



長城汽車股份有限公司

GREAT WALL MOTOR COMPANY LIMITED*

(a joint stock company Incorporated in the People's Republic of China with limited liability)

H Share Stock Code: 2333

A Share Stock Code: 601633

Interim Report
2018



* For identification purpose only

IMPORTANT NOTICE

I. The Board, the Supervisory Committee and the directors, supervisors and senior management of the Company warrant that the information in this interim 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. This interim report of the Company has not been audited.

The financial information in this interim 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 interim report.

V. Proposal of profit distribution or capitalisation of capital reserve during the Reporting Period considered by the Board

None

VI. Risks relating to forward-looking statements

Applicable Not applicable

Forward-looking statements, such as future plans described in this interim report do not constitute an actual commitment of the Company to investors. Investors should be aware of the relevant 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 "Other Disclosures" under item II of Section 4 headed "Discussion and Analysis of the Business Operation of the Company (Management Discussion and Analysis)" of this report.

X. Others

Applicable Not applicable

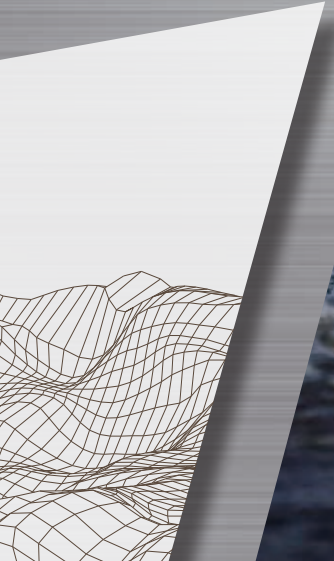
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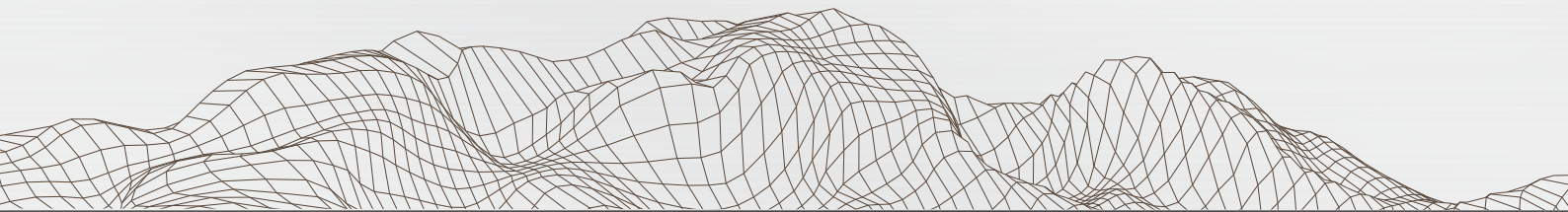
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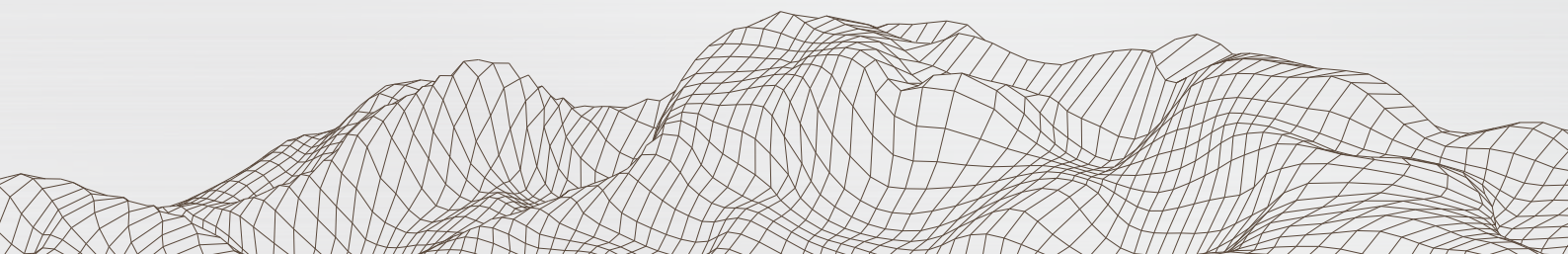
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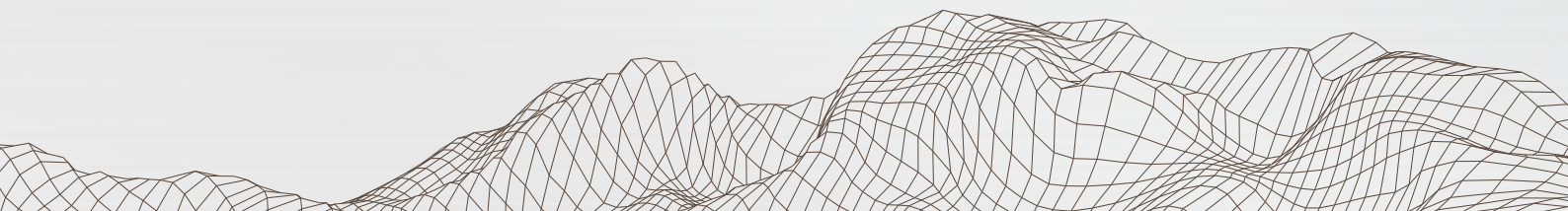


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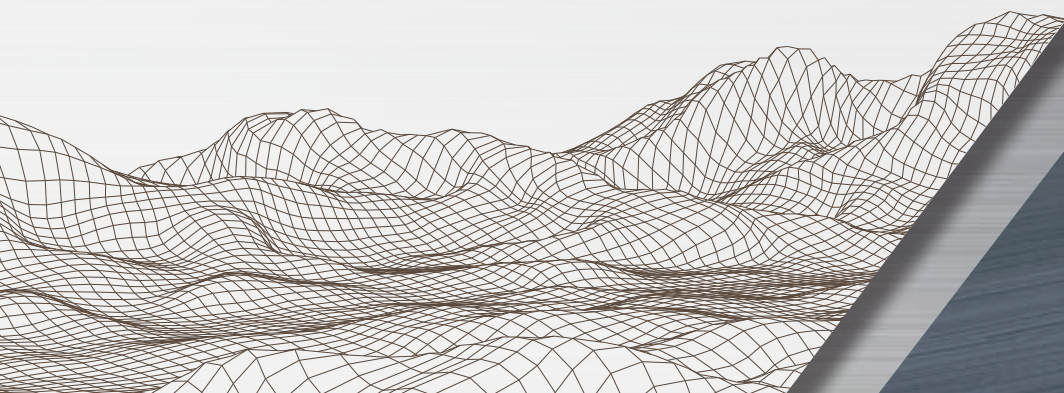


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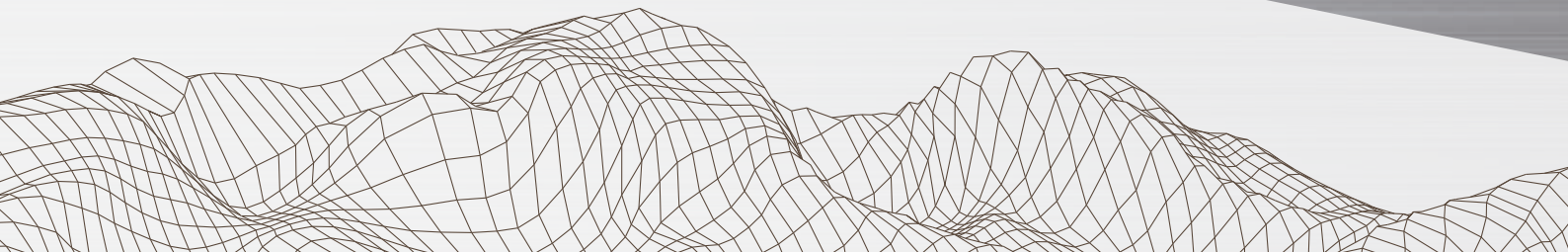


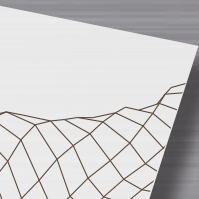
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Section 1 Definitions

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 People’s Republic of China;
“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”	six months ended 30 June 2018;
“SFC”	The Securities and Futures Commission in Hong Kong;
“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	Room 1903-1904, 19/F., Hong Kong Trade Centre, 161 Des Voeux Road Central, Sheung Wan, Hong Kong



Section 2 Corporate Profile and Key Financial Indicators

IV. INFORMATION DISCLOSURE AND PLACE OF DOCUMENT INSPECTION

Designated newspapers for information disclosure	China Securities Journal, Shanghai Securities News
Website designated by the CSRC for publishing this interim report	www.sse.com.cn
Place for inspection of the Company's interim report	Securities & Legal Affairs 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 interim report	www.hkexnews.hk
The Company's website for publishing this interim report	www.gwm.com.cn

V. 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 shares
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 shares

Section 2 Corporate Profile and Key Financial Indicators

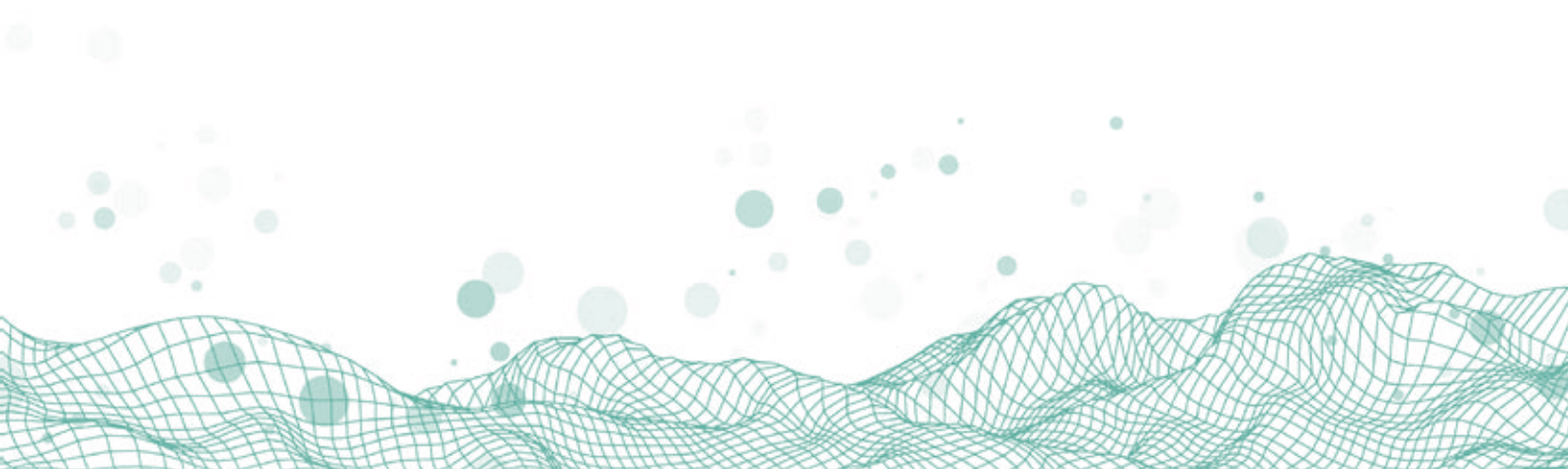
VI. OTHER RELEVANT INFORMATION

√ Applicable Not applicable

Accounting firm appointed by the Company	Deloitte Touche Tohmatsu Certified Public Accountants LLP (auditor of the Company)
Office address of the accounting firm appointed by the Company	30/F, 222 Yan An Road East, Huangpu District, Shanghai
Legal adviser to the Company (as to Hong Kong law)	Herbert Smith Freehills
Legal adviser to the Company (as to PRC law)	Zhong Lun Law Firm, Beijing (ceased to be the legal adviser (as to PRC law) of the Company since 1 July 2018) Jincheng Tongda & Neal Law Firm, Beijing (as the legal adviser (as to PRC law) of the Company since 1 July 2018)
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, the PRC
Investor and media relations consultant (H Shares)	CorporateLink Limited 18/F, Shun Ho Tower, 24-30 Ice House Street, Central, Hong Kong
Principal bankers	Bank of China Limited (Baoding Yuhua sub-branch) The Industrial and Commercial Bank of China (Baoding Yonghua sub-branch) China Construction Bank (Baoding Hengxiang South Street sub-branch) China Everbright Bank (Shijiazhuang branch) China CITIC Bank (Baoding branch) Bank of Communications Co., Ltd. (Baoding branch) Industrial Bank Co., Ltd. (Baoding branch)
Authorised representatives	Ms. Wang Feng Ying Mr. Xu Hui
Financial year-end date	31 December

Section 2 Corporate Profile and Key Financial Indicators

Executive Directors	Mr. Wei Jian Jun (Chairman) Ms. Wang Feng Ying (Vice Chairman) Ms. Yang Zhi Juan
Non-Executive Director	Mr. He Ping
Independent Non-Executive Directors	Mr. Ma Li Hui Mr. Li Wan Jun Mr. Ng Chi Kit
Employee Representative Supervisor	Mr. Chen Biao
Independent Supervisors	Ms. Zong Yi Xiang Ms. Luo Jin Li
Audit Committee	Mr. He Ping Mr. Ma Li Hui Mr. Li Wan Jun Mr. Ng Chi Kit
Remuneration Committee	Mr. Wei Jian Jun Mr. Ma Li Hui Mr. Li Wan Jun
Nomination Committee	Mr. Wei Jian Jun Mr. Ma Li Hui Mr. Ng Chi Kit
Strategy Committee	Mr. Wei Jian Jun Ms. Wang Feng Ying Mr. He Ping Mr. Ma Li Hui Mr. Li Wan Jun



Section 2 Corporate Profile and Key Financial Indicators

VII. KEY ACCOUNTING DATA AND FINANCIAL INDICATORS OF THE COMPANY

(I) Key accounting data

Unit: RMB Currency: RMB

Key accounting data	Reporting Period (January–June)	Corresponding period of last year	Increase/ decrease for the Reporting Period over the corresponding period of last year (%)
Total operating revenue	48,678,448,851.44	41,255,663,824.84	17.99
Operating revenue	47,957,822,005.30	40,992,814,179.16	16.99
Net profit attributable to shareholders of the Company	3,695,799,261.39	2,419,755,449.46	52.73
Net profit attributable to shareholders of the Company after extraordinary gains/losses	3,578,275,369.10	2,092,988,779.55	70.96
Net cash flow from operating activities	14,145,729,736.32	8,338,899,649.27	69.64
	As at the end of the Reporting Period	As at the end of last year	Increase/ decrease for the Reporting Period over the end of last year (%)
Net assets attributable to shareholders of the Company	51,148,765,599.67	49,134,530,407.41	4.10
Total assets	104,193,966,703.78	110,547,073,781.60	-5.75

Section 2 Corporate Profile and Key Financial Indicators

(II) Key financial indicators

Key financial indicators	Reporting Period (January–June)	Corresponding period of last year	Increase/decrease for the Reporting Period over the corresponding period of last year (%)
Basic earnings per share (RMB/share)	0.4049	0.2651	52.73
Diluted earnings per share (RMB/share)	N/A	N/A	N/A
Basic earnings per share after extraordinary gains/losses (RMB/share)	0.3920	0.2293	70.96
Weighted average return on net assets (%)	7.30	5.04	increased by 2.26 percentage points
Weighted average return on net assets after extraordinary gains/losses (%)	7.06	4.36	increased by 2.70 percentage points

Description of key accounting data and financial indicators of the Company

Applicable Not applicable

The Group's total operating revenue in the first half of 2018 increased by 17.99% year on year and net profit attributable to shareholders of the Company increased by 52.73% year on year, mainly due to the Group's efforts to optimize its product mix and the increase in the proportion of sales of products under the WEY brand, leading to an improvement in the overall profitability of products.

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

Applicable Not applicable



Section 2 Corporate Profile and Key Financial Indicators

IX. ITEMS AND AMOUNT OF EXTRAORDINARY GAINS/LOSSES

Applicable Not applicable

Unit: RMB Currency: RMB

Item of extraordinary gains/losses	Amount
Profit or loss from disposal of non-current assets	30,501,359.26
Government grants accounted for in profit and loss account of the current period, except for government grants closely related to the Company's normal operations that were granted on an ongoing basis at a fixed standard amount or quantity in accordance with the State's policies and regulations	91,712,123.84
Non-operating gains and losses other than the above items	59,479,378.11
Gains from the disposal of long-term equity investments and disposal of wealth management products	5,948,164.90
Gains from changes in fair values	-28,211,589.66
Effect of minority interests (net of tax)	-720,474.06
Effect of income tax	-41,185,070.10
Total	117,523,892.29

X. 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 has four brands, namely Great Wall, Havel, WEY and ORA, and will establish a joint venture, Spotlight Automotive Ltd., with BMW. It provides three major products, namely SUVs, sedans and pick-up trucks, and manufactures and supplies relevant 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 sale of automobiles.

The Company continues to step up resource 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 one of the largest finished automobile R&D centers 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 Korea, the Company has six 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 two 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 more automated and intelligent facilities so as to enhance the precision of products and speed up the production, providing reliable production capacity for new product release in the future. In the first half of 2018, the plant in Chongqing has commenced construction.

In respect of sales, the Group continuously refined its sales network by launching mall.haval.com.cn, the first fully customized 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, and the overall sales in overseas markets grew steadily.

As for the field of new energy, the Company actively expanded its new energy automotive business, improved the planning for new energy product lines, and released the upgraded battery electric sedan C30EV and the first plug-in hybrid electric vehicle SUV P8. Its new energy-enabled brand ORA debuted in April 2018.

In 2018, the Group developed an innovative operating model for ancillary operations and achieved independent operation of each of the four automotive part and component companies at the initial stage, catering for the needs of the market in a practical way. These part and component companies, consolidating their own operational strengths, will keep exploring and innovating and adopt a diversified operating model to boost their market competitiveness and hence promote the overall growth in the Group's profits.

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 on the basis of traditional individual automobile loans and dealer inventory financing services. It also executed its strategic layout for the ride sharing business to cater for the personalized needs of consumers. Meanwhile, the Company was exploring other automotive aftermarket businesses such as automobile insurance brokerage, car rental, used car business and recycling of scraped cars.



Section 3 Business Highlights of the Company

3. Industry Overview

(1) Stable overall growth in production and sales volume of automobiles

The production and sales volume of automobiles in the PRC hit a new high again in January to June 2018, which amounted to 14,057,700 units and 14,066,500 units respectively, representing an increase of 4.15% and 5.57% respectively as compared with the same period last year.

(2) Passenger vehicles grew steadily with SUV outpacing others

Passenger vehicles are the main driving force for the growth of the automotive industry. In January to June 2018, the production and sales volume of passenger vehicles amounted to 11,853,700 units and 11,775,300 units respectively, representing an increase of 3.23% and 4.64% respectively as compared with the same period last year. In particular, the production and sales volume of SUVs reached 5,119,400 units and 4,964,700 units respectively, representing an increase of 9.62% and 9.68% as compared with the same period last year.

(3) New energy vehicles grew rapidly

In January to June 2018, the production and sales volume of new energy vehicles reached 413,000 units and 412,000 units respectively, up 94.9% and 111.6% respectively as compared with the same period last year. In particular, both the production and sales volume of battery electric passenger vehicles reached 259,000 units, representing an increase of 77.5% and 95.9% respectively as compared with the same period last year; and both the production and sales volume of plug-in hybrid electric passenger vehicles reached 96,000 units respectively, representing an increase of 189.3% and 203.2% respectively as compared with the same period last year.

(4) Overseas markets recovered

In January to June 2018, the automobile export totaled 512,000 units, representing an increase of 29.4% as compared with the same period last year.

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



Section 3 Business Highlights of the Company

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

Applicable Not applicable

III. ANALYSIS OF THE CORE COMPETITIVENESS DURING THE REPORTING PERIOD

Applicable Not applicable

1. Creating fair and equitable corporate culture

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

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

Over the years, the Company has put great emphasis on its development strategies and has focused on its principal businesses for which more quality resources were shared. It has also been devoted itself to enhancing development in various segments in order to establish unique competitive advantages and maintain its leading position.

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

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



Section 3 Business Highlights of the Company

4. Setting up an industrial cluster through vertical integration

The Company has long committed itself to independent research, development and production of core parts and components. Constant improvement in the level of vertical integration enabled the Company to engage in the independent manufacturing of engines, transmissions, auto headlights and other core parts and components, which significantly enhanced its competitive edge in quality and cost of finished automobiles. With the establishment of finished automobile production plants in Tianjin and Xushui, the part and component segment of the Company established footholds in various regions, which added a competitive advantage in resources to the Company's strengths and laid a solid foundation for its long-term development. In 2018, the Group achieved independent operation of each of the four automotive part and component companies at the initial stage, catering for the needs of the market in a practical way by adopting a diversified operating model.

5. Committing to investment in research and development

Committing itself 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 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 strategy of finished automobiles and parts and components and strengthened the overall research and development capability of the Company.



Section 4 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

During the first half of 2018, the overall national economy continued to maintain stable development with a positive outlook. The nation's gross domestic product achieved a year-on-year growth rate of 6.8%. The industrial structure was optimized and upgraded, with the tertiary industry recording a relatively rapid growth rate; industrial transformation and upgrade were accelerating. The income of people was growing steadily and the employment situation remained stable, with a positive outlook. During the period, China-US trade friction escalated, affecting market participants' concern about the economic trend.

In the first half of 2018, the production volume and sales volume of the automobile industry remained stable. Compared with the same period of last year, the production volume growth rate dropped slightly, and the sales volume growth rate increased slightly. The sales volume of passenger vehicles continued to increase, with new energy vehicles maintaining rapid growth. With more variety of vehicle models being launched, competition in the automobile industry had become increasingly fierce; coupled with the lowering of tariffs on imported automobiles and the lifting of the restrictions on the proportion of foreign shares in automobile companies, there was greater uncertainty about the development of the domestic automobile industry.



Section 4 Discussion and Analysis of the Business Operation of the Company (Management Discussion and Analysis)

Financial Review

Unit: RMB Currency: RMB

	From 1 January 2018 to 30 June 2018 (Unaudited)	From 1 January 2017 to 30 June 2017 (Unaudited)	Changes %
Total operating revenue	48,678,448,851.44	41,255,663,824.84	17.99
Operating revenue	47,957,822,005.30	40,992,814,179.16	16.99
Revenue generated from the sale of automobiles	45,132,474,878.33	39,028,052,278.84	15.64
Revenue generated from the sale of automotive parts and components and others (Note 1)	2,825,347,126.97	1,964,761,900.32	43.80
Interest income (Note 2)	711,506,642.24	261,226,393.25	172.37
Selling expenses (Note 3)	2,077,495,014.39	1,569,425,796.62	32.37
Administrative expenses	676,680,355.56	770,197,087.01	-12.14
Research and development expenses (Note 4)	842,592,141.78	1,539,784,150.73	-45.28
Financial expenses (Note 5)	304,446,004.57	76,096,711.63	300.08
Gross profit	10,112,275,827.71	8,201,430,591.41	23.30
Income tax expenses	717,942,301.43	656,831,910.99	9.30
Net profit attributable to shareholders of the Company (Note 6)	3,695,799,261.39	2,419,755,449.46	52.73
Basic earnings per share	0.40	0.27	52.73
Gross profit margin (%)	20.77%	19.88%	Increased by 0.89 percentage point
Percentage of selling expenses to operating revenue (%)	4.33%	3.83%	Increased by 0.50 percentage point
Percentage of administrative expenses to operating revenue (%)	1.41%	1.88%	Decreased by 0.47 percentage point

(Note 1) The increase in revenue generated from the sale of automotive parts and components and others was mainly due to the increase in the revenue from after-sales services and maintenance and repair services for automotive parts and components during the Reporting Period.

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

(Note 3) The increase in selling expenses was mainly due to the increase in advertising and promotion expenses during the Reporting Period.

(Note 4) The decrease in research and development expenses was mainly due to the capitalization of research and development expenses which met the criteria for capitalization during the Reporting Period.

(Note 5) The increase in financial expenses was mainly due to the increase in interest expense for loans during the Reporting Period.

(Note 6) The increase in net profit attributable to shareholders of the Company was mainly due to the Company's efforts in optimizing its product mix and the increase in proportion of sales of products under the WEY brand, leading to increase in the overall profitability of its products.

Section 4 Discussion and Analysis of the Business Operation of the Company (Management Discussion and Analysis)

Current assets and current liabilities

Unit: RMB Currency: RMB

	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Current Assets	60,988,332,696.57	69,293,328,092.50
including:		
Cash and bank balances	8,727,705,160.24	4,831,349,324.85
Notes receivable and accounts receivable	1,543,088,399.71	49,948,553,567.36
Prepayments	383,389,970.44	579,536,182.06
Other receivables	299,400,992.21	326,247,513.83
Inventories	5,255,459,641.60	5,574,771,949.63
Current Liabilities	48,607,650,400.99	58,881,223,748.49
including:		
Short-term borrowings	17,386,641,047.91	13,037,978,000.00
Notes payable and accounts payable	22,225,179,743.74	31,841,388,872.32
Receipts in advance	—	5,457,772,639.50
Contractual liability	3,894,915,850.31	—
Salaries payable	609,137,711.14	1,872,028,903.98
Taxes payable	798,094,162.68	2,308,154,256.08
Other payables	2,527,115,781.99	2,568,250,538.41
Other current liabilities	1,027,659,736.32	1,653,117,141.98

Gearing ratio

Unit: RMB Currency: RMB

	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Total liabilities	52,901,033,666.54	61,289,112,131.14
Total equity	51,292,933,037.24	49,257,961,650.46
Gearing ratio	103.14%	124.42%

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

Acquisition and disposal of assets

The Company and its subsidiaries did not have material acquisitions or disposals of assets during the Reporting Period.

Section 4 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 30 June 2018, the Company borrowed short-term loans of RMB17,386,641,047.91 in total, mainly used for automobile financial lending businesses and to improve the daily liquidity. The Company borrowed long-term loans of RMB1,494,086,500.00, including long-term loans due within one year, mainly used 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 descriptions of Note (VI) to the financial statements in this interim 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 operating results due to foreign exchange risk are set out as below:

Item	Unit: RMB Currency: RMB	
	2018.6.30 (Unaudited)	2017.12.31 (Audited)
Cash and cash equivalents	207,409,812.27	494,509,647.74
Financial assets held for trading	235,578,252.00	—
Financial assets at fair value through profit or loss	—	317,994,432.00
Notes receivable and accounts receivable	142,262,765.91	130,889,030.76
Other receivables	—	6,692.92
Notes payable and accounts payable	(28,847,473.59)	(31,423,959.80)
Other payables	(142,575,464.28)	(252,474,204.60)
Short-term borrowings	(559,411,047.91)	—
Long-term borrowings	(1,144,586,500.00)	(423,754,500.00)

The Group paid close attention to the impact of exchange rate changes on the Group's foreign exchange risk.

Employment, training and development

As at 30 June 2018, the Group employed a total of 63,911 employees (30 June 2017: 66,462 employees). Employees were remunerated by the Group based on their performance, experience and prevailing industry practices. The Group's remuneration policies and packages were reviewed on a regular basis. As an incentive for employees, bonuses and cash awards may also be given to employees based on individual performance evaluation. Total staff cost accounted for 7.22% of the Group's total operating revenue as at 30 June 2018 (30 June 2017: 8.86%).

Section 4 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 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 six months ended 30 June	
	2018 RMB (Unaudited)	2017 RMB (Unaudited)
China	47,085,215,614.54	40,098,855,644.33
South Africa	333,952,206.60	111,322,848.21
Ecuador	208,644,193.28	197,807,555.23
Chile	198,095,701.92	208,148,635.71
Russia	146,532,027.47	169,960,585.08
Iran	146,272,908.22	5,714,860.59
Other overseas countries	559,736,199.41	463,853,695.69
Total	48,678,448,851.44	41,255,663,824.84

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

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



Section 4 Discussion and Analysis of the Business Operation of the Company (Management Discussion and Analysis)

Business Review

Sales volume of products

		From 1 January 2018 to 30 June 2018	From 1 January 2017 to 30 June 2017	Unit: unit Changes %
Pick-up truck	Domestic sales	64,234	57,242	12.21
	Export	6,279	4,919	27.65
	Sub-total	70,513	62,161	13.44
SUV	Domestic sales	384,167	380,058	1.08
	Export	13,760	9,514	44.63
	Sub-total	397,927	389,572	2.14
Sedan	Domestic sales	1,315	3,339	-60.62
	Export	2,184	2,714	-19.53
	Sub-total	3,499	6,053	-42.19
Total	Domestic sales	449,716	440,639	2.06
	Export	22,223	17,147	29.60
	Sub-total	471,939	457,786	3.09

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 production of pick-up trucks, SUVs and sedans. During the Period, there was a slight increase in the Group's sales volume of automobiles.

(1) Pick-up truck

According to the statistics from China Association of Automobile Manufacturers, Great Wall Motor's pick-up trucks continued to rank first in the PRC market in terms of sales volume for 20 consecutive years, entrenching its leading market position.

(2) SUV

During the Period, the Group achieved outstanding performance in the domestic SUV market. The Group continued to launch more SUV models and strengthened publicity to promote the image and popularity of the brand.

(3) Sedan

During the Period, the Group actively developed new energy vehicles; in April, the Group released the upgraded battery electric sedan "C30EV", with endurance mileage further improved.

Section 4 Discussion and Analysis of the Business Operation of the Company (Management Discussion and Analysis)

Domestic market

During the Period, the growth rate of the automobile industry slowed down, with further adjustment to the sales mix. Passenger vehicles remained the major driving force for the growth of the automobile industry, among which new energy vehicles enjoyed the fastest growth rate, reaching 111.6% year-on-year, while the overall scale was still small. In the first half of the year, the Group launched car models with a variety of configurations by optimizing its product mix to meet market demand and enhance the competitiveness of the Company.

During the Period, facing fierce market competition, the Company conducted innovative marketing activities, adjusted product mix, consolidated the brand and launched new models. As a result, the Company achieved a sales volume of 449,700 units of automobiles, up by 2.06% year-on-year. Sales volume of SUV amounted to 384,200 units, thus enabling the Company to maintain its leading position in the domestic market; revenue from the sale of automobiles in the domestic market reached RMB43,615,119,497.98, representing approximately 90.94% of the Group's operating revenue.

Overseas market

During the Period, frequent fluctuations in exchange rates in overseas markets and geopolitical turmoil had exerted greater pressure on the PRC's automobile exports. While China continued to promote "The Belt and Road" strategy, overseas markets also offer opportunities arising from structural changes, which gradually led to the formation of new growth centres. During the Period, automobile companies in China exported 512,000 units, representing a year-on-year increase of 29.4%.

In terms of research and development and marketing promotion, the Group continued to increase investment in overseas markets. During the Period, the Group established a global research and development model through the development of synergistic research and development in Japan, India, Germany, the United States, Austria and Korea to strengthen the Group's overall research and development capability.

In overseas markets, the Group continued to step up efforts in development to promote sales volume in the overseas markets. During the Period, the Group achieved automobiles export of 22,200 units, with a year-on-year increase of 29.60%. The revenue generated from export of automobiles amounted to RMB1,517,355,380.35, representing approximately 3.16% of the Group's operating revenue.

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 addition, the Group had joined the Hydrogen Council and carried out the development of hydrogen fuel cell technology.

Intelligent driving

The Group has introduced "i-Pilot" (智慧领航) automated driving system, which will gradually be installed in its products, thereby improving self-driving cars performance. In addition, the Group carried out in-depth cooperation with Baidu and Huawei in the aspects of ride sharing, big data, artificial intelligence, Internet of Vehicles and "smart travel" to enhance automated driving technology.



Section 4 Discussion and Analysis of the Business Operation of the Company (Management Discussion and Analysis)

Launch of new products

During the Period, the Group launched a new “Haval H6 Coupe” model. Equipped with a 1.5 GDIT engine and a 7 wet DCT, this new car model sells at a range between RMB119,000 and RMB127,000. The power performance of this new car model has been enhanced, with further improvement in fuel economy. Its standard features include blind spot detection and 360-degree panoramic view system; it also boasts safety with a unibody design, all-round protection with six airbags, providing adequate protection for the safe driving of consumers.

In March 2018, the Group launched a brand new “Haval H4” model under its Haval series. The new model applies a brand new design language of the Haval family, designed with short front and rear overhangs, making the car look elegant and compact but at the same time extremely sporty. Equipped with a 1.3 GDIT and 1.5 GDIT engine and a 7 wet DCT, the model also has high-tech equipment including a 360 surround view system, blind spot detection and lane departure warning. The car sells at a range between RMB106,000 and RMB116,000.

In April, the Group launched its first plug-in hybrid power SUV model WEY P8. The car has a guide price ranging between RMB292,800 and RMB312,800, and a national uniform price between RMB259,800 and RMB279,800 after subsidies. The average fuel consumption is as low as 2.3L per hundred kilometers. P8 is the first product of the high-end new energy Pi4 platform under the WEY brand and it is exempt from license plate restriction, purchase restriction and purchase tax. It takes merely 6.5 seconds for P8 to accelerate from zero to 100 kilometers per hour. This car model features two modes of energy recovery, and three levels of energy recovery, and it can run up to 50 kilometers in all-electric mode.

In addition, at the Beijing International Automotive Exhibition (“Auto China”) in April, the Group showcased a number of SUV models, not only including the existing production car models, but also the Company’s future new models. The first car model “Haval F5” in the F series under the Haval brand was showcased for the first time. The WEY brand also showcased the first hybrid power car model “P8”, the first all-electric SUV concept car “WEY-X”, and the modified car model “WEY RS7”. The brand new car model “VV6” under the WEY brand was also showcased for the first time during the auto exhibition.

At Auto China, the Group’s new energy-enabled brand “ORA” made its debut; a number of electric vehicle models will be launched under the “ORA” brand in future.

In April 2018, the Group released the upgraded battery electric sedan “C30EV”, with endurance mileage further improved.

Outlook

In view of the huge gap between China and developed countries in terms of access to automobiles, there is a great growth potential in car ownership in the country. China’s economy is expected to sustain a steady and healthy growth in the long run; the automobile industry is also expected to see a stable growth in sales volume of the passenger vehicle segment along with the growth in the overall economy.

Based on the current state of affairs, the Group envisions to develop in the direction of clean energy, intelligent technology, network connection and sharing. While the Group will enhance the quality of traditional car models, it will also increase investment in new energy, intelligent technology and sharing, and launch more hybrid power and all-electric car models.

Section 4 Discussion and Analysis of the Business Operation of the Company (Management Discussion and Analysis)

The Group has joined the Hydrogen Council to conduct development of hydrogen energy and will launch more environmentally-friendly and energy-saving products in future.

With respect to intelligent driving, the Group has in-depth technical cooperation with such companies as internet companies and telecommunications operators, so as to improve the technology level in the fields of intelligent network connection and “smart travel”. Moreover, in future, the Company will install i-Pilot system first on car models under the WEY brand, so as to reach autonomous driving level 3+ set by SAE International.

New products

In accordance with the automobile industry trend, the Group will launch more competitive SUV models and new energy models.

In August, the Group will launch a brand new “VV6” under the WEY brand. Positioning as an intelligent luxury SUV, “VV6” has core product matrix consisting of “intelligent safety and intelligent luxury”. The new car model is equipped with 20 intelligent driver assistance technologies, which are the core competitive edges; the car model is expected to satisfy families with a demand for high-quality cars.

In September, the Group will launch a brand new F series. Positioning as a “new sporty, intelligent, and connected SUV”, the F series boasts trendy looks, hi-tech features, sporty appeal, and targets at younger customers. This series strives to “revolutionize the future” through delivering products with younger appeal, hi-tech and intelligent features, which will further entrench the Group’s image as an SUV leader. The new series will target at post-90s customers in the first and second tier cities, especially the new generation who is fashion conscious. On the front of intelligent technology, the first car model “F5” is equipped with functions such as intelligent speech recognition, intelligent entertainment, remote control and “smart travel”. In terms of power performance, it is equipped with 1.5 GDIT + 7 DCT powertrain, as well as brand new engine and chassis tuning features. It is expected that the car model “F7” will be launched in the fourth quarter, which will become the Group’s first car model installed with autopilot technology.

In respect of electric vehicles, the Group will launch “ORA IQ”, the first car model under the brand ORA, in the third quarter and another car model “ORA R1” under the same brand by the end of the year.

Cooperation with BMW

On 10 July 2018, witnessed by government officials from the PRC and Germany, the Company entered into a joint venture contract with BMW Holding B.V. (“BMW”). According to the contract, both parties will each hold 50% shareholding in the joint venture company. The new company will be named Spotlight Automotive Ltd. (光束汽車有限公司), with a total investment amount of RMB5.1 billion and a registered capital of RMB1.7 billion. The registered address of the joint venture company will be in Zhangjiagang City, Jiangsu Province. The joint venture company plans to establish an internationally advanced automobile manufacturing plant with a standard annual production capacity of 160,000 vehicles. This will be BMW’s first joint venture on all-electric vehicles. This will also be the bridgehead of Great Wall Motor’s internationalization initiative for its new energy vehicles. This cooperation will facilitate the globalization process of both parties and push forward the strategy and development of the Group’s new energy business.

Section 4 Discussion and Analysis of the Business Operation of the Company (Management Discussion and Analysis)

Preferential enterprise income tax rate for high-tech enterprises

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

(I) Analysis of principal business

1. Analysis of changes of relevant items in the financial statements

Unit: RMB Currency: RMB

Item	Amount for the Reporting Period	Amount for the corresponding period of last year	Changes (%)
Total operating revenue	48,678,448,851.44	41,255,663,824.84	17.99
Operating revenue	47,957,822,005.30	40,992,814,179.16	16.99
Operating costs	38,414,784,286.51	33,044,501,625.79	16.25
Selling expenses	2,077,495,014.39	1,569,425,796.62	32.37
Administrative expenses	676,680,355.56	770,197,087.01	-12.14
Financial expenses	304,446,004.57	76,096,711.63	300.08
Net cash flows from operating activities	14,145,729,736.32	8,338,899,649.27	69.64
Net cash flows from investing activities	-11,012,125,654.63	-6,086,804,994.03	80.92
Net cash flows from financing activities	1,302,421,317.23	1,621,676,582.12	-19.69
Research and Development expenses	1,504,043,522.03	1,539,784,150.73	-2.32

The change in selling expenses was mainly due to the increase in advertising and promotion expenses during the Reporting Period.

The change in financial expenses was mainly due to the increase in interest expense for loans during the Reporting Period.

The change in net cash flows from operating activities was mainly due to the change in ways of fundraising and the increase in gross profit during the Reporting Period.

The change in net cash flows from investing activities was mainly due to the decrease in principal of investment and wealth management products recovered during the Reporting Period.

Section 4 Discussion and Analysis of the Business Operation of the Company (Management Discussion and Analysis)

2. Others

(1) Detailed description of significant changes in the profit composition or profit sources of the Company

Applicable Not applicable

(2) Others

Applicable Not applicable

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

Applicable Not applicable

(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	Amount as at the end of the Current Period as a percentage of total assets (%)	Amount as at the end of the corresponding period of last year	Amount as at the end of the corresponding period of last year as a percentage of total assets (%)	Changes in the amount as at the end of the Current Period over the end of the corresponding period of last year (%)	Description
Cash and bank balances	8,727,705,160.24	8.38	4,831,349,324.85	4.37	80.65	Changes in cashes and bank balances were mainly due to the increase in funds raised from bank loans and increased bill collection during the Reporting Period
Financial assets held for trading	9,479,782,842.34	9.10			100.00	Changes in financial assets held for trading were mainly because the Group recognised the purchased "principal-guaranteed floating income" products and the equity investments in listed companies as financial assets held for trading according to the Notice of the Ministry of Finance on Revising the Format of Financial Statements of General Enterprises in 2018 (Cai Kuai [2018] No. 15). And the Group did not make any adjustments to the comparative financial statement data for previous periods.

Section 4 Discussion and Analysis of the Business Operation of the Company (Management Discussion and Analysis)

Item	Amount as at the end of the Current Period	Amount as at the end of the Current Period as a percentage of total assets (%)	Amount as at the end of the corresponding period of last year	Amount as at the end of the corresponding period of last year as a percentage of total assets (%)	Changes in the amount as at the end of the Current Period over the end of the corresponding period of last year (%)	Description
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 mainly because the Group reclassified the equity investments in listed companies originally recognised as financial assets at fair value through profit or loss to "financial assets held for trading" during the Reporting Period according to the Notice of the Ministry of Finance on Revising the Format of Financial Statements of General Enterprises in 2018 (Cai Kuai [2018] No. 15). And the Group did not make any adjustments to the comparative financial statement data for previous periods.
Notes and accounts receivable	1,543,088,399.71	1.48	49,948,553,567.36	45.18	-96.91	Changes in notes and accounts receivable were mainly because the Group reclassified notes receivable to financial assets at fair value through other comprehensive income based on the future cash inflows of such notes receivable and presented such assets in "other current assets" during the Reporting Period according to the Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments revised by the Ministry of Finance in 2017 and the Notice of the Ministry of Finance on Revising the Format of Financial Statements of General Enterprises in 2018 (Cai Kuai [2018] No. 15). And the Group did not make any adjustments to the comparative financial statement data for previous periods.
Prepayments	383,389,970.44	0.37	579,536,182.06	0.52	-33.85	Changes in prepayments were mainly due to the decrease in prepayments for raw materials purchased during the Reporting Period as compared with the end of the previous year
Non-current assets due within one year	9,874,514,930.28	9.48	7,447,875,069.05	6.74	32.58	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 Co., Ltd., a subsidiary of the Company

Section 4 Discussion and Analysis of the Business Operation of the Company (Management Discussion and Analysis)

Item	Amount as at the end of the Current Period	Amount as at the end of the Current Period as a percentage of total assets (%)	Amount as at the end of the corresponding period of last year	Amount as at the end of the corresponding period of last year as a percentage of total assets (%)	Changes in the amount as at the end of the Current Period over the end of the corresponding period of last year (%)	Description
Other current assets	25,424,990,759.75	24.40	267,000,053.72	0.24	9,422.47	Changes in other current assets were mainly because the Group reclassified notes receivable to financial assets at fair value through other comprehensive income based on the future cash inflows of such notes receivable and presented such assets in "other current assets" during the Reporting Period according to the Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments revised by the Ministry of Finance in 2017 and the Notice of the Ministry of Finance on Revising the Format of Financial Statements of General Enterprises in 2018 (Cai Kuai [2018] No. 15). And the Group did not make any adjustments to the comparative financial statement data for previous periods.
Available-for-sale financial assets			7,700,000.00	0.01	-100.00	Changes in available-for-sale financial assets were mainly because the Group reclassified the equity investments in non-listed companies originally recognised as available-for-sale financial assets to investments in equity instruments not held for trading measured at fair value through other comprehensive income and presented such assets in "investments in other equity instruments" according to the Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments revised by the Ministry of Finance in 2017. And the Group did not make any adjustments to the comparative financial statement data for previous periods.

Section 4 Discussion and Analysis of the Business Operation of the Company (Management Discussion and Analysis)

Item	Amount as at the end of the Current Period	Amount as at the end of the Current Period as a percentage of total assets (%)	Amount as at the end of the corresponding period of last year	Amount as at the end of the corresponding period of last year as a percentage of total assets (%)	Changes in the amount as at the end of the Current Period over the end of the corresponding period of last year (%)	Description
Investments in other equity instruments	7,700,000.00	0.01			100.00	Changes in investments in other equity instruments were mainly because the Group reclassified the equity investments in non-listed companies originally recognised as available-for-sale financial assets to investments in equity instruments not held for trading measured at fair value through other comprehensive income and presented such assets in "investments in other equity instruments" according to the Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments revised by the Ministry of Finance in 2017. And the Group did not make any adjustments to the comparative financial statement data for previous periods.
Research and development expenses	632,852,045.64	0.61			100.00	Research and development expenses for the Reporting Period represent the amount of capitalised R&D investments.
Goodwill	6,555,045.13	0.01	2,163,713.00	0.00	202.95	The change in goodwill was caused by the formation of goodwill when the Group acquired equity in Oula Information Service Co., Ltd. in June 2018.
Short-term borrowings	17,386,641,047.91	16.69	13,037,978,000.00	11.79	33.35	The change in short-term borrowings was due to the increase in bank borrowings in the Reporting Period
Notes and accounts payable	22,225,179,743.74	21.33	31,841,388,872.32	28.80	-30.20	Changes in notes and accounts payable were mainly due to the decrease in accounts payable resulting from the decrease in the amount of materials purchased in the Reporting Period as compared with the end of the previous year.

Section 4 Discussion and Analysis of the Business Operation of the Company (Management Discussion and Analysis)

Item	Amount as at the end of the Current Period	Amount as at the end of the Current Period as a percentage of total assets (%)	Amount as at the end of the corresponding period of last year	Amount as at the end of the corresponding period of last year as a percentage of total assets (%)	Changes in the amount as at the end of the Current Period over the end of the corresponding period of last year (%)	Description
Receipts in advance			5,457,772,639.50	4.94	-100.00	Changes in advance receipts were mainly because the Group reclassified the advance payments for goods and other advance payments received from customers in accordance with the relevant contracts from receipts in advance to "contract liabilities" during the Reporting Period according to the Accounting Standards for Business Enterprises No. 14 – Revenue revised by the Ministry of Finance in 2017 and the Notice of the Ministry of Finance on Revising the Format of Financial Statements of General Enterprises in 2018 (Cai Kuai [2018] No. 15). And the Group did not make any adjustments to the comparative financial statement data for previous periods.
Contract liabilities	3,894,915,850.31	3.74			100.00	Changes in contract liabilities were mainly because the Group recognised the obligations to transfer goods or services to customers for considerations received or receivable from customers as "contract liabilities" during the Reporting Period according to the Accounting Standards for Business Enterprises No. 14 – Revenue revised by the Ministry of Finance in 2017 and the Notice of the Ministry of Finance on Revising the Format of Financial Statements of General Enterprises in 2018 (Cai Kuai [2018] No. 15). And the Group did not make any adjustments to the comparative financial statement data for previous periods.
Employee benefits payable	609,137,711.14	0.58	1,872,028,903.98	1.69	-67.46	Changes in employee benefits payable were mainly due to the payment of bonuses payable recognised in December 2017 in the Reporting Period.
Taxes payable	798,094,162.68	0.77	2,308,154,256.08	2.09	-65.42	Changes in taxes payable were mainly due to the decrease in sales in June of the Reporting Period compared with December of the previous year.

Section 4 Discussion and Analysis of the Business Operation of the Company (Management Discussion and Analysis)

Item	Amount as at the end of the Current Period	Amount as at the end of the Current Period as a percentage of total assets (%)	Amount as at the end of the corresponding period of last year	Amount as at the end of the corresponding period of last year as a percentage of total assets (%)	Changes in the amount as at the end of the Current Period over the end of the corresponding period of last year (%)	Description
Other current liabilities	1,027,659,736.32	0.99	1,653,117,141.98	1.50	-37.84	Changes in other current liabilities were mainly because the Group reclassified after-sales maintenance service fees originally recognised as other current liabilities to contract liabilities as a single performance obligation according to the Accounting Standards for Business Enterprises No. 14 – Revenue revised by the Ministry of Finance in 2017 and the Notice of the Ministry of Finance on Revising the Format of Financial Statements of General Enterprises in 2018 (Cai Kuai [2018] No. 15).
Long-term borrowings	1,444,586,500.00	1.39	423,754,500.00	0.38	240.90	The change in long-term borrowings was due to the increase in bank borrowings in the Reporting Period.
Other non-current liabilities	606,965,402.76	0.58			100.00	Changes in other non-current liabilities were mainly because the Group reclassified advance interest on auto loans due in more than one year to “other non-current liabilities” during the Reporting Period according to the Accounting Standards for Business Enterprises No. 14 – Revenue revised by the Ministry of Finance in 2017 and the Notice of the Ministry of Finance on Revising the Format of Financial Statements of General Enterprises in 2018 (Cai Kuai [2018] No. 15). And the Group did not make any adjustments to the comparative financial statement data for previous periods.



Section 4 Discussion and Analysis of the Business Operation of the Company (Management Discussion and Analysis)

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

Applicable Not applicable

Assets with limited ownership or right to use

Unit: RMB Currency: RMB

Item	Carrying amount at the end of the period	Reasons for the restrictions
Cash and bank balances	602,587,469.70	Required deposit reserves, L/C Guarantee deposits, guarantee deposits, deposited investment funds and others
Notes receivable	9,590,651,589.12	Used for issuance of notes payable and short-term borrowings
Intangible assets	87,406,280.97	Used for long-term borrowings
Total	10,280,645,339.79	

3. Description of other matters

Applicable Not applicable

(IV) Analysis of investments

1. Overall analysis of external equity investment

Applicable Not applicable

During the Reporting Period, the total amount of the equity investment of the Group was RMB447,175,600, representing an increase of 292.72% as compared with RMB113,866,400 in the corresponding period of last year.

(1) Major equity investment

Applicable Not applicable



Section 4 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
Xiamen Great Wall Auto Sales Company Limited (廈門長城汽車銷售有限公司)	Wholesale of automobiles; wholesale of automotive components and accessories; import and export of various commodities and technologies (without import and export catalogues) except for those to be carried on by state-designated companies or the import and export of which are prohibited; retail of automobiles; information technology consulting services; business information consultation; other unspecified professional consulting services (excluding projects subject to licensing and approval); wholesale of computers, software and auxiliary equipment; wholesale of other mechanical equipment and electronic products; other unspecified business services (excluding projects subject to licensing and approval); other unspecified services (excluding projects subject to licensing and approval); car rental (excluding operation); used car appraisal and evaluation services.	3.3	100%
Guangzhou Great Wall Auto Sales Company Limited (廣州長城汽車銷售有限公司)	Retail of automobiles; retail of automotive parts and components; sale of automobiles; wholesale of automotive parts and components; sale of automotive charging modules; sale of used cars; retail of software; software development; software services; car rental; design of automotive parts and components; design of automotive repair tools; agency service of annual vehicle examination and transfer of vehicle ownership; agency service of motor vehicle management; import and export of commodities (excluding franchised or State-controlled commodities); import and export of technologies; trade agency; commodity information consultation.	3.45	100%

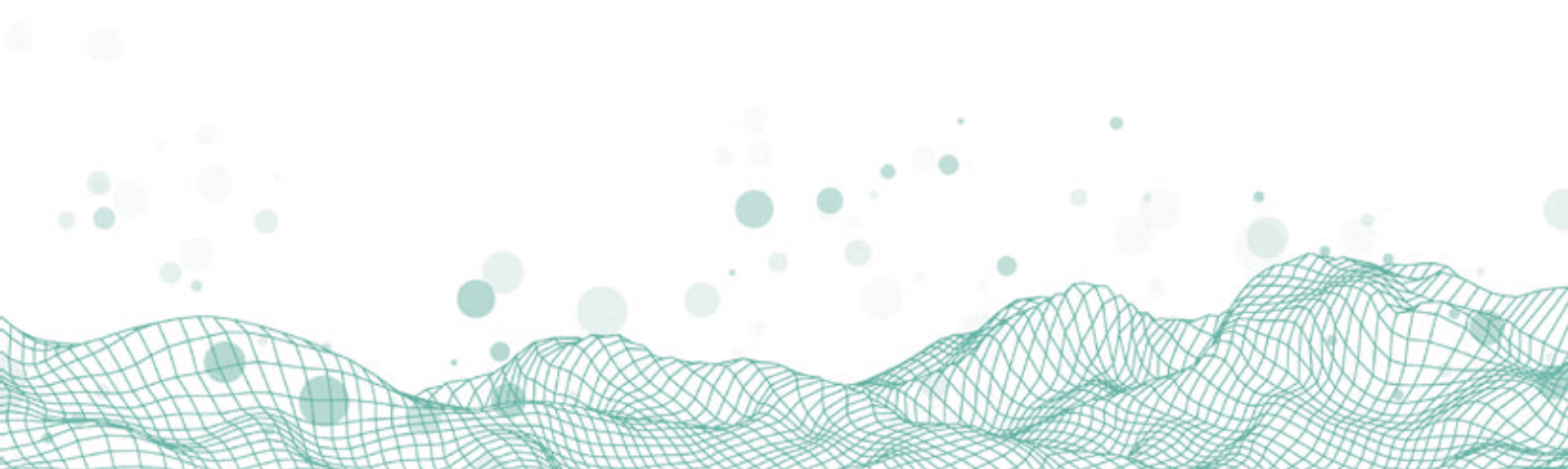
Section 4 Discussion and Analysis of the Business Operation of the Company (Management Discussion and Analysis)

Name of investee	Principal business	Investment amount (RMB10,000)	Percentage of shareholding
Honeycomb Energy Technology Company Limited (蜂巢能源科技有限公司)	Research and development, technological services, manufacturing, sale, after-sales services, consulting services and marketing application development of lithium-ion motive batteries and their cathode materials (non-chemical products), storage batteries, solar equipment and relevant integrated products; development and sale of battery management system and wind, light and electricity energy storage system; research and development, manufacturing, sale, installation and maintenance of charging piles and charging equipment; construction and operation of charging and battery replacement facilities for new energy vehicles; technological development of circular utilisation of lithium-ion batteries; design, construction, sale and leasing of storage power plants; development, manufacturing, sale and after-sales services of lithium battery manufacturing equipment; import and export business of proprietary and franchise commodities and technologies; leasing of self-owned properties and equipment; recycling, sale and technological development of marketing application of used batteries (as authorised by the Permit for Operation of Dangerous Wastes); operation of road freight (as authorised by the Permit for Operation of Road Transport); industrial investment (financial or alternative financial business, other than that subject to approval and filing according to law, is not permitted); warehousing services (excluding dangerous goods).	20,000	100%



Section 4 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
Tianjin Oula Financial Leasing Company Limited (天津歐拉融資租賃有限公司)	Financial leasing business; leasing business; purchase of domestic and overseas leasing properties; residual value treatment and maintenance of leasing properties; commercial factoring business related to principal business.	12,750	100%
Tianjin Great Wall Car Sharing Service Company Limited (天津長城共享汽車服務有限公司)	Facilitation of car services; car rental; automotive information consultation; labour services; baggage porter service; technology consultation; technology development; technological services; technology transfer; economic information consultation.	1,805	100%
Haval Motor Manufacturing Rus Limited Liability Company (俄羅斯哈弗汽車製造有限責任公司)	<ol style="list-style-type: none"> 1. Marketing, sales, promotion, production and manufacturing of automobiles, automotive parts, components and accessories, and engaging in any other related operating activities, including trade intermediary activities and foreign trade activities; 2. Technical maintenance and repair services for automobiles and the provision of technical maintenance services for other transport vehicles; 3. Carrying out financial intermediary activities in the sales of automobiles and transport vehicles. 	10,155.81	100%



Section 4 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	Actual accumulated investment amount	Net profit generated by project
Great Wall Motor Passenger Vehicles Xushui Automobile Plant No. 3	3,614,304,600.00	78.74%	448,335,855.67	2,845,982,250.55	808,529,401.31
Smart transmission system for new energy vehicles with annual production capacity of 500,000 units	4,142,339,700.00	37.67%	1,008,968,076.36	1,560,310,186.25	-
Russia automobile plant (俄羅斯整車廠)	3,457,127,700.00	59.33%	998,735,153.00	2,051,214,425.16	-
Total	11,213,772,000.00	-	2,456,039,085.03	6,457,506,861.96	808,529,401.31

(3) Financial assets measured at fair value

√ Applicable Not applicable

Fair value of assets and liabilities measured at fair value at the end of the period

Unit: RMB Currency: RMB

Item	30 June 2018 (Unaudited)
1. Financial assets measured at fair value through profit or loss	
Held-for-trading financial assets – equity instruments	235,578,252.00
Held-for-trading financial assets – wealth management products	9,244,204,590.34
2. Financial assets measured at fair value through other comprehensive income	
Other current assets – notes receivable	24,729,835,495.31
Other equity instruments	7,700,000.00

Section 4 Discussion and Analysis of the Business Operation of the Company (Management Discussion and Analysis)

(V) Disposal of major assets and equity interest

Applicable Not applicable

(VI) Analysis of 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 Reporting Period	Total net assets as at the end of the Reporting Period	Operating revenue for the Reporting Period	Operating profit for the Reporting Period	Net profit for the Reporting Period
Tianjin Great Wall Binyin Automotive Finance Company Limited (天津長城濱銀汽車金融有限公司)	Automotive Finance	1,200,000,000	90	90	15,980,394,462.87	1,572,089,317.31	720,471,715.86	256,732,787.51	207,361,945.20
Baoding Weiyi Motor Company Limited (保定威奕汽車有限公司)	Manufacture of automotive parts and components	2,000,000,000	100	100	551,478,846.49	416,052,099.87	370,979,011.57	145,366,762.52	130,335,396.06
Chongqing Haval Automobile Company Limited (重慶哈弗汽車有限公司)	Sale of automobiles	5,000,000	100	100	1,511,972,855.37	52,492,584.95	2,977,877,531.83	61,756,147.83	52,492,584.95
Haval Logistics Company Limited (哈弗物流有限公司)	Logistics and ordinary goods transportation	85,000,000	100	100	136,024,013.76	126,970,714.42	189,982,451.40	47,163,531.63	34,470,714.42
Mind Electronics Company Limited (曼德電子電器有限公司)	Manufacture of automotive parts and components	1,000,000,000	100	100	178,208,091.98	161,122,882.96	174,067,747.03	34,169,947.63	29,245,089.82
Baoding Great Machinery Company Limited (保定市格瑞機械有限公司)	Manufacture of automotive parts and components	23,000,000	100	100	247,711,688.93	194,410,163.86	109,677,402.94	30,144,907.43	26,532,240.92
Baoding Nuobo Rubber Production Co., Ltd (保定市諾博橡膠製品有限公司)	Manufacture of automotive parts and components	72,240,000	100	100	307,890,704.52	279,589,197.98	125,105,692.27	16,822,088.32	23,209,007.72
Baoding Yixin Automotive Parts Company Limited (保定億新汽車配件有限公司)	Manufacture of automotive parts and components	13,000,000	100	100	136,523,293.12	53,248,674.94	125,617,023.85	19,716,403.52	19,038,752.19
Baoding Great Wall Auto Sales Company Limited (保定長城汽車銷售有限公司)	Marketing and sale of automobiles	39,640,000	100	100	571,591,979.00	100,221,728.84	464,337,328.95	22,753,125.63	17,429,537.89
Great Wall Baoding Huabei Automobile Company Limited (保定長城華北汽車有限公司)	Manufacture of automotive parts and components	177,550,000	100	100	337,559,307.55	279,761,523.07	219,209,351.42	17,818,516.71	13,383,933.73

(VII) Structured entities under the control of the Company

Applicable Not applicable

Section 4 Discussion and Analysis of the Business Operation of the Company (Management Discussion and Analysis)

II. OTHER DISCLOSURES

(I) Warnings and reasons for any expected accumulated loss from the beginning of the year to the end of the following reporting period or substantial change in profitability compared to the corresponding period of last year

Applicable Not applicable

(II) Exposure to potential risks

Applicable Not applicable

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

1. China's economy is in the throes of the transition period and shifting from high growth to high quality development during the structural upgrade of the industry and transition to new economic drivers, leading to a greater downside pressure on the economy in the short run. In addition, given consumption overdrafts in the past and the current dampened demand on car purchase from consumers, the domestic automobile market will enter into an "era of slight growth" with intensified competition in the industry and continual new products launch, resulting in a crowded SUV market;
2. 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;
3. 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 in achieving the fuel consumption target at Phase 4. The new energy market in China is a global leading market because of high financial subsidies. However, as subsidies fall at a faster pace than that of new energy costs, the sales volume of new energy vehicles will be hit by the substantial fall in subsidies coming into effect from 2018 onwards, resulting in some risks in achieving the credits in respect of corporate average fuel consumption;
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.



Section 4 Discussion and Analysis of the Business Operation of the Company (Management Discussion and Analysis)

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

1. in order to maintain its position as a leading market player, the Company will pool resources to create the right product mix and boost 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 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;
3. 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. A series of products under the ORA brand will be launched successively in the second half of 2018 to boost the sales of new energy-enabled products;
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 localized operation to expand the sale scale of the overseas market.

(III) Other Disclosures

√ Applicable Not applicable

Interim Dividend

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

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

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

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 Reporting Period.



Section 4 Discussion and Analysis of the Business Operation of the Company (Management Discussion and Analysis)

Audit Committee

The Company has set up the Audit Committee for the purposes of reviewing and supervising the financial reporting process and internal control 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 29 August 2018, the Audit Committee reviewed the 2018 interim results announcement, 2018 interim report and interim financial report of the Group and gave their opinions and recommendations to the Board. The Audit Committee is of the opinion that the 2018 interim results announcement, 2018 interim report and interim financial report of the Company comply with the applicable accounting standards and the Company has made appropriate disclosure thereof.

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 of the Company, including benefits in kind, pensions and compensation payments.

Nomination Committee

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

Strategy Committee

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

Compliance with the Model Code

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 Reporting Period.



Section 5 Significant Events

I. SUMMARY OF THE GENERAL MEETINGS

Session	Date of general meeting	Designated website on which the resolution was published	Publication date of the resolution
2017 annual general meeting	14 May 2018	Shanghai Stock Exchange www.sse.com.cn; Hong Kong Stock Exchange www.hkexnews.hk	14 May 2018

Description of General Meetings

Applicable Not applicable

II. PROPOSAL OF PROFIT DISTRIBUTION OR CAPITALISATION OF CAPITAL RESERVE

(I) Profit distribution proposal and proposal on capitalisation of capital reserve for the first half of the year

Any distribution or capital increase	No
Number of bonus shares for every 10 shares (share)	—
Dividends for every 10 shares (RMB) (tax inclusive)	—
Number of capitalisation shares for every 10 shares (share)	—
Details of proposal on profit distribution or capitalisation of capital reserve	—



Section 5 Significant Events

III. PERFORMANCE OF UNDERTAKINGS

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

√ Applicable Not applicable

Background of undertakings	Type of undertakings	Undertaking party	Description of undertakings	Date and duration of undertakings	Any time frame for performance (yes/no)	Strict and timely performance (yes/no)	Reasons for failure of performance (if undertakings cannot be performed timely)	Next step (if undertakings cannot be performed in a timely manner)
Undertakings relating to the initial public offering of the shares of the Company	Termination of related party transaction	Great Wall Motor Company Limited (長城汽車股份有限公司)	From 1 January 2012, Great Wall Motor Company Limited (長城汽車股份有限公司) would not enter into any transactions relating to automotive parts and components with Hebei Baoding Tai Hang Group Company Limited (河北保定太行集團有限公司) and Baoding Tai Hang Pump Manufacturing Company Limited (保定市太行制泵有限公司).	From 1 January 2012, permanent	No	Yes	—	—

Section 5 Significant Events

Background of undertakings	Type of undertakings	Undertaking party	Description of undertakings	Date and duration of undertakings	Any time frame for performance (yes/no)	Strict and timely performance (yes/no)	Reasons for failure of performance (if undertakings cannot be performed timely)	Next step (if undertakings cannot be performed in a timely manner)
Undertakings relating to the initial public offering of the shares of the Company	Resolving business competition	Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司)	<p>1. Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司) is neither directly nor indirectly engaged in any Competing Business.</p> <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>	From 10 December 2010, permanent	No	Yes	—	—

Section 5 Significant Events

Background of undertakings	Type of undertakings	Undertaking party	Description of undertakings	Date and duration of undertakings	Any time frame for performance (yes/no)	Strict and timely performance (yes/no)	Reasons for failure of performance (if undertakings cannot be performed timely)	Next step (if undertakings cannot be performed in a timely manner)
Undertakings relating to the initial public offering of the shares of the Company	Resolving business competition	Wei Jian Jun	<p>1. The subsidiaries directly or indirectly controlled by Mr. Wei Jian Jun are neither directly nor 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 5 Significant Events

IV. APPOINTMENT OR DISMISSAL OF ACCOUNTING FIRM

Description of appointment or 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

Explanation of the Company on “non-standard auditor’s report” issued by the accounting firm

Applicable Not applicable

Explanation of the Company on “non-standard auditor’s report” issued by the Certified Public Accountants as set out in the financial report of the annual report from last year

Applicable Not applicable

V. BANKRUPTCY AND RESTRUCTURING

Applicable Not applicable

VI. MATERIAL LITIGATIONS AND ARBITRATIONS

The Company had material litigations and arbitrations during the Reporting Period

The Company had no material litigations and arbitrations during the Reporting Period

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

Applicable Not applicable

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

Applicable Not applicable



Section 5 Significant Events

IX. SHARE INCENTIVE SCHEME, EMPLOYEE SHARE OWNERSHIP 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 descriptions

Applicable Not applicable

Employee Share Ownership Scheme

Applicable Not applicable

Other incentives

Applicable Not applicable

X. 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 requiring disclosure by temporary announcements, please refer to Related Parties and Transactions in note XI to the financial report.

Section 5 Significant Events

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

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 achievement or otherwise of agreed results during the Reporting Period

Applicable Not applicable

(III) Material related party transactions in respect of joint 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



Section 5 Significant Events

(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) Other material related party transactions

Applicable Not applicable

(VI) Others

Applicable Not applicable

Apart from the related party transactions between the Group and Mr. Zhao Guoqing, the senior management of the Company, Ms. Han Xuejuan and Ms. Wei Zihan, immediate family members of the ultimate controlling shareholder, and Lingtu Auto Co., Ltd. (領途汽車有限公司), 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 with 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 shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.



Section 5 Significant Events

XI. MATERIAL CONTRACTS AND PERFORMANCE THEREOF**1. Trust, contracting and leasing**

Applicable Not applicable

2. Guarantee

Applicable Not applicable

	<i>Unit: RMB</i>	<i>Currency: RMB</i>
Total amount of guarantees during the Reporting Period (excluding guarantees provided for subsidiaries)		0
Total amount of guarantees outstanding as at the end of the Reporting Period (A) (excluding guarantees provided for subsidiaries)		0
Guarantees provided by the Company to subsidiaries		
Total amount of guarantees to subsidiaries during the Reporting Period		721,718,000
Total amount of guarantees to subsidiaries outstanding as at the end of the Reporting Period (B)		1,753,497,548
Total amount of guarantees (including guarantees provided for subsidiaries) provided by the Company		
Total amount of guarantees (A+B)		1,753,497,548
Total amount of guarantees as a percentage of the net asset value of the Company (%)		3.42
Of which:		
Amount of guarantees provided for shareholders, parties which have de facto control and their related parties (C)		0
Amount of guarantees directly or indirectly provided for parties with a gearing ratio exceeding 70% (D)		0

Section 5 Significant Events

Total amount of guarantees in excess of 50% of net asset value (E)	0
Total amount of guarantees of the above three items (C+D+E)	0
Statement on the contingent joint liability in connection with unexpired guarantees	
Details of guarantees	<ol style="list-style-type: none"> 1. The said amounts of guarantees 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 30 June 2018, 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) 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. 4. In 2017, the Board considered and approved the provision of guarantee of an amount equivalent to USD350 million for Billion Sunny Development Limited (億新發展有限公司), an indirect wholly-owned subsidiary of the Company.

Note: The exchange rate of US dollar against Renminbi was based on the Renminbi central parity rate (USD1=RMB6.6166) as announced by the People's Bank of China on 30 June 2018; the exchange rate of Euro against Renminbi was based on the Renminbi central parity rate (EUR1=RMB7.6515) as announced by the People's Bank of China on 30 June 2018.



Section 5 Significant Events

3. Other material contracts

Applicable Not applicable

XII. POVERTY ALLEVIATION UNDERTAKEN BY THE COMPANY

Applicable Not applicable

1. The plan for accurate poverty alleviation

Applicable Not applicable

The Company held top-down poverty alleviation meetings and assigned specific personnel to conducting visits to and investigations of impoverished provincial areas in order to understand the poverty status in such areas and formulate relevant poverty alleviation plans and policies. In line with specific poverty alleviation plans, the Company continued to improve the public welfare of such impoverished areas, including infrastructure, medical care and education.

2. Summary of accurate poverty alleviation for the Reporting Period

Applicable Not applicable

In the first half of 2018, the Company offered numerous job opportunities in impoverished areas through accurate identification, and provided local residents with vocational training to improve their skills. The Company also established an employment platform for disabled people to help them solve financial and employment difficulties, and visited children at children's homes to spread care and warmth.



Section 5 Significant Events

3. Results of accurate poverty alleviation

Applicable Not applicable

Unit: RMB10,000 Currency: RMB

Items	Number and implementation
I. General information	
Of which: 1. Capital	1,929.85
2. Supplies converted to cash	0.14
3. Number of registered poor people lifted out of poverty (person)	14,517
II. Capital injection by project	0
1. Poverty alleviation through transferring the form of employment	Jobs were offered to 13,937 persons in impoverished areas
Of which: 1.1 Capital injected into vocational training	72.4
1.2 Number of people participating in vocational training (person/time)	5,028
1.3 Number of registered poor people obtaining jobs (person)	0
2. Poverty alleviation through ecological protection	
Of which: 2.1 Project names	<input checked="" type="checkbox"/> Ecology protection and conservation <input type="checkbox"/> Establishment of a mechanism for ecological compensation <input type="checkbox"/> Establishment of ecology conservation-related positions <input type="checkbox"/> Others
2.2 Capital injected	Tianjin Chassis conducted tree planting activities and excursions to Bochuang Park to go green, and invested RMB34,600 in total in these programmes
3. Basic protection	
Of which: 3.1 Capital injected to help left-behind children, elderly and women	0.6265
3.2 Number of left-behind children, elderly and women funded (person)	133
3.3 Capital injected to help poor disabled people	1,853.5
3.4 Number of poor disabled people funded (person)	580
III. Awards (description and grade)	Nil

Section 5 Significant Events

4. Description of the progress in performing social responsibility in respect of accurate poverty alleviation

Applicable Not applicable

1. Donations: We donated household supplies to Jinqiu Nursing Home and children's homes in Baoding and donated office supplies to the schools surrounding the plant in Tianjin;
2. Employment: We employed local impoverished people in Shunping County as workers in die casting and casting companies to tackle the problem of unemployment among the group;
3. Others: We built a long-term partnership with Shunping Jinqidian Agricultural Products Cooperative from which we purchased agricultural products of RMB2.90 million in the first half of the year.

5. Subsequent programmes on accurate poverty alleviation

Applicable Not applicable

1. Donations: The Company will improve the living conditions of impoverished areas through various methods, such as making donations, providing support for students, the elderly and people with disabilities as well as offering medical assistance;
2. Human resources 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 in various areas including practical technologies, production skills and business operations, so as to improve the self-development ability of underprivileged staff and enhance their production skills and livelihoods;
3. Employment: The Company will provide job opportunities for people living in local impoverished areas 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 volunteer activities so as to revive the local economic development.

XIII. CONVERTIBLE CORPORATE BONDS

Applicable Not applicable



Section 5 Significant Events

XIV. ENVIRONMENTAL PROTECTION INFORMATION

(I) Environmental protection measures taken by the Company and its major subsidiaries in respect of key pollutant discharging units announced by the environmental protection departments

√ Applicable □ Not applicable

1. Pollutant discharge

√ Applicable □ Not applicable

Name of company or subsidiary	Major pollutants or specific pollutants	Way of emission	Number of discharge outlets	Location of discharge outlets	Emission concentration	Adopted emission standards for pollutants	Total emissions	Verified total emissions	Excessive emission	
Great Wall Motor Company Limited	Sewage	COD Ammoniacal nitrogen pH value Petroleum fractions Animal fats and vegetable oils Suspended solids Total zinc Total manganese	Intermittent emission	2	The discharge outlet on the factory site of Great Wall Motor Company Limited located at Chaoyang South Avenue	156mg/L	Table 4 Tertiary	15.9 tons	43.51 tons/year	Nil
						5.33mg/L	Standard in Integrated Wastewater Discharge	0.49 tons	2.53 tons/year	
						7.92	Standards (GB 8978-1996)	-	-	
						1.62mg/L		0.15 tons	-	
						2.73mg/L		0.25 tons	-	
						60mg/L		5.52 tons	-	
						0.54mg/L		0.05 tons	-	
	Exhaust gas	Particulates Nitrogen oxides Sulphur dioxide CO Non-methane hydrocarbons Benzene Toluene Xylene	Regular emission	9	Within the factory site of Great Wall Motor Company Limited	0.39mg/L	Table 2 Secondary	0.04 tons	-	Nil
						3.2mg/m ³	Standard in Integrated Emission Standards of Air Pollutants (GB16297-1996)	0.1 tons	-	
						10mg/m ³		0.29 tons	-	
						4mg/m ³		0.13 tons	-	
						7mg/m ³	Table 2 in Emission Standards of Carbon Monoxide as Stationary Source (DB13/487-2002)	0.03 tons	-	
						2.38mg/m ³	Table 1 in Emission Control Standards of Volatile Organic Compounds for Industrial Enterprises (DB13/2322-2016)	3.78 tons	-	
						0.35mg/m ³		0.26 tons	-	
2.59mg/m ³		0.94 tons	-							
4mg/m ³		0.83 tons	-							
Shunping Fine Casting Branch of Great Wall Motor Company Limited	Sewage	COD Ammoniacal nitrogen pH value Petroleum fractions Animal fats and vegetable oils Suspended solids	Intermittent emission	1	East side of the factory site	94mg/L	Table 4 Tertiary	9.02 tons	43.67 tons/year	Nil
						2.21mg/L	Standard in Integrated Wastewater Discharge	0.21 tons	4.368 tons/year	
						7.84	Standards (GB 8978-1996); Influent Water Quality Requirement of Shunping Qingyuan Sewage Treatment Co., Ltd. (順平清源污水處理有限公司)	-	-	
						0.26mg/L		0.03 tons	-	
						0.22mg/L		0.02 tons	-	
						17mg/L		1.63 tons	-	

Section 5 Significant Events

Name of company or subsidiary	Major pollutants or specific pollutants	Way of emission	Number of discharge outlets	Location of discharge outlets	Emission concentration	Adopted emission standards for pollutants	Total emissions	Verified total emissions	Excessive emission		
Dingxing Branch of Great Wall Motor Company Limited	Exhaust gas	Particulates	Regular emission	29	Outside the casting workshop	14.7mg/m ³	Table 2 Secondary Standard in Integrated Emission Standards of Air Pollutants (GB16297-1996)	2.4 tons	-	Nil	
		Sulphur dioxide				24mg/m ³		0.23 tons			0.881 tons/year
		Nitrogen oxides				72mg/m ³		0.3 tons			0.702 tons/year
		Non-methane hydrocarbons				2.72mg/m ³		0.01 tons			-
		Benzene				0.1mg/m ³		0.0003 tons			-
		Toluene				0.02mg/m ³		0.00004 tons			-
Baoding Nuobo Rubber Production Company Limited	Exhaust gas	Ammonia	Regular emission	9	Around the factory site	2.3mg/m ³	Table 1 and Table 2 Standards in Emission Standards of Odour Pollutants (GB14554-93)	0.23 tons	-	Nil	
		CO				42mg/m ³		0.17 tons			-
Tianjin Haval Branch of Great Wall Motor Company Limited	Sewage	COD	Intermittent emission	2	West side of the factory site	104mg/L	Table 1 Tertiary Standard in Integrated Wastewater Discharge Standards (DB 12/356-2008)	10.16 tons	-	Nil	
		Ammoniacal nitrogen				0.592mg/L		0.05 tons			-
		pH value				7.45		-			-
		Animal fats and vegetable oils				0.97mg/L		0.07 tons			-
Tianjin Haval Branch of Great Wall Motor Company Limited	Exhaust gas	Suspended solids	Regular emission	16	Around the painting workshop	14mg/L	Table 2 Secondary Standard in Integrated Emission Standards of Air Pollutants (GB16297-1996)	1.20 tons	-	Nil	
		BOD				30.2mg/L		2.90 tons			-
		Total Phosphorus				1.54mg/L		0.14 tons			-
		Fluoride				3.7mg/L		0.36 tons			-
		Zinc				0.57mg/L		0.05 tons			-
		Particulates				1.63mg/m ³		0.11 tons			-
		Sulphur dioxide				17.6mg/m ³		0.57 tons			-
		Nitrogen oxides				119.2mg/m ³		9.88 tons			-
		Non-methane hydrocarbons				13.8mg/m ³		4.19 tons			-
		Benzene				0.04mg/m ³		0.003 tons			-
Toluene	1.14mg/m ³	0.07 tons	-								
Xylene	3.11mg/m ³	0.15 tons	-								
	Soil	During the Reporting Period, Tianjin Haval Branch of Great Wall Motor Company Limited was on the list of 2018 key soil and environmental pollutant emission entities in Tianjin due to the production of hazardous waste such as sludge, paint waste and waste oil. During the period, a total of 936 tons of hazardous waste was produced, which was disposed of by qualified hazardous waste operators in accordance with the law.							Nil		
Tianjin Boxin Automotive Parts Company Limited	Soil	During the Reporting Period, Tianjin Boxin Automotive Parts Company Limited was on the list of 2018 key soil and environmental pollutant emission entities in Tianjin due to the production of hazardous waste such as sludge, paint waste and waste oil. During the period, a total of 561 tons of hazardous waste was produced, which was disposed of by qualified hazardous waste operators in accordance with the law.							Nil		

Noise: there are no cultural, educational or other noise-sensitive sites around the factory sites. The maximum level of noise emitted was lower than the standard stipulated in Table 1 in Boundary Noise Emission Standards for Industrial Enterprises (GB12348-2008).

Section 5 Significant Events

In the first half of 2018, a total of 7,744.98 tons of hazardous waste consisting mainly of sludge, paint waste and contaminated waste was produced, representing a unit production of 0.017 ton per vehicle. Such waste was transferred in accordance with the Administrative Measures on the Transfer of Hazardous Waste (《危險廢物轉移聯單管理辦法》), the Notice on the Application of Dynamic Solid Waste Information Management Platform (《固體廢物動態信息管理平台應用有關工作的通知》) and the procedures for obtaining approval of transfer established by the competent authorities in Tianjin and Baoding. Hazardous waste of the Tianjin plant was transferred to Tianjin Yahuan Renewable Resources Recycling Co., Ltd. (天津市雅環再生資源回收利用有限公司), Tianjin Dongbang Lead Resources Recycling Co., Ltd. (天津東邦鉛資源再生有限公司), Tianjin Hejia Veolia Environmental Services Co., Ltd. (天津合佳威立雅環境服務有限公司) and Tianjin Binhai Hejia Veolia Environmental Services Co., Ltd. (天津濱海合佳威立雅環境服務有限公司) for disposal, while hazardous waste of the Baoding plant was transferred to Tangshan Youyi Shengxing Resources Recycling Co., Ltd. (唐山優藝勝星再生資源有限公司), Leping County Haichang Environmental Technology Co., Ltd. (樂亭縣海暢環保科技有限公司), Qinhuangdao Xushankou Hazardous Waste Treatment Co., Ltd. (秦皇島市徐山口危險廢物處理有限公司), Hengshui Jingzhen Environmental Technology Co., Ltd. (衡水精臻環保技術有限公司), Cangzhou Jihuan Veolia Environmental Services Co., Ltd. (滄州冀環威立雅環境服務有限公司), Hebei Gangan Environmental Technology Co., Ltd. (河北港安環保科技有限公司) and Qian'an Zhicheng Lubricant Co., Ltd. (遷安志誠潤滑油有限公司). General solid waste produced by the Company is comprised mainly of industrial solid waste and domestic waste. In the first half of 2018, a total of 7,900 tons of general solid waste was produced, representing a unit production of 0.017 ton per vehicle, which was disposed of by the qualified waste recycling service providers engaged by the Company.

2. Construction and operation of anti-pollution facilities

Applicable Not applicable

In compliance with national laws and regulations as well as emissions standards, the waste emissions indicators of the Company and its major subsidiaries adhered to the most stringent domestic requirements currently in force. Emissions levels of sewage, exhaust gas, noise and solid waste complied with requirements, and sewage from plant sites was fully treated at sewage treatment plants of the Company, undergoing pre-treatment, biochemical treatment, filtering and disinfection procedures, with the treated grey water used for flushing and greening. Licensed discharge of the remaining grey water was made through the municipal sewage network, and the levels of sewage pollutants discharged were much lower than the emissions limits required by laws and regulations. VOCs and RTO produced by stoving were treated by combustion, exhaust gas from spraying and coating was treated by zeolite rotor and combustion facilities on top of the existing Giovanni treatment facilities based on their characteristics, undergoing adsorption, desorption and combustion procedures so as to achieve the treatment of VOCs in exhaust gas from spraying and coating. Treated exhaust gas was discharged through exhaust vents at height after meeting the required standards. In order to reduce noise, the Company proactively adopted various noise prevention and mitigation measures to reduce the impact on the environment. Installation of anti-vibration bases for noise-generating equipment, constructing green belts in the vicinity of noise sources and provision of acoustic shields (soundproof rooms) were the main measures undertaken for preventing and controlling noise. Effectively keeping off and lowering noise ensured eliminating noise efficiently for meeting the required emissions standards. The Company tackled the process of waste management at source by storing waste by type and setting up temporary storage sites for solid waste. It also placed emphasis on recycling of resources, with all useful waste of value sold to external parties or re-used and worthless waste handled by dedicated waste disposal companies for compliant disposal. Dedicated storage sites meeting requirements, equipped with smart monitoring systems and connected with environmental authorities through the Internet, were set up for all hazardous waste. Real time supervision by government authorities round the clock during the year can ensure that waste storage and disposal meet the required standards.

Section 5 Significant Events

The Company proactively established sound environmental management systems, received the ISO14001:2004 Environmental Management Systems audit certification in 2008, and passed the revised ISO14001:2015 Environmental Management Systems revision audit in 2007 and ISO14001:2015 Environmental Management Systems surveillance audit in 2018. Rules and regulations on environmental management systems were well implemented.

3. Environmental impact assessment on construction projects and administrative permits concerning environmental protection

Applicable Not applicable

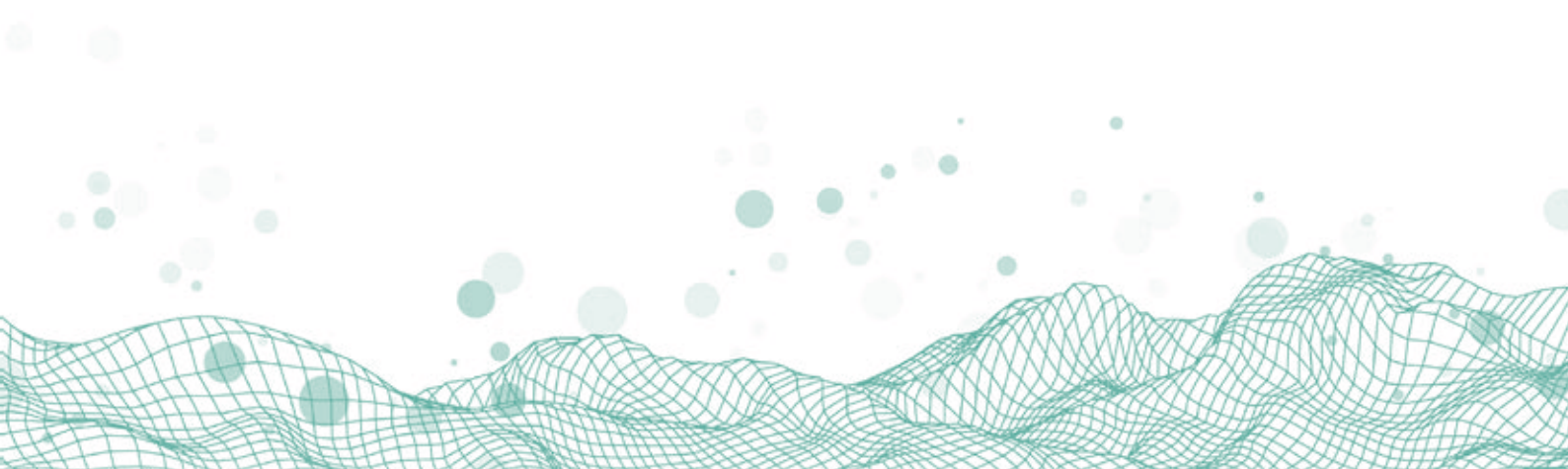
The Company carried out environmental impact assessment for and final environmental protection acceptance check on each of the new construction, conversion and expansion projects, and enforced the requirements of the environmental impact assessment system, the “Three Simultaneities” system and relevant laws and regulations by strictly complying with laws and regulations such as the Regulations on the Administration of Construction Project Environmental Protection (《建設項目環境保護管理條例》) and the Environmental Impact Assessment Law of the People’s Republic of China (《中華人民共和國環境影響評價法》) promulgated by the State Council, and the Interim Measures for the Final Environmental Protection Acceptance Check on Construction Projects (《建設項目竣工環境保護驗收暫行辦法》) promulgated by the Ministry of Ecology and Environment.

All projects of the Company and its major subsidiaries obtained approval in environmental impact assessment in accordance with the laws while relevant auxiliary environmental facilities passed the respective environmental protection acceptance check and obtained a pollutant discharge permit (permit number: PWD-130606-0020-16). The Company regularly conducted environmental monitoring, with all results meeting the required standards.

4. Emergency plan for environmental contingency

Applicable Not applicable

In order to lower and prevent potential environmental risks effectively, the Company established emergency preparation and response procedures, formulated an environmental contingency plan and filed it with local environmental authorities for record (contingency plan file number: 130604-2016-001-L). To ensure the feasibility and effectiveness of the contingency plan, the Company developed measures that should be adopted to control incidents and emergencies with previous occurrences or potential ones that might occur, and drills on the internal environmental contingency plan would be conducted on an annual basis.



Section 5 Significant Events

5. *Voluntary environmental monitoring plan*

Applicable Not applicable

1. Regularly monitoring the discharge of sewage and keeping water quality inspection records;
2. Regularly monitoring the discharge of VOCs and keeping inspection records;
3. Regularly monitoring noise on a voluntary basis and keeping inspection records.

6. *Other environmental information which shall be disclosed*

Applicable Not applicable

According to the relevant requirements under the Environmental Protection Law of the People's Republic of China and the Measures for the Disclosure of Environmental Information by Enterprises and Institutions (Huanbao Bu No. 31), the key pollutant discharge work units announced by the local environmental protection departments in the places where the Company and its major subsidiaries are located are Great Wall Motor Company Limited, Great Wall Motor Company Limited's Shunping Fine Casting Branch, Great Wall Motor Company Limited's Dingxing Branch, Baoding Nuobo Rubber Production Company Limited, Great Wall Motor Company Limited's Tianjin Haval Branch and Tianjin Boxin Automotive Parts Company Limited. A relevant column/section on environmental information has been created on the Company's official website to publish the Company's environmental-related information.

(II) Description of environmental protection of companies other than key pollutant discharging units


Applicable Not applicable

In order to build the Company as a green factory, develop it as an environmental-friendly enterprise, apply the concept of green development, advocate the build-up of ecological civilization and follow the path towards green manufacturing with determination, the Company's subsidiaries focused on accomplishing the following tasks during the Reporting Period:

1. Stepped up the establishment of management offices and systems to further raise basic management standards. All subsidiaries of the Company had their environmental management offices and management staff, which formed an environmental management network across the Company. Environmental management rules and regulations were formulated and enforced stringently so that environmental work was under management.



Section 5 Significant Events

2. In compliance with national laws and regulations as well as emissions standards, the waste emissions indicators of the Company and its major subsidiaries adhered to the most stringent domestic requirements currently in force. Emissions levels of sewage, exhaust gas, noise and solid waste complied with requirements, and sewage from plant sites was fully treated at sewage treatment plants of the Company, undergoing pre-treatment, biochemical treatment, filtering and disinfection procedures, with the treated grey water used for flushing and greening. Licensed discharge of the remaining grey water was made through the municipal sewage network, and the levels of sewage pollutants discharged were much lower than the emissions limits required by laws and regulations. VOCs and RTO produced by stoving were treated by combustion, exhaust gas from spraying and coating was treated by zeolite rotor and combustion facilities on top of the existing Giovanni treatment facilities based on their characteristics, undergoing adsorption, desorption and combustion procedures so as to achieve the treatment of VOCs in exhaust gas from spraying and coating. Treated exhaust gas was discharged through exhaust vents at height after meeting the required standards. In order to reduce noise, the Company proactively adopted various noise prevention and mitigation measures to reduce the impact on the environment. Installation of anti-vibration bases for noise-generating equipment, constructing green belts in the vicinity of noise sources and provision of acoustic shields (soundproof rooms) were the main measures undertaken for preventing and controlling noise. Effectively keeping off and lowering noise ensured eliminating noise efficiently for meeting the required emissions standards. The Company tackled the process of waste management at source by storing waste by type and setting up temporary storage sites for solid waste. It also placed emphasis on recycling of resources, with all useful waste of value sold to external parties or re-used and worthless waste handled by dedicated waste disposal companies for compliant disposal. Dedicated storage sites meeting requirements, equipped with smart monitoring systems and connected with environmental authorities through the Internet, were set up for all hazardous waste. Real time supervision by government authorities round the clock during the year helped ensure that waste storage and disposal could meet the required standards.
 3. Improved the construction of various pollution control facilities by increasing financial commitment to environmental protection on an ongoing basis. All enterprises of the Company had built comprehensive pollution prevention and control facilities for the comprehensive treatment of various types of pollution such as sewage, exhaust gas and noise pollution, and for the lawful and compliant disposal of hazardous waste. In recent years, the Company kept increasing financial commitment to environmental protection, especially the financial commitment to the prevention and control of air pollution, thus having made due contributions to improving air quality.
 4. Gained access to environmental laws and regulations in a timely manner to conduct compliance evaluation. The regulations governing environmental impact assessment on construction projects were enforced stringently for the new, renovation and expansion projects of all enterprises to make sure the "Three Simultaneities" system for environmental protection was enforced. The application for pollutant discharge permit was completed and self- and third-party monitoring was carried out.
 5. Participated in more environmental exhibitions at home and abroad so as to learn and bring in new, state-of-the-art environmental technologies, and carried out whole-process control over pollutant emissions to achieve the management concept of waste reduction at source and treatment at the end simultaneously to raise pollution treatment standards and reduce the generation of pollutants.
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Section 5 Significant Events

6. Established a sound environmental risk emergency response mechanism. All enterprises had formulated an Emergency Plan for Unexpected Environmental Pollution Incidents. Environmental training and emergency drills for unexpected environmental incidents would be conducted every year to make sure that environmental management staff are familiar with environmental-related skills and that they can handle emergency quickly, orderly and efficiently when these incidents occur.

(III) Explanation on the reasons for not disclosing environmental protection information by companies other than key pollutant discharging units

Applicable Not applicable

(IV) Description of subsequent development on or changes in disclosed environment information during the Reporting Period

Applicable Not applicable

XV. OTHER SIGNIFICANT EVENTS

(I) Changes in the accounting policies, accounting estimates and auditing methods as compared with the previous accounting period and the reasons and effect thereof

Applicable Not applicable

Please refer to 25. Changes in significant accounting policies under note III. Significant Accounting Policies and Accounting Estimates to Financial Report in Section 10 Financial Report for details.

(II) Significant accounting errors for the Reporting Period requiring retrospective restatement and correction of amounts, and the reasons and effect thereof

Applicable Not applicable

(III) Others

Applicable Not applicable

Granting call options and put options by establishing a joint venture constituted a major transaction

The Company and BMW Holding B.V., a wholly-owned subsidiary of BMW AG, entered into the joint venture contract in relation to the establishment of Spotlight Automotive Ltd. in Berlin, Germany, pursuant to which both parties proposed to make capital contributions to jointly establish a sino-foreign joint venture, Spotlight Automotive Ltd. Granting call options and put options to BMW Holding B.V. as stated in the joint venture contract will constitute a major transaction of the Company in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Please refer to the announcements dated 23 February 2018 and 10 July 2018 and the circular dated 24 August 2018 of the Company for details.

Section 6 Changes in Ordinary Shares and Shareholders

I. CHANGES IN SHARE CAPITAL

(I) Table of changes in shares

1. Explanation for changes in 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 shares

Applicable Not applicable

3. Impact of changes in shares on financial indicators such as earnings per share and net assets per share after the Reporting Period until the date of the interim report (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. SHAREHOLDERS

(I) Total number of shareholders

Total number of shareholders as at the end of Reporting Period (person)

67,059



Section 6 Changes in Ordinary Shares and Shareholders

(II) Table of 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	Total number of shares held as at the end of the Reporting Period	Percentage (%)	Number of shares held with selling restrictions	Status of shares	Shares pledged or frozen		Nature of shareholder
						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	226,499 (H Shares)	3,082,552,260 (H Shares)	33.77	—	Unknown	—		Overseas legal person
China Securities Finance Co., Ltd	22,071,463 (A Shares)	196,889,089 (A Shares)	2.16	—	Unknown	—		Others
National Social Security Fund Portfolio 108	37,101,289 (A Shares)	171,599,624 (A Shares)	1.88	—	Unknown	—		Others
Hong Kong Monetary Authority – self-owned funds	8,291,474 (A Shares)	30,810,146 (A Shares)	0.34	—	Unknown	—		Others
Hong Kong Securities Clearing Company Limited	10,629,853 (A Shares)	23,828,522 (A Shares)	0.26	—	Unknown	—		Overseas legal person
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)	0 (A Shares)	19,364,124 (A Shares)	0.21	—	Unknown	—		Others
National Pension Service (South Korea) (國民年金公團 (韓國)) – self-owned funds	1,120,265 (A Shares)	14,733,307 (A Shares)	0.16	—	Unknown	—		Others
National Social Security Fund Portfolio 113	0 (A Shares)	12,431,420 (A Shares)	0.14	—	Unknown	—		Others

Section 6 Changes in Ordinary Shares and Shareholders

Unit: share(s)

Shareholding of the top 10 shareholders holding shares without selling restrictions

Name of shareholder	Number of tradable shares held without selling restrictions	Class and number of shares	
		Class of shares	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)	5,115,000,000 (A Shares)	RMB-denominated ordinary shares	5,115,000,000 (A Shares)
HKSCC NOMINEES LIMITED	3,082,552,260 (H Shares)	Overseas listed foreign shares	3,082,552,260 (H Shares)
China Securities Finance Co., Ltd	196,889,089 (A Shares)	RMB-denominated ordinary shares	196,889,089 (A Shares)
National Social Security Fund Portfolio 108	171,599,624 (A Shares)	RMB-denominated ordinary shares	171,599,624 (A Shares)
Hong Kong Monetary Authority – self-owned funds	30,810,146 (A Shares)	RMB-denominated ordinary shares	30,810,146 (A Shares)
Hong Kong Securities Clearing Company Limited	23,828,522 (A Shares)	RMB-denominated ordinary shares	23,828,522 (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 Fund (中國銀行 – 大成藍籌穩健證券投資基金)	19,364,124 (A Shares)	RMB-denominated ordinary shares	19,364,124 (A Shares)
National Pension Service (South Korea) (國民年金公團 (韓國)) – self-owned funds	14,733,307 (A Shares)	RMB-denominated ordinary shares	14,733,307 (A Shares)
National Social Security Fund Portfolio 113	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 shareholdings

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Section 6 Changes in Ordinary Shares and Shareholders

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

☐ Applicable ✓ Not applicable

Shares Held by Substantial Shareholders (SFO Requirements)

As at 30 June 2018, the following shareholders (excluding the directors, supervisors and chief executives of the Company) had interests or short positions in shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Name	Number 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 Great Wall Holdings Company Limited (保定市長城控股集團有限公司) (Note 2)	5,115,000,000(L) (A Shares)	84.86	—	56.04
Citigroup Inc.	178,666,231(L) (H Shares)	—	5.76(L)	1.96
	61,580,801(S) (H Shares)	—	1.98(S)	0.67
	102,858,084(P) (H Shares)	—	3.31(P)	1.13
BlackRock, Inc.	160,965,101(L) (H Shares)	—	5.19(L)	1.76
	18,476,500(S) (H Shares)	—	0.60(S)	0.2
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營中心) (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 6 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 2066 Chaoyang South Street, Lianchi District, 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 30 June 2018, 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 Great Wall Holdings Company Limited (保定市長城控股集團有限公司), 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, with 99% and 1% equity interest in Baoding Great Wall Holdings Company Limited (保定市長城控股集團有限公司) 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 Great Wall Holdings Company Limited (保定市長城控股集團有限公司) 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 30 June 2018, Baoding Great Wall Holdings Company Limited (保定市長城控股集團有限公司) 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) pursuant to the SFO.

On 17 April 2018, Baoding Wangsheng Investment Company Limited (保定市旺盛投資有限公司) was renamed as Baoding Great Wall Corporate Management Consultant Company Limited (保定市長城企業管理諮詢有限公司), which was renamed as Baoding Great Wall Holdings Company Limited (保定市長城控股集團有限公司) on 28 May 2018.
- (3) As at 30 June 2018, Ms. Han Xue Juan, the spouse of Mr. Wei Jian Jun, 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 Great Wall Holdings Company Limited (保定市長城控股集團有限公司). Ms. Han Xue Juan is deemed to be interested in all the shares of the Company in which Mr. Wei Jian Jun is interested pursuant to the SFO.
- (4) As at 30 June 2018, Management Centre of Collective Assets of Nandayuan Town, Lianchi District, Baoding (保定市蓮池區南大園鄉集體資產經管中心) (formerly known as Management Centre of Collective Assets of Nandayuan Town, Nanshi District, Baoding (保定市南市區南大園鄉集體資產經管中心)) 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) pursuant to the SFO.

Save as disclosed above, as at 30 June 2018, so far as the directors, supervisors and chief executives of the Company are aware, no other person (excluding the directors, supervisors and chief executives of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

Section 6 Changes in Ordinary Shares and Shareholders

Directors' and supervisors' interests in securities

As at 30 June 2018, 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 (Note)	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

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

Note:

As at 30 June 2018, 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 Great Wall Holdings Company Limited (保定市長城控股集團有限公司) which was in turn controlled by Mr. Wei Jian Jun. Accordingly, pursuant to the SFO, Mr. Wei Jian Jun is deemed to be interested in the 5,115,000,000 A Shares held by Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司).

Save as disclosed above, so far as the directors of the Company are aware, as at 30 June 2018, 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.

Section 6 Changes in Ordinary Shares and Shareholders

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

Applicable Not applicable

III. CHANGES IN CONTROLLING SHAREHOLDERS AND DE FACTO CONTROLLER

Applicable Not applicable



Section 7 Description of Preference Shares

Applicable Not applicable



Section 8 Directors, Supervisors and Senior Management

I. CHANGES IN SHAREHOLDINGS

(I) Changes in the shareholding of current and resigned directors, supervisors and senior management during the Reporting Period

Applicable Not applicable

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

Applicable Not applicable

II. CHANGES IN THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE COMPANY

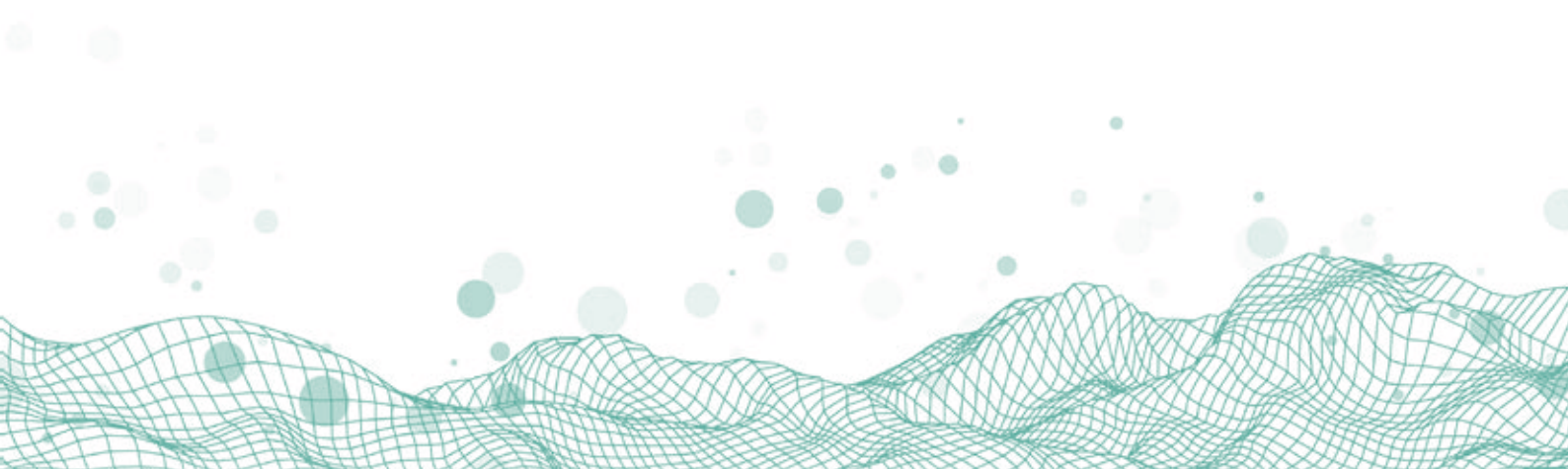
Applicable Not applicable

Explanation for changes in the directors, supervisors and senior management of the Company

Applicable Not applicable

III. OTHER EXPLANATIONS

Applicable Not applicable



Section 9 Description of Corporate Bonds

Applicable Not applicable



Section 10 Financial Report (Unaudited) Review Report

Deloitte.
德勤

De Shi Bao (Yue) Zi (18) No. R00080

TO THE SHAREHOLDERS OF GREAT WALL MOTOR COMPANY LIMITED:

We have reviewed the accompanying financial statements of Great Wall Motor Company Limited (hereinafter "Great Wall Motor"), which comprise of the company's and consolidated balance sheets as at 30 June 2018, and the company's and consolidated income statements, the company's and consolidated statements of changes in shareholders' equity and the company's and consolidated cash flow statements for the six months then ended, and the notes to the financial statements. The directors are responsible for the preparation and presentation of these interim consolidated financial statements. Our responsibility is to issue a review report on these interim consolidated financial statements based on our review.

We conducted our review in accordance with "China Certified public accountant Review Standard No. 2101 – Review of Financial Statement". This standard requires us to plan and conduct the review procedures, accordingly provide limited assurance that whether there is no significant misstatement of the entity's financial statement. A review is limited to procedures as enquiry of entity's relevant staff and analytical review of financial data, providing lower level of assurance than for an audit. Since we have not conducted audit, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of Great Wall Motor Company which comprised the company's and consolidated balance sheets as at 30 June 2018, and the company's and consolidated income statements, the company's and consolidated statements of changes in shareholders' equity and the company's and consolidated cash flow statements for the six months then ended is not prepared, in all material aspects, in accordance with China Accounting Standards.

Deloitte Touche Tohmatsu CPA LLP.
Shanghai, China

Chinese Certified Public Accountants:
Tong Chuan Jiang
Xu Zhaohui

30 August 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 30 June 2018

RMB

Item	Notes	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Current Assets:			
Cash and bank balances	VI.1	8,727,705,160.24	4,831,349,324.85
Held-for-trading financial assets	VI.2	9,479,782,842.34	
Financial assets at fair value through profit or loss			317,994,432.00
Notes receivable and accounts receivable	VI.3	1,543,088,399.71	49,948,553,567.36
Prepayments	VI.4	383,389,970.44	579,536,182.06
Other receivables	VI.5	299,400,992.21	326,247,513.83
Inventories	VI.6	5,255,459,641.60	5,574,771,949.63
Non-current assets due within one year	VI.7	9,874,514,930.28	7,447,875,069.05
Other current assets	VI.8	25,424,990,759.75	267,000,053.72
Total Current Assets		60,988,332,696.57	69,293,328,092.50
Non-Current Assets:			
Loans and advances to customers	VI.9	5,440,417,089.61	4,428,694,699.29
Available-for-sale financial assets			7,700,000.00
Long-term receivables	VI.10	69,517.22	—
Other equity instrument investments	VI.11	7,700,000.00	
Investment properties	VI.12	124,800,868.69	126,047,995.75
Fixed assets	VI.13	28,031,111,936.19	27,718,007,519.19
Construction in progress	VI.14	4,975,686,106.63	4,878,838,563.57
Intangible assets	VI.15	3,248,611,141.32	3,268,606,352.49
Development expenditure	VI.16	632,852,045.64	—
Goodwill	VI.17	6,555,045.13	2,163,713.00
Long-term prepaid expenses		135,477,027.77	132,678,241.54
Deferred tax assets	VI.18	602,353,229.01	691,008,604.27
Total Non-current Assets		43,205,634,007.21	41,253,745,689.10
TOTAL ASSETS		104,193,966,703.78	110,547,073,781.60

Consolidated Balance Sheet

At 30 June 2018

Item	Notes	RMB	
		30 June 2018 (Unaudited)	31 December 2017 (Audited)
Current Liabilities:			
Short-term borrowings	VI.19	17,386,641,047.91	13,037,978,000.00
Notes payable and accounts payable	VI.20	22,225,179,743.74	31,841,388,872.32
Receipts in advance		—	5,457,772,639.50
Contract liabilities	VI.21	3,894,915,850.31	
Employee benefits payable	VI.22	609,137,711.14	1,872,028,903.98
Taxes payable	VI.23	798,094,162.68	2,308,154,256.08
Other payables	VI.24	2,527,115,781.99	2,568,250,538.41
Non-current liabilities due within one year	VI.25	138,906,366.90	142,533,396.22
Other current liabilities	VI.26	1,027,659,736.32	1,653,117,141.98
Total Current Liabilities		48,607,650,400.99	58,881,223,748.49
Non-current Liabilities:			
Long-term borrowings	VI.19	1,444,586,500.00	423,754,500.00
Deferred income	VI.27	2,227,021,757.63	1,963,520,037.00
Deferred tax liabilities	VI.18	14,809,605.16	20,613,845.65
Other non-current liabilities	VI.28	606,965,402.76	—
Total Non-current Liabilities		4,293,383,265.55	2,407,888,382.65
TOTAL LIABILITIES		52,901,033,666.54	61,289,112,131.14
SHAREHOLDERS' EQUITY:			
Share capital	VI.29	9,127,269,000.00	9,127,269,000.00
Capital reserve	VI.30	1,411,231,014.42	1,411,231,014.42
Other comprehensive income	VI.49	(126,871,888.11)	3,056,451.02
Surplus reserve	VI.31	5,062,440,729.64	5,062,440,729.64
Undistributed profits	VI.32	35,674,696,743.72	33,530,533,212.33
Total Equity Attributable to Shareholders of the Company		51,148,765,599.67	49,134,530,407.41
Minority Interests		144,167,437.57	123,431,243.05
TOTAL SHAREHOLDERS' EQUITY		51,292,933,037.24	49,257,961,650.46
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		104,193,966,703.78	110,547,073,781.60

The accompanying notes form part of the financial statements.

The financial statements on pages 84 to 257 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 30 June 2018

RMB

Item	Notes	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Current Assets:			
Cash and bank balances	(XIV)1	12,914,957,831.60	9,134,056,315.96
Held-for-trading financial assets		9,052,590,204.19	
Notes receivable and accounts receivable	(XIV)2	2,063,516,048.97	50,019,374,971.40
Prepayments		323,021,940.54	564,271,709.16
Other receivables	(XIV)3	590,152,309.46	476,143,805.12
Inventories	(XIV)4	4,258,070,255.87	3,934,171,562.88
Non-current assets due within one year		850,339,958.75	850,339,958.75
Other current assets	(XIV)5	25,222,917,914.84	184,564,259.52
Total Current Assets		55,275,566,464.22	65,162,922,582.79
Non-current Assets:			
Available-for-sale financial assets			7,700,000.00
Other equity instrument investments		7,700,000.00	
Long-term equity investments	(XIV)6	3,790,836,045.01	5,273,861,404.26
Investment properties	(XIV)7	97,193,196.69	99,008,358.76
Fixed assets	(XIV)8	27,164,509,106.43	26,016,325,677.29
Construction in progress	(XIV)9	3,071,801,851.04	3,698,255,219.71
Intangible assets	(XIV)10	2,979,657,040.70	2,995,386,690.09
Development expenditure	(XIV)11	603,533,514.25	—
Long-term prepaid expenses		133,600,271.96	130,687,917.26
Deferred tax assets		63,787,637.01	234,019,468.70
Total Non-Current Assets		37,912,618,663.09	38,455,244,736.07
TOTAL ASSETS		93,188,185,127.31	103,618,167,318.86

Balance Sheet of the Company

At 30 June 2018

Item	Notes	RMB	
		30 June 2018 (Unaudited)	31 December 2017 (Audited)
Current Liabilities:			
Short-term borrowing	(XIV)12	10,799,900,000.00	9,099,900,000.00
Notes payable and accounts payable	(XIV)13	23,193,450,599.20	34,236,979,629.63
Receipts in advance		—	5,813,568,597.73
Contract liabilities	(XIV)14	3,019,812,519.54	
Employee benefits payable		530,434,517.42	1,698,280,513.96
Taxes payable		453,554,365.74	1,993,598,785.05
Other payables		2,960,776,107.16	2,233,248,508.01
Non-current liabilities due within one year		70,329,541.89	73,834,294.74
Other current liabilities		970,261,314.71	781,949,682.96
Total Current Liabilities		41,998,518,965.66	55,931,360,012.08
Non-current Liabilities:			
Deferred income		1,242,553,167.31	1,275,155,776.35
Total Non-current Liabilities		1,242,553,167.31	1,275,155,776.35
TOTAL LIABILITIES		43,241,072,132.97	57,206,515,788.43
SHAREHOLDERS' EQUITY:			
Share capital		9,127,269,000.00	9,127,269,000.00
Capital reserve	(XIV)15	1,458,753,185.58	1,464,187,305.77
Surplus reserve		4,453,182,086.10	3,967,512,617.15
Undistributed profits	(XIV)16	34,907,908,722.66	31,852,682,607.51
TOTAL SHAREHOLDERS' EQUITY		49,947,112,994.34	46,411,651,530.43
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		93,188,185,127.31	103,618,167,318.86

Consolidated Income Statement

For the Period from 1 January to 30 June 2018

RMB

Item	Notes	For the period from 1 January to 30 June 2018 (Unaudited)	For the period from 1 January to 30 June 2017 (Unaudited)
I. Total operating income		48,678,448,851.44	41,255,663,824.84
Including: Operating income	VI.33	47,957,822,005.30	40,992,814,179.16
Interest income	VI.34	711,506,642.24	261,226,393.25
Fee and commission income		9,120,203.90	1,623,252.43
Less: Total operating costs		44,403,400,530.55	38,561,752,739.62
Including: Operating costs	VI.33	38,414,784,286.51	33,044,501,625.79
Interest expenses		149,204,229.14	9,731,607.64
Fee and commission expenses		2,184,508.08	—
Taxes and levies	VI.35	1,785,058,485.61	1,410,152,790.00
Selling expenses	VI.36	2,077,495,014.39	1,569,425,796.62
Administrative expenses	VI.37	676,680,355.56	770,197,087.01
Research and development expenses		842,592,141.78	1,539,784,150.73
Financial expenses	VI.38	304,446,004.57	76,096,711.63
Including: Interest expenses		259,767,844.54	84,312,026.44
Interest income		(34,092,434.51)	(26,347,501.27)
Impairment losses on assets	VI.39	60,866,288.23	141,862,970.20
Impairment losses on credit	VI.40	90,089,216.68	—
Add: Other income	VI.41	71,667,832.63	57,466,601.41
Investment income	VI.42	5,948,164.90	46,402,606.04
Gains or losses from changes in fair values	VI.43	(28,211,589.66)	—
Gains or losses from disposal of assets		30,501,359.26	(2,696,410.04)
II. Operating profit		4,354,954,088.02	2,795,083,882.63
Add: Non-operating income	VI.44	82,055,576.36	294,903,707.44
Less: Non-operating expenses	VI.45	2,531,907.04	4,209,869.83
III. Total profit		4,434,477,757.34	3,085,777,720.24
Less: Income tax expenses	VI.46	717,942,301.43	656,831,910.99
IV. Net profit	VI.47	3,716,535,455.91	2,428,945,809.25
Net profit attributable to shareholders of the Company		3,695,799,261.39	2,419,755,449.46
Profit or loss attributable to minority interests		20,736,194.52	9,190,359.79

Consolidated Income Statement

For the Period from 1 January to 30 June 2018

Item	Notes	RMB	
		For the period from 1 January to 30 June 2018 (Unaudited)	For the period from 1 January to 30 June 2017 (Unaudited)
V. Net other comprehensive income after taxes		(129,928,339.13)	(7,311,937.41)
Net other comprehensive income attributable to shareholders of the Company after taxes		(129,928,339.13)	(7,311,937.41)
Other comprehensive income that may be reclassified to profit or loss		(129,928,339.13)	(7,311,937.41)
Foreign currency translation differences	VI.49	(129,928,339.13)	(7,311,937.41)
Net other comprehensive income attributable to minority interests		—	—
VI. Total comprehensive income		3,586,607,116.78	2,421,633,871.84
Total comprehensive income attributable to shareholders of the Company		3,565,870,922.26	2,412,443,512.05
Total comprehensive income attributable to minority interests		20,736,194.52	9,190,359.79
VII. Earnings per share:			
(I) Basic earnings per share	VI.48	0.40	0.27
(II) Diluted earnings per share	VI.48	N/A	N/A

Income Statement of the Company

For the Period from 1 January to 30 June 2018

RMB

Item	Notes	For the period from 1 January to 30 June 2018 (Unaudited)	For the period from 1 January to 30 June 2017 (Unaudited)
I. Operating income	(XIV)17	48,817,322,840.19	36,760,455,047.25
Less: Operating costs	(XIV)17	39,954,527,268.60	32,001,384,311.11
Taxes and levies	(XIV)18	1,757,429,745.28	1,352,374,909.62
Selling expenses	(XIV)19	1,829,503,442.07	716,537,338.16
Administrative expenses	(XIV)20	589,194,753.02	645,920,306.83
Research and development expenses		822,405,943.73	1,498,483,496.37
Financial expenses	(XIV)21	116,171,022.93	33,816,902.70
Including: Interest expenses		250,768,955.60	75,531,162.21
Interest income		(156,454,149.70)	(58,497,050.14)
Impairment losses on assets	(XIV)22	77,121,941.94	121,085,745.95
Impairment losses on credit	(XIV)23	21,768,168.32	
Add: Other income		45,196,361.89	48,064,392.10
Investment income	(XIV)24	756,065,699.78	1,985,631,353.99
Gains from changes in fair values		52,590,204.19	—
Gains or losses from disposal of assets		31,359,091.37	(10,275,922.42)
II. Operating profit		4,534,411,911.53	2,414,271,860.18
Add: Non-operating income		62,596,623.51	198,404,048.00
Less: Non-operating expenses		2,206,238.52	3,044,081.15
III. Total profit		4,594,802,296.52	2,609,631,827.03
Less: Income tax expenses	(XIV)25	544,157,006.98	49,894,887.19
IV. Net profit		4,050,645,289.54	2,559,736,939.84
V. Net other comprehensive income after taxes		—	—
VI. Total comprehensive income		4,050,645,289.54	2,559,736,939.84

Consolidated Cash Flow Statement

For the Period from 1 January to 30 June 2018

Item	Notes	RMB	
		For the period from 1 January to 30 June 2018 (Unaudited)	For the period from 1 January to 30 June 2017 (Unaudited)
I. Cash Flows from Operating Activities:			
Cash received from the sales of goods and rendering of services		69,495,169,467.31	68,947,830,111.22
Cash received from interest, fee and commissions		998,911,674.14	351,389,686.68
Cash received for net increase by borrowing from other financial institutions		2,677,230,000.00	599,900,000.00
Tax rebate received		164,299,680.43	50,964,115.55
Net increase in deposits for leases and prepaid rents		102,556.00	—
Other cash received relating to operating activities	VI.50(1)	96,418,760.61	293,032,759.78
Sub-total of cash inflow from operating activities		73,432,132,138.49	70,243,116,673.23
Cash payments for goods purchased and services received		43,279,529,586.62	48,470,782,656.28
Net increase in customers' loans and advance		3,484,344,396.43	2,045,251,985.51
Cash payments for interest, fees and commissions		97,474,305.99	6,181,291.68
Net increase in customers' leases		1,125,555.00	—
Cash payments to and on behalf of employees		4,779,174,216.12	4,858,289,140.77
Payments of various types of taxes		5,093,699,761.37	4,267,392,962.17
Other cash payments relating to operating activities	VI.50(2)	2,551,054,580.64	2,256,318,987.55
Sub-total of cash outflow from operating activities		59,286,402,402.17	61,904,217,023.96
Net Cash Flows from Operating Activities	VI.51(1)	14,145,729,736.32	8,338,899,649.27
II. Cash Flows from Investing Activities:			
Cash received from disposal of investments		4,495,100,000.00	9,790,400,000.00
Cash received from investment income		6,432,476.86	29,018,269.29
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		105,219,933.03	7,022,586.85
Other cash received relating to investing activities	VI.50(3)	805,100,000.00	5,515,282.92
Sub-total of cash inflow from investing activities		5,411,852,409.89	9,831,956,139.06
Cash paid to purchase and construct fixed assets, intangible assets and other long-term assets		2,734,597,612.02	3,220,361,133.09
Net cash paid for acquisition of subsidiaries and other business units	VI.51(2)	3,280,452.50	—
Cash paid for investments		13,686,100,000.00	12,698,400,000.00
Sub-total of cash outflow from investing activities		16,423,978,064.52	15,918,761,133.09
Net Cash Flow from Investing Activities		(11,012,125,654.63)	(6,086,804,994.03)

Consolidated Cash Flow Statement

For the Period from 1 January to 30 June 2018

RMB

Item	Notes	For the period from 1 January to 30 June 2018 (Unaudited)	For the period from 1 January to 30 June 2017 (Unaudited)
III. Cash Flows from Financing Activities:			
Cash received from borrowings		12,171,718,000.00	11,660,001,234.33
Other cash received relating to financing activities	VI.50(4)	384,672,125.58	—
Sub-total of cash inflow from financing activities		12,556,390,125.58	11,660,001,234.33
Cash repayments of borrowings		9,450,000,000.00	6,240,305,234.33
Cash payments for distribution of dividends or profits or settlement of interest expenses		1,803,968,808.35	3,231,876,457.72
Including: Payments for distribution of dividends or profits to minority shareholders of subsidiaries		—	—
Other cash payments relating to financing activities	VI.50(5)	—	566,142,960.16
Sub-total of cash outflow from financing activities		11,253,968,808.35	10,038,324,652.21
Net Cash Flow from Financing Activities		1,302,421,317.23	1,621,676,582.12
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents			
		(154,997,437.95)	(4,909,807.67)
V. Net Increase in Cash and Cash Equivalents			
Add: Opening balance of cash and cash equivalents		4,281,027,960.97	3,868,861,429.69
		3,844,089,729.57	1,891,844,333.75
VI. Closing balance of cash and cash equivalents			
	VI.51(3)	8,125,117,690.54	5,760,705,763.44

Cash Flow Statement of the Company

For the Period from 1 January to 30 June 2018

Item	Notes	RMB	
		For the period from 1 January to 30 June 2018 (Unaudited)	For the period from 1 January to 30 June 2017 (Unaudited)
I. Cash Flows from Operating Activities:			
Cash received from the sales of goods and rendering of services		70,872,653,164.27	61,192,798,092.13
Tax rebate received		493,885.06	383,664.19
Other cash received relating to operating activities		146,546,049.53	201,497,127.68
Sub-total of cash inflow from operating activities		71,019,693,098.86	61,394,678,884.00
Cash payments for goods purchased and services received		45,949,483,097.81	43,815,484,992.70
Cash payments to and on behalf of employees		4,300,036,523.57	4,262,286,343.18
Payments of various types of taxes		4,845,978,507.98	3,399,812,356.97
Other cash payments relating to operating activities		1,663,944,821.47	904,302,632.30
Sub-total of cash outflow from operating activities		56,759,442,950.83	52,381,886,325.15
Net Cash Flows from Operating Activities	(XIV)26(1)	14,260,250,148.03	9,012,792,558.85
II. Cash Flows from Investing Activities:			
Cash received from disposal of investments		4,180,459,766.66	9,550,000,000.00
Cash received from investment income		209,410,582.61	1,682,469,273.89
Cash received from merging subsidiaries by absorbing		124,765,140.80	—
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		106,621,497.04	7,964,767.25
Other cash received relating to investing activities		5,100,000.00	5,515,282.92
Sub-total of cash inflow from investing activities		4,626,356,987.11	11,245,949,324.06
Cash paid to purchase and construct fixed assets, intangible assets and other long-term assets		1,913,611,294.62	3,295,369,547.91
Cash paid for investments		13,495,617,500.00	12,657,746,756.24
Sub-total of cash outflow from investing activities		15,409,228,794.62	15,953,116,304.15
Net Cash Flow from Investing Activities		(10,782,871,807.51)	(4,707,166,980.09)
III. Cash Flows from Financing Activities:			
Cash received from borrowings		11,150,000,000.00	10,140,305,234.33
Other cash received relating to financing activities		904,809,172.96	—
Sub-total of cash inflow from financing activities		12,054,809,172.96	10,140,305,234.33
Cash repayments of borrowings		9,450,000,000.00	6,240,305,234.33
Cash payments for distribution of dividends or profits or settlement of interest expenses		1,794,969,919.41	3,219,165,236.06
Other cash payments relating to financing activities		—	370,495,873.10
Sub-total of cash outflow from financing activities		11,244,969,919.41	9,829,966,343.49
Net Cash Flow from Financing Activities		809,839,253.55	310,338,890.84
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents		(1,506,905.47)	(3,820,467.06)
V. Net Increase in Cash and Cash Equivalents		4,285,710,688.60	4,612,144,002.54
Add: Opening balance of cash and cash equivalents		8,621,442,696.58	3,623,217,685.00
VI. Closing balance of cash and cash equivalents		12,907,153,385.18	8,235,361,687.54

Consolidated Statement of Changes in Shareholders' Equity

For the Period from 1 January to 30 June 2018

RMB

Item	For the period from 1 January to 30 June 2018 (Unaudited) 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 period	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
II. Changes in the current period	—	—	(129,928,339.13)	—	—	2,144,163,531.39	20,736,194.52	2,034,971,386.78
(i) Total comprehensive income	—	—	(129,928,339.13)	—	—	3,695,799,261.39	20,736,194.52	3,586,607,116.78
(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	—	—	—	—	—	(1,551,635,730.00)	—	(1,551,635,730.00)
1. Transfer to statutory reserve	—	—	—	—	—	—	—	—
2. Transfer to discretionary reserve	—	—	—	—	—	—	—	—
3. Transfer to enterprise expansion fund	—	—	—	—	—	—	—	—
4. Transfer to reserve fund	—	—	—	—	—	—	—	—
5. Distributions to shareholders	—	—	—	—	—	(1,551,635,730.00)	—	(1,551,635,730.00)
6. Transfer to employee bonus and welfare fund	—	—	—	—	—	—	—	—
7. Tax refund for welfare enterprises	—	—	—	—	—	—	—	—
(iv) Transfer of shareholders' equity	—	—	—	—	—	—	—	—
1. Transfer of capital reserve to share capital	—	—	—	—	—	—	—	—
2. Transfer of surplus reserve to share capital	—	—	—	—	—	—	—	—
3. Surplus reserve making up of losses	—	—	—	—	—	—	—	—
4. Others	—	—	—	—	—	—	—	—
(v) Others	—	—	—	—	—	—	—	—
III. Balance at the end of the period	9,127,269,000.00	1,411,231,014.42	(126,871,888.11)	5,062,440,729.64	—	35,674,696,743.72	144,167,437.57	51,292,933,037.24

Consolidated Statement of Changes in Shareholders' Equity

For the Period from 1 January to 30 June 2018

RMB

Item	For the period from 1 January to 30 June 2017 (Unaudited)							
	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 period	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 period	—	—	(7,311,937.41)	(43,851,241.00)	—	(728,521,419.14)	9,190,359.79	(770,494,237.76)
(I) Total comprehensive income	—	—	(7,311,937.41)	—	—	2,419,755,449.46	9,190,359.79	2,421,633,871.84
(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	—	—	—	—	—	(3,194,544,150.00)	—	(3,194,544,150.00)
1. Transfer to statutory reserve	—	—	—	—	—	—	—	—
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)	—	(3,194,544,150.00)
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	—	—	—	(43,851,241.00)	—	43,851,241.00	—	—
V. Others	—	—	—	—	—	2,416,040.40	—	2,416,040.40
III. Balance at the end of the period	9,127,269,000.00	1,411,231,014.42	(8,814,271.72)	4,531,163,171.83	—	31,454,268,221.86	68,033,144.05	46,583,150,280.44

Statement of Changes in Shareholders' Equity of the Company

For the Period from 1 January to 30 June 2018

RMB

Item	For the period from 1 January to 30 June 2018 (Unaudited)				
	Share capital	Capital reserve	Surplus reserve	Undistributed profits	Total equity
I. Balance at the beginning of the period	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
II. Changes in the current period	—	(5,434,120.19)	485,669,468.95	3,055,226,115.15	3,535,461,463.91
(I) Total comprehensive income	—	—	—	4,050,645,289.54	4,050,645,289.54
(II) Owners' contributions and reduction in capital	—	—	—	—	—
1. Capital contributions from owners	—	—	—	—	—
2. Share-based payment recognized in shareholders' equity	—	—	—	—	—
3. Others	—	—	—	—	—
(III) Profit distribution	—	—	—	(1,551,635,730.00)	(1,551,635,730.00)
1. Transfer to surplus reserve	—	—	—	—	—
2. Transfer to general risk reserve	—	—	—	—	—
3. Distributions to shareholders	—	—	—	(1,551,635,730.00)	(1,551,635,730.00)
(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 period	—	—	—	—	—
2. Amount utilized in the period	—	—	—	—	—
(VI) Others (Note)	—	(5,434,120.19)	485,669,468.95	556,216,555.61	1,036,451,904.37
III. Balance at the end of the period	9,127,269,000.00	1,458,753,185.58	4,453,182,086.10	34,907,908,722.66	49,947,112,994.34

Note: Other changes are mainly generated from merging subsidiaries referring to Note (XIV) 16.

Statement of Changes in Shareholders' Equity of the Company

For the Period from 1 January to 30 June 2018

Item	For the period from 1 January to 30 June 2017 (Unaudited)				RMB
	Share capital	Capital reserve	Surplus reserve	Undistributed profits	Total equity
I. Balance at the beginning of the period	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 period	—	—	—	(634,807,210.16)	(634,807,210.16)
(I) Total comprehensive income	—	—	—	2,559,736,939.84	2,559,736,939.84
(II) Owners' contributions and reduction in capital	—	—	—	—	—
1. Capital contributions from owners	—	—	—	—	—
2. Share-based payment recognized in shareholders' equity	—	—	—	—	—
3. Others	—	—	—	—	—
(III) Profit distribution	—	—	—	(3,194,544,150.00)	(3,194,544,150.00)
1. Transfer to Surplus reserve	—	—	—	—	—
2. Transfer to general risk reserve	—	—	—	—	—
3. Distributions 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 period	—	—	—	—	—
2. Amount utilized in the period	—	—	—	—	—
(VI) Others	—	—	—	—	—
III. Balance at the end of the period	9,127,269,000.00	1,464,187,305.77	3,521,714,071.43	30,400,232,635.91	44,513,403,013.11



Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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 and the ultimate controlling shareholder is Wei Jianjun.

The Company was originally named as Baoding Great Wall Motor Group Company Limited. On 5 June 2001, upon the approval by Office of the Stock Reform Leading Panel of *the People’s Government of Hebei Province with Ji Gu Ban [2001] No. 62*, Baoding Great Wall Motor Group Company Limited was reorganized to Baoding Great Wall Motor Company Limited. On 28 May 2003, upon the approval by Hebei Administration for Industry and Commerce, Baoding Great Wall Motor Company Limited was renamed Great Wall Motor Company Limited.

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

The Company’s and consolidated financial statements have been approved by the Board of Directors on 30 August 2018.

For the scope of consolidated financial statements of this period refer to Note (VIII) “interest in other entities”. Changes in the scope of consolidated financial statements for the current period 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”), as well as the *Notice of the Revised Format of Financial Statements for General Business Enterprise for the year of 2018* released on 15 June 2018 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 Period from 1 January to 30 June 2018

II. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (continued)

Basic of preparation and principle of measurement

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

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

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

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

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

Going concern

The Group has evaluated its ability of going concern for the next 12 month since 30 June 2018. There is no indication of major events that may affect the ability of going concern. Thus, the financial statements have been prepared under the assumption of going concern.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

1. Statement of compliance

The financial statements have been prepared in compliance with the Accounting Standard for Business Enterprises to truly and completely reflect the Company's and consolidated financial position of the Company as at 30 June 2018 and the Company's and consolidated operating results and cash flows for the period from 1 January 2018 to 30 June 2018.

Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

2. Accounting period

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

3. Operating cycle

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

4. Functional currency

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

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

Business combination includes business combinations involving enterprises under common control and business combinations not involving enterprises 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 Period from 1 January to 30 June 2018

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



Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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 Period from 1 January to 30 June 2018

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 translated at the spot exchange rate on the date when the fair value is determined. The difference between the translated functional currency amount and the original functional currency amount is treated as a change in fair value (including exchange rate changes) and included in the current profit and loss or recognized 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.

Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

9. Financial instruments

The Group shall recognise a financial asset or a financial liability in its statement of financial position when, and only when, the Group becomes party to the contractual provisions of the instrument. 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 changed to the profit or loss for the period; for other financial assets and liabilities, related transaction expenses are included in the initial recognized amount. For accounts receivable excluding significant financing components or regardless of financing components of contracts less than one year recognised based on Accounting Standard for Business Enterprises No.14 – Revenue (Cai Kuai [2017]No.22, “New Standard – Revenue”), accounts receivable initially recognised shall be measured at transaction price defined based on the New Standard--Revenue on initial recognition.

9.1 Classification and measurement of the financial assets

After initial recognition, the Group shall measure a financial asset at amortized cost, fair value through other comprehensive income or fair value through profit or loss.

9.1.1 Financial assets at amortised cost

A financial asset shall be measured at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The above financial asset is subsequently measured at amortized cost using the effective interest method. Gain or loss arising from derecognition, impairment or amortization is recognised in profit or loss.

Such financial assets of the Group mainly include: accounts receivable, loans and advances to customers, other current assets-wealth management products and long-term receivables.



Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

9. Financial instruments (continued)

9.1 Classification and measurement of the financial assets (continued)

9.1.1 Financial assets at amortised cost (continued)

9.1.1.1 Effective interest method and amortized cost

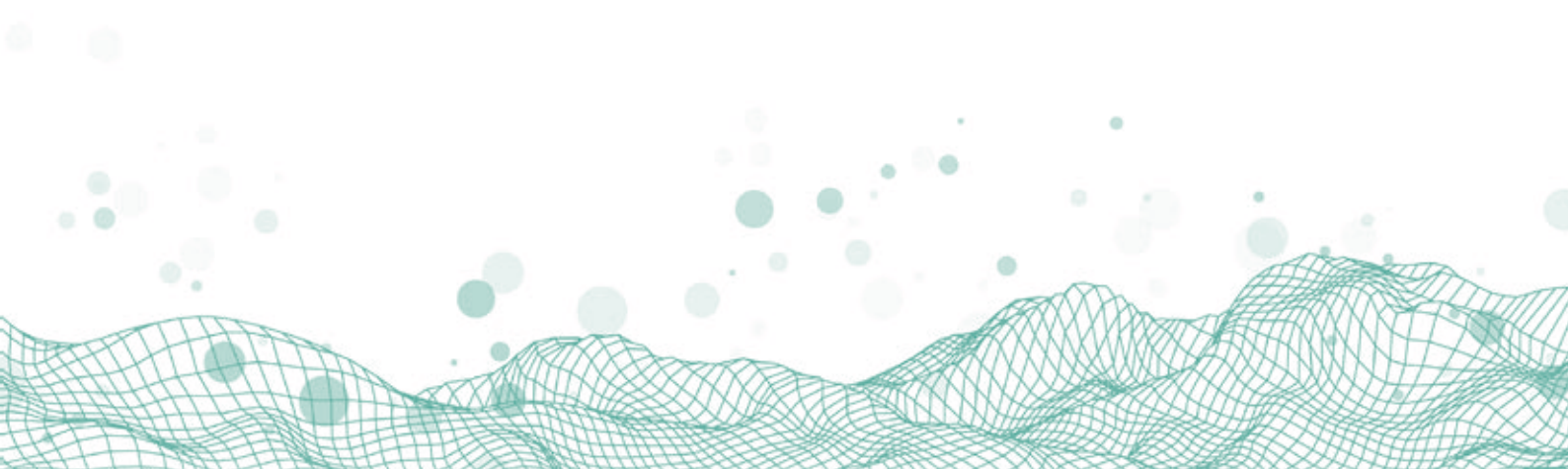
Effective interest method is the method that is used in the calculation of the amortised cost of a financial asset or a financial liability and in the allocation and recognition of the interest revenue or interest expense in profit or loss over the relevant period.

Effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset or to the amortised cost of a financial liability. When calculating the effective interest rate, the Group shall estimate the expected cash flows by considering all the contractual terms of the financial instrument (for example, prepayment, extension, call and similar options) but shall not consider the expected credit losses.

Amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

Interest revenue shall be calculated by using the effective interest method. This shall be calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

- Purchased or originated credit-impaired financial assets. For those financial assets, the Group shall apply the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition.
- Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Group shall apply the effective interest rate to the amortised cost of the financial asset in subsequent reporting periods.



Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

9. Financial instruments (continued)

9.1 Classification and measurement of the financial assets (continued)

9.1.2 Financial assets at FVTOCI

A financial asset shall be measured at fair value through other comprehensive income if both of the following conditions are met:

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A gain or loss on a financial asset measured at fair value through other comprehensive shall be recognised in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognised or reclassified. When the financial asset is derecognised the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. If the financial asset is reclassified out of the fair value through other comprehensive income measurement category, the Group shall account for the cumulative gain or loss that was previously recognised in other comprehensive income. Interest calculated using the effective interest method is recognised in profit or loss.

Such financial assets of the Group include: other current assets – notes receivable.

9.1.3 Financial assets at FVTPL

Financial assets at FVTPL include financial assets at FVTPL and those designated as at fair value through profit or loss:

- A financial asset shall be measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income.
- At initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as an 'accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.



Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

9. Financial instruments (continued)

9.1 Classification and measurement of the financial assets (continued)

9.1.3 Financial assets at FVTPL (continued)

A gain or loss on a financial asset or financial liability that is measured at fair value shall be recognised in profit or loss unless: (a) it is part of a hedging relationship; (b) it is an investment in an equity instrument and the Group has elected to present gains and losses on that investment in other comprehensive; (c) it is a financial liability designated as at fair value through profit or loss and the Group is required to present the effects of changes in the liability's credit risk in other comprehensive; or (d) it is a financial asset measured at fair value through other comprehensive and the Group is required to recognise some changes in fair value in other comprehensive.

Dividends are recognised in profit or loss only when: (a) the Group's right to receive payment of the dividend is established; (b) it is probable that the economic benefits associated with the dividend will flow to the Group; and (c) the amount of the dividend can be measured reliably.

Such financial assets of the Group include: held-for trading financial assets.

9.1.4 Designated financial assets at FVTOCI

The Group may make an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value in other comprehensive income.

At initial recognition, the Group may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument within the scope of this Standard that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination.

The loss allowance shall be recognised in other comprehensive income and shall not reduce the carrying amount of the financial asset in the statement of financial position.

When the financial asset is derecognised the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.

Dividends are recognised in profit or loss only when: (a) the Group's right to receive payment of the dividend is established; (b) it is probable that the economic benefits associated with the dividend will flow to the Group; and (c) the amount of the dividend can be measured reliably.

Such financial assets of the Group include: other equity instrument investments.

Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

9. Financial instruments (continued)

9.2 Impairment of financial assets

The Group shall recognise a loss allowance for expected credit losses on financial assets at amortized cost, financial assets at fair value through other comprehensive income or a lease receivable.

The Group shall always measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables or contract assets that result from transactions that: (i) do not contain a significant financing component; or (ii) contain a significant financing component, if the Group chooses as its accounting policy to measure the loss allowance at an amount equal to lifetime expected credit losses. That accounting policy shall be applied to all such trade receivables or contract assets but may be applied separately to trade receivables and contract assets.

At each reporting date, the Group shall measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition.

If, at the reporting date, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group shall measure the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

The Group shall recognise in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized in accordance with this Standard.

The Group shall apply the impairment requirements for the recognition and measurement of a loss allowance for financial assets that are measured at fair value through other comprehensive income. However, the loss allowance shall be recognised in other comprehensive income and shall not reduce the carrying amount of the financial asset in the statement of financial position.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date, the Group shall measure the loss allowance at an amount equal to 12-month expected credit losses at the current reporting date.

The Group shall recognise in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized in accordance with this Standard.



Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

9. Financial instruments (continued)


9.2 Impairment of financial assets (continued)

9.2.1 Significant increase in credit risk

At each reporting date, the Group shall assess whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group shall use the change in the risk of a default occurring over the expected life of the financial instrument instead of the change in the amount of expected credit losses. To make that assessment, the Group shall compare the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition.

For loan commitments and financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment shall be considered to be the date of initial recognition for the purposes of applying the impairment requirements.

The following non-exhaustive list of information may be relevant in assessing changes in credit risk:

- (a) significant changes in internal price indicators of credit risk as a result of a change in credit risk since inception, including, but not limited to, the credit spread that would result if a particular financial instrument or similar financial instrument with the same terms and the same counterparty were newly originated or issued at the reporting date.
 - (b) Other changes in the rates or terms of an existing financial instrument that would be significantly different if the instrument was newly originated or issued at the reporting date (such as more stringent covenants, increased amounts of collateral or guarantees, or higher income coverage) because of changes in the credit risk of the financial instrument since initial recognition.
 - (c) Significant changes in external market indicators of credit risk for a particular financial instrument or similar financial instruments with the same expected life. Changes in market indicators of credit risk include, but are not limited to: (i) the credit spread; (ii) the credit default swap prices for the borrower; (iii) the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost; and (iv) other market information related to the borrower, such as changes in the price of a borrower's debt and equity instruments.
 - (d) An actual or expected significant change in the financial instrument's external credit rating.
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Notes to the Financial Statements


For the Period from 1 January to 30 June 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

9. Financial instruments (continued)

9.2 Impairment of financial assets (continued)

9.2.1 Significant increase in credit risk (continued)

- (e) An actual or expected internal credit rating downgrade for the borrower or decrease in behavioural scoring used to assess credit risk internally. Internal credit ratings and internal behavioural scoring are more reliable when they are mapped to external ratings or supported by default studies.
 - (f) Existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant change in the borrower's ability to meet its debt obligations, such as an actual or expected increase in interest rates or an actual or expected significant increase in unemployment rates.
 - (g) An actual or expected significant change in the operating results of the borrower. Examples include actual or expected declining revenues or margins, increasing operating risks, working capital deficiencies, decreasing asset quality, increased balance sheet leverage, liquidity, management problems or changes in the scope of business or organisational structure (such as the discontinuance of a segment of the business) that results in a significant change in the borrower's ability to meet its debt obligations.
 - (h) Significant increases in credit risk on other financial instruments of the same borrower.
 - (i) An actual or expected significant adverse change in the regulatory, economic, or technological environment of the borrower that results in a significant change in the borrower's ability to meet its debt obligations, such as a decline in the demand for the borrower's sales product because of a shift in technology.
 - (j) Significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements, which are expected to reduce the borrower's economic incentive to make scheduled contractual payments or to otherwise have an effect on the probability of a default occurring. For example, if the value of collateral declines because house prices decline, borrowers in some jurisdictions have a greater incentive to default on their mortgages.
 - (k) A significant change in the quality of the guarantee provided by a shareholder (or an individual's parents) if the shareholder (or parents) have an incentive and financial ability to prevent default by capital or cash infusion.
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Notes to the Financial Statements


For the Period from 1 January to 30 June 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

9. Financial instruments (continued)

9.2 Impairment of financial assets (continued)

9.2.1 Significant increase in credit risk (continued)

- (l) Significant changes, such as reductions in financial support from a parent entity or other affiliate or an actual or expected significant change in the quality of credit enhancement, that are expected to reduce the borrower's economic incentive to make scheduled contractual payments. Credit quality enhancements or support include the consideration of the financial condition of the guarantor and/or, for interests issued in securitisations, whether subordinated interests are expected to be capable of absorbing expected credit losses (for example, on the loans underlying the security).
 - (m) Expected changes in the loan documentation including an expected breach of contract that may lead to covenant waivers or amendments, interest payment holidays, interest rate step-ups, requiring additional collateral or guarantees, or other changes to the contractual framework of the instrument.
 - (n) Significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the group (for example, an increase in the expected number or extent of delayed contractual payments or significant increases in the expected number of credit card borrowers who are expected to approach or exceed their credit limit or who are expected to be paying the minimum monthly amount).
 - (o) Changes in the Group's credit management approach in relation to the financial instrument; ie based on emerging indicators of changes in the credit risk of the financial instrument, the Group's credit risk management practice is expected to become more active or to be focused on managing the instrument, including the instrument becoming more closely monitored or controlled, or the Group specifically intervening with the borrower.
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Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

9. Financial instruments (continued)

9.2 Impairment of financial assets (continued)

9.2.1 Significant increase in credit risk (continued)

If reasonable and supportable forward-looking information is available without undue cost or effort, the Group cannot rely solely on past due information when determining whether credit risk has increased significantly since initial recognition. However, when information that is more forward-looking than past due status (either on an individual or a collective basis) is not available without undue cost or effort, the Group may use past due information to determine whether there have been significant increases in credit risk since initial recognition. Regardless of the way in which the Group assesses significant increases in credit risk, there is a rebuttable presumption that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due. The Group can rebut this presumption if the Group has reasonable and supportable information that is available without undue cost or effort, that demonstrates that the credit risk has not increased significantly since initial recognition even though the contractual payments are more than 30 days past due. When the Group determines that there have been significant increases in credit risk before contractual payments are more than 30 days past due, the rebuttable presumption does not apply.

The Group may assume that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date.

9.2.2 Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

- (a) Significant financial difficulty of the issuer or the borrower;
- (b) A breach of contract, such as a default or past due event;
- (c) The lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- (d) The purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses;
- (e) The disappearance of an active market for that financial asset because of financial difficulties;
- (f) The purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

It may not be possible to identify a single discrete event-instead, the combined effect of several events may have caused financial assets to become credit-impaired.

Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

9. Financial instruments (continued)

9.2 Impairment of financial assets (continued)

9.2.3 Recognition of expected credit losses

For the purpose of determining significant increases in credit risk and recognising a loss allowance on a collective basis for accounts receivable and other financial assets classified as at amortised cost and debt instruments classified as at fair value through other comprehensive income, the Group can group financial instruments on the basis of shared credit risk characteristics with the objective of facilitating an analysis that is designed to enable significant increases in credit risk to be identified on a timely basis. The Group should not obscure this information by grouping financial instruments with different risk characteristics. Examples of shared credit risk characteristics may include, but are not limited to, the:

- (a) Instrument type;
- (b) Credit risk ratings;
- (c) Collateral type;
- (d) Date of initial recognition;
- (e) Remaining term to maturity;
- (f) Industry;
- (g) Geographical location of the borrower; and
- (h) The value of collateral relative to the financial asset if it has an impact on the probability of a default occurring (for example, non-recourse loans in some jurisdictions or loan-to-value ratios).

Expected credit losses are a probability-weighted estimate of credit losses (ie the present value of all cash shortfalls) over the expected life of the financial instrument. A cash shortfall is the difference between the cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive. Because expected credit losses consider the amount and timing of payments, a credit loss arises even if the Group expects to be paid in full but later than when contractually due.

For financial assets, a credit loss is the present value of the difference between:

- (a) The contractual cash flows that are due to the Group under the contract; and (b) the cash flows that the Group expects to receive.

Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

9. Financial instruments (continued)

9.2 Impairment of financial assets (continued)

9.2.3 Recognition of expected credit losses (continued)

For lease receivables, a credit loss is the present value of the difference between:

- (a) The contractual cash flows that are due to the Group under the contract; and (b) the cash flows that the Group expects to receive.

For a financial asset that is credit-impaired at the reporting date, but that is not a purchased or originated credit-impaired financial asset, the Group shall measure the expected credit losses as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. Any adjustment is recognised in profit or loss as an impairment gain or loss.

The Group shall measure expected credit losses of a financial instrument in a way that reflects:

- (a) An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- (b) The time value of money; and
- (c) Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

9.2.4 Written-off of financial assets

The Group shall directly reduce the gross carrying amount of a financial asset when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. A write-off constitutes a derecognition event.



Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

9. Financial instruments (continued)

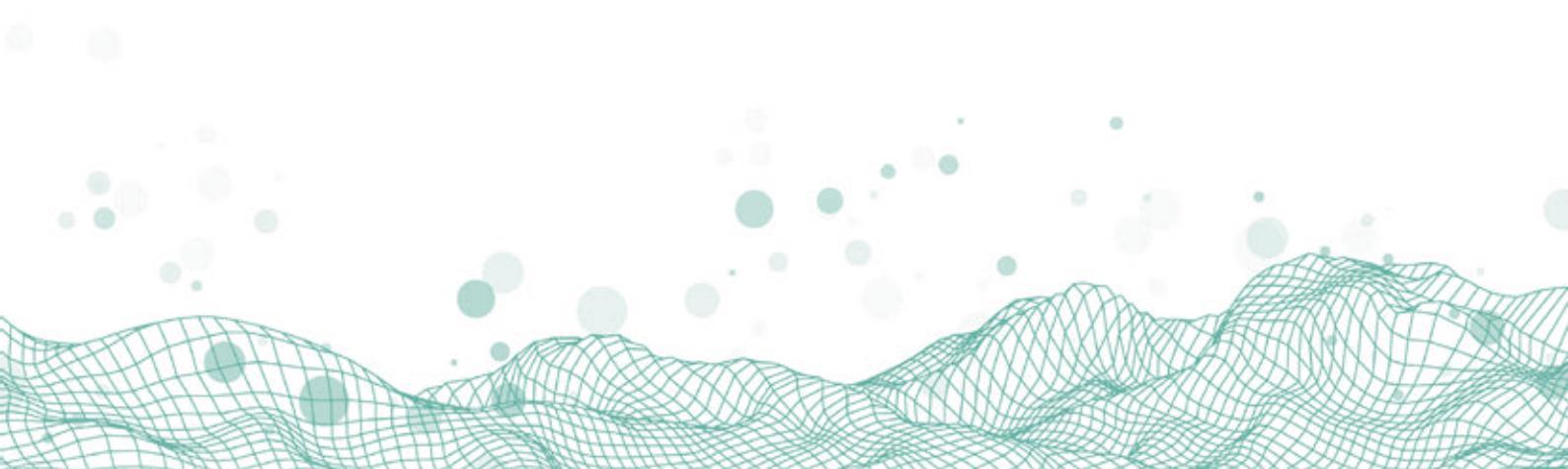
9.3 Transfer of financial assets

The Group shall derecognise a financial asset when, and only when: (a) the contractual rights to the cash flows from the financial asset expire, or (b) it transfers the financial and the transfer qualifies for derecognition.

The Group transfers a financial asset if, and only if, it either: (a) transfers the contractual rights to receive the cash flows of the financial asset, or (b) retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients in an arrangement.

When the Group retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), the Group treats the transaction as a transfer of a financial asset if, and only if, all of the following three conditions are met.

- (a) The Group has no obligation to pay amounts to the eventual recipients unless it collects equivalent amounts from the original asset. Short-term advances by the Group with the right of full recovery of the amount lent plus accrued interest at market rates do not violate this condition.
- (b) The Group is prohibited by the terms of the transfer contract from selling or pledging the original asset other than as security to the eventual recipients for the obligation to pay them cash flows.
- (c) The Group has an obligation to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the Group is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents (as defined in IAS 7 Statement of Cash Flows) during the short settlement period from the collection date to the date of required remittance to the eventual recipients, and interest earned on such investments is passed to the eventual recipients.



Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

9. Financial instruments (continued)

9.3 Transfer of financial assets (continued)

When the Group transfers a financial asset, it shall evaluate the extent to which it retains the risks and rewards of ownership of the financial asset. In this case:

- (a) If the Group transfers substantially all the risks and rewards of ownership of the financial asset, the Group shall derecognise the financial asset and recognise separately as assets or liabilities any rights and obligations created or retained in the transfer.
- (b) If the Group retains substantially all the risks and rewards of ownership of the financial asset, the Group shall continue to recognise the financial asset.
- (c) If the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, the Group shall determine whether it has retained control of the financial asset. In this case: (i) if the Group has not retained control, it shall derecognize the financial asset and recognise separately as assets or liabilities any rights and obligations created or retained in the transfer; (ii) if the Group has retained control, it shall continue to recognise the financial asset to the extent of its continuing involvement in the financial asset.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of a transferred asset, and retains control of the transferred asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. The extent of the Group's continuing involvement in the transferred asset is the extent to which it is exposed to changes in the value of the transferred asset.

When the Group continues to recognise an asset to the extent of its continuing involvement, the Group also recognises an associated liability.

Despite the other measurement requirements in this Standard, the transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. The associated liability is measured in such a way that the net carrying amount of the transferred asset and the associated liability is:

- (a) The amortised cost of the rights and obligations retained by the Group, if the transferred asset is measured at amortised cost, or
- (b) Equal to the fair value of the rights and obligations retained by the Group when measured on a stand-alone basis, if the transferred asset is measured at fair value.



Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

9. Financial instruments (continued)

9.3 Transfer of financial assets (continued)

On derecognition of a financial asset in its entirety, the difference between: (a) the carrying amount (measured at the date of derecognition) and (b) the consideration received (including any new asset obtained less any new liability assumed), shall be recognised in profit or loss.

A gain or loss on a financial asset measured at fair value through other comprehensive income shall be recognised in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognised or reclassified. When the financial asset is derecognised the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. If the financial asset is reclassified out of the fair value through other comprehensive income measurement category, the Group shall account for the cumulative gain or loss that was previously recognised in other comprehensive income. Interest calculated using the effective interest method is recognised in profit or loss.

The Group is permitted to make an irrevocable election to present in other comprehensive income changes in the fair value of an investment in an equity instrument that is not held for trading. This election is made on an instrument-by-instrument (ie share-by-share) basis. Amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss. However, the Group may transfer the cumulative gain or loss within equity. Dividends on such investments are recognised in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment.

If the Group's continuing involvement is in only a part of a financial asset (eg when the Group retains an option to repurchase part of a transferred asset, or retains a residual interest that does not result in the retention of substantially all the risks and rewards of ownership and the Group retains control), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between: (a) the carrying amount (measured at the date of derecognition) allocated to the part that is no longer recognised and (b) the consideration received for the part no longer recognized shall be recognised in profit or loss.

If a transfer does not result in derecognition because the Group has retained substantially all the risks and rewards of ownership of the transferred asset, the Group shall continue to recognise the transferred asset in its entirety and shall recognise a financial liability for the consideration received. In subsequent periods, the Group shall recognize any income on the transferred asset and any expense incurred on the financial liability.



Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

9. Financial instruments (continued)

9.4 Classification and measurement of financial liabilities

The issuer of a financial instrument shall classify the instrument, or its component parts, on initial recognition as a financial liability, a financial asset or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, a financial asset and an equity instrument.

On initial recognition, financial liabilities are classified into financial liabilities at fair value through profit or loss and other financial liabilities.

9.4.1 Other financial liabilities

Other financial liabilities, other than financial liabilities arising from financial assets of which the transfer does not meet the conditions for derecognition or continue to be involved in transferred financial assets, financial guarantee contracts and loan commitments, are classified as financial liabilities measured at amortised cost. Subsequent measurement, gain or loss arising from derecognition or amortization is recognised in profit or loss.

Such financial liabilities of the Group include: short-term borrowings, notes payables, accounts payables, other payables, and long-term borrowings.

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset in accordance with this Standard, the Group shall recalculate the gross carrying amount of the financial asset and shall recognise a modification gain or loss in profit or loss. The gross carrying amount of the financial asset shall be recalculated as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial asset's original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets) or, when applicable, the revised effective interest rate calculated in accordance with paragraph 6.5.10. Any costs or fees incurred adjust the carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.



Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

9. Financial instruments (continued)

9.5 *Derecognition of financial liabilities*

The Group shall remove a financial liability (or a part of a financial liability) from its statement of financial position when, and only when, it is extinguished, ie when the obligation specified in the contract is discharged or cancelled or expires.

An exchange between an existing borrower and lender of debt instruments with substantially different terms shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability or a part of it (whether or not attributable to the financial difficulty of the debtor) shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, shall be recognised in profit or loss.

9.6 *Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

The classification of a financial instrument as a financial liability or an equity instrument determines whether interest, dividends, losses and gains relating to that instrument are recognised as income or expense in profit or loss. Thus, dividend payments on shares wholly recognised as liabilities are recognised as expenses in the same way as interest on a bond. Similarly, gains and losses associated with redemptions or refinancings of financial liabilities are recognised in profit or loss, whereas redemptions or refinancings of equity instruments are recognised as changes in equity. Changes in the fair value of an equity instrument are not recognised in the financial statements.

Distributions to holders of an equity instrument shall be recognised by the Group directly in equity.

9.7 *Offsetting a financial asset and a financial liability*

A financial asset and a financial liability shall be offset and the net amount presented in the statement of financial position when, and only when, the Group:

- (1) Currently has a legally enforceable right to set off the recognized amounts; and
- (2) Intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

10. Inventories

10.1 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.

10.2 Valuation method of inventories upon delivery

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

10.3 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.

10.4 Inventory count system

The inventory count system shall be on a perpetual basis.

10.5 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.

Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

11. Long-term equity investments

11.1 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.

11.2 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.

11.3 Method for subsequent measurement and profit or loss recognition

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

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

11.3.1 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 Period from 1 January to 30 June 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

11. Long-term equity investments (continued)

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

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

Under the equity method, where the initial investment cost of a long-term equity investment exceeds the investor's interest in the fair value of the investee's identifiable net assets at the acquisition date, no adjustment shall be made to the initial investment cost. Where the initial investment cost is less than the investor's interest in the fair value of the investee's identifiable net assets at the acquisition date, the difference shall be charged to profit or loss for the current period, and the cost of the long-term equity investment shall be adjusted accordingly.

Under the equity method, investment gain or loss and other comprehensive income represent the Group's share of the net profits or losses and other comprehensive income made by the investee for the current period and the carrying amount of the long-term equity investment shall be adjusted accordingly. The Group shall recognize its share of the investee's net profits or losses based on the fair values of the investee's individual separately identifiable assets at the time of acquisition, after making appropriate adjustments thereto in conformity with the accounting policies and accounting periods of the Group. The unrealized gain or loss from internal transactions entered into between the Group and its associated enterprises and joint ventures is offset according to the shareholding attributable to the Group and recognized as investment income and loss according to such basis. However, the unrealized gain or loss from internal transactions entered into between the Group and its investee is not offset if it belongs to impairment loss from assets transferred according to regulations such as Accounting Standards for Business Enterprises No. 8 "Assets impairment". For changes in other shareholder's equity in investee other than net profit or loss, the carrying amount of the correspondingly adjusted long-term equity investment is recognized as other comprehensive income and included in capital reserve. The carrying amount of the investment shall be reduced by the portion of any profit distributions or cash dividends declared by the investee that is distributed to the investing enterprise.

11.3.3 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.



Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

12. 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.

13. Fixed assets

13.1 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 Period from 1 January to 30 June 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

13. Fixed assets (continued)

13.2 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.

13.3 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.

14. 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.

Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

15. 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 during the current period in which they are incurred.

Where funds are borrowed for a specific purpose, the amount of interest to be capitalized shall be the actual interest expense incurred during the current period less any bank interest earned from depositing the borrowed funds before being used into banks or any investment income on the temporary investment of those funds. Where funds are borrowed for general purpose, the Group shall determine the amount of interest to be capitalized on such borrowings by applying a capitalization rate to the weighted average of the excess amounts of cumulative expenditures on the asset over and above the amounts of specific-purpose borrowings. The capitalization rate shall be the weighted average of the interest rates applicable to the general-purpose borrowings.

Qualifying assets are assets (fixed assets, inventories, etc.) that necessarily taking a substantial period of time for acquisition, construction or production to get ready for their intended use or sale.



Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

16. Intangible assets

16.1 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.

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
Non-patent technology	1-10	10.00-100.00

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.

Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

16. Intangible assets (continued)

16.2 Research and development expenditure

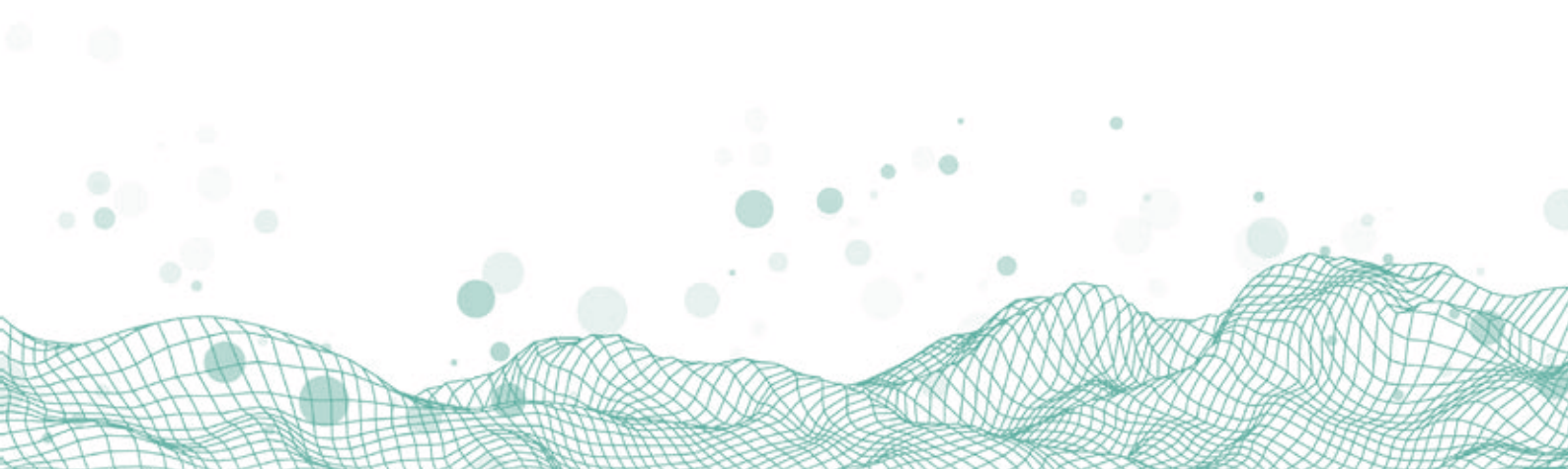
The internal research and development expenditures of the Group are classified into research phase expenditure and development phase expenditure.

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

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

- (1) It is technically feasible that the intangible asset can be used or sold upon completion;
- (2) There is intention to complete the intangible asset for use or sale;
- (3) The intangible asset can produce economic benefits, including there is evidence that the products produced using the intangible asset has a market or the intangible asset itself has a market; if the intangible asset is for internal use, there is evidence that there is usage for the intangible asset;
- (4) There is sufficient support in terms of technology, financial resources and other resources in order to complete the development of the intangible asset, and there is capability to use or sell the intangible asset;
- (5) The expenses attributable to the development stage of the intangible asset can be measured reliably.

If the expenses incurred during the research stage and the development stage cannot be distinguished separately, all development expenditure incurred are accounted for in the profit or loss for the current period.



Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

17. 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 every year, 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.

18. 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 Period from 1 January to 30 June 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

19. Employee benefits

19.1 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 period 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.

19.2 Post-employment benefits

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

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

20. 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.



Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

21. Revenue

The Group recognises revenue based on the transaction price allocated to such performance obligation when a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer. A performance obligation represents the commitment that a good and service that is distinct shall be transferred by the Group to the customer. Transaction price refers to the consideration that the Group is expected to charge due to the transfer of goods or services to the customer, but it does not include payments received on behalf of third parties and amounts that the Group expects to return to the customer.

Variable consideration

If the contract includes variable consideration, the Group determines the best estimates of the variable consideration based on the expected value or the most likely amount. Transaction price comprising the variable consideration does not exceed the amount that it is highly probable that a significant reversal will not occur when relevant uncertainty is eliminated. At each balance sheet, the Group re-estimates the amount of variable consideration which should be recognised in transaction price.

If the contract includes two or more performance obligations, at contract inception, the Group allocates the transaction price to single performance obligation according to relative proportion of the stand-alone selling prices of the goods or services promised by single performance obligation. However, where there is conclusive evidence that the contract discount or variable consideration is only related to one or more (not all) performance obligations in the contract, the Group shall allocate the contract discount or variable consideration to relevant one or more performance obligations. The stand-alone selling price is the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group shall consider all information that is reasonably available to the Group and maximize the use of observable inputs and apply estimation methods consistently in similar circumstances.

Warranties

For sales with quality assurance terms, if the quality assurance provides a separate service to the customer other than ensuring that the goods or services sold meet the established standards, the quality assurance constitutes a single performance obligation. Otherwise, the Group will account for the quality assurance responsibility in accordance with the *Accounting Standards for Business Enterprises No. 13 — Contingencies*.

Customers' unexercised rights

When the Group collects amounts of sold goods or services in advance from the customer, the Group will firstly recognize the amounts as a liability and then transfer to revenue until satisfying relevant performance obligations. When the receipts in advance is non-refundable and the customer may give up all or part of contract right, and the Group is expected to be entitled to obtain amounts associated with contract rights given up by the customer, the above amounts shall be proportionally recognized as revenue in accordance with the model of exercising contract rights by the customer; otherwise, the Group will transfer the relevant balance of the above liability to revenue only when the probability is extremely low for the customer to satisfy remaining performance obligations.

Contract liabilities refers to the Group's obligation to transfer goods or services to a customer for which the Group has received consideration from the customer.

Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

22. Government grants

Government grants are monetary assets and non-monetary assets gratuitous acquired from the government. Government grants are recognized when they meet the requirements of government grants and is receivable.

Government grants are measured in accordance with the amount received or receivable if they are monetary assets.

22.1 Judgement criteria and accounting treatment for government grants related to asset

A government grant related to an asset is charged against carrying amount of related assets or recognized as deferred income and evenly included in profit or loss over the useful life of the related asset.

22.2 Judgement criteria and accounting treatment for 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 are recognized. If the grant is a compensation for related expenses and losses already incurred, the grant is recognized immediately in profit or loss for the current period.

Government grants related to the Group's daily activities are included in other income in accordance with its economic substance. Otherwise, government grants are included in non-operating income or expense.

23. Income tax

23.1 Current income tax

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



Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

23. Income tax (continued)

23.2 Deferred tax assets and deferred tax liabilities

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

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

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

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

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

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.



Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

23. Income tax (continued)

23.3 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.

23.4 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 realize 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 realize 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.

24. Operating lease

24.1 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.

24.2 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.

Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

25. Changes in significant accounting policies

25.1 Standards for financial instrument

Pursuant to the *Accounting Standards for Business Enterprises No. 22 – Financial Instrument: Recognition and Measurement*, *Accounting Standards for Business Enterprises No. 23 – Transfer of Financial Assets*, *Accounting Standards for Business Enterprises No. 24 – Hedging Accounting* and *Accounting Standards for Business Enterprises No. 37 – Financial Instrument: Presentation* (hereinafter referred to as “new standards for financial instrument”) revised in 2017 by the MoF.

For classification and measurement of financial assets, the new standards for financial instrument require that the financial assets should be classified into three categories: “financial assets measured at amortized cost”, “financial assets at fair value through other comprehensive income (“FVTOCI”)” and “financial assets at fair value through profit or loss (“FVTPL”)” based on characteristics of contractual cash flows and business models for the enterprise to manage these assets. The original categories including loans and receivables, held-to-maturity investments and available-for-sale financial assets have been cancelled. Investments in equity instrument are generally categorized into financial assets at FVTPL. The enterprise is also allowed to designate the non-tradable equity instruments as financial assets at FVTOCI, but such designation is non-cancellable, and the cumulative amounts of changes in fair value previously recognized in other comprehensive income shall not be carried forward in profit or loss for the period at disposal of the financial assets.

For impairment of financial assets, the new standards for financial instrument on impairment are applicable to financial assets and lease receivables. The new standards for financial instrument require adoption of expected credit loss model to replace the original credit-impaired model. The new impairment model requires adoption of three-phase model, credit loss allowance is made based on expected credit losses within 12 months or during the whole life according to whether the credit risks of relevant items have been significantly increased since initial recognition. If the accounts receivable, contract assets and lease receivables have simplified method, it is allowed to recognise impairment allowance for the expected credit loss during the whole life.

For hedging accounting, the new standards for financial instrument has improved the applicability of hedge accounting and more closely integrated hedge accounting and enterprise risk management.

According to the circular of the MoF, the new financial instrument standard will be implemented on 1 January 2018 for enterprises that are both listed in China and abroad and those that are listed abroad and prepare financial reports using international financial reporting standards or enterprise accounting standards. Therefore, as a company listed both at China and abroad, the Group has implemented the above new standards for financial instrument since 1 January 2018 and recognized, measured and reported the Group’s financial instrument in accordance with the new standards since that day. See Note III (9) for the changed accounting policies.

Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

25. Changes in significant accounting policies (continued)

25.1 Standards for financial instrument (continued)

If the recognition and measurement of financial instrument before 1 January 2018 is inconsistent with the new standards for financial instrument, the Group will make connection and adjustment as required by the new standards. In case of inconsistency between the comparative figures in financial statements in prior period and requirements of the new standards, the Group will not make adjustment. The shortfall between the original carrying amount of the financial instrument and the new carrying amount at the adoption date of the new standards shall be recognized in retained earnings or other comprehensive income at 1 January 2018. Effects on adoption of new standards for financial instrument at 1 January 2018 are as follows:

Summary of effects on initial implementation of new standards for financial instrument since 1 January 2018

RMB

Item	Effect of implementation of new standards for financial instrument				Book value set out under new standards for financial instrument at 1 January 2018
	Book value under Original standard at 31 December 2017	Transfer-in from loans and receivables financial assets (Note 1)	Reclassification Transfer-in from available-for-sale financial assets (Note 2)	Transfer-in from classified as financial assets at fair value through profit or loss (Note 3)	
Financial assets at fair value through profit or loss	317,994,432.00	—	—	(317,994,432.00)	—
Held-for-trading financial assets	—	—	—	317,994,432.00	317,994,432.00
Notes receivables and accounts receivable	49,948,553,567.36	(49,075,108,590.70)	—	—	873,444,976.66
Other current assets	267,000,053.72	49,075,108,590.70	—	—	49,342,108,644.42
Available-for-sale assets	7,700,000.00	—	(7,700,000.00)	—	—
Other equity instrument investments	—	—	7,700,000.00	—	7,700,000.00

Note 1: Transfer-in from loans and receivables financial assets

The Group will discount or endorse and transfer before part of notes receivable expire in the progress of managing enterprise liquidity, and derecognize the discounted or endorsed notes receivable on the basis that after the Group has transferred almost all risk and benefit to the related transaction party. The business mode of the Group managing notes receivable is regarding contract cash flow acquisition and selling such financial assets as objectives. Therefore, the notes receivable amounted to RMB49,075,108,590.70 on 1 January 2018 is reclassified to other current assets, and the notes receivable originally measured at amortised cost is measured at fair value, without resulting in carrying value changes in other current assets.

Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

25. Changes in significant accounting policies (continued)

25.1 Standards for financial instrument (continued)

Note 2: Transfer-in from available-for-sale financial assets

On 1 January 2018, available-for-sale assets amounted to RMB7,700,000.00 are reclassified to other equity instrument investments, and this part of investments are non-held-for-trading equity instruments and the Group will not sell them in the expected future and measure them at cost, net of impairment, in accordance with the original financial instrument standard for the prior periods. On 1 January 2018, this part of equity investment adopt fair value measurement, without resulting in carrying value changes in other equity instrument investments.

Note 3: Transfer-in from classified as financial assets at fair value through profit or loss

On 1 January 2018, financial assets amounted to RMB317,994,432.00 measured at fair value through profit or loss are listed equity held by the Group, and are reclassified as held-for-trading financial assets.

Note 4: Expected credit losses

On 1 January 2018, the Group is required to recognize the impairment provision for credit losses for accounts receivable and other financial assets classified as at amortised cost and debt instruments classified as at fair value through other comprehensive income in accordance with the new financial instrument standard. The details of effect include:

For the accounts receivable not involving significant financing composition or not considering the financing composition no more than one year, the Group adopts simplified method to measure expected credit losses in accordance new financial instrument standard, which is measuring loss provision in accordance with the amount equivalent to the expected credit loss within the entire duration. This does not result in the carrying value changes in impairment provision for accounts receivable on 1 January 2018.

For other financial assets at amortised cost (primarily including other current assets- wealth management products, loans and advances to customers and long-term receivables), the Group adopts three-phase model to measure expected credit loss in accordance with new financial instrument standard. In terms of whether the credit risk increases significantly after the initial recognition of relevant projects, the provision for credit losses is provided on the basis of the expected credit losses within 12 months or the expected credit losses within the entire duration. This does not result in the carrying value changes in impairment provision for other current assets- wealth management products, loans and advances to customers and long-term receivables on 1 January 2018.

For financial assets at fair value through other comprehensive income (primarily including other current assets-notes receivable), the Group adopts three-phase model to measure expected credit loss for other debt investment in accordance with new financial instrument standard. In terms of whether the credit risk increases significantly after the initial recognition of relevant projects, the provision for credit losses is provided on the basis of the expected credit losses within 12 months or the expected credit losses within the entire duration. This does not result in the carrying value changes in impairment provision for including other current assets-notes receivable on 1 January 2018.



Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

25. Changes in significant accounting policies (continued)

25.2 Standards for revenue

The Group starts to implement new standards for revenue revised by the MoF in 2017 from 1 January 2018 (the standards for revenue before revision referred to as "original standards for revenue"). The new standards for revenue have introduced the 5-step method for recognition and measurement of revenue and added more instructions on specific transactions (or events). See Note III (21) for the accounting policies for recognition and measurement of revenue. The new standards for revenue require the entity to adjust the retained earnings at the beginning of initial adoption (i.e. 1 January 2018) of the new standards for the cumulative affected figures and amounts of other relative items in the financial statements, and not to adjust information in comparable period. At the adoption of new standards for revenue, the Group solely adjusts the cumulative affected figures in contract not yet been completed at the initial adoption date. For changes in contract incurred before the beginning of adoption of new standards for revenue, the Group will make simplified treatment, namely, the Group will identify the fulfilled and unfulfilled performance obligations, determine transaction price and allocate the transaction price between the fulfilled and unfulfilled performance obligations according to the final arrangement of contract changes.

- (1) Except providing more extensive income transaction disclosure, the effect on related items in the balance sheet at the beginning of the period while implementing new standards for revenue is set out as follows:

Item	Note	RMB			
		31 December 2017	Reclassification	Remeasurement	1 January 2018
Current liabilities:					
Receipts in advance	1	5,457,772,639.50	(5,457,772,639.50)	—	—
Contract liabilities		—	5,593,469,523.22	774,861,470.52	6,368,330,993.74
Other current liabilities	2	1,653,117,141.98	—	(774,861,470.52)	878,255,671.46
Non-current Liabilities:					
Deferred income	3	1,963,520,037.00	(494,368,396.06)	—	1,469,151,640.94
Other non-current liabilities	3	—	358,671,512.34	—	358,671,512.34

Note 1: As at 1 January 2018, the customers' goods prepayment paid to the Group, RMB5,457,772,639.50 according to contracts, has been reclassified into contract liabilities pursuant in accordance with new standards for revenue.

Note 2: As at 1 January 2018, the Group provides maintenance services for the customers which are recognized as a performance obligation, and correspondingly RMB774,861,470.52 is recognized as contract liabilities.

Note 3: As at 1 January 2018, the balance of automotive finance loans interest subsidies in advance of the Group amounted to RMB494,368,396.06, in which RMB135,696,883.72 is reclassified from deferred income to contract liabilities and RMB358,671,512.34 is reclassified from deferred income to other non-current liabilities.

Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

25. Changes in significant accounting policies (continued)

25.2 Standards for revenue (continued)

- (2) Compared to original standards for revenue, the effect on related items in the financial statement while implementing new standards for revenue is set out as follows:

Balance Sheet

Item	RMB		
	Under new standard on 30 June 2018 (Unaudited)	Adjustment	Under original standard on 30 June 2018 (Unaudited)
Current liabilities:			
Receipts in advance	—	3,124,456,016.83	3,124,456,016.83
Contract liabilities	3,894,915,850.31	(3,894,915,850.31)	—
Other current liabilities	1,027,659,736.32	685,544,875.43	1,713,204,611.75
Non-current Liabilities:			
Deferred income	2,227,021,757.63	691,880,360.81	2,918,902,118.44
Other non-current liabilities	606,965,402.76	(606,965,402.76)	—

Income statement

Item	RMB		
	Under new standard for the period from 1 January to 30 June 2018 (Unaudited)	Adjustment	Under original standard for the period from 1 January to 30 June 2018 (Unaudited)
Operating income	47,957,822,005.30	89,316,595.09	48,047,138,600.39
Operating costs	38,414,784,286.51	(416,475,113.00)	37,998,309,173.51
Selling expenses	2,077,495,014.39	327,158,517.91	2,404,653,532.30

Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)**25. Changes in significant accounting policies** (continued)**25.2 Standards for revenue** (continued)

- (2) Compared to original standards for revenue, the effect on related items in the financial statement while implementing new standards for revenue is set out as follows:
(continued)

As at 1 January 2018, the summary of effect on assets, liabilities and owners' equity of the Group arising from initial implementation of new standards for revenue and new standards for financial instrument for the first time is as follows:

Item	31 December 2017	Effect of implementing new standards for revenue	Effect of implementing new standards for financial instrument	1 January 2018
Held-for-trading financial assets	/	—	317,994,432.00	317,994,432.00
Financial assets at fair value through profit or loss	317,994,432.00	—	(317,994,432.00)	/
Notes receivables and accounts receivable	49,948,553,567.36	—	(49,075,108,590.70)	873,444,976.66
Other current assets	267,000,053.72	—	49,075,108,590.70	49,342,108,644.42
Available-for-sale assets	7,700,000.00	—	(7,700,000.00)	/
Other equity instrument investments	/	—	7,700,000.00	7,700,000.00
Receipts in advance	5,457,772,639.50	(5,457,772,639.50)	—	—
Contract liabilities	/	6,368,330,993.74	—	6,368,330,993.74
Other current liabilities	1,653,117,141.98	(774,861,470.52)	—	878,255,671.46
Deferred income	1,963,520,037.00	(494,368,396.06)	—	1,469,151,640.94
Other non-current liabilities	—	358,671,512.34	—	358,671,512.34

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.

Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

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 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 re-estimation differs from current estimation, such difference will impact the book value of inventory for the corresponding period.

Useful life of fixed assets

The Group estimates the useful life of fixed assets based on experience of actual useful life of fixed asset of similar nature and function. If the useful life of a fixed asset is shortened, the Company will adopt measures to accelerate the depreciation of the fixed asset or eliminate fixed assets which are idle or technologically obsolete.

Recognition of deferred tax assets

As at 30 June 2018, the Group recognized deferred tax assets of RMB602,353,229.01 (31 December 2017: RMB691,008,604.27) in the consolidated balance sheet. The realization of deferred tax assets is mainly determined by future actual earnings and actual tax rate of temporary difference in future utilization year. If the actual future earning is less than estimates, or the actual tax rate is lower than estimates, the recognized deferred income tax asset shall be reversed, and be recognized in the income statement in the year in which the reversal is incurred. If the actual earnings accrued in the future is more than estimates, or the actual tax rate is higher than estimates, such deferred tax asset shall be recognized in the consolidated income statement in the year in which they are incurred.

Fees for after-sale services

The Group undertakes the warranty obligation for the vehicles sold within a certain warranty period, and pre-acquires the after-sales service fees according to the sales volume and estimated cost standards. The after-sales service fee withdrawn on 30 June 2018 is RMB415,220,052.16 (31 December 2017: RMB446,426,387.69). If the actual after-sales service fee is greater or less than the expected amount, it will affect the profit and loss of the period.

Capitalization of development expenditures

The expenditure at the development stage shall be capitalized if the conditions stated in Note III.16.2 are met at the same time, while those that do not satisfy the conditions are accounted for in the profit and loss for the current period. Capitalizing or expensing expenditures at the development stage requires judgment and estimation.



Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

V. TAXATION

1. Major tax types and rates

Tax type	Basis	Tax rate
Value-added tax	Purchase/Sales (Note 1 and 2)	3%.5%.6%.10%.11%.13%.16%.17%
Consumption tax	Sales	3%.5%.9%.12%
Urban maintenance and construction tax	Value-added tax and consumption tax	5%.7%
Education surcharge	Value-added tax and consumption tax	3%
Enterprise income tax	Taxable income (Note 2)	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: 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 MoF and the State Administration of Taxation, value-added tax rate structure shall be degenerated and the value-added tax rate at 13% shall be cancelled as of 1 July 2017. Pursuant to the *Notice on Adjusting Value-added Tax Rate* (關於調整增值稅稅率的通知) (Cai Shui [2018] No.32) issued by the MoF and the State Administration of Taxation, VAT taxable sales or imported goods subject to 17% and 11% shall be adjusted to 16% and 10% since 1 May 2018.

Note 2: Excluding the tax incentives set out in Note V. 2, the applicable tax rates of the relevant companies of the Group for 2017 and from 1 January 2018 to 30 June 2018 are listed on the above table.

Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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 MoF and the State Administration of Taxation, the Company and its subsidiaries, Tianjin Boxin Automotive Parts Company Limited (天津博信汽車零部件有限公司) (“Tianjin Boxin”), Baoding Nuobo Rubber Production Company Limited (保定市諾博橡膠製品有限公司) (“Baoding Nuobo”), Baoding Great Machinery Company Limited (保定市格瑞機械有限公司) (“Baoding Great”), Baoding Yixin Automotive Parts Company Limited (保定億新汽車配件有限公司) (“Baoding Yixin”), and Baoding Weiyi Automobile Co., Ltd. (保定威奕汽車有限公司) (“Baoding Weiyi”), 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%. As at 30 June 2018, the new and high-tech enterprise certificate of Baoding Weiyi expires but the requalification of new and high-tech enterprises has not started yet. According to the related regulations set out in *Introduction to Recognition of New and High-tech Enterprise Qualification* (高新技術企業認定管理工作指引) (Guo Ke Fa Huo [2016] No. 195) issued by Ministry of Science and Technology, MoF, and the State Administration of Taxation, the enterprise income tax of Baoding Weiyi shall be levied at 15% before requalification for the year in which the company's new and high-tech enterprise certificate expires (i.e. the year of 2018). If fail to acquire new and high-tech certificate before final settlement of the year, Baoding Weiyi shall make up the tax difference in accordance with related regulations.

Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

V. TAXATION (continued)

2. Tax incentives and approvals (continued)

2.1 Income tax incentives (continued)

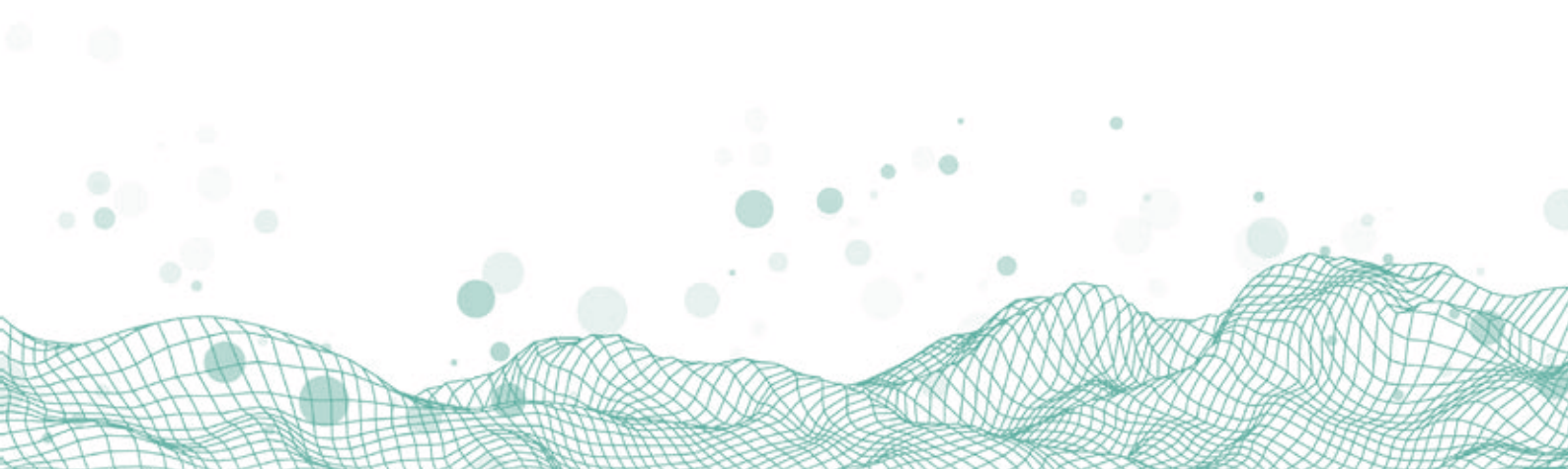
2.1.2 Income tax exemption for new and high-tech enterprise (continued)

Baoding 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%.

Mind Electronics Company Limited(曼德電子電器有限公司) (former Baoding Mind Auto Component Company Limited, "Mind Electronics"), 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 encouraged industry enterprises in the western region

According to *Circular on Taxation Related to Implementing China Western Development Strategy Deeply* (關於深入實施西部大開發戰略有關稅收政策問題的通知) (Cai Shui [2011] No.58) by MoF, General Administration of Customs, and the State Administration of Taxation, Chongqing Haval Automobile Co., Ltd.(重慶哈弗汽車有限公司)(Chongqing Haval), subsidiary of the Company, satisfies all conditions prescribed in the Circular above for encouraged industry enterprises located in the western region, so for the year 2018, the applicable enterprise income tax rate is 15%.



Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

V. TAXATION (continued)

2. Tax incentives and approvals (continued)

2.1 Income tax incentives (continued)

2.1.4 Income tax credit for small-scaled minimal profit enterprise

Pursuant to the *Circular on Granting Tax Credit and Exemption relating to Enterprise Income Tax on the Small-Scaled Minimal Profit Enterprise* (關於擴大小型微利企業所得稅優惠政策範圍的通知) (Cai Shui [2017] No. 43) issued by the MoF and the State Administration of Taxation, Beijing Great Wall Dong Sheng Business Consulting Company Limited (北京長城東晟商務諮詢有限公司) (“Great Wall Dongsheng”), which is subsidiary 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 RMB500,000 for 2017. So, for the year 2017, the taxable income is reduced to 50% of original total taxable income, and the applicable enterprise income tax rate is 20%. 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 State Administration of Taxation* (稅務總局關於進一步擴大小型微利企業所得稅優惠政策範圍的通知) (Cai Shui [2018] No. 77) issued by the MoF and the State Administration of Taxation, Great Wall Dongsheng, Beijing Great Automotive Components Co., Ltd.(北京格瑞特汽車零部件有限公司) (“Beijing Great”), Beijing Forever Peace Information Consulting Company Limited (北京萬里友好信息諮詢有限公司) (“Forever Peace”) and Shanghai Haval Automotive Technology Limited Company (上海哈弗汽車科技有限公司) (“Shanghai Haval”), which are subsidiaries of the Company, satisfied all conditions as prescribed of in the Circular above for Small-Scaled Minimal Profit Enterprise with annual taxable income less than RMB1,000,000 in for 2018, so for the year 2018, 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 *Circular on Preferential Tax Policy for Promoting Disabled Employment* (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 MoF 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 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 for each actually employed disabled employee.

Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and bank balances

Item	<i>RMB</i>	
	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Cash:		
RMB	317,105.34	389,791.58
GBP	13,962.58	14,162.78
AUD	10,406.83	8,362.89
HKD	8,684.27	9,028.16
JPY	7,068.20	7,155.96
USD	5,391.60	3,318.46
SGD	1,504.80	1,518.64
ZAR	428.67	5,105.78
RUB	60.35	64.98
KRW	41.95	43.44
THB	25.97	25.97
Bank balances:		
RMB	7,553,660,055.72	3,078,273,647.15
ZAR	190,002,148.93	117,967,799.82
RUB	131,396,498.83	116,239,708.23
USD	144,584,370.47	432,715,197.31
AUD	41,083,156.24	21,044,534.81
EUR	16,242,287.44	22,380,368.79
NZD	15,325,269.26	23,071,500.18
INR	15,195,668.73	11,204,461.23
JPY	14,960,092.99	13,847,034.16
KRW	2,282,033.22	5,276,122.62
HKD	21,005.83	20,825.65
CHF	422.32	424.98
GBP	—	11.41
Other cash and bank balances:		
RMB	579,204,339.27	987,479,299.87
USD	23,159,610.43	—
NZD	223,520.00	1,389,810.00
Total	8,727,705,160.24	4,831,349,324.85
Including: Overseas cash and bank balances	598,258,904.32	766,211,041.63

Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

1. Cash and bank balances (continued)

As at 30 June 2018, the Group had restricted cash and bank balances of RMB602,587,469.70, in which required reserves amounted to RMB503,307,514.50, guarantee on letter of credit amounted to RMB7,945,577.94, guarantee on letter of guarantee amounted to RMB9,400,000.00, deposited investment fund amounted to RMB73,499,349.59, and other guarantees amounted to RMB8,435,027.67.

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.

2. Held-for-trading financial assets

Item	<i>RMB</i>
	30 June 2018 (Unaudited)
Financial assets classified as at fair value through profit or loss	9,479,782,842.34
Including: Equity instrument investments	235,578,252.00
Wealth management products	9,244,204,590.34
Total	9,479,782,842.34

Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

3. Notes receivable and accounts receivable

Category	RMB	
	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Notes receivable	—	49,075,108,590.70
Accounts receivable	1,543,088,399.71	873,444,976.66
Total	1,543,088,399.71	49,948,553,567.36

(1) Notes receivable

Classification of notes receivable:

Category	RMB	
	31 December 2017 (Audited)	
Bank acceptances	49,072,943,011.30	
Commercial acceptances	2,165,579.40	
Total	49,075,108,590.70	

Pledged notes receivable as at the end of each period:

Category	RMB	
	31 December 2017 (Audited)	
Bank acceptances	7,669,337,556.18	
Total	7,669,337,556.18	

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

Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

3. Notes receivable and accounts receivable (continued)

(1) Notes receivable (continued)

Notes endorsed and discounted by the Group to other parties but yet undue by the end of the period are as follows:

Category	<i>RMB</i> 31 December 2017 (Audited)
Bank acceptances	14,562,674,803.01
Total	14,562,674,803.01

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

(2) Accounts receivable

Aging analysis of accounts receivable and corresponding provisions for bad debts are as follows:

Aging	30 June 2018 (Unaudited)				31 December 2017 (Audited)			
	Amount	Ratio (%)	Provision for bad debt	Carrying value	Amount	Ratio (%)	Provision for bad debt	Carrying value
Within 1 year	1,575,618,716.72	82.56	(37,492,432.02)	1,538,126,284.70	873,555,461.23	71.81	(19,736,285.71)	853,819,175.52
1 to 2 years	4,962,115.01	0.26	—	4,962,115.01	1,053,240.28	0.09	(282,955.28)	770,285.00
2 to 3 years	—	—	—	—	319,517,864.55	26.27	(318,152,502.58)	1,365,361.97
Over 3 years	327,968,785.98	17.18	(327,968,785.98)	—	22,280,667.62	1.83	(4,790,513.45)	17,490,154.17
Total	1,908,549,617.71	100.00	(365,461,218.00)	1,543,088,399.71	1,216,407,233.68	100.00	(342,962,257.02)	873,444,976.66

The analysis of aging of accounts receivable is based on the time of revenue recognition.

Provision, collection or reversal of bad debts during the current period:

Provision for bad debts amounted to RMB29,460,446.46 and collection or reversal of bad debts amounted to RMB6,735,121.26.

Accounts receivable amounted to RMB226,364.22 have been written off during the current period.

Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

3. Notes receivable and accounts receivable (continued)

(2) Accounts receivable (continued)

Top five entities with the largest balances of accounts receivable:

Name of entity	Closing balance	Proportion of the amount to the total accounts receivable (%)	<i>RMB</i>
			Amount of provision for bad debts at end of the period
Customer 1	327,968,785.98	17.18	(327,968,785.98)
Customer 2	155,403,326.42	8.14	—
Customer 3	122,852,520.00	6.44	—
Customer 4	115,625,631.28	6.06	—
Customer 5	109,688,218.65	5.75	—
Total	831,538,482.33	43.57	(327,968,785.98)

Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

4. Prepayments

(1) Prepayments by aging:

Aging	30 June 2018 (Unaudited)		31 December 2017 (Audited)	
	Amount	Ratio (%)	Amount	Ratio (%)
Within 1 year	358,547,839.19	93.52	454,837,782.34	78.49
1 to 2 years	18,844,794.03	4.92	82,820,794.57	14.29
2 to 3 years	5,723,488.07	1.49	41,388,488.11	7.14
Over 3 years	273,849.15	0.07	489,117.04	0.08
Total	383,389,970.44	100.00	579,536,182.06	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.

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

Name of entity	Amount	Proportion of the amount to the total prepayments (%)
Supplier 1	32,805,167.57	8.56
Supplier 2	28,478,092.05	7.43
Supplier 3	24,813,426.05	6.47
Supplier 4	22,293,850.99	5.81
Supplier 5	22,144,647.48	5.78
Total	130,535,184.14	34.05

Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

5. Other receivables

Category	RMB	
	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Interest receivable	33,520,384.63	28,355,788.71
Other receivables	265,880,607.58	297,891,725.12
Total	299,400,992.21	326,247,513.83

(1) Interest receivable

Item	RMB	
	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Interest on loans and advances to customers	32,559,959.02	27,462,613.92
Interest of deposits with the central bank and other banks	960,425.61	754,224.16
Interest on wealth investment products	—	138,950.63
Total	33,520,384.63	28,355,788.71

(2) Other receivables

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

Aging	30 June 2018 (Unaudited)				31 December 2017 (Audited)			
	Amount	Ratio (%)	Provision for bad debt	Carrying value	Amount	Ratio (%)	Provision for bad debt	Carrying value
Within 1 year	242,451,833.00	87.65	(5,314,591.92)	237,137,241.08	270,946,288.23	85.39	(22,476.00)	270,923,812.23
1 to 2 years	4,990,760.29	1.80	(21,000.00)	4,969,760.29	31,507,081.44	9.93	(17,607,324.86)	13,899,756.58
2 to 3 years	18,121,542.97	6.55	(5,403,824.94)	12,717,718.03	1,826,160.77	0.58	(6,470.82)	1,819,689.95
Over 3 years	11,055,888.18	4.00	—	11,055,888.18	12,992,606.36	4.10	(1,744,140.00)	11,248,466.36
Total	276,620,024.44	100.00	(10,739,416.86)	265,880,607.58	317,272,136.80	100.00	(19,380,411.68)	297,891,725.12

Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

5. Other receivables (continued)

(2) Other receivables (continued)

Provision, collection or reversal of bad debts during the current period:

Provision for bad debts amounted to RMB38,250.00; collection or reversal of bad debts amounted to RMB6,598,087.68.

Other receivables amounted to RMB1,744,140.00 have been written off during the current period.

Other receivables disclosed by nature are as follows:

Nature	30 June 2018	31 December 2017
	(Unaudited)	(Audited)
Export rebates	75,038,214.88	101,966,556.45
Refundable VAT	95,738,708.12	94,266,466.17
Petty cash	19,299,536.59	41,539,259.78
Deposits	36,765,468.08	31,263,777.80
Others	49,778,096.77	48,236,076.60
Total	276,620,024.44	317,272,136.80

Top five entities with the largest balances of other receivables:

Name of entity	Nature	Amount	Aging	RMB	
				Proportion of the amount to the total other receivables (%)	Provision for bad debt Closing balance
Entity 1	Refundable VAT	95,738,708.12	Within 2 years	34.61	(5,084,027.92)
Entity 2	Export rebates	75,038,214.88	Within 1 year	27.13	—
Entity 3	Performance Bond	10,200,000.00	Over 3 years	3.69	—
Entity 4	Steel products deposits	10,000,000.00	2 to 3 years	3.62	—
Entity 5	Refundable equipment fees	8,307,054.19	Within 1 year	3.00	—
Total		199,283,977.19		72.05	(5,084,027.92)

At the end of the period, there were no other receivables which are related to government grant.

Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

6. Inventories

(1) Inventories by category

RMB

Item	30 June 2018 (Unaudited)		
	Carrying amount	Provision for decline in value of inventories	Book value
Raw materials	1,188,502,644.98	(46,554,094.84)	1,141,948,550.14
Work-in-progress	940,046,746.98	(1,440,017.58)	938,606,729.40
Finished goods	2,887,030,625.89	(26,938,209.61)	2,860,092,416.28
Low-valued and short-lived consumables	314,819,902.98	(7,957.20)	314,811,945.78
Total	5,330,399,920.83	(74,940,279.23)	5,255,459,641.60

RMB

Item	31 December 2017 (Audited)		
	Carrying amount	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

(2) Provision for decline in value of inventories

RMB

Inventories by category	31 December 2017 (Audited)	Provided for the period	Decrease for the period		30 June 2018 (Unaudited)
			Reversals	Written-off	
Raw materials	66,930,828.92	955,752.74	(1,069.92)	(21,331,416.90)	46,554,094.84
Work-in-progress	2,868,511.72	1,440,017.58	—	(2,868,511.72)	1,440,017.58
Finished goods	12,098,705.30	25,851,873.09	(109,519.06)	(10,902,849.72)	26,938,209.61
Low-valued and short-lived consumables	25,184.26	—	(17,227.06)	—	7,957.20
Total	81,923,230.20	28,247,643.41	(127,816.04)	(35,102,778.34)	74,940,279.23

Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

6. 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 period	Percentage of the reversal to the closing balance of the inventory during the period (%)
Raw materials	Note 1	Note 2	—
Work-in-progress	Note 1	Note 2	—
Finished goods	Note 1	Note 2	—
Low-valued and short-lived consumables	—	Note 2	0.01

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 period, 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 period, 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 period, the provision for decline in value of inventories has been written off.

7. Non-current assets due within one year

Item	Notes	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Loans and advances to customers due within one year	VI.9	9,023,113,296.03	6,597,535,110.30
Long-term receivables due within one year	VI.10	851,401,634.25	850,339,958.75
Total		9,874,514,930.28	7,447,875,069.05

8. Other current assets

Category	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Notes receivable	24,729,835,495.31	—
Other current assets	695,155,264.44	267,000,053.72
Total	25,424,990,759.75	267,000,053.72

Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

8. Other current assets (continued)

(1) Notes receivable

Classification of notes receivable:

Category	<i>RMB</i>
	30 June 2018 (Unaudited)
Bank acceptances	24,729,835,495.31
Commercial acceptances	—
Total	24,729,835,495.31

Pledged notes receivable as at the end of each period:

Category	<i>RMB</i>
	30 June 2018 (Unaudited)
Bank acceptances	9,590,651,589.12
Total	9,590,651,589.12

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

Notes endorsed and discounted by the Group to other parties but yet undue by the end of the period are as follows:

Category	<i>RMB</i>
	30 June 2018 (Unaudited)
Bank acceptances	22,151,579,102.16
Total	22,151,579,102.16

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

Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

8. Other current assets (continued)

(2) Other current assets

Other current assets are set out as follows:

Item	RMB	
	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Paint for vehicles	4,025,385.49	3,985,488.60
Prepaid advertisement fees	140,814,514.00	1,490,895.23
Taxes to be deducted	217,091,387.46	89,476,960.84
Mould (Note 1)	98,196,097.75	71,271,439.91
Wealth management products (Note 2)	49,000,000.00	48,000,000.00
Prepayment of enterprise income tax	163,718,638.35	33,535,258.60
Others	22,309,241.39	19,240,010.54
Total	695,155,264.44	267,000,053.72

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

Note 2: The wealth management product is "breakeven fixed income" and measured subsequently at amortised cost.

9. Loans and advances to customers

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

Item	RMB	
	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Company loans and advances	2,818,425.25	73,500.00
Including: loans	2,818,425.25	73,500.00
Personal loans and advances	14,703,147,461.50	11,201,236,834.73
Including: automotive consumption loans	14,703,147,461.50	11,201,236,834.73
Total amount of loans and advances to customers	14,705,965,886.75	11,201,310,334.73
Less: impairment loss of loans	242,435,501.11	175,080,525.14
Net amount of loans and advances to customers	14,463,530,385.64	11,026,229,809.59
Less: loans and advances to customers due within one year	9,023,113,296.03	6,597,535,110.30
Loans and advances to customers	5,440,417,089.61	4,428,694,699.29

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

Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

9. Loans and advances to customers (continued)

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

Provision for impairment loss of loans amounted to RMB67,364,993.98, and collection or reversal of impairment loss of loans amounted to RMB1,102.50.

(3) Loans and advances to customers written off for the current period amounted to RMB8,915.51.

10. Long-term receivables

Item	30 June 2018 (Unaudited)			31 December 2017 (Audited)		RMB
	Carrying amount	Impairment provision	Book value	Carrying amount	Impairment provision	Book value
Performance bond	850,339,958.75	—	850,339,958.75	850,339,958.75	—	850,339,958.75
Finance leases	1,131,192.72	—	1,131,192.72	—	—	—
Less: Long-term receivables due within one year	851,401,634.25	—	851,401,634.25	850,339,958.75	—	850,339,958.75
Total	69,517.22	—	69,517.22	—	—	—

11. Other equity instrument investments

The closing balance of carrying amount of non-trading equity instrument investment designated to recognize at fair value through other comprehensive income:

	RMB
	30 June 2018 (Unaudited) Carrying value
Unlisted equity investments	7,700,000.00
Total	7,700,000.00

Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

11. Other equity instrument investments (continued)

Non-trading equity instrument investment at fair value through other comprehensive income as at 30 June 2018 are disclosed as follows:

Investee	1 January 2018	Carrying amount		30 June 2018	Proportion of ownership interest in the investee (%)
		Increase	Decrease		
China Automobile Development United Investment Co. Ltd.	4,200,000.00	—	—	4,200,000.00	2.07
China Automobile (Beijing) Automobile Lightweight Technology Research Institute Company Limited	3,000,000.00	—	—	3,000,000.00	6.90
Beijing Intelligence Automobile United Industry Innovation Center Co., Ltd.	500,000.00	—	—	500,000.00	0.80
Total	7,700,000.00	—	—	7,700,000.00	—

12. Investment properties

The investment properties measured at cost:

Item	Buildings		Land use rights		Total
I. Original carrying amount					
31 December 2017 (Audited)	118,203,042.70	17,619,408.20	135,822,450.90		
Additions for the period	408,530.85	—	408,530.85		
1. Transfer from construction in progress	408,530.85	—	408,530.85		
Foreign currency translation differences	1,024,575.25	—	1,024,575.25		
30 June 2018 (Unaudited)	119,636,148.80	17,619,408.20	137,255,557.00		
II. Accumulated amortization and depreciation					
31 December 2017 (Audited)	8,216,002.56	1,558,452.59	9,774,455.15		
Additions for the period	2,420,212.69	175,434.71	2,595,647.40		
1. Provision or amortization	2,420,212.69	175,434.71	2,595,647.40		
Foreign currency translation differences	84,585.76	—	84,585.76		
30 June 2018 (Unaudited)	10,720,801.01	1,733,887.30	12,454,688.31		
III. Carrying value					
30 June 2018 (Unaudited)	108,915,347.79	15,885,520.90	124,800,868.69		
31 December 2017 (Audited)	109,987,040.14	16,060,955.61	126,047,995.75		

Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

13. Fixed assets

Fixed assets:

Item	RMB				
	Buildings	Machinery and equipment	Transportation vehicles	Others	Total
I. Original carrying amount					
31 December 2017 (Audited)	12,405,875,475.81	21,210,862,141.19	468,996,538.88	6,656,002,871.45	40,741,737,027.33
Additions for the period	469,219,704.48	1,707,311,803.85	4,070,896.88	522,834,172.83	2,703,436,578.04
1. Acquisition	96,046,230.55	118,933,598.14	939,249.72	140,567,387.53	356,486,465.94
2. Transfer from construction in progress	373,173,473.93	1,588,378,205.71	2,465,749.72	382,204,152.27	2,346,221,581.63
3. Transfer from inventories	—	—	665,897.44	—	665,897.44
4. Increase due to acquisition of subsidiaries	—	—	—	62,633.03	62,633.03
Decrease for the period	(19,171,663.38)	(830,935,829.37)	(43,697,235.45)	(40,830,311.52)	(934,635,039.72)
1. Disposal or retired	(5,619,424.02)	(267,569,335.17)	(43,157,386.47)	(38,492,002.49)	(354,838,148.15)
2. Decrease for transferring to construction in progress	(13,552,239.36)	(561,130,010.40)	(415,384.62)	(948,285.93)	(576,045,920.31)
3. Other transfer-out	—	(2,236,483.80)	(124,464.36)	(1,390,023.10)	(3,750,971.26)
30 June 2018 (Unaudited)	12,855,923,516.91	22,087,238,115.67	429,370,200.31	7,138,006,732.76	42,510,538,565.65
II. Accumulated depreciation					
31 December 2017 (Audited)	1,920,427,628.01	7,491,669,394.90	244,639,912.41	3,177,096,765.64	12,833,833,700.96
Additions for the period	226,349,379.58	1,000,795,219.48	28,114,554.41	496,163,329.28	1,751,422,482.75
1. Provision for the period	226,349,379.58	1,000,795,219.48	28,114,554.41	496,163,329.28	1,751,422,482.75
Decrease for the period	(11,742,541.77)	(263,320,531.91)	(20,205,796.03)	(31,272,186.10)	(326,541,055.81)
1. Disposal or retired	(2,313,801.65)	(194,198,376.06)	(19,964,237.59)	(30,064,146.01)	(246,540,561.31)
2. Decrease for transferring to construction in progress	(9,428,740.12)	(67,384,432.63)	(123,317.30)	(194,849.37)	(77,131,339.42)
3. Other transfer-out	—	(1,737,723.22)	(118,241.14)	(1,013,190.72)	(2,869,155.08)
30 June 2018 (Unaudited)	2,135,034,465.82	8,229,144,082.47	252,548,670.79	3,641,987,908.82	14,258,715,127.90
III. Provision for impairment					
31 December 2017 (Audited)	136,268.33	57,319,146.55	37,680.75	132,402,711.55	189,895,807.18
Additions for the period	—	13,258,414.13	42,105.00	20,503,905.56	33,804,424.69
1. Provision for the period	—	13,258,414.13	42,105.00	20,503,905.56	33,804,424.69
Decrease for the period	—	(1,451,662.71)	—	(1,537,067.60)	(2,988,730.31)
1. Disposal or retired	—	(1,451,662.71)	—	(1,537,067.60)	(2,988,730.31)
30 June 2018 (Unaudited)	136,268.33	69,125,897.97	79,785.75	151,369,549.51	220,711,501.56
IV. Carrying value					
30 June 2018 (Unaudited)	10,720,752,782.76	13,788,968,135.23	176,741,743.77	3,344,649,274.43	28,031,111,936.19
31 December 2017 (Audited)	10,485,311,579.47	13,661,873,599.74	224,318,945.72	3,346,503,394.26	27,718,007,519.19

As at 30 June 2018, among the fixed assets, the net book value of properties without title certificates amounted to RMB2,109,299,984.49 (As at 31 December 2017: RMB3,901,351,393.27) and the application of relevant title certificates is in progress.

Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

14. Construction in progress

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

RMB

Item	30 June 2018 (Unaudited)			31 December 2017 (Audited)		
	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	14,240.99	—	14,240.99
Tianjin automotive project	123,008,608.87	(131,527.46)	122,877,081.41	60,030,666.90	(131,527.46)	59,899,139.44
Tianjin parts and components project	85,778,765.98	(5,064,216.91)	80,714,549.07	122,163,399.33	(416,173.85)	121,747,225.48
Industrial park phase I, II, III reconstruction and expansion	144,340,853.62	(1,186,284.28)	143,154,569.34	151,875,434.71	(1,788,431.95)	150,087,002.76
New technology center	127,060,864.45	—	127,060,864.45	162,172,618.20	—	162,172,618.20
Other R & D projects	128,996,325.26	—	128,996,325.26	69,580,893.95	—	69,580,893.95
Xushui automotive project	388,377,500.04	—	388,377,500.04	453,299,582.90	—	453,299,582.90
Xushui parts and components project	1,642,208,895.85	(853,830.79)	1,641,355,065.06	2,240,284,583.74	—	2,240,284,583.74
Xushui supporting infrastructure project	165,678,798.00	—	165,678,798.00	149,981,488.25	—	149,981,488.25
Russia 80,000 sets of vehicle plant and residential area supporting project	1,892,858,768.46	—	1,892,858,768.46	1,173,871,774.87	—	1,173,871,774.87
Chongqing Great Wall vehicle project	72,158,711.98	—	72,158,711.98	—	—	—
Part and Components Department reconstruction project	212,561,803.95	(122,171.38)	212,439,632.57	298,524,812.68	(624,799.69)	297,900,012.99
Total	4,983,044,137.45	(7,358,030.82)	4,975,686,106.63	4,881,799,496.52	(2,960,932.95)	4,878,838,563.57

Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

14. Construction in progress (continued)

(2) Changes in major construction in progress

Project	Budget amount	31 December 2017 (Audited)	Additions for the period	Transferred to fixed assets	Other Deductions (Note)	Proportion of investment to budget (%)	Accumulated capitalized interest amount	Including: capitalized interest amount for the period	Ratio of capitalized interest amount for the period (%)	Sources of fund	RMB
											30 June 2018 (Unaudited)
Annual production of 400,000 sets of axles and brakes	578,352,366.14	14,240.99	—	—	—	100.00	—	—	—	Raised fund and internal funds	14,240.99
Tianjin Automobile project	5,375,062,391.00	60,030,666.90	106,209,260.73	(43,015,148.85)	(216,169.91)	98.85	—	—	—	internal funds	123,008,608.87
Tianjin parts and components project	3,231,123,934.80	122,163,399.33	15,237,227.00	(49,855,443.49)	(1,766,416.86)	89.24	—	—	—	internal funds	85,778,765.98
Industrial park phase I, II, III reconstruction and expansion	1,151,953,407.28	151,875,434.71	74,151,177.56	(21,008,994.52)	(60,676,764.13)	84.04	—	—	—	internal funds	144,340,853.62
New technology center	1,727,202,349.00	162,172,618.20	1,107,246.60	(31,758,183.80)	(4,460,816.55)	97.60	—	—	—	internal funds	127,060,864.45
Other R & D projects	621,832,512.00	69,580,893.95	125,016,480.53	(65,594,211.62)	(6,837.60)	33.23	—	—	—	internal funds	128,996,325.26
Xushui Automobile Project	10,896,610,844.00	453,299,582.90	143,050,227.46	(207,621,479.68)	(350,830.64)	90.36	—	—	—	internal funds	388,377,500.04
Xushui parts and components project	14,834,196,914.00	2,240,284,583.74	1,070,078,826.46	(1,661,140,360.44)	(7,014,153.91)	80.66	—	—	—	internal funds	1,642,208,895.85
Xushui supporting infrastructure project	193,250,000.00	149,981,488.25	15,697,309.75	—	—	85.73	—	—	—	internal funds	165,678,798.00
Russia 80,000 sets of automobile and residential area supporting project	3,457,127,700.00	1,173,871,774.87	720,070,200.85	(1,083,207.26)	—	54.87	—	—	—	internal funds	1,892,858,768.46
Chongqing Great Wall vehicle project	1,880,460,407.59	—	160,364,119.12	(360,449.55)	(87,844,957.59)	8.51	—	—	—	internal funds	72,158,711.98
Part and Components Department reconstruction project	1,931,447,084.81	298,524,812.68	183,256,895.15	(264,784,102.42)	(4,435,801.46)	82.83	—	—	—	internal funds	212,561,803.95
Total	45,878,619,910.62	4,881,799,496.52	2,614,238,971.21	(2,346,221,581.63)	(166,772,748.65)	—	—	—	—	—	4,983,044,137.45

Note: The decrease of RMB145,846,438.52 in construction in progress is transferred into intangible assets, and decrease of RMB408,530.85 in construction in progress is transferred into investment property.

(3) Provision for impairment of construction in progress for the period

RMB

Item	Provision for the period	Reason for provision
Tianjin parts and components project	4,648,043.06	Vehicle model discontinued.
Xushui parts and components project	853,830.79	Project suspended. Production process changed.
Total	5,501,873.85	

Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

15. Intangible assets

(1) Intangible assets

RMB				
Item	Land use rights	Software and others (Note 1)	Non-patent technology	Total
I. Original carrying amount				
31 December 2017 (Audited)	3,483,771,093.35	304,340,063.33	—	3,788,111,156.68
Additions for the period	87,845,507.59	67,517,365.82	28,599,334.61	183,962,208.02
1. Acquisition	550.00	9,515,884.89	—	9,516,434.89
2. Internal research and development	—	—	28,599,334.61	28,599,334.61
3. Transferred from construction in progress	87,844,957.59	58,001,480.93	—	145,846,438.52
Deductions for the period	(155,438,868.05)	(2,136,943.41)	—	(157,575,811.46)
1. Disposal	(155,438,868.05)	—	—	(155,438,868.05)
2. Decrease for other transferring	—	(2,136,943.41)	—	(2,136,943.41)
30 June 2018 (Unaudited)	3,416,177,732.89	369,720,485.74	28,599,334.61	3,814,497,553.24
II. Total accumulated amortization				
31 December 2017 (Audited)	425,762,270.68	93,742,533.51	—	519,504,804.19
Additions for the period	36,693,618.44	12,077,240.69	6,144,805.58	54,915,664.71
1. Provision	36,693,618.44	12,077,240.69	6,144,805.58	54,915,664.71
Deductions for the period	(8,522,306.00)	(11,750.98)	—	(8,534,056.98)
1. Disposal	(8,522,306.00)	—	—	(8,522,306.00)
2. Decrease for other transferring	—	(11,750.98)	—	(11,750.98)
30 June 2018 (Unaudited)	453,933,583.12	105,808,023.22	6,144,805.58	565,886,411.92
III. Book value				
30 June 2018 (Unaudited)	2,962,244,149.77	263,912,462.52	22,454,529.03	3,248,611,141.32
31 December 2017 (Audited)	3,058,008,822.67	210,597,529.82	—	3,268,606,352.49

Note 1: Overseas land ownership of subsidiaries included in software and others amounted to RMB89,787,828.60.

The proportion of intangible assets arising from internal research and development at the end of the period to balance of total intangible assets is 0.69%.

As at 30 June 2018, among the intangible assets, the net book value of land use rights without land use rights certificates amounted to RMB23,385,960.00 (31 December 2017: RMB111,480,794.42), 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:

RMB		
Item	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Located in mainland China — 20 to 50 years	2,962,244,149.77	3,058,008,822.67

Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

16. Development expenses

RMB

Item	31 December 2017 (Audited)	Increase for the period	Decrease for the period		30 June 2018 (Unaudited)
			Recognized as intangible assets	Transferred to profit or loss for the period	
Automobile development project	—	661,782,425.42	(28,599,334.61)	(331,045.17)	632,852,045.64

17. Goodwill

RMB

Name of investee or matters generating goodwill	31 December 2017 (Audited)	Additions for the period	Deductions for the period	30 June 2018 (Unaudited)	Impairment provision as at the end of the period
Oula Information Service Co., Ltd. (歐拉信息服務有限公司) ("Oula Information") (Note 2)	—	4,391,332.13	—	4,391,332.13	—
Total	2,163,713.00	4,391,332.13	—	6,555,045.13	—

Note 1: The goodwill arose from the acquisition of additional 26% equity interest in Baoding Changfu Pressings Co., Ltd. on 16 January 2003.

Note 2: The goodwill arose from the acquisition of 100% equity interest in Oula Information which was held by Baoding Great Wall Yuyuan Trading Co., Ltd. in June 2018.

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 period.

Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

18. Deferred tax assets and deferred tax liabilities

(1) Deferred tax assets before offsetting

Item	30 June 2018 (Unaudited)		31 December 2017 (Audited)	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Provision for bad debt	371,116,606.94	56,248,417.18	350,323,535.96	53,073,361.06
Impairment provisions for loans	95,384,757.75	23,846,189.44	63,067,421.79	15,766,855.45
Provision for decline in value of inventories	74,124,886.62	10,081,112.39	80,687,797.70	12,041,640.43
Impairment of fixed assets	202,607,595.73	30,570,225.14	171,936,735.37	26,540,140.73
Impairment of construction in progress	7,358,030.82	1,103,704.62	2,960,932.95	482,349.93
Accrued expenses which are deductible upon payment	806,565,340.91	122,463,058.79	1,177,714,047.95	178,299,891.38
Taxable receipts in advance	831,408,539.47	123,373,977.60	1,145,510,999.11	175,998,325.62
Contract liabilities	685,544,875.43	102,831,731.31	—	—
Deductible loss	293,091,538.23	60,253,177.08	200,525,568.17	41,664,258.41
Deferred income	1,412,242,332.49	291,767,215.24	844,413,983.92	147,518,409.90
Unrealized profit arising from internal transactions	191,716,178.46	45,529,165.80	325,010,861.12	79,528,019.22
Others	606,613,177.22	180,007,817.83	514,015,481.88	140,716,188.72
Total	5,577,773,860.07	1,048,075,792.42	4,876,167,365.92	871,629,440.85

RMB

Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

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

(2) Deferred tax liabilities before offsetting

RMB

Item	30 June 2018 (Unaudited)		31 December 2017 (Audited)	
	Taxable temporary difference	Deferred tax liabilities	Taxable temporary difference	Deferred tax liabilities
Difference between the book value of accumulated depreciation and tax base	(2,989,405,040.39)	(452,528,209.80)	(1,277,440,845.74)	(194,484,118.04)
Temporary difference of interest receivable	(32,015,835.04)	(8,003,958.77)	(27,002,256.76)	(6,750,564.19)
Total	(3,021,420,875.43)	(460,532,168.57)	(1,304,443,102.50)	(201,234,682.23)

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

RMB

Item	30 June 2018 (Unaudited)		31 December 2017 (Audited)	
	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	(445,722,563.41)	602,353,229.01	(180,620,836.58)	691,008,604.27
Deferred tax liabilities	445,722,563.41	(14,809,605.16)	180,620,836.58	(20,613,845.65)

Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

19. Short-term borrowings and long-term borrowings

(1) Short-term Borrowings

Item	RMB	
	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Pledged loan (Note 1)	4,800,000,000.00	4,100,000,000.00
Guaranteed loans (Note 2)	559,411,047.91	588,078,000.00
Credit loans	12,027,230,000.00	8,349,900,000.00
Total	17,386,641,047.91	13,037,978,000.00

(2) Long-term Borrowings

Item	RMB	
	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Secured loans (Note 3)	300,000,000.00	—
Guaranteed Loans (Note 4)	1,194,086,500.00	473,354,500.00
Less: Long-term borrowings due within one year	49,500,000.00	49,600,000.00
Total	1,444,586,500.00	423,754,500.00

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

Note 2: The balance of guaranteed loans was the loan made by Tide Technology and Trade Company Limited (泰德科貿有限公司) ("Tide Technology and Trade") and guaranteed by the Company.

Note 3: The secured loans amounted to RMB300,000,000.00 at the end of the period are made by the subsidiary Chongqing Automobile using its own land use rights as the pledge.

Note 4: The guaranteed loans amounted to RMB1,194,086,500.00 are made by the subsidiary of the Company Billion Sunny Development Limited (億新發展有限公司) ("Billion Sunny Development") and guaranteed by the Company. The annual interest rate of the long-term borrowings is 1.0000% to 2.9612%. The balance of guaranteed loans amounted to RMB49,500,000.00 was the loan made by Tianjin Great Wall Binyin Automotive Finance Company Limited (天津長城濱銀汽車金融有限公司) ("Automotive Finance") and guaranteed by the Company. The annual interest rate of the long-term borrowings is 5.9375%.

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

Bank loan repayment requirements	RMB	
	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Within 1 year	49,500,000.00	49,600,000.00
2-5 years	1,444,586,500.00	423,754,500.00
Total	1,494,086,500.00	473,354,500.00

Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

20. Notes payable and accounts payable

Category	RMB	
	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Notes payable	4,820,970,846.67	3,879,647,201.41
Accounts payable	17,404,208,897.07	27,961,741,670.91
Total	22,225,179,743.74	31,841,388,872.32

(1) Notes payable

Category	RMB	
	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Bank acceptances	4,629,564,913.91	3,547,066,838.76
Commercial acceptances	191,405,932.76	332,580,362.65
Total	4,820,970,846.67	3,879,647,201.41

(2) Accounts payable

Item	RMB	
	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Within 1 year	17,353,146,932.60	27,927,317,412.72
1 to 2 years	29,504,728.67	19,678,594.43
2 to 3 years	14,350,889.22	8,132,691.84
Over 3 years	7,206,346.58	6,612,971.92
Total	17,404,208,897.07	27,961,741,670.91

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

Accounts payable aged over one year with significant amount:

Item	RMB	
	30 June 2018 (Unaudited)	Reason for outstanding or transfer
Supplier 1	8,976,584.97	Payment terms have not been reached
Supplier 2	4,225,655.07	
Total	13,202,240.04	

Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

21. Contract liabilities

Contract liabilities disclosed as follows:

Item	RMB	
	30 June 2018 (Unaudited)	
Receipts in advance	2,763,790,722.56	
Interest in advance of automobile finance	691,880,360.81	
Maintenance service charges	685,544,875.43	
Others	360,665,294.27	
Subtotal	4,501,881,253.07	
Less: Contract liabilities included in other non-current liabilities (Note VI.(28))	606,965,402.76	
Total	3,894,915,850.31	

22. Employee benefits payable

(1) Employee benefits payable disclosed as follows:

Item				RMB	
	31 December 2017 (Audited)	Increase	Decrease	30 June 2018 (Unaudited)	
1. Short-term employee benefits	1,870,806,059.42	3,114,333,506.79	(4,554,704,913.93)	430,434,652.28	
2. Post-employment benefits-defined contribution plan	1,222,844.56	401,247,089.24	(223,766,874.94)	178,703,058.86	
Total	1,872,028,903.98	3,515,580,596.03	(4,778,471,788.87)	609,137,711.14	

Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

22. Employee benefits payable (continued)

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

Item				RMB
	31 December 2017 (Audited)	Increase	Decrease	30 June 2018 (Unaudited)
I. Salaries, bonuses, allowances and subsidies	1,596,928,760.19	2,531,707,025.88	(3,748,104,778.00)	380,531,008.07
II. Staff welfare	193,077,221.05	188,519,273.89	(378,524,928.67)	3,071,566.27
III. Staff bonuses and welfare fund	3,225,468.51	—	—	3,225,468.51
IV. Social insurance premiums	122,738.52	106,974,316.07	(96,148,977.46)	10,948,077.13
Including: Medical insurance	43,936.10	80,084,334.36	(79,897,418.62)	230,851.84
Work-related injury insurance	36,957.65	21,507,964.38	(10,876,548.77)	10,668,373.26
Maternity insurance	41,844.77	5,382,017.33	(5,375,010.07)	48,852.03
V. Housing provident funds	51,082.00	77,999,639.83	(77,745,270.83)	305,451.00
VI. Labor union expenditures	15,611,680.78	5,944,052.27	(16,340,637.77)	5,215,095.28
VII. Employees' education expenses	2,651,344.55	1,871,234.06	(1,937,001.68)	2,585,576.93
VIII. Service charge	59,137,763.82	201,317,964.79	(235,903,319.52)	24,552,409.09
Total	1,870,806,059.42	3,114,333,506.79	(4,554,704,913.93)	430,434,652.28

(3) Defined contribution plan

Item				RMB
	31 December 2017 (Audited)	Increase	Decrease	30 June 2018 (Unaudited)
1. Basic endowment insurance	1,227,498.51	393,528,795.18	(216,110,497.52)	178,645,796.17
2. Unemployment insurance	(4,653.95)	7,718,294.06	(7,656,377.42)	57,262.69
Total	1,222,844.56	401,247,089.24	(223,766,874.94)	178,703,058.86

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 Period from 1 January to 30 June 2018

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

23. Taxes payable

Item	RMB	
	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Value added tax	88,937,983.86	639,869,000.87
Consumption tax	322,217,839.44	1,204,084,422.04
Enterprise income tax	297,808,968.46	250,779,493.77
Individual income tax	42,755,391.59	19,674,688.31
Urban maintenance and construction tax	17,991,870.39	99,234,919.73
Education surcharges	15,198,782.31	73,683,824.21
Duty stamp	8,358,786.62	15,323,639.36
Real estate tax	618,876.25	855,745.96
Others	4,205,663.76	4,648,521.83
Total	798,094,162.68	2,308,154,256.08

24. Other payables

Category	RMB	
	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Interest payable	98,526,823.11	55,350,659.12
Other payables	2,428,588,958.88	2,512,899,879.29
Total	2,527,115,781.99	2,568,250,538.41

Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

24. Other payables (continued)

(1) Other payables

Other payables disclosed by nature are as follows:

Item	RMB	
	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Project payment	568,621,964.68	545,947,856.65
Equipment payment	1,094,150,041.55	1,173,069,225.47
Deposits	607,649,108.03	572,443,017.91
Others	158,167,844.62	221,439,779.26
Total	2,428,588,958.88	2,512,899,879.29

The breakdown of other payables is as follows:

Item	RMB	
	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Within 1 year	1,805,106,580.32	2,093,625,886.32
1 to 2 years	477,223,439.09	246,677,376.48
2 to 3 years	46,562,335.10	124,435,118.45
Over 3 years	99,696,604.37	48,161,498.04
Total	2,428,588,958.88	2,512,899,879.29

Descriptions of other significant payables aged over one year:

Item	RMB	
	30 June 2018 (Unaudited)	Reason for outstanding or transfer
Entity 1	49,525,362.28	Payment terms have not been reached
Entity 2	44,494,430.83	Payment terms have not been reached
Entity 3	27,540,111.67	Payment terms have not been reached
Entity 4	18,824,955.22	Payment terms have not been reached
Entity 5	13,112,500.00	Payment terms have not been reached
Total	153,497,360.00	

Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

25. Non-current liabilities due within one year

Item	Notes	RMB	
		30 June 2018 (Unaudited)	31 December 2017 (Audited)
Deferred income due within one year	VI.27	89,406,366.90	92,933,396.22
Long-term borrowings due within one year	VI.19	49,500,000.00	49,600,000.00
Total		138,906,366.90	142,533,396.22

26. Other current liabilities

Item	RMB	
	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Accrued after-sale warranty expenses	415,220,052.16	1,277,913,945.81
Accrued advertising and media service expenses	131,725,790.66	69,844,136.47
Accrued transportation costs	32,976,099.50	54,127,818.38
Accrued technology development expenditure	17,661,100.26	27,281,747.18
Accrued utilities fees	7,829,070.20	16,342,045.71
Accrued port charges	4,281,635.67	2,422,665.74
Others	417,965,987.87	205,184,782.69
Total	1,027,659,736.32	1,653,117,141.98

27. Deferred income

Item	RMB					
	31 December 2017 (Audited)	Adjustment	1 January 2018 (Adjusted)	Increase for the period	Decrease for the period	30 June 2018 (Unaudited)
Government grants	1,469,151,640.94	—	1,469,151,640.94	806,090,000.00	(48,219,883.31)	2,227,021,757.63
Interest in advance of automobile finance	494,368,396.06	(494,368,396.06)	—	—	—	—
Total	1,963,520,037.00	(494,368,396.06)	1,469,151,640.94	806,090,000.00	(48,219,883.31)	2,227,021,757.63

Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

27. Deferred income (continued)

Projects related to government grants:

RMB

Type	31 December 2017 (Audited)	Increase in grant for the period	Amount recognized in other income for the period	Amount recognized in non-operating income for the period	30 June 2018 (Unaudited)	Related to an asset/related to income
Infrastructure supporting fund (Note 1)	687,955,475.57	—	(12,070,087.94)	—	675,885,387.63	Related to an asset
Government industrial policy supporting fund (Note 2)	304,945,505.76	800,000,000.00	(10,673,898.16)	—	1,094,271,607.60	Related to an asset
Soft soil foundation subsidy (Note 3)	257,015,570.50	—	(3,057,486.92)	—	253,958,083.58	Related to an asset
New technical center infrastructure construction project (Note 4)	65,655,372.43	—	(6,498,719.36)	—	59,156,653.07	Related to an asset
Tax refund for purchasing domestic manufactured equipment (Note 5)	12,921,252.64	—	(6,605,853.06)	—	6,315,399.58	Related to an asset
Urban construction fund (Note 6)	53,835,005.35	—	(1,297,796.28)	—	52,537,209.07	Related to an asset
Subsidies for key technological innovation projects (Note 7)	3,066,666.37	—	(575,000.02)	—	2,491,666.35	Related to an asset
Development fund for SMEs (Note 8)	4,112,094.64	—	(147,739.92)	—	3,964,354.72	Related to an asset
Diesel engine development project fund (Note 9)	400,000.00	—	(50,000.00)	—	350,000.00	Related to an asset
Engine construction project (Note 10)	8,500,000.00	—	(1,000,000.00)	—	7,500,000.00	Related to an asset
Development of strategic emerging industry (Note 11)	1,663,580.26	—	(166,666.66)	—	1,496,913.60	Related to an asset
Innovation platform construction project (Note 12)	288,888.90	—	(66,666.66)	—	222,222.24	Related to an asset
Energy-saving gasoline direct injection engine project (Note 13)	80,833,333.33	—	(5,000,000.00)	—	75,833,333.33	Related to an asset
Jing-Jin-Ji united R&D project of new energy vehicle (Note 14)	2,507,453.46	—	(288,165.74)	—	2,219,287.72	Related to an asset
110KV transformer substation project (Note 15)	28,045,090.04	—	(588,358.56)	—	27,456,731.48	Related to an asset
Intelligent network-connected automotive system project (Note 16)	38,020,000.00	—	(1,123,131.89)	—	36,896,868.11	Related to an asset
Special fund for high-level foreign expert projects (Note 17)	1,000,000.00	—	(1,000,000.00)	—	—	Related to income
New energy cell R&D project (Note 18)	10,000,000.00	—	—	—	10,000,000.00	Related to an asset
Fuel cell test platform project (Note 19)	900,000.00	—	(400,000.00)	—	500,000.00	Related to an asset
Coal-fired boiler project (Note 20)	419,747.91	—	(147,341.46)	—	272,406.45	Related to an asset
New energy vehicle high-end talent introduction project (Note 21)	—	100,000.00	(100,000.00)	—	—	Related to income
Plug-in hybrid electric SUV R&D (Note 22)	—	890,000.00	(890,000.00)	—	—	Related to income
Waste concentration incineration system project (Note 23)	—	5,100,000.00	—	—	5,100,000.00	Related to an asset
Total	1,562,085,037.16	806,090,000.00	(51,746,912.63)	—	2,316,428,124.53	
Less: Deferred income due within one year	(92,933,396.22)	—	—	—	(89,406,366.90)	
Deferred income	1,469,151,640.94	806,090,000.00	(51,746,912.63)	—	2,227,021,757.63	

Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

27. 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”), subsidiary of the Company, received industrial policy supporting fund from Tianjin Economic-Technological Development Area in 2009. According to *Notice On the Allocation of Special Funds to Chongqing Great Wall Motor Co., Ltd. by Chongqing Yongchuan Industrial Park Phoenix Lake Management Committee* and the project investment agreement entered into between Chongqing Yongchuan government and the Company, the Company and its subsidiary Chongqing Great Wall Motor Co., Ltd. (重慶長城汽車有限公司) (“Chongqing Great Wall”) received specific development funds of RMB600 million allocated by Chongqing Yongchuan government in 2018. According to *Notice on Allocation of Supporting Funds to the New Energy Power System Project of Great Wall Motor* issued by the Bureau of Finance of Changzhou Jintan, Honeycomb Energy Technology Co., Ltd. (蜂巢能源科技有限公司) (“Honeycomb Energy”), a subsidiary of the Company, received industrial supporting funds of RMB200 million to the new energy power system project of Great Wall Motor, allocated by the Bureau of Finance of Changzhou Jintan.
- 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 to the Group for land and related infrastructure construction exclusively.
- Note 7:* 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.
- Note 8:* According to *Circular regarding the Granting of the Development Fund for SMEs to Baoding Great Wall Resource Recycling Co. Ltd.*, in 2010 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 9:* 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.

Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

27. Deferred income (continued)

- Note 10:* 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 11:* According to the *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 12:* According to the *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 to the improvement of hardware of loop simulation system and the purchasing of equipment.
- Note 13:* 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 14:* 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 a special grant from Hebei Baoding Technology Bureau which is dedicated in united R&D of new energy automobile of Great Wall Automobile Institute, and purchasing relevant instruments and equipment.
- Note 15:* 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 16:* According to *Agreement for the Project to Strengthen Industrial Development Basis in 2016*, the Company obtained a 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 17:* According to *Rules on "the Recruitment Program of Global Experts" of the State Administration of Foreign Experts Affairs*, the Company obtained special subsidy grants of RMB1 million from the State Administration of Foreign Experts Affairs in 2017.
- Note 18:* 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 a special grant of RMB10 million in 2017 which is dedicated to the Company's new energy cell R&D project.
- Note 19:* 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 a 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 20:* According to *Circular regarding Printing and Issuing Implementation of Coal-fired Boiler Replacement and Reconstruction from Gaobeidian Bureau of Environmental Protection*, a subsidy of the Company, Baoding Great Wall Huabei Automobile Co., Ltd. (保定長城華北汽車有限責任公司) ("Great Wall Huabei") received subsidy of RMB0.96 million in 2017 which is dedicated to the Company's coal-fired boiler project.
- Note 21:* According to *Circular on Allocation of New Energy Vehicle High-End Talent Introduction Project Reward Fund from the Department of Industry and Information Technology of Hebei Province*, in the period the Company received special funds of RMB0.1 million from the Department of Industry and Information Technology of Hebei Province.
- Note 22:* According to *Notice from the Bureau of Foreign Experts Affairs of Hebei Province*, in the period the Company received special funds of RMB0.89 million allocated by the Bureau of Foreign Experts Affairs of Baoding and dedicated to the plug-in hybrid electric SUV R&D program.
- Note 23:* According to the *Notice on the 20th Batch of Special Funds Budget for 2017 Air Pollution Control (Waste Gas Treatment Project) Issued by the MoF of Tianjin*, a subsidy of the Company, Tianjin Boxin., received special funds of RMB5.1 million allocated by the MoF of Tianjin in the period, and dedicated to the construction of waste concentration incineration systems.

Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

28. Other non-current liabilities

Item	RMB
	30 June 2018 (Unaudited)
Contract liabilities (Note VI.(21))	
Interest in advance of automobile finance	606,965,402.76
Total	606,965,402.76

29. Share capital

As at 30 June 2018, the registered capital of the Company amounted to RMB9,127,269,000 and the paid up share capital amounted to RMB9,127,269,000. The par value of each share is RMB1.00. The shares by type and structure are as follows:

Item	Opening balance	New issue	Changes for the period			Sub-total	Closing balance
			Bonus shares	Shares transfer from reserve	Others		
For the period from 1 January to 30 June 2018 (Unaudited):							
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
For the period from 1 January to 30 June 2017 (Unaudited):							
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 Period from 1 January to 30 June 2018

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

30. Capital reserve

Item	Opening balance	Additions	Deductions	Closing balance
<i>RMB</i>				
For the period from 1 January to 30 June 2018 (Unaudited):				
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
For the period from 1 January to 30 June 2017 (Unaudited):				
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 Period from 1 January to 30 June 2018

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

31. Surplus reserve

RMB

Item	Opening balance	Additions	Deductions	Reclassification	Closing balance
For the period from 1 January to 30 June 2018 (Unaudited):					
Statutory surplus reserve	4,697,563,444.94	—	—	—	4,697,563,444.94
Discretionary surplus reserve	2,855,650.48	—	—	—	2,855,650.48
Enterprise expansion fund	2,959,022.95	—	—	—	2,959,022.95
Reserve fund	107,224,586.52	—	—	—	107,224,586.52
Tax credit for social welfare enterprises	251,838,024.75	—	—	—	251,838,024.75
Total	5,062,440,729.64	—	—	—	5,062,440,729.64
For the period from 1 January to 30 June 2017 (Unaudited):					
Statutory surplus reserve	4,198,939,847.35	—	(43,851,241.00)	11,197,280.78	4,166,285,887.13
Discretionary surplus reserve	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	—	(43,851,241.00)	—	4,531,163,171.83

Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

32. Undistributed profits

Item	Amount	RMB Proportion of appropriation or allocation
For the period from 1 January to 30 June 2018 (Unaudited):		
Undistributed profits at the beginning of the period	33,530,533,212.33	
Add: Net profits attributable to the shareholders of the Company of the period	3,695,799,261.39	
Transfer from surplus reserve	—	
Other transfers-in	—	
Less: Appropriation of statutory surplus reserve	—	(1)
Appropriation of discretionary surplus reserve	—	
Appropriation of enterprise expansion fund	—	(2)
Appropriation of reserve fund	—	(2)
Distribution of cash dividends	(1,551,635,730.00)	(3)
Appropriation of staff incentive bonus and welfare fund	—	(2)
Share capital transferred from ordinary share dividends	—	
Undistributed profits at the end of the period	35,674,696,743.72	
For the period from 1 January to 30 June 2017 (Unaudited):		
Undistributed profits at the beginning of the period	32,182,789,641.00	
Add: Net profits attributable to the shareholders of the Company of the period	2,419,755,449.46	
Transfer from surplus reserve	43,851,241.00	
Other transfers-in	2,416,040.40	(4)
Less: Appropriation of statutory surplus reserve	—	(1)
Appropriation of discretionary surplus reserve	—	
Appropriation of enterprise expansion fund	—	(2)
Appropriation of reserve fund	—	(2)
Distribution of cash dividends	(3,194,544,150.00)	
Appropriation of staff incentive bonus and welfare fund	—	(2)
Share capital transferred from ordinary share dividends	—	
Undistributed profits at the end of the period	31,454,268,221.86	

Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

32. Undistributed profits (continued)

(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 be transferred into share capital of the Company, while the remaining statutory reserves shall be no less than 25% of the registered capital.

(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 Articles of Corporation.

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

On 14 May 2018, the 2017 shareholders' meeting approved *Proposal on Profit Distribution of 2017*, which allows the Company 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 par value of RMB1 per share.

(4) Pursuant to the resolution of the board of directors of Baoding Xinyi Automobile Seating Co., Ltd., originally a subsidiary of the Company, made on 25 April 2017, the appropriated employee incentive bonus and welfare fund of previous years are transferred to undistributed profits which amounted to RMB2,288,314.24.

Pursuant to the shareholders' decision of Mind Electronics, a subsidiary of the Company, made on 21 February 2017, the appropriated employee incentives and welfare fund of previous years are transferred to undistributed profits which amounted to RMB127,726.16.



Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

33. Operating income and operating costs

(1) Operating income

Item	RMB	
	For the period from 1 January to 30 June 2018 (Unaudited)	For the period from 1 January to 30 June 2017 (Unaudited)
Principal operating income	47,576,106,693.05	40,760,786,174.10
Including: Income from the sales of automobiles	45,132,474,878.33	39,028,052,278.84
Income from the sales of automotive parts and components	1,729,442,594.41	1,366,280,148.32
Income from the sales of moulds and others	173,099,237.16	254,260,089.35
Income from rendering of services	541,089,983.15	112,193,657.59
Other operating income	381,715,312.25	232,028,005.06
Total	47,957,822,005.30	40,992,814,179.16

Composition of operating income — geographical area of source

Item	RMB	
	For the period from 1 January to 30 June 2018 (Unaudited)	
External revenue from local customers	46,364,588,768.40	
Northeast China	2,665,776,343.12	
Northern China	7,263,367,979.33	
Eastern China	13,135,134,731.39	
Central China	12,280,010,624.34	
Northwest China	3,438,307,485.15	
Southwest China	7,581,991,605.07	
External revenue from foreign customers	1,593,233,236.90	
South Africa	333,952,206.60	
Ecuador	208,644,193.28	
Chile	198,095,701.92	
Russia	146,532,027.47	
Iran	146,272,908.22	
Australia	87,754,436.34	
Peru	79,083,637.83	
Uruguay	73,226,440.07	
New Zealand	46,154,161.55	
Malaysia	45,142,659.28	
Iraq	34,628,957.18	
Bolivia	23,266,488.75	
Other overseas countries	170,479,418.41	
Total	47,957,822,005.30	

Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

33. Operating income and operating costs (continued)

(1) Operating income (continued)

Composition of operating income — geographical area of source (continued)

At the end of the period, the transaction price amortized to remaining unperformed (or partially unperformed) obligations and the estimated timing of recognition as revenue are as follows:

Item			RMB
	Within 1 year	Over 1 year	Total
Receipts in advance	3,124,456,016.83	—	3,124,456,016.83
Interest in advance of automobile finance	84,914,958.05	606,965,402.76	691,880,360.81
Maintenance service charges	685,544,875.43	—	685,544,875.43
Total	3,894,915,850.31	606,965,402.76	4,501,881,253.07

(2) Operating costs

Item	For the period from 1 January to 30 June 2018 (Unaudited)	For the period from 1 January to 30 June 2017 (Unaudited)
	Principal operating costs	38,057,057,055.50
Including: Costs of sales of automobiles	36,356,643,402.09	31,644,129,975.54
Costs of sales of automotive parts and components	1,060,173,951.29	936,428,779.40
Costs of sales of moulds and others	133,964,026.97	180,073,133.48
Costs of rendering services	506,275,675.15	89,538,244.74
Other operating costs	357,727,231.01	194,331,492.63
Total	38,414,784,286.51	33,044,501,625.79

Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

34. Interest income

Item	<i>RMB</i>	
	For the period from 1 January to 30 June 2018 (Unaudited)	For the period from 1 January to 30 June 2017 (Unaudited)
Personal loans and advances	701,007,835.87	257,688,796.75
Company loans and advances	2,292.38	7,887.27
Deposits with other banks	6,225,679.30	1,397,032.84
Deposits with the central bank	4,115,704.41	2,132,676.39
Deposits with the financial institutions	150,569.08	—
Finance lease receivables	4,561.20	—
Total	711,506,642.24	261,226,393.25

35. Taxes and levies

Item	<i>RMB</i>	
	For the period from 1 January to 30 June 2018 (Unaudited)	For the period from 1 January to 30 June 2017 (Unaudited)
Consumption tax	1,381,042,464.40	1,097,797,789.10
City maintenances and construction tax	151,480,002.70	115,240,557.20
Educational surcharges	119,825,406.69	96,101,663.85
Stamp duty	50,259,530.95	36,217,933.23
Land use tax	25,550,207.57	24,624,261.14
Real estate tax	34,394,875.12	31,920,465.10
Water resource tax	1,056,995.51	1,587,835.13
Vehicle and vessel use tax	177,909.19	225,654.54
Others	21,271,093.48	6,436,630.71
Total	1,785,058,485.61	1,410,152,790.00

Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

36. Selling expenses

Item	RMB	
	For the period from 1 January to 30 June 2018 (Unaudited)	For the period from 1 January to 30 June 2017 (Unaudited)
Transportation expenses	649,619,324.14	657,154,719.06
After-sale services expenses	211,198,561.75	393,556,092.95
Wages and salaries	119,738,580.93	112,500,833.09
Advertising and media services fees	606,138,560.37	260,090,034.58
Port charges	15,748,717.00	9,657,942.49
Travelling expenses	16,860,827.03	13,865,855.58
Others	458,190,443.17	122,600,318.87
Total	2,077,495,014.39	1,569,425,796.62

37. Administrative expenses

Item	RMB	
	For the period from 1 January to 30 June 2018 (Unaudited)	For the period from 1 January to 30 June 2017 (Unaudited)
Wages and salaries	396,310,764.47	370,722,047.26
Depreciation and Amortization	72,562,981.65	122,769,214.72
Business reception fees	6,173,605.47	6,786,199.03
Office expenses	29,004,021.23	34,963,378.32
Repair and maintenance fees	103,723,340.26	104,442,504.85
Auditors' remuneration (Note)	882,214.80	1,034,842.21
Service charges	21,940,580.52	52,716,109.70
Others	46,082,847.16	76,762,790.92
Total	676,680,355.56	770,197,087.01

Note: Remuneration for interim review of RMB0.6 million paid to Deloitte Touche Tohmatsu CPA LLP is included.

Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

38. Financial expenses

Item	<i>RMB</i>	
	For the period from 1 January to 30 June 2018 (Unaudited)	For the period from 1 January to 30 June 2017 (Unaudited)
Interest expense from pledged loans	259,767,844.54	84,312,026.44
Interest income from bank deposits	(34,092,434.51)	(26,347,501.27)
Foreign currency translation differences	51,882,425.90	2,074,242.40
Interest of discount on bills	14,491,123.71	47,598,140.37
Long-term receivables discount	—	(41,184,559.92)
Others	12,397,044.93	9,644,363.61
Total	304,446,004.57	76,096,711.63

39. Impairment losses on assets

Item	<i>RMB</i>	
	For the period from 1 January to 30 June 2018 (Unaudited)	For the period from 1 January to 30 June 2017 (Unaudited)
I. Loss on bad debts	(6,559,837.68)	3,868,680.65
II. Loss on decline in value of inventories	28,119,827.37	105,206,435.28
III. Loss on impairment of fixed assets	33,804,424.69	—
IV. Loss on impairment of construction in progress	5,501,873.85	—
V. Loss on impairment of loans	—	32,787,854.27
Total	60,866,288.23	141,862,970.20

Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

40. Impairment losses on credit

RMB

Item	For the period from 1 January to 30 June 2018 (Unaudited)
Accounts receivable	22,725,325.20
Loans and advances to customers	67,363,891.48
Total	90,089,216.68

41. Other income

Government grants recognized in other income:

RMB

Item	For the period from 1 January to 30 June 2018 (Unaudited)	For the period from 1 January to 30 June 2017 (Unaudited)	Related to an asset/related to income
Immediate refund of VAT of welfare enterprises	16,896,000.00	—	Related to income
Patent award	973,920.00	—	Related to income
Haval SUV intelligent plant reward	900,000.00	—	Related to income
Import discount subsidies of the Business Bureau of Lianchi District	851,000.00	—	Related to income
Supportive development fund of export credit insurance	300,000.00	—	Related to income
Amortization of deferred income	51,746,912.63	57,466,601.41	
Total	71,667,832.63	57,466,601.41	

Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

42. Investment income

Breakdown:

Item	<i>RMB</i>	
	For the period from 1 January to 30 June 2018 (Unaudited)	For the period from 1 January to 30 June 2017 (Unaudited)
Income from wealth management products	5,948,164.90	46,402,606.04
Total	5,948,164.90	46,402,606.04

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

The Group has no gains on investments from listed companies.

43. Gains or losses from changes in fair values

Source of gains from changes in fair values	<i>RMB</i>	
	For the period from 1 January to 30 June 2018 (Unaudited)	For the period from 1 January to 30 June 2017 (Unaudited)
Trading financial assets		
Including: Equity instrument investment	(82,416,180.00)	—
Wealth management products	54,204,590.34	—
Total	(28,211,589.66)	—

Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

44. Non-operating income

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

Item	RMB		
	For the period from 1 January to 30 June 2018 (Unaudited)	For the period from 1 January to 30 June 2017 (Unaudited)	Amount included in non-recurring gains and losses for the period
Government grants	20,044,291.21	228,226,047.32	20,044,291.21
Gains from compensation	29,948,188.92	19,192,779.69	29,948,188.92
Unpayable amount	8,529,396.54	22,954,511.49	8,529,396.54
Others	23,533,699.69	24,530,368.94	23,533,699.69
Total	82,055,576.36	294,903,707.44	82,055,576.36

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

Item	RMB		
	For the period from 1 January to 30 June 2018 (Unaudited)	For the period from 1 January to 30 June 2017 (Unaudited)	Related to an asset/related to income
Financial subsidy	8,000,000.00	166,893,349.27	Related to income
Vehicle industry development fund	—	24,770,000.00	Related to income
Funds for Technology Revamping and Export trading service	—	9,437,061.54	Related to income
Immediate refund of VAT of welfare enterprises (Note)	—	7,894,460.01	Related to income
Discount of import products	—	7,439,700.00	Related to income
Special funds of the Finance Bureau	11,383,168.36	2,502,524.40	Related to income
Supportive development fund of export credit insurance	—	2,246,800.00	Related to income
Vocational training subsidy	—	3,136,890.74	Related to income
Others	661,122.85	3,905,261.36	Related to income
Total	20,044,291.21	228,226,047.32	

Note: During the reporting period, 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 MoF 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 enjoy value added tax refund based on the maximum amount specified by relevant taxation authorities and the number of disabled employees. According to the *Accounting Standards for Business Enterprises No.16 — Government Grants* revised in May 2017 by the MoF, the Group recognizes welfare enterprise value-added tax refundable relating to daily activities in this period into other income account.

Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

45. Non-operating expenses

Item	<i>RMB</i>		
	For the period from 1 January to 30 June 2018 (Unaudited)	For the period from 1 January to 30 June 2017 (Unaudited)	Amount recognized in non-recurring profit or loss for the period
Expenditures for donations	494,778.74	404,639.96	494,778.74
Expenses for compensations and fines	873,018.20	197,328.80	873,018.20
Others	1,164,110.10	3,607,901.07	1,164,110.10
Total	2,531,907.04	4,209,869.83	2,531,907.04

46. Income tax expenses

Item	<i>RMB</i>	
	For the period from 1 January to 30 June 2018 (Unaudited)	For the period from 1 January to 30 June 2017 (Unaudited)
Current tax expenses	638,444,199.65	336,394,157.28
Deferred tax expenses	79,498,101.78	320,437,753.71
Total	717,942,301.43	656,831,910.99

Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

46. Income tax expenses (continued)

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

Item	<i>RMB</i>	
	For the period from 1 January to 30 June 2018 (Unaudited)	For the period from 1 January to 30 June 2017 (Unaudited)
Total profit	4,434,477,757.34	3,085,777,720.24
Income tax rate	25%	25%
Income tax calculated at tax rate of 25%	1,108,619,439.34	771,444,430.06
Changes in opening balances of deferred tax assets/liabilities due to the change in tax rate	5,953,440.79	—
Effects arising from some companies subject to concessionary rates	(388,765,682.86)	(39,031,744.33)
Additional deduction for research and development costs	(66,784,706.94)	(130,977,562.55)
Tax effect of non-taxable income	(243,508.86)	(243,469.32)
Tax effect of non-deductible expenses	(20,031,404.24)	43,574,290.33
Effect of deductible loss not recognized for deferred tax assets for the period	39,131,915.72	12,065,966.80
Total	717,942,301.43	656,831,910.99

47. Net profit

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

Item	Notes	<i>RMB</i>	
		For the period from 1 January to 30 June 2018 (Unaudited)	For the period from 1 January to 30 June 2017 (Unaudited)
Depreciation for fixed assets	(VI)13	1,751,422,482.75	1,470,563,784.33
Depreciation and amortization for investment properties	(VI)12	2,595,647.40	2,440,810.68
Amortization of intangible assets	(VI)15	54,915,664.71	42,152,038.37
Total amount of depreciation and amortization		1,808,933,794.86	1,515,156,633.38
Gains or losses from disposal of non-current assets		30,501,359.26	(2,696,410.04)
Gross rental income from investment properties		11,036,238.19	9,522,868.95
Employee benefits expense	(VI)22	3,515,580,596.03	3,654,799,379.91

Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

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	<i>RMB</i>	
	For the period from 1 January to 30 June 2018 (Unaudited)	For the period from 1 January to 30 June 2017 (Unaudited)
Net profit attributable to ordinary shareholders	3,695,799,261.39	2,419,755,449.46
Including: Net profit attributable to continuing operations	3,695,799,261.39	2,419,755,449.46
Total	3,695,799,261.39	2,419,755,449.46

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

Item	<i>RMB</i>	
	For the period from 1 January to 30 June 2018 (Unaudited)	For the period from 1 January to 30 June 2017 (Unaudited)
Number of outstanding ordinary shares at the beginning of the period	9,127,269,000.00	9,127,269,000.00
Add: Weighted number of ordinary shares issued in the period	—	—
Less: Weighted number of ordinary shares repurchased in the period	—	—
Weighted number of outstanding ordinary shares at the end of the period	9,127,269,000.00	9,127,269,000.00

Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

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

Item	RMB	
	For the period from 1 January to 30 June 2018 (Unaudited)	For the period from 1 January to 30 June 2017 (Unaudited)
Based on the net profit attributable to shareholders of the Company:		
Basic earnings per share	3,695,799,261.39	2,419,755,449.46
Diluted earnings per share	0.40	0.27
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	3,695,799,261.39	2,419,755,449.46
Basic earnings per share	0.40	0.27
Diluted earnings per share	N/A	N/A

49. Other comprehensive income

Foreign currency translation differences

Item	RMB	
	For the period from 1 January to 30 June 2018 (Unaudited)	For the period from 1 January to 30 June 2017 (Unaudited)
Opening balance	3,056,451.02	(1,502,334.31)
Exchange differences arising on translation to presentation currency	(129,928,339.13)	(7,311,937.41)
Closing balance	(126,871,888.11)	(8,814,271.72)

Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

50. Notes to cash flow statements

(1) Other cash received relating to operating activities

Item	RMB	
	For the period from 1 January to 30 June 2018 (Unaudited)	For the period from 1 January to 30 June 2017 (Unaudited)
Interest income from bank deposits	34,092,434.51	26,347,501.27
Government grants	24,059,211.21	220,331,587.31
Reparations (penalty) income	6,322,779.48	19,192,779.69
Customs deposit withdrawal	76,146.59	—
Others	31,868,188.82	27,160,891.51
Total	96,418,760.61	293,032,759.78

(2) Other cash payments relating to operating activities

Item	RMB	
	For the period from 1 January to 30 June 2018 (Unaudited)	For the period from 1 January to 30 June 2017 (Unaudited)
Advertising and media services fee	722,841,783.56	231,996,339.23
Transportation costs and port charges	684,660,790.09	686,872,527.44
Technology development expenditures	361,861,900.17	413,890,129.24
After-sale services expenses and repair costs	424,297,486.47	638,418,281.60
Business reception fees and office expenses	47,056,066.14	85,965,074.79
Payment of customs deposit	—	1,245,056.17
Travelling expenses	27,970,916.96	13,865,855.58
Consultation fees	44,911,822.71	75,012,407.73
Sales service expenses	97,570,257.30	70,801,578.51
Software license fees	66,710,846.06	—
Others	73,172,711.18	38,251,737.26
Total	2,551,054,580.64	2,256,318,987.55

Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

50. Notes to cash flow statements (continued)

(3) Other cash received relating to investing activities

Item	<i>RMB</i>	
	For the period from 1 January to 30 June 2018 (Unaudited)	For the period from 1 January to 30 June 2017 (Unaudited)
Government grants	805,100,000.00	5,515,282.92
Total	805,100,000.00	5,515,282.92

(4) Other cash received relating to financing activities

Item	<i>RMB</i>	
	For the period from 1 January to 30 June 2018 (Unaudited)	For the period from 1 January to 30 June 2017 (Unaudited)
Decrease in restricted bank deposits	384,672,125.58	—
Total	384,672,125.58	—

(5) Other cash payments relating to financing activities

Item	<i>RMB</i>	
	For the period from 1 January to 30 June 2018 (Unaudited)	For the period from 1 January to 30 June 2017 (Unaudited)
Increase in restricted bank deposits	—	566,142,960.16
Total	—	566,142,960.16

Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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	For the period from 1 January to 30 June 2018 (Unaudited)	RMB For the period from 1 January to 30 June 2017 (Unaudited)
1. Reconciliation of net profits to cash flow from operating activities:		
Net profits	3,716,535,455.91	2,428,945,809.25
Add: Impairment provision for assets	150,955,504.91	141,862,970.20
Depreciation of fixed assets	1,751,422,482.75	1,470,563,784.33
Amortization of intangible assets	54,915,664.71	42,152,038.37
Amortization of long-term prepaid expenses	8,749,367.08	5,508,791.57
Depreciation and amortization of investment properties	2,595,647.40	2,440,810.68
Losses/(Gains) on disposal of fixed assets, intangible assets and other long-term assets	(30,501,359.26)	2,696,410.04
Amortization of deferred income	(51,746,912.63)	(57,466,601.41)
Financial expense/(income)	248,283,424.75	43,296,144.95
Investment losses/(gains)	(5,948,164.90)	(46,402,606.04)
Loss from fair value changes	28,211,589.66	—
Decrease/(Increase) in deferred tax assets	92,008,408.25	311,034,587.08
Increase/(Decrease) in deferred tax liabilities	(5,804,240.49)	9,403,166.63
Decrease/(Increase) in inventories	76,087,265.80	(2,554,188,730.00)
Decrease/(Increase) in operating receivables	19,477,341,984.37	20,190,508,473.63
Increase/(Decrease) in operating payables	(11,367,376,381.99)	(13,651,455,400.01)
Net cash flows from operating activities	14,145,729,736.32	8,338,899,649.27
2. Net change in cash and cash equivalents:		
Cash balance at the end of the period	8,125,117,690.54	5,760,705,763.44
Less: Cash balance at the beginning of the period	3,844,089,729.57	1,891,844,333.75
Net increase in cash and cash equivalents	4,281,027,960.97	3,868,861,429.69

Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

51. Supplementary information of cash flow statements (continued)

(2) Net cash payments in the period for acquisition of subsidiaries

Item	RMB	
	For the period from 1 January to 30 June 2018 (Unaudited)	For the period from 1 January to 30 June 2017 (Unaudited)
Cash or cash equivalents paid in current period for business combination incurred in current period	3,400,000.00	—
Less: Cash and cash equivalents held by subsidiaries at the acquisition date	119,547.50	—
Net cash payments for acquisition of subsidiaries	3,280,452.50	—

(3) Components of cash and cash equivalents

Item	RMB	
	For the period from 1 January to 30 June 2018 (Unaudited)	For the period from 1 January to 30 June 2017 (Unaudited)
I. Cash	8,125,117,690.54	5,760,705,763.44
Including: Cash on hand	364,680.56	663,550.78
Bank deposits ready to be withdrawn on demand	8,124,753,009.98	5,760,042,212.66
Other monetary funds ready to be withdrawn on demand	—	—
II. Cash and cash equivalent balance at the end of the period	8,125,117,690.54	5,760,705,763.44

52. Assets with limited ownership or use right

Item	RMB	
	Carrying amount at the end of the period	Reasons for the restrictions
Cash and bank balances	602,587,469.70	Required deposit reserves, L/C Guarantee deposits, guarantee deposits, deposited investment fund and others
Notes receivable	9,590,651,589.12	Used for issuance of notes payable and short-term borrowings
Intangible assets	87,406,280.97	Used for long-term borrowings
Total	10,280,645,339.79	

Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

53. Monetary items denominated in foreign currency

Item	Closing balance of foreign currency	Exchange rate	Closing balance of RMB
<i>RMB</i>			
Cash and bank balances			
Include: RMB	57,998,560.68	1.0000	57,998,560.68
USD	17,847,262.28	6.6166	118,088,195.63
HKD	35,215.40	0.8431	29,690.10
EUR	1,661,259.00	7.6515	12,711,123.25
JPY	51,033,295.89	0.0599	3,057,608.89
KRW	7,106.33	0.0059	41.95
GBP	1,613.22	8.6551	13,962.58
RUB	572.69	0.1054	60.35
THB	129.99	0.1998	25.97
AUD	3,188,907.89	4.8633	15,508,615.75
SGD	311.00	4.8386	1,504.80
CHF	63.65	6.6350	422.32
Accounts receivable			
Include: USD	18,966,189.38	6.6166	125,491,688.67
EUR	2,191,867.90	7.6515	16,771,077.24
Accounts payable			
Include: USD	2,614,164.82	6.6166	17,296,882.95
EUR	1,318,931.14	7.6515	10,091,801.63
JPY	24,348,049.04	0.0599	1,458,789.01
Other payables			
Include: USD	1,665,041.00	6.6166	11,016,910.28
EUR	15,225,230.00	7.6515	116,495,847.35
JPY	244,746,264.00	0.0599	14,663,727.66
CHF	50,636.00	6.6350	335,969.86
GBP	7,280.00	8.6551	63,009.13
Short-term borrowings			
Include: EUR	73,111,291.63	7.6515	559,411,047.91
Long-term borrowings			
Include: USD	40,000,000.00	6.6166	264,664,000.00
EUR	115,000,000.00	7.6515	879,922,500.00

Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

54. Net current assets

Item	RMB	
	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Current assets	60,988,332,696.57	69,293,328,092.50
Less: Current liabilities	48,607,650,400.99	58,881,223,748.49
Net current assets	12,380,682,295.58	10,412,104,344.01

55. Total assets less current liabilities

Item	RMB	
	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Total assets	104,193,966,703.78	110,547,073,781.60
Less: Current liabilities	48,607,650,400.99	58,881,223,748.49
Total assets less current liabilities	55,586,316,302.79	51,665,850,033.11

Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

VII. CHANGES IN CONSOLIDATION SCOPE

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

(1) Merger under different control in this period

Name of acquiree	acquisition cost	Proportion acquired (%)	Acquisition approach	Acquisition date	Determination basis of acquisition date	RMB	
						Revenue of the acquiree from the date of purchase to the period-end	Net profit of the acquiree from the date of purchase to the period-end
Oula Information.	3,400,000.00	100	Cash	7 June 2018	Note	—	(1,730,932.14)

Note: The acquisition date is the date on which the acquirer effectively obtains control of the acquiree, i.e. the date on which control over net assets and production and operating decisions of the acquiree is transferred to the acquirer.

Basic information of the acquiree

Oula Information is registered and established on 1 July 2016. Its business nature is internet information services, car sales and self-owned car rental without drivers. In June 2018, the Company's subsidiary Tianjin Great Wall Sharing Car Service Co., Ltd.(天津長城共享汽車服務有限公司) ("Tianjin Sharing Car") acquired 100% equity interest of Oula Information held by Baoding Great Wall Yuyuan Commercial Co., Ltd. with RMB3.4 million. Subsequent to the acquisition, the Company indirectly holds 100% equity interest of Oula Information.

(2) Combination cost and goodwill

Combination cost	Oula Information
Cash	3,400,000.00
Fair value of equity at the date of acquisition held prior to acquisition date	—
Total combination cost	3,400,000.00
Less: Share of fair value of identifiable net asset acquired	(991,332.13)
Amount of combination cost more than share of fair value of identifiable net assets	4,391,332.13

Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

VII. CHANGES IN CONSOLIDATION SCOPE (continued)

1. Merger under different control in this period (continued)

(3) Identifiable assets and liabilities at the acquisition date in the acquiree

Item	Oula Information	
	Fair value at the acquisition date	Carrying amount at the acquisition date
Current assets	539,304.23	539,304.23
Non-current assets	62,633.03	62,633.03
Current liabilities	(1,593,269.39)	(1,593,269.39)
Net asset	(991,332.13)	(991,332.13)
Less: Minority interests	—	—
Net assets obtained	(991,332.13)	(991,332.13)

RMB

Note: Fair value of identifiable assets and liabilities is determined using the asset-based approach.

2. Business combination involving enterprises under common control

There is no business combination involving enterprises under common control at the end of the period.

3. Disposal of subsidiaries

There is no subsidiary being disposed at the end of the period.

Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

VII. CHANGES IN CONSOLIDATION SCOPE (continued)

4. Changes in consolidation scope for other reasons

Newly established subsidiaries during the current period:

Name	Establishment date	Net assets at the end of the period	RMB
			Net profits at the end of the period
Tianjin Oula Financial Leasing Co., Ltd. (天津歐拉融資租賃有限公司) (“Tianjin Oula”)	2 January 2018	126,645,772.70	(854,227.30)
Chongqing Great Wall	5 January 2018	133,647.43	133,647.43
Chongqing Yongchuan Great Wall Auto Parts Co., Ltd. (重慶市永川區長城汽車零部件有限公司) (“Chongqing Auto Parts”)	5 January 2018	—	—
Chongqing Haval	5 January 2018	52,492,584.95	52,492,584.95
Honeycomb Energy	12 February 2018	199,231,638.35	(768,361.65)
Honeycomb Yichuang Technology Co., Ltd. (蜂巢易創科技有限公司) (“Honeycomb Yichuang”)	13 June 2018	—	—
Jingcheng Engineering Automotive Systems Co., Ltd. (精誠工科汽車系統有限公司) (“Jinggong Motor”)	13 June 2018	(994,803.68)	(994,803.68)
Nuobo Automotive Systems Co., Ltd. (諾博汽車系統有限公司) (“Nuobo Automotive”)	13 June 2018	(935,316.93)	(935,316.93)
Baoding Nuobo Auto Parts Co., Ltd. (保定諾博汽車配件有限公司) (“Nuobo Auto Parts”)	27 June 2018	—	—
Baoding Nuobo Auto Decorations Co., Ltd. (保定諾博汽車裝飾件有限公司) (“Nuobo Auto Decorations”)	27 June 2018	—	—

Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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 (%)	
					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 (Note 11)	limited liability company	Baoding	Baoding	Manufacture of automotive parts and components	100.00	—
Baoding Nuobo	limited liability company	Baoding	Baoding	Manufacture of automotive parts and components	100.00	—
Beijing Great	limited liability company	Beijing	Beijing	Manufacture of automotive parts and components	100.00	—
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	—
Baoding Great Wall Auto Sales Co., Ltd. (保定長城汽車銷售有限公司) ("Great Wall Sales")	limited liability company	Baoding	Baoding	Marketing and sale of automobiles	20.18	79.82
Tide Technology and Trade	—	Hong Kong	Hong Kong	Investment and financing services	100.00	—
Mind electronics	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	75.00	25.00
Baoding Great Wall Ants Logistics Co., Ltd. (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 (Note 11)	limited liability company	Tianjin	Tianjin	Manufacture of automotive parts and components	100.00	—
Ningxia Great Wall Motor Rental Company Limited (寧夏長城汽車租賃有限公司) ("Ningxia Rental")	limited liability company	Yinchuan Economic and Technological Development Zone	Yinchuan Economic and Technological Development Zone	Buildings rental	100.00	—
Great Wall Resource Recycling	limited liability company	Baoding	Baoding	Processing, recycling and sale of waste and used material	100.00	—
Baoding Exquisite Automotive 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 Weiji	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. (哈弗汽車租賃有限公司) ("Haval Rental")	limited liability company	Baoding	Baoding	Car rental	100.00	—
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	38.50	61.50
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") (Note 11)	limited liability company	Baoding	Baoding	Auto selling	100.00	—

Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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
Automotive Finance	limited liability company	Tianjin	Tianjin	Automotive Finance	90.00	—
Australia Sinyos Technology And Trade Pty Ltd (澳大利亞森友斯科寶有限公司) ("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	50.31	49.69
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	—
Baoding Great Wall Scrap Car Recycling & 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")	—	Yokuhama, Japan	Yokuhama, 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	Technology research and development of automobile	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	Technology research and development of automobile	—	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
Forever Peace	Limited liability company	Beijing	Beijing	Business information consultation	—	100.00

Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

VIII. INTERESTS IN OTHER ENTITIES (Continued)

1. Interests in subsidiaries (Continued)

(1) Structure of the Group (Continued)

Subsidiaries invested by the Group (Continued)

Full name of subsidiaries	Legal form	Place of principal operations	Place of registration	Business nature	Proportion of shareholdings (%)	
					Direct	Indirect
Tianjin Haval Insurance Brokers Company Limited (天津哈弗保險經紀有限公司) ("Tianjin Haval Insurance")	Limited liability company	Tianjin	Tianjin	Insurance Brokers	—	100.00
Billion Sunny Technical Energy (億新科技能源有限公司) ("Billion Sunny Technical Energy")	—	Korea	Korea	Research and design of automobile and auto parts	—	100.00
Great Wall Motor Austria Research & Development Co., Ltd. (長城汽車奧地利研發有限公司) ("Austria Research & Development")	—	Austria	Austria	Research and design of automobile and auto parts	—	100.00
Baoding Billion Sunny Consulting Service Co., Ltd. (保定億新諮詢服務有限公司) ("Billion Sunny Consulting")	Limited liability company	Baoding	Baoding	Technology information consultation service, and trade consultation service	—	100.00
Guangzhou Great Wall Auto Sales Co., Ltd. (廣州長城汽車銷售有限公司) ("Guangzhou Great Wall Sales")	Limited liability company	Guangzhou	Guangzhou	Auto selling	100.00	—
Xiamen Great Wall Auto Sales Co., Ltd. (廈門長城汽車銷售有限公司) ("Xiamen Great Wall Sales")	Limited liability company	Xiamen	Xiamen	Auto selling	100.00	—
Tianjin Sharing Car	Limited liability company	Tianjin	Tianjin	Agency of traffic formalities, and car rental	100.00	—
Chongqing Great Wall (Note 1)	Limited liability company	Chongqing	Chongqing	Sales of automobile and auto parts	100.00	—
Chongqing Auto Parts (Note 2)	Limited liability company	Chongqing	Chongqing	Sales of automotive parts	100.00	—
Honeycomb Energy (Note 3)	Limited liability company	Changzhou	Changzhou	Development, production, and sales of lithium ion power battery	100.00	—
Chongqing Haval (Note 4)	Limited liability company	Chongqing	Chongqing	Auto selling	100.00	—
Tianjin Oula (Note 5)	Limited liability company	Tianjin	Tianjin	Finance leasing	75.00	25.00
Honeycomb Yichuang (Note 6)	Limited liability company	Baoding	Baoding	Manufacture of automotive parts and components	100.00	—
Jinggong Motor (Note 7)	Limited liability company	Baoding	Baoding	Manufacture of automotive parts and components	100.00	—
Nuobo Automotive (Note 8)	Limited liability company	Baoding	Baoding	Manufacture of automotive parts and components	100.00	—
Nuobo Auto Parts (Note 9)	Limited liability company	Baoding	Baoding	Manufacture of automotive parts and components	—	100.00
Nuobo Auto Decorations (Note 10)	Limited liability company	Baoding	Baoding	Manufacture of automotive parts and components	—	100.00

Note 1: Chongqing Great Wall is established by the Company in Chongqing in January 2018 as a wholly-owned subsidiary. The registered capital is RMB800 million. As at 30 June 2018, the Company has not made capital contribution.

Note 2: Chongqing Auto Parts is established by the Company in Chongqing in January 2018 as a wholly-owned subsidiary. The registered capital is RMB30 million. As at 30 June 2018, the Company has not made capital contribution.

Note 3: Honeycomb Energy is established by the Company in Changzhou in February 2018 as a wholly-owned subsidiary. The registered capital is RMB1,000 million. As at 30 June 2018, the Company has made actual capital contribution of RMB200 million.

Note 4: Chongqing Haval is established by the Company in Chongqing in January 2018 as a wholly-owned subsidiary. The registered capital is RMB5 million. As at 30 June 2018, the Company has not made capital contribution.

Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

VIII. INTERESTS IN OTHER ENTITIES (continued)

1. Interests in subsidiaries (continued)

(1) Structure of the Group (continued)

Subsidiaries invested by the Group (continued)

Note 5: Tianjin Oula is established by the Company and the Company's subsidiary Billion Sunny Development in Tianjin in January 2018. The registered capital is RMB170 million. The Company holds 75% of the equity, while the Company's subsidiary Billion Sunny Development holds 25%.

Note 6: Honeycomb Yichuang is established by the Company in Baoding in June 2018 as a wholly-owned subsidiary. The registered capital is RMB1 billion. As at 30 June 2018, the Company has not made capital contribution.

Note 7: Jinggong Motor is established by the Company in Baoding in June 2018 as a wholly-owned subsidiary. The registered capital is RMB1 billion. As at 30 June 2018, the Company has not made capital contribution.

Note 8: Nuobo Automotive is established by the Company in Baoding in June 2018 as a wholly-owned subsidiary. The registered capital is RMB1 billion. As at 30 June 2018, the Company has not made capital contribution.

Note 9: Nuobo Auto Parts is established by the Company's subsidiary Nuobo Automotive in Baoding in June 2018 as a wholly-owned subsidiary. The registered capital is RMB300 million. As at 30 June 2018, Nuobo Automotive has not made capital contribution.

Note 10: Nuobo Auto Decorations is established by the Company's subsidiary Nuobo Automotive in Baoding in June 2018 as a wholly-owned subsidiary. The registered capital is RMB100 million. As at 30 June 2018, Nuobo Automotive has not made capital contribution.

Note 11: In January 2018, the Company conducted merger by absorption of the wholly owned subsidiaries, Great Wall Vehicle Axles, Tianjin Boxin, Haval Auto Sales. As at 30 June 2018, the deregistration procedures of the subsidiaries above are in the process.

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 (%)	
					Direct	Indirect
Billion Sunny Development		— Hong Kong	Hong Kong	Investment holding	—	100.00
Baoding Jiehua Automobile Components and Accessories Company Limited ("Baoding Jiehua") (Note)	Limited liability company	Baoding	Baoding	Manufacture of automotive parts and components	100.00	—
Oula Information	Limited liability company	Baoding	Baoding	Internet Information Service	—	100.00

Note: In January 2018, the Company conducted merger by absorption of the wholly owned subsidiary Baoding Jiehua. As at 30 June 2018, the deregistration procedure of the subsidiary is in the process.

Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

VIII. INTERESTS IN OTHER ENTITIES (continued)

1. Interests in subsidiaries (continued)

(1) Structure of the Group (continued)

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 subsidiary	Proportion of minority shareholdings (%)	Total profit or loss attributable to minority interests	Dividends attributable to minority interests	RMB
				Closing balance of Minority interests
Automotive Finance	10.00	20,736,194.52	—	144,167,437.57

Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

VIII. INTERESTS IN OTHER ENTITIES (continued)

1. Interests in subsidiaries (continued)

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

RMB

Full name of subsidiary	30 June 2018					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Automotive Finance	10,270,734,995.75	5,709,659,467.12	15,980,394,462.87	13,716,424,784.75	691,880,360.81	14,408,305,145.56

RMB

Full name of subsidiary	31 December 2017					
	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	For the period from 1 January to 30 June 2018				For the period from 1 January to 30 June 2017			
	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	720,471,715.86	207,361,945.20	207,361,945.20	(278,498,660.23)	262,849,645.68	91,903,597.90	91,903,597.90	115,046,572.72

2. There is no transaction incurred which gives rise to changes in proportion of equity in subsidiaries while the subsidiaries are still held by the Company.

3. Interests in joint ventures or associates

There are no transactions that may result in a change in the share of owners' equity between joint ventures during this period.

Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

IX. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Major financial instruments of the Group include cash and bank balances, held-for-trading financial assets, accounts receivable, other current assets — financial assets at fair value through other comprehensive income, loans and advances to customers, borrowings, accounts payable, financial assets at fair value through profit or loss, available-for-sale financial assets, other current assets — wealth management products and notes receivable. Detailed descriptions of these financial instruments are set out in Note (VI). The risks associated with these financial instruments and the risk management policies adopted by the Group to mitigate such risks are set out below. The management of the Group manages and monitors such risk exposures to ensure such risks are limited to a prescribed level.

The Group applied sensitive analysis technic to analyze the reasonableness of risk variables, possible changes that may affect profit and loss or shareholders' equity. Risk variables are less likely to change isolated, whereas the correlation between variables have major effect on the changes of single risk. Thus, contents below are under the assumption that the changes of single variable are isolated.

1. Objective and policies of risk management

The objective of the risk management of the Group is to maintain an appropriate balance between risks and return so to minimize the negative effects of risks against the Group's operating results in order to maximize the benefits of shareholders. Based on such objective, the principle strategy of the Group's risk management is to identify and analyze all types of risks of the Group, establish appropriate risk tolerance thresholds, carry out risk management procedures and perform risk monitoring on all kinds of risks in a timely and reliable manner, thus controlling the risk exposures within a prescribed level.

1.1 Market risk

1.1.1 Foreign exchange risk

Foreign exchange risk represents risks of loss incurred as a result of changes in exchange rates. Foreign currency assets and liabilities which are possible to influence the business performance might be affected by foreign exchange rate. Such elements are set out as follows:

Item	RMB	
	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Cash and bank balances	207,409,812.27	494,509,647.74
Held-for-trading financial assets	235,578,252.00	
Financial assets at fair value through profit or loss		317,994,432.00
Notes receivable and accounts receivable	142,262,765.91	130,889,030.76
Other receivables	—	6,692.92
Notes payable and accounts payable	(28,847,473.59)	(31,423,959.80)
Other payables	(142,575,464.28)	(252,474,204.60)
Short-term borrowings	(559,411,047.91)	—
Long-term borrowings	(1,144,586,500.00)	(423,754,500.00)

The Group pays 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 Group are not involved in foreign exchange risk.

Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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 period are set out below:

		<i>RMB</i>	
		For the period from 1 January to 30 June 2018 (Unaudited)	
Item	Fluctuation of foreign exchange rate	Effects on profit	Effects on shareholders' interest
USD	5% strengthening against RMB	(2,469,895.45)	(2,469,895.45)
USD	5% weakening against RMB	2,469,895.45	2,469,895.45
EUR	5% strengthening against RMB	(76,821,949.82)	(76,821,949.82)
EUR	5% weakening against RMB	76,821,949.82	76,821,949.82
JPY	5% strengthening against RMB	(653,245.39)	(653,245.39)
JPY	5% weakening against RMB	653,245.39	653,245.39
AUD	5% strengthening against RMB	12,554,343.39	12,554,343.39
AUD	5% weakening against RMB	(12,554,343.39)	(12,554,343.39)
CHF	5% strengthening against RMB	(16,777.38)	(16,777.38)
CHF	5% weakening against RMB	16,777.38	16,777.38

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 period are relatively insignificant.

Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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)

Item	Fluctuation of foreign exchange rate	RMB	
		Effects on profit	Effects on shareholders' interest
		For the period from 1 January to 30 June 2017 (Unaudited)	
USD	5% strengthening against RMB	12,233,031.06	12,233,031.06
USD	5% weakening against RMB	(12,233,031.06)	(12,233,031.06)
EUR	5% strengthening against RMB	(5,178,474.89)	(5,178,474.89)
EUR	5% weakening against RMB	5,178,474.89	5,178,474.89
GBP	5% strengthening against RMB	(43,825.89)	(43,825.89)
GBP	5% weakening against RMB	43,825.89	43,825.89
JPY	5% strengthening against RMB	(1,304,988.66)	(1,304,988.66)
JPY	5% weakening against RMB	1,304,988.66	1,304,988.66
AUD	5% strengthening against RMB	325,568.26	325,568.26
AUD	5% weakening against RMB	(325,568.26)	(325,568.26)
CHF	5% strengthening against RMB	(259,942.10)	(259,942.10)
CHF	5% weakening against RMB	259,942.10	259,942.10

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 period are relatively insignificant.

Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

IX. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)**1. Objective and policies of risk management** (continued)**1.1 Market risk** (continued)**1.1.2 Interest rate risk**

The risk of 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) 9 and 19). 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 period is as follows:

RMB

Item	Fluctuation of interest rate	For the period from 1 January to 30 June 2018 (Unaudited)	
		Effect on profit	Effect on shareholders' interest
Loans and advances to customers	Increase of 100 basis points	99,519,737.38	99,519,737.38
Loans and advances to customers	Decrease of 100 basis points	(99,519,737.38)	(99,519,737.38)
Long-term borrowings	Increase of 100 basis points	(14,693,365.00)	(14,693,365.00)
Long-term borrowings	Decrease of 100 basis points	14,693,365.00	14,693,365.00

Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

IX. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

1. Objective and policies of risk management (continued)

1.2 Credit risk

As at 30 June 2018, 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.

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. In addition, the Group reviews the recoverable amount of the financial assets at each balance sheet date to ensure that adequate expected credit loss are made for related financial assets. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced.

The Group only deposits cash and cash equivalents into banks with relatively high level of credit rating, therefore, credit risk of cash and cash equivalents is low.



Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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 liabilities held by the Group which is based on undiscounted remaining contractual obligations by the end of each period:

	30 June 2018 (Unaudited)			Total
	Within 6 months	6-12 months	Over one year	
Short-term borrowings	7,585,349,306.82	10,357,760,105.10	—	17,943,109,411.92
Notes payable and accounts payable	21,967,574,414.87	257,605,328.87	—	22,225,179,743.74
Other payables	1,654,307,101.59	872,808,680.40	—	2,527,115,781.99
Long-term borrowings	58,500,694.06	8,282,256.56	1,470,150,252.34	1,536,933,202.96

	31 December 2017 (Audited)			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 and accounts payable	31,760,075,862.60	81,313,009.72	—	31,841,388,872.32
Other payables	1,742,550,118.36	825,700,420.05	—	2,568,250,538.41
Long-term borrowings	5,311,278.94	53,942,372.69	437,734,024.86	496,987,676.49

Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

X. FAIR VALUE

1. Fair value at the end of the period of assets and liabilities measured at fair value

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation techniques and inputs used).

Item	NOTES	Fair value		RMB
		30 June 2018 (Unaudited)	31 December 2017 (Audited)	Fair value level
I. Continuous fair value measurement				
1. Financial assets at fair value through profit or loss				
Held-for trading financial assets				
– Equity instruments	(VI), 2	235,578,252.00	317,994,432.00	Level 1
Held-for trading financial assets				
– wealth management products	(VI), 2	9,244,204,590.34	—	Level 2
2. Financial assets carried at fair value through other comprehensive income				
Other current assets-notes receivable	(VI), 8	24,729,835,495.31	—	Level 3
Other equity instruments	(VI), 11	7,700,000.00	—	Level 3

2. The basis of market prices determined on level 1 of the fair value hierarchy

The financial assets at fair value through profit or loss held by the Group on 30 June 2018 and 31 December 2017 are measured at level 1 of the fair value hierarchy, and the market price is determined based on the value of the open market stocks.

Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

X. FAIR VALUE (continued)

3. Qualitative and quantitative information of valuation techniques and key inputs on level 2 of the fair value hierarchy

For held-for trading financial assets — wealth management products held by the Group on 30 June 2018, cash flow discount is adopted for valuation techniques of fair values, and the inputs are contract-linked observable inputs, expected return rate agreed in the contract, and the discount rate reflecting the credit risk of the counterparties, etc.

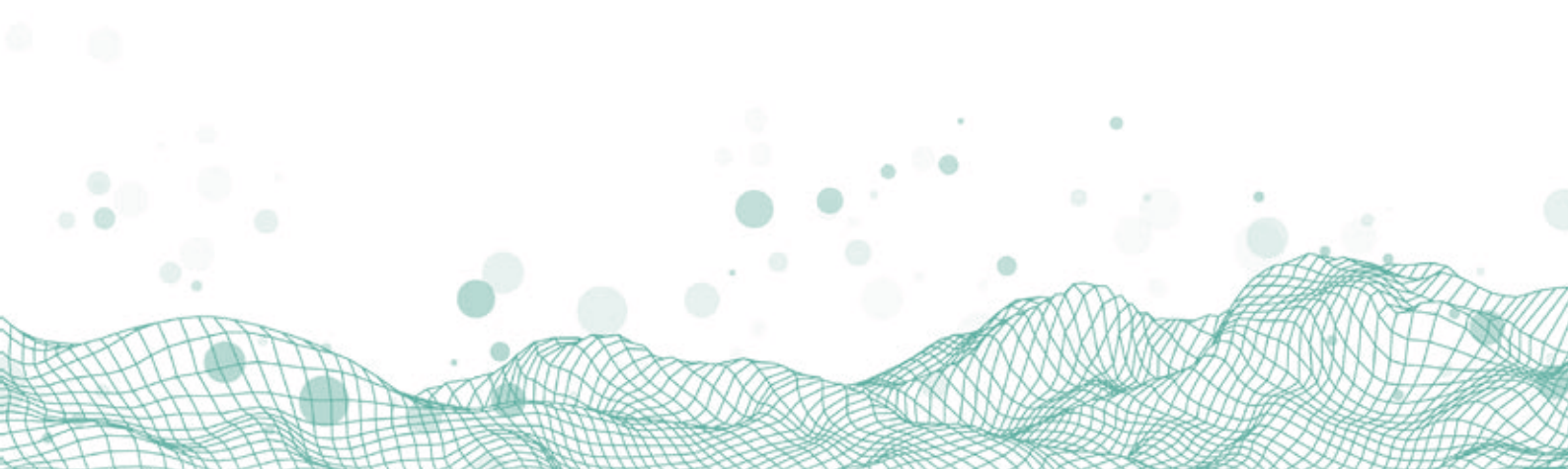
4. Qualitative and quantitative information of valuation techniques and key inputs on level 3 of the fair value hierarchy

For other current assets — notes receivable held by the Group on 30 June 2018, cash flow discount is adopted for valuation techniques of fair values, and the inputs include future cash flows.

For other equity instrument held by the Group on 30 June 2018, cash flow discount is adopted for valuation techniques of fair values, and the main inputs include expected return rate and discount rate, etc.

5. 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 30 June 2018 approximate their fair values.



Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

XI. RELATED PARTIES AND TRANSACTIONS

1. Parent company of the Company

Name of company	Place of registration	Nature of business	Registered capital	<i>RMB</i>	
				Shareholding in the Company (%)	Voting rights in the Company (%)
Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司)	Baoding	Investment	5,000,000,000.00	56.04	56.04

The ultimate controlling shareholder of the Company is Wei Jian Jun.

2. Subsidiaries of the Company

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

3. Joint ventures of the Company

There is no joint venture of the Company.



Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

XI. RELATED PARTIES AND TRANSACTIONS (continued)

4. Other related parties of the Company

Name	Relationship with the Company
Bochuang Urban Development Company Limited (博創城市建設開發有限公司)	Company indirectly controlled by ultimate controlling shareholder
Baoding Bo Chuang Property Service Co., Ltd. (保定市博創物業服務有限公司)	Company indirectly controlled by ultimate controlling shareholder
Baoding Zhong Tie Flower-plant Co., Ltd. (保定中鐵苗木花卉有限公司)	Company indirectly controlled by ultimate controlling shareholder
Baoding Clean Heat Supplying Co., Ltd. (保定科林供熱有限公司)	Company indirectly controlled by ultimate controlling shareholder
Baoding 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 Bochuang Park Construction and Development Co., Ltd. (保定博創園區建設開發有限公司)	Company indirectly controlled by ultimate controlling shareholder
Baoding Bochuang Public Facilities Management Co., Ltd. (保定博創公共設施管理有限公司)	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 School (保定長城學校)	Private non-enterprise organization indirectly controlled by ultimate controlling shareholder
Hebei Baoding Tai Hang Group Company Limited (河北保定太行集團有限責任公司)	Company directly controlled by related person
Baoding Tai Hang Steel Structure Construction Company Limited (保定太行鋼結構工程有限公司)	Company indirectly controlled by controlling shareholder
Hebei Baocang Expressway Co. Ltd. (河北保滄高速公路有限公司)	Ultimate controlling shareholder serving as director of the company
Zhang Wen Hui	Key management executives
Zhao Guo Qing	Key management executives
Yu Wei Na	Key management executives
Xu Hui	Key management executives
Han Xue Juan	Direct relative of ultimate controlling shareholder
Wei Zi Han	Direct relative of ultimate controlling shareholder
Lingtu Auto Co., Ltd. (originally Hebei Yogomo Auto Industry Co., Ltd.) (領途汽車有限公司(原河北御捷車業有限公司))	Enterprise significantly influenced by the Company
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

Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

XI. RELATED PARTIES AND TRANSACTIONS (continued)**5. Related party transactions****(1) Procurement of raw materials and accessories**

Related parties	Related party transaction	RMB	
		For the period from 1 January to 30 June 2018 (Unaudited)	For the period from 1 January to 30 June 2017 (Unaudited)
Hebei Baoding Tai Hang Group Company Limited	Purchase of raw materials	—	9,743.59
Baoding Clean Heat Supplying Co. Ltd.	Purchase of steam	56,659,297.24	57,647,375.93
Baoding Zhong Tie Flower-plant Co., Ltd.	Purchase of other materials	3,600.00	—

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

Related parties	Related party transaction	RMB	
		For the period from 1 January to 30 June 2018 (Unaudited)	For the period from 1 January to 30 June 2017 (Unaudited)
Han Xue Juan	Sales of automobiles	205,025.86	—
Wei Zi Han	Sales of automobiles	205,025.86	—

(3) Purchase of fixed assets

Related parties	Related party transaction	RMB	
		For the period from 1 January to 30 June 2018 (Unaudited)	For the period from 1 January to 30 June 2017 (Unaudited)
Hebei Baoding Tai Hang Group Company Limited	Purchase of fixed assets	—	25,299.15
Baoding Furui Landscape Co., Ltd.	Purchase of fixed assets	2,460,598.82	997,333.03
Baoding Tai Hang Steel Structure Construction Company Limited	Purchase of fixed assets	—	1,561,745.90

Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

XI. RELATED PARTIES AND TRANSACTIONS (continued)

5. Related party transactions (continued)

(4) Sales of fixed assets

		<i>RMB</i>	
Related parties	Related party transaction	For the period from 1 January to 30 June 2018 (Unaudited)	For the period from 1 January to 30 June 2017 (Unaudited)
Baoding Furui Landscape Co., Ltd.	Sales of fixed assets	41,777.78	—
Bochuang Urban Development Company Limited	Sales of fixed assets	124,137.93	—

(5) Purchase of services

		<i>RMB</i>	
Related parties	Related party transaction	For the period from 1 January to 30 June 2018 (Unaudited)	For the period from 1 January to 30 June 2017 (Unaudited)
Baoding Clean Heat Supplying Co.,Ltd.	Purchase of services	1,214,509.64	426,580.92
Baoding Bo Chuang Property Service Co., Ltd.	Purchase of services	—	4,023.00
Baoding Great Wall School	Purchase of services	5,000.00	5,000.00
Bochuang Urban Development Company Limited	Purchase of services	—	5,298,702.62
Baoding Furui Landscape Co., Ltd.	Purchase of services	1,273,739.47	—
Baoding Bochuang Public Facilities Management Co., Ltd.	Purchase of services	535,793.51	—

Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

XI. RELATED PARTIES AND TRANSACTIONS (continued)**5. Related party transactions** (continued)**(6) Rendering of services**

Related parties	Related party transaction	<i>RMB</i>	
		For the period from 1 January to 30 June 2018 (Unaudited)	For the period from 1 January to 30 June 2017 (Unaudited)
Baoding Bochuang Park Construction and Development Co., Ltd.	Rendering of services	1,215.41	—
Hebei Baocang Expressway Co. Ltd.	Rendering of services	19,268.96	9,187.27
Baoding Clean Heat Supplying Co.,Ltd.	Rendering of services	10,256.41	—
Lingtu Auto Co., Ltd. (originally Hebei Yogomo Auto Industry Co., Ltd.)	Rendering of services	19,315.32	—

(7) Rental income and others

Related parties	Related party transaction	<i>RMB</i>	
		For the period from 1 January to 30 June 2018 (Unaudited)	For the period from 1 January to 30 June 2017 (Unaudited)
Baoding Furui Landscape Co., Ltd.	Income from transferring long-term assets	—	219,914.54
Baoding Great Wall Venture and Investment Co., Ltd.	Rental income	5,301.82	5,254.05
Baoding Zhong Tie Flower-plant Co., Ltd.	Other material purchase	—	(420.00)
Baoding Clean Heat Supplying Co.,Ltd.	Rental income	—	5,128.21
Baoding Great Wall School	Heating costs	349,220.99	244,359.74
Zhang Wen Hui	Rental income	—	18,993.44
Zhao Guo Qing	Rental income	7,122.48	7,122.48
Xu Hui	Rental income	—	11,395.98
Yu Wei Na	Rental income	3,608.65	5,698.02

Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

XI. RELATED PARTIES AND TRANSACTIONS (continued)**5. Related party transactions** (continued)**(8) Rental expenses and others**

Related parties	Related party transaction	RMB	
		For the period from 1 January to 30 June 2018 (Unaudited)	For the period from 1 January to 30 June 2017 (Unaudited)
Bochuang Urban Development Company Limited	Rental expenses and others	5,964,785.09	—
Baoding Bo Chuang Property Service Co., Ltd.	Property management fee	17,339.00	—

(9) Emolument for key management

Item	RMB'000	
	For the period from 1 January to 30 June 2018 (Unaudited)	For the period from 1 January to 30 June 2017 (Unaudited)
Emolument for key management	7,631	6,321

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.

Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

XI. RELATED PARTIES AND TRANSACTIONS (continued)**6. Amounts due from/due to related parties**

Item	Related parties	<i>RMB</i>	
		30 June 2018 (Unaudited)	31 December 2017 (Audited)
Accounts receivable	Lingtu Auto Co., Ltd. (originally Hebei Yogomo Auto Industry 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	2,075,800.00	1,475,800.00
Subtotal of other receivables		2,075,800.00	1,475,800.00
Notes payable	Baoding Clean Heat Supplying Co., Ltd.	182,220.30	228,371.15
Subtotal of notes payable		182,220.30	228,371.15
Accounts payable	Hebei Baoding Tai Hang Group Company Limited	132,007.80	132,007.80
Accounts payable	Baoding Clean Heat Supplying Co., Ltd.	26,265.82	24,768,033.22
Subtotal of accounts payable		158,273.62	24,900,041.02
Other payables	Baoding Tai Hang Steel Structure Construction Company Limited	48,265.95	48,265.95
Other payables	Baoding Tai Hang Pump Manufacturing Company Limited	1,000.00	1,000.00
Other payables	Baoding Furui Landscape Co., Ltd.	2,633,731.70	499,500.46
Other payables	Hebei Baoding Tai Hang Group Company Limited	2,000.00	8,000.00
Other payables	Baoding Wan Wei Municipal Engineering Co., Ltd.	1,428.75	—
Other payables	Bochuang Urban Development Company Limited	10,176.85	—
Other payables	Zhao Guo Qing	80,409.24	80,409.24
Other payables	Yu Wei Na	9,718.97	21,718.97
Subtotal of other payables		2,786,731.46	658,894.62
Receipts in advance	Zhao Guo Qing	1,187.24	8,309.72
Receipts in advance	Yu Wei Na	8,547.01	1,899.25
Subtotal of receipts in advance		9,734.25	10,208.97
Prepayments	Baoding Furui Landscape Co., Ltd.	1,137.74	92,535.73
Subtotal of prepayments		1,137.74	92,535.73

Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

XII. COMMITMENTS

1. Significant Commitments

(1) Capital commitments

	30 June 2018 (Unaudited)	31 December 2017 (Audited)
		<i>RMB'000</i>
Contracted for but not provided	4,572,321	5,795,607

(2) Operating lease commitments

As at balance sheet date, the Group's commitments under non-cancellable operating leases are as follows:

	30 June 2018 (Unaudited)	31 December 2017 (Audited)
		<i>RMB'000</i>
Minimum lease payments under non-cancellable operating leases:		
In the first year from the balance sheet date	19,811	16,263
In the second year from the balance sheet date	15,816	13,958
In the third year from the balance sheet date	12,374	12,272
Subsequent years	24,014	29,847
Total	72,015	72,340

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 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 Period from 1 January to 30 June 2018

XIII OTHER SIGNIFICANT EVENTS (continued)

1. Segment reporting (continued)

Revenue from external customers by location of revenue sources:

Item	RMB	
	For the period from 1 January to 30 June 2018 (Unaudited)	For the period from 1 January to 30 June 2017 (Unaudited)
External revenue from local customers	47,085,215,614.54	40,098,855,644.33
Northeast China	2,714,526,572.34	3,024,222,425.64
Northern China	7,351,759,269.60	6,488,848,984.34
Eastern China	13,340,161,454.66	11,635,051,523.24
Central China	12,521,143,304.10	10,196,314,215.30
Northwest China	3,480,940,253.44	2,786,371,868.53
Southwest China	7,676,684,760.40	5,968,046,627.28
External revenue from foreign customers	1,593,233,236.90	1,156,808,180.51
South Africa	333,952,206.60	111,322,848.21
Ecuador	208,644,193.28	197,807,555.23
Chile	198,095,701.92	208,148,635.71
Russia	146,532,027.47	169,960,585.08
Iran	146,272,908.22	5,714,860.59
Australia	87,754,436.34	97,838,838.95
Peru	79,083,637.83	59,720,617.80
Uruguay	73,226,440.07	14,773,053.39
New Zealand	46,154,161.55	19,374,053.21
Malaysia	45,142,659.28	36,901,736.85
Iraq	34,628,957.18	8,266,348.04
Bolivia	23,266,488.75	28,395,126.90
Other overseas countries	170,479,418.41	198,583,920.55
Total	48,678,448,851.44	41,255,663,824.84

The segment reports mainly disclose the Group's non-current assets, including fixed assets and investment properties, both 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 Period from 1 January to 30 June 2018

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

1. Cash and bank balances

Item	<i>RMB</i>	
	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Cash:		
RMB	256,303.60	296,374.69
GBP	13,962.58	14,162.78
HKD	8,684.27	9,028.16
USD	5,391.60	3,318.46
JPY	1,809.94	1,848.61
SGD	1,504.80	1,518.64
RUB	60.35	64.98
KRW	41.95	43.44
THB	25.97	25.97
Bank balances:		
RMB	12,859,587,728.55	8,532,259,851.06
USD	29,076,707.66	79,106,136.78
AUD	15,508,239.95	2,661,219.01
EUR	2,508,812.77	5,969,471.93
JPY	162,683.04	1,098,370.03
HKD	21,005.83	20,825.65
CHF	422.32	424.98
GBP	—	11.41
Other cash and bank balances:		
RMB	7,804,446.42	512,613,619.38
Total	12,914,957,831.60	9,134,056,315.96
Including: overseas cash and bank balances	—	—

As at 30 June 2018, the Company had restricted cash and bank balances of RMB7,804,446.42, in which other guarantees amounted to RMB7,804,446.42.

As at 31 December 2017, the Company had restricted cash and bank balances of RMB512,613,619.38, in which guarantee on bank acceptance bills amounted to RMB508,662,671.46, guarantee on letter of credit amounted to RMB1,250,947.92, and other guarantees amounted to RMB2,700,000.00.

Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

2. Notes receivable and accounts receivable

Category	<i>RMB</i>	
	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Notes receivable	—	48,761,099,726.21
Accounts receivable	2,063,516,048.97	1,258,275,245.19
Total	2,063,516,048.97	50,019,374,971.40

(1) Notes receivable

Notes receivable categories:

Category	<i>RMB</i>	
	31 December 2017 (Audited)	
Bank acceptance bills	48,758,934,146.81	
Commercial acceptance bills	2,165,579.40	
Total	48,761,099,726.21	

Pledged notes receivable as at the end of each period:

Category	<i>RMB</i>	
	31 December 2017 (Audited)	
Bank acceptance bills	7,653,487,556.18	
Total	7,653,487,556.18	

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

Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

2. Notes receivable and accounts receivable (continued)

(1) Notes receivable (continued)

Bills endorsed and discounted by the Company to other parties but yet undue by the end of the period are as follows:

Category	RMB
	31 December 2017 (Audited)
Bank acceptance bills	14,766,679,654.79
Total	14,766,679,654.79

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

(2) Accounts receivable

Aging analysis of accounts receivable and corresponding provisions for bad debts are as follows:

Aging	30 June 2018 (Unaudited)				31 December 2017 (Audited)				RMB
	Carrying amount	Ratio (%)	Provision for bad debts	Book value	Carrying amount	Ratio (%)	Provision for bad debts	Book value	
Within 1 year	2,089,063,641.68	86.22	(37,492,432.02)	2,051,571,209.66	1,267,733,809.82	79.42	(19,736,285.71)	1,247,997,524.11	
1 to 2 years	9,206,400.00	0.38	—	9,206,400.00	314,940.26	0.02	—	314,940.26	
2 to 3 years	1,812,574.75	0.07	—	1,812,574.75	328,110,283.40	20.56	(318,147,502.58)	9,962,780.82	
Over 3 years	323,085,389.15	13.33	(322,159,524.59)	925,864.56	—	—	—	—	
Total	2,423,168,005.58	100.00	(359,651,956.61)	2,063,516,048.97	1,596,159,033.48	100.00	(337,883,788.29)	1,258,275,245.19	

The analysis of aging of accounts receivable is based on the time of revenue recognition.

Provision, collection or reversal of bad debts during the reporting period:

Provision for bad debts amounted to RMB28,441,698.52; amount arising from collection or reversal of bad debts amounted to RMB6,673,530.20.

Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

2. Notes receivable and accounts receivable (continued)

(2) Accounts receivable (continued)

The Company did not write off accounts receivable during the reporting period.

Top five entities with the largest balances of accounts receivable:

Name of unit	Closing balance	Proportion of the amount to the total accounts receivable (%)	<i>RMB</i>
			Amount of provision for bad debts at end of the period
Unit 1	493,684,400.20	20.37	—
Unit 2	322,159,524.59	13.29	(322,159,524.59)
Unit 3	184,430,469.99	7.61	—
Unit 4	155,267,472.92	6.41	—
Unit 5	122,852,520.00	5.08	—
Total	1,278,394,387.70	52.76	(322,159,524.59)

Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

3. Other receivables

Category	RMB	
	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Interest receivable	145,812,547.46	92,022,313.91
Dividend receivable	33,211,499.87	—
Other receivables	411,128,262.13	384,121,491.21
Total	590,152,309.46	476,143,805.12

(1) Other receivables

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

Aging	30 June 2018 (Unaudited)				31 December 2017 (Audited)			
	Amount	Ratio	Provision	Book value	Amount	Ratio	Provision	Book value
		(%)	for bad debts			(%)	for bad debts	
Within 1 year	386,064,889.93	92.63	(230,564.00)	385,834,325.93	359,884,403.94	91.97	(22,476.00)	359,861,927.94
1 to 2 years	1,590,392.44	0.38	(21,000.00)	1,569,392.44	17,298,309.39	4.42	(5,418,354.12)	11,879,955.27
2 to 3 years	18,072,480.52	4.34	(5,403,824.94)	12,668,655.58	1,657,943.05	0.42	(6,470.82)	1,651,472.23
Over 3 years	11,055,888.18	2.65	—	11,055,888.18	12,472,275.77	3.19	(1,744,140.00)	10,728,135.77
Total	416,783,651.07	100.00	(5,655,388.94)	411,128,262.13	391,312,932.15	100.00	(7,191,440.94)	384,121,491.21

Provision, collection or reversal of bad debts during the reporting period:

Provision for bad debts amounted to RMB38,250.00. Merger by absorption transferred to bad debts provision amounted to RMB169,838.00. There was no collection or reversal of bad debts.

Other receivables amounted to RMB1,744,140.00 have been written off during the reporting period.

Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

3. Other receivables (continued)

(1) Other receivables (continued)

Other receivables disclosed by nature are as follows:

Nature of other receivables	<i>RMB</i>	
	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Petty cash	14,274,429.07	16,656,065.64
Deposits	29,022,655.45	24,750,044.86
Others	373,486,566.55	349,906,821.65
Total	416,783,651.07	391,312,932.15

Top five entities with the largest balances of other receivables:

Name of unit	Nature of other receivables	<i>RMB</i>			
		Amount	Aging	Percentage of the total other receivables (%)	Closing balance of provision of bad debts
Customer1	Auto fund	340,551,281.80	Within 1 year	81.71	—
Customer2	Performance bond	10,200,000.00	Over 3 years	2.45	—
Customer3	Steel products deposits	10,000,000.00	2 to 3 years	2.40	—
Customer4	Equipment fund	5,397,354.12	2 to 3 years	1.30	(5,397,354.12)
Customer5	Litigation deposits	3,905,305.00	Within 1 year	0.93	—
Total		370,053,940.92		88.79	(5,397,354.12)

The Company has no other receivables related to government grants.

Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

4. Inventories

(1) Inventory categories

RMB

Item	30 June 2018 (Unaudited)		
	Carrying amount	Provision for decline in value of inventories	Book value
Raw materials	1,164,405,698.17	(46,554,094.84)	1,117,851,603.33
Work-in-progress	924,994,958.41	(1,440,017.58)	923,554,940.83
Finished goods	1,944,251,841.27	(36,443,207.66)	1,907,808,633.61
Low-valued and short-lived consumables	308,863,035.30	(7,957.20)	308,855,078.10
Total	4,342,515,533.15	(84,445,277.28)	4,258,070,255.87

RMB

Item	31 December 2017 (Audited)		
	Carrying amount	Provision for decline in value of inventories	Book value
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

Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

4. Inventories (continued)

(2) Provision for decline in value of inventories

Inventory categories	31 December 2017 (Audited)	Provision for the period	Decrease for the period		RMB
			Reversals	Written-off	30 June 2018 (Unaudited)
Raw materials	66,930,828.92	955,752.74	(1,069.92)	(21,331,416.90)	46,554,094.84
Work-in-progress	2,868,511.72	1,440,017.58	—	(2,868,511.72)	1,440,017.58
Finished goods	10,637,320.20	36,124,837.04	(48,978.97)	(10,269,970.61)	36,443,207.66
Low-valued and short-lived consumables	25,184.26	—	(17,227.06)	—	7,957.20
Total	80,461,845.10	38,520,607.36	(67,275.95)	(34,469,899.23)	84,445,277.28

(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 period	Percentage of the reversal to the closing balance of such inventory during the period (%)
Raw materials	Note 1	Note 2	—
Work-in-progress	Note 1	Note 2	—
Finished goods	Note 1	Note 2	—
Low-valued and short-lived consumables	—	Note 2	0.01

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 period, 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 raw materials, finished goods, and low-valued and short-lived consumables was higher than the inventory cost as at the end of the reporting period, 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 period, the provision for decline in value of inventories has been written off.

Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

5. Other current assets

Category	<i>RMB</i>	
	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Notes receivable	24,623,048,819.80	—
Other current assets	599,869,095.04	184,564,259.52
Total	25,222,917,914.84	184,564,259.52

(1) Notes receivable

Notes receivable categories:

Category	<i>RMB</i>	
	30 June 2018 (Unaudited)	
Bank acceptance bills	24,623,048,819.80	
Commercial acceptance bills	—	
Total	24,623,048,819.80	

Pledged notes receivable as at the end of each period:

Category	<i>RMB</i>	
	30 June 2018 (Unaudited)	
Bank acceptance bills	9,568,651,589.12	
Total	9,568,651,589.12	

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

Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

5. Other current assets (continued)

(1) Notes receivable (continued)

Bills endorsed and discounted by the Company to other parties but yet undue by the end of the period are as follows:

Category	RMB
	30 June 2018 (Unaudited)
Bank acceptance bills	22,584,312,522.49
Total	22,584,312,522.49

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

(2) Other current assets

The breakdown of other current assets is as follows:

Category	RMB	RMB
	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Paint for vehicles	4,025,385.49	3,985,488.60
Taxes to be deducted	194,518,851.47	73,970,557.94
Mould (Note 1)	98,196,097.75	71,271,439.91
Advertising fee	140,814,514.00	283,018.86
Prepayment of enterprise income tax	152,990,672.49	25,359,288.42
Others	9,323,573.84	9,694,465.79
Total	599,869,095.04	184,564,259.52

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

Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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:

RMB

Item	30 June 2018 (Unaudited)			31 December 2017 (Audited)		
	Carrying amount	Impairment provision	Book value	Carrying amount	Impairment provision	Book value
Investment in subsidiary	3,790,836,045.01	—	3,790,836,045.01	5,273,861,404.26	—	5,273,861,404.26
Total	3,790,836,045.01	—	3,790,836,045.01	5,273,861,404.26	—	5,273,861,404.26

The breakdown of investments in subsidiaries is as follows:

RMB

Investee	31 December 2017	Addition	Reduction	30 June 2018	Provision for impairment for the period	Closing balance of provision for bad debt
	(Audited)			(Unaudited)		
Great Wall Huabei	268,092,310.00	—	—	268,092,310.00	—	—
Great Wall Vehicle Axles (Note 1)	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	—	—
Great Wall Customer Service	34,850,000.00	—	—	34,850,000.00	—	—
Tide Technology and Trade	257,353,665.00	—	—	257,353,665.00	—	—
Mind electronics	118,017,800.00	—	—	118,017,800.00	—	—
Baoding Yixin	9,750,000.00	—	—	9,750,000.00	—	—
Great Wall Ants	86,000,000.00	—	—	86,000,000.00	—	—
Tianjin Boxin (Note 1)	1,891,553,510.28	—	(1,891,553,510.28)	—	—	—
Ningxia Leasing	20,000,000.00	—	—	20,000,000.00	—	—
Great Wall Resource Recycling (Note 2)	50,000,000.00	—	(40,000,000.00)	10,000,000.00	—	—
Exquisite Mould	5,000,000.00	—	—	5,000,000.00	—	—
Haval Rental	25,000,000.00	—	—	25,000,000.00	—	—

Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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				RMB		
	31 December 2017 (Audited)	Addition	Reduction	30 June 2018 (Unaudited)	Provision for impairment for the period	Closing balance of provision for bad debt
Great Wall Sales	8,000,000.00	—	—	8,000,000.00	—	—
Automotive Finance	1,080,000,000.00	—	—	1,080,000,000.00	—	—
Shanghai Haval	1,500,000.00	—	—	1,500,000.00	—	—
Haval Auto Sales (Note 1)	5,000,000.00	—	(5,000,000.00)	—	—	—
Baoding Weiyi	255,000,000.00	—	—	255,000,000.00	—	—
Baoding Jiehua (Note 1)	40,811,761.79	—	(40,811,761.79)	—	—	—
Haval Motors South Africa	25,912,080.00	—	—	25,912,080.00	—	—
Haval Logistics	50,000,000.00	—	—	50,000,000.00	—	—
Russia Manufacturing (Note 3)	489,000,000.00	101,558,127.31	—	590,558,127.31	—	—
Haval Insurance Brokers	50,000,000.00	—	—	50,000,000.00	—	—
Scrap Car Recycling & Dismantling	5,000,000.00	—	—	5,000,000.00	—	—
Haval Australia	43,773,250.00	—	—	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	—	—
Shenzhen Great Wall Sales	50,000,000.00	—	—	50,000,000.00	—	—
American HAVAL	169,620,600.00	—	—	169,620,600.00	—	—
Tianjin Lean (Note 4)	—	112,500,000.00	—	112,500,000.00	—	—
Guangzhou Great Wall Sales (Note 5)	—	34,500.00	—	34,500.00	—	—
Tianjin Sharing Car (Note 6)	—	18,050,000.00	—	18,050,000.00	—	—
Tianjin Oula (Note 7)	—	127,500,000.00	—	127,500,000.00	—	—
Honeycomb Energy (Note 8)	—	200,000,000.00	—	200,000,000.00	—	—
Xiamen Great Wall Sales (Note 9)	—	33,000.00	—	33,000.00	—	—
Total	5,273,861,404.26	559,675,627.31	(2,042,700,986.56)	3,790,836,045.01	—	—

Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

6. Long-term equity investments (continued)

Note 1: In January 2018, the Company merged its wholly-owned subsidiaries Great Wall Vehicle Axles, Tianjin Boxin, Haval Auto Sales and Baoding Jiehua.

Note 2: In February 2018, the Company decreased its capital in its wholly-owned subsidiary Great Wall Resource Recycling. After the capital decrease, the registered capital of Great Wall Resource Recycling is changed from RMB50 million to RMB10 million.

Note 3: In February and April 2018, the Company increased its capital in Russia Manufacturing by total amount of RMB101.56 million with equipments. After the capital increase, the shareholding proportion of the Company in Russia Manufacturing is changed to 50.31%, and that of Tide Technology and Trade (a subsidiary of the Company) is changed to 49.69%.

Note 4: In January 2018, the Company merged Tianjin Boxin, and the 75% equity held by Tianjin Boxin in Tianjin Lean is transferred to the Company. After the transfer, the shareholding proportion of the Company and Billion Sunny Development (a subsidiary of the Company) in Tianjin Lean is 75% and 25% respectively.

Note 5: In January 2018, the Company injected RMB34,500 in Guangzhou Great Wall Sales.

Note 6: In June 2018, the Company injected RMB18.05 million in Tianjin Sharing Car.

Note 7: In January 2018, Tianjin Oula was established by the Company and Billion Sunny Development (a subsidiary of the Company) jointly with the registered capital of RMB170 million. The Company and Billion Sunny Development hold 75% and 25% equity in that company respectively.

Note 8: In February 2018, the Company established Honeycomb Energy with the registered capital of RMB1 billion, and the Company directly holds 100% equity in it. As at the end of the reporting period, the Company actually contributed RMB0.2 billion, and the remaining part is not paid.

Note 9: In January 2018, the Company injected RMB33,000 in Xiamen Great Wall Sales.

7. Investment properties

The investment properties measured at cost:

Item	RMB		
	Buildings	Land use right	Total
I. Original carrying amount			
31 December 2017 (Audited)	89,267,530.79	17,619,408.20	106,886,938.99
Additions for the period	408,530.85	—	408,530.85
(1) Transfer from construction in progress	408,530.85	—	408,530.85
30 June 2018 (Unaudited)	89,676,061.64	17,619,408.20	107,295,469.84
II. Accumulated amortization and depreciation			
31 December 2017 (Audited)	6,320,127.64	1,558,452.59	7,878,580.23
Additions for the period	2,048,258.21	175,434.71	2,223,692.92
(1) Provision or amortization	2,048,258.21	175,434.71	2,223,692.92
30 June 2018 (Unaudited)	8,368,385.85	1,733,887.30	10,102,273.15
III. Book value			
30 June 2018 (Unaudited)	81,307,675.79	15,885,520.90	97,193,196.69
31 December 2017 (Audited)	82,947,403.15	16,060,955.61	99,008,358.76

Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

8. Fixed assets

Description of fixed assets:

RMB

Item	Buildings and structures	Machinery and equipment	Motor vehicles	Other equipment	Total
I. Original book value					
31 December 2017 (Audited)	11,220,813,097.66	19,866,038,073.99	166,718,523.77	6,112,010,689.23	37,365,580,384.65
Additions for the period	1,146,989,899.38	2,070,521,494.50	2,786,729.81	577,761,627.37	3,798,059,751.06
1. Purchase	92,939,981.25	114,649,611.51	419,523.85	118,205,206.60	326,214,323.21
2. Transfer from construction in progress	373,173,473.93	1,580,956,001.99	1,635,855.88	377,378,230.26	2,333,143,562.06
3. Transfer from merger by absorbing	680,876,444.20	374,915,881.00	731,350.08	82,178,190.51	1,138,701,865.79
Deductions for the period	(19,165,704.20)	(827,232,067.08)	(3,141,763.12)	(37,070,059.23)	(886,609,593.63)
1. Disposal and scrap	(5,613,464.84)	(264,529,788.01)	(2,726,378.50)	(35,205,478.13)	(308,075,109.48)
2. Transfer to construction in progress	(13,552,239.36)	(560,516,154.32)	(415,384.62)	(948,285.93)	(575,432,064.23)
3. Others	—	(2,186,124.75)	—	(916,295.17)	(3,102,419.92)
30 June 2018 (Unaudited)	12,348,637,292.84	21,109,327,501.41	166,363,490.46	6,652,702,257.37	40,277,030,542.08
II. Accumulated depreciation					
31 December 2017 (Audited)	1,619,990,353.05	6,685,690,967.47	77,043,119.49	2,802,090,465.86	11,184,814,905.87
Additions for the period	391,790,052.42	1,099,446,599.28	13,789,057.83	522,942,173.81	2,027,967,883.34
1. Provision for the period	216,822,550.99	975,996,432.69	13,539,012.07	478,549,988.47	1,684,907,984.22
2. Increase from merger by absorbing	174,967,501.43	123,450,166.59	250,045.76	44,392,185.34	343,059,899.12
Deductions for the period	(11,739,240.83)	(260,124,544.77)	(1,175,937.51)	(28,073,169.99)	(301,112,893.10)
1. Disposal and scrap	(2,310,500.71)	(191,585,161.68)	(1,052,620.21)	(27,288,443.84)	(222,236,726.44)
2. Transfer to construction in progress	(9,428,740.12)	(66,849,500.97)	(123,317.30)	(194,849.37)	(76,596,407.76)
3. Others	—	(1,689,882.12)	—	(589,876.78)	(2,279,758.90)
30 June 2018 (Unaudited)	2,000,041,164.64	7,525,013,021.98	89,656,239.81	3,296,959,469.68	12,911,669,896.11
III. Provision for impairment					
31 December 2017 (Audited)	136,268.33	51,186,051.47	37,680.75	113,079,800.94	164,439,801.49
Additions for the period	—	15,789,001.97	42,105.00	23,061,188.07	38,892,295.04
1. Provision for the period	—	12,582,476.12	42,105.00	20,503,905.56	33,128,486.68
2. Increase from merger by absorbing	—	3,206,525.85	—	2,557,282.51	5,763,808.36
Deductions for the period	—	(967,998.84)	—	(1,512,558.15)	(2,480,556.99)
1. Disposal and scrap	—	(858,596.03)	—	(1,512,558.15)	(2,371,154.18)
2. Others	—	(109,402.81)	—	—	(109,402.81)
30 June 2018 (Unaudited)	136,268.33	66,007,054.60	79,785.75	134,628,430.86	200,851,539.54
IV. Book value					
30 June 2018 (Unaudited)	10,348,459,859.87	13,518,307,424.83	76,627,464.90	3,221,114,356.83	27,164,509,106.43
31 December 2017 (Audited)	9,600,686,476.28	13,129,161,055.05	89,637,723.53	3,196,840,422.43	26,016,325,677.29

As at 30 June 2018, among the fixed assets, the net book value of properties without title certificates amounted to RMB2,100,272,471.83 (As at 31 December 2017: RMB3,888,475,045.49) and the application of relevant title certificates is in progress.

Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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:

RMB

Project	30 June 2018 (Unaudited)			31 December 2017 (Audited)		
	Carrying amount	Impairment provision	Net book value	Carrying amount	Impairment provision	Net book value
Tianjin automobile project	123,008,608.87	(131,527.46)	122,877,081.41	60,030,666.90	(131,527.46)	59,899,139.44
Tianjin parts and components project	85,778,765.98	(5,064,216.91)	80,714,549.07	104,886,199.26	(34,074.03)	104,852,125.23
Project with annual production of 400,000 axles and brakes	14,240.99	—	14,240.99	—	—	—
Industrial park phase I. II. III	144,340,853.62	(1,186,284.28)	143,154,569.34	151,875,434.71	(1,788,431.95)	150,087,002.76
New technology center	127,060,864.45	—	127,060,864.45	162,172,618.20	—	162,172,618.20
Other R & D projects	128,996,325.26	—	128,996,325.26	69,580,893.95	—	69,580,893.95
Xushui Automobile Project	388,377,500.04	—	388,377,500.04	453,299,582.90	—	453,299,582.90
Xushui parts and components project	1,624,962,222.15	(853,830.79)	1,624,108,391.36	2,224,260,049.85	—	2,224,260,049.85
Xushui supporting infrastructure project	165,678,798.00	—	165,678,798.00	149,981,488.25	—	149,981,488.25
Others	290,941,702.50	(122,171.38)	290,819,531.12	324,747,118.82	(624,799.69)	324,122,319.13
Total	3,079,159,881.86	(7,358,030.82)	3,071,801,851.04	3,700,834,052.84	(2,578,833.13)	3,698,255,219.71

Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

9. Construction in progress (continued)

(2) Changes of major construction in progress

Project name	31 December 2017		Additions	Increase from merger by absorbing	Transfer to fixed assets	Other Deductions (Note)	Investment to budget (%)	Accumulated capitalized interest amount	Including: capitalized interest amount	Ratio of capitalized interest amount (%)	Sources of fund	RMB
	Budget amount	(Audited)										30 June 2018 (Unaudited)
Tianjin automobile project	5,375,062,391.00	60,030,666.90	106,209,260.73	—	(43,015,148.85)	(216,169.91)	98.85	—	—	—	Own funds	123,008,608.87
Tianjin parts and components project	3,231,123,934.80	104,886,199.26	15,618,639.41	17,277,200.07	(50,236,855.90)	(1,766,416.86)	89.24	—	—	—	Own funds	85,778,765.98
Project with annual production of 400,000 axles and brakes	578,352,366.14	—	—	14,240.99	—	—	100.00	—	—	—	Raise and own funds	14,240.99
Industrial park phase I. II. III	1,151,953,407.28	151,875,434.71	74,151,177.56	—	(21,008,994.52)	(60,676,764.13)	84.04	—	—	—	Own funds	144,340,853.62
New technology center	1,727,202,349.00	162,172,618.20	1,107,246.60	—	(31,758,183.80)	(4,460,816.55)	97.60	—	—	—	Own funds	127,060,864.45
Other R & D projects	621,832,512.00	69,580,893.95	125,016,480.53	—	(65,594,211.62)	(6,837.60)	33.23	—	—	—	Own funds	128,996,325.26
Xushui Automobile Project	10,896,610,844.00	453,299,582.90	143,050,227.46	—	(207,621,479.68)	(350,830.64)	90.36	—	—	—	Own funds	388,377,500.04
Xushui parts and components project	14,449,187,988.00	2,224,260,049.85	1,060,278,060.41	—	(1,652,778,791.70)	(6,797,096.41)	80.57	—	—	—	Own funds	1,624,962,222.15
Xushui supporting infrastructure project	193,250,000.00	149,981,488.25	15,697,309.75	—	—	—	85.73	—	—	—	Own funds	165,678,798.00
Others	1,871,489,919.15	324,747,118.82	230,483,755.60	—	(261,129,895.99)	(3,159,275.93)	89.08	—	—	—	Own funds	290,941,702.50
Total	40,096,065,711.37	3,700,834,052.84	1,771,612,158.05	17,291,441.06	(2,333,143,562.06)	(7,434,208.03)						3,079,159,881.86

Note: The decrease of RMB56,988,660.43 in construction in progress is transferred into intangible assets, and the decrease of RMB408,530.85 in construction in progress is transferred into investment properties.

(3) Impairment provision of construction in progress provided for the period

RMB

Project	Amount provided for the period	Reason for provision
Tianjin parts and components project	4,648,043.06	Vehicle model discontinued.
Xushui parts and components project	853,830.79	Project suspended. Production process changed.
Total	5,501,873.85	

Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

10. Intangible assets

Intangible assets:

	<i>RMB</i>			
Item	Land use rights	Software and others	Non-patent technology	Total
I. Original book value				
31 December 2017 (Audited)	3,285,697,575.46	164,700,960.41	—	3,450,398,535.87
Additions for the period	104,389,555.01	70,228,050.99	27,764,351.29	202,381,957.29
1. Purchase	—	3,505,871.44	—	3,505,871.44
2. Transfer from construction in progress	—	56,988,660.43	—	56,988,660.43
3. Internal R&D	—	—	27,764,351.29	27,764,351.29
4. Merge subsidiary by absorbing	104,389,555.01	9,733,519.12	—	114,123,074.13
Deductions for the period	(155,438,868.05)	(35,376.43)	—	(155,474,244.48)
1. Disposal	(155,438,868.05)	—	—	(155,438,868.05)
2. Other transfer-out	—	(35,376.43)	—	(35,376.43)
30 June 2018 (Unaudited)	3,234,648,262.42	234,893,634.97	27,764,351.29	3,497,306,248.68
II. Accumulated amortization				
31 December 2017 (Audited)	375,957,276.52	79,054,569.26	—	455,011,845.78
Additions for the period	53,198,545.26	11,895,513.08	6,089,111.82	71,183,170.16
1. Provision for the period	35,461,029.18	9,693,531.23	6,089,111.82	51,243,672.23
2. Increase from merger by absorbing	17,737,516.08	2,190,230.87	—	19,927,746.95
3. Purchase from internal entities within the Group	—	11,750.98	—	11,750.98
Deductions for the period	(8,522,306.00)	(23,501.96)	—	(8,545,807.96)
1. Disposal	(8,522,306.00)	(11,750.98)	—	(8,534,056.98)
2. Other transfer-out	—	(11,750.98)	—	(11,750.98)
30 June 2018 (Unaudited)	420,633,515.78	90,926,580.38	6,089,111.82	517,649,207.98
III. Book value				
30 June 2018 (Unaudited)	2,814,014,746.64	143,967,054.59	21,675,239.47	2,979,657,040.70
31 December 2017 (Audited)	2,909,740,298.94	85,646,391.15	—	2,995,386,690.09

At the end of the period, intangible assets formed from internal R&D accounted for 0.73% of the balance of the intangible assets.

Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

10. Intangible assets (continued)

Intangible assets: (continued)

Prepaid lease payment (land use rights) analysis by location and aging is as follows:

Item	RMB	
	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Located in mainland China — 20 to 50 years	2,814,014,746.64	2,909,740,298.94

11. Development expenditure

Project	31 December 2017 (Audited)	Additions for the period	Deductions for the period		30 June 2018
			Recognized as intangible assets	Transfer into profit or loss	(Unaudited)
Auto development project	—	631,297,865.54	(27,764,351.29)	—	603,533,514.25

12. Short-term borrowings

Item	RMB	
	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Pledged loans (Note)	4,800,000,000.00	4,100,000,000.00
Credit loans	5,999,900,000.00	4,999,900,000.00
Sub-total	10,799,900,000.00	9,099,900,000.00

Note: Loans pledged at the end of the period are loans made by the Company to pledge bank acceptances.

Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

13. Notes payable and accounts payable

Category	RMB	
	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Notes payable	4,815,362,552.38	3,856,869,008.99
Accounts payable	18,378,088,046.82	30,380,110,620.64
Total	23,193,450,599.20	34,236,979,629.63

(1) Notes payable

Category	RMB	
	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Bank acceptance bills	4,623,956,619.62	3,539,526,819.67
Commercial acceptance bills	191,405,932.76	317,342,189.32
Total	4,815,362,552.38	3,856,869,008.99

(2) Accounts payable

Accounts payable is listed as follows:

Item	RMB	
	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Within 1 year	18,314,998,130.73	30,349,504,135.52
1 to 2 years	43,860,198.91	18,653,294.80
2 to 3 years	13,830,848.75	7,178,135.81
Over 3 years	5,398,868.43	4,775,054.51
Total	18,378,088,046.82	30,380,110,620.64

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

Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

13. Notes payable and accounts payable (continued)

(2) Accounts payable (continued)

Accounts payable aged over one year with significant amounts:

RMB

Item	30 June 2018 (Unaudited)	Reason for outstanding or transfer
Supplier 1	16,998,963.48	Payment terms have not been reached
Supplier 2	8,976,584.97	Payment terms have not been reached
Supplier 3	4,225,655.07	Payment terms have not been reached
Total	30,201,203.52	

14. Contract liability

RMB

Item	30 June 2018 (Unaudited)
Advances from customers	2,334,267,644.11
Maintenance and service fee	685,544,875.43
Sub-total	3,019,812,519.54
Less: Contract liabilities included in other non-current liabilities	—
Total	3,019,812,519.54

Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

15. Capital reserve

RMB

Item	Opening balance	Additions	Deductions	Closing balance
For the period from 1 January to 30 June 2018 (Unaudited) :				
Capital premiums	1,462,470,849.89	—	—	1,462,470,849.89
Other capital reserves	1,716,455.88	—	(5,434,120.19)	(3,717,664.31)
Including: Transfer from capital reserves under the previous standards	(2,933,126.78)	—	—	(2,933,126.78)
Translation differences of foreign capital	—	—	—	—
Reserve for revaluation gain of assets	—	—	—	—
Others (Note)	4,649,582.66	—	(5,434,120.19)	(784,537.53)
Total	1,464,187,305.77	—	(5,434,120.19)	1,458,753,185.58
For the period from 1 January to 30 June 2017 (Unaudited) :				
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 reserves under the 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

Note: Other changes are mainly generated from merging the wholly-owned subsidiary Great Wall Vehicle Axles.

Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

16. Undistributed profits

RMB

Item	Amount	Proportion of appropriation or allocation
For the period from 1 January to 30 June 2018 (Unaudited) :		
Undistributed profits at the beginning of the period	31,852,682,607.51	
Add: Net profits	4,050,645,289.54	
Others	556,216,555.61	(3)
Less: Appropriation of statutory surplus reserve	—	(1)
Distribution of cash dividends	(1,551,635,730.00)	(2)
Undistributed profits at the end of the period	34,907,908,722.66	
For the period from 1 January to 30 June 2017 (Unaudited) :		
Undistributed profits at the beginning of the period	31,035,039,846.07	
Add: Net profits	2,559,736,939.84	
Less: Appropriation of statutory surplus reserve	—	(1)
Distribution of cash dividends	(3,194,544,150.00)	
Undistributed profits at the end of the period	30,400,232,635.91	

(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.

(2) Cash dividends approved by the shareholders' meeting in this period

On 14 May 2018, the 2017 shareholders' meeting approved *Proposal on Profit Distribution of 2017*, which allows the Company 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 par value of RMB1 per share.

(3) In January 2018, the Company merged its wholly-owned subsidiaries Great Wall Vehicle Axles, Tianjin Boxin, Haval Auto Sales and Baoding Jiehua, and transferred the undistributed profits realized during the period from the date of establishment or acquisition of those subsidiaries to the date of merger into undistributed profits of the Company.

Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

17. Operating income and operating costs

(1) Operating income

Item	RMB	
	For the period from 1 January to 30 June 2018 (Unaudited)	For the period from 1 January to 30 June 2017 (Unaudited)
Principal operating income	48,047,338,985.70	36,481,666,352.74
Including: Income from the sales of automobiles	45,544,621,594.50	35,264,560,084.49
Income from the sales of automotive parts and components	1,803,112,689.08	1,051,997,007.54
Income from the sales of moulds and others	138,707,503.75	139,508,614.44
Income from rendering of services	560,897,198.37	25,600,646.27
Other operating income	769,983,854.49	278,788,694.51
Total	48,817,322,840.19	36,760,455,047.25

(2) Operating costs

Item	RMB	
	For the period from 1 January to 30 June 2018 (Unaudited)	For the period from 1 January to 30 June 2017 (Unaudited)
Principal operating costs	39,273,243,407.03	31,763,377,650.14
Including: Costs of sales of automobiles	37,544,068,730.25	30,934,739,739.58
Costs of sales of automotive parts and components	1,100,731,399.18	724,155,959.96
Costs of sales of moulds and others	104,232,832.25	85,644,104.85
Costs of rendering services	524,210,445.35	18,837,845.75
Other operating costs	681,283,861.57	238,006,660.97
Total	39,954,527,268.60	32,001,384,311.11

Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

18. Taxes and levies

Item	RMB	
	For the period from 1 January to 30 June 2018 (Unaudited)	For the period from 1 January to 30 June 2017 (Unaudited)
Consumption tax	1,381,042,464.40	1,097,797,789.10
City maintenances and construction tax	141,838,476.27	96,727,194.07
Educational surcharges	114,381,148.20	80,190,839.26
Stamp duty	46,655,301.80	20,253,015.79
House property tax	32,908,488.85	27,687,245.18
Land use tax	22,993,815.26	23,236,163.90
Water resource tax	965,777.01	1,517,290.83
Vehicle and vessel use tax	105,699.34	75,646.70
Others	16,538,574.15	4,889,724.79
Total	1,757,429,745.28	1,352,374,909.62

19. Selling expenses

Item	RMB	
	For the period from 1 January to 30 June 2018 (Unaudited)	For the period from 1 January to 30 June 2017 (Unaudited)
Transportation expenses	619,100,770.87	60,260,106.08
After-sale services expenses	185,918,594.28	486,035,966.62
Wages and salaries	94,915,419.13	30,830,438.32
Taxes	558,071,898.98	97,181,436.26
Advertising and media services fees	13,060,894.76	8,158,759.05
Port charges	15,753,252.58	7,139,984.50
Others	342,682,611.47	26,930,647.33
Total	1,829,503,442.07	716,537,338.16

Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

20. Administrative expenses

Item	<i>RMB</i>	
	For the period from 1 January to 30 June 2018 (Unaudited)	For the period from 1 January to 30 June 2017 (Unaudited)
Wages and salaries	349,101,862.81	322,620,028.25
Depreciation and amortization	65,977,681.89	114,792,870.89
Business reception fees	5,750,717.62	6,419,068.14
Office expenses	23,092,090.79	28,790,470.50
Repair and maintenance fees	96,564,648.38	91,958,375.47
Auditors' remuneration	664,727.40	705,171.85
Service charges	15,240,407.59	15,064,022.23
Others	32,802,616.54	65,570,299.50
Total	589,194,753.02	645,920,306.83

21. Financial expenses

Item	<i>RMB</i>	
	For the period from 1 January to 30 June 2018 (Unaudited)	For the period from 1 January to 30 June 2017 (Unaudited)
Interest expense from borrowings	250,768,955.60	75,531,162.21
Interest income from bank deposits	(156,454,149.70)	(58,497,050.14)
Foreign currency translation differences	(1,538,289.37)	5,964,352.92
Interest of discount on bills	14,491,123.71	47,598,140.37
Long-term receivables discount	—	(41,184,559.92)
Others	8,903,382.69	4,404,857.26
Total	116,171,022.93	33,816,902.70

Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

XIV. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY (continued)**22. Impairment losses on assets**

Item	<i>RMB</i>	
	For the period from 1 January to 30 June 2018 (Unaudited)	For the period from 1 January to 30 June 2017 (Unaudited)
Loss on bad debts	38,250.00	4,938,193.61
Loss on decline in value of inventories	38,453,331.41	116,147,552.34
Impairment provision of fixed assets	33,128,486.68	—
Loss on impairment of construction in progress	5,501,873.85	—
Total	77,121,941.94	121,085,745.95

23. Impairment losses on credit

Item	<i>RMB</i>	
	For the period from 1 January to 30 June 2018 (Unaudited)	
Accounts receivable	21,768,168.32	
Total	21,768,168.32	

24. Investment income**Breakdown:**

Item	<i>RMB</i>	
	For the period from 1 January to 30 June 2018 (Unaudited)	For the period from 1 January to 30 June 2017 (Unaudited)
Income from wealth management products	3,939,545.11	44,928,495.71
Income from long-term equity investment measured at cost	752,126,154.67	1,940,702,858.28
Total	756,065,699.78	1,985,631,353.99

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

Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

25. Income tax expenses

Item	RMB	
	For the period from 1 January to 30 June 2018 (Unaudited)	For the period from 1 January to 30 June 2017 (Unaudited)
Current tax expenses	269,073,639.17	29,997,586.69
Deferred tax expenses	275,083,367.81	19,897,300.50
Total	544,157,006.98	49,894,887.19

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

Item	RMB	
	For the period from 1 January to 30 June 2018 (Unaudited)	For the period from 1 January to 30 June 2017 (Unaudited)
Total profit	4,594,802,296.52	2,609,631,827.03
Income tax rate	15%	15%
Income tax expenses calculated at tax rate of 15%	689,220,344.48	391,444,774.05
Changes in opening balances of deferred tax assets/liabilities due to the change in tax rate	5,953,440.79	—
Effect of additional deduction for research and development costs	(39,338,571.44)	(76,816,837.38)
Effect of preferential tax rates used by some companies	(589,881.72)	—
Effect of additional deduction for salaries of disabled employees	—	(597,073.60)
Tax effect of non-taxable income	(112,965,004.79)	(291,251,510.32)
Tax effect of non-deductible expenses	1,876,679.66	27,115,534.44
Total	544,157,006.98	49,894,887.19

Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

26. Supplementary information of cash flow statements

(1) Supplementary information of cash flow statements

Supplementary information	For the period from 1 January to 30 June 2018 (Unaudited)	RMB For the period from 1 January to 30 June 2017 (Unaudited)
1. Reconciliation of net profits to cash flow from operating activities:		
Net profits	4,050,645,289.54	2,559,736,939.84
Add: Impairment provision for assets	98,890,110.26	121,085,745.95
Depreciation of fixed assets	1,684,907,984.22	1,363,898,323.57
Amortization of intangible assets	51,243,672.23	38,178,192.81
Amortization of long-term prepaid expenses	9,791,730.95	4,729,489.76
Amortization of investment properties	2,223,692.92	1,954,781.69
Gains on disposal of fixed assets, intangible assets and other long-term assets (less: loss)	(31,359,091.37)	10,275,922.42
Amortization of deferred income	(42,197,361.89)	(48,064,392.10)
Financial expense (less: gains)	257,885,958.17	67,912,876.14
Gains from changes in fair values	(52,590,204.19)	—
Investment income	(756,065,699.78)	(1,985,631,353.99)
Decrease in deferred tax assets	158,854,147.24	19,897,300.50
Decrease in inventories (less: increase)	953,636,341.20	(3,847,124,827.96)
Decrease in operating receivables	28,253,674,497.07	23,582,976,651.89
Decrease in operating payables	(20,379,290,918.54)	(12,877,033,091.67)
Net cash flows from operating activities	14,260,250,148.03	9,012,792,558.85
2. Net change in cash and cash equivalents:		
Closing balance of cash	12,907,153,385.18	8,235,361,687.54
Less: Opening balance of cash	8,621,442,696.58	3,623,217,685.00
Add: Closing balance of cash equivalents	—	—
Less: Opening balance of cash equivalents	—	—
Net increase in cash and cash equivalents	4,285,710,688.60	4,612,144,002.54

Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

26. Supplementary information of cash flow statements (continued)

(2) Components of cash and cash equivalents

Item	RMB	
	For the period from 1 January to 30 June 2018 (Unaudited)	For the period from 1 January to 30 June 2017 (Unaudited)
I. Cash	12,907,153,385.18	8,235,361,687.54
Including: Cash on hand	287,785.06	442,749.86
Bank deposits ready to be withdrawn on demand	12,906,865,600.12	8,234,918,937.68
Other cash and bank balances ready to be withdrawn on demand	—	—
II. Closing balance of cash and cash equivalents	12,907,153,385.18	8,235,361,687.54

27. Related party transactions

(1) Procurement of raw materials and accessories

		RMB	
		For the period from 1 January to 30 June 2018 (Unaudited)	For the period from 1 January to 30 June 2017 (Unaudited)
Related parties	Related party transaction		
Subsidiaries of the Company	Purchase of raw materials	1,089,490,364.78	1,823,681,481.72
Other related parties of the Company	Purchase of raw materials and steam	55,267,652.24	56,627,851.87

Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

27. Related party transactions (continued)

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

		<i>RMB</i>	
Related parties	Related party transaction	For the period from 1 January to 30 June 2018 (Unaudited)	For the period from 1 January to 30 June 2017 (Unaudited)
Subsidiaries of the Company	Sales of automobiles or components and parts of automobiles	4,292,612,638.57	33,743,604,142.94
Other related parties of the Company	Sales of automobiles	410,051.72	—

(3) Purchase of fixed assets and construction in progress

		<i>RMB</i>	
Related parties	Related party transaction	For the period from 1 January to 30 June 2018 (Unaudited)	For the period from 1 January to 30 June 2017 (Unaudited)
Subsidiaries of the Company	Purchase of fixed assets and construction in progress	1,347,446.20	31,069,563.18
Other related parties of the Company	Purchase of fixed assets and construction in progress	2,460,598.82	2,584,378.08

(4) Sales of fixed assets and intangible assets

		<i>RMB</i>	
Related parties	Related party transaction	For the period from 1 January to 30 June 2018 (Unaudited)	For the period from 1 January to 30 June 2017 (Unaudited)
Subsidiaries of the Company	Sales of fixed assets and intangible assets	362,885,700.41	8,629,988.95
Other related parties of the Company	Sales of fixed assets and intangible assets	165,915.71	—

Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

27. Related party transactions (continued)

(5) Purchase of services

		<i>RMB</i>	
Related parties	Related party transaction	For the period from 1 January to 30 June 2018 (Unaudited)	For the period from 1 January to 30 June 2017 (Unaudited)
Subsidiaries of the Company	Purchase of services	253,804,006.94	415,478,488.24
Other related parties of the Company	Purchase of services	3,025,326.74	5,730,283.54

(6) Rendering of services

		<i>RMB</i>	
Related parties	Related party transaction	For the period from 1 January to 30 June 2018 (Unaudited)	For the period from 1 January to 30 June 2017 (Unaudited)
Subsidiaries of the Company	Rendering of services	111,600,351.40	28,646,268.87

(7) Claims income and others

		<i>RMB</i>	
Related parties	Related party transaction	For the period from 1 January to 30 June 2018 (Unaudited)	For the period from 1 January to 30 June 2017 (Unaudited)
Subsidiaries of the Company	Claims income and others	7,774,998.75	(99,148,521.83)
Other related parties of the Company	Other procurement	—	459,831.28

Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

27. Related party transactions (continued)

(8) Rental expenditures and others

Related parties	Related party transaction	RMB	
		For the period from 1 January to 30 June 2018 (Unaudited)	For the period from 1 January to 30 June 2017 (Unaudited)
Other related party of the Company	Rental expenditures and others	5,632,903.10	—

(9) 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	49,500,000.00
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	40,000,000.00
Billion Sunny Development	Subsidiary of the Company	Maximum guaranteed	EUR	230,000,000.00	115,000,000.00

(10) Emolument of key management

Item	RMB'000	
	For the period from 1 January to 30 June 2018 (Unaudited)	For the period from 1 January to 30 June 2017 (Unaudited)
Emolument of key management	7,212	6,003

Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

28. Receivables and payables of related parties

Item	Related party	RMB	
		30 June 2018 (Unaudited)	31 December 2017 (Audited)
Accounts receivable	Subsidiary of the Company	992,641,451.16	526,521,528.00
Subtotal of accounts receivable:		992,641,451.16	526,521,528.00
Other receivables	Subsidiary of the Company	345,105,208.54	288,439,931.25
Other receivables	Other related party of the Company	2,075,800.00	1,475,800.00
Subtotal of other receivables:		347,181,008.54	289,915,731.25
Prepayments	Subsidiary of the Company	3,388,355.80	10,620,366.77
Prepayments	Other related party of the Company	1,137.74	92,535.73
Subtotal of prepayments:		3,389,493.54	10,712,902.50
Notes receivable	Subsidiary of the Company	583,345.59	970,142.70
Subtotal of notes receivable		583,345.59	970,142.70
Dividends receivable	Subsidiary of the Company	33,211,499.87	—
Subtotal of dividends receivable:		33,211,499.87	—
Accounts payable	Subsidiary of the Company	1,220,739,842.25	3,536,069,213.92
Accounts payable	Other related party of the Company	133,901.02	23,995,361.02
Subtotal of accounts payable:		1,220,873,743.27	3,560,064,574.94
Other payables	Subsidiary of the Company	858,981,240.49	71,676,664.38
Other payables	Other related party of the Company	2,696,603.25	556,766.41
Subtotal of other payables:		861,677,843.74	72,233,430.79
Receipts in advance	Subsidiary of the Company	114,039,176.53	3,857,033,614.16
Subtotal of receipts in advance:		114,039,176.53	3,857,033,614.16
Notes payable	Subsidiary of the Company	163,490,972.40	280,633,040.97
Notes payable	Other related party of the Company	182,220.30	228,371.15
Subtotal of notes payable:		163,673,192.70	280,861,412.12
Interest receivable	Subsidiary of the Company	145,812,547.46	92,022,313.91
Subtotal of interest receivable:		145,812,547.46	92,022,313.91

Supplementary Information

For the Period from 1 January to 30 June 2018

SUPPLEMENTARY INFORMATION

1. Breakdown of non-recurring gains and losses

Item	RMB	
	For the period from 1 January to 30 June 2018 (Unaudited)	For the period from 1 January to 30 June 2017 (Unaudited)
Profit or loss from disposal of non-current assets	30,501,359.26	(2,696,410.04)
Government grants accounted for in profit and loss account of the current period (except for government grants closely related to the corporate business that were given under at a fixed standard amount or quantity as stipulated by the State)	91,712,123.84	285,692,648.73
Gains from the disposal of long-term equity investments and disposal of wealth management products	5,948,164.90	46,402,606.04
Gains from changes in fair value	(28,211,589.66)	—
Non-operating gains and losses other than the above items	59,479,378.11	62,467,790.29
Effect of income tax	(41,185,070.10)	(64,907,296.32)
Effect of minority interests (net of tax)	(720,474.06)	(192,668.79)
Total	117,523,892.29	326,766,669.91

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 Information

For the Period from 1 January to 30 June 2018

SUPPLEMENTARY INFORMATION (continued)

2. Return on net assets and earnings per share

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

RMB

For the period from 1 January to 30 June 2018 (Unaudited)	Weighted average return on net assets (%)	Earnings per share	
		Basic	Diluted
Net profit attributable to shareholders of ordinary shares of the Company	7.30	0.40	N/A
Net profit attributable to shareholders of ordinary shares of the Company, after deducting non-recurring gains and losses	7.06	0.39	N/A

For the period from 1 January to 30 June 2017 (Unaudited)	Weighted average return on net assets (%)	Earnings per share	
		Basic	Diluted
Net profit attributable to shareholders of ordinary shares of the Company	5.04	0.27	N/A
Net profit attributable to shareholders of ordinary shares of the Company, after deducting non-recurring gains and losses	4.36	0.23	N/A

The supplementary information provided by the management of Great Wall Motor Company Limited was endorsed by the followings on 30 August 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

30 August 2018

Section 11 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.

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: 30 August 2018

AMENDMENTS TO INFORMATION

Applicable Not applicable





長城汽車股份有限公司

GREAT WALL MOTOR COMPANY LIMITED*