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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)

(Stock Code: 2333)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

The board of directors (the “**Board**”) of Great Wall Motor Company Limited (the “**Company**”) is pleased to announce the audited results of the Company and its subsidiaries for the year ended 31 December 2017. This announcement, containing the full text of the 2017 Annual Report of the Company, is prepared with reference to the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to preliminary announcements of annual results. The Company’s 2017 Annual Report will be available for viewing on the websites of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk and of the Company at www.gwm.com.cn. Printed version of the Company’s 2017 Annual Report will also be delivered to the Company’s shareholders.

By order of the Board
Great Wall Motor Company Limited
Xu Hui
Company Secretary

* *For identification purposes only*

IMPORTANT NOTICE

- I. **The Board, the Supervisory Committee and the directors, supervisors and senior management of the Company warrant that the content set out 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. **All the directors of the Company attended the Board meeting.**
- III. **Deloitte Touche Tohmatsu Certified Public Accountants LLP has issued the standard audited report for the Company without qualified opinion.**

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

- IV. **Wei Jian Jun, person-in-charge of the Company, Li Feng Zhen, person-in-charge of the accounting affairs and Lu Cai Juan, person-in-charge of the accounting department (head of the accounting department), declare that they warrant the truthfulness, accuracy and completeness of the financial report in this annual report.**
- V. **Proposal of profit distribution or capitalization of capital reserve during the Reporting Period reviewed by the Board**

As audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP, the net profit of the Group and net profit attributable to shareholders of the Company in 2017 amounted to RMB5,043,386.53 and RMB5,027,297,997.74 respectively. The Company proposed to declare a cash dividend of RMB1,551,635,730.00 (representing RMB0.17 per share) (tax inclusive) to the shareholders of the Company for the year ended 31 December 2017. This proposal is subject to the approval at the 2017 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**

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;

Section 1 Definitions

“PRC”	the People’s Republic of China;
“Reporting Period” or “Current Period” or “the Year”	twelve months ended 31 December 2017;
“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 (ceased to be the principal place of business of the Company in Hong Kong since 1 January 2018) Room 1903-4, 19/F., Hong Kong Trade Centre, 161 Des Voeux Road Central, Hong Kong (as the principal place of business of the Company in Hong Kong since 1 January 2018)

IV. INFORMATION DISCLOSURE AND PLACE OF DOCUMENT INSPECTION

Designated media for information disclosure	China Securities Journal, Shanghai Securities News
Website designated by the CSRC for publishing this annual report	www.sse.com.cn
Place for inspection of the Company's annual reports	Securities 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 Office address Names of the signing accountants	Deloitte Touche Tohmatsu Certified Public Accountants LLP 30/F, 222 Yan An Road East, Huangpu District, Shanghai Xu Zhao Hui Yang Ning
Legal adviser to the Company (as to Hong Kong law)	Simmons & Simmons (ceased to be the legal adviser (as to Hong Kong law) of the Company since 1 January 2018) Herbert Smith Freehills (as the legal adviser (as to Hong Kong law) of the Company since 1 January 2018)	
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 banker	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 Bank of Communications Co., Ltd. Baoding sub-branch Industrial Bank Co., Ltd. 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) Ms. Yang Zhi Juan	

Section 2 Corporate Profile and Key Financial Indicators

Non-Executive Director	Mr. He Ping
Independent Non-Executive Directors	Mr. Wong Chi Hung, Stanley (resigned on 11 May 2017) Mr. Lu Chuang (resigned on 11 May 2017) Mr. Ma Li Hui Mr. Li Wan Jun (appointed on 11 May 2017) Mr. Ng Chi Kit (appointed on 11 May 2017)
Employee Representative Supervisor	Mr. Chen Biao
Independent Supervisors	Ms. Zong Yi Xiang Ms. Luo Jin Li
Audit Committee	Mr. Wong Chi Hung, Stanley (resigned on 11 May 2017) Mr. He Ping Mr. Lu Chuang (resigned on 11 May 2017) Mr. Ma Li Hui Mr. Li Wan Jun (appointed on 11 May 2017) Mr. Ng Chi Kit (appointed on 11 May 2017)
Remuneration Committee	Mr. Wei Jian Jun Mr. Lu Chuang (resigned on 11 May 2017) Mr. Ma Li Hui Mr. Li Wan Jun (appointed on 11 May 2017)
Nomination Committee	Mr. Wei Jian Jun Mr. Ma Li Hui Mr. Wong Chi Hung, Stanley (resigned on 11 May 2017) Mr. Ng Chi Kit (appointed on 11 May 2017)
Strategy Committee	Mr. Wei Jian Jun Ms. Wang Feng Ying Mr. He Ping Mr. Lu Chuang (resigned on 11 May 2017) Mr. Ma Li Hui Mr. Li Wan Jun (appointed on 11 May 2017)

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	2017	2016		Increase/ decrease for the Current Period over the corresponding period last year (%)	2015		2014		2013	
		After adjustment	Before adjustment		After adjustment	Before adjustment	After adjustment	Before adjustment	After adjustment	Before adjustment
Total operating revenue	10,116,948.88	9,861,570.24	9,861,570.24	2.59	7,603,314.25	7,603,314.25	6,259,910.42	6,259,910.42	5,678,431.43	5,678,431.43
Operating revenue	10,049,161.82	9,844,366.51	9,844,366.51	2.08	7,595,458.60	7,595,458.60	6,259,077.26	6,259,077.26	5,678,431.43	5,678,431.43
Net profit attributable to shareholders of the Company	502,729.80	1,055,115.89	1,055,115.89	-52.35	805,933.25	805,933.25	804,153.55	804,153.55	822,364.84	822,364.84
Net profit attributable to shareholders of the Company after extraordinary gains/losses	429,819.69	1,035,362.67	1,035,362.67	-58.49	765,198.58	765,198.58	771,688.17	771,688.17	798,725.63	798,725.63
Net cash flow from operating activities	-107,667.01	883,540.62	883,540.62	-112.19	1,003,369.04	1,003,369.04	609,578.44	609,578.44	903,904.34	903,904.34
Total operating costs	9,577,740.58	8,636,957.10	8,636,957.10	10.89	6,685,060.20	6,685,060.20	5,338,320.60	5,338,320.60	4,716,807.22	4,716,807.22
Operating costs	8,196,690.36	7,436,022.35	7,436,022.35	10.23	5,686,391.14	5,686,391.14	4,525,176.11	4,525,176.11	4,053,799.47	4,053,799.47
Tax and surcharges	390,568.81	383,280.64	383,280.64	1.90	288,628.58	288,628.58	228,160.70	228,160.70	205,703.17	205,703.17
Selling expenses	440,639.78	317,542.44	317,542.44	38.77	284,156.51	284,156.51	208,475.51	208,475.51	189,526.26	189,526.26
Administrative expenses	496,303.87	457,469.69	457,469.69	8.49	403,060.40	403,060.40	382,234.20	382,234.20	274,741.71	274,741.71
Financial expenses	13,860.11	-385.86	-385.86		13,937.09	13,937.09	-12,938.09	-12,938.09	-8,384.99	-8,384.99
Impairment loss on assets	31,707.87	41,315.30	41,315.30	-23.25	8,185.11	8,185.11	7,212.17	7,212.17	1,421.60	1,421.60
Gains or losses from changes in fair value	17,539.60	0.00	0.00	100.00	-21.44	-21.44	-405.57	-405.57	-738.12	-738.12
Investment income	12,422.48	3,034.78	3,034.78	309.34	9,809.67	9,809.67	3,183.85	3,183.85	5,917.63	5,917.63
Share of profit of associates and jointly controlled entities	0.00	0.00	0.00		783.58	783.58	2,000.68	2,000.68	1,134.20	1,134.20
Operating profit	585,415.24	1,226,070.49	1,227,647.93	-52.25	923,520.67	928,042.28	922,127.44	924,368.10	965,621.30	966,803.73
Non-operating income	39,068.85	24,757.52	24,892.82	57.81	46,532.54	46,734.50	43,909.85	44,057.40	27,637.92	27,883.75
Non-operating expenses	1,187.50	2,521.93	4,234.67	-52.91	1,195.54	5,919.11	2,029.72	4,417.94	1,287.04	2,715.30
Losses from disposal of non-current assets	2,278.37	1,712.74	1,712.74	33.03	4,723.57	4,723.57	2,388.21	2,388.21	1,428.27	1,428.27
Total profit	623,296.60	1,248,306.08	1,248,306.08	-50.07	968,857.68	968,857.68	964,007.56	964,007.56	991,972.18	991,972.18
Income tax expenses	118,957.95	192,910.61	192,910.61	-38.34	162,821.20	162,821.20	159,887.92	159,887.92	168,759.01	168,759.01
Net profit	504,338.65	1,055,395.46	1,055,395.46	-52.21	806,036.48	806,036.48	804,119.64	804,119.64	823,213.17	823,213.17
Profit or loss attributable to minority interests	1,608.85	279.58	279.58	475.46	103.23	103.23	-33.91	-33.91	848.33	848.33

Section 2 Corporate Profile and Key Financial Indicators

Unit: 10,000 Currency: RMB

Key accounting data	As at the end of 2017	As at the end of 2016		Increase/decrease for the end of the Current Period over the end of the corresponding period last year (%)	As at the end of 2015		As at the end of 2014		As at the end of 2013	
		After adjustment	Before adjustment		After adjustment	Before adjustment	After adjustment	Before adjustment	After adjustment	Before adjustment
Net assets attributable to shareholders of the Company	4,913,453.04	4,729,480.17	4,729,480.17	3.89	3,833,086.94	3,833,086.94	3,345,186.05	3,345,186.05	2,799,589.80	2,799,589.80
Total assets	11,054,707.38	9,230,916.06	9,230,916.06	19.76	7,191,062.68	7,191,062.68	6,134,525.21	6,134,525.21	5,260,480.89	5,260,480.89
Total liabilities	6,128,911.21	4,495,551.60	4,495,551.60	36.33	3,352,371.04	3,352,371.04	2,782,680.60	2,782,680.60	2,459,681.21	2,459,681.21
Total share capital as at the end of the Period	912,726.90	912,726.90	912,726.90	0.00	912,726.90	912,726.90	304,242.30	304,242.30	304,242.30	304,242.30

(II) Key financial indicators

Key financial indicators	2017	2016		Increase/decrease for the Current Period over the corresponding period last year (%)	2015		2014		2013	
		After adjustment	Before adjustment		After adjustment	Before adjustment	After adjustment	Before adjustment	After adjustment	Before adjustment
Basic earnings per share (RMB/share)	0.5508	1.1560	1.1560	-52.35	0.8830	0.8830	0.8810	0.8810	0.9010	0.9010
Diluted earnings per share (RMB/share)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Basic earnings per share after extraordinary gains/losses (RMB/share)	0.4709	1.1344	1.1344	-58.49	0.8384	0.8384	0.8455	0.8455	0.8751	0.8751
Weighted average return on net assets (%)	10.48	24.73	24.73	Decreased by 14.25 percentage points	22.47	22.47	26.35	26.35	33.41	33.41
Weighted average return on net assets after extraordinary gains/losses (%)	8.96	24.27	24.27	Decreased by 15.31 percentage points	21.34	21.34	25.42	25.42	32.61	32.61

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

√ Applicable □ Not applicable

Section 2 Corporate Profile and Key Financial Indicators

In recent years, the Group has been expanding its scale of operation, enhancing its product mix, continuously focusing on the SUV type, developing cost-effective products and working on promoting customer satisfaction, and has achieved a steady growth in operating revenue. In 2017, the Group's net profit attributable to shareholders of the Company was down by 52.35% year-on-year, mainly due to the Group's promotion of sales of existing products through special offers, stepping up of efforts to promote its brands and new products.

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

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

Applicable Not applicable

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

Applicable Not applicable

(III) Differences between overseas and domestic accounting standards:

Applicable Not applicable

IX. QUARTERLY KEY FINANCIAL DATA IN 2017

	<i>Unit: RMB Currency: RMB</i>			
	First Quarter (January to March)	Second Quarter (April to June)	Third Quarter (July to September)	Fourth Quarter (October to December)
Total operating revenue	23,318,875,686.50	17,936,788,138.34	22,173,088,789.32	37,740,736,213.70
Operating revenue	23,198,670,530.29	17,794,143,648.87	21,999,168,959.67	37,499,635,039.87
Net profit attributable to shareholders of the Company	1,954,688,155.04	465,067,294.42	459,725,303.90	2,147,817,244.38
Net profit attributable to shareholders of the Company after extraordinary gains/losses	1,826,700,880.88	266,287,898.67	344,933,157.70	1,860,274,976.71
Net cash flow from operating activities	-5,372,436,535.70	13,711,336,184.97	-1,243,198,985.53	-8,172,370,730.61

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

Item of extraordinary gains/losses	2017	Unit: RMB Currency: RMB	
		2016	2015
Profit or loss from disposal of non-current assets	-3,808,085.14	-15,774,408.19	-45,216,114.66
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	439,093,687.35	133,543,691.38	341,033,077.39
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	—	—	51,644.99
Non-operating gains and expenses other than the above items	105,976,484.20	88,812,243.30	112,285,304.05
Investment gains from deregistration of subsidiaries and disposal of wealth management products	124,224,830.95	29,663,778.76	84,203,645.84
Gains arising from changes in fair value	175,396,032.00	—	-214,440.00
Gains from the equity in acquiree already held before the date of acquisition measured at fair value	—	684,042.36	6,057,283.20
Effect of minority interests	-280,190.33	-9,448.47	-12,869.54
Effect of income tax	-111,501,675.25	-39,387,736.60	-90,840,888.75
Total	729,101,083.78	197,532,162.54	407,346,642.52

XI. PROJECTS MEASURED AT FAIR VALUE

√ Applicable Not applicable

Name of project	Balance at the beginning of the Period	Unit: RMB Currency: RMB		
		Balance at the end of the Period	Changes in the Current Period	Effect on profit for the Current Period
Financial assets held for trading	0.00	317,994,432.00	317,994,432.00	175,396,032.00
Total	0.00	317,994,432.00	317,994,432.00	175,396,032.00

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, namely Great Wall, Havel and WEY, and its three major products, including SUVs, sedans and pick-up trucks. The Company also manufactures and supplies related major automotive parts and components.

2. Operating Model

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

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

The Company continues to step up resources commitment to research and development and keeps enhancing the quality of its products to meet the ever-increasing needs of customers. For its research and development facilities, the Havel technical center is the largest automobile R&D center in the PRC with state-of-the-art technologies and world-class capabilities. It has five major functional areas, namely research and development, trial production, testing, modeling and data processing, with a strategy for the research and development of finished automobiles as well as parts and components. Global R&D resources were integrated to build Baoding as a center for global R&D strategy to continuously improve and diversify global R&D expansion. Along with the formal operation of the technology centers in Austria and South Korean in 2017, the Company has 6 overseas technology centers so that a globalized R&D strategy has been improved further.

In respect of procurement of parts and components, Great Wall Motor aims to create a world-class supply chain and control the sources of core parts and components through vertical integration and strategic cooperation with internationally renowned brand suppliers. Through vertical integration, the Group manages to master the core technologies of automobiles so that it is able to manufacture various products by itself, such as engines, transmissions, chassis, electrical devices, interior and exterior decoration parts and molds, having created a unique advantage in auxiliary resources. In addition, through entering into a long-term strategic partnership with international top suppliers such as Bosch, ZF, AUTOLIV and BorgWarner, the Company and these suppliers expand their respective advantages in resources and jointly manufacture leading, innovative automotive products at home and abroad.

Section 3 Business Highlights of the Company

In respect of manufacturing, the Group currently has major production bases in Baoding (including Xushui District) and Tianjin. The base in Tianjin has already reached the target production capacity of finished automobiles as well as parts and components, ensuring sufficient production capacity of the Group. Xushui Complete Vehicle Factory No. 1, No. 2 and No. 3 have commenced operation while, the finished automobile plant in Xushui is equipped with automated and intelligent facilities so as to enhance the precision of products and speed up the production, providing reliable production capacity for new products in future. A cross-regional production plan was improved faster in 2017 as the construction of the principal facilities in the production area of the plant in Tula Oblast, Russia, has almost been completed.

In respect of sales, the Group continuously refined its sales network by launching mall.haval.com.cn, the first fully customised automobile purchase e-mall in China, to link up with consumers across the country. In addition, the Group expanded its overseas market aggressively. The sales subsidiaries established in Russia, Australia and South Africa are now up and running.

As to the field of new energy, the Company was proactive in expanding the new energy automotive business and improving the strategy for new energy product lines. The Company marketed its first battery electric sedan C30EV in May 2017. Meanwhile, the Company made an investment in an Australian lithium ore company to accelerate the pace of development of the new energy business.

Furthermore, the Group expanded its services to cover the automobile industrial chain based on the life cycle of automobiles. It proactively explored and improved the automotive aftermarket services. In respect of automobile finance, Tianjin Great Wall Binyin Automotive Finance Company Limited (天津長城濱銀汽車金融有限公司) was set up in 2014 to diversify business products and expand channels to meet the needs of different customers for car purchases to the maximum extent possible following the introduction of individual automobile loans and dealer inventory financing services. Meanwhile, the Company was exploring other automotive aftermarket businesses such as automobile insurance brokerage, car rental, used car business, recycling of used cars and ride sharing services.

3. Industry Overview

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

There was a slight increase in the production and sales volume of automobiles in the PRC in 2017, which amounted to 29,015,000 units and 28,879,000 units respectively, representing an increase of 3.19% and 3.04% respectively as compared with last year. The sales volume of automobiles continued to rank first in the world for nine consecutive years.

(2) There was a slight increase in passenger vehicles while SUV was a strong lead in the automotive market

Passenger vehicles are the main driving force for the growth of the automotive industry. In 2017, the sales volume of passenger vehicles was 24,718,000 units, representing a slight increase of 1.4% as compared with last year and a substantial drop in growth rate. In particular, the sales volume of SUVs were 10,253,000 units during the year, representing an increase of 13.3% or an increase of 1,206,000 units as compared with 2016. This increase contributed up to 141.7% to the passenger vehicle market, continuing to be a lead in the automobile market.

Section 3 Business Highlights of the Company

(3) Strong growth momentum of new energy vehicles

In 2017, the production and sales volume of new energy vehicles were close to 800,000 units, reaching 794,000 units and 777,000 units respectively, up 53.8% and 53.3% respectively as compared with last year. The rate of growth in sales and production volume increased by 2.1 and 0.3 percentage points respectively as compared with last year. In 2017, new energy vehicles accounted for 2.7% of the market share, an increase of 0.9 percentage points from the previous year. In particular, the production and sales volume of battery electric vehicles was 666,000 units and 652,000 units respectively, representing an increase of 59.7% and 59.4% respectively as compared with the same period last year. The production and sales volume of plug-in hybrid electric vehicles was 128,000 units and 125,000 units respectively, representing an increase of 29.3% and 27.6% respectively as compared with the same period last year.

(4) Automobile exports to overseas markets showed a recovery trend

In 2017, China's automobile exports totaled 890,900 units, an increase of 25.79% as compared with last year. Among these exports, the export of passenger vehicles was particularly gratifying, with a total export volume of 639,200 units, an increase of 33.97% as compared with last year.

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

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

Applicable Not applicable

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.

Section 3 Business Highlights of the Company

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, Asia and North America. 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 2017.

The performance of the Chinese economy in 2017 remained stable and moved in a positive direction, with the main objectives of economic development for the entire year satisfactorily completed. GDP increased by 6.9% year on year in 2017 to more than RMB82 trillion. During the Year, supply-side structural reform made significant progress, with continued increase in the quality and benefits of economic development.

As at the end of 2017, China's automobile market production and sales volume continued to ranked first in the world for the ninth consecutive year. China's automobile sector remained as the most vibrant market in the world. However, as the market size became bigger, the automobile sector saw a lower growth rate. At the same time, different automobile companies introduced new models, resulting in intensified market competition and segmentation. According to China Association of Automobile Manufacturers, the production and sales volume of the automobile industry in 2017 amounted to 29,015,000 units and 28,879,000 units respectively, representing year-on-year increase of 3.19% and 3.04% respectively.

Meanwhile, the automobile industry was undergoing major changes. New energy and smart driving will be the development trend of the automobile industry in future. While cultivating its traditional markets, the Group has also actively developed new energy vehicles and smart vehicles, and will speed up the commercialization process of products, in order to satisfy market needs.

In view of the challenges arising from fierce market competition and movement of the Company's products through their life cycle during the Year, the Group actively carried out promotional activities of the WEY brand and new products to drive steady growth in the sales volume of new brands and new products. The Group continued to increase research and development investment to support continued upgrade of the Company's product mix. During the Year, sales volume of automobiles reached 1,061,007 units, thereby enabling the Group to maintain its leading position in the SUV market. The total operating revenue reached RMB101.169 billion; net profit attributable to shareholders of the Company amounted to approximately RMB5.027 billion.

In 2017, being the founding year of Great Wall Motor's luxury brand "WEY", the Group dedicated efforts to creating the core values of "luxury" and "safety" and achieved impressive results. "VV7" won the "Special Award for Exterior Design" of The Xuanyuan Awards from Auto Business Review, while "VV5" was selected as one of the five most successful models at the Frankfurt Motor Show. As the entry-level luxury created by "WEY" is real and can be felt, it has caught the attention of and received positive feedback from consumers. Monthly sales of both models under the "WEY" brand exceeded 10,000 units for months in a row, with aggregate sales volume surpassing 80,000 units within a few months after launch, evidencing the power of "WEY", Great Wall Motor's self-owned luxury SUV brand. The "WEY" brand will continue to target high-end markets, and the Group is confident in making the "WEY" brand China's number one luxury SUV brand.

With respect to the "Haval" brand, the Group introduced a "brand new Haval H6" model. Since its launch, this model had won wide recognition from consumers, leading to improvement of the product mix under the "Haval" brand and recovery of its profitability and further consolidating the leading position of the "Haval" brand in the markets. To increase sales quality, the Group proactively rationalised the product mix of "Haval" and clearly defined its product positioning based on the strategy of Red and Blue Labels and the product matrix plan. The Group established separate distribution networks for each of Red and Blue Labels and actively pushed ahead with brand building and distribution channel management. The Group also carried out activities to win the end-user market, established a distribution system around brands that would facilitate healthy internal competition, thereby boosting sales volume.

Section 4 Chairman's Statement

The Group actively integrated its global research and development resources and insisted on technological innovation. The Group continued to innovate products and enhance the value and potential power of its brands to cultivate globalized products.

With respect to new energy, the Group concurrently engaged in the development of EV (electric vehicle), HEV (hybrid electric vehicle) and PHEV (plug-in hybrid electric vehicle), which involved three different types of technology, as well as the planning of FCV (fuel cell vehicle). During the year, the Company subscribed 56,000,000 new shares in Pilbara Minerals in Australia through its wholly-owned subsidiary and secured the right to off-take certain production of the Pilgangoora Lithium project, which can facilitate the strategic development of new energy vehicles. The Group obtained 25% of the equity interests in Hebei Yogomo Motors Co., Ltd. (河北禦捷車業有限公司) ("Hebei Yogomo") by way of capital increase; both parties will conduct joint research and cooperate in various aspects. The Company and Bayerische Motoren Werke Aktiengesellschaft ("BMW") entered into a letter of intent ("LOI") on cooperation, pursuant to which both parties intend to use their respective technical and commercial expertise in the automotive industry to cooperate in the form of a joint venture. In 2018, the Company will launch the first plug-in hybrid vehicle model P8 and other new energy products. The Company will also continue to contemplate and improve the strategic planning for the core components of new energy vehicles, and will accelerate the development of the new energy business.

With respect to smart driving, the Group has been actively developing network systems and smart driving platform i-Pilot. In regard to different areas of smart driving technologies, the Group carried out strategic cooperation with Bosch, Delphi and Renesas, respectively, to actively enhance the key technologies and strategic development of smart driving. Since 2015, commercial vehicles gradually installed with certain driving assistance functions have been launched and received satisfactory market response.

CORPORATE CULTURE AND EMPLOYEE CARE

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.

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

In 2018, the Group will continue to innovate global research and development approach, actively develop overseas markets and develop global products. It will also gradually develop production and sales networks in key regional markets. The Group will insist on achieving its goal of internationalization, continue to enhance its SUV professional brand value, provide consumers with better products and create greater returns for shareholders.

Wei Jian Jun

Chairman

Baoding, Hebei Province, the PRC
23 March 2018

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

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

Operating Environment

The performance of the Chinese economy in 2017 remained stable and moved in a positive direction. The gross domestic product increased by 6.9% year-on-year to more than RMB82 trillion, ending a 2 consecutive year decline in growth rate, while taking one of the top spots of world's major economies with the fastest growth rate. As at the end of 2017, China's automobile market production and sales volume continued to ranked first in the world for the ninth consecutive year.

Affecting by the increase in the purchase tax on cars with displacement of 1.6-litres and lower, the overall sales growth of the automotive industry in 2017 slowed down. Meanwhile, there were rising trends for passenger vehicles consumption upgrade and outstanding performance of the commercial truck sector. According to China Association of Automobile Manufacturers, the production and sales volume in the automobile industry in 2017 amounted to 29,015,000 units and 28,879,000 units respectively, representing a year-on-year increase of 3.19% and 3.04% respectively. The production and sales volume of passenger vehicles amounted to 24,807,000 units and 24,718,000 units respectively, representing a year-on-year increase of 1.6% and 1.4% respectively. Among passenger vehicles, SUV continued to grow rapidly. Production and sales volume of SUV reached 10,287,000 units and 10,253,000 units respectively, representing a year-on-year increase of 12.4% and 13.3% respectively and continued to be at the forefront of the automobile industry. The sales volume of new energy vehicles reached 777,000 units, representing a year-on-year growth of 53.3% and constituting 3.1% of passenger vehicle sales, marking a further increase in the proportion.

Benefiting from continued improvement in product competitiveness and acceleration of strategic development of overseas markets of China's self-owned brand automobile manufacturers, as well as the State's implementation of "The Belt and Road" strategy and recovery of the global economy, China's automobile export volume in 2017 stopped falling and began to rise. According to China Association of Automobile Manufacturers, the export volume of automobiles during the Year was 891,000 units, representing a year-on-year growth of 25.8%.

China's automobile sector remained as the most vibrant market in the world. However, market competition and segmentation continued to intensify, while growth rate had been slowing down; various automobile enterprises had launched new models with an aim to increase market share. In the meantime, the automobile industry was undergoing major changes. To protect and facilitate the development of new energy vehicles, the State had frequently rolled out new energy vehicle policies. While cultivating its traditional markets, the Group also actively developed new energy vehicles and intelligent vehicles, and will speed up the commercialization process of relevant products in the future, to satisfy the needs for market development.

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 2017 to 31 December 2017 (Audited)	From 1 January 2016 to 31 December 2016 (Audited)	Change %
Total operating revenue	101,169,488,827.86	98,615,702,427.24	2.59
Operating revenue	100,491,618,178.70	98,443,665,116.02	2.08
Revenue from sale of automobiles	95,986,318,413.84	94,464,961,348.64	1.61
Revenue generated from the sale of automotive parts and components and others	4,505,299,764.86	3,978,703,767.38	13.24
Interest income (Note 1)	673,004,172.25	170,343,701.78	295.09
Selling expenses (Note 2)	4,406,397,762.23	3,175,424,411.26	38.77
Administrative expenses	4,963,038,730.75	4,574,696,893.73	8.49
Financial expenses (Note 3)	138,601,073.50	-3,858,556.40	-3,692.04
Gross profit	19,122,887,416.67	24,238,353,654.15	-21.10
Income tax expenses (Note 4)	1,189,579,538.89	1,929,106,148.72	-38.34
Net profit attributable to shareholders of the Company (Note 5)	5,027,297,997.74	10,551,158,884.21	-52.35
Basic earnings per share	0.55	1.16	-52.35
Gross profit margin (%)	18.90	24.58	Decreased by 5.68 percentage points
Percentage of selling expenses to operating revenue (%)	4.38	3.23	Increased by 1.15 percentage points
Percentage of administrative expenses to operating revenue (%)	4.94	4.65	Increased by 0.29 percentage points

(Note 1) 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 2) The increase in selling expenses was mainly due to the increase in advertising and promotion expenses during the Reporting Period.

(Note 3) Increase in financial expenses was mainly due to the increase in interest expenses from loans during the Reporting Period.

(Note 4) Decrease in income tax expenses was mainly due to the decrease in taxable profit caused by the decrease in profit during the Reporting Period.

(Note 5) The decrease in net profit attributable to shareholders of the Company was mainly due to the Group's promotion of sales of existing products through special offer, stepping up its efforts to promote brand and new products, during the Reporting Period.

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

Assets and liabilities

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

Gearing ratio

Currency: RMB Unit: RMB

	As at 31 December 2017 (Audited)	As at 31 December 2016 (Audited)
Total liabilities	61,289,112,131.14	44,955,516,048.50
Total equity	49,257,961,650.46	47,353,644,518.20
Gearing ratio	124.42%	94.94%

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 “Disposal of major assets and equity interest” in “The Operation during the Reporting Period” item II 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.

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

Capital structure

The Group generally finances its day-to-day operations with its internal cash flows and bank borrowings. As at 31 December 2017, the Company borrowed short-term loans of RMB13,037,978,000.00, mainly for its auto lending business. The Company borrowed long-term loans of RMB473,354,500.00, mainly for acquisition, investment and capital expenditure of Billion Sunny Development Limited, a subsidiary of the Company. For details of interest rate of the borrowings, please refer to the relevant descriptions of Note VI to the financial statements in this annual report.

Exposure to foreign exchange risk

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

Item	RMB	
	2017.12.31	2016.12.31
Cash and cash equivalents	494,509,647.74	196,552,122.39
Financial assets carried at fair value through profit or loss	317,994,432.00	—
Accounts receivable	130,889,030.76	68,165,021.83
Other receivables	6,692.92	1,031,868.86
Accounts payables	-31,423,959.80	-21,570,583.64
Other payables	-252,474,204.60	-173,774,574.77
Long-term loan	-423,754,500.00	—

The Group paid close attention to the impact of exchange rate changes on the Group's foreign exchange risk. Save as the items mentioned above, other financial instruments of the Group were not exposed to foreign exchange risk.

Employment, training and development

As at 31 December 2017, the Group employed a total of 68,505 employees (31 December 2016: 71,617 employees). Employees were remunerated by the Group based on their performance, experience and prevailing industry practices. The Group's remuneration policies and packages were reviewed on a regular basis. As an incentive for employees, bonuses and cash awards may also be given to employees based on individual performance evaluation. Total staff cost accounted for 8.38% of the Group's total operating revenue as at 31 December 2017 (31 December 2016: 7.37%).

Taxation

During the Year, income tax expenses of the Group was RMB1,189,579,538.89 (2016: 1,929,106,148.72)

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

Segment Information

The Group is mainly engaged in the manufacture and sale of automobiles and automotive parts and components in the PRC, and the majority of its assets are located in the PRC. The Group determined the reporting segments and disclosed the segment information according to No. 3 Interpretation of China Accounting Standards for Business Enterprises in 2009. The management determined the reporting segments according to the organization structure, management requirements and internal reporting system of the Group for the purposes of resource allocation and performance evaluation. As the resource allocation and performance evaluation of the Group are carried out based on the overall operation of the production and sales of automobiles and automotive parts and components, the Group has only one business segment for internal reporting purpose.

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

	For the twelve months ended 31 December	
	2017 RMB (Audited)	2016 RMB (Audited)
China	98,644,672,330.24	97,512,270,598.35
Ecuador	446,936,779.78	109,620,823.70
Chile	389,938,633.73	226,463,920.33
Russia	380,669,001.85	117,812,530.89
South Africa	316,813,151.88	46,956,895.59
Peru	185,236,029.85	90,305,503.73
Other overseas countries	805,222,900.53	512,272,154.65
Total	101,169,488,827.86	98,615,702,427.24

The Group's major non-current assets for disclosure in the segment information (which consist of fixed assets, investment properties, investment in construction in progress) are primarily situated in the PRC.

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

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

Business Review

Analysis of production and sales volume of automobiles

Car classification	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	114,679	98,497	16.43	125,150	106,175	17.87
	Export	10,432	5,557	87.73			
	Sub-total	125,111	104,054	20.24			
SUV	Domestic sales	902,110	925,172	-2.49	904,286	956,065	-5.42
	Export	21,677	7,813	177.45			
	Sub-total	923,787	932,985	-0.99			
Sedan	Domestic sales	6,737	29,830	-77.42	11,589	31,380	-63.07
	Export	5,372	2,310	132.55			
	Sub-total	12,109	32,140	-62.32			
Others	Domestic sales	-	224	-100.00	-	198	-100.00
	Export	-	2	-100.00			
	Sub-total	-	226	-100.00			
Total	Domestic sales	1,023,526	1,053,723	-2.87	1,041,025	1,093,818	-4.83
	Export	37,481	15,682	139.01			
	Sub-total	1,061,007	1,069,405	-0.79			

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 Group's sales volume of automobiles remained basically the same as that of the previous year. However, the sales proportion of new products of relatively higher selling prices continued to rise, with continued improvement in product mix.

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

(1) Pick-up truck

According to the statistics of the China Association of Automobile Manufacturers, the Group's pickup trucks continued to rank first in the PRC market in terms of sales volume of pick-up trucks for 20 consecutive years, thus consolidating its leading market position in this respect. During the Year, the Group introduced Wingle 5 Classic. This model is offered with diesel and gasoline engines and two sizes to choose from. The Group thus offered consumers a more competitive product.

(2) SUV

During the Year, the Group's new SUV brands and new SUV products delivered outstanding sales performance. Product mix continued to optimize, while brand value kept enhancing. The Group continued to rank first in the SUV market in terms of sales volume for 15 consecutive years. During the Year, the Group mainly introduced "Brand New Haval H6", VV7 and VV5 under the luxury SUV brand "WEY", with upgrades to every aspect, including design, configuration, power performance, and safety performance, and strong growth in sales volume.

The Group had invested more resources to further enhance the safety of SUVs, from 25% small overlap crash test on VV7 and roof static pressure test on VV5 under the "WEY" brand, to the rollover test on "Brand New Haval H6". Comparing with other similar SUV products, the Group's products absolutely led in safety performance.

(3) New energy vehicles

During the Year, the Group actively developed new energy vehicles. In May, the Group launched its first all-electric new energy model "C30EV".

Domestic market

During the Year, the national economy maintained a stable growth trend, with further rise in urbanization rate and further refinement in infrastructure construction. At the same time, increase in disposable income per capita led to continuous increase in automobile consumption. In particular, SUV sales volume recorded strong growth. Various automobile companies continued to launch more SUV models, thus intensifying competition of the SUV market.

Facing fierce market competition, the Group, during the year, insisted on focusing on SUV businesses, achieved product structural upgrade through innovation, actively promoted the brand and gave special offers. Businesses of new products continued to grow rapidly, securing the Group No.1 position in China's SUV market in terms of sales volume. Haval H6 continued to rank first in the domestic SUV market in terms of sales volume for 57 months. China's leading luxury SUV brand – WEY received wide acclaim and attention from consumers. The WEY brand achieved monthly sales of over 10,000 units for months in a row, and realized a sales volume of over 80,000 units during the Year, driving a rapid growth of the Group's luxury SUV business. The Group continued to optimize its sales service network, actively pushed ahead with brand building and distribution channel management, continued to carry out in-store marketing activities, as well as established a distribution system around brands that would facilitate healthy internal competition. The Group also enhanced the Company's market influence and quick responsiveness to customers' needs.

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

Overseas market

During the Year, benefiting from increasing competitiveness of the brand and service reputation, promotion of China's "The Belt and Road" policy and an overall improvement in global economic situation, the Group achieved automobile export and overseas sales of 37,000 units, representing a significant growth of 139% year-on-year.

At the same time, the Group actively integrated its global resources and further enhanced the standard operation of its research and development centres in Japan, India, Germany, the United States, Austria and Korea, to achieve global research and development. It also became the first Chinese automotive company to join the Hydrogen Council.

The Group had actively expanded its sales network for the Haval brand in overseas markets and strengthened brand building efforts in overseas markets. The sales subsidiaries established in Russia, South Africa and Australia are now up and running. The Group also introduced more Haval models in overseas markets, including South America, Europe, Africa, Asia Pacific and Middle East, with an aim to lay a solid foundation for subsequent overseas market expansion.

Brand building

The Group further enhanced its management of the Haval and WEY brands by leveraging its products, research and development, distribution channels, services, internationalization strategy, and actively enhanced the Group's brand image and reputation. In the ranking of "Brand Power of Global Special SUV in 2017" by Brand Finance, Haval ranked the top in brand power, with a AA+ brand rating. It ranked 43rd in "Interbrand Best China Brands 2017", and was also named as the most valuable brand among domestic-listed A-share companies engaged in the automobile sector, with a brand value of RMB3.24 billion. In addition, it ranked 29th in the ranking of "GGAI 2017 Intelligent Automobile Industrial Chain Global Top 100 Companies". The 1.5GDIT engine developed by the Company won the title of "Chinese Ten Best Engines"; the Company's first self-manufactured wet clutch 7-speed Dual-Clutch Transmission (7DCT) won the title of "2018 World's Ten Best Transmissions" of Longpan Cup.

New energy

The Group concurrently engaged in the development of EV (electric vehicle), HEV (hybrid electric vehicle) and PHEV (plug-in hybrid electric vehicle), which involved three different types of technology, as well as the planning of FCV (fuel cell vehicle). In 2018, the Group will launch the first plug-in hybrid vehicle model P8 and other new energy products, and further contemplate and improve the strategic planning for the core components of new energy vehicles, and will accelerate the development of the new energy business.

Intelligent driving and network connection

The Group has been actively developing network systems and intelligent driving platform i-Pilot. The Group also carried out strategic cooperation with companies including Bosch, Delphi Technologies, and Renesas Electronics to actively enhance the key technologies of intelligent driving. Since 2015, commodity vehicles installed with certain driving assistance functions have been launched and received satisfactory market response.

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

Automotive after-sales market

With the support of intelligent driving and new energy vehicles, the Group explored car sharing services such as time-slot allocation and online reservation, expanded key markets in China and developed a business ecosystem for future travel. Capitalising on the sales service network, the Group had actively enhanced the flexibility of automobile finance products and satisfied demands of end markets to a larger extent, further expanding the scale of the automobile finance business. In view of the automotive products' life cycle, the Group intended to achieve further vertical integration, by proactively exploring and improving other automotive after-sales market services, such as car insurance brokerage, second-hand car business and recycling of broken vehicles.

Capital increase into Hebei Yogomo Motors Co., Ltd.

The Group obtained 25% of the equity interests in Hebei Yogomo Motors Co., Ltd. (河北御捷車業有限公司) ("Hebei Yogomo") by way of capital increase in September 2017. The Group and Hebei Yogomo will recognise their respective advantages in respect of new energy vehicle and would conduct joint research and cooperate in various aspects, including but not limited to research and development of new energy technology, manufacturing and production techniques, supply of parts and components, establishment of channels and promotion of brand to achieve more economic and social benefits. The transaction will allow the Group to better satisfy the requirements of the PRC government on the new energy vehicle credits.

Investment in an Australian mine

In September 2017, the Company, via a wholly-owned subsidiary, subscribed 56,000,000 new shares in Pilbara Minerals at AUD0.5 per share, amounting to AUD28 million in aggregate, and secured the right to off-take certain production of the Pilgangoora Lithium-Tantalum project. The subscription will secure resources for the production chain of new energy vehicles of the Company and will provide strong support to profit enhancement and sustainable development of the Company, as well as facilitate the strategic development of new energy vehicles of the Company.

Entering into a letter of intent with BMW

On 23 February 2018, the Company and Bayerische Motoren Werke Aktiengesellschaft ("BMW") entered into a letter of intent ("LOI") on cooperation, pursuant to which both parties intend to use their respective technical and commercial expertise in the automotive industry to cooperate in the form of a joint venture. The cooperation shall mainly focus on new energy vehicles and future technology. After signing the LOI, both parties will further determine the investment scale and establish a business model.

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

Launch of new products

During the Year, the Group continued to launch brand new models and facelifted cars with outstanding performance, sustaining stable growth in sales volume and further facilitating improvement in the Company's product mix.

At the Shanghai International Automobile Industry Exhibition ("Auto Shanghai") in April 2017, the Group launched the first car model "VV7" under the "WEY" brand. The materials, technology, safety protection and car production concept of the new model are all based on the standards for luxury SUV. VV7 has won a number of awards, including the "Special Award for Exterior Design" of The Xuanyuan Awards from Auto Business Review. During the Year, the new model achieved monthly sales volume of over 10,000 units for months in a row.

At the Auto Shanghai, the Group also launched a brand new Haval H6. This car model is equipped with "Armor Safety System", which forms an all-round protection for passengers, pedestrians and the vehicle ("3DP"). Since its launch, this model had gained wide consumers' recognition, further facilitating the Haval brand to establish its leading position in markets.

In May 2017, the Group launched its first all-electric new energy model C30EV. This model uses ternary lithium battery, which fully meets daily travel needs. It is an all-electric family sedans with high price performance, which will help the Group explore new energy consumption market.

In August 2017, the Group launched the second model VV5 under the WEY brand. VV5 designed a customized safety system for passengers, pedestrians and the vehicle, and for the first time provided anti-rust perforation warranty on body for 12 years. VV5 was selected as one of the five most successful models at the Frankfurt Motor Show. During the Year, the sales volume of VV5 climbed rapidly, which helped the WEY brand secure a leading position in target markets.

During the Year, the Group also launched several facelifted models, including new Haval H6 Coupe (Red and Blue Labels), Haval H8 8AT version, and new models including Haval H9, Haval M6, 2018 Haval 5 Classic Version, 2018 Haval H6 Sport Version, 2018 Haval H2, 2018 Haval H2s and Haval H7L Red Label.

Outlook

China's automobile market production and sales volume continued to rank first in the world for the ninth consecutive year. Automobile consumers in China become more mature and form a unique consumption concept with increasing needs for diversification and personalization. As the degree of urbanization in China rises, infrastructure further improves, disposable income per capita increases and demands from first-time car buyers and consumption upgrade remain robust, which will all drive continued growth in the consumption of car products. As a result, the automobile industry will witness the rise of self-owned brands, continued growth in the SUV market share, the popularization of new energy cars and intelligentization of automobiles and stable increase in the penetration rate of automobile finance.

The Group will adhere to its principles of development, which are "focus, professional, expert". The Group will move in the direction of "electrification, intelligent technology, network connection, sharing", given its SUV-focused strategy and industry future development trend. The Group will continue to increase investment in research and development and expedite the implementation of related strategic projects. Through constant enhancement of product quality by leveraging advanced technology, the Group will launch more outstanding products such as Haval H4, VV6 and first plug-in hybrid vehicle model "P8". The Group will also further enhance the management of the Haval and WEY brands to increase their potential power and to secure the leading position in the SUV market. The Group will continue to expand its distribution channels and value-added sales services, so as to improve customer satisfaction and actively contribute to the development of China's automobile brand, and to build a world-class professional SUV brand and become global SUV market leader.

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

Overseas markets

The Group is committed to the development of overseas markets and will continue to increase the competitiveness of its brand in overseas markets in future. The Group will build a reliable brand image and service reputation, maintain smooth operation of its overseas sales network and actively explore new markets to further increase the scale of sales in overseas markets. The Group will also actively integrate its global resources to provide visionary products and technology for the Group.

Cooperation with BMW

Both parties are evaluating the prospects and feasibility of setting up a joint venture to cooperate in the field of new energy vehicles, and will conduct further discussions on the cooperation model and a joint vehicle platform. It is expected that the cooperation will improve the technology level and brand premium of the Company, facilitate better meeting of consumers' needs and further tap on the new energy vehicle market at home and abroad.

New facilities

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

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 RMB101,169,488,827.86, RMB5,854,152,409.62 and RMB5,027,297,997.74, representing an increases of 2.59%, a decrease of 52.25% and a decrease of 52.35% 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 (%)			
				2015	2014	2013
Total operating revenue	101,169,488,827.86	98,615,702,427.24	2.59	76,033,142,505.96	62,599,104,189.86	56,784,314,344.30
Operating revenue	100,491,618,178.70	98,443,665,116.02	2.08	75,954,585,964.64	62,590,772,604.67	56,784,314,344.30
Operating costs	81,966,903,618.84	74,360,223,523.10	10.23	56,863,911,403.05	45,251,761,068.39	40,537,994,662.12
Selling expenses	4,406,397,762.23	3,175,424,411.26	38.77	2,841,565,090.40	2,084,755,133.80	1,895,262,609.80
Administrative expenses	4,963,038,730.75	4,574,696,893.73	8.49	4,030,603,966.73	3,822,341,956.08	2,747,417,124.13
Financial expenses	138,601,073.50	-3,858,556.40		139,370,863.43	-129,380,918.13	-83,849,943.15
Net cash flows from operating activities	-1,076,670,066.87	8,835,406,234.02	-112.19	10,033,690,411.71	6,095,784,407.40	9,039,043,397.56
Net cash flows from investing activities	-3,055,621,810.65	-8,367,460,548.39		-6,516,889,077.71	-7,209,952,718.60	-6,696,353,291.18
Net cash flows from financing activities	6,089,261,843.31	-1,116,326,659.64		-4,112,054,970.50	-1,309,157,089.95	-2,404,718,214.67
Research and development expenses	3,364,573,281.17	3,180,236,419.29	5.80	2,760,609,085.70	2,571,581,207.82	1,692,880,148.50

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	99,876,340,965.97	81,448,771,502.87	18.45	1.65	9.72	Decreased by 6.00 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	95,986,318,413.84	78,866,169,607.53	17.84	1.61	10.10	Decreased by 6.33 percentage points
Sale of automotive parts and components	3,178,834,946.76	2,071,873,224.38	34.82	10.14	8.07	Increased by 1.24 percentage points
Moulds and others	477,780,481.80	327,240,134.27	31.51	-25.86	-32.82	Increased by 7.09 percentage points
Provision of services	233,407,123.57	183,488,536.69	21.39	-10.53	-5.11	Decreased by 4.49 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	97,361,412,156.19	79,252,968,917.35	18.60	0.21	8.03	Decreased by 5.89 percentage points
Overseas	2,514,928,809.78	2,195,802,585.52	12.69	129.15	152.77	Decreased by 8.16 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	125,150.00	125,111.00	5,153.00	17.87	20.24	0.74
SUVs	904,286.00	923,787.00	27,813.00	-5.42	-0.99	-41.62
Sedans	11,589.00	12,109.00	296.00	-63.07	-62.32	-72.18
Others				-100.00	-100.00	
Total	1,041,025.00	1,061,007.00	33,262.00	-4.83	-0.79	-38.20

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

(3) Cost analysis

Unit: RMB Currency: RMB

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

		By products					
Product	Cost item	Amount for the Current Period	Proportion to total costs for the Current Period (%)	Amount for the corresponding period last year	Proportion to total costs for the corresponding period last year (%)	Changes in the amount for the Current Period over the corresponding period last year (%)	Description
Automotive parts and components	Raw materials, wages and salaries, depreciation and energy etc.	2,071,873,224.38	2.53	1,917,179,246.84	2.58	8.07	—
Moulds and others	Raw materials, wages and salaries, depreciation and energy etc.	327,240,134.27	0.40	487,091,004.56	0.66	-32.82	—
Services	Toll, fuel costs, travelling costs, and wages and salaries etc.	183,488,536.69	0.22	193,370,842.39	0.26	-5.11	—

Other description of cost analysis

Applicable Not applicable

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

(4) Major customers and suppliers

√ Applicable □ Not applicable

Unit: RMB Currency: RMB

Name of customer	Operating revenue	Proportion to total operating revenue of the Company (%)
Customer 1	3,368,286,639.57	3.33
Customer 2	2,580,552,039.69	2.55
Customer 3	1,504,508,969.10	1.49
Customer 4	1,405,918,840.40	1.39
Customer 5	1,050,993,551.80	1.04
Total	9,910,260,040.56	9.80

Sales to the five largest customers amounted to RMB9,910.26 million, accounting for 9.80% of the total sales of the Year. In which 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.

Unit: RMB Currency: RMB

Name of supplier	Purchases	Proportion to total purchases for the Year (%)
Supplier 1	2,771,840,471.04	3.25
Supplier 2	2,003,771,485.54	2.35
Supplier 3	1,476,313,406.41	1.73
Supplier 4	1,049,865,289.66	1.23
Supplier 5	743,140,515.79	0.87
Total	8,044,931,168.44	9.43

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

Purchases from the five largest suppliers amounted to RMB8,044.9312 million, accounting for 9.43% of the total purchases of the Year. In which, 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.

2. Expenses

Applicable Not applicable

Unit: RMB Currency: RMB

Items	2017	2016	Changes (%)	Reasons
Selling expenses	4,406,397,762.23	3,175,424,411.26	38.77	Changes in sales costs were mainly due to the increase in advertising and promotional expenses during the Reporting Period.
Administrative expenses	4,963,038,730.75	4,574,696,893.73	8.49	—
Financial expenses	138,601,073.50	-3,858,556.40	-3,692.04	Changes in financial expenses were mainly due to the increase in interest expenses of borrowings during the Reporting Period.

3. Research and development expenses

Statement of research and development expenses

Applicable Not applicable

Unit: RMB Currency: RMB

Research and development expenses for the Current Period	3,364,573,281.17
Research and development expenses capitalised for the Current Period	—
Total research and development expenses	3,364,573,281.17
Percentage of total research and development expenses over operating revenue (%)	3.35
Number of research and development employees (person) of the Company	17,917
Percentage of the number of research and development employees over the total number of employees of the Company (%)	26.15
Percentage of research and development expenses capitalised (%)	0

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

Description

Applicable Not applicable

In 2017, the total research and development expenses of the Company amounted to RMB3.365 billion, representing an increase of 5.80% 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.

The Company, in succession, was recognized as the National-Local Joint Engineering Center of New Energy Vehicle Power System Development and Application, Hebei International Science and Technology Cooperation Model Enterprise, Hebei Class A Research and Development Institution, Hebei Science Base and Hebei 100 Key Intelligence Corporation.

During the year, the Company was granted 752 patents, including 203 invention patents, 426 utility model patents and 123 designs patents.

4. Cash flow

Applicable Not applicable

Unit: RMB Currency: RMB

Items	2017	2016	Changes (%)	Reasons
Net cash flows from operating activities	-1,076,670,066.87	8,835,406,234.02	-112.19	Changes in net cash flow from operating activities were mainly due to the decrease in gross profit of the Group and the decrease in net cash inflow from operating activities as a result of the increase in volume of the lending business of Automotive Finance
Net cash flows from investing activities	-3,055,621,810.65	-8,367,460,548.39	-63.48	Changes in net cash flow from investing activities were mainly due to the increase in the principal of investment and wealth management products recovered during the Reporting Period.
Net cash flows from financing activities	6,089,261,843.31	-1,116,326,659.64	-645.47	Changes in net cash flow from financing activities were mainly to bank borrowings during the Reporting Period.

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

Applicable Not applicable

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

(III) Analysis of assets and liabilities

√ Applicable □ Not applicable

1. Assets and liabilities

Unit: RMB Currency: RMB

Item	Amount as at the end of the Current Period	Proportion to total assets (%)	Amount as at the end of last year	Proportion to total assets (%)	Changes in the amount as at the end of the Current Period over last year (%)	Description	2015	2014	2013
Current Assets	69,293,328,092.50	62.68	53,928,033,538.56	58.42	28.49		40,389,996,353.27	35,313,744,747.57	31,026,191,451.06
Cash and bank balances	4,831,349,324.85	4.37	2,153,603,558.38	2.33	124.34	Changes in cash and bank balances were mainly due to the increase in funds raised from short-term borrowings during the Reporting Period	3,641,764,292.73	3,394,260,013.36	6,990,516,902.03
Financial assets at fair value through profit or loss	317,994,432.00	0.29			100.00	Changes in financial assets at fair value through profit or loss were due to the changes in market values of the equity interests of the listed companies subscribed for and held by the Group		214,440.00	4,270,117.86
Notes receivable	49,075,108,590.70	44.39	39,786,248,863.34	43.10	23.35		28,161,748,218.41	23,352,366,377.86	17,548,258,868.49
Accounts receivable	873,444,976.66	0.79	517,976,746.97	0.56	68.63	Changes in accounts receivable were due to the increased automobile receivables	675,922,020.83	730,113,031.42	656,312,754.79
Prepayments	579,536,182.06	0.52	1,057,180,423.77	1.15	-45.18	Changes in prepayments were mainly due to the decrease in prepayments for procuring raw materials during the Reporting Period	880,716,835.91	723,332,515.18	446,068,066.03
Interests receivable	28,355,788.71	0.03	12,418,121.84	0.01	128.34	Changes in interests receivable were mainly due to the increase in interests receivable 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	5,130,559.76	4,897,335.85	
Other receivables	297,891,725.12	0.27	251,011,870.83	0.27	18.68		101,849,236.83	2,896,787,792.18	2,559,193,416.74
Inventories	5,574,771,949.63	5.04	6,061,138,217.68	6.57	-8.02		4,119,805,909.61	3,470,386,550.65	2,763,890,772.66
Non-current assets due within one year	7,447,875,069.05	6.74	1,201,702,064.95	1.30	519.78	Changes in non-current assets due within one year were mainly due to the increase in loans and advances to customers due within one year of Tianjin Great Wall Binyin Automotive Finance Company Ltd, a subsidiary of the Company	1,023,694,956.31	52,161,068.06	
Available-for-sale financial assets			1,438,000,000.00	1.56	-100.00	Changes in available-for-sale financial assets were due to recovery of the principal guaranteed wealth management products with floating yield purchased at the beginning of the period upon maturity during the Reporting Period			
Other current assets	267,000,053.72	0.24	1,448,753,670.80	1.57	-81.57	Changes in other current assets were mainly due to the decrease in principal guaranteed wealth management products with fixed yield purchased during the Reporting Period	1,769,572,570.82	681,225,623.01	48,680,552.46
Loans and advances to customers	4,428,694,699.29	4.01	3,076,249,652.50	3.33	43.96	Changes in loans and advances to customers were mainly due to the increase in interests receivable 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	561,063,510.14	100,508,080.46	
Long-term receivables			1,361,193,481.58	1.47	-100.00	Changes in long-term receivables were due to the decrease in performance bond for land receivables aged over 1 year during the Reporting Period	1,613,829,351.48		

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

Unit: RMB Currency: RMB

Item	Amount as at the end of the Current Period	Proportion to total assets (%)	Amount as at the end of last year	Proportion to total assets (%)	Changes in the amount as at the end of the Current Period over last year (%)	Description	2015	2014	2013
Goodwill	2,163,713.00	0.00	4,972,730.90	0.01	-56.49	Changes in goodwill were due to deregistration of Baoding Xinyi Automobile Seating Co., Ltd. during the Reporting Period which decreased the goodwill arising from acquisition of its equity interest by the Group in January 2016	2,163,713.00	2,163,713.00	2,163,713.00
Long-term prepaid expenses	132,678,241.54	0.12	54,066,910.08	0.06	145.40	Changes in long-term prepaid expenses were mainly due to the increase in prepaid fees of moulds during the Reporting Period	54,520,245.83	47,681,001.82	27,678,336.76
Current Liabilities	58,881,223,748.49	53.26	43,252,239,792.29	46.86	36.13		31,786,437,525.14	26,144,697,042.57	22,839,474,722.18
Short-term borrowings	13,037,978,000.00	11.79	250,000,000.00	0.27	5,115.19	Changes in short-term borrowings were due to the increase in bank borrowings during the Reporting Period	300,000,000.00		182,198,866.04
Notes payable	3,879,647,201.41	3.51	4,164,982,676.22	4.51	-6.85		5,480,528,560.69	4,138,158,178.41	4,539,529,276.71
Accounts payable	27,961,741,670.91	25.29	25,007,335,076.72	27.09	11.81		15,603,253,561.15	14,093,151,931.66	10,712,169,742.15
Receipts in advance	5,457,772,639.50	4.94	6,311,928,102.18	6.84	-13.53		4,937,845,265.44	3,180,045,338.74	2,808,752,768.45
Employee benefits payable	1,872,028,903.98	1.69	1,966,848,264.70	2.13	-4.82		1,534,598,723.77	1,326,601,449.19	1,096,561,764.67
Taxes payable	2,308,154,256.08	2.09	1,978,393,497.86	2.14	16.67		979,247,478.39	880,096,384.40	527,274,939.62
Interests payable	55,350,659.12	0.05	924,376.74	0.00	5,887.89	Changes in interest payable were due to the increase in interests payable by the Group for bank borrowings	6,388,819.44		
Other payables	2,512,899,879.29	2.27	2,043,696,694.43	2.21	22.96		1,665,434,069.11	1,778,299,444.45	2,270,050,353.66
Non-current liabilities due within one year	142,533,396.22	0.13	105,170,607.29	0.11	35.53	Changes in non-current liabilities due within one year were mainly due to reclassification of long-term borrowings due within one year to non-current liabilities due within one year by Tianjin Great Wall Binyin Automotive Finance Company Ltd, a subsidiary of the Company	83,299,009.08	75,657,544.16	69,258,714.61
Other current liabilities	1,653,117,141.98	1.50	1,422,960,496.15	1.54	16.17		1,195,842,038.07	672,530,061.79	633,678,296.27
Long-term borrowings	423,754,500.00	0.38	49,800,000.00	0.05	750.91	Changes in long-term borrowings were due to the increase in bank borrowings during the Reporting Period	50,000,000.00		
Deferred tax liabilities	20,613,845.65	0.02	2,328,903.31	0.00	785.13	Changes in deferred tax liabilities were mainly due to increase in provision for purchasing rebate of the Group	1,094,276.88		

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

√ Applicable ☐ Not applicable

- (1) As at 31 December 2017, the Group had restricted cash and bank balances of RMB987,259,595.28, of which guarantee on bank acceptance bills amounted to RMB519,452,724.20, required reserves amounted to RMB402,500,360.15, guarantee on letter of credit amounted to RMB3,050,947.92, performance guarantee deposit amounted to RMB7,560,000.00, deposited investment fund amounted to RMB50,197,891.76 and other guarantees amounted to RMB4,497,671.25.

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

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

RMB

Category	31 December 2017	31 December 2016
Bank acceptance bills	7,669,337,556.18	3,526,875,391.00
Total	7,669,337,556.18	3,526,875,391.00

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 Xushui Vehicle Factory)	70	72.2	103.1
Tianjin	45	31.9	70.9
Total	115	104.1	90.5

Production capacity of factories under construction

Applicable Not applicable

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

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)
Xushui Complete Vehicle					
Factory No. 3	3,614,304,600.00	318,255,831.73	2,397,646,394.88	2017.3	10
Russia automobile plant	2,442,256,660.00	765,005,843.79	1,052,479,272.16	2019	8

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.

3. Output and sales volume of parts and components

Applicable Not applicable

The revenue from external sales of manufacturing of automotive parts and components accounted for 3.14% of the total operating revenue of the Company, which is not subject to disclosure.

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

4. New energy automobile business

Applicable Not applicable

Production capacity of new energy automobile

Applicable Not applicable

Currently, the production capacity of new energy products and traditional automobile products on the shared production line amounts to 1.15 million units. In order to implement flexible production, the Company may deploy the two types of products based on market conditions.

Output and sales volume of new energy automobile

Applicable Not applicable

Car classification	Sales Volume (unit)			Production Volume (unit)		
	Total for the year	Total for last year	Increase/decrease (%)	Total for the year	Total for last year	Increase/decrease (%)
New Energy Passenger Vehicles	2,718	—	100.00	2,964	—	100.00

Revenue from and subsidy for new energy automobile

Applicable Not applicable

Unit: RMB Currency: RMB

Car classification	Revenue	Subsidy for new energy automobile	Percentage (%)
New Energy Passenger Vehicles	243,284,836.83	109,980,000.00	45.21

5. Explanation on other matters

Applicable Not applicable

(V) Analysis of investments

1. General analysis of external equity investments

Applicable Not applicable

During the Reporting Period, the total equity investment of the Group was RMB737,866,400, representing an increase of the 22.44% as compared with RMB602,650,800 in the corresponding period of last year.

(1) Major equity investment

Applicable Not applicable

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

Name of investee	Principal business	Investment amount (RMB10,000)	Percentage of shareholding
Shenzhen Great Wall Auto Sales Co., Ltd. (深圳長城汽車銷售有限公司)	Wholesale, retail and technical services in relation to automobiles and automotive parts and components, technical service and sale in relation to car application software, car rental; agency services in relation to lawful distribution of motor vehicles and application for driving license, sale of used cars, import and export business and car information consultancy.	4,970	100%
Haval Motor Rus Limited Liability Company (俄羅斯哈弗汽車製造有限責任公司)	1. Marketing, sales, promotion, production and manufacture of automobiles, automotive parts and components and accessories and any other relevant operating activities, including intermediary trading activities and foreign trading activities; 2. Provision of technical maintenance and repair services for automobiles and provision of other types of technical maintenance services for automobiles; 3. Engagement in financial intermediary activities for the sale of automobiles.	3,900	100%
Australia Sinyos Technology and Trade Pty Ltd (澳大利亞森友斯科貿易有限公司)	Import and export of automobiles, sale and distribution of automobiles, sale of automotive parts and components and after-sales services.	900	100%
Haval Motors US Proprietary Limited (美國哈弗汽車有限公司)	Engaging in any lawful activity	5,516.64	100%
Tianjin Great Wall Bin yin Automotive Finance Company Ltd (天津長城濱銀汽車金融有限公司)	Accepting time deposits with a term of no less than three months from domestic shareholders; accepting security deposits from automobile dealers for automobile purchasing loans and from leasees for automobile leasing; issuing financial bonds (when approved); engaging in inter-bank lending business; obtaining loans from financial institutions; providing automobile purchasing loans; offering loans to automobile dealers for purchasing automobiles and operating equipment, including loans for construction of exhibition halls, production of automotive parts and components as well as equipment maintenance; engaging in automobile finance leasing business (except leaseback business); engaging in sales or repurchases of automobile loan receivables and automobile finance leasing receivables to or from financial institutions; engaging in sales and disposals of residual value of leased automobiles; engaging in consultation and agency business relating to financing for automobile purchases; engaging in equity investment in financial institutions relating to automobile finance business (when approved); and engaging in other businesses approved by the China Banking Regulatory Commission.	58,500	90%

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

(2) Major investment in non-equity interest

√ Applicable Not applicable

Unit: RMB Currency: RMB

Project	Total investment amount	Progress	Investment amount during the Reporting Period	Accumulated investment amount	Net profit generated by project
Great Wall Motor Passenger Vehicles Xushui Complete Vehicle Factory No. 3	3,614,304,600.00	66.34%	318,255,831.73	2,397,646,394.88	1,106,586,909.85
Smart transmission system for new energy vehicle with annual production capacity of 500,000 units	4,142,339,700.00	13.31%	270,584,527.61	551,342,109.88	—
Russia automobile plant	2,442,256,660.00	43.09%	765,005,843.79	1,052,479,272.16	—
Total	10,198,900,960.00	/	1,353,846,203.13	4,001,467,776.92	/

Note: The Construction Project of Great Wall Motor Technology Centre and the project of Great Wall Motor Passenger Vehicles Xushui Complete Vehicle Factory No. 2 have been completed and have commenced operation.

(3) Financial assets measured at fair value

√ Applicable Not applicable

Financial assets at fair value through profit or loss

RMB

Items	31 December 2017	31 December 2016
Financial assets held for trading	317,994,432.00	—
Including: equity instrument investment	317,994,432.00	—
Total	317,994,432.00	—

Note: On 31 December 2017, the equity instrument investment held by the Group was equity investment traded in the open market, the fair value of which was determined by the quoted price in the open market.

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

Financial assets at fair value through profit or loss as at the end of years

Unit RMB

Item	31 December 2017			1 December 2016		
	Balance	Impairment provision	Carrying value	Balance	Impairment provision	Carrying 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

(VI) Disposal of major assets and equity interest

Applicable Not applicable

(VII) Major subsidiaries and investees

Applicable Not applicable

Unit: RMB Currency: RMB

Full name of subsidiaries	Business nature	Registered capital	Proportion of shareholding (%)	Proportion of voting rights (%)	Total assets as at the end of the Year	Total net assets as at the end of the Year	Operating revenue for the Year	Operating profit for the Year	Net profit for the Year
Baoding Haval Auto Sales Company Limited (保定哈弗汽車銷售有限公司)	Sale of automobile	5,000,000.00	100.00	100.00	5,400,337,441.55	1,072,443,235.11	73,267,536,972.69	1,399,812,540.88	1,064,943,235.11
Haval Logistics Company Limited (哈弗物流有限公司)	Ordinary goods transportation and logistics	85,000,000.00	100.00	100.00	812,855,062.81	325,582,087.04	1,735,677,983.34	334,032,415.74	250,220,083.01
Tianjin Boxin Automotive Parts Company Limited (天津博信汽車零部件有限公司)	Manufacture of automobile parts	1,890,000,000.00	100.00	100.00	3,049,093,595.13	2,566,531,078.03	1,457,793,354.87	202,912,238.93	213,697,972.22
Tianjin Great Wall Binyin Automotive Finance Company Limited (天津長城濱銀汽車金融有限公司)	Automobile finance	1,200,000,000.00	90.00	90.00	12,638,136,774.93	1,364,727,372.11	677,870,649.16	213,152,499.55	160,884,587.85
Baoding Weiyi Automobile Co., Ltd. (保定威奕汽車有限公司)	Manufacture of automobile parts	2,000,000,000.00	100.00	100.00	634,910,071.32	429,488,072.12	727,280,767.25	185,188,247.07	159,745,964.79
Baoding Great Wall Automobile After-sales Services Company Limited (保定市長城汽車售後服務有限公司)	Provision of after-sales services	35,000,000.00	100.00	100.00	208,081,121.54	207,728,978.65	1,245,475,116.70	203,082,246.05	155,228,978.65
Baoding Great Wall Auto Sales Co., Ltd. (保定長城汽車銷售有限公司)	Marketing and sale of automobile	39,640,000.00	100.00	100.00	537,868,201.30	130,280,079.45	4,261,508,892.04	94,037,807.81	71,013,906.09
Baoding Great Machinery Company Limited (保定市格瑞機械有限公司)	Manufacture of automobile parts	23,000,000.00	100.00	100.00	276,088,173.20	188,102,161.14	260,866,558.32	59,187,448.37	65,768,667.10
Baoding Nuobo Rubber Production Company Limited (保定市諾博橡膠製品有限公司)	Manufacture of automobile parts	72,240,000.00	100.00	100.00	362,496,990.30	311,821,853.26	310,352,213.84	45,595,966.25	55,441,663.00
Baoding Mind Auto Component Company Limited (保定曼德汽車配件有限公司)	Manufacture of automobile parts	95,000,000.00	100.00	100.00	211,114,204.48	179,461,307.76	452,011,578.28	61,526,472.36	52,728,653.85

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

(VIII) Structured entities under the control of the Company

Applicable Not applicable

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

(I) Competition and development trend of the industry

Applicable Not applicable

Industry Landscape in 2017

The data released by the China Association of Automobile Manufacturers suggested that there was a slight increase in the production and sales volume of automobiles in China, amounting to 29,015,000 units and 28,879,000 units respectively in 2017, an increase of 3.19% and 3.04% as compared with last year.

In the analysis of the entire automotive industry, 10,252,700 units of SUV models were sold, an increase of 13.32% as compared with last year. In terms of market segment, 6,217,000 units of China-made SUV models were sold, an increase of 18.01% over 2016, and the market share increased from 58.2% to 60.6%. Meanwhile, joint venture brands squeezed out self-owned brands by reducing their selling prices continuously. As such, competition is expected to get increasingly intense in the automotive industry in the future.

The market position of the Company

Great Wall Motor ranked eighth in terms of total sales volume in 2017.

The sales volume of Haval SUV continued to lead the domestic SUV market and topped sales volume for 15 consecutive years.

Pick-up trucks continued to be the top-selling vehicles across China for 20 consecutive years.

Development trends of the automotive industry in the future

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

In the next decade, GDP and household income in China will continue to grow, as driven by the accelerated pace of industrialization and urbanization simultaneously. Together with the increased demand for cars in the third- and fourth-tier cities as well as in rural markets, China's automobile market is expected to further expand.

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

② *Rapid growth in SUV will be maintained*

In terms of car model, SUV is anticipated to deliver better market performance in 2018, as blessed by the increased demand due to the upgrade of consumption, younger consumer groups and accelerated launch of new SUV models.

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

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

(II) Development strategy of the Company

Applicable Not applicable

The focus will be on SUVs, building a world-class professional SUV brand and becoming a global leader in SUV.

Cutting-edge technology in innovative electronics, intelligent driving and Internet access will be developed, with plans to invest RMB30 billion in research and development of new energy vehicles, intelligent vehicles and key components.

The Company will provide its customers with integrated solutions for smart travel and serve as a mobile travel service provider as the trends of electrification, networking, intelligent driving and sharing sweep across the globe.

(III) Operation plan

Applicable Not applicable

The Group's sales target for 2018 is 1.16 million vehicles.

Setting its foothold by surpassing international benchmarks, Great Wall Motor will maintain its focus on product quality with delicate sensation and reliability as core elements. By strengthening the preliminary planning of products, it will build up its capabilities in technology development and enhance its products on an ongoing basis to help boost its dual-brand SUV products in full swing, so as to maintain its leading market position. Meanwhile, it will expedite its development in the area of new energy to promote rapid business expansion.

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

(IV) Potential risks

√ Applicable Not applicable

Set out below are the 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 will reduce and the domestic automobile market will enter into an “era of slight growth” with intensified competition in the industry and continual new product launches, resulting in a crowded SUV market;
2. with the tightening of the new energy dual-credit policy and the rapid growth in the share of SUVs in the China market, SUV is anticipated to account for over 50% of passenger vehicles by 2020. Since SUV consumes more fuel, the Company is under greater pressure from reaching the fuel consumption target at Phase 4. The new energy market in China is a global leading market because of high financial subsidies. However, since the fall in these subsidies, especially the substantial fall from 2018, are higher than the decline in new energy costs, the sales volume of new energy vehicles will be hit, resulting in some risks associated with the completion of the integrated adoption of corporate average fuel consumption and new energy vehicles;
3. as the domestic and overseas automobile markets become more mature, customers become increasingly demanding in terms of product quality and requirements, they demand better brands and higher quality automobiles produced by enterprises under their own brands;
4. due to the growing technical barriers in overseas markets, the intensifying tendency of protectionism, the fragile economic recovery in emerging economies and the risks of capital outflow and exchange rate fluctuation arising from tax cuts in Europe and the United States, there is greater uncertainty for the Company to tap into international markets;

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

1. in order to strengthen its market position, the Company will make full play of the advantages of its products by pooling resources to create the right product mix and boosting the efficiency of product lines. Meanwhile, it will also be innovative in its brand operations, setting its focus on major products to ensure boosting of dual-brand SUV products (Haval and WEY), with quality remaining a top priority, so as to acquire customers through its leading quality and services;
2. the Company will focus on new energy and intelligent driving technology and master core technologies such as integrating the entire new energy vehicle system, achieving an edge in areas such as Internet access and lightweight vehicles. Meanwhile, the Company will continue to accelerate the strategy for the new energy vehicle business. The first PHEV product P8 and brand-new battery electric sedans will be marketed in 2018 successively to boost the rapid rise of the business;

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

3. the Company will continue to improve its sales and service networks by expanding its network coverage in the market and setting up professional and efficient sales and service networks. Meanwhile, to meet increasingly demanding consumer requirements, it will implement initiatives to achieve success at the level of end users by offering quality sales services to create a differentiated customer experience for enhanced service quality;
4. the Company will enhance the quality of its research and development to build global capabilities by strengthening the preliminary planning of products to ensure the development of quality products. It will also commence overseas production planning and localised operation to expand the sale scale of the overseas market.

(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 2017 or in previous years are limited companies.

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

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

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

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

III. RESULTS AND DIVIDENDS

The Group's operating results for the year ended 31 December 2017 and the financial positions of the Company and the Group for the year ended 31 December 2017 are set out in the audited financial statements.

Details of distribution of the final dividend for the year ended 31 December 2017 are set out under "Profit Distribution Plan for Ordinary Shares or Plan for Capitalisation of Capital Reserves" of Section 8 "Significant Events" of this report.

IV. SHARE CAPITAL

Details of movements of the share capital of the Company as at 31 December 2017, together with the reasons for such movements, are set out under "Changes in Ordinary Shares and Shareholders" of section 9 of this report.

V. FIXED ASSETS

Details of the fixed assets of the Group and the Company as at 31 December 2017 are set out in the audited financial report.

VI. PRE-EMPTIVE RIGHTS

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

Section 6 Report of the Board

VII. RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

VIII. UNDISTRIBUTED PROFITS

As at 31 December 2017, pursuant to the Company Law and the Articles, the undistributed profits of the Group was RMB33,530,533,212.33, the final dividend for the year of 2017 proposed to be distributed was RMB0.17 per share (tax inclusive). In addition, the capital premium and part of the capital reserves may be distributed through capitalisation issue in the future.

IX. MAJOR CUSTOMERS AND SUPPLIERS

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

X. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

XI. MATERIAL CONTRACTS

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

XII. MANAGEMENT CONTRACTS

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

XIII. DIRECTORS’ AND SUPERVISORS’ INTERESTS IN SECURITIES

As at 31 December 2017, the interests and short positions of each of the directors, supervisors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning as defined in Part XV of the SFO), which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register required to be kept as referred to in Section 352 of the SFO (including the interests and short positions which they were taken or deemed to have under such provisions of the SFO) or were otherwise required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code as set out in Appendix 10 to the Hong Kong Listing Rules, were as follows:

Name of director/ supervisor	Capacity/ nature of interest	Number of shares	Approximate percentage of A Shares (%)	Approximate percentage of H Shares (%)	Approximate percentage of total number of shares (%)
Mr. Wei Jian Jun	Interests in controlled companies	5,115,000,000 (L) (A Shares)	84.86	—	56.04
Total		5,115,000,000 (L) (A Shares)	84.86	—	56.04

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

XIV. INTERESTS IN CONTROLLED COMPANIES

As at 31 December 2017 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 2017, 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 2017, there was sufficient public float with approximately 43.96% of the issued share capital of the Company held by the public.

Section 6 Report of the Board

XVIII. CONNECTED TRANSACTIONS

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

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

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

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

XIX. REMUNERATION POLICIES

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

Directors

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

Non-executive directors

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

Employees

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

XX. UNCLAIMED DIVIDENDS

As at 31 December 2017, the Company's unclaimed dividends are as shown below :

dividends	unclaimed dividends (number of cases)	unclaimed amount (in HK\$)
2011 final dividends	53	37,360.60
2012 final dividends	47	64,545.82
2013 final dividends	46	88,296.98
2014 final dividends	53	103,754.18
2015 interim dividends	52	28,830.09
2015 final dividends	54	68,691.41
2016 final dividends	57	140,827.10

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 the details of environment policy and social responsibility during the Year, please refer to "Fulfilment of Social Responsibilities" in item XVII of Section 8 of this report and the Corporate Social Responsibility Report for 2017 of Great Wall Motor Company Limited (《長城汽車股份有限公司2017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.

Section 6 Report of the Board

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 22 March 2018, the Audit Committee had reviewed the 2017 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 2017 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 researching and making recommendations on the Company's long term development strategies and material investment decisions.

XXX. COMPLIANCE WITH THE MODEL CODE

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

XXXI. AUDITOR

Deloitte Touche Tohmatsu Certified Public Accountants LLP was the Company's external auditor for the year ended 31 December 2017. 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 2017, all members of the Supervisory Committee of the Company adhered strictly to the requirements of the Company Law of the PRC 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

Session of meeting	Date of meeting	Resolution
The 14th meeting of the 5th session of the Supervisory Committee	24 March 2017	The proposals regarding the Company's audited financial report for the year of 2016, report of the Supervisory Committee for the year of 2016, profit distribution proposal for the year of 2016, annual report for the year of 2016 of the Company and its summary report, appointment of the accounting firm, internal control self-evaluation report for the year of 2016, social responsibility report for the year of 2016, re-election of Ms. Luo Jin Li as an independent supervisor of the sixth session of the supervisory committee of the Company and re-election of Ms. Zong Yi Xiang as an independent supervisor of the sixth session of the Supervisory Committee were considered and approved
The 15th meeting of the 5th session of the Supervisory Committee	27 April 2017	The first quarterly report for the year of 2017 was considered and approved
The 1st meeting of the 6th session of the Supervisory Committee	11 May 2017	The proposal for electing the chairman of the Supervisory Committee was considered and approved
The 2nd meeting of the 6th session of the Supervisory Committee	25 August 2017	The proposal regarding the interim report for the year of 2017 and its summary was considered and approved
The 3rd meeting of the 6th session of the Supervisory Committee	26 October 2017	The third quarterly report for the year of 2017 was considered and approved

Section 7 Report of the Supervisory Committee

II. TASKS OF THE SUPERVISORY COMMITTEE DURING THE REPORTING PERIOD

During the Reporting Period, the members of the Supervisory Committee not only attended the regular Board meetings of the Company in 2017, 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 2017. 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 2017 and there was no violation of the Company Law, the Articles, the relevant accounting standards, and the laws and regulations of the PRC.
3. The accounting firm issued a standard and unqualified auditor's report. The Company's financial statements reflected a true view of the financial positions of the Group and the Company as at 31 December 2017, 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, 23 March 2018

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 2016 (《關於2016年度利潤分配方案的議案》) was approved at the 2016 annual general meeting of the Company. Based on the total share capital of 9,127,269,000 shares as at 31 December 2016, a final cash dividend of RMB0.35 for every share (tax inclusive) would be paid, amounting to RMB3,194,544,150 in total. On 19 May 2017, 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 2016 (《長城汽車股份有限公司2016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 25 May 2017. 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 (%)
2017	0	1.7	0	1,551,635,730.00	5,027,297,997.74	30.86
2016	—	3.5	—	3,194,544,150.00	10,551,158,884.21	30.28
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		

Section 8 Significant Events

(III) Cash dividend by share repurchase offer in cash

Applicable Not applicable

(IV) If the Parent recorded profits distributable to the ordinary shareholders during the Reporting Period, but has not proposed any 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

(V) Other matters

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

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

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 performance (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) had ceased to enter into any transactions relating to automotive parts and components with Hebei Baoding Tai Hang Group Company Limited (河北保定太行集團有限公司) and Baoding Tai Hang Pump Manufacturing Company Limited (保定市太行製泵有限公司).	From 1 January 2012, permanent	No	Yes	—	—
	Resolving business competition	Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司)	1. Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司) is not directly or indirectly engaged in any Competing Business.	From 10 December 2010, permanent	No	Yes	—	—

Section 8 Significant Events

Background of undertakings	Type of undertakings	Undertaking party	Description of undertakings	Date and duration of undertakings	Any time frame for performance (yes/no)	Strict and timely performance (yes/no)	Reasons for failure of performance (if undertakings cannot be performed timely)	Next step (if undertakings cannot be performed in a timely manner)
			<p>2. As long as Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司) remains 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.</p> <p>3. Subject to the same conditions, Great Wall Motor Company Limited (長城汽車股份有限公司) shall have the right of first refusal 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.</p>					

Section 8 Significant Events

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

Section 8 Significant Events

(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: 10,000 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	Repayment in cash	1.31	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

The Group started adopting Accounting Standards for Business Enterprises No.42 – Non-current Assets Held for Sale and Disposal Groups and Discontinued Operations newly issued by the Ministry of Finance ("MoF") in 2017 and the Accounting Standards for Business Enterprises No.16 – Government Grants revised by MoF in 2017 since 28 May 2017 and 12 June 2017 respectively. Besides, the financial statements have been prepared in accordance with the Notice of the Revised Format of Financial Statements for General Business Enterprises (Cai Kuai (2017) No. 30, the "Cai Kuai No.30 Document") issued by the MoF on 25 December 2017.

Non-current Assets Held for Sale and Disposal Groups and Discontinued Operations

Accounting Standards for Business Enterprises No.42 – Non-current Assets Held for Sale and Disposal Groups and Discontinued Operations specifies regulations for classifications and measurement of non-current assets held for sale or disposal groups, requiring separately presentation of profit or loss arising from continued operations or discontinued operations in the income statement with detailed disclosures about information of the non-current assets held for sale or disposal groups and discontinued operations. The standard requires prospective approach for accounting treatment, which has no impact on the financial statements for the comparable year.

Government grants

Prior to the implementation of the Accounting Standards for Business Enterprises No.16 – Government Grants (revised), a government grant related to an asset of the Group is recognised as deferred income and evenly amortised to non-operating income over the useful life of the asset. For a government grant related to income, if the grant is a compensation for related expenses or losses to be incurred in subsequent periods, the grant is recognised as deferred income, and included in profit or loss over the periods in which the related costs are recognised. If the grant is a compensation for related expenses or losses already incurred, the grant is recognised immediately in profit or loss for the period.

After the implementation of the Accounting Standards for Business Enterprises No.16 – Government Grants (revised), a government grant received by the Group related to an asset is charged against the carrying value of the related asset or recognised as deferred income, and evenly amortised to current profit or loss over the useful life of the related asset. For a government grant related to income, if the grant is a compensation for related expenses or losses to be incurred in subsequent periods, the grant is recognised as deferred income, and included in profit or loss or charged against the related cost over the periods in which the related costs or losses are recognised; if the grant is a compensation for related expenses or losses already incurred, the grant is recognised immediately in current profit or loss or charged against related cost for the period. A government grant related to the Group's business activities is recognised in other income or charged against related cost or expense based on the substance of economic activities; a government grant not related to the Group's business activities is recognised in non-operating income and expenses.

The Group has accounted for the above changes in its accounting policies prospectively. Such changes in accounting policies have no impact on the financial statements for the comparable year.

Presentation of profit or loss from disposal of assets

Prior to the release of the Cai Kuai No. 30 Document, the gains or losses recognised from sales of non-current assets held for sale (excluding financial instruments, long-term equity investment and investment properties) or disposal groups, and gains or losses arising from disposal of fixed assets, construction in progress, and intangible assets not classified as held for sale are presented under the item of "non-operating income" or "non-operating expenses". After the release of the Cai Kuai No.30 Document, gains or losses recognised from sales of non-current assets held for sale (excluding financial instruments, long-term equity investment and investment properties) or disposal groups, and gains or losses arising from disposal of fixed assets, construction in progress, and intangible assets not classified as held for sale are presented under the item of "gains(losses) from disposal of non-current assets". The Group has accounted for the above change in presenting accounts retrospectively, and adjusted the comparable data for the prior year.

Section 8 Significant Events

(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

Name of local accounting firm	Current appointment Deloitte Touche Tohmatsu Certified Public Accountants LLP
Remuneration for local accounting firm	3,075,471.70
Audit years of local accounting firm	8 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

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

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

Section 8 Significant Events

XIV. MATERIAL RELATED PARTY TRANSACTIONS

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

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

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

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

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

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

Section 8 Significant Events

XV. MATERIAL CONTRACTS AND PERFORMANCE THEREOF

(I) Trust, contracting and leasing

1. Trust

Applicable Not applicable

2. Contracting

Applicable Not applicable

3. Leasing

Applicable Not applicable

(II) Guarantee

Applicable Not applicable

Unit: RMB Currency: RMB

External guarantee of the Company (excluding those provided to subsidiaries)	
Total guaranteed amount during the Reporting Period (excluding guarantees provided 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	1,011,832,500.00
Total guaranteed balance to subsidiaries as at the end of the Reporting Period (B)	1,061,432,500.00
Total guarantees (including guarantees to subsidiaries) provided by the Company	
Total guaranteed amount (A+B)	1,061,432,500.00
Total guaranteed amount as a percentage of the net asset value of the Company (%)	2.15
Of which:	
Guaranteed amount provided for shareholders, parties which have de facto control and their related parties (C)	0
Debt guaranteed amount provided directly or indirectly to parties with gearing ratio exceeding 70% (D)	0

Section 8 Significant Events

Total guaranteed amount in excess of 50% of net asset value (E)	0
Total guaranteed amount of the above three items (C+D+E)	0

Statement on the contingent joint liability in connection with unexpired guarantees

Details of guarantee

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

Note: The exchange rate of US dollar against Renminbi was based on the Renminbi central parity rate (USD1=RMB6.5342) as announced by the People's Bank of China on 31 December 2017; the exchange rate of Euro against Renminbi was based on the Renminbi central parity rate (EUR1=RMB7.8023) as announced by the People's Bank of China on 31 December 2017.

Section 8 Significant Events

(III) Entrustment of asset management

1. Entrusted wealth management

(1) Overall entrusted wealth management

Applicable Not applicable

Unit: RMB Currency: RMB

Type	Source of capital	Amount	Amount undue	Amount due and not yet recovered
Guaranteed yield	Private capital	4,640,000,000.00	48,000,000.00	—
Guaranteed principal with floating yield	Private capital	5,400,000,000.00	—	—

Other matters

Applicable Not applicable

(2) Single item entrusted wealth management

Applicable Not applicable

Unit: RMB Currency: RMB

Trustee	Type of entrusted wealth management	Amount of entrusted wealth	Commencement	Termination	Source of capital	Use of capital	Way of determining remuneration	Expected Annualised gain (if any)	Actual gain or loss	Actual state of recovery	Has it gone through statutory procedures?	Is there any future	Amount of provision for impairment (if any)
			date of entrusted wealth	date of entrusted wealth								entrusted wealth plan?	
Baoding Yuhua Sub-branch of BOC	Guaranteed income product	48,000,000.00	30 November 2017	3 January 2018	Private capital	Investment in financial products in the interbank bond market which have a public credit rating of at least investment grade, such as treasury bonds, central bank bills, CDB bonds, Eximbank bonds and ADBC bonds, debt financing instruments of non-financial enterprises the issuers of which have a long-term public credit rating of AA- or above at the time of issuance, such as short-term commercial papers, commercial papers, medium-term notes and private placement notes with a term not exceeding one year, as well as money market instruments such as interbank loans and bond repurchase.		3.50%	146,743.63		Yes		
Total		48,000,000.00											

Other matters

Applicable ✓ Not applicable

(3) Provision for entrusted wealth management impairment

Applicable ✓ Not applicable

2. Entrusted loans

(1). General information on entrusted loans

Applicable ✓ Not applicable

Other matters

Applicable ✓ Not applicable

(2). Single item entrusted loans

Applicable ✓ Not applicable

Other matters

Applicable ✓ Not applicable

(3). Provision on impairment for entrusted loans

Applicable ✓ Not applicable

3. Other matters

Applicable ✓ Not applicable

(IV) Other material contracts

Applicable ✓ Not applicable

XVI. OTHER SIGNIFICANT EVENTS

Applicable ✓ Not applicable

Section 8 Significant Events

XVII. FULFILMENT OF SOCIAL RESPONSIBILITIES

(I) Poverty alleviation of listed companies

Applicable Not applicable

1. The accurate poverty alleviation plan

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 achieved for promoting social advancement and cultural development. The Company has held top-down poverty alleviation meetings and assigned specific personnel to conduct visits and investigations to understand the conditions of impoverished provincial 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 public welfare of such impoverished areas, including infrastructure, medical care and education.

2. Summary of the accurate poverty alleviation for the Year

In 2017, the Company offered numerous job opportunities in impoverished area through accurately identifying the type of poverty alleviation initiatives needed based on local conditions, and offered vocational training to local residents to improve their skills. The Company also established an employment platform for disabled people in order to help them solve their financial and employment difficulties through stable employment. The Company also visited elderly without family as well as orphans and disabled children to show the caring and warmth of the Company and its employees.

3. Effect of the accurate poverty alleviation

Unit: RMB10,000 Currency: RMB

Items	Number and implementation
I. General information	
Of which: 1. Capital	5,615.61
2. Supplies converted to cash	1.40
3. Number of registered poor people lifted out of poverty (person)	16,428

Section 8 Significant Events

Items	Number and implementation
II. Capital injection by project	
1. Poverty alleviation through transferring the form of employment	Jobs were offered to 15,725 persons in the impoverished areas
Of which: 1.1 Capital injected into vocational training	68.02
1.2 Number of people participating in vocational training (person/time)	5,442
1.3 Number of registered poor people obtaining jobs (person)	0
2. Poverty alleviation through ecological protection	
Of which: 2.1 Project names	<ul style="list-style-type: none"> √ Ecology protection and conservation <input type="checkbox"/> Establishment of a mechanism for ecological compensation <input type="checkbox"/> Establishment of ecology conservation related positions <input type="checkbox"/> Others
2.2 Capital injected	0.05

Section 8 Significant Events

Items	Number and implementation
3. Basic protection	
Of which: 3.1 Capital injected to help left-behind children, elderly and women	1.62
3.2 Number of left-behind children, elderly and women funded (person)	320
3.3 Capital injected to help the poor disabled people	5,547.32
3.4 Number of poor disabled people funded (person)	703
III. Awards (description grade)	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 disabled people as well as offering medical assistance;
2. Human resource and technology: Technology support for poverty alleviation will be offered by leveraging the human resource advantages of the Company as always. Moreover, various training schemes 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: The coverage of the impoverished areas where job opportunities will be provided will be expanded and more training schemes will be conducted to improve the quality of employment and boost the economic growth of such areas;
4. Others: The Company will encourage its staff to participate in 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.

(III) Information on environmental protection

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

Applicable Not applicable

The Group built its environmental protection facilities in strict compliance with the requirements of the environmental protection laws and regulations of the PRC, and emission of pollutants met the required criteria. All hazardous waste of the Group was transferred and disposed of in strict compliance with the requirements of environmental protection authorities. For details, please refer to the Social Responsibility Report for 2017 of Great Wall Motor Company Limited (《長城汽車股份有限公司2017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) on 23 March 2018.

2. *Companies not belonging to key pollutant discharging units*

Applicable Not applicable

3. *Other information*

Applicable Not applicable

Section 8 Significant Events

(IV) Other information

Applicable Not applicable

XVIII. CONVERTIBLE CORPORATE BONDS

(I) Issue of convertible corporate bonds

Applicable Not applicable

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

Applicable Not applicable

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

Applicable Not applicable

Accumulated conversion in convertible corporate bonds during the Reporting Period

Applicable Not applicable

(IV) Historical adjustments 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 RMB92,309,160,566.70 and RMB44,955,516,048.50, respectively, with a gearing ratio of 48.70%. At the end of the Reporting Period, total assets and total liabilities amounted to RMB110,547,073,781.60 and RMB61,289,112,131.14, respectively, with a gearing ratio of 55.44%.

(III) Existing 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) Total number of shareholders

Total number of ordinary shareholders as at the end of the Reporting Period (person)	83,405
Total number of ordinary shareholders as at the end of the last month prior to the date of this annual report (person)	73,261

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

Unit: share(s)

Shareholding of the top 10 shareholders

Name of shareholder (full name)	Increase/ decrease during the Reporting Period	Number of shares held at the end of the Reporting Period	Percentage (%)	Number of shares held with selling restrictions	Shares pledged or frozen		Type of shareholder
					Condition of shares	Number	
Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城 資產管理有限公司)	0 (A Shares)	5,115,000,000 (A Shares)	56.04	0 (A Shares)	Pledged	1,011,890,000 (A Shares)	Domestic non- state-owned legal person
HKSCC NOMINEES LIMITED	581,499 (H Shares)	3,082,325,761 (H Shares)	33.77	—	Unknown	—	Overseas legal person
China Securities Finance Corporation Limited	24,744,004 (A Shares)	174,817,626 (A Shares)	1.92	—	Unknown	—	Others
National Social Security Fund 108 Package	26,483,432 (A Shares)	134,498,335 (A Shares)	1.47	—	Unknown	—	Others
Hong Kong Monetary Authority — own funds	4,944,416 (A Shares)	22,518,672 (A Shares)	0.25	—	Unknown	—	Others

Section 9 Changes in Ordinary Shares and Shareholders

Shareholding of the top 10 shareholders

Name of shareholder (full name)	Increase/ decrease during the Reporting Period	Number of shares held at the end of the Reporting Period	Percentage (%)	Number of shares held with selling restrictions	Shares pledged or frozen		Type of shareholder
					Condition of shares	Number	
Central Huijin Asset Management Co., Ltd	0 (A Shares)	22,308,300 (A Shares)	0.24	—	Unknown	—	Others
Bank of China – Dacheng Blue Chip Steady Securities Investment Fund (中國銀行 – 大成藍籌穩健 證券投資基金)	19,364,124	19,364,124 (A Shares)	0.21	—	Unknown	—	Others
National Pension Service (Korea – own funds)	4,641,142 (A Shares)	13,613,042 (A Shares)	0.15	—	Unknown	—	Others
Hong Kong Securities Clearing Company Limited	-16,475,388 (A Shares)	13,198,669 (A Shares)	0.14	—	Unknown	—	Overseas legal person
The National Social Security Fund 113 Composition	12,431,420 (A Shares)	12,431,420 (A shares)	0.14	—	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	3,082,325,761 (H Shares)	Overseas listed foreign shares	3,082,325,761 (H Shares)
China Securities Finance Corporation Limited	174,817,626 (A Shares)	RMB-denominated ordinary shares	174,817,626 (A Shares)
National Social Security Fund 108 Package	134,498,335 (A Shares)	RMB-denominated ordinary shares	134,498,335 (A Shares)
Hong Kong Monetary Authority — own funds	22,518,672 (A Shares)	RMB-denominated ordinary shares	22,518,672 (A Shares)
Central Huijin Asset Management Co., Ltd	22,308,300 (A Shares)	RMB-denominated ordinary shares	22,308,300 (A Shares)
Bank of China — Dacheng Blue Chip Steady Securities Investment	19,364,124 (A Shares)	RMB-denominated ordinary shares	19,364,124 (A Shares)
National Pension Service (Korea — own funds)	13,613,042 (A Shares)	RMB-denominated ordinary shares	13,613,042 (A Shares)
Hong Kong Securities Clearing Company Limited	13,198,669 (A Shares)	RMB-denominated ordinary shares	13,198,669 (A Shares)
National Social Security Fund 113 Package	12,431,420 (A Shares)	RMB-denominated ordinary shares	12,431,420 (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 2017, 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.	248,596,693 (L) (H Shares) 55,350,540 (S) (H Shares) 65,174,269 (P) (H Shares)	—	8.02 (L) 1.78 (S) 2.10 (P)	2.72(L) 0.61(S) 0.71(P)
Bank of America Corporation	246,867,050 (L) (H Shares) 244,074,654 (S) (H Shares)	—	7.96 (L) 7.87 (S)	2.70(L) 2.67(S)
Morgan Stanley	243,673,744 (L) (H Shares) 224,155,234 (S) (H Shares) 0 (P) (H Shares)	—	7.86 (L) 7.23 (S) 0(P)	2.67(L) 2.46(S) 0(P)
BlackRock, Inc.	193,539,649 (L) (H Shares) 1,225,500 (S) (H Shares)	—	6.24 (L) 0.04 (S)	2.12(L) 0.01(S)
The Goldman Sachs Group, Inc.	181,180,560 (L) (H Shares) 115,596,079 (S) (H Shares)	—	5.85 (L) 3.73 (S)	1.99(L) 1.27(S)
Citigroup Inc.	156,681,828 (L) (H Shares) 27,960,130 (S) (H Shares) 121,332,652 (P) (H Shares)	—	5.06 (L) 0.90 (S) 3.91 (P)	1.72(L) 0.31(S) 1.33(P)
Han Xue Juan (Note 3)	5,115,000,000 (L) (A Shares)	84.86	—	56.04
Management Centre of Collective Assets of Nandayuan Town, Lianchi District, Baoding (保定市蓮池區南大園鄉集體資產經管中心) (Note 4)	5,115,000,000 (L) (A Shares)	84.86	—	56.04

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

Section 9 Changes in Ordinary Shares and Shareholders

Notes:

- (1) Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司) (formerly known as Baoding Woerte Management Consultant Company Limited (保定市沃爾特管理諮詢有限公司)) was established on 1 December 2005. Its place of incorporation is Baoding, Hebei Province, the PRC and its registered address is 638 Yonghua South Street, Baoding. Its business scope covers investments in manufacturing, real estate and horticulture industries, as well as corporate planning and management consultancies (operations that require pre-approvals according to laws and administrative regulations or as prescribed by the State Council can only be conducted after obtaining approvals). As at 31 December 2017, 62.854%, 0.125%, 0.001% and 37.02% equity interest in Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司) were held by Baoding Wangsheng Investment Company Limited (保定市旺盛投資有限公司), Mr. Wei Jian Jun, Ms. Han Xue Juan and Management Centre of Collective Assets of Nandayuan Town, Lianchi District, Baoding (保定市蓮池區南大園鄉集體資產經管中心) respectively. Further, 99% and 1% equity interest in Baoding Wangsheng Investment Company Limited (保定市旺盛投資有限公司) were held by Mr. Wei Jian Jun and Ms. Han Xue Juan respectively. Therefore, Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司) is a company controlled by Baoding Wangsheng Investment Company Limited (保定市旺盛投資有限公司) which is in turn controlled by Mr. Wei Jian Jun and Mr. Wei Jian Jun is deemed to be interested in all the shares of the Company held by Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司) pursuant to the SFO.
- (2) As at 31 December 2017, 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 2017, 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 2017, 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 2017, so far as the directors, supervisors and chief executives of the Company are aware, no other person (excluding the directors, supervisors and chief executives of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

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

Applicable Not applicable

Section 9 Changes in Ordinary Shares and Shareholders

IV. CONTROLLING SHAREHOLDERS AND DE FACTO CONTROLLER

(I) Details of controlling shareholders

1. Legal person

Applicable Not applicable

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

2. Natural person

Applicable Not applicable

3. No controlling shareholder in the Company

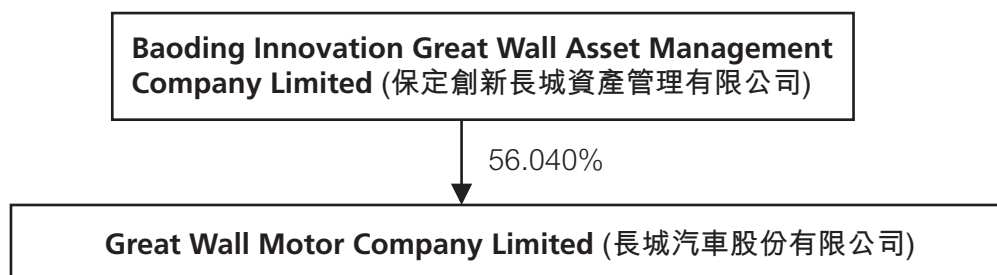
Applicable Not applicable

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



Section 9 Changes in Ordinary Shares and Shareholders

(II) Details of the de facto controller

1. Legal person

Applicable Not applicable

2. Natural Person

Applicable Not applicable

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

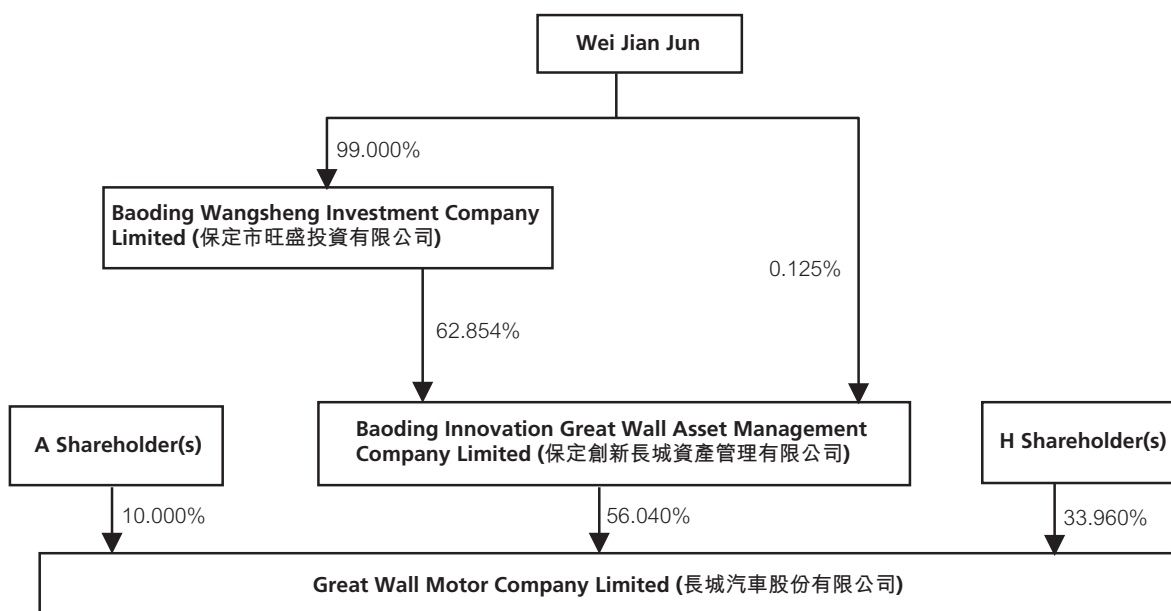
Applicable Not applicable

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



Section 9 Changes in Ordinary Shares and Shareholders

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 2017, HKSCC NOMINEES LIMITED, an overseas legal person, held 3,082,325,761 H Shares, representing 33.77% 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 (Note)	Gender	Age	Term commencement date	Term expiration date	No. of shares held at the beginning of the Year	No. of shares held at the end of the Year	Changes (+/-) in shareholdings during the Year	Reason for changes	Unit: Share	
										Total remuneration before tax from the Company during the Reporting Period (RMB10,000) (Note)	Remuneration from related parties
Wei Jian Jun	Chairman and Executive Director	Male	54	11 May 2017	10 May 2020	0	0	0	—	278.21	No
Wang Feng Ying	Vice Chairman, Executive Director and General Manager	Female	47	11 May 2017	10 May 2020	0	0	0	—	354.99	No
Yang Zhi Juan	Executive Director	Female	51	11 May 2017	10 May 2020	0	0	0	—	46.43	No
He Ping	Non-executive Director	Male	41	11 May 2017	10 May 2020	0	0	0	—	6.00	No
Wong Chi Hung, Stanley	Independent Non-executive Director	Male	54	9 May 2014	10 May 2017	0	0	0	—	5.15	No
Lu Chuang	Independent Non-executive Director	Male	38	9 May 2014	10 May 2017	0	0	0	—	2.16	No
Ma Li Hui	Independent Non-executive Director	Male	50	11 May 2017	10 May 2020	0	0	0	—	6.00	No
Li Wan Jun	Independent Non-executive Director	Male	54	11 May 2017	10 May 2020	0	0	0	—	3.84	No
Ng Chi Kit	Independent Non-executive Director	Male	44	11 May 2017	10 May 2020	0	0	0	—	9.77	No
Chen Biao	Chairman of Supervisory Committee	Male	33	11 May 2017	10 May 2020	0	0	0	—	55.63	No
Luo Jin Li	Supervisor	Female	58	11 May 2017	10 May 2020	0	0	0	—	2.06	No
Zong Yi Xiang	Supervisor	Female	47	11 May 2017	10 May 2020	0	0	0	—	2.06	No
Hu Shu Jie	Deputy General Manager	Male	46	11 May 2017	10 May 2020	0	0	0	—	423.23	No
Hao Jian Jun	Deputy General Manager	Male	45	11 May 2017	10 May 2020	0	0	0	—	423.34	No
Zheng Chun Lai	Deputy General Manager	Male	48	11 May 2017	10 May 2020	0	0	0	—	155.96	No
Zhao Guo Qing	Deputy General Manager	Male	40	11 May 2017	10 May 2020	0	0	0	—	242.11	No
Li Feng Zhen	Deputy General Manager and Chief Financial Controller	Female	55	11 May 2017	10 May 2020	0	0	0	—	118.39	No
Zhang Wen Hui	Deputy General Manager	Male	42	11 May 2017	10 May 2020	0	0	0	—	122.34	No
Xu Hui	Secretary to the Board	Male	39	11 May 2017	10 May 2020	0	0	0	—	106.74	No
Total	/	/	/	/	/	0	0	0	/	2,364.41	/

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 54, 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. 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. Mr. Wei is concurrently a director of the Company’s substantial shareholder, Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司). Details of the disclosure of interests of the aforementioned substantial shareholder in the Company are set out under “Shares Held by Substantial Shareholders (SFO Requirements)” of Section 9 of this report.</p>
Wang Feng Ying	<p>Ms. Wang Feng Ying (王鳳英女士) (“Ms. Wang”), aged 47, 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 51, 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 41, 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 has worked in the investment banking headquarters of China Southern Securities Company Limited (南方證券有限責任公司). From March 2002 to December 2005, Mr. He successively acted as the deputy general manager and general manager of the investment banking headquarters of GuoDu Securities Company Limited (國都證券有限責任公司). Mr. He was appointed as the director of the investment department of Beijing Hony Future Investment Advisor Ltd. (北京弘毅遠方投資顧問有限公司) in December 2010. From October 2012 to April 2014, Mr. He was redesignated as the general manager of the risk control and compliance department. Mr. He was appointed as an executive director and the legal representative of Wuhu Zhuohui Chuangshi Investment Management Company Limited (蕪湖卓輝創世投資管理有限公司). On 22 October 2014, Mr. He was appointed as a director of Beijing Shenogen Pharmaceutical Co., Ltd. (北京盛諾基醫藥科技有限公司) in August 2016; an independent director of Beijing Capital Retailing Group Co., Ltd. (北京首商集團股份有限公司) in June 2017; and a supervisor of Hangzhou Suli Technology Company Limited (杭州速利科技有限公司) in July 2017. Mr. He has been acting as a non-executive director of the Company since May 2002.</p>

Section 11 Directors, Supervisors, Senior Management and Employees

Name	Major working experience
Wong Chi Hung, Stanley	<p>Mr. Wong Chi Hung, Stanley (黃志雄先生) (“Mr. Wong”), aged 54, 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 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 in its subsidiaries. Since 1 July 2016, Mr. Wong has been acting as an executive director of Talents Alliance Limited. Mr. Wong resigned as an independent non-executive director and from his positions in the Audit Committee and Nomination Committee of the Company on 11 May 2017.</p>
Lu Chuang	<p>Mr. Lu Chuang (盧闖先生) (“Mr. Lu”), aged 38, 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. (引力傳媒股份有限公司) since 12 August 2016 and GI Technologies (Beijing) Co., Ltd (吉艾科技(北京)股份有限公司) since 13 October 2016. Mr. Lu resigned as an independent non-executive director and from his positions in the Audit Committee, Remuneration Committee and Strategy Committee of the Company on 11 May 2017.</p>

Section 11 Directors, Supervisors, Senior Management and Employees

Name	Major working experience
Ma Li Hui	<p>Mr. Ma Li Hui (馬力輝先生) (“Mr. Ma”), aged 50, 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 the same institute in 1992. He obtained a doctoral degree in mechanic design and theory from Hebei University of Technology (河北工業大學) in June 2007. He is currently a professor of School of Quality and Technology Supervision (質量技術監督學院) in Hebei University (河北大學), and a member of the technological innovation committee of China Innovation Method Society (中國創新方法研究會). His research focuses include innovative design of mechanical and electrical products. Mr. Ma has been acting as an independent non-executive director of the Company since May 2014.</p>
Li Wan Jun	<p>Mr. Li Wan Jun (李萬軍) (“Mr. Li”), aged 54, is a member of the Communist Party. He obtained a master’s degree in management and is a senior accountant, certified public accountant and registered tax advisor. Mr. Li acted as an independent director of Shijiazhuang Changshan Textile Co., Ltd. (石家莊常山紡織股份有限公司) and Cangzhou Mingzhu Plastic Co., Ltd. (滄州明珠塑膠股份有限公司) from 16 August 2012 to 26 August 2014 and from 8 July 2013 to 30 July 2014, respectively. From 19 May 2011 to 6 June 2014, he acted as an independent director of Shijiazhuang Dongfang Thermoelectric Co., Ltd. (石家莊東方熱電股份有限公司), which was renamed SPIC Shijiazhuang Dongfang Energy Corporation (石家莊東方能源股份有限公司) on 11 October 2014. Currently, he works as a partner of Asia Pacific (Group) CPAs (special general partnership) (亞太(集團)會計師事務所(特殊普通合夥)) and as the legal representative and a director of Hebei Kunhong Asset Management Company Limited (河北銀泓資產管理有限公司). Mr. Li has been acting as an independent non-executive director of the Company since May 2017.</p>
Ng Chi Kit	<p>Mr. Ng Chi Kit (吳智傑) (“Mr. Ng”), aged 44, graduated from the Hong Kong Polytechnic University in Hong Kong with a Bachelor of Arts in Accountancy in November 1997. Mr. Ng has been an associate member of Hong Kong Institute of Certified Public Accountants since January 2003 and a fellow member of the Association of Chartered Certified Accountants since June 2006. From March 2000 to December 2009, Mr. Ng worked in the Assurance and Advisory Business Services Department of Ernst & Young and was a senior manager of Ernst & Young from October 2006 to November 2009. From December 2010 to February 2017, Mr. Ng has been a non-executive director and a member of the audit committee of Chaowei Power Holdings Limited, and was redesignated as independent non-executive director on 10 February 2017. He is responsible for oversight of the financial management and reporting. Since December 2013, Mr. Ng has been the chief financial officer and the company secretary of Suchuang Gas Corporation Limited. Mr. Ng has been acting as an independent non-executive director of the Company since May 2017.</p>

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 33, is an engineer. He graduated from Chengde Petroleum College (承德石油高等專科學校) in 2007 majoring in automotive engineering. Mr. Chen joined the Company in 2007 and served as an assistant to the division head of the quality management division and as a deputy division head of the operation and supervision division of the Company. Since October 2014, he has been serving as a division head of the supervision and audit division of the Company. He has also been serving as a supervisor of 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), a wholly-owned subsidiary of the Company, and of 20 wholly-owned subsidiaries of the Company, since August 2015 and October 2015, respectively. Since December 2015, Mr. Chen has been acting as the Company’s supervisor.</p>
Luo Jin Li	<p>Ms. Luo Jin Li (羅金莉女士) (“Ms. Luo”), aged 58, 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 47, 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 (胡樹傑先生) (“Mr. Hu”), aged 46, 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 45, is a deputy general manager of the Company. Mr. Hao joined the Company in 1997, and worked as a supervisor of the tooling plant of the Great Wall Baoding Vehicle Axles Company Limited (保定長城汽車橋業有限公司) and the general manager of Company’s tooling centre. He is currently responsible for the Group’s project construction and production process development. Mr. Hao 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 48, is a deputy general manager of the Company. He joined the Company in 1991 and acted as the factory head of Baoding Taihang Automobile Parts and Components Factory (保定市太行汽車零部件廠), the general manager of Baoding Xincheng Automobile Development Company Limited (保定市信誠汽車發展有限公司), Baoding Nuobo Rubber Production Co., Ltd. (保定市諾博橡膠製品有限公司), Baoding Yixin Automotive Parts Company Limited (保定億新汽車配件有限公司) and Baoding Nuobo Rubber Production Company Limited (保定市諾博橡膠製品有限公司) (in mold department and decoration department). He is currently responsible for the Group’s research and development as well as production of seals, vibration control, seats and interior and exterior decoration 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 40, is a deputy general manager of the Company. He joined the Company in 2000 and acted as the director of the lean promotion department, the deputy director of the technology research institute, the director of the supporting facilities management department and the deputy supervisor of the technology centre. He is currently responsible for the procurement of ancillary parts and equipment. He has been acting as the Company’s deputy general manager since June 2010.</p>
Li Feng Zhen	<p>Ms. Li Feng Zhen (李鳳珍女士) (“Ms. Li”), aged 55, 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 42, 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 39, 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 2017, 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 2017. Pursuant to the above service agreements and appointment letters, the term of directors is three years expiring upon the expiry of the sixth session of the Board, and that of supervisors will expire upon the expiry of the sixth session of the Supervisory Committee. Save as disclosed above, none of the directors or supervisors had entered into or proposed to enter into any other service contracts with the Company or its subsidiaries or any service contracts not determinable by the employer within one year without payment of compensation (other than statutory compensation).

Independence of Independent Non-Executive Directors

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

Interests of Controlling Shareholders, Directors and Supervisors in Material Contracts

None of the controlling shareholders or their subsidiaries, directors or supervisors or entities connected with such directors or supervisors was or had been materially interested, whether directly or indirectly, in any contract subsisting during 2017 or at the end of 2017 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)	Chairman and general manager	31 January 2013	
Yang Zhi Juan	Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司)	Vice Chairman	18 January 2016	
Yang Zhi Juan	Management Centre of Collective Assets of Nandayuan Town, Lianchi District, Baoding (保定市蓮池區南大園鄉集體資產經管中心)	General manager	7 January 2016	
Hao Jian Jun	Baoding 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; and Management Centre of Collective Assets of Nandayuan Town, Lianchi District, Baoding (保定市蓮池區南大園鄉集體資產經管中心) (shareholder of Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司)) is an indirect shareholder of the Company			

(II) Positions held in other entities

Applicable Not applicable

Name	Name of other entities	Positions held in other entities	Term commencement date	Term expiration date
Wei Jian Jun	Baoding Great Wall Pioneer Enterprise Investment Company Limited (保定市長城創業投資有限公司)	Chairman and general manager	14 April 2004	
Wei Jian Jun	Hebei Baocang Expressway Co. Ltd. (河北保滄高速公路有限公司)	Vice Chairman	10 December 2004	
Wei Jian Jun	Baoding Taihang Steel Structure Engineering Co., Ltd. (保定太行鋼結構工程有限公司)	Director	20 September 2000	

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	9 November 2017
Wei Jian Jun	Great Wall School of Baoding (保定市長城學校)	Director	28 July 2016	9 November 2017
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	
He Ping	Wuhu Zhuo Hui Chuang Shi Investment Management Ltd. (蕪湖卓輝創世投資管理有限公司)	Executive director/ Legal representative	22 October 2014	
He Ping	Beijing Shenogen Pharmaceutical Co., Ltd. (北京盛諾基醫藥科技有限公司)	Director	August 2016	
He Ping	Beijing Capital Retailing Group Co., Ltd. (北京首商集團股份有限公司)	Independent director	June 2017	
He Ping	Hangzhou Suli Technology Company Limited (杭州速利科技有限公司)	Supervisor	July 2017	
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	
Li Wan Jun	Asia Pacific (Group) CPAs (special general partnership) (亞太(集團)會計師事務所(特殊普通合夥))	Partner	December 2014	
Li Wan Jun	Hebei Kunhong Asset Management Company Limited (河北銀泓資產管理有限公司)	Legal representative and director	March 2016	
Ng Chi Kit	Suchuang Gas Corporation Limited	Chief financial officer/ Company secretary	December 2013	
Ng Chi Kit	Chaowei Power Holdings Limited	Independent non-executive director	February 2017	

Section 11 Directors, Supervisors, Senior Management and Employees

Name	Name of other entities	Positions held in other entities	Term commencement date	Term expiration date
Hu Shu Jie	China Automobile (Beijing) Automobile Lightweight Technology Research Institute Company Limited (國汽(北京)汽車輕量化技術研究院有限公司)	Director	29 March 2016	
Hao Jian Jun	Baoding Kelin Engineering Test Co., Ltd. (保定科林工程檢測有限公司)	Executive director	4 November 2015	
Hao Jian Jun	Great Wall School of Baoding (保定市長城學校)	Director	28 July 2016	9 November 2017
Positions held in other entities	–			

III. REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Applicable Not applicable

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

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

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

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

Remuneration actually paid to directors, supervisors and senior management

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

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

As at the end of the Reporting Period, the total amount of remuneration actually received by all the directors, supervisors and senior management from the Company was RMB23.6441 million.

Section 11 Directors, Supervisors, Senior Management and Employees

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

√ Applicable □ Not applicable

Name	Position	Change	Reason for change
Wei Jian Jun	Chairman and Executive Director	Elected	Re-appointed for new board session
Wang Feng Ying	Vice Chairman, Executive Director and General Manager	Elected	Re-appointed for new board session
Yang Zhi Juan	Executive Director	Elected	Re-appointed for new board session
He Ping	Non-executive Director	Elected	Re-appointed for new board session
Wong Chi Hung, Stanley	Independent Non-executive Director	Retired	Term expired without being re-appointed
Lu Chuang	Independent Non-executive Director	Retired	Term expired without being re-appointed
Ma Li Hui	Independent Non-executive Director	Elected	Re-appointed for new board session
Li Wan Jun	Independent Non-executive Director	Elected	Appointed for new board session
Ng Chi Kit	Independent Non-executive Director	Elected	Appointed for new board session
Chen Biao	Chairman of Supervisory Committee	Elected	Re-appointed for new board session
Luo Jin Li	Supervisor	Elected	Re-appointed for new board session
Zong Yi Xiang	Supervisor	Elected	Re-appointed for new board session
Hu Shu Jie	Deputy General Manager	Appointed	Re-appointed for new board session
Hao Jian Jun	Deputy General Manager	Appointed	Re-appointed for new board session
Zheng Chun Lai	Deputy General Manager	Appointed	Re-appointed for new board session
Zhao Guo Qing	Deputy General Manager	Appointed	Re-appointed for new board session
Li Feng Zhen	Deputy General Manager and Chief Financial Officer	Appointed	Re-appointed for new board session
Zhang Wen Hui	Deputy General Manager	Appointed	Re-appointed for new board session
Xu Hui	Secretary to the Board	Appointed	Re-appointed for new board session

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 PARENT AND MAJOR SUBSIDIARIES

(I) Employees

Number of serving employees of the Parent	31,950
Number of serving employees of major subsidiaries	36,555
The total number of serving employees	68,505
Number of disengaged and retired employees for whom the Parent and its major subsidiaries shall be liable to expenses	22

Composition of employees by profession

Profession	Number
Manufacturing personnel	34,238
Sales personnel	1,548
Technicians	17,917
Financial personnel	812
Administrative officers	5,079
Others	8,911
Total	68,505

Education level

Education level	Number (person)
Doctor's degree	65
Master's degree	1,807
Bachelor's degree	16,973
University diploma	14,681
Secondary schools and below	34,979
Total	68,505

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

(II) Remuneration policy

Applicable Not applicable

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

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) Outsourcing

Applicable Not applicable

VII. OTHERS

Applicable Not applicable

Section 12 Corporate Governance Report

I. DESCRIPTION OF CORPORATE GOVERNANCE

Applicable Not applicable

The Company has strictly complied with the Securities Law, the Rules Governing the Listing of Stocks on Shanghai Stock Exchange (《上海證券交易所股票上市規則》), the Code of Corporate Governance for Listed Companies in China (《上市公司治理準則》) and the 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 (《年報資訊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 (《資訊披露管理制度》), the Administrative Rules on the Release of Information to External Parties and the Use of Such Information (《對外資訊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 (《內幕資訊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 (《對外資訊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
2016 annual general meeting	11 May 2017	Shanghai Stock Exchange www.sse.com.cn; Hong Kong Stock Exchange www.hkexnews.hk	11 May 2017
The first A Shareholders' class meeting in 2017	11 May 2017	Shanghai Stock Exchange www.sse.com.cn; Hong Kong Stock Exchange www.hkexnews.hk	11 May 2017
The first H Shareholders' class meeting in 2017	11 May 2017	Shanghai Stock Exchange www.sse.com.cn; Hong Kong Stock Exchange www.hkexnews.hk	11 May 2017

Description of General Meetings

Applicable Not applicable

III. PERFORMANCE OF DUTIES BY DIRECTORS

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

Name of director	Independent director	Attendance at Board meetings						Attendance at general meetings		
		No. of meetings during the Year	Attendance in person	Attendance by means of communication	Attendance by proxy	Absence	Absent from meetings for two consecutive times	Attendance rate for Board meetings	Attendance at general meetings	Attendance rate for general meetings
Wei Jian Jun	No	11	11	7	0	0	No	100%	1	100%
Wang Feng Ying	No	11	11	7	0	0	No	100%	1	100%
Yang Zhi Juan	No	11	11	7	0	0	No	100%	1	100%
He Ping	No	11	11	7	0	0	No	100%	0	0%
Wong Chi Hung, Stanley (resigned on 11 May 2017)	Yes	5	5	4	0	0	No	100%	0	0%
Lu Chuang (resigned on 11 May 2017)	Yes	5	4	4	1	0	No	100%	0	0%
Ma Li Hui	Yes	11	11	7	0	0	No	100%	0	0%
Li Wan Jun (appointed on 11 May 2017)	Yes	6	6	6	0	0	No	100%	0	0%
Ng Chi Kit (appointed on 11 May 2017)	Yes	6	6	6	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

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

No. of Board meetings held during the Year	11
Including: no. of on-site Board meetings	1
No. of Board meetings convened by means of communication	7
No. of Board meetings held both on-site and by communication	3

The Company held one general meeting in 2017 at which one non-executive director and three independent non-executive directors were not present. However, they all attended the relevant Board meetings in connection with the matters to be considered in the general meeting. All the directors, including independent non-executive directors and non-executive directors, are aware that they should attend general meetings and 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

(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 2017 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 8th meeting of the 6th session of the Board for voting. During the Reporting Period, the Audit Committee under the Board reviewed and provided valuable opinions on the relevant financial reports including the quarterly and interim reports. The Company convened a meeting of the Strategy Committee under the Board to consider and approve the operational strategies of the Company for the Year of 2017. During the Reporting Period, the Nomination Committee under the Board made recommendations regarding the candidates for the members of the 6th session of the Board and the election of the chairman of the Nomination Committee of the 6th session of the Board while the Remuneration Committee under the Board made recommendations regarding the directors' remuneration of the 6th session of the Board and the election of the chairman of the Remuneration Committee of the 6th session of the Board.

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

Applicable Not applicable

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

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

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

Applicable Not applicable

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

Applicable Not applicable

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

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

Applicable Not applicable

For details of the internal control self-evaluation report, please refer to the Self-evaluation Report on Internal Control for the Year of 2017 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).

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Description of material defect of internal control during the Reporting Period

Applicable Not applicable

IX. RELEVANT MATTERS OF AUDIT REPORT ON INTERNAL CONTROL

Applicable Not applicable

For details of the audit report on internal control, please refer to the Audit Report on Internal Control for the Year of 2017 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 exhibitions. 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 organised by investment banks. During the Year, the Company hosted three domestic and overseas roadshows, received 34 survey and research delegations from domestic and overseas investors, held 22 teleconferences and attended 17 summit meetings hosted by investment banks in total.

XI. OTHERS

Applicable Not applicable

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

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The members of the Board are as follows:

Executive Directors:

Mr. Wei Jian Jun (*Chairman*)

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

Ms. Yang Zhi Juan

Non-Executive Director:

Mr. He Ping

Independent Non-Executive Directors:

Mr. Wong Chi Hung, Stanley (*resigned on 11 May 2017*)

Mr. Lu Chuang (*resigned on 11 May 2017*)

Mr. Ma Li Hui

Mr. Li Wan Jun (*appointed on 11 May 2017*)

Mr. Ng Chi Kit (*appointed on 11 May 2017*)

- 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 the directors engaged in or was interested in any business which competed or was likely to compete, directly or indirectly, with the business of the Group.
- There is no financial, business, family or other material relationship among members of the Board.
- The biographies of directors are set out in Section 11.

Deviation: NIL

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

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

Deviation: NIL

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

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

Deviation: NIL

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

- The Board 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 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.

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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 eleven 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.

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Attendance of individual directors at Board meetings and general meetings in 2017

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.

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

Deviation: NIL

B. The Strategy Committee

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

Attendance of committee members at meetings of the Strategy Committee in 2017

No. of meetings	1	
Date and Business	23 March 2017 To consider the proposal on the strategies of the Company for the Year of 2017	
	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 (resigned on 11 May 2017)	1/1 ^(Note 1)	100%
Ma Li Hui	1/1	100%
Li Wan Jun (appointed on 11 May 2017)	— ^(Note 2)	—
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 2017.

Note 1: Before the resignation of the director, there was one Strategy Committee meeting.

Note 2: Since the appointment of the director, there had been no Strategy Committee meeting.

Deviation: NIL

C. Remuneration of Directors and Senior Management

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

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

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

Attendance of committee members at meetings of the Remuneration Committee in 2017

No. of meetings			2
Date and Business			
	23 March 2017		
	To consider the proposal on the remuneration of directors of the Company		
	11 May 2017		
	To consider the proposal on the election of the chairman of the Remuneration Committee		
	No. of attendance/		
	No. of meeting	Attendance rate	
Wei Jian Jun	2/2	100%	
Lu Chuang (resigned on 11 May 2017)	1/1 ^(Note 1)	100%	
Ma Li Hui	2/2	100%	
Li Wan Jun (appointed on 11 May 2017)	1/1 ^(Note 2)	100%	
Average attendance rate	—	100%	

Note 1: Before the resignation of the director, there was one Remuneration Committee meeting.

Note 2: Since the appointment of the director, there had been one Remuneration Committee meeting.

Deviation: NIL

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D. Nomination Committee

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

Attendance of committee members at meetings of the Nomination Committee in 2017

No. of meetings		2
Date and Business	21 February 2017 To consider the proposal on the candidates for members of the sixth session of the Board	
	11 May 2017 To consider the proposal on the election of the chairman of the Nomination Committee	
	No. of attendance/ No. of meeting	Attendance rate
Wei Jian Jun	2/2	100%
Wong Chi Hung, Stanley (resigned on 11 May 2017)	1/1 ^(Note 1)	100%
Ma Li Hui	2/2	100%
Ng Chi Kit (appointed on 11 May 2017)	1/1 ^(Note 2)	100%
Average attendance rate	—	100%

Note 1: Before the resignation of the director, there was one Nomination Committee meeting.

Note 2: Since the appointment of the director, there had been one Nomination Committee meeting.

Deviation: NIL

Board diversity policy

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

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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 2017, 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 organising regular training.
- The Board is responsible for risk management and regular risk management reviews.

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Deviation: NIL

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

- Deloitte Touche Tohmatsu Certified Public Accountants LLP was the external auditor of the Company in 2017. Its auditing fees in respect of the interim audit service amounted to RMB0.6415 million. The financial statements of the Company's annual report have been prepared in accordance with the China Accounting Standards for Business Enterprises and audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP. In 2017, Deloitte Touche Tohmatsu Certified Public Accountants LLP charged the Company RMB2.0566 million, RMB0.3774 million, RMB0.17 million and RMB49.3 thousand for the auditing fees in respect of the annual audit and the annual internal control audit, audit service provided by Deloitte (including other entities under Deloitte) to the Company's subsidiaries and the annual consultation fees (including other entities under Deloitte) respectively. Apart from these, there was no fee payable for non-audit services by Deloitte Touche Tohmatsu Certified Public Accountants LLP in 2017.
- 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 (Li Wan Jun (Chairman), Ma Li Hui, Ng Chi Kit) and one non-executive director (He Ping) of the Company.
- The terms of reference of the Audit Committee conformed with the recommendations set out in A Guide for Effective Audit Committees issued by the Hong Kong Institute of Certified Public Accountants, which stipulates the following specific functions:
 - (1) monitoring and evaluating the external auditors;
 - (2) providing guidance on 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.

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- 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 2017, the Audit Committee considered and passed the Resolution on Proposal to the Board in relation to the Appointment of Auditor (提議董事會聘任會計師事務所的議案), Resolution on Auditing of the Independence, Objectivity and Effectiveness of Audit Procedures of the External Auditor of the Company (審核公司外聘會計師事務所的獨立客觀性及審計程式有效性的議案), Resolution on Auditing of the Financial Report for the Year of 2016 of the Company (審核公司2016年度財務決算報告的議案), Resolution on Auditing of the Annual Report for the Year of 2016 of the Company (審核公司2016年年度報告的議案), Resolution on Auditing of Related Party Transactions of the Company for the Year of 2016 (審核公司2016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 2016 (審核公司2016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 2016 (審核公司2016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 2016 (審核2016年度內部控制審計報告的議案), Resolution on Conclusion of Audit for the Year of 2016 and Audit Plan for the Year of 2017 of the Company (審核公司2016年度審計總結及2017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 2016 (審核公司董事會審計委員會2016年度履職情況報告的議案), Resolution on Auditing of the First Quarterly Financial Report for the Year of 2017 of the Company (關於審核公司2017年度第一季度財務報告的議案), Resolution on the Election of the Chairman of the Audit Committee (關於選舉主任委員的議案), 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式有效性的議案), Resolution on Auditing of the Interim Financial Report for the Year of 2017 of the Company (審核公司2017年度中期財務報告的議案), Resolution on Auditing of the Interim Report for the Year of 2017 of the Company (審核公司2017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 2017 (審核公司2017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 2017 (審核公司2017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 2017 (審核公司2017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 2017 of the Company (關於審核公司2017年度第三季度財務報告的議案) and Audit Plan for the Year of 2017 (2017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 2017

No. of meetings		6
Date and Main Business		
	23 March 2017	
	To review the annual financial report for the year of 2016	
	20 April 2017	
	To review the first quarterly financial report for the year of 2017	
	11 May 2017	
	To review the Resolution on the Election of the Chairman of the Audit Committee (關於選舉主任委員的議案)	
	24 August 2017	
	To review the interim financial report for the year of 2017	
	25 October 2017	
	To review the third quarterly financial report for the year of 2017	
	28 December 2017	
	To review the Audit Plan for the Year of 2017 (2017年度審計計畫)	
	No. of attendance/ No. of meeting	Attendance rate
Wong Chi Hung, Stanley (resigned on 11 May 2017)	2/2 ^(Note 1)	100%
He Ping	6/6	100%
Lu Chuang (resigned on 11 May 2017)	2/2 ^(Note 1)	100%
Li Wan Jun (appointed on 11 May 2017)	4/4 ^(Note 2)	100%
Ma Li Hui	6/6	100%
Ng Chi Kit (appointed on 11 May 2017)	4/4 ^(Note 2)	100%
Average attendance rate	—	100%

Note 1: Before the resignation of the director, there were two Audit Committee meetings.

Note 2: Since the appointment of the director, there had been four Audit Committee meetings.

- The Audit Committee held a meeting on 22 March 2018 and reviewed the audited annual results announcement, annual report and annual financial statements of the Group for the year ended 31 December 2017.
- 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 2017.
- 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.

Section 12 Corporate Governance Report

- The Audit Committee reviewed the Company and its subsidiaries' financial report for the year of 2016, the first quarterly financial report for the year of 2017, the interim financial report for the year of 2017, the third quarterly financial report for the year of 2017 and the audit plan for the year of 2017.
- The Audit Committee reviewed the related party transactions of the Company for the year of 2016 and for the interim period of the year of 2017.
- The Audit Committee reviewed the internal control system of the Company and its subsidiaries for the year of 2016.
- 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 2017. In the last three years, the Company had not changed its auditors.

Deviation: NIL

F. Corporate Governance Functions

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

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

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

Deviation: NIL

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 failure to reach operation objectives, and may only provide reasonable instead of absolute assurance against material misstatement or loss. The Audit Committee is responsible for assisting the Board in evaluating the effectiveness of internal control and risk management, which includes monitoring the finance, operation, compliance and other material aspects of the Group. The Board has reviewed the risk management and internal control system of the Group, and confirmed that, for the year ended 31 December 2017, 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, organising 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 analyse the findings of important investigation on risk management and internal control and the management's response to the relevant findings on its own or upon request of the Board.

The management

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

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

The Group has implemented policies and procedures to review the effectiveness of risk management and internal control and remedy the material defects of internal control, including requesting the management to conduct evaluation on a regular basis to keep abreast of related information in a timely manner. Furthermore, the Group has set up a system to safeguard 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 appropriateness and effectiveness. The Company also regularly reports the result of risk monitoring to the management and the Board.

Section 12 Corporate Governance Report

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

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

3. Internal Audit

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

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

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

5. Information Disclosure Rules

The Group has formulated the Administrative Rules on Information Disclosure, the Rules on Registration and Filing of Details of Insiders and the Administrative Rules on the Release of Information to External Parties and the Use of Such Information to regulate the channels for 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.

Deviation: NIL

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 2017.

Deviation: NIL

Section 12 Corporate Governance Report

I. Corporate Communications

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

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

Deviation: NIL

J. Shareholders’ 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 2016 annual general meeting held on 11 May 2017, the resolution on the amendments to the Articles in respect of the changes in the Company’s scope of business was considered and passed. The amendments came into effect on 17 July 2017.

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 Description of Corporate Bonds

Applicable Not applicable

Section 14 Financial Report Auditor's Report

Deloitte.
德勤

De Shi Bao (Shen) Zi (18) No. P01399
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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 the consolidated and the company's balance sheets as at 31 December 2017, the consolidated and the company's income statements, the consolidated and the company's cash flow statements and the consolidated and the company's statements of changes in shareholders' equity for the year then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and the company's financial position as at 31 December 2017, and Great Wall Motor's and consolidated results of operations and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises ("ASBEs").

2. BASIS FOR OPINION

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

3. KEY AUDIT MATTERS

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

3. KEY AUDIT MATTERS (continued)

Provision for after-sale service expenses

Description

As disclosed in Note (VI) 28, the provisions for after-sales service made by Great Wall Motor was RMB1,277,913,945.81 as at 31 December 2017, which is qualitative significant to consolidated financial statements. The customers of Great Wall Motor are entitled to one-time or more free maintenance services provided by Great Wall Motor pursuant to automobiles sales contracts and the details are disclosed in Note (IV) Accounting Estimates – After-sales service expense. The Great Wall Motor also undertakes warranty obligations within a specific warranty period regarding to automobiles sold. Great Wall Motor estimated provisions for after-sales service based on sales volume, contracted free maintenance frequency and estimated expenses per maintenance, which involves significant management estimates. Accordingly, provision for after-sales expenses is identified as a key audit matter.

Audit response

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

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

Section 14 Financial Report Auditor's Report (continued)

De Shi Bao (Shen) Zi (18) No. P01399
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4. OTHER INFORMATION

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

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

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

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

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

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

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

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

Section 14 Financial Report Auditor's Report (continued)

De Shi Bao (Shen) Zi (18) No. P01399

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

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

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

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

Section 14 Financial Report Auditor's Report (continued)

De Shi Bao (Shen) Zi (18) No. P01399

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

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

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

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

Deloitte Touche Tohmatsu CPA LLP.

Shanghai China

Chinese Certified Public Accountants:

Xu Zhaohui

(The engagement partner)

Chinese Certified Public Accountants:

Yang Ning

23 March, 2018

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 2017

Item	Notes	RMB	
		2017.12.31	2016.12.31
Current Assets:			
Cash and bank balances	(VI)1	4,831,349,324.85	2,153,603,558.38
Financial assets at fair value through profit or loss	(VI)2	317,994,432.00	—
Notes receivable	(VI)3	49,075,108,590.70	39,786,248,863.34
Accounts receivable	(VI)4	873,444,976.66	517,976,746.97
Prepayments	(VI)5	579,536,182.06	1,057,180,423.77
Interest receivable	(VI)6	28,355,788.71	12,418,121.84
Other receivables	(VI)7	297,891,725.12	251,011,870.83
Inventories	(VI)8	5,574,771,949.63	6,061,138,217.68
Non-current assets due within one year	(VI)9	7,447,875,069.05	1,201,702,064.95
Available-for-sale financial assets	(VI)12	—	1,438,000,000.00
Other current assets	(VI)10	267,000,053.72	1,448,753,670.80
Total Current Assets		69,293,328,092.50	53,928,033,538.56
Non-current Assets:			
Loans and advances to customers	(VI)11	4,428,694,699.29	3,076,249,652.50
Available-for-sale financial assets	(VI)12	7,700,000.00	7,700,000.00
Long-term receivables	(VI)13	—	1,361,193,481.58
Investment properties	(VI)14	126,047,995.75	128,146,873.50
Fixed assets	(VI)15	27,718,007,519.19	24,714,953,082.84
Construction in progress	(VI)16	4,878,838,563.57	4,859,178,711.02
Intangible assets	(VI)17	3,268,606,352.49	3,210,710,562.88
Goodwill	(VI)18	2,163,713.00	4,972,730.90
Long-term prepaid expenses		132,678,241.54	54,066,910.08
Deferred tax assets	(VI)19	691,008,604.27	963,955,022.84
Total Non-current Assets		41,253,745,689.10	38,381,127,028.14
TOTAL ASSETS		110,547,073,781.60	92,309,160,566.70

Consolidated Balance Sheet

At 31 December 2017

RMB

Item	Notes	2017.12.31	2016.12.31
Current Liabilities:			
Short-term borrowings	(VI)20	13,037,978,000.00	250,000,000.00
Notes payable	(VI)21	3,879,647,201.41	4,164,982,676.22
Accounts payable	(VI)22	27,961,741,670.91	25,007,335,076.72
Receipts in advance	(VI)23	5,457,772,639.50	6,311,928,102.18
Employee benefits payable	(VI)24	1,872,028,903.98	1,966,848,264.70
Taxes payable	(VI)25	2,308,154,256.08	1,978,393,497.86
Interests payable		55,350,659.12	924,376.74
Other payables	(VI)26	2,512,899,879.29	2,043,696,694.43
Non-current liabilities due within one year	(VI)27	142,533,396.22	105,170,607.29
Other current liabilities	(VI)28	1,653,117,141.98	1,422,960,496.15
Total Current Liabilities		58,881,223,748.49	43,252,239,792.29
Non-current Liabilities:			
Long-term borrowings	(VI)20	423,754,500.00	49,800,000.00
Deferred income	(VI)29	1,963,520,037.00	1,651,147,352.90
Deferred tax liabilities	(VI)19	20,613,845.65	2,328,903.31
Total Non-current Liabilities		2,407,888,382.65	1,703,276,256.21
TOTAL LIABILITIES		61,289,112,131.14	44,955,516,048.50
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	3,056,451.02	(1,502,334.31)
Surplus reserve	(VI)32	5,062,440,729.64	4,575,014,412.83
Undistributed profits	(VI)33	33,530,533,212.33	32,182,789,641.00
Total Equity Attributable to Shareholders of the Company		49,134,530,407.41	47,294,801,733.94
Minority Interests		123,431,243.05	58,842,784.26
TOTAL SHAREHOLDERS' EQUITY		49,257,961,650.46	47,353,644,518.20
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		110,547,073,781.60	92,309,160,566.70

The accompanying notes form part of the financial statements.

The financial statements on pages 137 to 293 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 2017

Item	Notes	2017.12.31	2016.12.31
<i>RMB</i>			
Current Assets:			
Cash and bank balances	(XIV)1	9,134,056,315.96	3,706,746,488.60
Notes receivable	(XIV)2	48,761,099,726.21	39,004,100,733.85
Accounts receivable	(XIV)3	1,258,275,245.19	536,094,993.79
Prepayments		564,271,709.16	1,135,024,496.35
Interests receivable		92,022,313.91	12,203,875.00
Other receivables	(XIV)4	384,121,491.21	158,182,314.56
Inventories	(XIV)5	3,934,171,562.88	2,917,339,904.06
Non-current assets due within one year		850,339,958.75	669,101,300.00
Available-for-sale financial assets		—	1,390,000,000.00
Other current assets		184,564,259.52	1,396,101,133.89
Total Current Assets		65,162,922,582.79	50,924,895,240.10
Non-current Assets:			
Available-for-sale financial assets		7,700,000.00	7,700,000.00
Long-term receivables		—	1,361,193,481.58
Long-term equity investments	(XIV)6	5,273,861,404.26	4,573,289,565.46
Investment properties	(XIV)7	99,008,358.76	92,513,725.38
Fixed assets	(XIV)8	26,016,325,677.29	22,838,140,752.28
Construction in progress	(XIV)9	3,698,255,219.71	4,498,461,602.16
Intangible assets	(XIV)10	2,995,386,690.09	2,982,633,028.28
Long-term prepaid expenses		130,687,917.26	52,620,325.16
Deferred tax assets		234,019,468.70	265,433,277.86
Total Non-current Assets		38,455,244,736.07	36,671,985,758.16
TOTAL ASSETS		103,618,167,318.86	87,596,880,998.26

Balance Sheet of the Company

At 31 December 2017

Item	Notes	RMB	
		2017.12.31	2016.12.31
Current Liabilities:			
Short-term borrowings	(XIV)11	9,099,900,000.00	—
Notes payable	(XIV)12	3,856,869,008.99	4,123,771,449.11
Accounts payable	(XIV)13	30,380,110,620.64	27,622,083,830.13
Receipts in advance	(XIV)14	5,813,568,597.73	3,510,866,921.44
Employee benefits payable		1,698,280,513.96	1,685,822,763.39
Taxes payable		1,993,598,785.05	1,628,786,090.05
Other payables		2,205,336,042.64	2,044,152,043.06
Interest payable		27,912,465.37	—
Non-current liabilities due within one year		73,834,294.74	86,366,188.50
Other current liabilities		781,949,682.96	403,807,474.58
Total Current Liabilities		55,931,360,012.08	41,105,656,760.26
Non-current Liabilities:			
Deferred income		1,275,155,776.35	1,343,014,014.73
Total Non-current Liabilities		1,275,155,776.35	1,343,014,014.73
TOTAL LIABILITIES		57,206,515,788.43	42,448,670,774.99
SHAREHOLDERS' EQUITY:			
Share capital		9,127,269,000.00	9,127,269,000.00
Capital reserve	(XIV)15	1,464,187,305.77	1,464,187,305.77
Surplus reserve		3,967,512,617.15	3,521,714,071.43
Undistributed profits	(XIV)16	31,852,682,607.51	31,035,039,846.07
TOTAL SHAREHOLDERS' EQUITY		46,411,651,530.43	45,148,210,223.27
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		103,618,167,318.86	87,596,880,998.26

Consolidated Income Statement

For the year ended 31 December 2017

Item	Notes	RMB	
		2017	2016
I. Total operating income		101,169,488,827.86	98,615,702,427.24
Including: Operating income	(VI)34	100,491,618,178.70	98,443,665,116.02
Interest income	(VI)35	673,004,172.25	170,343,701.78
Fee and commission income		4,866,476.91	1,693,609.44
Less: Total operating costs		95,777,405,781.80	86,369,570,981.65
Including: Operating costs	(VI)34	81,966,903,618.84	74,360,223,523.10
Interest expenses		79,697,792.35	17,125,249.99
Taxes and levies	(VI)36	3,905,688,130.98	3,832,806,426.03
Selling expenses	(VI)37	4,406,397,762.23	3,175,424,411.26
Administrative expenses	(VI)38	4,963,038,730.75	4,574,696,893.73
Financial expenses	(VI)39	138,601,073.50	(3,858,556.40)
Impairment loss on assets	(VI)40	317,078,673.15	413,153,033.94
Add: Gains arising from changes in fair value	(VI)41	175,396,032.00	—
Investment income	(VI)42	124,224,830.95	30,347,821.12
Including: Income from investments in associates and joint ventures		—	—
Losses from disposal of non-current assets		(3,808,085.14)	(15,774,408.19)
Other income	(VI)43	166,256,585.75	—
II. Operating profit		5,854,152,409.62	12,260,704,858.52
Add: Non-operating income	(VI)44	390,688,537.05	247,575,242.47
Less: Non-operating expenses	(VI)45	11,874,951.25	25,219,307.79
III. Total profit		6,232,965,995.42	12,483,060,793.20
Less: Income tax expenses	(VI)46	1,189,579,538.89	1,929,106,148.72
IV. Net profit	(VI)47	5,043,386,456.53	10,553,954,644.48
Profit or loss attributable to minority interests		16,088,458.79	2,795,760.27
Net profit attributable to shareholders of the Company		5,027,297,997.74	10,551,158,884.21
V. Net other comprehensive income after taxes		4,558,785.33	146,471,630.51
Net other comprehensive income attributable to shareholders of the Company after taxes		4,558,785.33	146,471,630.51
Items that may be reclassified subsequently to profit or loss		4,558,785.33	146,471,630.51
Foreign currency translation differences	(VI)49	4,558,785.33	146,471,630.51
Net other comprehensive income attributable to minority interests after taxes		—	—
VI. Total comprehensive income:		5,047,945,241.86	10,700,426,274.99
Total comprehensive income attributable to shareholders of the Company		5,031,856,783.07	10,697,630,514.72
Total comprehensive income attributable to minority interests		16,088,458.79	2,795,760.27
VII. Earnings per share:			
(I) Basic earnings per share	(VI)48	0.55	1.16
(II) Diluted earnings per share	(VI)48	N/A	N/A

Income Statement of the Company

For the year ended 31 December 2017

Item	Notes	RMB	
		2017	2016
I. Total operating income	(XIV)17	94,694,068,784.21	96,096,775,363.77
Less: Operating costs	(XIV)17	81,427,360,856.08	77,217,756,933.49
Taxes and levies	(XIV)18	3,789,627,366.67	3,666,120,904.50
Selling expenses	(XIV)19	2,429,895,768.55	858,259,703.06
Administrative expenses	(XIV)20	4,605,432,262.29	4,230,206,364.71
Financial expenses	(XIV)21	(6,980,207.22)	(26,812,862.68)
Impairment loss on assets	(XIV)22	206,344,851.85	348,695,504.99
Add: Gains (Losses) from changes in fair value		—	—
Investment income	(XIV)23	2,101,638,922.24	2,292,278,838.79
Including: Income from investments in associates and joint ventures		—	—
Losses from disposal of non-current assets		(5,964,617.85)	(19,929,393.14)
Other income		100,487,115.06	—
II. Operating profit		4,438,549,305.44	12,074,898,261.35
Add: Non-operating income		291,641,213.69	190,358,665.33
Less: Non-operating expenses		9,374,524.10	20,128,887.51
III. Total profit		4,720,815,995.03	12,245,128,039.17
Less: Income tax expenses	(XIV)24	262,830,537.87	1,341,786,830.66
IV. Net profit		4,457,985,457.16	10,903,341,208.51
V. Net other comprehensive income after taxes		—	—
VI. Total comprehensive income		4,457,985,457.16	10,903,341,208.51

Consolidated Cash Flow Statement

For the year ended 31 December 2017

Item	Notes	2017	2016
I. Cash Flows from Operating Activities:			
Cash received from the sales of goods and rendering of services		118,613,788,260.60	99,640,709,467.75
Cash received from interest, fee and commissions		1,115,463,597.77	164,749,749.14
Cash received for net increase by borrowing from other financial institutions		3,099,800,000.00	250,000,000.00
Tax rebate received		125,818,768.70	46,523,184.69
Other cash received relating to operating activities	(VI)50(1)	527,012,089.69	283,072,186.23
Sub-total of cash inflow from operating activities		123,481,882,716.76	100,385,054,587.81
Cash payments for goods purchased and services received		96,239,337,184.87	69,116,024,232.07
Net increase in customers' loans and advance		7,551,549,800.55	2,641,793,831.19
Cash payments for interest, fees and commissions		53,183,975.34	22,589,692.69
Cash payments to and on behalf of employees		8,571,805,776.31	6,837,381,503.97
Payments of various types of taxes		7,004,353,613.92	8,749,960,765.27
Other cash payments relating to operating activities	(VI)50(2)	5,138,322,432.64	4,181,898,328.60
Sub-total of cash outflow from operating activities		124,558,552,783.63	91,549,648,353.79
Net Cash Flows from Operating Activities	(VI)51(1)	(1,076,670,066.87)	8,835,406,234.02
II. Cash Flows from Investing Activities:			
Cash received from disposal of investments		31,162,500,000.00	19,447,100,000.00
Cash received from investment income		136,875,617.76	36,852,877.78
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		65,115,253.61	5,548,426.38
Other cash received relating to investing activities	(VI)50(3)	17,375,282.92	72,908,823.05
Sub-total of cash inflow from investing activities		31,381,866,154.29	19,562,410,127.21
Cash paid to purchase and construct fixed assets, intangible assets and other long-term assets		5,822,414,764.94	6,684,140,111.47
Net cash paid for acquisition of subsidiaries and other business units	(VI)51(2)	—	12,130,564.13
Cash paid for investments		28,615,073,200.00	21,135,600,000.00
Other cash paid relating to investing activities	(VI)50(4)	—	98,000,000.00
Sub-total of cash outflow from investing activities		34,437,487,964.94	27,929,870,675.60
Net Cash Flow from Investing Activities		(3,055,621,810.65)	(8,367,460,548.39)
III. Cash Flows from Financing Activities:			
Cash receipts from capital contributions		65,000,000.00	—
Cash received from borrowings		17,262,037,734.33	—
Other cash received relating to financing activities	(VI)50(5)	—	921,640,080.65
Sub-total of cash inflow from financing activities		17,327,037,734.33	921,640,080.65
Cash repayments of borrowings		7,150,305,234.33	300,200,000.00
Cash payments for distribution of dividends or profits or settlement of interest expenses		3,361,970,286.04	1,737,766,740.29
Including: payments for distribution of dividends or profits to minority shareholders of subsidiaries		16,500,000.00	—
Other cash payments relating to financing activities	(VI)50(6)	725,500,370.65	—
Sub-total of cash outflow from financing activities		11,237,775,891.02	2,037,966,740.29
Net Cash Flow from Financing Activities		6,089,261,843.31	(1,116,326,659.64)
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents			
		(4,724,569.97)	81,860,320.31
V. Net Increase in Cash and Cash Equivalents			
Add: Opening balance of cash and cash equivalents		1,952,245,395.82	(566,520,653.70)
		1,891,844,333.75	2,458,364,987.45
VI. Closing balance of cash and cash equivalents			
	(VI)51(3)	3,844,089,729.57	1,891,844,333.75

Cash Flow Statement of the Company

For the year ended 31 December 2017

RMB

Item	Notes	2017	2016
I. Cash Flows from Operating Activities:			
Cash received from the sales of goods and rendering of services		105,157,134,278.11	95,918,139,072.69
Tax rebate received		396,511.21	56,316.13
Other Cash received relating to operating activities		553,849,339.08	111,580,446.78
Sub-total of cash inflow from operating activities		105,711,380,128.40	96,029,775,835.60
Cash payments for goods purchased and services received		89,259,225,720.82	72,730,419,359.05
Cash payments to and on behalf of employees		7,585,091,675.65	5,434,949,650.62
Payments of various types of taxes		5,558,905,727.27	6,680,528,704.14
Other cash payments relating to operating activities		2,442,189,176.78	1,646,007,435.38
Sub-total of cash outflow from operating activities		104,845,412,300.52	86,491,905,149.19
Net cash flows from operating activities	(XIV)25(1)	865,967,827.88	9,537,870,686.41
II. Cash Flows from Investing Activities:			
Cash received from disposal of investments		29,737,514,038.40	18,608,000,000.00
Cash received from investment income		2,104,844,336.71	2,501,286,843.02
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		65,733,510.65	9,442,746.05
Other cash received relating to investing activities		16,415,282.92	272,908,823.05
Sub-total of cash inflow from investing activities		31,924,507,168.68	21,598,468,920.14
Cash paid to purchase and construct fixed assets, intangible assets and other long-term assets		5,338,252,002.93	6,195,582,649.35
Cash paid for investments		27,788,846,756.24	20,829,150,762.70
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		33,127,098,759.17	27,144,233,412.05
Net Cash Flow from Investing Activities		(1,202,591,590.49)	(5,545,764,491.91)
III. Cash Flows from Financing Activities:			
Cash received from borrowings		15,340,205,234.33	—
Other cash received relating to financing activities		—	354,493,645.52
Sub-total of cash inflow from financing activities		15,340,205,234.33	354,493,645.52
Cash paid for repayment of borrowings		6,240,305,234.33	—
Cash payments for distribution of dividends or profits or settlement of interest expenses		3,329,064,509.08	1,737,766,740.29
Other cash payments relating to financing activities		429,084,815.78	—
Sub-total of cash outflow from financing activities		9,998,454,559.19	1,737,766,740.29
Net Cash Flow from Financing Activities		5,341,750,675.14	(1,383,273,094.77)
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents			
		(6,901,900.95)	(2,136,724.00)
V. Net Increase in Cash and Cash Equivalents			
		4,998,225,011.58	2,606,696,375.73
Add: Opening balance of cash and cash equivalents		3,623,217,685.00	1,016,521,309.27
VI. Closing balance of cash and cash equivalents			
	(XIV)25(2)	8,621,442,696.58	3,623,217,685.00

Consolidated Statement of Changes in Shareholders' Equity

For the year ended 31 December 2017

RMB

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

Consolidated Statement of Changes in Shareholders' Equity

For the year ended 31 December 2017

RMB

Item	2016							
	Attributable to shareholders of the Company							
	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	General risk reserve	Undistributed profits	Minority interests	Total equity
I. Balance at the beginning of the year	9,127,269,000.00	1,411,231,014.42	(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

Statement of Changes in Shareholders' Equity of the Company

For the year ended 31 December 2017

RMB

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

Statement of Changes in Shareholders' Equity of the Company

For the year ended 31 December 2017

Item	2016				RMB
	Share capital	Capital reserve	Surplus reserve	Undistributed profits	Total equity
I. Balance at the beginning of the year	9,127,269,000.00	1,463,654,023.11	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	—	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

Notes to the Financial Statements

For the year ended 31 December 2017

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 Jian Jun.

The Company was originally named as Baoding Great Wall Motor Group Company Limited (保定長城汽車集團有限公司). On 5 June 2001, upon the approval by Office of the Stock Reform Leading Panel of the People’s Government of Hebei Province (河北省人民政府股份制領導小組辦公室) with Ji Gu Ban [2001] No. 62 (冀股辦[2001]62號文), Baoding Great Wall Motor Group Company Limited was reorganized to Baoding Great Wall Motor Company Limited (保定長城汽車股份有限公司). On 28 May 2003, upon the approval by Hebei Administration for Industry and Commerce (河北省工商行政管理局), Baoding Great Wall Motor Company Limited was renamed Great Wall Motor Company Limited.

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

Consolidated and the company’s financial statements have been approved by the Board of Directors on 23 March 2018.

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”.

Notes to the Financial Statements

For the year ended 31 December 2017

II. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (continued)

Basis of accounting 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 2017. 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 consolidated and the company's financial position of the Company as at 31 December 2017 and consolidated and the company's operating results and cash flows for the year ended 31 December 2017.

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 combinations are classified into business combination under common control and not under common control.

5.1 Business combinations involving enterprises under common control

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

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

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

Notes to the Financial Statements

For the year ended 31 December 2017

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.

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

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

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

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

6. Basis for preparation of consolidated financial statements

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

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

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

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

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

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. 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 2017

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

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

8.1 Transactions denominated in foreign currencies

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

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

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

8.2 Translation of financial statements denominated in foreign currency

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

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

The opening balances of the 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)

9. 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.

9.1 *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.

9.2 *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.

9.2.1 *Financial assets at fair value through profit or loss for the current period*

Financial assets 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 2017

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

9. Financial instruments (continued)

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

9.2.1 Financial assets 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.

9.2.2 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, other current assets — wealth management products, 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 effective 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.

9.2.3 Available-for-sale financial assets

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

Available-for-sale financial assets are 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)

9. Financial instruments (continued)

9.3 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 2017

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

9. Financial instruments (continued)

9.3 Impairment of financial assets (continued)

9.3.1 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.

9.3.2 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)

9. Financial instruments (continued)

9.3 Impairment of financial assets (continued)

9.3.3 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.

9.4 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.

9.5 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 2017

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

9. Financial instruments (continued)

9.6 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.

9.7 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.

9.8 Equity instruments

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

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)**10. Receivables**

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

Recognition criteria of receivables that are individually significant	The Group recognized accounts receivable of over RMB3 million and other receivables of over RMB1 million are recognized as individually significant. Receivables due from related parties are recognized as individually significant.
Provision method for bad debts of receivables that are individually significant	The Group conducts impairment test for receivables that are individually significant, and tests 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.

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

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

Aging analysis method

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

Notes to the Financial Statements

For the year ended 31 December 2017

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

11. Inventories

11.1 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.

11.2 Valuation method of inventories upon delivery

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

11.3 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.

11.4 Inventory count system

The inventory count system shall be on a perpetual basis.

11.5 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)

12. Long-term equity investments

12.1 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.

12.2 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.

12.3 Method for subsequent measurement and profit or loss recognition

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

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

12.3.1 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 2017

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

12. Long-term equity investments (continued)

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

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

The Group accounts for investment in associates using the equity method. An associate is an entity over which the Group has significant influence.

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.

12.3.3 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)

13. 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.

14. Fixed assets

14.1 Conditions for recognition of fixed assets

Fixed assets are tangible assets that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and have a useful life of more than one accounting 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 2017

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

14. Fixed assets (continued)

14.2 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.

14.3 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.

15. Construction in progress

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

16. Borrowing costs

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

17. Intangible assets

17.1 Intangible assets

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

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

Land use 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 2017

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

17. Intangible assets (continued)

17.1 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.

17.2 Research and development expenditure

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

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

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

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

17. Intangible assets (continued)

17.2 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.

18. 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 yearly, 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.

19. 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 2017

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

20. Employee benefits

20.1 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.

20.2 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.

21. 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)

22. Revenue

22.1 Revenue from sales of goods

Revenue is recognized when the Group 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.

22.2 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.

22.3 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.

23. 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.

Notes to the Financial Statements

For the year ended 31 December 2017

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

23. Government grants (continued)

23.1 Determination basis and accounting treatment of government grants related to assets

A government grant related to an asset is charged against the carrying value of the related asset or recognized as deferred income, and evenly amortized to current profit or loss over the useful life of the related asset.

23.2 Determination basis and accounting treatment of government grants related to income

For a government grant related to income, if the grant is a compensation for related expenses or losses to be incurred in subsequent periods, the grant is recognized as deferred income, and recognized in profit or loss over the period in which the related costs or loss 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.

A government grant related to enterprises' business activities, is recognized as other income based on the substance of economic activities. A government grant non-related to enterprises' business activities, is recognized as non-operating income or expense.

24. Income tax

24.1 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 according to relevant tax laws.

24.2 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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

24. Income tax (continued)

24.2 *Deferred tax assets and deferred tax liabilities (continued)*

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

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

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

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

24.3 *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.

Notes to the Financial Statements

For the year ended 31 December 2017

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

24. Income tax (continued)

24.4 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.

25. Operating lease

25.1 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.

25.2 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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)**26. Changes in significant accounting policies and accounting estimates**

Changes in accounting policies and reasons	Approval procedure
<p>The Group started adopting the <i>Accounting Standards for Business Enterprises No.42 Held-for-sale Non-current Assets and Disposal Groups and Discontinued Operations</i> issued by Ministry of Finance ("MoF") in 2017, and the <i>Accounting Standards for Business Enterprises No.16 — Government Grants</i> revised by MoF in 2017 since 28 May 2017 and 12 June 2017 respectively. Besides, the financial statements have been prepared under the <i>Notice of the Revised Format of Financial Statements for General Business Enterprise</i> (Cai Kuai (2017) No. 30, the "Cai Kuai No.30 Document") released by the MoF on 25 December 2017.</p> <p><u>Held-for-sale Non-current Assets and Disposal Groups and Discontinued Operations</u></p> <p><i>Accounting Standards for Business Enterprises No.42 Held-for-sale Non-current Assets and Disposal Groups and Discontinued Operations</i> specifies regulations for classifications and measurement of held-for-sale non-current assets or disposal groups, requiring separately present profit or loss arising from continued operations or discontinued operations in the income statement with detailed disclosures about information of the held-for-sale non-current assets or disposal groups and discontinued operations. This standard requires prospective approach for accounting treatment, which has no impact on the financial statements for the comparable year.</p>	<p>These changes in accounting policies are approved by the Company's meeting of Board of Directors on 25 August 2017.</p>

Notes to the Financial Statements

For the year ended 31 December 2017

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

26. Changes in significant accounting policies and accounting estimates (continued)

Changes in accounting policies and reasons	Approval procedure
<p><u>Government grants</u></p> <p>Prior to the implementation of the <i>Accounting Standards for Business Enterprises No. 16 — Government Grants (revised)</i>, a government grant related to an asset of the Group is recognized as deferred income and evenly amortized to non-operating income over the useful life of the asset. For a government grant related to income, if the grant is a compensation for related expenses or losses to be incurred in subsequent periods, the grant is recognised as deferred income, and included in profit or loss over the periods in which the related costs are recognised. If the grant is a compensation for related expenses or losses already incurred, the grant is recognised immediately in profit or loss for the period.</p> <p>After the implementation of the <i>Accounting Standards for Business Enterprises No. 16 — Government Grants (revised)</i>, a government grant related to an asset is charged against the carrying value of the related asset or recognized as deferred income, and evenly amortized to current profit or loss over the useful life of the related asset. For a government grant related to income, if the grant is a compensation for related expenses or losses to be incurred in subsequent periods, the grant is recognized as deferred income, and included in profit or loss or charged against the related cost over the periods in which the related costs or losses are recognized; if the grant is a compensation for related expenses or losses already incurred, the grant is recognized immediately in profit or loss or charged against related cost for the period. A government grant related to the Group's business activities is recognized in other income or charged against the related cost or expense based on the substance of economic activities; a government grant not related to the Group's business activities is recognized in non-operating income and expenses.</p> <p>The Group has accounted for the above changes in accounting policies prospectively. Such changes in accounting policies have no impact on the financial statements for the comparable year.</p>	<p>These changes in accounting policies are approved by the Company's meeting of Board of Directors on 25 August 2017.</p>

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)**26. Changes in significant accounting policies and accounting estimates** (continued)

Changes in accounting policies and reasons	Approval procedure
<p><u>Presenting profit or loss from disposal of assets</u></p> <p>Prior to the release of the Cai Kuai No. 30 Document, the gains or losses recognized from sales of held-for-sale non-current assets (excluding financial instruments, long-term equity investment and investment properties) or disposal groups, and gains or losses arising from disposal of fixed assets, construction in progress, and intangible assets not classified as held-for-sale are presented under the item of “non-operating income” or “non-operating expenses”. After the release of the Cai Kuai No.30 Document, gains or losses recognized from sales of held-for-sale non-current assets (excluding financial instruments, long-term equity investment and investment properties) or disposal groups, and gains or losses arising from disposal of fixed assets, construction in progress, and intangible assets not classified as held-for-sale are presented under the item of “gains(losses) from disposal of non-current assets”. The Group has accounted for the above change in presenting accounts retrospectively, and adjusted comparable data for prior year.</p>	<p>These changes in accounting policies are approved by the Company’s meeting of Board of Directors on 23 March 2018.</p>

Notes to the Financial Statements

For the year ended 31 December 2017

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 probably cannot be collected, provision for bad debts is required to be recognized. Judgements and estimates are required in recognition of bad debts. If the result of new estimation differs from current estimation, such difference will impact the book value of receivables for the corresponding period.

Provision for 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.

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)

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 Group will adopt measures to accelerate the depreciation of the fixed asset or eliminate fixed assets which are idle or technologically obsolete.

Recognition of deferred tax assets

As at 31 December 2017, the Group recognized deferred tax assets of RMB691,008,604.27 (31 December 2016: RMB963,955,022.84) 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.

After-sales service expenses

The customers of Great Wall Motor are entitled to one-time or more free maintenance services provided by Great Wall Motor pursuant to automobiles sales contracts. The Great Wall Motor also undertakes warranty obligations within a specific warranty period regarding to automobiles sold. Great Wall Motor estimated provisions for after-sales service based on sales volume, contracted free maintenance frequency and estimated expenses per maintenance. As at 31 December 2017, provisions for after-sale services amounted to RMB1,277,913,945.81 (as at 31 December 2016: RMB1,118,768,730.43). If the actual fees for after-sale services varies from the estimates, the profits and losses in incurred period will be affected.

Notes to the Financial Statements

For the year ended 31 December 2017

V. TAXATION

1. Major tax types and rates

Tax type	Basis	Tax rate
Business tax	Turnover (Note 3)	3%, 5%
Value-added tax	Purchase/Sales (Note 1 and 2)	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 (Note 1)	20%, 25%, 28%, 30%
Real estate tax	Original cost/rental income of the real estate	For self-occupied real estate of the Company, the tax is calculated at 70% of the original cost and a tax rate of 1.2%. For leased real estate, the tax is calculated at 12% of the rental income
Land use tax	Usable area of the land	Relevant tax rate

Note 1: Excluding the tax incentives set out in Note (V) 2, the applicable tax rates of the relevant companies of the Group for 2016 and 2017 are listed on the above table.

Note 2: Pursuant to the "Notice on Policies Relating to Degenerating Value-added Tax Rate" (關於簡併增值稅稅率有關政策的通知) (Cai Shui [2017] No.37) issued by the Ministry of Finance and the State Administration of Taxation, value-added tax rate structure shall be degenerated and the value-added tax at 13% shall be cancelled as of 1 July 2017.

Note 3:

- 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%.

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, Tianjin Boxin Automotive Parts Company Limited ("Tianjin Boxin") (天津博信汽車零部件有限公司), 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) 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 2015 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%.

Notes to the Financial Statements

For the year ended 31 December 2017

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”)(保定曼德汽車配件有限公司), 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 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 and the “Circular on Granting Tax Credit and Exemption relating to Enterprise Income Tax on the Small-Scaled Minimal Profit Enterprise” (關於擴大小型微利企業所得稅優惠政策範圍的通知) (Caishui [2017] No. 43) issued by the Ministry of Finance and the State Administration of Taxation, Beijing Great Wall Dong Sheng Business Consulting Company Limited (“Great Wall Dongsheng”) (北京長城東晟商務諮詢有限公司) which is 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 RMB300,000 (including RMB300,000) in for 2016 and RMB500,000(including RMB500,000) in for 2017, so for the year 2016 and 2017, 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

Value-added tax concessionary policies on fostering disabled people

According to the requirements under the “Notice Regarding Taxation Concessionary Policies on Fostering Employment of Disabled People” (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” (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 2017

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and bank balances

Item	2017.12.31	<i>RMB</i> 2016.12.31
Cash:		
RMB	389,791.58	824,251.11
GBP	14,162.78	17,786.94
HKD	9,028.16	10,528.74
AUD	8,362.89	10,676.72
JPY	7,155.96	31,837.88
ZAR	5,105.78	3,931.27
USD	3,318.46	62,819.67
SGD	1,518.64	1,492.64
RUB	64.98	65.90
KRW	43.44	40.95
THB	25.97	25.21
EUR	—	67,479.83
NZD	—	3,330.76
Bank balances:		
RMB	3,078,273,647.15	1,549,604,082.49
USD	432,715,197.31	55,722,489.97
ZAR	117,967,799.82	26,861,587.71
RUB	116,239,708.23	183,112,224.00
NZD	23,071,500.18	460,813.61
EUR	22,380,368.79	10,559,780.34
AUD	21,044,534.81	29,653,377.57
JPY	13,847,034.16	8,317,707.52
INR	11,204,461.23	24,376,059.72
KRW	5,276,122.62	—
HKD	20,825.65	7,894.74
CHF	424.98	11.06
GBP	11.41	2,134,037.40
Other cash and bank balances:		
RMB	987,479,299.87	261,520,381.77
NZD	1,389,810.00	238,842.86
Total	4,831,349,324.85	2,153,603,558.38
Include: overseas cash and bank balances	766,211,041.63	440,755,093.52

Notes to the Financial Statements

For the year ended 31 December 2017

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

1. Cash and bank balances (continued)

As at 31 December 2017, in other cash and bank balances, the Group had restricted cash and bank balances of RMB987,259,595.28, in which guarantee on bank acceptances amounted to RMB519,452,724.20; required reserves amounted to RMB402,500,360.15; guarantee on letter of credit amounted to RMB3,050,947.92, guarantee on letter of guarantee amounted to RMB7,560,000.00; deposited investment fund amounted to RMB50,197,891.76; and other guarantees amounted to RMB4,497,671.25.

As at 31 December 2016, the Group had restricted cash and bank balances of RMB261,759,224.63, in which guarantee on bank acceptances 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.

2. Financial assets at fair value through profit or loss

Items	RMB	
	2017.12.31	2016.12.31
Held-for-trading financial asset	317,994,432.00	—
Including: investment in equity instrument	317,994,432.00	—
Total	317,994,432.00	—

Note: On 31 December 2017, the investment in equity instrument held by the Group is the stock investment in Pilbara Minerals Limited. It has a quoted market price in an active market.

Notes to the Financial Statements

For the year ended 31 December 2017

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

3. Notes receivable

(1) Classification of notes receivable:

Category	RMB	
	2017.12.31	2016.12.31
Bank acceptances	49,072,943,011.30	39,786,248,863.34
Commercial acceptances	2,165,579.40	—
Total	49,075,108,590.70	39,786,248,863.34

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

Category	RMB	
	2017.12.31	2016.12.31
Bank acceptances	7,669,337,556.18	3,526,875,391.00
Total	7,669,337,556.18	3,526,875,391.00

Note: The Group pledged notes receivable for the issuance of notes payable and the short-term borrowings.

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

Category	RMB	
	2017.12.31	2016.12.31
Bank acceptances	14,562,674,803.01	21,691,538,965.77
Total	14,562,674,803.01	21,691,538,965.77

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 2017

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

4. Accounts receivable

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

Category	2017.12.31					2016.12.31					RMB
	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 (%)		
Accounts Receivable that are individually significant and for which bad debt provision is individually assessed	1,112,903,040.86	91.49	(340,932,061.18)	30.63	771,970,979.68	754,841,412.20	85.67	(358,175,977.45)	47.45	396,665,434.75	
Accounts Receivable for which bad debt provision is collectively assessed on a portfolio basis of credit risk character	103,011,061.90	8.47	(2,030,195.84)	1.97	100,980,866.06	125,474,083.70	14.24	(4,925,996.33)	3.93	120,548,087.37	
Accounts receivable that are not individually significant but for which bad debt provision is individually assessed	493,130.92	0.04	—	—	493,130.92	763,224.85	0.09	—	—	763,224.85	
Total	1,216,407,233.68	100.00	(342,962,257.02)	28.19	873,444,976.66	881,078,720.75	100.00	(363,101,973.78)	41.21	517,976,746.97	

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

Accounts receivable (by customers)	2017.12.31			Reason for provision
	Accounts receivable	Provision for bad debts	Provision ratio (%)	
Customer 1	341,941,374.48	(322,938,016.03)	94.44	Past due
Customer 2	20,297,224.85	(1,317,183.62)	6.49	Past due
Customer 3	18,013,788.20	(3,570,043.10)	19.82	Past due
Customer 4	14,447,020.25	(3,921,000.89)	27.14	Past due
Customer 5	12,131,156.42	(1,082,789.72)	8.93	Past due
Customer 6	11,681,268.70	(2,928,136.50)	25.07	Past due
Customer 7	7,333,802.50	(1,074,941.25)	14.66	Past due
Customer 8	6,887,889.99	(1,461,491.50)	21.22	Past due
Customer 9	5,281,350.85	(1,472.08)	0.03	Past due
Customer 10	5,088,121.72	(742,385.51)	14.59	Past due
Customer 11	4,893,228.78	(1,312,279.15)	26.82	Past due
Customer 12	3,549,428.17	(582,321.83)	16.41	Past due
Others	661,357,385.95	—	—	
Total	1,112,903,040.86	(340,932,061.18)	30.63	

Notes to the Financial Statements

For the year ended 31 December 2017

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

4. Accounts receivable (continued)

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

Aging	2017.12.31				2016.12.31			
	Amount	Ratio (%)	Provision for bad debts	Book value	Amount	Ratio (%)	Provision for bad debts	Book value
Within 1 year	873,555,461.23	71.81	(19,736,285.71)	853,819,175.52	509,173,948.52	57.79	(14,391,824.63)	494,782,123.89
1 to 2 years	1,053,240.28	0.09	(282,955.28)	770,285.00	349,574,065.01	39.68	(343,624,325.06)	5,949,739.95
2 to 3 years	319,517,864.55	26.27	(318,152,502.58)	1,365,361.97	22,330,707.22	2.53	(5,085,824.09)	17,244,883.13
Over 3 years	22,280,667.62	1.83	(4,790,513.45)	17,490,154.17	—	—	—	—
Total	1,216,407,233.68	100.00	(342,962,257.02)	873,444,976.66	881,078,720.75	100.00	(363,101,973.78)	517,976,746.97

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 RMB14,346,161.25, and collection or reversal of bad debts amounted to RMB34,480,497.01.

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

Customer	Amount of collection or reversed	Method of recovery	Reason for collection or reversal	Reason for recognise original provision of bad debts
Customer 1	19,612,165.84	Others	Fluctuations in foreign exchange rate	Past due
Customer 2	5,361,915.95	Cash and others	Recovered by the Management of the Group in cash and other ways through endeavors	Past due
Customer 3	2,546,597.55	Cash and others	Recovered by the Management of the Group in cash and other ways through endeavors	Past due
Total	27,520,679.34			

Notes to the Financial Statements

For the year ended 31 December 2017

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

4. Accounts receivable (continued)

(4) *Accounts receivable amounted to RMB5,381.00 have been written off during the current year.*

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

Name of entity	Closing balance	Proportion of the amount to the total accounts receivable (%)	RMB
			Amount of provision for bad debts at end of the year
Customer 1	341,941,374.48	28.11	(322,938,016.03)
Customer 2	162,679,056.61	13.37	—
Customer 3	112,608,000.00	9.26	—
Customer 4	107,694,993.14	8.85	—
Customer 5	65,803,571.93	5.41	—
Total	790,726,996.16	65.00	(322,938,016.03)

5. Prepayments

(1) *Prepayments by aging:*

Aging	2017.12.31		2016.12.31		RMB
	Amount	Ratio (%)	Amount	Ratio (%)	
Within 1 year	454,837,782.34	78.49	991,861,559.73	93.82	
1 to 2 years	82,820,794.57	14.29	63,300,097.76	5.99	
2 to 3 years	41,388,488.11	7.14	1,693,017.38	0.16	
Over 3 years	489,117.04	0.08	325,748.90	0.03	
Total	579,536,182.06	100.00	1,057,180,423.77	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 2017

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

5. 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 (%)
Supplier 1	66,790,464.70	11.52
Supplier 2	53,863,351.66	9.29
Supplier 3	46,500,008.42	8.02
Supplier 4	38,368,416.16	6.62
Supplier 5	25,240,329.54	4.36
Total	230,762,570.48	39.81

6. Interest receivable

Item	2017.12.31	RMB 2016.12.31
	Interest on loans and advances to customers	27,462,613.92
Interest of deposits with the central bank and other banks	754,224.16	–
Wealth management products interest	138,950.63	–
Total	28,355,788.71	12,418,121.84

Notes to the Financial Statements

For the year ended 31 December 2017

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

7. Other receivables

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

Category	2017.12.31					2016.12.31					RMB
	Carrying amount		Provision for bad debts			Carrying amount		Provision for bad debts			Book value
	Amount	Ratio (%)	Amount	Provision ratio (%)	Book value	Amount	Ratio (%)	Amount	Provision ratio (%)		
Other receivables that are individually significant and for which bad debt provision is individually assessed	283,656,616.67	89.40	(19,160,626.86)	6.75	264,495,989.81	226,608,337.71	87.72	(7,141,494.12)	3.15	219,466,843.59	
Other receivables for which bad debt provision is collectively assessed on a portfolio basis of credit risk character	33,564,467.74	10.58	(192,314.00)	0.57	33,372,153.74	31,545,027.24	12.21	—	—	31,545,027.24	
Other receivable that are not individually significant but for which bad debt provision is individually assessed	51,052.39	0.02	(27,470.82)	53.81	23,581.57	169,838.00	0.07	(169,838.00)	100.00	—	
Total	317,272,136.80	100.00	(19,380,411.68)	6.11	297,891,725.12	258,323,202.95	100.00	(7,311,332.12)	2.83	251,011,870.83	

Notes to the Financial Statements

For the year ended 31 December 2017

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

7. 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 receivables (by entity)	2017.12.31			
	Amount	Provision for bad debts	Provision ratio (%)	Reason for provision
Entity 1	101,966,556.45	—	—	
Entity 2	94,266,466.17	(12,019,132.74)	12.75	Unrecoverable as estimated
Entity 3	34,029,068.71	—	—	
Entity 4	10,200,000.00	—	—	
Entity 5	10,000,000.00	—	—	
Entity 6	5,397,354.12	(5,397,354.12)	100.00	Unrecoverable as estimated
Entity 7	1,744,140.00	(1,744,140.00)	100.00	Unrecoverable as estimated
Others	26,053,031.22	—	—	
Total	283,656,616.67	(19,160,626.86)	6.75	

RMB

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

Aging	2017.12.31				2016.12.31			
	Amount	Ratio (%)	Provision for bad debts	Book Value	Amount	Ratio (%)	Provision for bad debts	Book Value
Within 1 year	270,946,288.23	85.39	(22,476.00)	270,923,812.23	237,770,215.00	92.04	(5,567,192.12)	232,203,022.88
1 to 2 years	31,507,081.44	9.93	(17,607,324.86)	13,899,756.58	2,803,115.56	1.09	—	2,803,115.56
2 to 3 years	1,826,160.77	0.58	(6,470.82)	1,819,689.95	16,265,819.64	6.30	(1,744,140.00)	14,521,679.64
Over 3 years	12,992,606.36	4.10	(1,744,140.00)	11,248,466.36	1,484,052.75	0.57	—	1,484,052.75
Total	317,272,136.80	100.00	(19,380,411.68)	297,891,725.12	258,323,202.95	100.00	(7,311,332.12)	251,011,870.83

RMB

Notes to the Financial Statements

For the year ended 31 December 2017

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

7. Other receivables (continued)

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

Provision for bad debts amounted to RMB12,072,260.07 and no collection or reversal of bad debts.

(4) Other receivables actually written off during the current year is RMB3,180.51.

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

Nature	RMB	
	2017.12.31	2016.12.31
Export rebates	101,966,556.45	52,793,645.23
Refundable VAT	94,266,466.17	29,180,328.06
Petty cash	41,539,259.78	27,871,549.57
Deposits	31,263,777.80	104,116,309.98
Others	48,236,076.60	44,361,370.11
Total	317,272,136.80	258,323,202.95

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

Name of unit	Nature of other receivables	Amount	Aging	RMB	
				Proportion of the amount to the total other receivables (%)	Balance of provision for bad debt at end of the year
Entity 1	Export rebates	101,966,556.45	Within 1 year	32.14	—
Entity 2	Refundable VAT	94,266,466.17	Within 2 years	29.71	(12,019,132.74)
Entity 3	Prepayments for purchase	34,029,068.71	Within 1 year	10.73	—
Entity 4	Performance Bond	10,200,000.00	Over 3 years	3.21	—
Entity 5	Steel products deposits	10,000,000.00	1-2 years	3.15	—
Total		250,462,091.33		78.94	(12,019,132.74)

(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 2017

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

8. Inventories

(1) Inventories by category

Item	RMB		
	Carrying amount	2017.12.31 Provision for decline in value of inventories	Book value
Raw materials	1,567,176,625.47	(66,930,828.92)	1,500,245,796.55
Work-in-progress	896,977,842.78	(2,868,511.72)	894,109,331.06
Finished goods	2,918,201,263.65	(12,098,705.30)	2,906,102,558.35
Low-valued and short-lived consumables	274,339,447.93	(25,184.26)	274,314,263.67
Total	5,656,695,179.83	(81,923,230.20)	5,574,771,949.63

Item	RMB		
	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

(2) Provision for decline in value of inventories

Inventory categories	2017.1.1	Addition for acquisition of subsidiaries	Decrease for the year		RMB
			Reversals	Written-off	2017.12.31
Raw materials	1,705,038.57	70,596,604.64	(1,330.50)	(5,369,483.79)	66,930,828.92
Work-in-progress	23,149.09	3,879,588.39	—	(1,034,225.76)	2,868,511.72
Finished goods	4,168,690.27	94,430,247.18	(565,628.35)	(85,934,603.80)	12,098,705.30
Low-valued and short-lived consumables	175,165.55	—	(149,981.29)	—	25,184.26
Total	6,072,043.48	168,906,440.21	(716,940.14)	(92,338,313.35)	81,923,230.20

Notes to the Financial Statements

For the year ended 31 December 2017

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

8. Inventories (continued)

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

Item	Basis of provision for decline in value of inventories	Reasons for reversal or written-off of provision for decline in value of inventories during the year	Percentage of the reversal to the closing balance of the inventory during the year (%)
Raw materials	Note 1	Note 2	—
Work-in-progress	Note 1	Note 2	—
Finished goods	Note 1	Note 2	0.02
Low-valued and short-lived consumables	—	Note 2	0.05

Descriptions of inventories:

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

Note 2: As the estimated net realizable value of some finished automobiles, raw materials, low-valued and short-lived consumables was higher than the inventory cost as at the end of the 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.

9. Non-current assets due within one year

Item	Note	2017.12.31	RMB 2016.12.31
Loans and advances to customers due within one year	(VI)11	6,597,535,110.30	532,600,764.95
Long-term receivables due within one year	(VI)13	850,339,958.75	669,101,300.00
Total		7,447,875,069.05	1,201,702,064.95

10. Other current assets

Item	2017.12.31	RMB 2016.12.31
Paint for vehicles	3,985,488.60	3,967,367.57
Taxes to be deducted	89,476,960.84	63,942,498.91
Mould (Note 1)	71,271,439.91	63,676,884.10
Wealth management products (Note 2)	48,000,000.00	1,300,000,000.00
Prepaid enterprise income tax	33,535,258.60	—
Others	20,730,905.77	17,166,920.22
Total	267,000,053.72	1,448,753,670.80

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

Note 2: As at 31 December 2017, wealth management products is "breakeven and fixed income".

Notes to the Financial Statements

For the year ended 31 December 2017

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

11. Loans and advances to customers

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

Item	RMB	
	2017.12.31	2016.12.31
Company loans and advances	73,500.00	—
Including: loans	73,500.00	—
Personal loans and advances	11,201,236,834.73	3,667,568,433.34
Including: automotive consumption loans	11,201,236,834.73	3,667,568,433.34
Total amount of loans and advances to customers	11,201,310,334.73	3,667,568,433.34
Less: impairment loss of loans	175,080,525.14	58,718,015.89
Net amount of loans and advances to customers	11,026,229,809.59	3,608,850,417.45
Less: loans and advances to customers due within one year	6,597,535,110.30	532,600,764.95
Loans and advances to customers	4,428,694,699.29	3,076,249,652.50

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 RMB116,364,397.50, and collection or reversal of impairment loss of loans amounted to RMB1,888.25.

12. Available-for-sale financial assets

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

Item	2017.12.31			2016.12.31		
	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 2017

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

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

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

Item	2017.12.31			2016.12.31			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	7,700,000.00	—	7,700,000.00	
Total	7,700,000.00	—	7,700,000.00	7,700,000.00	—	7,700,000.00	

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

Investee	2017.1.1	Carrying amount			2017.1.1	Impairment			Holding proportion in investee (%)	Cash dividend for this year	RMB
		Increase	Decrease	2017.12.31		Increase	Decrease	2017.12.31			
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	7,700,000.00	—	—	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.

13. Long-term receivables

Items	2017.12.31			2016.12.31			RMB
	Carrying amount	Impairment provision	Book value	Carrying amount	Impairment provision	Book value	Discount rate
Performance bond	850,339,958.75	—	850,339,958.75	2,030,294,781.58	—	2,030,294,781.58	3.80%
Decrease: Long-term receivables due within one year	850,339,958.75	—	850,339,958.75	669,101,300.00	—	669,101,300.00	
Total	—	—	—	1,361,193,481.58	—	1,361,193,481.58	

Notes to the Financial Statements

For the year ended 31 December 2017

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

14. Investment properties

The investment properties measured at cost:

Item	Buildings	Land use rights	<i>RMB</i> Total
I. Original carrying amount			
2017.1.1	115,412,902.24	17,770,823.45	133,183,725.69
Additions for the year	10,631,705.89	1,237,375.24	11,869,081.13
(1)Transfer from fixed assets and intangible assets	—	1,237,375.24	1,237,375.24
(2)Transfer from construction in progress	10,631,705.89	—	10,631,705.89
Decreases for transferring into fixed assets and intangible assets for the year	(6,759,909.28)	(1,388,790.49)	(8,148,699.77)
Foreign currency translation differences	(1,081,656.15)	—	(1,081,656.15)
2017.12.31	118,203,042.70	17,619,408.20	135,822,450.90
II. Accumulated amortization and depreciation			
2017.1.1	3,820,485.30	1,216,366.89	5,036,852.19
Additions for the year	4,866,278.52	439,463.34	5,305,741.86
(1)Provision or amortization	4,866,278.52	336,176.60	5,202,455.12
(2)Transfer from fixed assets and intangible assets	—	103,286.74	103,286.74
Decreases for transferring into fixed assets and intangible assets for the year	(376,110.79)	(97,377.64)	(473,488.43)
Foreign currency translation differences	(94,650.47)	—	(94,650.47)
2017.12.31	8,216,002.56	1,558,452.59	9,774,455.15
III. Book value			
2017.12.31	109,987,040.14	16,060,955.61	126,047,995.75
2017.1.1	111,592,416.94	16,554,456.56	128,146,873.50

Notes to the Financial Statements

For the year ended 31 December 2017

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

15. Fixed assets

Fixed assets:

Item	RMB				
	Buildings	Machinery and equipment	Transportation vehicles	Electronic equipment and others	Total
I. Original carrying amount					
2017.1.1	11,529,676,279.81	17,806,087,131.57	446,454,245.10	5,025,011,592.57	34,807,229,249.05
Additions for the year	937,376,729.44	3,640,299,956.61	58,109,572.14	1,694,571,053.45	6,330,357,311.64
1. Acquisition	71,906,420.63	464,444,536.10	35,541,472.59	77,054,952.89	684,947,382.21
2. Transfer from construction in progress	858,710,399.53	3,175,855,420.51	9,483,159.44	1,617,439,929.62	5,661,488,909.10
3. Transfer from investment properties	6,759,909.28	—	—	—	6,759,909.28
4. Transfer from inventories	—	—	13,084,940.11	76,170.94	13,161,111.05
Decrease for the year	(61,177,533.44)	(235,524,946.99)	(35,567,278.36)	(63,579,774.57)	(395,849,533.36)
1. Disposal or retired	(2,864,416.94)	(113,273,798.31)	(35,128,644.11)	(51,981,048.08)	(203,247,907.44)
2. Decrease for transferring to construction in progress	(9,306,616.50)	(121,364,591.29)	—	—	(130,671,207.79)
3. Decrease for transferring to intangible assets	(49,006,500.00)	—	—	—	(49,006,500.00)
4. Other transfer-out	—	(886,557.39)	(438,634.25)	(11,598,726.49)	(12,923,918.13)
2017.12.31	12,405,875,475.81	21,210,862,141.19	468,996,538.88	6,656,002,871.45	40,741,737,027.33
II. Accumulated depreciation					
2017.1.1	1,505,966,765.46	5,859,291,729.60	198,809,990.11	2,373,430,158.59	9,937,498,643.76
Additions for the year	421,469,849.11	1,771,703,033.50	60,827,312.53	849,636,711.80	3,103,636,906.94
1. Provision for the year	421,093,738.32	1,771,703,033.50	60,827,312.53	849,636,711.80	3,103,260,796.15
2. Transfer from investment properties	376,110.79	—	—	—	376,110.79
Decrease for the year	(7,008,986.56)	(139,325,368.20)	(14,997,390.23)	(45,970,104.75)	(207,301,849.74)
1. Disposal or retired	(157,255.63)	(89,213,275.39)	(14,784,113.87)	(38,052,432.07)	(142,207,076.96)
2. Decrease for transferring to construction in progress	(6,851,730.93)	(50,027,655.54)	—	—	(56,879,386.47)
3. Other transfer-out	—	(84,437.27)	(213,276.36)	(7,917,672.68)	(8,215,386.31)
2017.12.31	1,920,427,628.01	7,491,669,394.90	244,639,912.41	3,177,096,765.64	12,833,833,700.96
III. Provision for impairment					
2017.1.1	136,268.33	53,085,256.58	—	101,555,997.54	154,777,522.45
Additions for the year (Note)	—	6,474,710.36	37,680.75	33,058,293.61	39,570,684.72
Decrease for the year	—	(2,240,820.39)	—	(2,211,579.60)	(4,452,399.99)
1. Disposal or retired	—	(2,240,820.39)	—	(2,211,579.60)	(4,452,399.99)
2017.12.31	136,268.33	57,319,146.55	37,680.75	132,402,711.55	189,895,807.18
IV. Book value					
2017.12.31	10,485,311,579.47	13,661,873,599.74	224,318,945.72	3,346,503,394.26	27,718,007,519.19
2017.1.1	10,023,573,246.02	11,893,710,145.39	247,644,254.99	2,550,025,436.44	24,714,953,082.84

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

As at 31 December 2017, among the fixed assets, the net book value of properties without title certificates amounted to RMB3,901,351,393.27 (As at 31 December 2016: RMB3,467,547,746.25) and the application of relevant title certificates is in progress.

Notes to the Financial Statements

For the year ended 31 December 2017

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

16. Construction in progress

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

Project	2017.12.31			2016.12.31		
	Carrying amount	Impairment provision	Net book value	Carrying amount	Impairment provision	Net book value
Annual production of 400,000 sets of axles and brakes	14,240.99	—	14,240.99	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
Tianjin automotive project	60,030,666.90	(131,527.46)	59,899,139.44	21,035,961.28	—	21,035,961.28
Tianjin parts and components project	122,163,399.33	(416,173.85)	121,747,225.48	303,344,365.74	(825,758.75)	302,518,606.99
Industrial park phase I, II, III						
Reconstruction and expansion	151,875,434.71	(1,788,431.95)	150,087,002.76	169,760,315.43	(2,810,400.74)	166,949,914.69
Xindatong Reconstruction	—	—	—	32,066.67	—	32,066.67
Jiaozhuang infrastructure	—	—	—	109,481.72	—	109,481.72
New technology center	162,172,618.20	—	162,172,618.20	199,992,873.72	—	199,992,873.72
Other R&D projects	69,580,893.95	—	69,580,893.95	—	—	—
Xushui automotive project	453,299,582.90	—	453,299,582.90	1,379,098,778.59	—	1,379,098,778.59
Xushui parts and components project	2,240,284,583.74	—	2,240,284,583.74	2,074,099,569.20	(83,886.55)	2,074,015,682.65
Xushui supporting infrastructure project	149,981,488.25	—	149,981,488.25	150,547,321.36	—	150,547,321.36
Russia 80,000 sets of vehicle plant and residential area supporting project	1,173,871,774.87	—	1,173,871,774.87	286,052,314.77	—	286,052,314.77
Parts and Components Department						
Reconstruction project	298,524,812.68	(624,799.69)	297,900,012.99	277,667,876.25	(122,171.38)	277,545,704.87
Total	4,881,799,496.52	(2,960,932.95)	4,878,838,563.57	4,863,020,928.44	(3,842,217.42)	4,859,178,711.02

RMB

Notes to the Financial Statements

For the year ended 31 December 2017

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

16. Construction in progress (continued)

(2) Provision for impairment losses for construction in progress

RMB

Item	Provision for the period	Reason for provision
Tianjin automobile project	(131,527.46)	Dedicated device in idle due to reconstruction of production line site and the net realizable value of these dedicated device is lower than the net asset value to result in impairment
Tianjin parts and components project	(383,899.03)	Assets in idle due to shutoff of part of projects and the net realizable value of the assets is lower than the net asset value to result in impairment
Parts and Components Department Reconstruction project	(502,628.31)	Assets in idle due to shutoff of part of projects and the net realizable value of the assets is lower than the net asset value to result in impairment
Total	(1,018,054.80)	

Notes to the Financial Statements

For the year ended 31 December 2017

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

16. Construction in progress (continued)

(3) Changes in major construction in progress

Project	Budget amount	2017.1.1	Additions for the year	Transferred to fixed assets	Other Deductions (Note)	Proportion of investment to budget (%)	Accumulated capitalized interest amount	Including: capitalized interest amount for the year	Ratio of capitalized interest amount for the year (%)	Sources of fund	RMB
											2017.12.31
Annual production of 400,000 sets of axles and brakes	578,352,366.14	1,234,403.71	—	—	(1,220,162.72)	100.00	—	—	—	Financed and self-funded	14,240.99
Annual production of 400,000 sets of interior and exterior decorations	575,893,500.00	45,600.00	—	—	(45,600.00)	100.00	—	—	—	Financed and self-funded	—
Tianjin Automobile project	5,369,757,391.00	21,035,961.28	199,010,430.10	(158,522,518.41)	(1,493,206.07)	96.91	—	—	—	Self-funded	60,030,666.90
Tianjin parts and components project	3,336,181,855.80	303,344,365.74	321,808,833.44	(498,287,369.25)	(4,702,430.60)	88.14	—	—	—	Self-funded	122,163,399.33
Industrial park phase I, II, III Reconstruction and expansion	1,031,819,862.06	169,760,315.43	135,229,995.58	(132,173,101.64)	(20,941,774.66)	92.52	—	—	—	Self-funded	151,875,434.71
Xindatong Reconstruction	8,776,724.00	32,066.67	—	—	(32,066.67)	100.00	—	—	—	Self-funded	—
Jiaozhuang infrastructure	253,863,000.00	109,481.72	17,364.28	(109,490.00)	(17,356.00)	100.00	—	—	—	Self-funded	—
New technology center	1,727,202,349.00	199,992,873.72	48,068,550.66	(60,617,773.96)	(25,271,032.22)	97.79	—	—	—	Self-funded	162,172,618.20
Other R&D projects	549,202,021.43	—	81,656,875.41	(12,061,479.58)	(14,501.88)	12.67	—	—	—	Self-funded	69,580,893.95
Xushui automobile project	10,895,690,604.00	1,379,098,778.59	696,425,122.56	(1,616,250,009.30)	(5,974,308.95)	89.37	—	—	—	Self-funded	453,299,582.90
Xushui parts and components project	14,597,073,194.00	2,074,099,569.20	2,831,703,744.57	(2,641,592,537.86)	(23,926,192.17)	75.41	—	—	—	Self-funded	2,240,284,583.74
Xushui supporting infrastructure project	193,250,000.00	150,547,321.36	11,059,061.06	—	(11,624,894.17)	77.61	—	—	—	Self-funded	149,981,488.25
Russia 80,000 sets of automobile and residential area supporting project	2,360,572,200.00	286,052,314.77	890,762,330.63	(2,942,870.53)	—	49.85	—	—	—	Self-funded	1,173,871,774.87
Part and Components Department Reconstruction project	1,614,341,072.99	277,667,876.25	587,814,519.77	(538,931,758.57)	(28,025,824.77)	95.53	—	—	—	Self-funded	298,524,812.68
Total	43,091,976,140.42	4,863,020,928.44	5,803,556,828.06	(5,661,488,909.10)	(123,289,350.88)		—	—	—		4,881,799,496.52

Note: The decrease of RMB26,780,576.68 in construction in progress is transferred into intangible assets, and the decrease of RMB10,631,705.89 in construction in progress is transferred into investment properties.

Notes to the Financial Statements

For the year ended 31 December 2017

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

17. Intangible assets

(1) Intangible assets

Item	RMB		
	Land use rights	Software and others (Note)	Total
I. Original carrying amount			
2017.1.1	3,422,430,955.64	224,972,335.55	3,647,403,291.19
Additions for the year	102,091,990.49	81,363,241.48	183,455,231.97
1. Acquisition	100,703,200.00	5,576,164.80	106,279,364.80
2. Transferred from construction in progress	—	26,780,576.68	26,780,576.68
3. Transferred from investment properties	1,388,790.49	—	1,388,790.49
4. Transferred from fixed assets	—	49,006,500.00	49,006,500.00
Deductions for the year	(40,751,852.78)	(1,995,513.70)	(42,747,366.48)
1. Disposal	(38,218,647.02)	(434,482.35)	(38,653,129.37)
2. Decrease for transferring to investment properties	(1,237,375.24)	—	(1,237,375.24)
3. Other transfer-out	(1,295,830.52)	(1,561,031.35)	(2,856,861.87)
2017.12.31	3,483,771,093.35	304,340,063.33	3,788,111,156.68
II. Total accumulated amortization			
2017.1.1	357,724,440.21	78,968,288.10	436,692,728.31
Additions for the year	69,656,969.65	15,672,832.49	85,329,802.14
1. Provision	69,559,592.01	15,672,832.49	85,232,424.50
2. Transferred from investment properties	97,377.64	—	97,377.64
Deductions for the year	(1,619,139.18)	(898,587.08)	(2,517,726.26)
1. Disposal	(1,515,852.44)	(429,454.81)	(1,945,307.25)
2. Decrease for transferring to investment properties	(103,286.74)	—	(103,286.74)
3. Other transfer-out	—	(469,132.27)	(469,132.27)
2017.12.31	425,762,270.68	93,742,533.51	519,504,804.19
III. Book value			
2017.12.31	3,058,008,822.67	210,597,529.82	3,268,606,352.49
2017.1.1	3,064,706,515.43	146,004,047.45	3,210,710,562.88

Note: Overseas land ownership of subsidiaries included in software and others amounted to RMB87,864,360.15.

As at 31 December 2017, among the intangible assets, the net book value of land use rights without land use rights certificates amounted to RMB111,480,794.42 (As at 31 December 2016: RMB132,673,504.89), and the application of relevant land use rights certificates is in progress.

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

Item	RMB	
	2017.12.31	2016.12.31
Located in mainland China — 10 to 50 years	3,058,008,822.67	3,064,706,515.43

Notes to the Financial Statements

For the year ended 31 December 2017

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

18. Goodwill

Name of investee or matters generating goodwill	2017.1.1	Additions for the year	Deductions for the year	RMB	
				2017.12.31	Impairment provision as at the end of the year
Baoding Changfu Pressings Co., Ltd. (保定長福沖壓件有限公司) (Note 1)	2,163,713.00	—	—	2,163,713.00	—
Baoding Xinyi Automotive Seating Co., Ltd. (保定信益汽車座椅有限公司) (Note 2)	2,809,017.90	—	(2,809,017.90)	—	—
Total	4,972,730.90	—	(2,809,017.90)	2,163,713.00	—

Note 1: The above goodwill arose from the acquisition of additional 26% equity interest in Baoding Changfu Pressings Co., Ltd. (保定長福沖壓件有限公司) on 16 January 2003.

Note 2: The goodwill arose from the acquisition of 50% equity interest in Baoding Xinyi Automotive Seating Co., Ltd. (保定信益汽車座椅有限公司) ('Xinyi Seating'), which was held by Shanghai Yanfeng Jiangsen Seating Co., Ltd. (上海延鋒江森座椅有限公司) in January 2016. The decrease in the goodwill in current year was resulted from cancellation of Xinyi Seating.

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.

Notes to the Financial Statements

For the year ended 31 December 2017

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

19. Deferred tax assets and deferred tax liabilities

(1) Deferred tax assets before offsetting

Item	2017.12.31		2016.12.31	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Provision for bad debts	350,323,535.96	53,073,361.06	370,413,305.90	57,003,936.80
Impairment provisions for loans	63,067,421.79	15,766,855.45	22,042,331.56	5,510,582.89
Provision for decline in value of inventories	80,687,797.70	12,041,640.43	6,072,043.48	755,389.03
Impairment of fixed assets	171,936,735.37	26,540,140.73	136,833,625.23	21,182,843.12
Impairment of construction in progress	2,960,932.95	482,349.93	3,842,217.42	658,908.49
Accrued expenses which are deductible upon payment	1,177,714,047.95	178,299,891.38	1,035,341,496.46	238,396,411.48
Taxable upon receipt of advance payment	1,145,510,999.11	175,998,325.62	1,382,656,969.66	273,368,167.12
Deductible loss	200,525,568.17	41,664,258.41	175,777,493.44	42,133,888.33
Deferred income	844,413,983.92	147,518,409.90	922,539,899.49	161,088,191.13
Unrealized profit arising from internal transactions	325,010,861.12	79,528,019.22	759,998,621.35	186,500,029.02
Others	514,015,481.88	140,716,188.72	219,497,605.41	46,747,305.32
Total	4,876,167,365.92	871,629,440.85	5,035,015,609.40	1,033,345,652.73

RMB

Notes to the Financial Statements

For the year ended 31 December 2017

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

RMB

Item	2017.12.31		2016.12.31	
	Taxable temporary difference	Deferred tax liabilities	Taxable temporary difference	Deferred tax liabilities
Difference between the book value of accumulated depreciation and tax base	(1,277,440,845.74)	(194,484,118.04)	(450,633,396.76)	(68,703,126.86)
Temporary difference of interest receivable	(27,002,256.76)	(6,750,564.19)	(12,065,625.37)	(3,016,406.34)
Total	(1,304,443,102.50)	(201,234,682.23)	(462,699,022.13)	(71,719,533.20)

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

RMB

Item	2017.12.31		2016.12.31	
	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	(180,620,836.58)	691,008,604.27	(69,390,629.89)	963,955,022.84
Deferred tax liabilities	180,620,836.58	(20,613,845.65)	69,390,629.89	(2,328,903.31)

(4) Details of deductible temporary differences for which no deferred tax assets are recognized.

RMB

	2017.12.31	2016.12.31
Deductible losses	103,829,970.89	4,938,489.54

Note: As it is uncertain to obtain sufficient taxable income in the future, the above deductible losses are not recognized as deferred tax assets.

Notes to the Financial Statements

For the year ended 31 December 2017

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

20. Short-term borrowings and long-term borrowings

(1) Short-term borrowings

Item	RMB	
	2017.12.31	2016.12.31
Pledged loans (Note 1)	4,100,000,000.00	—
Guaranteed loans (Note 2)	588,078,000.00	150,000,000.00
Credit loans	8,349,900,000.00	100,000,000.00
Total	13,037,978,000.00	250,000,000.00

(2) Long-term borrowings

Item	RMB	
	2017.12.31	2016.12.31
Guaranteed loans (Note 3)	473,354,500.00	49,800,000.00
Less: long-term borrowings due within one year	49,600,000.00	—
Total	423,754,500.00	49,800,000.00

Note 1: Loans pledged at the end of the year are loans made by the Group to pledge bank acceptances.

Note 2: The guaranteed loans are loans acquired by a subsidiary of the Company, Tide Technology and Trade Co., Ltd. (泰德科貿有限公司) ('Tide Technology and Trade') and guaranteed by the Company.

Note 3: The guaranteed loans including RMB423,754,500.00 which are loans acquired by a subsidiary of the Company Billion Sunny Development Limited (億新發展有限公司) ('Billion Sunny Development'), provided the Company being the guarantor at annual interest rate from 1.0000% to 2.2827%; 49,600,000.00 which are loans acquired by a subsidiary, Tianjin Great Wall Binyin Automotive Finance Company Limited (天津長城濱銀汽車金融有限公司) ('Automotive Finance'), provided the Company as the guarantor at annual interest rate of 5.9375%.

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

Bank loan repayment requirements	RMB	
	2017.12.31	2016.12.31
Within 1 year	49,600,000.00	200,000.00
1-2 years	—	49,600,000.00
2-5 years	423,754,500.00	—
Total	473,354,500.00	49,800,000.00

Notes to the Financial Statements

For the year ended 31 December 2017

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

21. Notes payable

Category	RMB	
	2017.12.31	2016.12.31
Bank acceptances	3,547,066,838.76	4,164,982,676.22
Commercial acceptances	332,580,362.65	—
Total	3,879,647,201.41	4,164,982,676.22

22. Accounts payable

(1) Accounts payable

Item	RMB	
	2017.12.31	2016.12.31
Within 1 year	27,927,317,412.72	24,974,181,196.26
1 to 2 years	19,678,594.43	18,904,468.75
2 to 3 years	8,132,691.84	6,892,698.29
Over 3 years	6,612,971.92	7,356,713.42
Total	27,961,741,670.91	25,007,335,076.72

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	2017.12.31	Reason for outstanding or transfer
		RMB
Supplier 1	4,225,655.07	Not satisfying payment terms agreed in the contracts
Total	4,225,655.07	

Notes to the Financial Statements

For the year ended 31 December 2017

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

23. Receipts in advance

(1) Receipts in advance

Item	RMB	
	2017.12.31	2016.12.31
Within 1 year	5,410,091,346.22	6,252,596,197.84
1 to 2 years	18,621,587.09	51,528,376.47
2 to 3 years	27,553,838.96	3,820,193.91
Over 3 years	1,505,867.23	3,983,333.96
Total	5,457,772,639.50	6,311,928,102.18

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

Item	RMB	
	2017.12.31	Reason for outstanding or transfer
Customer 1	30,388,978.67	Not satisfying transfer condition
Total	30,388,978.67	

24. Employee benefits payable

(1) Employee benefits payable disclosed as follow:

Item	RMB			
	2017.1.1	Increase	Decrease	2017.12.31
1. Short-term employee benefits payable	1,966,535,942.97	8,050,672,582.45	(8,146,402,466.00)	1,870,806,059.42
2. Post-employment benefits-defined contribution plan	312,321.73	432,095,034.54	(431,184,511.71)	1,222,844.56
Total	1,966,848,264.70	8,482,767,616.99	(8,577,586,977.71)	1,872,028,903.98

Notes to the Financial Statements

For the year ended 31 December 2017

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

24. Employee benefits payable (continued)

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

Item	2017.1.1	Increase	Decrease	RMB
				2017.12.31
1. Salaries, bonuses, allowances and subsidies	1,649,253,115.81	6,377,648,633.62	(6,429,972,989.24)	1,596,928,760.19
2. Staff welfare	175,454,438.09	576,611,975.26	(558,989,192.30)	193,077,221.05
3. Staff bonuses and welfare fund (Note VI, 33(4))	5,641,508.91	—	(2,416,040.40)	3,225,468.51
4. Social insurance premiums	71,038.59	184,242,439.77	(184,190,739.84)	122,738.52
Including: Medical insurance	89,151.27	154,950,642.25	(154,995,857.42)	43,936.10
Work-related injury insurance	(25,802.29)	18,953,637.93	(18,890,877.99)	36,957.65
Maternity insurance	7,689.61	10,338,159.59	(10,304,004.43)	41,844.77
5. Housing provident funds	10,956,244.01	159,415,276.59	(170,320,438.60)	51,082.00
6. Labor union expenditures	59,540,288.93	29,039,360.49	(72,967,968.64)	15,611,680.78
7. Employees' education expenses	3,096,656.41	5,193,691.84	(5,639,003.70)	2,651,344.55
8. Service charge	62,522,652.22	718,521,204.88	(721,906,093.28)	59,137,763.82
Total	1,966,535,942.97	8,050,672,582.45	(8,146,402,466.00)	1,870,806,059.42

(3) Defined contribution plan

Item	2017.1.1	Increase	Decrease	RMB
				2017.12.31
1. Basic endowment insurance	307,643.01	419,456,151.31	(418,536,295.81)	1,227,498.51
2. Unemployment insurance	4,678.72	12,638,883.23	(12,648,215.90)	(4,653.95)
Total	312,321.73	432,095,034.54	(431,184,511.71)	1,222,844.56

Employees of the Group are required to join a pension plan operated by the local government. Under such plan, the Group is required to make contribution at a fixed percentage of the salaries of its employees. The obligation of Group to such pension plan is limited to the fixed contribution to the plan.

Notes to the Financial Statements

For the year ended 31 December 2017

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

25. Taxes payable

Item	RMB	
	2017.12.31	2016.12.31
Value added tax	639,869,000.87	532,557,124.52
Consumption tax	1,204,084,422.04	747,037,394.74
Enterprise income tax	250,779,493.77	541,083,532.12
Individual income tax	19,674,688.31	16,309,527.31
Urban maintenance and construction tax	99,234,919.73	68,309,162.16
Education surcharges	73,683,824.21	52,861,912.51
Duty stamp	15,323,639.36	13,863,395.78
Real estate tax	855,745.96	1,641,684.33
Others	4,648,521.83	4,729,764.39
Total	2,308,154,256.08	1,978,393,497.86

26. Other payables

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

Item	RMB	
	2017.12.31	2016.12.31
Project payment	545,947,856.65	529,150,550.75
Equipment payment	1,173,069,225.47	875,316,200.07
Deposits	572,443,017.91	478,895,421.36
Others	221,439,779.26	160,334,522.25
Total	2,512,899,879.29	2,043,696,694.43

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

Item	RMB	
	2017.12.31	2016.12.31
Within 1 year	2,093,625,886.32	1,599,427,975.39
1 to 2 years	246,677,376.48	271,885,138.85
2 to 3 years	124,435,118.45	103,408,439.68
Over 3 years	48,161,498.04	68,975,140.51
Total	2,512,899,879.29	2,043,696,694.43

Notes to the Financial Statements

For the year ended 31 December 2017

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

26. Other payables (continued)

(3) Other payables aged over one year with significant amount:

Item	2017.12.31	Reason for outstanding or transfer	RMB
Entity 1	18,824,955.22	Not satisfying payment terms agreed in the contracts	
Entity 2	14,931,537.80	Not satisfying payment terms agreed in the contracts	
Entity 3	14,534,968.62	Not satisfying payment terms agreed in the contracts	
Entity 4	8,050,000.00	Not satisfying payment terms agreed in the contracts	
Entity 5	6,819,426.00	Not satisfying payment terms agreed in the contracts	
Total	63,160,887.64		

27. Non-current liabilities due within one year

Item	Note	2017.12.31	RMB
			2016.12.31
Non-current liabilities due within one year (Note)	(VI)29	92,933,396.22	105,170,607.29
Long-term borrowings due within one year	(VI)20	49,600,000.00	—
Total		142,533,396.22	105,170,607.29

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 2017

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

28. Other current liabilities

Item	<i>RMB</i>	
	2017.12.31	2016.12.31
Accrued after-sale service expenses	1,277,913,945.81	1,118,768,730.43
Accrued advertising and media service expenses	69,844,136.47	20,446,213.00
Accrued transportation costs	54,127,818.38	50,922,376.23
Accrued technology development expenditure	27,281,747.18	37,100,172.49
Accrued utilities fees	16,342,045.71	41,103,370.64
Accrued port charges	2,422,665.74	2,689,237.49
Others	205,184,782.69	151,930,395.87
Total	1,653,117,141.98	1,422,960,496.15

29. Deferred income

Item	2017.1.1	Increase	Decrease	<i>RMB</i>
				2017.12.31
Government grants	1,555,689,232.69	18,375,282.92	(104,912,874.67)	1,469,151,640.94
Interests received in advance by Automotive Finance	95,458,120.21	651,751,756.08	(252,841,480.23)	494,368,396.06
Total	1,651,147,352.90	670,127,039.00	(357,754,354.90)	1,963,520,037.00

Notes to the Financial Statements

For the year ended 31 December 2017

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

29. Deferred income (continued)

Projects related to government grants:

Type	2017.1.1	Increase in grant for the year	Amount recognized in other income for the year	Amount recognized in non- operating income for the year	RMB	
					2017.12.31	Related to an asset/ related to income
Infrastructure supporting fund (Note 1)	712,095,651.45	—	(24,140,175.88)	—	687,955,475.57	Related to an asset
Government industrial policy supporting fund (Note 2)	326,293,302.11	—	(21,347,796.35)	—	304,945,505.76	Related to an asset
Soft soil foundation subsidy (Note 3)	263,130,544.34	—	(6,114,973.84)	—	257,015,570.50	Related to an asset
New technical center infrastructure construction project (Note 4)	78,552,809.06	—	(12,897,436.63)	—	65,655,372.43	Related to an asset
Tax refund for purchasing domestic manufactured equipment (Note 5)	24,666,232.42	—	(11,744,979.78)	—	12,921,252.64	Related to an asset
Urban construction fund (Note 6)	50,823,393.59	5,515,282.92	(2,503,671.16)	—	53,835,005.35	Related to an asset
Project for Internet of Vehicles (Note 7)	11,752,560.00	—	(11,752,560.00)	—	—	Related to income
Subsidies for key technological innovation projects (Note 8)	4,216,666.41	—	(1,150,000.04)	—	3,066,666.37	Related to an asset
Development fund for SMEs (Note 9)	4,407,574.48	—	(295,479.84)	—	4,112,094.64	Related to an asset
Diesel engine development project fund (Note 10)	500,000.00	—	(100,000.00)	—	400,000.00	Related to an asset
Engine construction project (Note 11)	10,500,000.00	—	(2,000,000.00)	—	8,500,000.00	Related to an asset
Development of strategic emerging industry (Note 12)	1,913,164.77	—	(249,584.51)	—	1,663,580.26	Related to an asset
Innovation platform construction project (Note 13)	136,000.00	—	152,888.90	—	288,888.90	Related to an asset
Energy-saving gasoline direct injection engine project (Note 14)	90,830,134.19	—	(9,996,800.86)	—	80,833,333.33	Related to an asset
Jing-Jin-Ji united R&D project of new energy vehicle (Note 15)	3,000,000.00	—	(492,546.54)	—	2,507,453.46	Related to an asset
110KV transformer substation project (Note 16)	29,221,807.16	—	(1,176,717.12)	—	28,045,090.04	Related to an asset
All-electric vehicle R&D project (Note 17)	8,000,000.00	—	(8,000,000.00)	—	—	Related to income
New energy laboratory project (Note 18)	500,000.00	—	(500,000.00)	—	—	Related to an asset
Automobile industry technology research institute project (Note 19)	500,000.00	—	(500,000.00)	—	—	Related to an asset
Special fund for national model enterprises on technology innovation (Note 20)	1,000,000.00	—	(1,000,000.00)	—	—	Related to income
Intelligent network-connected automotive system project (Note 21)	38,020,000.00	—	—	—	38,020,000.00	Related to an asset
Project for developing intelligent transmission for new energy vehicles (Note 22)	300,000.00	—	(300,000.00)	—	—	Related to income
Provincial-level intelligence introduction project (Note 23)	500,000.00	—	(500,000.00)	—	—	Related to income
Special fund for high-level foreign expert projects (Note 24)	—	1,000,000.00	—	—	1,000,000.00	Related to income
New energy cell R&D project (Note 25)	—	10,000,000.00	—	—	10,000,000.00	Related to an asset
Fuel cell test platform project (Note 26)	—	900,000.00	—	—	900,000.00	Related to an asset
Coal-fired boiler project (Note 27)	—	960,000.00	(540,252.09)	—	419,747.91	Related to an asset
Total	1,660,859,839.98	18,375,282.92	(117,150,085.74)	—	1,562,085,037.16	
Less: Non-current liabilities due within one year	(105,170,607.29)	—	—	—	(92,933,396.22)	
Deferred	1,555,689,232.69	18,375,282.92	(117,150,085.74)	—	1,469,151,640.94	

Notes to the Financial Statements

For the year ended 31 December 2017

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 Lean Automotive Parts Company Limited (天津長城精益汽車零部件有限公司) (“Tianjin Lean”), the subsidiary 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 a subsidiary of the Company, Tianjin Lean, received soft soil foundation subsidiary from Tianjin Economic-Technological Development Area.

Note 4: According to the “Notice regarding the Central Infrastructure Investment Expenditure Budget (Allocated Fund) for Revitalization of Industry and Technological Transformation in 2012 (Central evaluated second patch) by the Bureau of Finance in Baoding”, the Bureau of Finance in Southern Baoding allocated the 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 5: This refers to value-added tax refunded to the Company and Great Wall Vehicle Axles Industries (保定長城汽車橋業有限公司) (“Great Wall Vehicle Axles”), a subsidiary of the Company, for the purchase of domestic manufactured equipment by foreign-invested enterprises.

Note 6: According to “Minutes of the Meeting Regarding Coordination of the Relevant Issues of New Factory Construction of Baoding Great Wall Motor Company Limited”(Baoding Zheng [2002] No.170) issued by the office of Baoding government, Baoding Municipal Bureau of Finance allocated urban construction fund amounted to about RMB5.52 million to the Group for land and related infrastructure construction exclusively.

Note 7: 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 8: 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 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.

Notes to the Financial Statements

For the year ended 31 December 2017

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

29. Deferred income (continued)

Note 9: 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. (保定長城再生資源利用有限公司) ("Great Wall Resource Recycling"), a subsidiary of the Company. The fund was used for the construction of infrastructure of a scrap steel project with annual capacity of 80,000 tons.

Note 10: 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 11: According to "Notice Regarding the Fund for Technological Renovation in 2014 by Baoding Finance Bureau and Bureau of Industry and Information," Baoding Finance Bureau allocated a fund for the construction of the Company's engine test center project.

Note 12: 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 with special funds to the project of Develop Innovation Capacity of Company Technique Centre.

Note 13: According to "Hebei province Mission statement of the Expenditure of Innovation Platform Construction", special funds were allocated by Department of Science and Technology of Hebei province, which are dedicated used in the improvement of hardware of loop simulation system and the purchasing of equipment.

Note 14: 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 15: 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 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 equipment.

Note 16: According to "Symposium Minutes of Western Region Work" filed as Jin Kai Ji (2014) No. 108, the Company obtained the subsidy of RMB30.89 million in 2016 for the construction of capacity expanding 3rd power circuit project and peripheral expenditures from development zone.

Note 17: 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 in 2016 which is dedicated to R&D activities of all electric vehicles.

Note 18: 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 in 2016 which is dedicated to the construction of new energy laboratory.

Notes to the Financial Statements

For the year ended 31 December 2017

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

29. Deferred income (continued)

Note 19: 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 in 2016 which is dedicated to the construction of automobile industry technology research institute.

Note 20: 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 in 2016 which is dedicated to the Company's technology innovation.

Note 21: 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 in 2016, which is dedicated to the construction of intelligent network-connected automotive system and the procurement of software.

Note 22: 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 in 2016, which is dedicated to R&D activities of intelligent transmission for new energy vehicles in the future.

Note 23: 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 in 2016, which is dedicated to R&D activities of all-electric vehicles in the future.

Note 24: According to "Rules on 'the Recruitment Program of Global Experts' of the State Administration of Foreign Experts Affairs, the Company obtained special subsidy grant of RMB1 million from the State Administration of Foreign Experts Affairs in 2017.

Note 25: According to "Circular regarding the Granting of Special Funds to 2017 Innovative Characteristic Promotion Projects from Hebei Baoding Economic Development Zone Administration Committee", the Company obtained special grant of RMB10 million in 2017 which is dedicated to the Company's new energy cell R&D project.

Note 26: According to "Circular regarding the Granting of Special Funds to 2017 Local Technology Development under Central Guidance from the Bureau of Finance in Baoding", the Company obtained special grant of RMB0.9 million in 2017 from the Bureau of Finance in Baoding which is dedicated to the Company's fuel cell test platform construction.

Note 27: According to "Circular regarding to Printing and Issuing Implementation of Coal-fired Boiler Replacement and Reconstruction from Gaobeidian Bureau of Environmental Protection", a subsidy of the Company, Great Wall Baoding Huabei Automobile Co., Ltd. (保定長城華北汽車有限責任公司) ("Great Wall Huabei") obtained subsidy of RMB0.96 million in 2017 which is dedicated to the Company's coal-fired boiler project.

Notes to the Financial Statements

For the year ended 31 December 2017

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

30. Share capital

As at 31 December 2017, 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	2017.1.1	Changes for the year				Subtotal	2017.12.31
		New issue	Bonus shares	Shares transfer from reserve	Others		
2017:							
Promoters' shares	5,115,000,000.00	—	—	—	—	—	5,115,000,000.00
Outstanding overseas listed foreign shares	3,099,540,000.00	—	—	—	—	—	3,099,540,000.00
Outstanding domestic listed RMB ordinary shares	912,729,000.00	—	—	—	—	—	912,729,000.00
Total number of shares	9,127,269,000.00	—	—	—	—	—	9,127,269,000.00
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

Notes to the Financial Statements

For the year ended 31 December 2017

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

31. Capital reserve

Item	2017.1.1	Additions	Deductions	<i>RMB</i> 2017.12.31
2017:				
Capital premiums	1,466,587,149.89	—	—	1,466,587,149.89
Other capital reserves	(55,356,135.47)	—	—	(55,356,135.47)
Including: Transfer from capital reserves				
under the previous standards	13,911,809.08	—	—	13,911,809.08
Difference between the consideration of acquiring minority interest in subsidiary and the fair value of minority interest	(37,780,293.29)	—	—	(37,780,293.29)
Translation differences of foreign capital	27,752.39	—	—	27,752.39
Reserve for revaluation gain of assets	(31,515,403.65)	—	—	(31,515,403.65)
Total	1,411,231,014.42	—	—	1,411,231,014.42
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

Notes to the Financial Statements

For the year ended 31 December 2017

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

32. Surplus reserve

RMB

Item	2017.1.1	Additions	Deductions (Note 1)	Reclassification (Note 2)	2017.12.31
2017:					
Statutory surplus reserves	4,198,939,847.35	531,277,557.81	(43,851,241.00)	11,197,280.78	4,697,563,444.94
Discretionary surplus reserves	2,855,650.48	—	—	—	2,855,650.48
Enterprise expansion fund	3,086,749.11	—	—	(127,726.16)	2,959,022.95
Reserve fund	118,294,141.14	—	—	(11,069,554.62)	107,224,586.52
Tax credit for social welfare enterprises	251,838,024.75	—	—	—	251,838,024.75
Total	4,575,014,412.83	531,277,557.81	(43,851,241.00)	—	5,062,440,729.64
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

Note 1: Pursuant to the shareholders' resolution of a subsidiary of the Company, Baoding Great Wall Auto Sales Co., Ltd. (保定長城汽車銷售有限公司) ("Great Wall Sales") on 13 March 2017, surplus reserves which are greater than 50% of registered capital should be transferred to undistributed profits, amounted to RMB43,851,241.00 in total.

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, amounted to RMB64,129,118.13 in total.

Note 2: The Company's subsidiary Mind Component, transferred from foreign-invested enterprise to domestic enterprise and reclassified the enterprise expansion fund and reserve fund accrued previously to the statutory surplus reserve.

Notes to the Financial Statements

For the year ended 31 December 2017

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

33. Undistributed profits

Item	Amount	RMB Proportion of appropriation or allocation
2017:		
Undistributed profits at the beginning of the year	32,182,789,641.00	
Add: Net profits attributable to the shareholders of the Company of the year	5,027,297,997.74	
Transfer from surplus reserves (Note (VI), 32 Note 1)	43,851,241.00	
Other transformation	2,416,040.40	(4)
Less: Appropriation of statutory surplus reserves	(531,277,557.81)	(1)
Appropriation of enterprise expansion fund	—	(2)
Appropriation of reserve fund	—	(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	—	
Undistributed profits at the end of the year	33,530,533,212.33	
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	64,129,118.13	
Other transformation	482,951.67	(4)
Less: Appropriation of statutory surplus reserves	(1,269,306,234.93)	(1)
Appropriation of enterprise expansion fund	—	(2)
Appropriation of reserve fund	(11,079,105.32)	(2)
Distribution of cash dividends	(1,734,181,110.00)	
Appropriation of staff incentive bonus and welfare fund	—	(2)
Share capital transferred from ordinary share dividends	—	
Undistributed profits at the end of the year	32,182,789,641.00	

(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 and the Articles of Association.

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

On 11 May 2017, the 2016 shareholders' meeting approved "Proposal on Profit Distribution of 2016", of which allows the Company 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.

(4) Pursuant to the Board of Directors' decision of Xinyi Seating, a subsidiary of the Company, made on 25 April 2017, the appropriated staff incentive bonus and welfare fund in previous years are transferred to undistributed profits which amounted to RMB2,288,314.24.

Mind Component, a subsidiary of the Company transferred from foreign-funded enterprises to domestic-funded enterprises. According to shareholders' resolution on 21 February 2017, accrued staff incentive bonus and welfare fund extracted in previous years transferred to undistributed profits which amounted to RMB127,726.16.

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.

(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 RMB0.17 (inclusive of tax) per share, amounting to RMB1,551,635,730.00 in total, based on total shares of 9,127,269,000 shares (with face value of RMB1 per share) for 2017. Such dividend distribution plan are pending to be approved in shareholders' meeting.

Notes to the Financial Statements

For the year ended 31 December 2017

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

34. Operating income and operating costs

(1) Operating income

Item	2017	RMB 2016
Principal operating income	99,876,340,965.97	98,256,596,879.67
Including: Income from the sales of automobiles	95,986,318,413.84	94,464,961,348.64
Income from the sales of automotive parts and components	3,178,834,946.76	2,886,291,387.78
Income from the sales of moulds and others	477,780,481.80	644,470,500.21
Income from rendering of services	233,407,123.57	260,873,643.04
Other operating income	615,277,212.73	187,068,236.35
Total	100,491,618,178.70	98,443,665,116.02

(2) Operating costs

Item	2017	RMB 2016
Principal operating costs	81,448,771,502.87	74,232,259,914.20
Including: Costs of sales of automobiles	78,866,169,607.53	71,634,618,820.41
Costs of sales of automotive parts and components	2,071,873,224.38	1,917,179,246.84
Costs of sales of moulds and others	327,240,134.27	487,091,004.56
Costs of rendering services	183,488,536.69	193,370,842.39
Other operating costs	518,132,115.97	127,963,608.90
Total	81,966,903,618.84	74,360,223,523.10

35. Interest income

Item	2017	RMB 2016
Personal loans and advances	662,187,471.05	169,206,161.37
Company loans and advances	8,034.73	20,859.82
Deposits with other banks	6,093,507.30	494,161.64
Deposits with the central bank	4,715,159.17	622,518.95
Total	673,004,172.25	170,343,701.78

Notes to the Financial Statements

For the year ended 31 December 2017

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

36. Taxes and levies

Item	2017	RMB 2016
Consumption tax	3,050,491,220.73	2,884,495,933.88
City maintenances and construction tax	337,451,620.85	425,608,740.70
Educational surcharges	289,682,563.48	333,021,629.26
Stamp duty	92,894,077.59	65,465,841.13
Land use tax	48,924,149.99	40,676,030.05
Real estate tax	65,087,798.33	37,979,459.24
Business tax	—	3,949,472.70
Water resource tax	2,842,635.39	2,770,252.99
Vehicle and vessel use tax	402,275.12	254,735.83
Others	17,911,789.50	38,584,330.25
Total	3,905,688,130.98	3,832,806,426.03

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	2017	RMB 2016
Transportation expenses	1,495,430,980.02	1,376,677,172.17
After-sale services expenses	1,349,441,860.17	1,164,576,275.09
Wages and salaries	267,356,799.80	218,792,034.41
Taxes	—	11,531,906.18
Advertising and media services fees	906,946,682.86	221,149,255.99
Port charges	19,557,601.39	17,036,329.00
Travelling expenses	31,789,695.78	19,007,484.64
Others	335,874,142.21	146,653,953.78
Total	4,406,397,762.23	3,175,424,411.26

Notes to the Financial Statements

For the year ended 31 December 2017

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

38. Administrative expenses

Item	2017	RMB 2016
Technology development expenditures	3,364,573,281.17	3,180,236,419.29
Wages and salaries	889,674,685.38	704,072,924.91
Taxes	—	54,770,498.26
Depreciation and Amortization	193,412,863.88	199,991,250.04
Business reception fees	10,153,219.16	6,730,552.94
Office expenses	62,057,648.42	74,675,682.86
Repair and maintenance fees	214,533,593.87	189,408,743.50
Auditors' remuneration (Note 1)	3,444,480.16	3,306,100.71
Service charges	82,426,310.78	26,905,922.55
Others	142,762,647.93	134,598,798.67
Total	4,963,038,730.75	4,574,696,893.73

Note 1: Remuneration for interim review and annual audit of RMB3,245,471.70 paid to Deloitte Touche Tohmatsu CPA LLP is included.

39. Financial expenses

Item	2017	RMB 2016
Interest expense from loans	190,277,354.54	—
Interest income from bank deposits	(69,649,756.26)	(52,577,776.88)
Foreign currency translation differences	27,189,553.23	29,211,014.94
Interest of discount on bills	47,598,140.37	50,906,759.91
Long-term receivables discount	(108,272,196.02)	(41,428,552.50)
Others	51,457,977.64	10,029,998.13
Total	138,601,073.50	(3,858,556.40)

40. Impairment loss on assets

Item	2017	RMB 2016
1. Loss on bad debts	(8,062,075.69)	285,416,948.10
2. Loss on decline in value of inventories	168,189,500.07	2,055,671.12
3. Loss on impairment of fixed assets	39,570,684.72	79,268,519.50
4. Loss on impairment of construction in progress	1,018,054.80	3,746,892.63
5. Loss on impairment of loans	116,362,509.25	42,665,002.59
Total	317,078,673.15	413,153,033.94

Notes to the Financial Statements

For the year ended 31 December 2017

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

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

Item	2017	<i>RMB</i> 2016
Financial assets at fair value through profit or loss	175,396,032.00	—
Total	175,396,032.00	—

42. Investment income

Item	2017	<i>RMB</i> 2016
Income from wealth management products	129,266,891.93	29,663,778.76
Loss from cancellation of subsidiaries	(5,042,060.98)	—
Gains from fair value measurement of the acquiree's equity held prior to acquisition date	—	684,042.36
Total	124,224,830.95	30,347,821.12

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

The Group has no gains on investments from listed companies.

Notes to the Financial Statements

For the year ended 31 December 2017

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

43. Other income

Government grants recognized in other income for the year:

Item	RMB	
	2017	Related to an asset/ related to income
Immediate refund of VAT of welfare enterprises	46,027,700.01	Related to income
Infrastructure supporting fund	24,140,175.88	Related to an asset
Government industrial policy supporting fund	21,347,796.35	Related to an asset
New technical center infrastructure construction project	12,897,436.63	Related to an asset
Project for Internet of Vehicles	11,752,560.00	Related to income
Tax refund for purchasing domestic manufactured equipment	11,744,979.78	Related to an asset
Energy-saving gasoline direct injection engine project	9,996,800.86	Related to an asset
All-electric vehicle R&D project	8,000,000.00	Related to income
Soft soil foundation subsidy	6,114,973.84	Related to an asset
Urban construction fund	2,503,671.16	Related to an asset
Supportive development fund of export credit insurance	2,246,800.00	Related to income
Engine construction project	2,000,000.00	Related to an asset
110KV transformer substation project	1,176,717.12	Related to an asset
Subsidies for key technological innovation projects	1,150,000.04	Related to an asset
Special fund for national model enterprises on technology innovation	1,000,000.00	Related to income
Domestic Chip Technology Research Project	832,000.00	Related to income
Coal-fired boiler project	540,252.09	Related to an asset
Others	800,000.00	Related to income
Others	1,984,721.99	Related to an asset
Total	166,256,585.75	

44. Non-operating income

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

Item	RMB		
	2017	2016	Amount included in non-recurring gains and losses
Government grants	272,837,101.60	133,543,691.38	272,837,101.60
Gains from compensation	48,844,992.98	34,907,889.52	48,844,992.98
Unpayable amount	16,796,798.37	31,716,993.66	16,796,798.37
Others	52,209,644.10	47,406,667.91	52,209,644.10
Total	390,688,537.05	247,575,242.47	390,688,537.05

Notes to the Financial Statements

For the year ended 31 December 2017

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

44. Non-operating income (continued)

(2) Government grants recognized in non-operating income of the year:

Item	2017	2016	RMB related to an asset/ related to income
Infrastructure supporting fund	—	24,140,175.88	Related to an asset
Government industrial policy supporting fund	—	21,347,796.44	Related to an asset
New technology center infrastructure construction fund	—	12,386,430.63	Related to an asset
Tax refund for purchasing domestic manufactured equipment	—	11,974,249.23	Related to an asset
Energy-saving gasoline direct injection engine project	—	9,166,666.67	Related to an asset
Soft soil foundation subsidy	—	6,114,973.92	Related to an asset
SUV development project	—	3,000,000.00	Related to income
Urban construction fund	—	2,319,828.36	Related to an asset
110KV transformer substation project	—	1,667,015.89	Related to an asset
Engine construction project	—	1,500,000.00	Related to an asset
Subsidies for key technological innovation projects	—	1,150,000.04	Related to an asset
Research project for automobile industry technology	—	1,000,000.00	Related to income
High grade CNC technology project	—	650,127.30	Related to income
Super magnesium alloy and coating project	—	603,900.00	Related to income
Development fund for SMEs	—	295,479.84	Related to an asset
Innovation platform construction project	—	264,000.00	Related to income
Project for Internet of Vehicles	—	223,680.00	Related to income
Incentive subsidies for scientific and technological innovation	—	138,900.00	Related to income
Diesel engine development project fund	—	100,000.00	Related to an asset
Development of strategic emerging industry	—	86,835.23	Related to an asset
Other government grants	272,837,101.60	35,413,631.95	Related to income
Including: Financial subsidy	167,893,349.27	3,171,189.45	Related to income
Automotive development fund	67,760,000.00	—	Related to income
Enterprise technical innovation subsidy	9,437,061.54	—	Related to income
Discount of import products	7,439,700.00	—	Related to income
Occupational training subsidy	3,809,890.74	—	Related to income
Special funds from the Bureau of Finance	3,567,597.21	—	Related to income
Provincial special funds for technical innovation and popularization of science	2,683,900.00	—	Related to income
Supportive development fund of export credit insurance	—	2,431,100.00	Related to income
Immediate refund of VAT of welfare enterprises (Note 1)	—	16,630,833.33	Related to income
Funds for technology revamping and export trading service	—	3,000,000.00	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	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	Related to income
Others	10,245,602.84	2,802,299.17	Related to income
Total	272,837,101.60	133,543,691.38	

Note 1: During the reporting year, Baoding Nuobo, Baoding Great and Baoding Yixin, subsidiaries of the Company, 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 (Cai Shui [2007] No.92)" and "Circular on Preferential Tax Policy for Promoting Disabled Employment" (Cai Shui [2016] No.52), subject to relevant conditions, the above social welfare enterprises can enjoy value added tax refunds based on the quota specified by relevant taxation authorities and the number of disabled employees.

According to Accounting Standard for Business Enterprise No.16 – Government grants revised in May 2017, the Company recognizes welfare enterprise value-added tax refundable relating to daily activities in this year into other income account.

Notes to the Financial Statements

For the year ended 31 December 2017

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

45. Non-operating expenses

Item	2017	2016	RMB Amount recognized in non-recurring profit or loss for the year
Expenditures for donations	1,500,816.16	2,175,251.90	1,500,816.16
Expenses for compensations and fines	6,000,535.85	19,171,773.82	6,000,535.85
Others	4,373,599.24	3,872,282.07	4,373,599.24
Total	11,874,951.25	25,219,307.79	11,874,951.25

46. Income tax expenses

Item	2017	2016	RMB
Current income tax	898,656,575.87	2,179,345,115.11	
Deferred income tax	290,922,963.02	(250,238,966.39)	
Total	1,189,579,538.89	1,929,106,148.72	

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

Item	2017	2016	RMB
Total profit	6,232,965,995.42	12,483,060,793.20	
Income tax rate	25%	25%	
Income tax calculated at tax rate of 25%	1,558,241,498.86	3,120,765,198.30	
Change of opening balance of deferred tax asset/deferred tax liabilities resulted from tax rate adjustment	83,068,915.73	3,247,310.06	
Effects arising from some companies subject to concessionary rates	(223,455,076.35)	(918,080,861.74)	
Additional deduction for research and development costs	(292,913,565.00)	(272,447,735.69)	
Additional deduction for the wages of disabled staff	(11,269,421.10)	(8,174,769.34)	
Tax effect of non-taxable income	(1,467,833.09)	(10,484,186.17)	
Tax effect of non-deductible expenses	52,652,149.50	13,046,570.91	
The effect of deductible losses for which no deferred tax assets are recognized	24,722,870.34	1,234,622.39	
Total	1,189,579,538.89	1,929,106,148.72	

Notes to the Financial Statements

For the year ended 31 December 2017

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

47. Net profit

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

Item	Notes	2017	RMB 2016
Depreciation for fixed assets	(VI)15	3,103,260,796.15	2,468,351,568.69
Depreciation and amortization for investment properties	(VI)14	5,202,455.12	3,257,215.27
Amortization of intangible assets	(VI)17	85,232,424.50	83,538,209.92
Total amount of depreciation and amortization		3,193,695,675.77	2,555,146,993.88
Loss on disposal of non-current assets		3,808,085.14	15,774,408.19
Gross rental income from investment properties		20,871,019.25	13,376,789.98
Employee benefits expense	(VI)24	8,482,767,616.99	7,272,332,721.36

48. Calculation of basic and diluted earnings per share

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

Item	2017	RMB 2016
Net profit attributable to ordinary shareholders	5,027,297,997.74	10,551,158,884.21
Including: Net profit attributable to continuing operations	5,027,297,997.74	10,551,158,884.21
Total	5,027,297,997.74	10,551,158,884.21

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

Item	2017	RMB 2016
Number of outstanding ordinary shares at the beginning of the year	9,127,269,000.00	9,127,269,000.00
Add: Weighted number of ordinary shares issued in the year	—	—
Less: Weighted number of ordinary shares repurchased in the year	—	—
Weighted number of outstanding ordinary shares at the end of the year	9,127,269,000.00	9,127,269,000.00

Notes to the Financial Statements

For the year ended 31 December 2017

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

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

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

Item	2017	RMB 2016
Based on the net profit attributable to shareholders of the Company:		
Basic earnings per share	5,027,297,997.74	10,551,158,884.21
Diluted earnings per share	0.55	1.16
Based on the net profit from continuing operations attributable to shareholders of the Company:		
Basic earnings per share	N/A	N/A
Diluted earnings per share	5,027,297,997.74	10,551,158,884.21
Basic earnings per share	0.55	1.16
Diluted earnings per share	N/A	N/A

49. Other comprehensive income

Foreign currency translation differences

Item	2017	RMB 2016
Opening balance	(1,502,334.31)	(147,973,964.82)
Exchange differences arising on translation to presentation currency	4,558,785.33	146,471,630.51
Closing balance	3,056,451.02	(1,502,334.31)

50. Notes to cash flow statements

(1) Other cash received relating to operating activities

Item	2017	RMB 2016
Interest income from bank deposits	69,649,756.26	52,577,776.88
Government grants	276,915,901.60	33,386,298.62
Reparations (penalty) income	48,844,992.98	34,907,889.52
Customs deposit withdrawal	68,579,543.20	—
Collection of software license fee	32,603,569.54	36,553,415.52
Others	30,418,326.11	125,646,805.69
Total	527,012,089.69	283,072,186.23

Notes to the Financial Statements

For the year ended 31 December 2017

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

50. Notes to cash flow statements (continued)

(2) Other cash payments relating to operating activities

Item	2017	RMB 2016
Advertising and media services fee	857,548,759.39	206,900,996.67
Transportation costs and port charges	1,512,049,711.01	1,354,267,362.20
Technology development expenditures	834,914,984.50	940,109,176.10
After-sale services expenses and repair costs	1,404,830,238.66	1,263,315,692.55
Business reception fees and office expenses	119,161,220.83	92,040,449.51
Payment of customs deposit	—	60,064,354.84
Travelling expenses	31,789,695.78	19,007,484.64
Consultation fees	136,607,353.06	50,298,438.99
Sales service expenses	125,815,336.37	46,423,666.19
Others	115,605,133.04	149,470,706.91
Total	5,138,322,432.64	4,181,898,328.60

(3) Other cash receipts relating to investing activities

Item	2017	RMB 2016
Government grants	17,375,282.92	72,908,823.05
Total	17,375,282.92	72,908,823.05

(4) Other cash payments relating to investing activities

Item	2017	RMB 2016
Returned government grants	—	98,000,000.00
Total	—	98,000,000.00

Notes to the Financial Statements

For the year ended 31 December 2017

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

50. Notes to cash flow statements (continued)

(5) Other cash received relating to financing activities

Item	2017	RMB 2016
Decrease in restricted bank deposits	—	921,640,080.65
Total	—	921,640,080.65

(6) Other cash payments relating to financing activities

Item	2017	RMB 2016
Increase in restricted bank deposits	725,500,370.65	—
Total	725,500,370.65	—

Notes to the Financial Statements

For the year ended 31 December 2017

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

51. Supplementary information of cash flow statements

(1) Supplementary information of cash flow statements

Supplementary information	2017	RMB 2016
1. Reconciliation of net profits to cash flow from operating activities:		
Net profits	5,043,386,456.53	10,553,954,644.48
Add: Impairment provision for assets	317,078,673.15	413,153,033.94
Depreciation of fixed assets	3,103,260,796.15	2,468,351,568.69
Amortization of intangible assets	85,232,424.50	83,538,209.92
Amortization of long-term prepaid expenses	11,450,724.21	9,889,420.32
Depreciation and amortization of investment properties	5,202,455.12	3,257,215.27
Gains from changes in fair value	(175,396,032.00)	—
Losses on disposal of fixed assets, intangible assets and other long-term assets	3,808,085.14	15,774,408.19
Amortization of deferred income	(117,150,085.74)	(98,130,059.43)
Financial expense	97,437,349.67	11,181,473.17
Investment gains	(124,224,830.95)	(30,347,821.12)
Decrease/(Increase) in deferred tax assets	273,254,816.46	(254,226,740.19)
Increase in deferred tax liabilities	18,284,942.34	1,234,626.43
Increase in inventories	(123,139,944.95)	(2,866,687,877.36)
Increase in operating receivables	(16,376,738,514.21)	(14,040,548,734.64)
Increase in operating payables	6,881,582,617.71	12,565,012,866.35
Net cash flows from operating activities	(1,076,670,066.87)	8,835,406,234.02
2. Net change in cash and cash equivalents:		
Cash balance at the end of the year	3,844,089,729.57	1,891,844,333.75
Less: Cash balance at the beginning of the year	1,891,844,333.75	2,458,364,987.45
Net increase in cash and cash equivalents	1,952,245,395.82	(566,520,653.70)

Notes to the Financial Statements

For the year ended 31 December 2017

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

51. 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	2017	RMB 2016
I. Acquisition of subsidiaries and other business units:		
1. Price of acquisition of subsidiaries and other business units	—	21,500,000.00
2. Cash and cash equivalents paid for acquisition of subsidiaries and other business units	—	21,500,000.00
Less: Cash and cash equivalents held by subsidiaries and other business units	—	(9,369,435.87)
3. Net cash paid for acquisition of subsidiaries and other business units	—	12,130,564.13
4. Net asset of acquired subsidiaries	—	37,381,964.20
Current assets	—	42,543,965.75
Non-current assets	—	11,116,294.13
Current liabilities	—	16,278,295.68
Non-current liabilities	—	—

(3) Components of cash and cash equivalents

Item	2017	RMB 2016
I. Cash	3,844,089,729.57	1,891,844,333.75
Including: Cash in hand	438,578.64	1,034,267.62
Bank deposits readily to be withdrawn on demand	3,842,041,636.34	1,890,810,066.13
Other cash and bank balances readily to be withdrawn on demand	1,609,514.59	—
II. Cash and cash equivalent balance at the end of the year	3,844,089,729.57	1,891,844,333.75

Notes to the Financial Statements

For the year ended 31 December 2017

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

52. Monetary items denominated in foreign currency

Monetary items denominated in foreign currency:

Item	Closing balance of foreign currency	Exchange rate	<i>RMB</i> Closing balance of RMB
Cash and bank balances			
Include: RMB	101,228,762.10	1.0000	101,228,762.10
USD	57,440,680.47	6.5342	375,328,894.36
GBP	1,614.52	8.7792	14,174.19
EUR	1,563,271.87	7.8023	12,197,116.12
JPY	52,650,162.91	0.0579	3,047,549.38
HKD	35,714.14	0.8359	29,853.81
AUD	522,545.51	5.0928	2,661,219.77
SGD	311.00	4.8831	1,518.64
RUB	572.73	0.1135	64.98
KRW	7,110.69	0.0061	43.44
THB	129.98	0.1998	25.97
CHF	63.64	6.6779	424.98
Accounts receivable			
Include: USD	17,272,353.72	6.5342	112,861,013.68
EUR	2,310,602.91	7.8023	18,028,017.08
Other accounts receivable			
Include: USD	1,024.29	6.5342	6,692.92
Accounts payable			
Include: EUR	1,660,423.03	7.8023	12,955,118.64
USD	2,826,488.50	6.5342	18,468,841.16
Other accounts payable			
Include: EUR	26,028,150.93	7.8023	203,079,442.01
USD	2,871,601.00	6.5342	18,763,615.24
JPY	412,622,960.00	0.0579	23,883,854.79
CHF	865,900.00	6.6779	5,782,393.61
GBP	109,336.10	8.7792	959,883.49
HKD	6,000.00	0.8359	5,015.46
Long-term borrowings			
Include: USD	35,000,000.00	6.5342	228,697,000.00
EUR	25,000,000.00	7.8023	195,057,500.00

Notes to the Financial Statements

For the year ended 31 December 2017

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

53. Net current assets

Item	RMB	
	2017.12.31	2016.12.31
Current assets	69,293,328,092.50	53,928,033,538.56
Less: Current liabilities	58,881,223,748.49	43,252,239,792.29
Net current assets	10,412,104,344.01	10,675,793,746.27

54. Total assets less current liabilities

Item	RMB	
	2017.12.31	2016.12.31
Total assets	110,547,073,781.60	92,309,160,566.70
Less: Current liabilities	58,881,223,748.49	43,252,239,792.29
Total assets less current liabilities	51,665,850,033.11	49,056,920,774.41

Notes to the Financial Statements

For the year ended 31 December 2017

VII. CHANGES IN CONSOLIDATION SCOPE

1. Subsidiaries acquired through business combination of enterprises under different control

There is no merger under different control in this year.

2. Business combination involving enterprises under common control

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

3. Disposal of subsidiaries

There is no subsidiary being disposed in this year.

4. Changes in consolidation scope for other reasons

Newly established subsidiaries during the current year:

Name	Establishment date	Net assets at the end of the year	RMB Net profits at the end of reporting year
Beijing Forever Peace Information Consulting Company Limited (北京萬里友好信息諮詢有限公司) ("Forever Peace")	13 January 2017	2,425,898.70	(1,574,101.30)
Tianjin Haval Insurance Brokers Company Limited (天津哈弗保險經紀有限公司) ("Tianjin Haval Insurance")	19 April 2017	50,130,546.83	130,546.83
Billion Sunny Technical Energy LLC (億新科技能源有限公司) ("Billion Sunny Technical Energy")	30 May 2017	13,028,042.90	(484,798.32)
Great Wall Motor Austria Research & Development GmbH (長城汽車奧地利研發有限公司) ("Austria Research & Development")	27 July 2017	5,820,499.01	(4,598,812.22)
Baoding Billion Sunny Consulting Service Company Limited (保定億新諮詢服務有限公司) ("Billion Sunny Consulting")	10 October 2017	5,730,527.81	(769,472.19)
Guangzhou Great Wall Auto Sales Company Limited (廣州長城汽車銷售有限公司) ("Guangzhou Great Wall Sales")	13 October 2017	—	—
Xiamen Great Wall Auto Sales Company Limited (廈門長城汽車銷售有限公司) ("Xiamen Great Wall Sales")	19 October 2017	—	—
Tianjin Great Wall Sharing Car Service Company Limited (天津長城共享汽車服務有限公司) ("Tianjin Sharing Car")	21 December 2017	—	—

Subsidiaries cancelled during the current year:

Name	Cancellation date	Net assets at the disposal date	RMB Net profit from the beginning of the year to the disposal date
Baoding Lean Automotive Occupational Training School (保定市精益汽車職業培訓學校) ("Lean School")	November 2017	106,222.34	199,011.18
Baoding Great Wall Automotive Component Sales Co., Ltd. (保定長城汽車配件銷售有限公司) ("Xushui Component")	September 2017	10,600,297.79	100,297.79
Xinyi Seating	December 2017	40,815,091.56	1,593,195.89

Notes to the Financial Statements

For the year ended 31 December 2017

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 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 Automotive Components Co., Ltd (北京格瑞特汽車零部件有限公司) ("Beijing Great")	limited liability company	Beijing	Beijing	Manufacture of automotive parts and components	100.00	—
Great Wall Baoding Automotive Customer Service Company Limited (保定市長城汽車售後服務有限公司) ("Baoding Automotive Customer Service")	limited liability company	Baoding	Baoding	Provision of after-sales service	100.00	—
Great Wall Sales	limited liability company	Baoding	Baoding	Marketing and sale of automobiles	20.18	79.82
Tide Technology and Trade	—	Hong Kong	Hong Kong	Investment and financing services	100.00	—
Mind 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	—
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	—

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
Great Wall Resource Recycling	limited liability company	Baoding	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	limited liability company	Baoding	Baoding	Manufacture of automotive parts and components	100.00	—
Great Wall Dongsheng	limited liability company	Beijing	Beijing	Business information consultation	—	100.00
Haval Automotive Rental Co.,Ltd (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	—
Haval Motors Australia Pty Ltd (哈弗汽車澳大利亞有限公司) ("Haval Australia")	—	Australia	Australia	Auto selling	68.70	31.30
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易有限公司) ("Sinyos Technology and Trade")	—	Australia	Australia	Auto selling	—	100.00
Haval Motor Manufacturing Rus Limited Liability Company (俄羅斯哈弗汽車製造有限責任公司) ("Russia Manufacturing")	—	Russia	Russia	Auto manufacture	45.75	54.25

Notes to the Financial Statements

For the year ended 31 December 2017

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 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	—
Great Wall Japan Motor Co.,Ltd. (長城日本技研株式會社)("Japan Motor")	—	Yokohama, Japan	Yokohama, Japan	Research and design of automobile and auto parts	—	100.00
Great Wall Motor Europe Technical Center GmbH (長城汽車歐洲技術中心有限公司) ("Europe Technical Center")	—	Germany	Germany	Research and design of automobile and auto parts	100.00	—
Great Wall India Research and Development Private Limited (長城印度研發私人有限公司) ("India R&D")	—	India	India	Research, design and sales of automobile and auto parts	99.90	0.10
Shenzhen Haval Auto Sales Company Limited (深圳長城汽車銷售有限公司) ("Shenzhen Haval Sales")	Limited liability company	Shenzhen	Shenzhen	Auto selling	100.00	—
Haval Financial Leasing Company Limited (哈弗融資租賃有限公司) ("Haval Financial Leasing")	Limited liability company	Baoding	Baoding	Finance Lease business	75.00	25.00
American HAVAL Motor Company (美國哈弗汽車有限公司) ("American HAVAL")	—	USA	USA	Research and design of automobile and auto parts	100.00	—
American HAVAL Motor technology,LLC (美國哈弗汽車科技有限責任公司) ("American HAVAL Technology")	—	USA	USA	Research and design of automobile and auto parts	—	100.00
American HAVAL Asset Management,LLC (美國哈弗資產管理有限責任公司) ("American HAVAL Asset")	—	USA	USA	Real estate	—	100.00

Notes to the Financial Statements

For the year ended 31 December 2017

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
Forever Peace (Note 1)	Limited liability company	Beijing	Beijing	Business information consultation	—	100.00
Tianjin Haval Insurance (Note 2)	Limited liability company	Tianjing	Tianjing	Insurance Brokers	—	100.00
Billion Sunny Technical Energy (Note 3)	—	South Korea	South Korea	Research and design of automobile and auto parts	—	100.00
Austria Research & Development (Note 4)	—	Austria	Austria	Research and design of automobile and auto parts	—	100.00
Billion Sunny Consulting (Note 5)	Limited liability company	Baoding	Baoding	Technical information and trade consultation service	—	100.00
Guangzhou Great Wall Sales (Note 6)	Limited liability company	Guangzhou	Guangzhou	Auto selling	100.00	—
Xiamen Great Wall Sales (Note 7)	Limited liability company	Xiamen	Xiamen	Auto selling	100.00	—
Tianjin Sharing Car (Note 8)	Limited liability company	Tianjin	Tianjin	Handling the formalities of car service and car rental	100.00	—

Note 1: Forever Peace is a wholly-owned subsidiary established by Baoding Great, a subsidiary of the Company in Beijing in January 2017 and its registered capital is RMB60 million.

Note 2: Tianjin Haval Insurance is a wholly-owned subsidiary established by Great Wall Sales in Tianjin in April 2017 and its registered capital is RMB50 million.

Note 3: Billion Sunny Technical Energy is a wholly-owned subsidiary established by Billion Sunny Development in South Korea in May 2017 and its registered capital is KRW 150 million.

Note 4: Austria Research & Development is a wholly-owned subsidiary established by Billion Sunny Development in Austria in July 2017 and its registered capital is EUR 35,000.

Note 5: Billion Sunny Consulting is a wholly-owned subsidiary established by Billion Sunny Technical Energy in Baoding in October 2017 and its registered capital is RMB6.5 million.

Note 6: Guangzhou Great Wall Sales is a wholly-owned subsidiary established by the Company in Guangzhou in October 2017 and its registered capital is RMB10 million which has not been contributed.

Note 7: Xiamen Great Wall Sales is a wholly-owned subsidiary established by the Company in Xiamen in October 2017 and its registered capital is RMB10 million which has not been contributed.

Note 8: Tianjin Sharing Car is a wholly-owned subsidiary established by the Company in Tianjin in December 2017 and its registered capital is RMB1 billion which has not been contributed.

Notes to the Financial Statements

For the year ended 31 December 2017

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
Billion Sunny Development	—	Hongkong	Hongkong	Investment holding	—	100.00
Baoding Jiehua Automobile Components and Accessories Company Limited (保定傑華汽車零部件有限公司) ("Baoding Jiehua")	Limited liability company	Baoding	Baoding	Manufacture of automotive parts and components	100.00	—

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
Baoding Yixin	Limited liability company	Baoding	Baoding	Manufacture of automotive parts and components	75.00	25.00

(2) Significant non-wholly-owned subsidiary

Full name of subsidiaries	Proportion of minority shareholdings	Total profit or loss attributable to minority interests	Investment of minority interests for the current year	Dividends attributable to minority interests	RMB	
					Closing balance of Minority interests	
Automotive Finance	10%	16,088,458.79	65,000,000.00	16,500,000.00	123,431,243.05	

Notes to the Financial Statements

For the year ended 31 December 2017

VIII. INTERESTS IN OTHER ENTITIES (continued)

1. Interests in subsidiaries (continued)

(3) Important financial information of significant non-wholly-owned subsidiary

Full name of subsidiary	2017.12.31					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Automotive Finance	8,018,796,531.38	4,619,340,243.55	12,638,136,774.93	10,779,041,006.76	494,368,396.06	11,273,409,402.82

RMB

Full name of subsidiary	2016.12.31					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	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

RMB

Full name of subsidiary	2017				2016			
	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	677,870,649.16	160,884,587.85	160,884,587.85	301,599,874.61	172,037,311.22	27,957,602.69	27,957,602.69	51,973,760.57

RMB

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 associates

A joint venture agreement was signed by and between the Company and Yogomo Automobile Manufacturing Co., Ltd. (河北御捷車業有限公司) and its original shareholders in September 2017, according to which the Company increases capital in cash to obtain 25% equity of Yogomo Automobile Manufacturing Co., Ltd. Up to 31 December 2017, the Company has not contributed yet.

There are no transactions resulted in a change in the share of owners' equity between associates during this year.

Notes to the Financial Statements

For the year ended 31 December 2017

IX. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Major financial instruments of the Group include cash and bank balances, financial assets at fair value through profit or loss, available-for-sale financial assets, accounts receivable, other current assets – wealth management products, 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 technique 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	2017.12.31	RMB 2016.12.31
Cash and cash equivalents	494,509,647.74	196,552,122.39
Financial assets at fair value through profit or loss	317,994,432.00	—
Accounts receivable	130,889,030.75	68,165,021.83
Other receivables	6,692.92	1,031,868.86
Accounts payable	(31,423,959.80)	(21,570,583.64)
Other payables	(252,474,204.60)	(173,774,574.77)
Long-term borrowings	(423,754,500.00)	—

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

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:

		<i>RMB</i>	
Item	Fluctuation of foreign exchange rate	2017	
		Effects on profit	Effects on shareholders' interest
USD	5% strengthening against RMB	11,113,357.23	11,113,357.23
USD	5% weakening against RMB	(11,113,357.23)	(11,113,357.23)
EUR	5% strengthening against RMB	(19,043,346.37)	(19,043,346.37)
EUR	5% weakening against RMB	19,043,346.37	19,043,346.37
GBP	5% strengthening against RMB	(47,285.47)	(47,285.47)
GBP	5% weakening against RMB	47,285.47	47,285.47
JPY	5% strengthening against RMB	(1,041,815.27)	(1,041,815.27)
JPY	5% weakening against RMB	1,041,815.27	1,041,815.27
AUD	5% strengthening against RMB	16,032,782.59	16,032,782.59
AUD	5% weakening against RMB	(16,032,782.59)	(16,032,782.59)
CHF	5% strengthening against RMB	(289,098.43)	(289,098.43)
CHF	5% weakening against RMB	289,098.43	289,098.43

Note: The effects of the possible reasonable changes in the exchange rates of other foreign currencies to the profit and loss and equity interests before tax for the year are relatively insignificant.

Notes to the Financial Statements

For the year ended 31 December 2017

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	2016	
		Effects on profit	RMB 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 2017

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 – risk of changes in cash flows

The risk of change in cash flow of financial instruments caused by interest rate changes in the Group relates primarily to floating-rate loans and advances to customers and bank borrowings (Note (VI) 11 and 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 interest rate will affect the interest income or expense of financial instruments with floating rates.

In accordance with the assumption above, with no changes in other factors, the influence on profit and shareholders' interest (before tax) which caused by reasonable fluctuation of interest rate in this year is as follow:

RMB

Item	Fluctuation of interest rate	2017	
		Effect on profit	Effect on shareholders' interest
Loans and advances to customers	Increase 100 basis points	77,274,622.54	77,274,622.54
Loans and advances to customers	Decrease 100 basis points	(77,274,622.54)	(77,274,622.54)
Long-term borrowings	Increase 100 basis points	(4,485,545.00)	(4,485,545.00)
Long-term borrowings	Decrease 100 basis points	4,485,545.00	4,485,545.00

RMB

Item	Fluctuation of interest rate	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

Notes to the Financial Statements

For the year ended 31 December 2017

IX. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

1. Objective and policies of risk management (continued)

1.1 Market risk (continued)

1.1.3. Other price risk

The Group's held-for-trading financial assets are measured at fair value at each balance sheet date. Therefore, the Group is exposed to the risks of changes in the security prices. The Group pays close attention on market changes to minimize the equity security price risks

1.2 Credit risk

As at 31 December 2017, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties, including the carrying amount of the respective recognized financial assets as stated in the consolidated balance sheet. For financial instruments measured at fair value, the carrying amount reflects the exposure to risks but not the maximum exposure to risks. The maximum exposure to risks would vary according to the future changes in fair value.

The Group only trades with third-parties with good credit records, and the majority of sales are settled by receipts in advance or bank acceptance bills. In order to minimize the credit risk, the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts.

The Group only accepts bank acceptances from banks with relatively high level of credit rating, therefore, credit risk of notes receivable is low.

The credit risk on cash and bank balances and other current assets – wealth management products are limited because they are deposited with banks with high credit ratings.

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 extend as 65.00% accounts receivable is from top five customers (31 December 2016: 61.92%). As of 31 December 2017, the net amount of accounts receivable takes up to 0.87% 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), 3, 4, 7 and Note (VI), 11 in the financial statements.

Notes to the Financial Statements

For the year ended 31 December 2017

IX. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

1. Objective and policies of risk management (continued)

1.3 Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The following is the maturity analysis for financial assets and financial liabilities held by the Group which is based on undiscounted remaining contractual obligations by the end of each year:

	2017.12.31			Total
	Within 6 months	6-12 months	Over one year	
Short-term borrowings	(7,866,807,573.38)	(5,529,616,800.28)	—	(13,396,424,373.66)
Notes payable	(3,879,592,421.65)	(54,779.76)	—	(3,879,647,201.41)
Accounts payable	(27,880,483,440.95)	(81,258,229.96)	—	(27,961,741,670.91)
Other payables	(1,687,199,459.24)	(825,700,420.05)	—	(2,512,899,879.29)
Long-term borrowings	(5,311,278.94)	(53,942,372.69)	(437,734,024.86)	(496,987,676.49)

RMB

	2016.12.31			Total
	Within 6 months	6-12 months	Over one year	
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)

RMB

Notes to the Financial Statements

For the year ended 31 December 2017

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
	2017.12.31	2016.12.31	
Continuous fair value measurement			
1. Financial assets at fair value through profit or loss			
Equity instrument	317,994,432.00	—	Level 1
2. Available-for-sale financial assets			
Wealth management products	—	1,438,000,000.00	Level 3

2. Basis for determining the market price of level 1 fair value measurement items

As at 31 December 2017, the Group financial assets at fair value through profit or loss is measured of level 1 fair value and its market price is determined based on stock value in public market.

3. Valuation techniques and qualitative and quantitative information of key parameters adopted for level 3 fair value measurement items

As at 31 December 2016, for the Group's available-for-sale financial assets – wealth management products, cash flow discount is adopted as fair value valuation technique and future cash flow will be valued according to estimated income rate agreed in the contract and is discounted by discount rate reflected by credit risk of each counterparty.

4. 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 2017 approximate their fair values.

Notes to the Financial Statements

For the year ended 31 December 2017

XI. RELATED PARTIES AND TRANSACTIONS

1. Parent company of the Company

Name of company	Place of registration	Nature of business	Registered capital	Shareholding in the Company (%)	RMB
					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. Associates of the Company

Details of the associates of the Company are set out in Note (VIII).

Notes to the Financial Statements

For the year ended 31 December 2017

XI. RELATED PARTIES AND TRANSACTIONS (continued)

4. Other related parties of the Company

Name	Relationship with the company
Baoding Wangsheng Investment Company Limited (保定市旺盛投資有限公司)	Company directly controlled by ultimate controlling shareholder
Bochuang Urban Development Company Limited (博創城市建設開發有限公司)	Company indirectly controlled by ultimate controlling shareholder
Baoding 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 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 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 Great Wall Kindergarten (保定市長城幼兒園)	Company indirectly controlled by ultimate controlling shareholder
Baoding Bochuang Park Construction and Development Company Limited (保定博創園區建設開發有限公司)	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 School (保定長城學校)	Private non-enterprise under indirectly controlled by ultimate 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
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 parties
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
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
Yogomo Times Automotive Co., Ltd. (河北御捷時代汽車有限公司)	Subsidiary of the enterprise significantly influenced by the Company
Zhang Wen Hui	Key management executives
Zhao Guo Qing	Key management executives
Xu Hui	Key management executives
Hao Jian Min	Key management executives
Yu Wei Na	Key management executives
Han Xue Juan	Direct relative of ultimate controlling shareholder
Wei Zi Han	Direct relative of ultimate controlling shareholder

Notes to the Financial Statements

For the year ended 31 December 2017

XI. RELATED PARTIES AND TRANSACTIONS (continued)

5. Related party transactions

(1) Procurement of raw materials and accessories

Related parties	Related party transaction	RMB	
		2017	2016
Hebei Baoding Tai Hang Group Company Limited	Purchase of raw materials	9,743.59	40,683.76
Baoding Clean Heat Supplying Co., Ltd.	Purchase of steam	126,234,662.09	86,314,722.49
Baoding Zhong Tie Flower-plant Co., Ltd	Other materials purchasing	420.00	—

(2) Sales of automobiles and components and parts of automobiles

Related parties	Related party transaction	RMB	
		2017	2016
Baoding Great Wall Venture and Investment Co., Ltd.	Sales of automobiles or components and parts of automobiles	—	190,427.36
Han Xue Juan	Sales of automobiles or components and parts of automobiles	41,025.64	—
Wei Zi Han	Sales of automobiles or components and parts of automobiles	41,025.64	—

Notes to the Financial Statements

For the year ended 31 December 2017

XI. RELATED PARTIES AND TRANSACTIONS (continued)

5. Related party transactions (continued)

(3) Purchase of fixed assets

Related parties	Related party transaction	RMB	
		2017	2016
Hebei Baoding Tai Hang Group Company Limited	Purchase of fixed assets	25,299.15	102,564.09
Baoding Furui Landscape Co., Ltd.	Purchase of fixed assets	1,816,913.28	723,190.68
Baoding Tai Hang Steel Structure Construction Company Limited	Purchase of fixed assets	5,616,245.90	—

(4) Sales of fixed assets

Related parties	Related party transaction	RMB	
		2017	2016
Baoding Zhong Tie Flower-plant Co., Ltd.	Sales of fixed assets	—	3,979.72
Bochuang Urban Development Co., Ltd.	Sales of fixed assets	13,269.23	—
Baoding Lianchi District Great Wall Home Community Medical Service Center	Sales of fixed assets	—	9,174.82
Baoding Furui Landscape Co., Ltd.	Sales of fixed assets	219,914.54	—
Xu Hui	Sales of fixed assets	92,307.69	—

Notes to the Financial Statements

For the year ended 31 December 2017

XI. RELATED PARTIES AND TRANSACTIONS (continued)

5. Related party transactions (continued)

(5) Purchase of services

Related parties	Related party transaction	RMB	
		2017	2016
Baoding Furui Landscape Co., Ltd.	Purchase of services	195,929.73	24,487.63
Baoding Bo Chuang Property Service Co., Ltd.	Purchase of services	363,837.00	239,425.00
Bochuang Urban Development Company Limited	Purchase of services	5,389,163.42	5,654,098.56
Baoding Clean Heat Supplying Co.Ltd.	Purchase of services	1,599,120.16	2,103,350.35
Baoding Great Wall School	Purchase of services	5,000.00	—

(6) Rendering of services

Related parties	Related party transaction	RMB	
		2017	2016
Bochuang Urban Development Company Limited	Rendering of services	12,820.75	1,114.94
Hebei Baocang Expressway Co. Ltd.	Rendering of services	19,008.56	29,452.87
Baoding Innovation Great Wall Assets Management Co., Ltd.	Rendering of services	212.26	—
Baoding Bo Chuang Property Service Co., Ltd	Rendering of services	1,528.30	—
Baoding Great Wall Real Estate Development and Construction Co., Ltd.	Rendering of services	212.26	—
Baoding Great Wall Venture and Investment Co., Ltd.	Rendering of services	212.26	—
Baoding Furui Landscape Co., Ltd.	Rendering of services	2,632.08	—
Baoding Wangsheng Investment Company Limited	Rendering of services	212.26	—
Baoding Wan Wei Municipal Engineering Co., Ltd.	Rendering of services	2,971.70	—
Baoding Great Wall Kindergarten	Rendering of services	2,674.53	—
Baoding Bochuang Park Construction Development Co., Ltd.	Rendering of services	2,504.72	—
Baoding Great Wall School	Rendering of services	2,929.25	—
Yogomo Automobile Manufacturing Co., Ltd.	Rendering of services	94,027.02	—
Yogomo Times Automotive Co., Ltd.	Rendering of services	720.72	—

Notes to the Financial Statements

For the year ended 31 December 2017

XI. RELATED PARTIES AND TRANSACTIONS (continued)

5. Related party transactions (continued)

(7) Rental income and others

Related parties	Related party transaction	RMB	
		2017	2016
Baoding Great Wall Venture and Investment Co., Ltd.	Rental income	10,508.10	—
Baoding Clean Heat Supplying Co., Ltd.	Rental income	20,512.83	—
Baoding Rui Cheng Real Estate Development Co., Ltd.	Rental income and others	—	33,171.52
Baoding Furui Landscape Co., Ltd.	Income from transferring long-term assets	—	12,036,400.00
Bochuang Urban Development Company Limited	Rental income and others	288,524.31	173,581.20
Baoding Great Wall School	Heating income	483,841.28	—
Zhang Wen Hui	Rental income	5,240.24	14,244.96
Zhao Guo Qing	Rental income	14,244.96	14,244.96
Xu Hui	Rental income	19,979.90	22,791.96
Yu Wei Na	Rental income	11,396.04	9,496.70
Hao Jian Min	Rental income	—	3,561.24

Notes to the Financial Statements

For the year ended 31 December 2017

XI. RELATED PARTIES AND TRANSACTIONS (continued)

5. Related party transactions (continued)

(8) Emolument for key management

Item	2017	<i>RMB</i> 2016
Emolument for key management	22,717,428.57	26,922,618.87

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:

	2017	<i>RMB'000</i> 2016
Huang Zhi Xiong (<i>Note 1</i>)	51	143
Lu Chuang (<i>Note 1</i>)	22	60
Liang Shang Shang (<i>Note 2</i>)	—	25
Ma Li Hui	60	60
Li Wan Jun (<i>Note 3</i>)	38	—
Wu Zhi Jie (<i>Note 3</i>)	98	—
Total	269	288

The above are paid for the non-executive directors as compensation for their services as being the director of the Company. There are no other rewards payable to independent non-executive directors for the year (2016: none).

Note 1: Huang Zhi Xiong and Lu Chuang has no longer served as the Company's non-executive director since May 2017.

Note 2: Liang Shang Shang has no longer served as the Company's non-executive director since May 2016.

Note 3: Li Wan Jun and Wu Zhi Jie has served as the Company's non-executive director since May 2017.

Notes to the Financial Statements

For the year ended 31 December 2017

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

2017	Salaries, wages, bonus and physical benefits			Retirement benefits contribution	Total
	Fees				
Executive directors:					
Wei Jian Jun	—	2,772	11		2,783
Wang Feng Ying	—	3,539	11		3,550
Yang Zhi Juan	—	464	—		464
Non-executive directors:					
He Ping	60	—	—		60
Supervisor:					
Luo Jin Li	21	—	—		21
Zong Yi Xiang	21	—	—		21
Chen Biao	—	546	11		557
Total	102	7,321	33		7,456

Notes to the Financial Statements

For the year ended 31 December 2017

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
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
Supervisor:				
Luo Jin Li	20	—	—	20
Zong Yi Xiang	20	—	—	20
Chen Biao	—	506	11	517
Total	100	12,381	38	12,519

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.

Notes to the Financial Statements

For the year ended 31 December 2017

XI. RELATED PARTIES AND TRANSACTIONS (continued)

5. Related party transactions (continued)

(8) Emolument for key management (continued)

(c) Five highest paid individuals

Two (2016: Two) of the five highest paid individuals is listed in the above table, and analysis for the remaining three (2016: three) individuals are as follows:

	2017	RMB'000 2016
Salary, bonus, allowance and physical benefits	10,855	10,134
Retirement benefits contribution	32	32
Total	10,887	10,166

The number of employees with emoluments within the following bands:

	2017	2016
HKD0 to HKD1,000,000 (Equivalent to RMB0 to RMB835,910)	—	—
HKD1,000,001 to HKD1,500,000 (equivalent to RMB835,911 to RMB1,253,865)	—	—
HKD1,500,001 to HKD2,000,000 (equivalent to RMB1,253,866 to RMB1,671,820)	—	—
HKD2,000,001 to HKD2,500,000 (equivalent to RMB1,671,821 to RMB2,089,775)	—	1
HKD2,500,001 to HKD3,000,000 (equivalent to RMB2,089,776 to RMB2,507,730)	1	—
HKD3,000,001 to HKD3,500,000 (equivalent to RMB2,507,731 to RMB2,925,685)	—	—
HKD3,500,001 to HKD4,000,000 (equivalent to RMB2,925,686 to RMB3,343,640)	—	—
HKD4,000,001 to HKD4,500,000 (equivalent to RMB3,343,641 to RMB3,761,595)	—	—
HKD4,500,001 to HKD5,000,000 (equivalent to RMB3,761,596 to RMB4,179,550)	—	2
HKD5,000,001 to HKD5,500,000 (equivalent to RMB4,179,551 to RMB4,597,505)	2	—

Notes to the Financial Statements

For the year ended 31 December 2017

XI. RELATED PARTIES AND TRANSACTIONS (continued)

6. Amounts due from/due to related parties

Item	Related parties	RMB	
		2017.12.31	2016.12.31
Accounts receivable	Yogomo Automobile Manufacturing Co., Ltd.	104,370.00	—
Accounts receivable	Yogomo Times Automotive Co., Ltd.	800.00	—
Subtotal of accounts receivable		105,170.00	—
Other receivables	Bochuang Urban Development Company Limited	1,475,800.00	1,485,860.02
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		1,475,800.00	1,499,012.23
Notes payable	Baoding Clean Heat Supplying Co.,Ltd.	228,371.15	4,296,578.36
Subtotal of Notes payable		228,371.15	4,296,578.36
Accounts payable	Hebei Baoding Tai Hang Group Company Limited	132,007.80	149,122.65
Accounts payable	Baoding Clean Heat Supplying Co.,Ltd.	24,768,033.22	25,460,005.48
Accounts payable	Baoding Tai Hang Pump Manufacturing Company Limited	—	480.00
Subtotal of accounts payable		24,900,041.02	25,609,608.13
Other payables	Baoding Tai Hang Steel Structure Construction Company Limited	48,265.95	4,779,511.85
Other payables	Baoding Tai Hang Pump Manufacturing Company Limited	1,000.00	6,526.00
Other payables	Baoding Furui Landscape Co., Ltd	499,500.46	564,715.83
Other payables	Hebei Baoding Tai Hang Group Company Limited	8,000.00	26,000.00
Other payables	Zhao Guo Qing	80,409.24	80,409.24
Other payables	Zhang Wen Hui	—	61,825.13
Other payables	Xu Hui	—	84,542.00
Other payables	Yu Wei Na	21,718.97	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		658,894.62	6,254,338.11
Receipts in advance	Zhao Guo Qing	8,309.72	22,554.68
Receipts in advance	Zhang Wen Hui	—	18,993.44
Receipts in advance	Xu Hui	—	39,886.12
Receipts in advance	Yu Wei Na	1,899.25	13,295.29
Subtotal of receipts in advance		10,208.97	94,729.53
Prepayments	Baoding Clean Heat Supplying Co.,Ltd.	—	292,637.96
Prepayments	Baoding Furui Landscape Co., Ltd	92,535.73	—
Subtotal of prepayments:		92,535.73	292,637.96

Notes to the Financial Statements

For the year ended 31 December 2017

XII. COMMITMENTS

1. Significant Commitments

(1) Capital commitments

	2017.12.31	<i>RMB'000</i> 2016.12.31
Contracted for but not provided	5,795,607	6,782,741

(2) Operating lease commitments

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

	2017.12.31	<i>RMB'000</i> 2016.12.31
Minimum lease payments under non-cancellable operating leases:		
In the first year from the balance sheet date	16,263	12,033
In the second year from the balance sheet date	13,958	9,939
In the third year from the balance sheet date	12,272	7,964
Subsequent years	29,847	28,424
Total	72,340	58,360

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 2017

XIII. OTHER SIGNIFICANT EVENTS (continued)

1. Segment reporting (continued)

Revenue from external customers by location of revenue sources:

Item	2017	<i>RMB</i> 2016
Revenue from external customers in China	98,644,672,330.24	97,512,270,598.35
Northeast China	7,217,428,582.29	6,692,551,985.34
Northern China	15,305,963,906.29	14,532,885,413.75
Eastern China	28,277,467,116.96	30,500,300,164.60
Central China	26,283,852,133.47	24,786,344,189.06
Northwest China	6,870,335,043.80	6,510,539,296.18
Southwest China	14,689,625,547.43	14,489,649,549.42
Revenue from external customers in other countries	2,524,816,497.62	1,103,431,828.89
Ecuador	446,936,779.78	109,620,823.70
Chile	389,938,633.73	226,463,920.33
Russia	380,669,001.85	117,812,530.89
South Africa	316,813,151.88	46,956,895.59
Peru	185,236,029.85	90,305,503.73
Australia	171,413,674.84	81,309,761.32
Malaysia	80,232,359.16	33,079,077.93
Bolivia	67,631,278.79	48,867,831.12
New Zealand	41,393,329.20	1,262,507.09
Germany	39,728,762.38	55,561.41
Other overseas countries	404,823,496.16	347,697,415.78
Total	101,169,488,827.86	98,615,702,427.24

The segment reports mainly disclose the Group's non-current assets, including fixed assets, investment properties and construction in progress, 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 2017

XIV. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY

1. Cash and bank balances

Item	2017.12.31	<i>RMB</i> 2016.12.31
Cash:		
RMB	296,374.69	404,887.70
GBP	14,162.78	17,786.94
HKD	9,028.16	10,528.74
USD	3,318.46	62,819.67
JPY	1,848.61	25,265.09
SGD	1,518.64	1,492.64
RUB	64.98	65.90
KRW	43.44	40.95
THB	25.97	25.21
EUR	—	67,479.83
AUD	—	4,238.57
Bank balances:		
RMB	8,532,259,851.06	3,585,928,594.21
USD	79,106,136.78	33,379,520.56
EUR	5,969,471.93	1,164,083.65
AUD	2,661,219.01	—
JPY	1,098,370.03	8,912.14
HKD	20,825.65	7,894.74
CHF	424.98	11.06
GBP	11.41	2,134,037.40
Other cash and bank balances:		
RMB	512,613,619.38	83,528,803.60
Total	9,134,056,315.96	3,706,746,488.60
Including: overseas cash and bank balances	—	—

As at 31 December 2017, the Company had restricted cash and bank balances of RMB512,613,619.38, in which guarantee on bank acceptances amounted to 508,662,671.46; guarantee on letter of credit amounted to RMB1,250,947.92, and other guarantees amounted to RMB2,700,000.00.

As at 31 December 2016, the Company had restricted cash and bank balances of RMB83,528,803.60, in which guarantee on bank acceptances 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.

Notes to the Financial Statements

For the year ended 31 December 2017

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

2. Notes receivable

(1) Classification of notes receivable

Category	RMB	
	2017.12.31	2016.12.31
Bank acceptances	48,758,934,146.81	39,004,100,733.85
Commercial acceptances	2,165,579.40	—
Total	48,761,099,726.21	39,004,100,733.85

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

Category	RMB	
	2017.12.31	2016.12.31
Bank acceptances	7,653,487,556.18	3,480,690,391.00
Total	7,653,487,556.18	3,480,690,391.00

Note: The Company pledged the notes receivable for the issuance of notes payable and the short-term borrowings.

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

Category	RMB	
	2017.12.31	2016.12.31
Bank acceptances	14,766,679,654.79	22,035,780,712.38
Total	14,766,679,654.79	22,035,780,712.38

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 2017

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	2017.12.31					2016.12.31				
	Carrying amount		Provision for bad debt		Book value	Carrying amount		Provision for bad debt		Book value
	Amount	Ratio (%)	Amount	ratio (%)		Amount	Ratio (%)	Amount	ratio (%)	
Accounts receivable that are individually significant and for which bad debt provision is individually assessed	1,512,815,569.93	94.78	(336,141,547.73)	22.22	1,176,674,022.20	809,589,209.35	91.48	(347,723,237.41)	42.95	461,865,971.94
Accounts receivable for which bad debt provision is collectively assessed on a portfolio basis of credit risk character	82,986,582.05	5.20	(1,742,240.56)	2.10	81,244,341.49	75,358,187.00	8.52	(1,129,165.15)	1.50	74,229,021.85
Accounts receivable that are not individually significant but for which bad debt provision is individually assessed	356,881.50	0.02	—	—	356,881.50	—	—	—	—	—
Total	1,596,159,033.48	100.00	(337,883,788.29)	21.17	1,258,275,245.19	884,947,396.35	100.00	(348,852,402.56)	39.42	536,094,993.79

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

RMB

Accounts receivable (by customers)	2017.12.31			
	Accounts receivable	Provision for bad debt	Provision ratio (%)	Reason for provision
Customer 1	318,147,502.58	(318,147,502.58)	100.00	Past due
Customer 2	20,297,224.85	(1,317,183.62)	6.49	Past due
Customer 3	18,013,788.20	(3,570,043.10)	19.82	Past due
Customer 4	14,447,020.25	(3,921,000.89)	27.14	Past due
Customer 5	12,131,156.42	(1,082,789.72)	8.93	Past due
Customer 6	11,681,268.70	(2,928,136.50)	25.07	Past due
Customer 7	7,333,802.50	(1,074,941.25)	14.66	Past due
Customer 8	6,887,889.99	(1,461,491.50)	21.22	Past due
Customer 9	5,281,350.85	(1,472.08)	0.03	Past due
Customer 10	5,088,121.72	(742,385.51)	14.59	Past due
Customer 11	4,893,228.78	(1,312,279.15)	26.82	Past due
Customer 12	3,549,428.17	(582,321.83)	16.41	Past due
Others	1,085,063,786.92	—	—	
Total	1,512,815,569.93	(336,141,547.73)	22.22	

Notes to the Financial Statements

For the year ended 31 December 2017

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 debt are as follows:*

Aging	2017.12.31				2016.12.31				RMB
	Carrying amount	Ratio (%)	Provision for bad debt	Book value	Carrying amount	Ratio (%)	Provision for bad debt	Book value	
Within 1 year	1,267,733,809.82	79.42	(19,736,285.71)	1,247,997,524.11	486,885,215.52	55.02	(10,594,993.45)	476,290,222.07	
1 to 2 years	314,940.26	0.02	—	314,940.26	396,406,203.45	44.79	(338,257,409.11)	58,148,794.34	
2 to 3 years	328,110,283.40	20.56	(318,147,502.58)	9,962,780.82	1,655,977.38	0.19	—	1,655,977.38	
Total	1,596,159,033.48	100.00	(337,883,788.29)	1,258,275,245.19	884,947,396.35	100.00	(348,852,402.56)	536,094,993.79	

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 debt during the reporting year*

The provision of bad debt for the year amounted to RMB14,346,161.25; the collection or reversal of bad debts for the year amounted to RMB25,309,394.52.

(4) *Accounts receivable written off for the year is RMB5,381.00.*

Notes to the Financial Statements

For the year ended 31 December 2017

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 entity	Closing balance	Proportion of the amount to the total accounts receivable (%)	RMB
			Amount of provision for bad debt at end of the year
Customer 1	318,147,502.58	19.93	(318,147,502.58)
Customer 2	169,914,758.03	10.65	—
Customer 3	158,698,734.28	9.94	—
Customer 4	131,343,794.72	8.23	—
Customer 5	112,608,000.00	7.05	—
Total	890,712,789.61	55.80	(318,147,502.58)

4. Other receivables

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

Category	2017.12.31					2016.12.31					RMB
	Carrying amount		Provision for bad debt			Carrying amount		Provision for bad debt			Book value
	Amount	Ratio (%)	Amount	Provision ratio (%)	Book value	Amount	Ratio (%)	Amount	Provision ratio (%)		
Other receivables that are individually significant and for which bad debt provision is individually assessed	372,574,387.07	95.21	(7,141,494.12)	1.92	365,432,892.95	149,230,160.09	90.27	(7,141,494.12)	4.79	142,088,665.97	
Other receivables for which bad debt provision is collectively assessed on a portfolio basis of credit risk character	18,687,492.69	4.78	(22,476.00)	0.12	18,665,016.69	16,093,648.59	9.73	—	—	16,093,648.59	
Other receivables that are not individually significant but for which bad debt provision is individually assessed	51,052.39	0.01	(27,470.82)	53.81	23,581.57	—	—	—	—	—	
Total	391,312,932.15	100.00	(7,191,440.94)	1.84	384,121,491.21	165,323,808.68	100.00	(7,141,494.12)	4.32	158,182,314.56	

Notes to the Financial Statements

For the year ended 31 December 2017

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:

RMB

Other accounts receivable (by entities)	2017.12.31			Reason for provision
	Other accounts receivable	Provision for bad debt	Provision ratio (%)	
Entity 1	286,175,952.95	—	—	
Entity 2	34,029,068.71	—	—	
Entity 3	10,200,000.00	—	—	
Entity 4	10,000,000.00	—	—	
Entity 5	5,397,354.12	(5,397,354.12)	100.00	Unrecoverable as estimated
Entity 6	1,744,140.00	(1,744,140.00)	100.00	Unrecoverable as estimated
Others	25,027,871.29	—	—	
Total	372,574,387.07	(7,141,494.12)	1.92	

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

RMB

Aging	2017.12.31				2016.12.31			
	Amount	Ratio (%)	Provision for bad debt	Book value	Amount	Ratio (%)	Provision for bad debt	Book value
Within 1 year	359,884,403.94	91.97	(22,476.00)	359,861,927.94	144,813,834.29	87.59	(5,397,354.12)	139,416,480.17
1 to 2 years	17,298,309.39	4.42	(5,418,354.12)	11,879,955.27	1,961,934.68	1.19	—	1,961,934.68
2 to 3 years	1,657,943.05	0.42	(6,470.82)	1,651,472.23	17,611,881.41	10.65	(1,744,140.00)	15,867,741.41
Over 3 years	12,472,275.77	3.19	(1,744,140.00)	10,728,135.77	936,158.30	0.57	—	936,158.30
Total	391,312,932.15	100.00	(7,191,440.94)	384,121,491.21	165,323,808.68	100.00	(7,141,494.12)	158,182,314.56

(3) Provision, collection or reversal of bad debt during the reporting year:

Provision for bad debt for the year amounted to RMB53,127.33; there is no collection or reversal of bad debt for the year.

(4) Other receivables written off for the year amounted to RMB3,180.51.

Notes to the Financial Statements

For the year ended 31 December 2017

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

4. Other receivables (continued)

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

Nature of other receivables	RMB	
	2017.12.31	2016.12.31
Petty cash	16,656,065.64	20,175,170.98
Deposits	24,750,044.86	98,628,404.71
Others	349,906,821.65	46,520,232.99
Total	391,312,932.15	165,323,808.68

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

Name of entity	Nature of other receivables	Amount	Aging	RMB	
				Percentage of the total other receivables (%)	Closing balance of provision of bad debt
Entity 1	Funds within the group	286,175,952.95	Within 1 year	73.13	—
Entity 2	Prepayments for purchase	34,029,068.71	Within 1 year	8.70	—
Entity 3	Performance bond	10,200,000.00	Over 3 years	2.61	—
Entity 4	Steel products deposits	10,000,000.00	1-2 years	2.56	—
Entity 5	Equipment payment	5,397,354.12	1-2 years	1.38	(5,397,354.12)
Total		345,802,375.78		88.37	(5,397,354.12)

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

Notes to the Financial Statements

For the year ended 31 December 2017

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

5. Inventories

(1) Inventories categories

RMB

Item	2017.12.31		Book value
	Carrying amount	Provision for decline in value of inventories	
Raw materials	1,523,527,345.10	(66,930,828.92)	1,456,596,516.18
Work-in-progress	873,637,387.24	(2,868,511.72)	870,768,875.52
Finished goods	1,350,142,696.78	(10,637,320.20)	1,339,505,376.58
Low-valued and short-lived consumables	267,325,978.86	(25,184.26)	267,300,794.60
Total	4,014,633,407.98	(80,461,845.10)	3,934,171,562.88

RMB

Item	2016.12.31		Book value
	Carrying amount	Provision for decline in value of inventories	
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

(2) Provision for decline in value of inventories

RMB

Inventory categories	2017.1.1	Provision for the year	Decrease for the year		2017.12.31
			Reversals	Written-off	
Raw materials	1,705,038.57	70,596,604.64	(1,330.50)	(5,369,483.79)	66,930,828.92
Work-in-progress	23,149.09	3,879,588.39	—	(1,034,225.76)	2,868,511.72
Finished goods	4,308,713.42	105,127,128.43	(223,928.19)	(98,574,593.46)	10,637,320.20
Low-valued and short-lived consumables	175,165.55	—	(149,981.29)	—	25,184.26
Total	6,212,066.63	179,603,321.46	(375,239.98)	(104,978,303.01)	80,461,845.10

Notes to the Financial Statements

For the year ended 31 December 2017

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

Item	Basis of provision for decline in value of inventories	Reasons for reversal and written-off of provision for decline in value of inventories during the year	Percentage of the reversal to the closing balance of such inventory during the year (%)
Raw materials	Note 1	Note 2	—
Work-in-progress	Note 1	Note 2	—
Finished goods	Note 1	Note 2	0.02
Low-valued and short-lived consumables	—	Note 2	0.06

Descriptions of inventories:

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

Note 2: As the estimated net realizable value of some vehicle products, some raw materials and some low-valued and short-lived consumables 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 2017

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	2017.12.31			2016.12.31		
	Carrying amount	Impairment provision	Book value	Carrying amount	Impairment provision	Book value
Investment in subsidiary	5,273,861,404.26	—	5,273,861,404.26	4,573,289,565.46	—	4,573,289,565.46
Investment in associates and joint venture	—	—	—	—	—	—
Total	5,273,861,404.26	—	5,273,861,404.26	4,573,289,565.46	—	4,573,289,565.46

RMB

The breakdown of investments in subsidiaries is as follows:

Investee	2017.1.1	Addition	Reduction	2017.12.31	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 Vehicle Axles	65,335,714.49	—	—	65,335,714.49	—	—
Baoding Nuobo	72,240,000.00	—	—	72,240,000.00	—	—
Beijing Great	12,539,100.00	—	—	12,539,100.00	—	—
Baoding Great	23,000,000.00	—	—	23,000,000.00	—	—
Baoding Automotive Customer Service	34,850,000.00	—	—	34,850,000.00	—	—
Tide Technology and Trade	257,353,665.00	—	—	257,353,665.00	—	—
Mind Component	118,017,800.00	—	—	118,017,800.00	—	—
Baoding Yixin	9,750,000.00	—	—	9,750,000.00	—	—

RMB

Notes to the Financial Statements

For the year ended 31 December 2017

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

6. Long-term equity investments (continued)

The breakdown of investments in subsidiaries is as follows: (continued)

Investee	2017.1.1	Addition	Reduction	2017.12.31	Provision for impairment during the year	Closing balance of provision for bad debt
Great Wall Ants	86,000,000.00	—	—	86,000,000.00	—	—
Lean School (Note 1)	100,000.00	—	(100,000.00)	—	—	—
Tianjin Boxin	1,891,553,510.28	—	—	1,891,553,510.28	—	—
Ningxia Leasing	20,000,000.00	—	—	20,000,000.00	—	—
Great Wall Resource Recycling	50,000,000.00	—	—	50,000,000.00	—	—
Exquisite Mould	5,000,000.00	—	—	5,000,000.00	—	—
Xushui Component (Note 1)	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 (Note 2)	495,000,000.00	585,000,000.00	—	1,080,000,000.00	—	—
Shanghai Haval	1,500,000.00	—	—	1,500,000.00	—	—
Haval Auto Sales	5,000,000.00	—	—	5,000,000.00	—	—
Baoding Weiyi	255,000,000.00	—	—	255,000,000.00	—	—
Baoding Jie Hua	40,811,761.79	—	—	40,811,761.79	—	—
Haval South Africa	25,912,080.00	—	—	25,912,080.00	—	—
Haval Logistics	50,000,000.00	—	—	50,000,000.00	—	—
Russia Manufacturing (Note 3)	450,000,000.00	39,000,000.00	—	489,000,000.00	—	—
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 1)	30,194,561.20	—	(30,194,561.20)	—	—	—
Haval Australia (Note 4)	21,773,250.00	22,000,000.00	—	43,773,250.00	—	—
Europe Technical Center	33,428,802.00	—	—	33,428,802.00	—	—
India R&D	28,082,810.70	—	—	28,082,810.70	—	—
Sinyos Technology and Trade (Note 4)	13,000,000.00	9,000,000.00	(22,000,000.00)	—	—	—
Shenzhen Haval Sales (Note 5)	300,000.00	49,700,000.00	—	50,000,000.00	—	—
American HAVAL (Note 6)	114,454,200.00	55,166,400.00	—	169,620,600.00	—	—
Total	4,573,289,565.46	759,866,400.00	(59,294,561.20)	5,273,861,404.26	—	—

Note 1: In September 2017, the Company cancelled subsidiary Xushui Component. In November 2017, the Company cancelled subsidiary Lean School. In December 2017, the Company cancelled the subsidiary Xinyi Seating.

Note 2: In December 2017, the Company and Tianjin Binhai Rural Commercial Bank increased their investment with same proportion in a subsidiary of the Company Automotive Finance in which the Company increased RMB585 million and still holds 90.00% equity.

Note 3: In July 2017, the Company invested RMB39 million to Russia Manufacturing continuously.

Note 4: In February 2017, the Company increased RMB9 million in Sinyos Technology and Trade continuously. In December 2017, the Company increased its investment in Haval Australia by the carrying value of 100% equity of Sinyos Technology and Trade. After the increase, the shareholding proportion of the Company in Haval Australia was changed to 68.70%.

Note 5: In January 2017, the Company invested RMB49.70 million to Shenzhen Haval Sales continuously.

Note 6: In March and April 2017, the Company invested USD8 million to American HAVAL continuously.

Notes to the Financial Statements

For the year ended 31 December 2017

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

7. Investment properties

The investment properties measured at cost

Item	Buildings	Land use right	<i>RMB</i> Total
I. Original carrying amount			
2017.1.1	78,635,824.90	17,770,823.45	96,406,648.35
Additions for the year	10,631,705.89	1,237,375.24	11,869,081.13
(1)Transfer from fixed assets and intangible assets	—	1,237,375.24	1,237,375.24
(2)Transfer from construction in progress	10,631,705.89	—	10,631,705.89
Decreases for the year	—	(1,388,790.49)	(1,388,790.49)
(1)Transfer to intangible assets	—	(1,388,790.49)	(1,388,790.49)
2017.12.31	89,267,530.79	17,619,408.20	106,886,938.99
II. Accumulated amortization and depreciation			
2017.1.1	2,676,556.08	1,216,366.89	3,892,922.97
Additions for the year	3,643,571.56	439,463.34	4,083,034.90
(1)Provision or amortization	3,643,571.56	336,176.60	3,979,748.16
(2)Transfer from fixed assets and intangible assets	—	103,286.74	103,286.74
Decreases for the year	—	(97,377.64)	(97,377.64)
(1)Transfer to intangible assets	—	(97,377.64)	(97,377.64)
2017.12.31	6,320,127.64	1,558,452.59	7,878,580.23
III. Book value			
2017.12.31	82,947,403.15	16,060,955.61	99,008,358.76
2017.1.1	75,959,268.82	16,554,456.56	92,513,725.38

Notes to the Financial Statements

For the year ended 31 December 2017

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

8. Fixed assets

Fixed assets

Item	RMB				
	Buildings and structures	Machinery and equipment	Transportation vehicles	Electronic equipment and others	Total
I. Original book value					
2017.1.1	10,305,166,425.89	16,484,188,101.14	145,570,435.41	4,506,762,989.95	31,441,687,952.39
Additions for the year	925,820,626.19	3,607,709,312.21	23,322,357.13	1,657,546,152.01	6,214,398,447.54
1. Purchase	77,304,333.51	442,188,726.85	16,062,163.07	61,870,938.83	597,426,162.26
2. Transfer from construction in progress	848,516,292.68	3,165,520,585.36	7,260,194.06	1,595,599,042.24	5,616,896,114.34
3. Transfer from inventory	—	—	—	76,170.94	76,170.94
Deductions for the year	(10,173,954.42)	(225,859,339.36)	(2,174,268.77)	(52,298,452.73)	(290,506,015.28)
1. Disposal and scrap	(867,337.92)	(103,610,390.68)	(2,174,268.77)	(46,666,819.82)	(153,318,817.19)
2. Transfer to construction in progress	(9,306,616.50)	(121,364,591.29)	—	—	(130,671,207.79)
3. Others	—	(884,357.39)	—	(5,631,632.91)	(6,515,990.30)
2017.12.31	11,220,813,097.66	19,866,038,073.99	166,718,523.77	6,112,010,689.23	37,365,580,384.65
II. Total accumulated depreciation					
2017.1.1	1,255,345,552.44	5,133,614,663.55	50,324,188.09	2,034,007,793.80	8,473,292,197.88
Additions for the year	371,653,787.17	1,686,421,196.47	28,185,378.29	805,067,879.34	2,891,328,241.27
1. Provision for the year	371,653,787.17	1,686,421,196.47	28,185,378.29	805,067,879.34	2,891,328,241.27
Deductions for the year	(7,008,986.56)	(134,344,892.55)	(1,466,446.89)	(36,985,207.28)	(179,805,533.28)
1. Disposal and scrap	(157,255.63)	(84,234,999.74)	(1,466,446.89)	(34,104,526.33)	(119,963,228.59)
2. Transfer to construction in progress	(6,851,730.93)	(50,027,655.54)	—	—	(56,879,386.47)
3. Others	—	(82,237.27)	—	(2,880,680.95)	(2,962,918.22)
2017.12.31	1,619,990,353.05	6,685,690,967.47	77,043,119.49	2,802,090,465.86	11,184,814,905.87
III. Provision for impairment					
2017.1.1	136,268.33	48,459,955.82	—	81,658,778.08	130,255,002.23
Additions for the year	—	4,601,397.95	37,680.75	32,719,567.81	37,358,646.51
1. Provision for the year (Note)	—	4,601,397.95	37,680.75	32,719,567.81	37,358,646.51
Deductions for the year	—	(1,875,302.30)	—	(1,298,544.95)	(3,173,847.25)
1. Disposal and scrap	—	(430,578.65)	—	(929,130.72)	(1,359,709.37)
2. Others	—	(1,444,723.65)	—	(369,414.23)	(1,814,137.88)
2017.12.31	136,268.33	51,186,051.47	37,680.75	113,079,800.94	164,439,801.49
IV. Book value					
2017.12.31	9,600,686,476.28	13,129,161,055.05	89,637,723.53	3,196,840,422.43	26,016,325,677.29
2017.1.1	9,049,684,605.12	11,302,113,481.77	95,246,247.32	2,391,096,418.07	22,838,140,752.28

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.

As at 31 December 2017, among the fixed assets, the net book value of properties without title certificates amounted to RMB3,888,475,045.49 (As at 31 December 2016: RMB3,453,684,141.59) and the application of relevant title certificates is in progress.

Notes to the Financial Statements

For the year ended 31 December 2017

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

9. Construction in progress

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

Project	2017.12.31			2016.12.31		
	Carrying amount	Impairment provision	Net book value	Carrying amount	Impairment provision	Net book value
Tianjin automobile project	60,030,666.90	(131,527.46)	59,899,139.44	21,035,961.28	—	21,035,961.28
Tianjin parts and components project	104,886,199.26	(34,074.03)	104,852,125.23	280,396,557.66	—	280,396,557.66
Industrial park phase I. II. III	151,875,434.71	(1,788,431.95)	150,087,002.76	169,760,315.43	(2,810,400.74)	166,949,914.69
Xindatong Reconstruction	—	—	—	32,066.67	—	32,066.67
Jiaozhuang infrastructure	—	—	—	109,481.72	—	109,481.72
New technology center	162,172,618.20	—	162,172,618.20	199,992,873.72	—	199,992,873.72
Other R&D projects	69,580,893.95	—	69,580,893.95	—	—	—
Xushui Automobile Project	453,299,582.90	—	453,299,582.90	1,379,098,778.59	—	1,379,098,778.59
Xushui parts and components project	2,224,260,049.85	—	2,224,260,049.85	2,061,260,623.56	(83,886.55)	2,061,176,737.01
Xushui supporting infrastructure project	149,981,488.25	—	149,981,488.25	150,547,321.36	—	150,547,321.36
Others	324,747,118.82	(624,799.69)	324,122,319.13	239,244,080.84	(122,171.38)	239,121,909.46
Total	3,700,834,052.84	(2,578,833.13)	3,698,255,219.71	4,501,478,060.83	(3,016,458.67)	4,498,461,602.16

(2) Provision for impairment losses for construction in progress

Item	Provision for the period	Reasons for provision
Tianjin automobile project	(131,527.46)	Dedicated device in idle due to reconstruction of production line site and the net realizable value of these dedicated device is lower than the net asset value to result in impairment
Tianjin parts and components project	(34,074.03)	Assets in idle due to shutoff of part of projects and the net realizable value of the assets is lower than the net asset value to result in impairment
Others	(502,628.31)	Assets in idle due to shutoff of part of projects and the net realizable value of the assets is lower than the net asset value to result in impairment
Total	(668,229.80)	

Notes to the Financial Statements

For the year ended 31 December 2017

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

9. Construction in progress (continued)

(3) Changes of major construction in progress

Project	Budget amount	2017.1.1	Additions	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	RMB
											2017.12.31
Tianjin automobile project	5,369,757,391.00	21,035,961.28	199,010,430.10	(158,522,518.41)	(1,493,206.07)	96.91	—	—	—	Self-funded	60,030,666.90
Tianjin parts and components project	2,503,855,194.00	280,396,557.66	308,613,909.34	(480,315,829.67)	(3,808,438.07)	87.09	—	—	—	Self-funded	104,886,199.26
Industrial park phase I. II. III	1,031,819,862.06	169,760,315.43	135,229,995.58	(132,173,101.64)	(20,941,774.66)	92.52	—	—	—	Self-funded	151,875,434.71
Xindatong Reconstruction	8,776,724.00	32,066.67	—	—	(32,066.67)	100.00	—	—	—	Self-funded	—
Jiaozhuang infrastructure	253,863,000.00	109,481.72	17,364.28	(109,490.00)	(17,356.00)	100.00	—	—	—	Self-funded	—
New technology center	1,727,202,349.00	199,992,873.72	48,068,550.66	(60,617,773.96)	(25,271,032.22)	97.79	—	—	—	Self-funded	162,172,618.20
Other R&D projects	549,202,021.43	—	81,656,875.41	(12,061,479.58)	(14,501.88)	14.87	—	—	—	Self-funded	69,580,893.95
Xushui Automobile Project	10,895,690,604.00	1,379,098,778.59	696,425,122.56	(1,616,250,009.30)	(5,974,308.95)	89.37	—	—	—	Self-funded	453,299,582.90
Xushui parts and components project	14,212,064,268.00	2,061,260,623.56	2,817,723,452.59	(2,631,350,105.34)	(23,373,920.96)	75.45	—	—	—	Self-funded	2,224,260,049.85
Xushui supporting infrastructure project	193,250,000.00	150,547,321.36	11,059,061.06	—	(11,624,894.17)	77.61	—	—	—	Self-funded	149,981,488.25
Others	1,525,861,066.06	239,244,080.84	624,390,277.12	(525,495,806.44)	(13,391,432.70)	99.39	—	—	—	Self-funded	324,747,118.82
Total	38,271,342,479.55	4,501,478,060.83	4,922,195,038.70	(5,616,896,114.34)	(105,942,932.35)						3,700,834,052.84

Note: The decrease of RMB22,669,991.16 in construction in progress is transferred into intangible assets, and the decrease of RMB10,631,705.89 in construction in progress is transferred into investment properties.

Notes to the Financial Statements

For the year ended 31 December 2017

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

10. Intangible assets

Intangible assets

Item	RMB		
	Land use rights	Software and others	Total
I. Original book value			
2017.1.1	3,224,357,437.75	138,558,477.87	3,362,915,915.62
Additions for the year	102,091,990.49	28,320,104.41	130,412,094.90
1. Purchase	100,703,200.00	5,650,113.25	106,353,313.25
2. Transfer from construction in progress	—	22,669,991.16	22,669,991.16
3. Transfer from investment properties	1,388,790.49	—	1,388,790.49
Deductions for the year	(40,751,852.78)	(2,177,621.87)	(42,929,474.65)
1. Disposal	(38,218,647.02)	(870,588.07)	(39,089,235.09)
2. Decrease for transferring into investment properties	(1,237,375.24)	—	(1,237,375.24)
3. Other transfer-out	(1,295,830.52)	(1,307,033.80)	(2,602,864.32)
2017.12.31	3,285,697,575.46	164,700,960.41	3,450,398,535.87
II. Total accumulated amortization			
2017.1.1	311,417,232.32	68,865,655.02	380,282,887.34
Additions for the year	66,159,183.38	11,242,794.50	77,401,977.88
1. Provision for the year	66,061,805.74	11,242,794.50	77,304,600.24
2. Transfer from investment properties	97,377.64	—	97,377.64
Deductions for the year	(1,619,139.18)	(1,053,880.26)	(2,673,019.44)
1. Disposal	(1,515,852.44)	(584,747.99)	(2,100,600.43)
2. Decrease by transferring into investment properties	(103,286.74)	—	(103,286.74)
3. Other transfer-out	—	(469,132.27)	(469,132.27)
2017.12.31	375,957,276.52	79,054,569.26	455,011,845.78
III. Book value			
2017.12.31	2,909,740,298.94	85,646,391.15	2,995,386,690.09
2017.1.1	2,912,940,205.43	69,692,822.85	2,982,633,028.28

Prepaid lease payment (land use rights) analysis by location and aging is as follows:

Item	RMB	
	2017.12.31	2016.12.31
Located in mainland China — 10 to 50 years	2,909,740,298.94	2,912,940,205.43

Notes to the Financial Statements

For the year ended 31 December 2017

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

11. Short-term borrowings

Item	RMB	
	2017.12.31	2016.12.31
Pledged loans (Note)	4,100,000,000.00	—
Credit loans	4,999,900,000.00	—
Subtotal	9,099,900,000.00	—

Note: Loans pledged at the end of the year are loans made by the Company to pledge bank acceptances.

12. Notes payable

Category	RMB	
	2017.12.31	2016.12.31
Bank acceptances	3,539,526,819.67	4,123,771,449.11
Commercial acceptances	317,342,189.32	—
Total	3,856,869,008.99	4,123,771,449.11

Notes to the Financial Statements

For the year ended 31 December 2017

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

13. Accounts payable

(1) Accounts payable

Item	RMB	
	2017.12.31	2016.12.31
Within 1 year	30,349,504,135.52	27,572,401,252.97
1 to 2 years	18,653,294.80	40,756,954.35
2 to 3 years	7,178,135.81	5,195,911.62
Over 3 years	4,775,054.51	3,729,711.19
Total	30,380,110,620.64	27,622,083,830.13

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	
	2017.12.31	Reason for outstanding or transfer
Supplier 1	4,225,655.07	Not satisfying payment terms agreed in the contracts
Total	4,225,655.07	

Notes to the Financial Statements

For the year ended 31 December 2017

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

14. Receipts in advance

(1) Details of receipts in advance

Item	RMB	
	2017.12.31	2016.12.31
Within 1 year	5,776,300,182.65	3,468,619,410.88
1 to 2 years	12,088,086.31	36,870,151.26
2 to 3 years	24,503,910.52	1,439,720.37
Over 3 years	676,418.25	3,937,638.93
Total	5,813,568,597.73	3,510,866,921.44

(2) Receipts in advance aged over 1 year with significant amount

Item	RMB	
	2017.12.31	Reason for outstanding or transfer
Customer 1	30,388,978.67	Not satisfying transfer condition
Total	30,388,978.67	

Notes to the Financial Statements

For the year ended 31 December 2017

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

15. Capital reserve

Item	<i>RMB</i>			
	2017.1.1	Additions	Deductions	2017.12.31
2017:				
Capital premiums	1,462,470,849.89	—	—	1,462,470,849.89
Other capital reserves	1,716,455.88	—	—	1,716,455.88
Including: Transfer from capital reserve under previous standards	(2,933,126.78)	—	—	(2,933,126.78)
Translation differences of foreign capital	—	—	—	—
Reserve for revaluation gain of assets	—	—	—	—
Others	4,649,582.66	—	—	4,649,582.66
Total	1,464,187,305.77	—	—	1,464,187,305.77
2016:				
Capital premiums	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	—	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

Notes to the Financial Statements

For the year ended 31 December 2017

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

16. Undistributed profits

Item	RMB	
	Amount	Proportion of appropriation or allocation
2017:		
Undistributed profits at the beginning of the year	31,035,039,846.07	
Add: Net profit	4,457,985,457.16	
Less: Appropriation of statutory surplus reserves	(445,798,545.72)	(1)
Distribution of cash dividends	(3,194,544,150.00)	(2)
Capital transferred from ordinary dividend	—	
Undistributed profits at the end of year	31,852,682,607.51	
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	
Less: Appropriation of statutory surplus reserves	(1,090,334,120.85)	(1)
Distribution of cash dividends	(1,734,181,110.00)	
Capital transferred from ordinary dividend	—	
Undistributed profits at the end of year	31,035,039,846.07	

(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 11 May 2017, the 2016 shareholders' meeting approved "Proposal on Profit Distribution of 2016", of which allows the Company 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 a par value of RMB1.00 each for 2016.

(3) 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 RMB0.17 (inclusive of tax) per share, amounting to RMB1,551,635,730.00 in total, based on total shares of 9,127,269,000 shares (with face value of RMB1 per share) for 2017. Such dividend distribution plan is pending to be approved in shareholders' meeting.

Notes to the Financial Statements

For the year ended 31 December 2017

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

17. Operating income and operating costs

(1) Operating income

Item	2017	RMB 2016
Revenue from principal businesses	93,814,649,595.57	95,542,926,027.10
Including: Revenue from the sale of automobiles	90,487,057,540.09	94,190,224,836.87
Revenue from the sale of automotive parts and components	2,838,928,710.91	1,062,287,021.92
Revenue from the sale of moulds and others	291,891,984.08	177,197,009.29
Revenue from rendering of services	196,771,360.49	113,217,159.02
Revenue from other businesses	879,419,188.64	553,849,336.67
Total	94,694,068,784.21	96,096,775,363.77

(2) Operating costs

Item	2017	RMB 2016
Operating costs from principal businesses	80,689,280,439.09	76,753,935,486.27
Including: Costs of the sale of automobiles	78,472,389,254.68	75,787,560,087.81
Costs of the sale of automotive parts and components	1,891,577,374.33	801,036,892.57
Costs of the sale of moulds and others	184,759,651.57	96,245,846.62
Costs of rendering services	140,554,158.51	69,092,659.27
Other operating costs	738,080,416.99	463,821,447.22
Total	81,427,360,856.08	77,217,756,933.49

Notes to the Financial Statements

For the year ended 31 December 2017

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

18. Taxes and levies

Item	2017	RMB 2016
Consumption tax	3,050,491,220.73	2,884,495,933.88
Urban maintenances and construction tax	302,380,595.95	361,180,098.08
Educational surcharges	258,719,215.95	280,870,903.68
Stamp duty	58,181,318.99	33,416,388.75
Real estate tax	56,564,122.54	32,318,226.47
Land use tax	46,164,296.78	38,566,943.73
Water resource tax	2,570,284.83	2,672,655.69
Business tax	—	1,431,752.44
Vehicle and vessel use tax	207,493.68	140,639.63
Others	14,348,817.22	31,027,362.15
Total	3,789,627,366.67	3,666,120,904.50

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.

19. Selling expenses

Item	2017	RMB 2016
Transportation expenses	381,752,381.56	31,962,556.81
After-sales service expense	1,350,402,279.30	723,707,349.11
Wages and salaries	127,046,599.89	29,969,401.11
Advertising and media services fees	441,284,220.37	21,031,551.12
Port charges	15,906,641.41	9,174,334.90
Travel expenses	19,876,478.48	10,887,461.31
Others	93,627,167.54	31,527,048.70
Total	2,429,895,768.55	858,259,703.06

Notes to the Financial Statements

For the year ended 31 December 2017

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

20. Administrative expenses

Item	2017	RMB 2016
Technology development expenditures	3,263,049,394.28	3,073,764,806.59
Wages and salaries	773,776,543.68	585,012,707.37
Taxes	—	46,555,330.78
Depreciation and Amortization	177,505,963.94	178,889,203.67
Business reception fees	9,418,418.85	5,609,962.48
Office expenses	48,231,780.11	62,160,833.70
Repair and maintenance fees	190,368,738.36	158,868,219.56
Auditors' remuneration	3,134,511.48	2,999,335.88
Service charges	36,908,191.60	24,321,650.85
Others	103,038,719.99	92,024,313.83
Total	4,605,432,262.29	4,230,206,364.71

21. Financial expenses

Item	2017	RMB 2016
Interest expense from loans	173,871,577.58	—
Interest income from bank deposits	(148,486,176.08)	(39,861,939.25)
Foreign currency translation differences	19,896,543.56	(5,540,228.28)
Interest of discount on bills	47,598,140.37	50,906,491.91
Long-term receivables discount	(108,272,196.02)	(41,428,552.50)
Others	8,411,903.37	9,111,365.44
Total	(6,980,207.22)	(26,812,862.68)

22. Impairment losses on assets

Item	2017	RMB 2016
Loss on bad debt	(10,910,105.94)	275,378,947.50
Loss on decline in value of inventories	179,228,081.48	12,176,412.30
Loss on impairment of fixed assets	37,358,646.51	58,219,011.31
Loss on impairment of construction in progress	668,229.80	2,921,133.88
Total	206,344,851.85	348,695,504.99

Notes to the Financial Statements

For the year ended 31 December 2017

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

23. Investment income

Breakdown:

Item	2017	<i>RMB</i> 2016
Income from wealth management products	122,081,528.04	27,589,906.55
Loss from the disposal of long-term equity investments	—	(404,335.00)
Income from long-term equity investments under cost method	1,979,557,394.20	2,265,093,267.24
Total	2,101,638,922.24	2,292,278,838.79

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

24. Income tax expenses

Item	2017	<i>RMB</i> 2016
Current income tax	231,416,728.71	1,340,711,369.50
Deferred income tax	31,413,809.16	1,075,461.16
Total	262,830,537.87	1,341,786,830.66

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

Item	2017	<i>RMB</i> 2016
Total profit	4,720,815,995.03	12,245,128,039.17
Income tax rate	15%	15%
Income tax expenses calculated at tax rate of 15%	708,122,399.25	1,836,769,205.88
Additional deduction for research and development costs	(171,772,018.82)	(158,467,432.14)
Additional deduction for the wages of disabled staff	(1,511,613.64)	(959,770.45)
Tax effect of non-taxable income	(297,744,412.28)	(342,785,427.59)
Tax effect of non-deductible expenses	25,736,183.36	7,230,254.96
Total	262,830,537.87	1,341,786,830.66

Notes to the Financial Statements

For the year ended 31 December 2017

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

25. Supplementary information of cash flow statements

(1) Supplementary information of cash flow statements

Supplementary information	2017	RMB 2016
1. Reconciliation of net profits to cash flow from operating activities:		
Net profit	4,457,985,457.16	10,903,341,208.51
Add: Impairment provision for assets	206,344,851.85	348,695,504.99
Depreciation of fixed assets	2,891,328,241.27	2,173,361,759.25
Amortization of intangible assets	77,304,600.24	74,115,056.20
Amortization of long-term prepaid expenses	10,028,356.82	7,022,237.54
Depreciation of investment properties	3,979,748.16	2,082,434.90
Gains or losses from change in fair value	—	—
Losses on disposal of fixed assets, intangible assets and other long-term assets, net of gains	5,964,617.85	19,929,393.14
Amortization of deferred income	(97,805,415.06)	(79,238,140.66)
Financing costs	169,334,725.40	5,722,354.29
Investment gains	(2,101,638,922.24)	(2,292,278,838.79)
Decrease in deferred tax assets	31,413,809.16	1,075,461.16
Increase in inventories	(1,639,030,783.35)	(1,352,138,299.63)
Increase in operating receivables	(10,368,655,807.41)	(12,898,522,583.93)
Increase in operating payables	7,219,414,348.03	12,624,703,139.44
Net cash flows from operating activities	865,967,827.88	9,537,870,686.41
2. Net change in cash and cash equivalents:		
Cash balance at the end of the year	8,621,442,696.58	3,623,217,685.00
Less: Cash balance at the beginning of the year	3,623,217,685.00	1,016,521,309.27
Add: Cash equivalents balance at the end of the year	—	—
Less: Cash equivalents balance at the beginning of the year	—	—
Net increase in cash and cash equivalents	4,998,225,011.58	2,606,696,375.73

Notes to the Financial Statements

For the year ended 31 December 2017

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

25. Supplementary information of cash flow statements (continued)

(2) Components of cash and cash equivalents

Item	2017	RMB 2016
1. Cash	8,621,442,696.58	3,623,217,685.00
Including: Cash in hand	326,385.73	594,631.24
Bank deposits readily to be withdrawn on demand	8,621,116,310.85	3,622,623,053.76
Other cash and bank balances readily to be withdrawn on demand	—	—
II. Cash and cash equivalent balance as at the end of the year	8,621,442,696.58	3,623,217,685.00

26. Related party transactions

(1) Purchases of raw materials and components

Related party	Category of related party transaction	2017	RMB 2016
Subsidiaries of the Company	Purchase of raw materials	3,866,421,894.04	10,100,381,902.42
Other related parties of the Company	Purchase of raw materials and steam	123,794,435.12	84,260,230.10

(2) Sales of automobiles and components and parts of automobiles

Related party	Category of related party transaction	2017	RMB 2016
Subsidiaries of the Company	Sales of automobiles or components and parts of automobiles	73,068,834,371.47	94,265,661,242.20
Other related parties of the Company	Sales of automobiles or components and parts of automobiles	82,051.28	190,427.36

Notes to the Financial Statements

For the year ended 31 December 2017

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

26. Related party transactions (continued)

(3) Purchases of fixed assets and construction in progress

		<i>RMB</i>	
Related party	Category of related party transaction	2017	2016
Subsidiaries of the Company	Purchases of fixed assets and construction in progress	35,915,612.00	529,343,664.79
Other related parties of the Company	Purchases of fixed assets and construction in progress	7,458,458.33	461,169.84

(4) Sales of fixed assets and intangible assets

		<i>RMB</i>	
Related party	Category of related party transaction	2017	2016
Subsidiaries of the Company	Sales of fixed assets and intangible assets	17,819,832.38	25,691,090.99
Other related parties of the Company	Sales of fixed assets and intangible assets	233,183.77	13,154.54

(5) Acceptance of services

		<i>RMB</i>	
Related party	Category of related party transaction	2017	2016
Subsidiaries of the Company	Acceptance of services	767,818,023.53	731,692,023.62
Other related parties of the Company	Acceptance of services	7,189,213.31	7,346,676.68

(6) Rendering of services

		<i>RMB</i>	
Related party	Category of related party transaction	2017	2016
Subsidiaries of the Company	Rendering of services	233,146,316.56	64,861,446.33
Other related parties of the Company	Rendering of services	28,910.37	1,114.94

Notes to the Financial Statements

For the year ended 31 December 2017

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

26. Related party transactions (continued)

(7) Claims income and others

Related party	Category of related party transaction	RMB	
		2017	2016
Subsidiaries of the Company	Claims income and others	(96,571,675.96)	(126,956,463.22)
Other related parties of the Company	Claims income and others	408,108.59	12,209,981.20

(8) Guarantee

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	500,000,000.00	49,600,000.00
Tide Technology and Trade	Subsidiary of the Company	Maximum guaranteed	USD	110,000,000.00	90,000,000.00
Billion Sunny Development	Subsidiary of the Company	Maximum guaranteed	USD	80,000,000.00	35,000,000.00
Billion Sunny Development	Subsidiary of the Company	Maximum guaranteed	EUR	230,000,000.00	25,000,000.00

(9) Emolument of key management

Item	RMB	
	2017	2016
Emolument of key management	22,717,428.57	25,538,235.10

Notes to the Financial Statements

For the year ended 31 December 2017

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

27. Receivables and payables of related parties

Item	Related party	RMB	
		2017.12.31	2016.12.31
Accounts receivable	Subsidiary of the Company	526,521,528.00	287,545,917.95
Subtotal of accounts receivable		526,521,528.00	287,545,917.95
Other receivables	Subsidiary of the Company	288,439,931.25	12,783,277.00
Other receivables	Other related parties of the Company	1,475,800.00	1,480,105.29
Subtotal of other receivables:		289,915,731.25	14,263,382.29
Prepayments	Subsidiary of the Company	10,620,366.77	121,808,217.33
Prepayments	Other related parties of the Company	92,535.73	—
Subtotal of prepayments:		10,712,902.50	121,808,217.33
Notes receivable	Subsidiary of the Company	970,142.70	550,518.71
Subtotal of notes receivable		970,142.70	550,518.71
Accounts payable	Subsidiary of the Company	3,536,069,213.92	4,828,383,821.33
Accounts payable	Other related parties of the Company	23,995,361.02	25,507,506.28
Subtotal of accounts payable		3,560,064,574.94	4,853,891,327.61
Other payables	Subsidiary of the Company	71,676,664.38	598,438,717.92
Other payables	Other related parties of the Company	556,766.41	6,001,537.48
Subtotal of other payables:		72,233,430.79	604,440,255.40
Receipts in advance	Subsidiary of the Company	3,857,033,614.16	3,415,476,400.15
Subtotal of receipts in advance		3,857,033,614.16	3,415,476,400.15
Notes payable	Subsidiary of the Company	280,633,040.97	—
Notes payable	Other related parties of the Company	228,371.15	4,296,578.36
Subtotal of notes payable		280,861,412.12	4,296,578.36
Interest receivable	Subsidiary of the Company	92,022,313.91	12,203,875.00
Subtotal of interest receivable		92,022,313.91	12,203,875.00

SUPPLEMENTARY

For the year ended 31 December 2017

SUPPLEMENTARY

1. Breakdown of non-recurring gains and losses

Item	2017	RMB 2016
Losses from disposal of non-current assets	(3,808,085.14)	(15,774,408.19)
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 a fixed standard amount or quantity as stipulated by the State)	439,093,687.35	133,543,691.38
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	—	—
Gains from the cancellation of subsidiaries investments and disposal of wealth management products	124,224,830.95	29,663,778.76
Gains from the equity in acquiree already held before the date of acquisition and measured at fair value	—	684,042.36
Gains arising from changes in fair value	175,396,032.00	—
Non-operating gains and losses other than the above items	105,976,484.20	88,812,243.30
Effect of income tax	(111,501,675.25)	(39,387,736.60)
Effect of minority interests (net of tax)	(280,190.33)	(9,448.47)
Total	729,101,083.78	197,532,162.54

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.

2017	Weighted average return on net assets (%)	Earnings per share	
		Basic	Diluted
Net profit attributable to shareholders of ordinary shares of the Company	10.48	0.55	N/A
Net profit attributable to shareholders of ordinary shares of the Company, after deducting non-recurring gains and losses	8.96	0.47	N/A

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

The supplementary provided by the management of Great Wall Motor Company Limited was endorsed by the followings on 23 March 2018:

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

23 March 2018

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: 23 March 2018

AMENDMENTS

Applicable Not applicable

Baoding, Hebei Province, the PRC, 23 March 2018

As at the date of this announcement, members of the Board comprise:

Executive Directors: Mr. Wei Jian Jun, Ms. Wang Feng Ying and Ms. Yang Zhi Juan.

Non-executive Director: Mr. He Ping.

Independent Non-executive Directors: Mr. Ma Li Hui, Mr. Li Wan Jun and Mr. Ng Chi Kit.