heat Supplying Co. Ltd.	Purchase of services	2,103,350.35	—

Notes to the Financial Statements

For the year ended 31 December 2016

XI. RELATED PARTIES AND TRANSACTIONS (continued)

5. Related party transactions (continued)

(6) Rendering of services

Related parties	Related party transaction	RMB	
		2016	2015
Former Yanfeng Johnson	Rendering of services	N/A	403,978.52
Hebei Baoding Tai Hang Group Company Limited	Rendering of services	—	24,165.00
Bochuang Urban Development Company Limited	Rendering of services	1,114.94	9,540.00
Baoding Clean Heat Supplying Co. Ltd.	Rendering of services	—	5,000.00
China Automobile (Beijing) Automobile Lightweight Technology Research Institute Company Limited	Rendering of services	—	141,509.43
Hebei Baocang Expressway Co. Ltd.	Rendering of services	29,452.87	—
Others	Rendering of services	—	11,295.00

(7) Rental income and others

Related parties	Related party transaction	RMB	
		2016	2015
Baoding Ruicheng Real Estate Development Co., Ltd.	Rental income and others	33,171.52	125,024.90
Former Yanfeng Johnson	Claim indemnity and others	N/A	567,621.37
Baoding Furui Landscape Co., Ltd.	Income from transferring long-term assets	12,036,400.00	—
Baoding Innovation Great Wall Asset Management Company Limited	Rental 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
Baoding Clean Heat Supplying Co. Ltd.	Other sales income	—	44,947.44
Bochuang Urban Development Company Limited	Rental income	173,581.20	—
Zhang Wen Hui	Rental income	14,244.96	9,496.64
Zhao Guo Qing	Rental income	14,244.96	5,935.40
Xu Hui	Rental income	22,791.96	5,697.99
Yang Gui Yong	Rental income	N/A	10,684.62
Yu Wei Na	Rental income	9,496.70	—
Hao Jian Min	Rental income	3,561.24	4,748.32

Notes to the Financial Statements

For the year ended 31 December 2016

XI. RELATED PARTIES AND TRANSACTIONS (continued)

5. Related party transactions (continued)

(8) Emolument for key management

Item	RMB'000	
	2016	2015
Emolument for key management	26,923	31,403

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:

	RMB'000	
	2016	2015
Huang Zhi Xiong	143	143
Lu Chuang	60	55
Liang Shang Shang (Note)	25	55
Ma Li Hui	60	55
Total	288	308

The above remuneration are paid for the non-executive directors for being the director of the Company. In the reporting year, there is no outstanding remuneration due to non-executive directors (2015: nil).

Note: Liang Shang Shang has no longer served as the Company's independent non-executive director since 17 May 2016.

Notes to the Financial Statements

For the year ended 31 December 2016

XI. RELATED PARTIES AND TRANSACTIONS (continued)

5. Related party transactions (continued)

(8) Emolument for key management (continued)

(b) Executive directors, non-executive directors and supervisors

RMB'000

2016	fees	salaries, wages, bonus and physical benefits	Retirement benefits contribution	Total
Executive directors:				
Wei Jian Jun	—	5,742	11	5,753
Wang Feng Ying	—	5,504	11	5,515
Yang Zhi Juan	—	629	5	634
Non-executive directors:				
He Ping	60	—	—	60
Niu Jun (Note 1)	—	—	—	—
Supervisor:				
Luo Jin Li	20	—	—	20
Zong Yi Xiang	20	—	—	20
Chen Biao	—	506	11	517
Total	100	12,381	38	12,519

Notes to the Financial Statements

For the year ended 31 December 2016

XI. RELATED PARTIES AND TRANSACTIONS (continued)

5. Related party transactions (continued)

(8) Emolument for key management (continued)

(b) Executive directors, non-executive directors and supervisors (continued)

				RMB'000
2015	fees	salaries, wages, bonus and physical benefits	Retirement benefits contribution	Total
Executive directors:				
Wei Jian Jun	—	5,682	11	5,693
Liu Ping Fu (Note 2)	—	507	—	507
Wang Feng Ying	—	5,491	11	5,502
Hu Ke Gang (Note 2)	—	1,901	—	1,901
Yang Zhi Juan	—	664	11	675
Non-executive directors:				
He Ping	55	—	—	55
Niu Jun (Note 1)	—	—	—	—
Supervisor:				
Zhu En Ze	—	—	—	—
Luo Jin Li	20	—	—	20
Zong Yi Xiang	20	—	—	20
Total	95	14,245	33	14,373

Note 1: Niu Jun has no longer served as the company's non-executive director since January 2016.

Note 2: Liu Ping Fu and Hu Ke Gang resigned executive director in December 2015 since they reached retirement age.

The above are paid for the executive directors as compensation for their services as being company management.

For the year, none of directors nor supervisors waived or agreed to waive any emolument, and the Group did not pay any directors nor supervisor as award or compensation for joining the Group.

XI. RELATED PARTIES AND TRANSACTIONS (continued)**5. Related party transactions** (continued)**(8) Emolument for key management** (continued)(c) *Five highest paid individuals*

Two (2015: three) of the five highest paid individuals is listed in the above table, and analysis for the remaining three (2015: two) individuals are as follows:

	2016	<i>RMB'000</i> 2015
Salary, bonus, allowance and physical benefits	10,134	8,167
Retirement benefits contribution	32	21
Total	10,166	8,188

The number of employees with emoluments within the following bands:

	2016	2015
HK\$0 to HK\$1,000,000 (Equivalent to RMB0 to RMB894,500)	—	—
HK\$1,000,000 to HK\$2,000,000 (equivalent to RMB894,500 to RMB1,789,000)	—	—
HK\$2,000,000 to HK\$3,000,000 (equivalent to RMB1,789,000 to RMB2,683,500)	1	—
HK\$3,000,000 to HK\$4,000,000 (equivalent to RMB2,683,500 to RMB3,578,000)	—	—
HK\$4,000,000 to HK\$5,000,000 (equivalent to RMB3,578,000 to RMB4,472,500)	2	2

Notes to the Financial Statements

For the year ended 31 December 2016

XI. RELATED PARTIES AND TRANSACTIONS (continued)

6. Amounts due from/due to related parties

Item	Related parties	2016.12.31	RMB 2015.12.31
Accounts receivable	Baoding Clean Heat Supplying Co. Ltd.	—	44,764.50
Accounts receivable	Hebei Baocang Expressway Co. Ltd.	—	104,075.88
Subtotal of accounts receivable		—	148,840.38
Other receivables	Bochuang Urban Development Company Limited	1,485,860.02	1,480,248.60
Other receivables	Baoding Bo Chuang Property Service Co., Ltd.	4,305.29	—
Other receivables	Baoding Furui Landscape Co., Ltd	8,846.92	—
Subtotal of other receivables		1,499,012.23	1,480,248.60
Notes payable	Former Yanfeng Johnson	N/A	27,454,213.75
Notes payable	Baoding Clean Heat Supplying Co. Ltd.	4,296,578.36	3,274,814.10
Subtotal of Notes payable		4,296,578.36	30,729,027.85
Accounts payable	Former Yanfeng Johnson	N/A	24,455,380.67
Accounts payable	Hebei Baoding Tai Hang Group Company Limited	149,122.65	149,122.65
Accounts payable	Baoding Clean Heat Supplying Co. Ltd.	25,460,005.48	8,615,279.85
Accounts payable	Baoding Tai Hang Pump Manufacturing Company Limited	480.00	480.00
Subtotal of accounts payable		25,609,608.13	33,220,263.17
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	6,526.00	7,526.00
Other payables	Baoding Furui Landscape Co., Ltd	564,715.83	702,439.33
Other payables	Hebei Baoding Tai Hang Group Company Limited	26,000.00	22,000.00
Other payables	Former Yanfeng Johnson	N/A	72,351.60
Other payables	Wei Jian Jun	—	320,000.00
Other payables	Zhao Guo Qing	80,409.24	80,409.24
Other payables	Zhang Wen Hui	61,825.13	61,825.13
Other payables	Xu Hui	84,542.00	84,542.00
Other payables	Hao Jian Min	—	80,409.23
Other payables	Yu Wei Na	21,718.97	—
Other payables	Baoding Bo Chuang Property Service Co., Ltd.	4,305.29	—
Other payables	Baoding Clean Heat Supplying Co. Ltd.	597,490.27	—
Other payables	Hebei Baocang Expressway Co. Ltd.	27,293.53	—
Subtotal of other payables		6,254,338.11	6,211,014.38
Receipts in advance	Baoding Zhong Tie Flower-plant Co., Ltd	—	73,600.80
Receipts in advance	Zhao Guo Qing	22,554.68	36,799.64
Receipts in advance	Zhang Wen Hui	18,993.44	33,238.40
Receipts in advance	Xu Hui	39,886.12	62,678.08
Receipts in advance	Hao Jian Min	—	37,986.72
Receipts in advance	Yu Wei Na	13,295.29	—
Subtotal of receipts in advance		94,729.53	244,303.64
Dividends receivable	Former Yanfeng Johnson	N/A	3,800,683.86
Dividends receivable	Baoding Clean Heat Supplying Co. Ltd.	—	5,991,068.20
Subtotal of dividends receivable:		—	9,791,752.06
Prepayments	Hebei Baoding Tai Hang Group Company Limited	—	13,948.72
Prepayments	Baoding Clean Heat Supplying Co. Ltd.	292,637.96	—
Subtotal of prepayments:		292,637.96	13,948.72

Notes to the Financial Statements

For the year ended 31 December 2016

XII. COMMITMENTS

1. Significant Commitments

(1) Capital commitments

	2016.12.31	RMB'000 2015.12.31
Contracted for but not provided	6,782,741	7,822,477

(2) Operating lease commitments

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

	2016.12.31	RMB'000 2015.12.31
Minimum lease payments under non-cancellable operating leases:		
In the first year from the balance sheet date	12,033	10,469
In the second year from the balance sheet date	9,939	8,009
In the third year from the balance sheet date	7,964	6,492
Subsequent years	28,424	37,176
Total	58,360	62,146

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 2016

XIII. OTHER SIGNIFICANT EVENTS (continued)

1. Segment reporting (continued)

Revenue from external customers by location of revenue sources:

Item	2016	RMB 2015
Revenue from external customers in China	97,512,270,598.35	74,574,750,059.30
Northeast China	6,692,551,985.34	5,610,358,478.05
Northern China	14,532,885,413.75	11,711,371,100.84
Eastern China	30,500,300,164.60	22,116,544,437.52
Central China	24,786,344,189.06	18,554,911,405.45
Northwest China	6,510,539,296.18	5,703,479,498.34
Southwest China	14,489,649,549.42	10,878,085,139.10
Revenue from external customers in other countries	1,103,431,828.89	1,458,392,446.66
Chile	226,463,920.33	258,777,111.12
Russia	117,812,530.89	25,249,992.78
Ecuador	109,620,823.70	129,339,037.59
Peru	90,305,503.73	89,158,963.04
Australia	81,309,761.32	20,662,744.42
Iraq	51,876,147.58	45,995,308.41
Bolivia	48,867,831.12	42,758,617.32
South Africa	46,956,895.59	56,659,343.53
Malaysia	33,079,077.93	76,428,992.49
Iran	27,809,670.58	155,380,974.02
Cote d'Ivoire	25,879,891.85	22,748,613.42
Tunisia	20,969,320.93	—
Uruguay	20,634,037.45	22,822,673.21
Columbia	11,624,877.55	44,939,715.35
Algeria	8,127,539.46	151,832,326.78
Bulgaria	3,647,162.86	5,347,821.70
Other overseas countries	178,446,836.02	310,290,211.48
Total	98,615,702,427.24	76,033,142,505.96

The segment reports mainly disclose the Group's non-current assets, including fixed assets, investment properties, construction in progress and investment in joint ventures, all of which are located in PRC.

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

Notes to the Financial Statements

For the year ended 31 December 2016

XIV. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY

1. Cash and bank balances

Item	2016.12.31	RMB 2015.12.31
Cash:		
RMB	404,887.70	403,800.80
EUR	67,479.83	59,064.13
USD	62,819.67	86,458.84
JPY	25,265.09	52,827.13
GBP	17,786.94	20,638.32
HKD	10,528.74	11,780.36
AUD	4,238.57	15,785.74
SGD	1,492.64	1,426.71
RUB	65.90	313.16
KRW	40.95	39.18
THB	25.21	23.39
Bank balances:		
RMB	3,585,928,594.21	994,456,582.98
USD	33,379,520.56	11,672,973.67
GBP	2,134,037.40	12.50
EUR	1,164,083.65	8,612,635.88
JPY	8,912.14	49.30
HKD	7,894.74	335,133.95
CHF	11.06	—
AUD	—	791,763.23
Other cash and bank balances:		
RMB	83,528,803.60	435,749,689.12
USD	—	2,272,760.00
Total	3,706,746,488.60	1,454,543,758.39
Including: overseas cash and bank balances	—	—

As at 31 December 2016, the Company had restricted cash and bank balances of RMB83,528,803.60, in which guarantee on bank acceptance bills amounted to RMB81,408,803.60; guarantee on letter of credit amounted to RMB1,320,000.00, and guarantee on letter of guarantee amounted to RMB800,000.00.

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 and guarantee on letter of credit amounted to RMB3,172,560.00.

Notes to the Financial Statements

For the year ended 31 December 2016

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

2. Notes receivable

(1) Classification of notes receivable

Category	RMB	
	2016.12.31	2015.12.31
Bank acceptance bills	39,004,100,733.85	24,603,364,219.79
Total	39,004,100,733.85	24,603,364,219.79

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

Category	RMB	
	2016.12.31	2015.12.31
Bank acceptance bills	3,480,690,391.00	1,867,570,210.00
Total	3,480,690,391.00	1,867,570,210.00

Note: The Company pledged the notes receivable for the issuance of notes payable.

(3) Bills endorsed and discounted by the Group to other parties but yet undue by the end of the year are as follows:

Category	RMB	
	2016.12.31	2015.12.31
Bank acceptance bills	22,035,780,712.38	16,793,479,822.13
Total	22,035,780,712.38	16,793,479,822.13

The above bills which were endorsed and discounted but yet undue have been derecognized.

Notes to the Financial Statements

For the year ended 31 December 2016

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

3. Accounts receivable

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

RMB

Category	2016.12.31					2015.12.31				
	Carrying amount		Provision for bad debt			Carrying amount		Provision for bad debt		
	Amount	Ratio (%)	Amount	Provision ratio (%)	Book vale	Amount	Ratio (%)	Amount	Provision ratio (%)	Book vale
Receivables that are individually significant and for which bad debt provision is individually assessed	809,589,209.35	91.48	(347,723,237.41)	42.95	461,865,971.94	706,760,138.70	93.13	(65,501,530.27)	9.27	641,258,608.43
Receivables for which bad debt provision is collectively assessed on a portfolio basis of credit risk character	75,358,187.00	8.52	(1,129,165.15)	1.50	74,229,021.85	52,149,459.53	6.87	—	—	52,149,459.53
Accounts receivable that are not individually significant but for which bad debt provision is individually assessed	—	—	—	—	—	—	—	—	—	—
Total	884,947,396.35	100.00	(348,852,402.56)	39.42	536,094,993.79	758,909,598.23	100.00	(65,501,530.27)	8.63	693,408,067.96

Receivables that are individually significant and for which bad debt provision is individually assessed:

RMB

Accounts receivable (by customers)	2016.12.31			Reason for provision
	Accounts receivable	Provision for bad debts	Provision ratio (%)	
Customer 1	337,759,668.42	(337,759,668.42)	100.00	Past due
Customer 2	19,662,262.58	(686,575.55)	3.49	Past due
Customer 3	19,002,415.68	(1,802,640.00)	9.49	Past due
Customer 4	14,853,080.50	(913,958.50)	6.15	Past due
Customer 5	8,075,058.85	(1,137,822.79)	14.09	Past due
Customer 6	7,798,023.50	(1,110,800.84)	14.24	Past due
Customer 7	6,419,392.20	(73,268.60)	1.14	Past due
Customer 8	4,973,170.09	(1,378,460.05)	27.72	Past due
Customer 9	4,298,616.70	(1,142,944.15)	26.59	Past due
Customer 10	3,134,726.19	(1,717,098.51)	54.78	Past due
Others	383,612,794.64	—	—	—
Total	809,589,209.35	(347,723,237.41)	42.95	

Notes to the Financial Statements

For the year ended 31 December 2016

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 are as follows:*

Aging	2016.12.31				2015.12.31				RMB
	Carrying amount	Ratio (%)	Provision for bad debts	Book value	Carrying amount	Ratio (%)	Provision for bad debts	Book value	
Within 1 year	486,885,215.52	55.02	(10,594,993.45)	476,290,222.07	432,502,876.06	56.99	—	432,502,876.06	
1 to 2 years	396,406,203.45	44.79	(338,257,409.11)	58,148,794.34	326,406,722.17	43.01	(65,501,530.27)	260,905,191.90	
2 to 3 years	1,655,977.38	0.19	—	1,655,977.38	—	—	—	—	
Total	884,947,396.35	100.00	(348,852,402.56)	536,094,993.79	758,909,598.23	100.00	(65,501,530.27)	693,408,067.96	

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

(3) *Provision, collection or reversal of bad debts during the reporting year.*

Provision for bad debts amounted to RMB280,915,473.71; amount arising from merged by absorbing and transferred to bad debt provision amounted to RMB13,369,278.91; collection or reversal of bad debts amounted to RMB10,933,880.33.

(4) *No accounts receivable have been written off during the reporting year.*

Notes to the Financial Statements

For the year ended 31 December 2016

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

3. Accounts receivable (continued)

(5) Top five entities with the largest balances of accounts receivable

Name of unit	Closing balance	Proportion of the amount to the total accounts receivable (%)	RMB
			Amount of provision for bad debts at end of the year
Customer1	337,759,668.42	38.17	(337,759,668.42)
Customer2	42,748,247.87	4.83	—
Customer3	35,477,822.59	4.01	—
Customer4	19,662,262.58	2.22	(686,575.55)
Customer5	19,002,415.68	2.15	(1,802,640.00)
Total	454,650,417.14	51.38	(340,248,883.97)

4. Other receivables

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

Category	2016.12.31					2015.12.31				
	Carrying amount		Provision for bad debts		Book value	Carrying amount		Provision for bad debts		Book value
	Amount	Ratio (%)	Amount	Provision ratio (%)		Amount	ratio (%)	Amount	Provision ratio (%)	
Other receivables that are individually significant and for which bad debt provision is individually assessed	149,230,160.09	90.27	(7,141,494.12)	4.79	142,088,665.97	59,140,913.94	85.12	(1,744,140.00)	2.95	57,396,773.94
Other receivables for which bad debt provision is collectively assessed on a portfolio basis of credit risk character	16,093,648.59	9.73	—	—	16,093,648.59	10,341,854.00	14.88	—	—	10,341,854.00
Other receivable that are not individually significant but for which bad debt provision is individually assessed	—	—	—	—	—	—	—	—	—	—
Total	165,323,808.68	100.00	(7,141,494.12)	4.32	158,182,314.56	69,482,767.94	100.00	(1,744,140.00)	2.51	67,738,627.94

Notes to the Financial Statements

For the year ended 31 December 2016

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

4. Other receivables (continued)

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

Other receivables that are individually significant and for which bad debt provision is individually assessed:

Other accounts receivable (by entities)	2016.12.31			
	Other accounts receivable	Provision for bad debts	Provision ratio (%)	Reason for provision
Entity 1	63,289,727.07	—	—	—
Entity 2	10,200,000.00	—	—	—
Entity 3	10,000,000.00	—	—	—
Entity 4	9,649,265.82	—	—	—
Entity 5	5,646,574.53	—	—	—
Entity 6	5,397,354.12	(5,397,354.12)	100.00	Uncollectible under estimate
Entity 7	1,744,140.00	(1,744,140.00)	100.00	Uncollectible under estimate
Others	43,303,098.55	—	—	—
Total	149,230,160.09	(7,141,494.12)	4.79	

RMB

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

Aging	2016.12.31				2015.12.31			
	Amount	Ratio (%)	Provision for bad debts	Book value	Amount	Ratio (%)	Provision for bad debts	Book value
Within 1 year	144,813,834.29	87.59	(5,397,354.12)	139,416,480.17	49,152,196.45	70.74	—	49,152,196.45
1 to 2 years	1,961,934.68	1.19	—	1,961,934.68	18,263,052.24	26.28	(1,744,140.00)	16,518,912.24
2 to 3 years	17,611,881.41	10.65	(1,744,140.00)	15,867,741.41	1,622,763.57	2.34	—	1,622,763.57
Over 3 years	936,158.30	0.57	—	936,158.30	444,755.68	0.64	—	444,755.68
Total	165,323,808.68	100.00	(7,141,494.12)	158,182,314.56	69,482,767.94	100.00	(1,744,140.00)	67,738,627.94

RMB

(3) Provision, collection or reversal of bad debts during the reporting year:

Provision for bad debts amounted to RMB5,896,967.37; collection or reversal of bad debts amounted to RMB499,613.25.

(4) The Company did not write off other receivables during the reporting year.

Notes to the Financial Statements

For the year ended 31 December 2016

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

4. Other receivables (continued)

(5) Other accounts receivable disclosed by nature are as follows:

Nature of other accounts receivable	RMB	
	2016.12.31	2015.12.31
Petty cash	20,175,170.98	6,603,016.85
Deposits	98,628,404.71	30,075,904.44
Others	46,520,232.99	32,803,846.65
Total	165,323,808.68	69,482,767.94

(6) Top five entities with the largest balances of other receivables:

Name of unit	Nature of other accounts receivable			Percentage of the total other receivables (%)	RMB	
		Amount	Aging		Closing balance of provision of bad debts	
Entity 1	Customs deposits	63,289,727.07	Within 1 year	38.28	—	
Entity 2	Performance bond	10,200,000.00	Within 3 year	6.17	—	
Entity 3	Steel products deposits	10,000,000.00	Within 1 year	6.05	—	
Entity 4	Advances for others	9,649,265.82	Within 1 year	5.84	—	
Entity 5	Advances for others	5,972,406.97	Within 1 year	3.61	—	
Total		99,111,399.86		59.95	—	

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

5. Inventories

(1) Inventories categories

Item	RMB		
	2016.12.31		
	Carrying amount	Provision for decline in value of inventories	Book value
Raw materials	711,492,917.27	(1,705,038.57)	709,787,878.70
Work-in-progress	751,914,788.57	(23,149.09)	751,891,639.48
Finished goods	1,256,880,987.44	(4,308,713.42)	1,252,572,274.02
Low-valued and short-lived consumables	203,263,277.41	(175,165.55)	203,088,111.86
Total	2,923,551,970.69	(6,212,066.63)	2,917,339,904.06

Notes to the Financial Statements

For the year ended 31 December 2016

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

5. Inventories (continued)

(1) Inventories categories (continued)

Item	Carrying amount	2015.12.31	
		Provision for decline in value of inventories	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 and short-lived consumables	110,975,882.68	—	110,975,882.68
Total	2,389,662,379.02	(8,705,783.44)	2,380,956,595.58

(2) Provision for decline in value of inventories

Inventory categories	2016.1.1	Provision for the year	Transferred from merger by absorbing	Decrease for the year		2016.12.31
				Reversals	Written-off	
Raw materials	1,890,113.64	17,814.41	1,638,373.92	(1,195,397.72)	(645,865.68)	1,705,038.57
Work-in-progress	—	23,149.09	—	—	—	23,149.09
Finished goods	6,815,669.80	14,001,633.74	—	(683,485.22)	(15,825,104.90)	4,308,713.42
Low-valued and short-lived consumables	—	12,698.00	179,363.00	—	(16,895.45)	175,165.55
Total	8,705,783.44	14,055,295.24	1,817,736.92	(1,878,882.94)	(16,487,866.03)	6,212,066.63

(3) Analysis of provision for decline in value of inventories

Item	Basis of provision for decline in value of inventories	Reasons for reversal or written-off of provision for decline in value of inventories during the year	Percentage of the reversal to the closing balance of such inventory during the year (%)
Raw materials	Note 1	Note 2	0.17
Work-in-progress	Note 1	—	—
Finished goods	Note 1	Note 2	0.05
Low-valued and short-lived consumables	Note 1	Note 2	—

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

5. Inventories (continued)

(3) *Analysis of provision for decline in value of inventories* (continued)

Descriptions of inventories:

Note 1: As the estimated net realizable value of some vehicle products was lower than the inventory cost as at the end of the year, provision for decline in value of inventories had been made for raw materials, work-in-process, finished goods and Low-valued and short-lived consumables correspondingly.

Note 2: As the estimated net realizable value of some vehicle products and some raw materials was higher than the inventory cost as at the end of the reporting year, the provision for decline in value of inventories for the previous year has been reversed. In addition, as the inventories for which provision for decline in value has been made in the previous year was sold during the year, the provision for decline in value of inventories has been written off.

Notes to the Financial Statements

For the year ended 31 December 2016

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

6. Long-term equity investments

The breakdown of long-term equity investments is as follows:

Item	2016.12.31			2015.12.31		
	Carrying amount	Impairment provision	Book value	Carrying amount	Impairment provision	Book value
Investment in subsidiary	4,573,289,565.46	—	4,573,289,565.46	5,021,595,119.18	—	5,021,595,119.18
Investment in associates and joint venture	—	—	—	8,694,561.20	—	8,694,561.20
Total	4,573,289,565.46	—	4,573,289,565.46	5,030,289,680.38	—	5,030,289,680.38

RMB

The breakdown of investments in subsidiaries is as follows:

Investee	2016.1.1	Addition	Reduction	2016.12.31	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 (Note 1)	583,255,808.00	—	(583,255,808.00)	—	—	—
Great Wall Vehicle Axles (Note 2)	347,555,714.49	—	(282,220,000.00)	65,335,714.49	—	—
Baoding Nuobo	72,240,000.00	—	—	72,240,000.00	—	—
Beijing Great	12,539,100.00	—	—	12,539,100.00	—	—
Baoding Great	23,000,000.00	—	—	23,000,000.00	—	—
Great Wall After-sales	34,850,000.00	—	—	34,850,000.00	—	—
Macs (Note 1)	41,928,490.00	—	(41,928,490.00)	—	—	—
Tide Technology and Trade (Note 3)	159,353,665.00	98,000,000.00	—	257,353,665.00	—	—
Russia Great Wall (Note 4)	404,335.00	—	(404,335.00)	—	—	—
Mind Component (Note 5)	71,250,000.00	46,767,800.00	—	118,017,800.00	—	—
Exquisite Foundry (Note 1)	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	—	—

RMB

Notes to the Financial Statements

For the year ended 31 December 2016

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	2016.1.1	Addition	Reduction	2016.12.31	RMB	
					Provision for impairment during the year	Closing balance of provision for bad debt
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 (Note 1)	39,116,124.26	—	(39,116,124.26)	—	—	—
Exquisite Mould	5,000,000.00	—	—	5,000,000.00	—	—
Baoding Xinyuan (Note 1)	73,993,920.36	—	(73,993,920.36)	—	—	—
Xushui Component	7,000,000.00	—	—	7,000,000.00	—	—
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	—	—
Shanghai Haval	1,500,000.00	—	—	1,500,000.00	—	—
Haval Auto Sales	5,000,000.00	—	—	5,000,000.00	—	—
Baoding Weiji	255,000,000.00	—	—	255,000,000.00	—	—
Baoding Jie Hua	40,811,761.79	—	—	40,811,761.79	—	—
Haval Motors South Africa (Note 6)	4,300,380.00	21,611,700.00	—	25,912,080.00	—	—
Haval Logistics	50,000,000.00	—	—	50,000,000.00	—	—
Russia Manufacturing (Note 7)	200,000,000.00	250,000,000.00	—	450,000,000.00	—	—
Haval Insurance Brokers	50,000,000.00	—	—	50,000,000.00	—	—
Scrap car recycling and dismantling	5,000,000.00	—	—	5,000,000.00	—	—
Xinyi Seating (Note 8)	—	30,194,561.20	—	30,194,561.20	—	—
Haval Australia (Note 9)	—	21,773,250.00	—	21,773,250.00	—	—
Europe Technical Center (Note 10)	—	33,428,802.00	—	33,428,802.00	—	—
India R&D (Note 11)	—	28,082,810.70	—	28,082,810.70	—	—
Sinyos Technology and Trade (Note 12)	—	13,000,000.00	—	13,000,000.00	—	—
Shenzhen Great Wall Sales (Note 13)	—	300,000.00	—	300,000.00	—	—
American HAVAL (Note 14)	—	114,454,200.00	—	114,454,200.00	—	—
Total	5,021,595,119.18	657,613,123.90	(1,105,918,677.62)	4,573,289,565.46	—	—

Notes to the Financial Statements

For the year ended 31 December 2016

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 was as follows:

RMB

Investee	2016.1.1	Addition	Reduction	Movement in this year					Others	2016.12.31	Provision for impairment during the year
				Investment profit or loss recognized under equity method	Adjustment of other comprehensive income	Change in other equity	Declared cash dividends or profit	Provision for impairment			
Investments in associates											
Former Yanfeng Johnson (Note 8)	8,694,561.20	—	(8,694,561.20)	—	—	—	—	—	—	—	—
Sub-total	8,694,561.20	—	(8,694,561.20)	—	—	—	—	—	—	—	—
Total	8,694,561.20	—	(8,694,561.20)	—	—	—	—	—	—	—	—

Note 1: In March 2016, the wholly-owned subsidiaries Great Wall Internal Combustion Engine, Macs, Exquisite Foundry, Great Wall Boxiang and Baoding Xinyuan were merged by absorption.

Note 2: In April 2016, the Company reduced its capital investment in Great Wall Vehicle Axles (the wholly-owned subsidiary of the Company), hence the registered capital of Great Wall Vehicle Axles was reduced from RMB282.72 million to RMB500,000.

Note 3: In April and June 2016, the Company increased its investment in Tide Technology and Trade by RMB98 million in total, correspondingly, Tide Technology and Trade's registered capital was increased to USD24.5 million and RMB100 million.

Note 4: In October 2016, Russia Great Wall was cancelled.

Note 5: In November 2016, the Company acquired 25% equity interest in Mind Component from Billion Sunny Development, upon the completion of the acquisition, the Company holds 100% equity interest in it. The amounts for acquisition have not been paid until the balance sheet date.

Note 6: In February 2016, the Company increased its investment in Haval South Africa by USD3.3 million.

Note 7: In June 2016, the Company increased its investment in Russia Manufacturing by RMB250 million. Upon the completion of the investment injection, Russia Manufacturing's registered capital increased to RMB4,697.11 million.

Note 8: In January 2016, the Company acquired 50% equity interest in Former Yanfeng Johnson from Shanghai Yanfeng Johnson Controls Seating Co., Ltd., upon the completion of the acquisition, Yanfeng Johnson changed its name into "Baoding Xinyi Automobile Seating Co., Ltd.", and the Company holds 75% equity interest in it, and the remaining 25% equity is held by Billion Sunny Development, subsidiary of the Company.

Note 9: In February 2016, the Company increased its investment in Haval Australia by AUD 4.5 million. Upon the completion of the investment injection, Haval Australia's registered capital increased to AUD8.5 million. the Company directly holds 53% equity in Haval Australia, and the remaining 47% equity is held by Tide Technology and Trade.

Note 10: In May 2016, the Company established Europe Technical Center with registered capital of EUR 25,000.

Note 11: In June 2016, the Company and its subsidiary Tide Technology and Trade registered and established India R&D in India with registered capital of INR 280 million. The Company directly holds 99.9% equity in India R&D, and the remaining 0.1% equity is held by Tide Technology and Trade.

Note 12: In August 2016, the Company increased its investment in Sinyos Technology and Trade by RMB13 million.

Note 13: In July 2016, the Company established Shenzhen Great Wall Sales with registered capital of RMB50 million, the Company directly holds 100% equity. The actual amount of investment was 0.3 million by the Company until the balance sheet date, the remaining registered capital had not been paid.

Note 14: In September 2016, the Company established American HAVAL with registered capital of USD50, the Company directly holds 100% equity.

Notes to the Financial Statements

For the year ended 31 December 2016

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

7. Investment properties

The investment properties measured at cost

Item			<i>RMB</i>
	Buildings	Land use right	Total
I. Original carrying amount			
2016.1.1	6,973,669.66	—	6,973,669.66
Additions for the year	71,662,155.24	17,770,823.45	89,432,978.69
(1) Transfer from fixed assets and intangible assets	—	17,770,823.45	17,770,823.45
(2) Transfer from construction in progress	71,662,155.24	—	71,662,155.24
2016.12.31	78,635,824.90	17,770,823.45	96,406,648.35
II. Accumulated amortization and depreciation			
2016.1.1	(801,793.57)	—	(801,793.57)
Additions for the year	(1,874,762.51)	(1,216,366.89)	(3,091,129.40)
(1) Provision or amortization	(1,874,762.51)	(207,672.39)	(2,082,434.90)
(2) Transfer from fixed assets and intangible assets	—	(1,008,694.50)	(1,008,694.50)
2016.12.31	(2,676,556.08)	(1,216,366.89)	(3,892,922.97)
III. Book value			
2016.12.31	75,959,268.82	16,554,456.56	92,513,725.38
2016.1.1	6,171,876.09	—	6,171,876.09

Notes to the Financial Statements

For the year ended 31 December 2016

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

8. Fixed assets

Fixed assets

	RMB				
Item	Buildings and structures	Machinery and equipment	Motor vehicles	Other equipment	Total
I. Original book value					
2016.1.1	8,182,125,832.21	10,862,013,389.08	99,403,225.55	2,868,292,190.48	22,011,834,637.32
Additions for the year	2,124,515,382.38	5,783,254,020.51	49,191,909.16	1,675,897,794.28	9,632,859,106.33
1. Purchase	44,800,495.19	488,151,398.82	12,148,474.48	180,727,173.02	725,827,541.51
2. Transfer from construction in progress	1,850,939,595.64	4,452,964,400.88	30,053,776.32	1,340,206,445.67	7,674,164,218.51
3. Increase from merger by absorbing	228,775,291.55	842,138,220.81	6,989,658.36	154,964,175.59	1,232,867,346.31
Deductions for the year	(1,474,788.70)	(161,079,308.45)	(3,024,699.30)	(37,426,994.81)	(203,005,791.26)
1. Disposal and scrap	(1,474,788.70)	(48,444,331.98)	(3,024,699.30)	(36,513,226.14)	(89,457,046.12)
2. Transfer to construction in progress	—	(108,345,126.65)	—	(27,002.61)	(108,372,129.26)
3. Others	—	(4,289,849.82)	—	(886,766.06)	(5,176,615.88)
2016.12.31	10,305,166,425.89	16,484,188,101.14	145,570,435.41	4,506,762,989.95	31,441,687,952.39
II. Total accumulated depreciation					
2016.1.1	854,385,708.92	3,385,584,661.34	31,036,751.24	1,435,187,141.61	5,706,194,263.11
Additions for the year	401,303,006.98	1,803,503,608.52	21,801,643.74	623,186,073.55	2,849,794,332.79
1. Provision for the year	305,388,307.67	1,324,985,546.10	17,705,978.98	525,281,926.50	2,173,361,759.25
2. Increase from merger by absorbing	95,914,699.31	478,518,062.42	4,095,664.76	97,904,147.05	676,432,573.54
Deductions for the year	(343,163.46)	(55,473,606.31)	(2,514,206.89)	(24,365,421.36)	(82,696,398.02)
1. Disposal and scrap	(343,163.46)	(37,287,683.14)	(2,514,206.89)	(24,059,523.91)	(64,204,577.40)
2. Transfer to construction in progress	—	(17,370,322.10)	—	(12,763.01)	(17,383,085.11)
3. Others	—	(815,601.07)	—	(293,134.44)	(1,108,735.51)
2016.12.31	1,255,345,552.44	5,133,614,663.55	50,324,188.09	2,034,007,793.80	8,473,292,197.88
III. Provision for impairment					
2016.1.1	136,268.33	42,855,846.40	—	32,323,450.76	75,315,565.49
Additions for the year	—	6,208,183.45	—	52,989,892.54	59,198,075.99
1. Provision for the year (Note)	—	5,653,620.80	—	52,565,390.51	58,219,011.31
2. Increase from merger by absorbing	—	554,562.65	—	424,502.03	979,064.68
Deductions for the year	—	(604,074.03)	—	(3,654,565.22)	(4,258,639.25)
1. Disposal and scrap	—	(604,074.03)	—	(3,654,565.22)	(4,258,639.25)
2016.12.31	136,268.33	48,459,955.82	—	81,658,778.08	130,255,002.23
IV. Book value					
2016.12.31	9,049,684,605.12	11,302,113,481.77	95,246,247.32	2,391,096,418.07	22,838,140,752.28
2016.1.1	7,327,603,854.96	7,433,572,881.34	68,366,474.31	1,400,781,598.11	16,230,324,808.72

Note: Provision of impairment for the year happened on impairment of specific moulds and devices as a result of quit markets with some types of automobiles and change of production techniques.

Notes to the Financial Statements

For the year ended 31 December 2016

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

8. Fixed assets (continued)

As at 31 December 2016, among the fixed assets, the net book value of properties without title certificates amounted to RMB3,453,684,141.59 (As at 31 December 2015: RMB1,920,434,767.20) and the application of relevant title certificates is in progress.

9. Construction in progress

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

Project	2016.12.31			2015.12.31		
	Carrying amount	Impairment provision	Net book value	Carrying amount	Impairment provision	Net book value
Annual production of 400,000 sets of aluminum alloy casting	—	—	—	2,000,568.77	—	2,000,568.77
Tianjin automobile project	21,035,961.28	—	21,035,961.28	45,684,661.20	—	45,684,661.20
Tianjin parts and components project	280,396,557.66	—	280,396,557.66	99,492,279.22	—	99,492,279.22
Industrial park phase I, II, III	169,760,315.43	(2,810,400.74)	166,949,914.69	258,227,920.78	(11,013,179.46)	247,214,741.32
Xindatong Reconstruction	32,066.67	—	32,066.67	6,201,363.92	—	6,201,363.92
Jiaozhuang infrastructure	109,481.72	—	109,481.72	847,696.00	—	847,696.00
Jiaozhuang equipment	—	—	—	59,216,915.95	—	59,216,915.95
New technology center	199,992,873.72	—	199,992,873.72	381,748,924.54	—	381,748,924.54
Xushui Automobile Project	1,379,098,778.59	—	1,379,098,778.59	3,737,652,655.74	—	3,737,652,655.74
Xushui parts and components project	2,061,260,623.56	(83,886.55)	2,061,176,737.01	1,287,617,245.49	—	1,287,617,245.49
Xushui supporting infrastructure project	150,547,321.36	—	150,547,321.36	133,248,777.99	—	133,248,777.99
Others	239,244,080.84	(122,171.38)	239,121,909.46	54,921,194.89	—	54,921,194.89
Total	4,501,478,060.83	(3,016,458.67)	4,498,461,602.16	6,066,860,204.49	(11,013,179.46)	6,055,847,025.03

RMB

Notes to the Financial Statements

For the year ended 31 December 2016

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

9. Construction in progress (continued)

(2) Changes of major construction in progress

											RMB	
Project	Budget amount	2016.1.1	Additions	Increase from merger by absorbing	Transfer to fixed assets	Other deductions (Note)	Investment to budget (%)	Accumulated capitalized interest amount	Of which: capitalized interest amount	Ratio of capitalized interest amount (%)	Sources of fund	2016.12.31
Annual production of 400,000 sets of automotive lightings	303,376,600.00	2,000,568.77	—	—	—	(2,000,568.77)	100.00	—	—	—	Raising fund	—
Tianjin automobile project	5,076,601,991.00	45,684,661.20	211,477,754.69	—	(235,723,763.30)	(402,691.31)	99.55	—	—	—	Own fund	21,035,961.28
Tianjin parts and components project	1,878,335,294.00	99,492,279.22	207,253,408.37	—	(25,960,337.71)	(388,792.22)	87.66	—	—	—	Own fund	280,396,557.66
Industrial park phase I, II, III	957,181,261.00	258,227,920.78	343,430,816.61	—	(419,550,435.23)	(12,347,986.73)	91.93	—	—	—	Own fund	169,760,315.43
Xindatong Reconstruction	8,808,790.00	6,201,363.92	22,187.12	—	—	(6,191,484.37)	100.00	—	—	—	Own fund	32,066.67
Jiaozhuang infrastructure	253,863,000.00	847,696.00	—	—	(738,214.28)	—	100.00	—	—	—	Own fund	109,481.72
Jiaozhuang equipment	1,384,811,857.00	59,216,915.95	—	—	(51,790,729.50)	(7,426,186.45)	100.00	—	—	—	Own fund	—
New technology center	1,901,672,549.00	381,748,924.54	36,657,401.27	—	(216,619,397.03)	(1,794,055.06)	87.62	—	—	—	Own fund	199,992,873.72
Xushui Automobile Project	10,780,193,143.74	3,737,652,655.74	2,122,638,495.07	—	(4,445,906,077.78)	(35,286,294.44)	84.17	—	—	—	Own fund	1,379,098,778.59
Xushui parts and components project	12,945,176,948.00	1,287,617,245.49	2,992,370,636.98	—	(2,032,418,418.89)	(186,308,840.02)	56.78	—	—	—	Own fund	2,061,260,623.56
Xushui supporting infrastructure project	593,250,000.00	133,248,777.99	17,298,543.37	—	—	—	25.38	—	—	—	Own fund	150,547,321.36
Others	810,559,688.91	54,921,194.89	420,533,448.96	22,975,654.28	(245,456,844.79)	(13,729,372.50)	89.31	—	—	—	Own fund	239,244,080.25
Total	36,893,831,122.65	6,066,860,204.49	6,351,682,692.44	22,975,654.28	(7,674,164,218.51)	(265,876,271.87)						4,501,478,060.83

Note: The decrease of RMB109,789,953.97 in construction in progress is transferred into intangible assets, and a decrease of RMB71,662,155.24 in construction in progress is transferred into investment properties.

Notes to the Financial Statements

For the year ended 31 December 2016

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

10. Intangible assets

Intangible assets

	<i>RMB</i>		
Item	Land use rights	Software and others	Total
I. Original book value			
2016.1.1	3,082,390,184.45	118,838,041.72	3,201,228,226.17
Additions for the year	159,738,076.75	23,889,071.19	183,627,147.94
1. Purchase	—	4,936,290.30	4,936,290.30
2. Transfer from construction in progress	98,186,400.00	11,603,553.97	109,789,953.97
3. Increase from merger by absorbing	61,551,676.75	7,349,226.92	68,900,903.67
Deductions for the year	(17,770,823.45)	(4,168,635.04)	(21,939,458.49)
1. Disposal	—	(52,335.04)	(52,335.04)
2. Decrease for transferring into investment properties	(17,770,823.45)	—	(17,770,823.45)
3. Other transfer-out	—	(4,116,300.00)	(4,116,300.00)
2016.12.31	3,224,357,437.75	138,558,477.87	3,362,915,915.62
II. Total accumulated amortization			
2016.1.1	235,722,502.79	58,151,778.77	293,874,281.56
Additions for the year	76,703,424.03	13,973,442.49	90,676,866.52
1. Provision for the year	64,502,216.78	9,612,839.42	74,115,056.20
2. Increase from merger by absorbing	12,201,207.25	4,360,603.07	16,561,810.32
Deductions for the year	(1,008,694.50)	(3,259,566.24)	(4,268,260.74)
1. Disposal	—	(3,637.27)	(3,637.27)
2. Decrease by transferring into investment properties	(1,008,694.50)	—	(1,008,694.50)
3. Other transfer-out	—	(3,255,928.97)	(3,255,928.97)
2016.12.31	311,417,232.32	68,865,655.02	380,282,887.34
III. Book value			
2016.12.31	2,912,940,205.43	69,692,822.85	2,982,633,028.28
2016.1.1	2,846,667,681.66	60,686,262.95	2,907,353,944.61

Prepaid lease payment (land use rights) analysis by location and aging is as follows:

	<i>RMB</i>	
Item	2016.12.31	2015.12.31
Located in mainland China — 10 to 50 years	2,912,940,205.43	2,846,667,681.66

Notes to the Financial Statements

For the year ended 31 December 2016

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

11. Notes payable

Category	RMB	
	2016.12.31	2015.12.31
Bank acceptance bills	4,123,771,449.11	3,701,669,046.17
Total	4,123,771,449.11	3,701,669,046.17

12. Accounts payable

(1) Accounts payable

Item	RMB	
	2016.12.31	2015.12.31
Within 1 year	27,572,401,252.97	17,280,203,199.27
1 to 2 years	40,756,954.35	9,378,897.77
2 to 3 years	5,195,911.62	8,378,422.84
Over 3 years	3,729,711.19	2,354,241.18
Total	27,622,083,830.13	17,300,314,761.06

The analysis of aging of accounts payable is based on the time of purchasing materials, goods or receiving services.

(2) Accounts payable aged over one year with significant amount.

Item	RMB	
	2016.12.31	Reason for outstanding or transfer
Supplier 1	24,550,191.55	Payment terms have not been reached
Supplier 2	4,781,739.39	Payment terms have not been reached
Total	29,331,930.94	

Notes to the Financial Statements

For the year ended 31 December 2016

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

13. Receipts in advance

(1) Details of receipts in advance

Item	RMB	
	2016.12.31	2015.12.31
Within 1 year	3,468,619,410.88	3,367,280,265.77
1 to 2 years	36,870,151.26	9,523,559.92
2 to 3 years	1,439,720.37	3,014,525.18
Over 3 years	3,937,638.93	1,032,813.92
Total	3,510,866,921.44	3,380,851,164.79

(2) Receipts in advance aged over 1 year with significant amount

Item	RMB	
	2016.12.31	Reason for outstanding or transfer
Customer 1	26,554,891.48	Payment terms have not been reached
Customer 2	7,544,862.02	Payment terms have not been reached
Total	34,099,753.50	

Notes to the Financial Statements

For the year ended 31 December 2016

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

14. Capital reserve

Item	RMB			
	Opening balance	Additions	Deductions	Closing balance
2016:				
Capital premiums (Note)	1,466,587,149.89	—	(4,116,300.00)	1,462,470,849.89
Other capital reserves	(2,933,126.78)	4,649,582.66	—	1,716,455.88
Including: Transfer from capital reserve				
under previous standards	(2,933,126.78)	—	—	(2,933,126.78)
Translation differences of foreign capital	—	—	—	—
Reserve for revaluation gain of assets	—	—	—	—
Others (Note)	—	4,649,582.66	—	4,649,582.66
Total	1,463,654,023.11	4,649,582.66	(4,116,300.00)	1,464,187,305.77
2015:				
Capital premiums	4,509,010,149.89	—	(3,042,423,000.00)	1,466,587,149.89
Other capital reserve	(2,933,126.78)	—	—	(2,933,126.78)
Including: Transfer from capital reserve				
under previous standards	(2,933,126.78)	—	—	(2,933,126.78)
Translation differences of foreign capital	—	—	—	—
Reserve for revaluation gain of assets	—	—	—	—
Total	4,506,077,023.11	—	(3,042,423,000.00)	1,463,654,023.11

Note: In March 2016, the Company merged its directly controlling wholly-owned subsidiaries, namely, Great Wall Internal Combustion Engine, Macs, Exquisite Foundry, Great Wall Boxiang, and Baoding Xinyuan by absorbing. The Group transferred other capital reserve arising from acquisition of the above subsidiaries' minority interest to the Company, and derecognised the trademark right which was the capital contribution to the capital reserve recognized in the formerly subsidiary, Great Wall Internal Combustion Engine.

Notes to the Financial Statements

For the year ended 31 December 2016

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

15. Undistributed profits

Item	RMB	
	Amount	Proportion of appropriation or allocation
2016:		
Undistributed profits at the beginning of the year	22,756,665,987.89	
Add: Net profit	10,903,341,208.51	
Transfer from merger by absorbing	199,547,880.52	(3)
Less: Appropriation of statutory surplus reserves	(1,090,334,120.85)	(1)
Distribution of cash dividends	(1,734,181,110.00)	(2)
Capital transferred from ordinary dividend	—	
Undistributed profits at the end of year	31,035,039,846.07	
2015:		
Undistributed profits at the beginning of the year	21,934,165,795.67	
Add: Net profit	7,843,852,602.47	
Less: Appropriation of statutory surplus reserves	(784,385,260.25)	(1)
Distribution of cash dividends	(3,194,544,150.00)	(2)
Capital transferred from ordinary dividend	(3,042,423,000.00)	
Undistributed profits at the end of the year	22,756,665,987.89	

(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, it can be 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 dividends and share dividends being approved by the shareholders' meeting in this year.

On 17 May 2016, the 2015 shareholders' meeting approved "Proposal on Profit Distribution of 2015", of which allows the Company to distribute cash dividends of RMB0.19 (inclusive of tax) per share, amounting to RMB1,734,181,110.00 in total, based on total shares of 9,127,269,000 shares with a par value of RMB1.00 each for 2015.

(3) In March 2016, the Company merged its wholly-owned subsidiaries, namely, Great Wall Internal Combustion Engine, Macs, Exquisite Foundry, Great Wall Boxiang, and Baoding Xinyuan, and transferred the above subsidiaries' net profit or loss to undistributed profits which realized on the acquisition date or incorporation date to the absorption date.

(4) Dividend distribution under resolution subsequent to the balance sheet date

In accordance with the proposal from the board of directors, the Company intends to distribute cash dividends of RMB0.35 (inclusive of tax) per share, amounting to RMB3,194,544,150.00 in total, based on total shares of 9,127,269,000 shares (with face value of RMB1 per share) for 2016. Such dividend distribution plan is pending to be approved in shareholders' meeting.

Notes to the Financial Statements

For the year ended 31 December 2016

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

16. Operating income and operating costs

(1) Operating income

Item	2016	RMB 2015
Revenue from principal businesses	95,542,926,027.10	72,918,972,354.29
Including: Revenue from the sale of automobiles	94,190,224,836.87	71,753,409,808.60
Revenue from the sale of automotive parts and components	1,062,287,021.92	1,066,327,899.37
Revenue from the sale of moulds and others	177,197,009.29	24,510,253.33
Revenue from rendering of services	113,217,159.02	74,724,392.99
Revenue from other businesses	553,849,336.67	398,232,559.34
Total	96,096,775,363.77	73,317,204,913.63

(2) Operating costs

Item	2016	RMB 2015
Operating costs from principal businesses	76,753,935,486.27	59,415,043,353.82
Including: Costs of the sale of automobiles	75,787,560,087.81	58,389,299,771.52
Costs of the sale of automotive parts and components	801,036,892.57	933,030,380.40
Costs of the sale of moulds and others	96,245,846.62	38,847,799.03
Costs of rendering services	69,092,659.27	53,865,402.87
Other operating costs	463,821,447.22	336,891,243.04
Total	77,217,756,933.49	59,751,934,596.86

Notes to the Financial Statements

For the year ended 31 December 2016

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

17. Taxes and levies

Item	RMB	
	2016	2015
Consumption tax	2,884,495,933.88	2,198,805,000.51
Urban maintenances and construction tax	361,180,098.08	302,912,157.88
Educational surcharges	280,870,903.68	222,308,118.23
Stamp duty	33,416,388.75	—
Real estate tax	32,318,226.47	—
Land use tax	38,566,943.73	—
Water resource tax	2,672,655.69	—
Business tax	1,431,752.44	2,530,375.04
Vehicle and vessel use tax	140,639.63	—
Others	31,027,362.15	32,759,751.26
Total	3,666,120,904.50	2,759,315,402.92

Note: In accordance with VAT Accounting Treatment Rule (Cai Shui Kuai [2016] No. 22) issued by the Ministry of Finance, the Company has recognized in the item of "Taxes and levies" for stamp duty, real estate tax, land use tax, water resource tax, vehicle and vessel use tax and other taxes incurred subsequent to 1 May 2016.

18. Administrative expenses

Item	RMB	
	2016	2015
Technology development expenditures	3,073,764,806.59	2,632,401,417.52
Wages and salaries	585,012,707.37	463,808,582.24
Taxes	46,555,330.78	115,854,878.65
Depreciation and amortization	178,889,203.67	97,924,050.92
Business reception fees	5,609,962.48	6,902,779.19
Office expenses	62,160,833.70	64,145,511.11
Repair and maintenance fees	158,868,219.56	102,422,199.59
Auditors' remuneration	2,999,335.88	3,565,993.74
Service charges	24,321,650.85	10,469,475.08
Others	92,024,313.83	46,884,478.21
Total	4,230,206,364.71	3,544,379,366.25

Notes to the Financial Statements

For the year ended 31 December 2016

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

19. Investment income

Breakdown:

Item	2016	<i>RMB</i> 2015
Income from long-term equity investments under equity method	—	3,932,491.39
Income from wealth management products	27,589,906.55	59,512,415.92
Income (loss) from the disposal of long-term equity investments	(404,335.00)	14,594,976.48
Income from long-term equity investments under cost method	2,265,093,267.24	2,020,907,923.38
Total	2,292,278,838.79	2,098,947,807.17

There are no significant restrictions on remittance of investment income of the Company.

20. Income tax expenses

Item	2016	<i>RMB</i> 2015
Current income tax	1,340,711,369.50	1,004,834,444.00
Deferred income tax	1,075,461.16	(118,354,776.25)
Total	1,341,786,830.66	886,479,667.75

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

Item	2016	<i>RMB</i> 2015
Total profit	12,245,128,039.17	8,730,332,270.22
Income tax rate	25%	25%
Income tax expenses calculated at tax rate of 25%	3,061,282,009.79	2,182,583,067.56
Effects of applicable concessionary rate	(891,903,602.30)	(592,386,045.27)
Additional deduction for research and development costs	(264,112,386.90)	(210,467,008.05)
Tax effect of non-taxable income	(573,488,428.78)	(512,551,781.42)
Tax effect of non-deductible expenses	10,009,238.85	19,301,434.93
Total	1,341,786,830.66	886,479,667.75

Notes to the Financial Statements

For the year ended 31 December 2016

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

21. Supplementary information of cash flow statements

(1) Supplementary information of cash flow statements

Supplementary information	2016	RMB 2015
1. Reconciliation of net profits to cash flow from operating activities:		
Net profit	10,903,341,208.51	7,843,852,602.47
Add: Impairment provision for assets	348,695,504.99	54,081,156.88
Depreciation of fixed assets	2,173,361,759.25	1,517,027,746.08
Amortization of intangible assets	74,115,056.20	68,153,474.33
Amortization of long-term prepaid expenses	7,022,237.54	5,596,942.82
Depreciation of investment properties	2,082,434.90	172,786.32
Gains or losses from change in fair value	—	214,440.00
Losses/(Gains) on disposal of fixed assets, intangible assets and other long-term assets, net of gains	19,929,393.14	34,034,600.01
Amortization of deferred income	(79,238,140.66)	(51,768,297.82)
Financing costs/(gains)	5,722,354.29	30,178,576.65
Investment losses/(gains)	(2,292,278,838.79)	(2,098,947,807.17)
(Increase)/Decrease in deferred tax assets	1,075,461.16	(118,354,776.25)
(Increase)/Decrease in inventories	(1,352,138,299.63)	(725,013,537.44)
Decrease/(Increase) in operating receivables	(12,898,522,583.93)	(4,637,381,525.60)
Increase/(Decrease) in operating payables	12,624,703,139.44	6,041,970,506.82
Net cash flows from operating activities	9,537,870,686.41	7,963,816,888.10
2. Net change in cash and cash equivalents:		
Cash balance at the end of the year	3,623,217,685.00	1,016,521,309.27
Less: Cash balance at the beginning of the year	1,016,521,309.27	926,209,380.56
Add: Cash equivalents balance at the end of the year	—	—
Less: Cash equivalents balance at the beginning of the year	—	—
Net increase in cash and cash equivalents	2,606,696,375.73	90,311,928.71

Notes to the Financial Statements

For the year ended 31 December 2016

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

21. Supplementary information of cash flow statements (continued)

(2) Components of cash and cash equivalents

Item	RMB	
	2016	2015
I. Cash	3,623,217,685.00	1,016,521,309.27
Including: Cash in hand	594,631.24	652,157.76
Bank deposits readily to be withdrawn on demand	3,622,623,053.76	1,015,869,151.51
Other cash and bank balances readily to be withdrawn on demand	—	—
II. Cash and cash equivalent balance as at the end of the year	3,623,217,685.00	1,016,521,309.27

22. Related party transactions

(1) Purchases of raw materials and components

Related party	Category of related party transaction	RMB	
		2016	2015
Subsidiaries of the Company	Purchase of raw materials	10,100,381,902.42	14,340,985,864.27
Associates of the Company	Purchase of raw materials	—	121,635,959.88
Other related parties of the Company	Purchase of raw materials and steam	84,260,230.10	19,204,969.94

(2) Sales of automobiles and components and parts of automobiles

Related party	Category of related party transaction	RMB	
		2016	2015
Subsidiaries of the Company	Sales of automobiles or components and parts of automobiles	94,265,661,242.20	71,279,101,017.49
Associates of the Company	Sales of automobiles or components and parts of automobiles	—	574,508.27
Other related parties of the Company	Sales of automobiles or components and parts of automobiles	190,427.36	307,748.72

Notes to the Financial Statements

For the year ended 31 December 2016

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

22. Related party transactions (continued)

(3) Purchases of fixed assets and construction in progress

		<i>RMB</i>	
Related party	Category of related party transaction	2016	2015
Subsidiaries of the Company	Purchases of fixed assets and construction in progress	529,343,664.79	119,021,332.26
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	461,169.84	119,611.11

(4) Sales of fixed assets and intangible assets

		<i>RMB</i>	
Related party	Category of related party transaction	2016	2015
Subsidiaries of the Company	Sales of fixed assets and intangible assets	25,691,090.99	4,808,535.99
Associates of the Company	Sales of fixed assets and intangible assets	—	81,033.12
Other related parties of the Company	Sales of fixed assets and intangible assets	13,154.54	769,212.60

(5) Acceptance of services

		<i>RMB</i>	
Related party	Category of related party transaction	2016	2015
Subsidiaries of the Company	Acceptance of services	731,692,023.62	556,089,137.24
Associates of the Company	Acceptance of services	—	194,273.49
Other related parties of the Company	Acceptance of services	7,346,676.68	4,001,041.80

Notes to the Financial Statements

For the year ended 31 December 2016

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

22. Related party transactions (continued)

(6) Rendering of services

RMB

Related party	Category of related party transaction	2016	2015
Subsidiaries of the Company	Rendering of services	64,861,446.33	68,886,063.15
Associates of the Company	Rendering of services	—	403,978.52
Other related parties of the Company	Rendering of services	1,114.94	186,509.43

(7) Claims income and others

RMB

Related party	Category of related party transaction	2016	2015
Subsidiaries of the Company	Claims income and others	(126,956,463.22)	(65,686,475.57)
Associates of the Company	Claims income and others	—	(280,056.86)
Other related parties of the Company	Claims income and others	12,209,981.20	520,605.23

(8) Guarantee

RMB

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	1,000,000,000.00	199,800,000.00

(9) Emolument of key management

RMB'000

Item	2016	2015
Emolument of key management	25,538	26,475

Notes to the Financial Statements

For the year ended 31 December 2016

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

23. Receivables and payables of related parties

Item	Related party	RMB	
		2016.12.31	2015.12.31
Accounts receivable	Subsidiary of the Company	287,545,917.95	267,588,341.26
Accounts receivable	Other related party of the Company	—	104,075.88
Subtotal of accounts receivable		287,545,917.95	267,692,417.14
Other receivables	Subsidiary of the Company	12,783,277.00	5,006,644.77
Other receivables	Other related party of the Company	1,480,105.29	1,475,800.00
Subtotal of other receivables:		14,263,382.29	6,482,444.77
Prepayments	Subsidiary of the Company	121,808,217.33	12,140,124.04
Prepayments	Other related party of the Company	—	13,948.72
Subtotal of prepayments:		121,808,217.33	12,154,072.76
Notes receivable	Subsidiary of the Company	550,518.71	7,453,380.45
Subtotal of notes receivable		550,518.71	7,453,380.45
Dividends receivable	Subsidiary of the Company	—	271,552,889.85
Dividends receivable	Associate of the Company	—	3,800,683.86
Dividends receivable	Other related party of the Company	—	5,991,068.20
Subtotal of dividends receivable:		—	281,344,641.91
Accounts payable	Subsidiary of the Company	4,828,383,821.33	4,885,180,836.68
Accounts payable	Associate of the Company	—	24,140,774.69
Accounts payable	Other related party of the Company	25,507,506.28	8,278,696.50
Subtotal of accounts payable		4,853,891,327.61	4,917,600,307.87
Other payables	Subsidiary of the Company	598,438,717.92	8,376,290.13
Other payables	Associate of the Company	—	70,855.98
Other payables	Other related party of the Company	6,001,537.48	5,831,477.18
Subtotal of other payables:		604,440,255.40	14,278,623.29
Receipts in advance	Subsidiary of the Company	3,415,476,400.15	3,268,425,702.41
Receipts in advance	Other related party of the Company	—	73,600.80
Subtotal of receipts in advance		3,415,476,400.15	3,268,499,303.21
Notes payable	Subsidiary of the Company	—	47,874,752.47
Notes payable	Associate of the Company	—	23,169,126.69
Notes payable	Other related party of the Company	4,296,578.36	3,274,814.10
Subtotal of notes payable		4,296,578.36	74,318,693.26
Interest receivable	Subsidiary of the Company	12,203,875.00	—
Subtotal of interest receivable		12,203,875.00	—

Supplementary

For the year ended 31 December 2016

SUPPLEMENTARY

1. Breakdown of non-recurring gains and losses

Item	2016	RMB 2015
Profit or loss from disposal of non-current assets	(15,774,408.19)	(45,216,114.66)
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)	133,543,691.38	341,033,077.39
Gains resulting from the deficit between the investment cost of subsidiaries, associates and joint ventures and the share in the fair value of the investee's identifiable net assets	—	51,644.99
Gains from the disposal of long-term equity investments and disposal of wealth management products	29,663,778.76	84,203,645.84
Gains from the equity in acquiree already held before the date of acquisition and measured at fair value	684,042.36	6,057,283.20
Gains (losses) from changes in fair value	—	(214,440.00)
Non-operating gains and losses other than the above items	88,812,243.30	112,285,304.05
Effect of income tax	(39,387,736.60)	(90,840,888.75)
Effect of minority interests (net of tax)	(9,448.47)	(12,869.54)
Total	197,532,162.54	407,346,642.52

The non-recurring gains and losses of the Group was recognized in accordance with the relevant requirements of the "Compilation Rules for Information Disclosures by Companies that Offer Securities to the Public (No. 09) — Initial Public Offering and Listing Documents" and "Explanatory Notice for Information Disclosures by Companies that Offer Securities to the Public (No. 01) — Non-recurring Gains and Losses (2008)".

SUPPLEMENTARY (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.

2016	Weighted average return on net assets (%)	Earnings per share	
		Basic	Diluted
Net profit attributable to shareholders of ordinary shares of the Company	24.73	1.16	N/A
Net profit attributable to shareholders of ordinary shares of the Company, after deducting non-recurring gains and losses	24.27	1.13	N/A

2015	Weighted average return on net assets (%)	Earnings per share	
		Basic	Diluted
Net profit attributable to shareholders of ordinary shares of the Company	22.47	0.88	N/A
Net profit attributable to shareholders of ordinary shares of the Company, after deducting non-recurring gains and losses	21.34	0.84	N/A

The supplementary provided by the management of Great Wall Motor Company Limited was endorsed by the followings on 24 March 2017:

Legal Representative: Wei Jian Jun

General Manager: Wang Feng Ying

Chief Financial Officer: Li Feng Zhen

Person in charge of the accounting body: Lu Cai Juan

24 March 2017

Section 15 Index of Documents Available for Inspection

Index of Documents
Available for Inspection

Financial statements signed and sealed by the legal representative, person-in-charge of the accounting affairs and person-in-charge of the accounting department.

Index of Documents
Available for Inspection

The original auditor's report with the seal of the accounting firm and signatures and seals of the certified public accountants.

Chairman: Wei Jian Jun

Submission date approved by the Board: 24 March 2017

AMENDMENTS

Applicable Not applicable



長城汽車股份有限公司
GREAT WALL MOTOR COMPANY LIMITED*