

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



長 城 汽 車 股 份 有 限 公 司
GREAT WALL MOTOR COMPANY LIMITED*

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

(Stock code: 2333)

**ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS
ENDED 30 JUNE 2017**

The board of directors (the “**Board**”) of Great Wall Motor Company Limited (the “**Company**”) is pleased to announce the unaudited interim results of the Company and its subsidiaries for the six months ended 30 June 2017. This announcement, containing the full text of the 2017 Interim Report of the Company, is prepared with reference to the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to preliminary announcements of interim results. Printed version of the Company’s 2017 Interim Report will be delivered to the Company’s shareholders and will also be available for viewing on the websites of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and of the Company at www.gwm.com.cn.

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

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 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 capitalization of capital reserve during the Reporting Period approved by the Board**

None

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

☒ Applicable ☐ Not applicable

Forward-looking statements, such as plans for the future 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" of this report.

- X. Others**

☐ Applicable ☒ Not applicable

CONTENTS

Section 1	Definitions	16
Section 2	Corporate Profile and Key Financial Indicators	17
Section 3	Business Highlights of the Company	23
Section 4	Discussion and Analysis of the Business Operation of the Company	26
Section 5	Significant Events	45
Section 6	Changes in Ordinary Shares and Shareholders	56
Section 7	Description of Preference Shares	62
Section 8	Directors, Supervisors and Senior Management	63
Section 9	Description of Corporate Bonds	64
Section 10	Financial Report (Unaudited)	65
Section 11	Index of Documents Available for Inspection	212



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 PRC;
"Competing Business"	a business that is identical with or similar to the principal business and other businesses of Great Wall Motor Company Limited;
"CSRC"	China Securities Regulatory Commission;
"Group"	Great Wall Motor Company Limited and its subsidiaries;
"H Shares"	the overseas-listed foreign share(s) with a nominal value of RMB1.00 each in the share capital of the Company which are listed on the Main Board of the Hong Kong Stock Exchange and traded in Hong Kong dollars (Stock Code: 2333);
"H Shareholder(s)"	holders of H Share(s);
"Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as amended from time to time;
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules;
"PRC"	the People's Republic of China;
"Reporting Period" or "Current Period"	six months ended 30 June 2017;
"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	13th Floor, One Pacific Place, 88 Queensway, Hong Kong

IV. INFORMATION DISCLOSURE AND PLACE OF DOCUMENT INSPECTION

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

Section 2 Corporate Profile and Key Financial Indicators

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
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

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, Shanghai
Legal adviser to the Company (as to Hong Kong law)	Simmons & Simmons
Legal adviser to the Company (as to PRC law)	Zhong Lun Law Firm
H Share registrar and transfer office in Hong Kong	Computershare Hong Kong Investor Services Limited Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
A Share registrar and transfer office	Shanghai Branch of China Securities Depository and Clearing Corporation Limited 3/F, China Insurance Building, 166 Lujiazui East Road, New Pudong District, Shanghai, PRC

Section 2 Corporate Profile and Key Financial Indicators

Investor and media relations consultant (H Shares)	CorporateLink Limited 18/F, Shun Ho Tower, Nos 24–30 Ice House Street, Central, Hong Kong
Principal bankers	Bank of China Limited, Baoding Yuhua sub-branch The Industrial and Commercial Bank of China, Baoding Yonghua Road sub-branch China Construction Bank, Baoding Hengxiang South Street sub-branch China Everbright Bank, Shijiazhuang sub-branch China CITIC Bank, Baoding sub-branch Bank of Communications Co., Ltd. Baoding sub-branch Industrial Bank Co., Ltd. Baoding sub-branch
Authorised representatives	Ms. Wang Feng Ying Mr. Xu Hui
Financial year-end date	31 December
Executive Directors	Mr. Wei Jian Jun (Chairman) Ms. Wang Feng Ying Ms. Yang Zhi Juan
Non-Executive Directors	Mr. He Ping
Independent Non-Executive Directors	Mr. Wong Chi Hung, Stanley (resigned on 11 May 2017) Mr. Lu Chuang (resigned on 11 May 2017) Mr. Ma Li Hui Mr. Li Wan Jun (appointed on 11 May 2017) Mr. Ng Chi Kit (appointed on 11 May 2017)
Employee Representative Supervisor	Mr. Chen Biao
Independent Supervisors	Ms. Zong Yi Xiang Ms. Luo Jin Li
Audit Committee	Mr. Wong Chi Hung, Stanley (resigned on 11 May 2017) Mr. He Ping Mr. Lu Chuang (resigned on 11 May 2017) Mr. Ma Li Hui Mr. Li Wan Jun (appointed on 11 May 2017) Mr. Ng Chi Kit (appointed on 11 May 2017)
Remuneration Committee	Mr. Wei Jian Jun Mr. Lu Chuang (resigned on 11 May 2017) Mr. Ma Li Hui Mr. Li Wan Jun (appointed on 11 May 2017)

Section 2 Corporate Profile and Key Financial Indicators

Nomination Committee

Mr. Wei Jian Jun
Mr. Ma Li Hui
Mr. Wong Chi Hung, Stanley (resigned on 11 May 2017)
Mr. Ng Chi Kit (appointed on 11 May 2017)

Strategy Committee

Mr. Wei Jian Jun
Ms. Wang Feng Ying
Mr. He Ping
Mr. Lu Chuang (resigned on 11 May 2017)
Mr. Ma Li Hui
Mr. Li Wan Jun (appointed on 11 May 2017)

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	41,255,663,824.84	41,672,184,888.84	-1.00
Operating revenue	40,992,814,179.16	41,600,921,174.31	-1.46
Net profit attributable to shareholders of the Company	2,419,755,449.46	4,925,601,514.99	-50.87
Net profit attributable to shareholders of the Company after extraordinary gains/losses	2,092,988,779.55	4,824,833,842.08	-56.62
Net cash flow from operating activities	8,338,899,649.27	4,375,700,213.91	90.57

	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	46,515,117,136.39	47,294,801,733.94	-1.65
Total assets	83,066,672,955.36	92,309,160,566.70	-10.01

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)	0.26511	0.53966	-50.87
Diluted earnings per share (RMB/share)	N/A	N/A	N/A
Basic earnings per share after extraordinary gains/losses (RMB/share)	0.22931	0.52862	-56.62
Weighted average return on net assets (%)	5.04	12.15	Decreased by 7.11 percentage points
Weighted average return on net assets after extraordinary gains/losses (%)	4.36	11.90	Decreased by 7.54 percentage points

Explanation on key accounting data and financial indicators of the Company

√ Applicable ☐ Not applicable

For the first half of 2017, the total operating revenue and net profit of the Group recorded a decrease of 1.00% and 50.87% respectively as compared with the corresponding period of 2016. This was mainly due to the following reasons:

1. The Company promoted the sales of its products through vehicle purchase red packet lucky draw and other special offers, resulting in the changes in income and profit margin.

The brand new Haval H6 and the premium SUV brand WEY's first model VV7, which were launched in the first half of the year, and new products to be launched by the Company will be the growth drivers of the Company in the future.

2. The Company promoted its products and brands comprehensively through internet, broadcasting and outdoor promotion activities, resulting in the significant increase in advertising and promotion fees.
3. The Company further strengthened the competitiveness of its SUV products by exerting efforts in research and development, resulting in the significant increase in research and development expenses.

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	-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 and in compliance with the State policies that were given at a fixed standard amount or quantity as stipulated by the State	285,692,648.73
Non-operating gains and losses other than the above items	62,467,790.29
Investment gains from the disposal of long-term equity investments and investment gains from the disposal of wealth management products	46,402,606.04
Effect of minority interests (net of tax)	-192,668.79
Effect of income tax	-64,907,296.32
Total	326,766,669.91

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 is the largest SUV manufacturer in the PRC. Currently, the Company has three brands, Great Wall, Haval and WEY, and its major products include SUVs, sedans and pick-up trucks. The Company also manufactures and supplies relative automotive parts and components.

2. Operating Model

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

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

In respect of research and development, the Company has persisted in research and development to further enhance the quality of products of the Company and fulfill the increasingly strict demands of customers. For its research and development facilities, Haval technical center was established as one of the largest world-class automobile research and development centers equipped with advanced technology in the PRC for research and development, trial production, testing, modeling and data processing, which has further enhanced the research and development of automobile and parts and components. To integrate its global research and development resources, the Company has also formulated a preliminary global research and development layout with its base in Baoding. This initiative will further optimise its global research and development in the future and lay a solid foundation for developing products with international competitiveness.

In respect of procurement of parts and components, Great Wall Motor has targeted to establish an international advanced supply chain and control the sources of core parts and components through vertical integration and strategic cooperation with internationally renowned brand suppliers. Through vertical integration of the production of core parts and components, the Group is able to master the core technologies of automobile. The vertically integrated parts and components production unit manufactures various products, including engines, transmissions, chassis, electronics, interior and exterior decoration parts and molds. With its self-sufficiency ratio between 50% and 60%, the Company has developed its unique resources allocation advantages. In addition, through entering into long-term strategic cooperation with international top suppliers, such as Bosch, ZF, AUTOLIV and BorgWarner, the Company and such suppliers might capitalise on their advantages of resources and jointly develop leading automotive products.

In respect of manufacturing, the Group has established production bases in Baoding (including Xushui district) and Tianjin. The base in Tianjin has already met the target production capacity of automobiles and parts and components, ensuring the sufficient production capacity of the Group. Xushui Complete Vehicle Factory No. 1, No. 2 and No. 3 have commenced operation. The complete vehicle factories in Xushui are equipped with automatic and intelligent facilities, in order to enhance the precision of products and speed up the production, providing reliable production capacity for new products.

Section 3 Business Highlights of the Company

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

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

3. Industry Development

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

The production and sales volume of automobiles in the PRC in the first half of 2017 hit a record high and amounted to 13,525,800 units and 13,353,900 units, respectively, representing increases of 4.64% and 3.81% as compared with the corresponding period of last year, respectively.

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

Passenger vehicles are the main driving force for the growth of automobile industry. In the first half of 2017, the production and sales volume of passenger vehicles were 11,482,700 units and 11,253,000 units, respectively, representing increases of 3.16% and 1.61%, respectively, as compared with the corresponding period of last year. The production and sales volume of SUVs were 4,670,000 units and 4,526,700 units, respectively, representing increases of 18.90% and 16.83%, respectively, as compared with the corresponding period of last year.

(3) New energy vehicles recorded a rapid growth

The production and sales volume of new energy vehicles in the first half of 2017 were 212,000 units and 195,000 units, respectively, representing increases of 19.7% and 14.4%, respectively, as compared with the corresponding period of last year. The production and sales volume of battery electric vehicle were 175,000 units and 160,000 units, respectively, representing increases of 30.4% and 26.2%, respectively, as compared with the corresponding period of last year. The production and sales volume of hybrid vehicles were 37,000 units and 35,000 units, respectively, representing decreases of 14.4% and 19.7%, respectively, as compared with the corresponding period of last year.

(4) Overseas market showed signs of recovery

In the first half of 2017, the export volume of vehicles was 396,000 units, representing an increase of 26.2% as compared with the corresponding period of last year.

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

Section 3 Business Highlights of the Company

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

☐ Applicable ☒ Not applicable

III. ANALYSIS OF THE CORE COMPETITIVENESS DURING THE REPORTING PERIOD

☒ Applicable ☐ Not applicable

1. Creating fair and just corporate culture

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

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

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

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

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

4. Setting up industrial cluster through vertical integration

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

5. Committing to investment in research and development

Being committed to investment in research and development, the Company has established a global research and development network headquartered in Baoding and covering Europe, Japan, North America and India.

For its research and development facilities, the Company has established one of the largest automobile testing plants with the highest specification in the PRC. The Company has also set up a Havel technical center for research and development, trial production, testing, modeling and data processing, which has further enhanced the research and development of automobile and parts and components and strengthened the overall research and development capability of the Company.

Section 4 Discussion and Analysis of the Business Operation of the Company

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

Operating Environment

During the first half of 2017, the national economic growth rate remained within a reasonable range, with strong signs showing continued stability and progress in the economy as reflected in steady growth, increased income, and optimized structure. The stability, coordination and sustainability in economic development have been improved. According to the data released by the National Bureau of Statistics, GDP in the first quarter of 2017 rose 6.9%, higher than the full-year economic growth target of 6.5% set in the Report on the Work of the Government. The GDP growth rate in the second quarter reached 6.9%, which was also higher than the annual growth target.

Affected by the change in the preferential taxation policy on purchase for cars with displacement of 1.6L or lower, which raised the tax rate from 5% to 7.5%, certain car sales that might have concluded in the first half of 2017 had been brought forward in 2016, leading to a slowdown in the overall sales volume in the first half of 2017. According to the statistics from China Association of Automobile Manufacturers, production and sales volume in the automobile industry in the first half of 2017 amounted to 13,525,800 units and 13,353,900 units, respectively, representing year-on-year increases of 4.64% and 3.81%, respectively. SUV segment continued to achieve rapid growth, with production and sales volume reaching 4,670,000 units and 4,526,700 units, respectively, representing year-on-year increases of 18.90% and 16.83%, respectively, and continued to surpass the rest of the automobile industry.

Section 4 Discussion and Analysis of the Business Operation of the Company

Financial Review

Currency: RMB Unit: RMB

	From 1 January 2017 to 30 June 2017 (Unaudited)	From 1 January 2016 to 30 June 2016 (Unaudited)	Changes %
Total operating revenue	41,255,663,824.84	41,672,184,888.84	-1.00
Operating revenue	40,992,814,179.16	41,600,921,174.31	-1.46
Revenue from sale of automobiles	39,028,052,278.84	39,957,518,748.58	-2.33
Revenue generated from the sale of automotive parts and components and others	1,964,761,900.32	1,643,402,425.73	19.55
Interest income (Note 1)	261,226,393.25	70,584,009.91	270.09
Selling expenses	1,569,425,796.62	1,402,248,359.96	11.92
Administrative expenses	2,309,981,237.74	1,906,805,985.58	21.14
Financial expenses (Note 2)	76,096,711.63	24,487,468.49	210.76
Gross profit	8,201,430,591.41	10,764,157,255.10	-23.81
Income tax expenses (Note 3)	656,831,910.99	992,070,644.57	-33.79
Net profit attributable to shareholders of the Company (Note 4)	2,419,755,449.46	4,925,601,514.99	-50.87
Basic earnings per share	0.27	0.54	-50.87
Gross profit margin (%)	19.88%	25.83%	Decreased by 5.95 percentage point
Percentage of selling expenses to operating revenue (%)	3.83%	3.37%	Increased by 0.46 percentage point
Percentage of administrative expenses to operating revenue (%)	5.64%	4.58%	Increased by 1.06 percentage point

(Note 1) The increase in interest income was mainly due to the increase in volume of the lending business of Tianjin Great Wall Binyin Automotive Finance Company Limited, a subsidiary of the Company.

(Note 2) The increase in financial expenses was mainly due to the increase in interest expense for loans during the Reporting Period.

(Note 3) Decrease in income tax expenses was mainly due to the decrease in taxable profit caused by the decrease in profit during the Reporting Period.

(Note 4) Decrease in net profit attributable to shareholders of the Company was mainly due to the Group's promotion of sales of existing products through special offer, as well as stepping up its efforts to promote brand and new products during the Reporting Period.

Section 4 Discussion and Analysis of the Business Operation of the Company

Current assets and current liabilities

Currency: RMB Unit: RMB

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Current Assets	44,404,910,279.02	53,928,033,538.56
including:		
Cash and bank balances	6,588,607,948.23	2,153,603,558.38
Notes receivable	15,644,154,262.42	39,786,248,863.34
Accounts receivable	1,923,474,208.99	517,976,746.97
Inventories	8,292,999,908.65	6,061,138,217.68
Prepayments	848,048,834.96	1,057,180,423.77
Other receivables	277,195,707.35	251,011,870.83
Current Liabilities	34,747,688,537.67	43,252,239,792.29
including:		
Receipts in advance	3,652,061,470.68	6,311,928,102.18
Salaries payable	759,124,076.60	1,966,848,264.70
Other payables	2,286,368,519.68	2,043,696,694.43
Taxes payable	438,229,627.98	1,978,393,497.86
Notes payable	5,417,862,338.00	4,164,982,676.22
Accounts payable	14,565,652,808.22	25,007,335,076.72
Other current liabilities	1,250,813,049.24	1,422,960,496.15

Gearing ratio

Currency: RMB Unit: RMB

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Total liabilities	36,483,522,674.92	44,955,516,048.50
Total equity	46,583,150,280.44	47,353,644,518.20
Gearing ratio	78.32%	94.94%

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

Acquisition and disposal of assets

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

Capital structure

The Group generally finances its day-to-day operations with its internal cash flows. As at 30 June 2017, the Company borrowed short-term loans of RMB6,269,696,000.00 in total, including pledged loans of RMB1,810,000,000.00, guaranteed loans of RMB609,696,000.00 and credit loans of RMB3,850,000,000.00, mainly used to improve the daily liquidity. The Company borrowed a long-term loan of RMB49,700,000.00 for lending loans in its automobile finance business. 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 are possible to influence the business performance due to foreign exchange risk are set out as bellow:

Currency: RMB Unit: RMB		
Item	2017.6.30 (Unaudited)	2016.12.31 (Audited)
Cash and cash equivalents	254,666,296.07	196,552,122.39
Accounts receivable	99,298,391.14	68,165,021.83
Other receivables	96,792.00	1,031,868.86
Accounts payables	(19,376,700.79)	(21,570,583.64)
Other payables	(181,071,572.67)	(173,774,574.77)

The Group closely watches the impact of exchange rate fluctuation on the Group's foreign exchange risk.

Employment, training and development

As at 30 June 2017, the Group employed a total of 66,462 employees (30 June 2016: 66,198 employees). Employees were remunerated by the Group based on their performance, experience and prevailing industry practices. The Group's remuneration policies and packages were reviewed on a regular basis. As an incentive for employees, bonuses and cash awards may also be given to employees based on individual performance evaluation. Total staff cost accounted for 8.86% of the Group's total operating revenue as at 30 June 2017 (30 June 2016: 6.93%).

Section 4 Discussion and Analysis of the Business Operation of the Company

Segment Information

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

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

	For the six months ended 30 June	
	2017 RMB (Unaudited)	2016 RMB (Unaudited)
China	40,098,855,644.33	41,205,491,213.28
Chile	208,148,635.71	129,124,472.25
Ecuador	197,807,555.23	29,967,010.58
Russia	169,960,585.08	34,850,328.42
South Africa	111,322,848.21	5,073,159.44
Australia	97,838,838.95	10,096,550.12
Other overseas countries	371,729,717.33	257,582,154.75
Total	41,255,663,824.84	41,672,184,888.84

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

BUSINESS REVIEW

Sales volume of products

Unit: unit

		From 1 January 2017 to 30 June 2017	From 1 January 2016 to 30 June 2016	Changes %
Pick-up truck	Domestic sales	57,242	50,438	13.49
	Export	4,919	2,569	91.48
	Sub-total	62,161	53,007	17.27
SUV	Domestic sales	380,058	377,768	0.61
	Export	9,514	3,100	206.90
	Sub-total	389,572	380,868	2.29
Sedan	Domestic sales	3,339	19,705	-83.06
	Export	2,714	1,081	151.06
	Sub-total	6,053	20,786	-70.88
Others	Domestic sales	—	152	-100.00
	Export	—	—	—
	Sub-total	—	152	-100.00
Total	Domestic sales	440,639	448,063	-1.66
	Export	17,147	6,750	154.03
	Sub-total	457,786	454,813	0.65

Other vehicles: including special vehicles, etc.

The Group's principal products are pick-up trucks, SUVs and sedans. The Group also engages in the production and sale of major automotive parts and components used in the production of pick-up trucks, SUVs and sedans. During the Period, there was a slight increase in the Group's sales volume of automobiles.

Section 4 Discussion and Analysis of the Business Operation of the Company

(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 19 consecutive years, entrenching its leading market position.

(2) SUV

During the Period, the Group achieved outstanding performance in the domestic SUV market and ranked first in the SUV market in term of sales volume for 14 consecutive years. During the Period, the Group launched a brand new Haval H6, whose new design, power system and higher price performance were well received by the market. The new product helped the H6 series to remain the best seller in the SUV category for 51 months. During the Period, the Group launched the first car model "VV7" under its first luxury SUV brand WEY, with upgrades to every aspect of the car, including design, configuration and safety performance. This model is also equipped with Collie smart safety system. Selling at a price within the range of RMB150,000 and RMB200,000, the VV7 model is another high price performance vehicle of the Group. On 21 July 2017, VV7 model completed the first public small overlap crash test for China's domestic brands. VV7 model was awarded the highest "GOOD" rating for its overall performance, which not only reaffirmed the quality of the luxury SUV brand WEY, but also showed that China's self-owned brands have reached world-class level in terms of car's safety performance. The aforementioned test is a test on vehicle safety first advocated by US Insurance Institute for Highway Safety. Due to the advantage of high price performance and stable sales of the brand new Haval H6 and VV7, Great Wall Motor is confident that these two models will become new growth drivers to enhance the Company's brand and sales volume.

(3) Sedan

During the Period, the Group actively developed new-energy vehicle based on existing sedan models and launched its first all-electric vehicle — "C30EV" in May.

Domestic market

During the Period, the national economy maintained stable development, with further increase in urbanization rate and improved infrastructure. At the same time, benefiting from the increase of per capita disposable income, the demand for automobile continued to increase. In addition, the demand derived from first-time car purchase and replacement demand remained robust, driving continued growth in car consumption. In particular, SUV sales volume experienced strong growth. Car manufacturers kept rolling out SUV models, thus intensifying competition in the SUV market. In the first half of 2017, the Group further enhanced its competitive edge through optimizing vehicle's configuration and launching more competitive car models.

During the Period, the Company was proactive in coping with the complicated market environment, by actively implementing marketing and promotion activities, adjusting the production volume of older models and timely launching strategic new models. As a result, the Company achieved a sales volume of 457,800 units, up by 0.65% year-on-year. Sales volume of SUV amounted to 389,600 units, thus enabling the Company to maintain the largest market share in the SUV sector as well as its leading position in the domestic market; revenue from the sale of automobiles in the domestic market reached RMB37,946,844,307.81, representing approximately 92.57% of the Group's operating revenue.

Section 4 Discussion and Analysis of the Business Operation of the Company

In the first half of 2017, facing intense market competition, the Group maintained its focus on SUV business and pushed ahead with product mix upgrade through innovation to deal with market challenges. The SUV segment sustained continued growth, enabling the Group to remain number one in terms of sales volume in the PRC's SUV market. Haval H6 has remained as the best-selling SUV model in the domestic market for 51 months.

During the Period, the Group launched the first model — VV7 — under its first luxury SUV brand WEY in the PRC. The model has gained wide market recognition and attention, which would help the Group to tap into the medium to high-end market.

Overseas market

During the Period, fluctuations in exchange rates in overseas markets and political turmoil in certain areas had exerted greater pressure on the PRC's automobile exports. However, benefitting from the national "The Belt and Road" strategy, overseas markets also offer opportunities from structural changes, gradually creating new areas for growth.

After the inauguration of the Group's research and development centres in Japan and India, the research and development centres in Germany and the USA will soon commence operation, accelerating the Group's establishment of a market presence for its products on the global stage.

The Group actively expanded its sales network for the Haval brand in overseas markets. The Group launched a number of Haval models, enhanced its brand image in overseas markets, and established the market coverage including South America, Europe, Africa, Asia Pacific and Middle East to promote stable international sales. During the Period, the Group recorded automobiles export and overseas sales of 17,000 units, with a year-on-year upsurge of 154.03%. The revenue generated from export of automobiles amounted to RMB1,081,207,971.03, representing approximately 2.64% of the Group's operating revenue.

Launch of new products

During the Period, the Group launched "Haval H6 Coupe" Red Label. Equipped with a 2.0T engine+7DCT transmission, this new car model sells at a range between RMB125,800 and RMB149,800. "Haval H6 Coupe" Red Label boasts smooth gear changes and greater fuel efficiency. From outside to inside, "Haval H6 Coupe" Red Label has been substantially upgraded. The "Haval H6 Coupe" Red and Blue Labels have different styles, and thus complement each other. As such, they do not only enrich the Haval H6 product line, but also lay a foundation for the Group to increase sales volume.

At the Shanghai International Automobile Industry Exhibition in April 2017, the Group launched a new "Haval H6" version, with a 2.0 GDIT engine/1.3GDIT+7 wet DCT. It boasts four new features, namely "new power, new safety system, new design and new technology". It sells at a range between RMB118,800 and RMB146,800. Since its debut, the new Haval H6 model has been well received by the market, and selling fast, with sales volume in June exceeding 10,000 units.

Also at the Shanghai International Automobile Industry Exhibition, the Group launched the first production car model "VV7" under its luxury SUV brand WEY. It sells at a price range between RMB167,800 and RMB188,800. The new model adopts a vertical-type element of family DNA, which enhances recognition of the car. Materials, technology, safety assurance and production philosophy all meet the standards of a luxury SUV. In addition, leveraging stylish appearance, luxurious texture, quiet and comfortable ride, and an intelligent 360 degrees protection system, the WEY stands for luxury SUV in the PRC. The standard configurations of the car have surpassed the safety features of a traditional luxury SUV of the same grade, thus redefining the concept of luxury through raising the safety standards.

Section 4 Discussion and Analysis of the Business Operation of the Company

In addition, the Group also showcased a number of SUV models at the “Shanghai International Automobile Industry Exhibition in 2017”, including “Pi4 VV7x”, the first new energy concept car under the WEY brand, Haval concept car “HB-03”, WEY concept car “Pi4 VV7c” and to-be-mass-produced car model “VV5c/VV5s”, demonstrating the Group’s research and development forte and its research and development direction for future products.

In May 2017, the Group launched the 8AT version of “Haval H8” and “Haval H9”, equipped with high-powered diesel engine, 2.0T gasoline engine + 8AT transmission. These versions have been upgraded in the aspect of power, functions and safety, and made to feel more luxurious. Furthermore, fuel economy is further improved, offering customers more comfortable and safer driving experience.

In May 2017, the Group launched its first all-electric new energy vehicle model “C30EV”. The actual selling price net of a subsidy applied to end users ranges between RMB69,800 to RMB79,800. This model uses ternary lithium battery, which fully meets daily travel needs. Under normal temperature conditions, it will only take 40 minutes to charge the car’s battery to 80%. In this sense, the model is all-electric family sedans with high price performance.

Outlook

China has become the world’s largest automobile consumer market. Domestic automobile consumers are becoming more sophisticated, and a unique consumption philosophy has taken shape. With further increase in the PRC’s urbanization rate and improvement in infrastructure construction, as well as the rise in per capita income, continuous growth in the demand for automobiles and other consumer goods, and robust demand for first-time car purchase and replacement demand, sales of automobile products will continue to grow. On the other hand, the rise of self-owned brand, continued growth in SUV’s market share, stable increase in auto finance penetration rate, popularization of the green environmental protection concept and intelligent vehicles will also penetrate into the automobile industry.

In view of the consumption trend in the industry, the Group insists on focusing on SUV category, to consolidate its leading position in the domestic SUV market. The Group will continue to increase investment in research, so as to keep improving product quality and proactively develop new energy cars and intelligent vehicles. It will also accelerate the implementation of the relevant strategic projects, to create more products that will delight consumers, thereby contributing to the PRC’s automobile brand development.

New products

In line with its focus on SUV strategy, the consumption trend in the industry, as well as green concept, the Group will launch more competitive SUVs and new energy vehicles utilizing advanced technology under the direction of “intelligence, new energy, and sharing”.

The Group introduced the Haval M6 model in July. It will launch several car models including “VV5”, “VV7 plug-in hybrid power”, further enriching its existing models’ intelligent configurations to satisfy consumer demand.

New Facilities

The third plant of the Group’s automobile production base in Xushui of Baoding has been completed and commenced operation. It is currently manufacturing the brand new Haval H6 and will commence the production of VV5 in the second half of 2017.

Section 4 Discussion and Analysis of the Business Operation of the Company

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

Capital increase into Hebei Yogomo Motors Co., Ltd.

The Group entered into a joint venture framework agreement with Hebei Yogomo Motors Co., Ltd. (河北禦捷車業有限公司) ("Hebei Yogomo") and its shareholders on 16 July 2017, pursuant to which the Group obtained 25% of the equity interests in Hebei Yogomo by way of capital increase. Hebei Yogomo is an innovative enterprise committed to the development of compact and light intelligent new energy pure electric passenger cars. The Group and Hebei Yogomo will recognise their respective advantages in respect of new energy vehicle and would conduct joint research and cooperate in various aspects, including but not limited to research and development of new energy technology, manufacturing and production techniques, supply of parts and components, establishment of channels and promotion of brand to achieve more economic and social benefits. On the other hand, the average fuel consumption credit of Hebei Yogomo will be directly transferred to the Group, which can reduce the average fuel consumption level of the Group. In addition, the Group shall have the right of first refusal with regard to the new energy vehicle credit gained by Hebei Yogomo under same conditions, allowing the Group to better satisfy the requirements of the PRC government on the new energy vehicle credits.

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.

Section 4 Discussion and Analysis of the Business Operation of the Company

(I) Analysis of principal business

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

Item	For the Reporting Period	Unit: RMB Currency: RMB	
		For the corresponding period of last year	Changes (%)
Total operating revenue	41,255,663,824.84	41,672,184,888.84	-1.00
Operating revenue	40,992,814,179.16	41,600,921,174.31	-1.46
Operating costs	33,044,501,625.79	30,897,584,888.97	6.95
Selling expenses	1,569,425,796.62	1,402,248,359.96	11.92
Administrative expenses	2,309,981,237.74	1,906,805,985.58	21.14
Financial expenses	76,096,711.63	24,487,468.49	210.76
Net cash flows from operating activities	8,338,899,649.27	4,375,700,213.91	90.57
Net cash flows from investing activities	-6,086,804,994.03	-2,787,814,946.68	118.34
Net cash flows from financing activities	1,621,676,582.12	-841,606,382.08	-292.69
Research and Development expenses	1,539,784,150.73	1,257,735,612.96	22.43

Explanation of change of financial expenses: mainly due to the increase in interest expenses of loans during the Reporting Period.

Explanation of change in the net cash flows from operating activities: mainly due to the increase in bills for collection during the Reporting Period.

Explanation of change in the net cash flow from investing activities: mainly due to the increase in investment in wealth management products during the Reporting Period.

Explanation of change in the net cash flow from financing activities: mainly due to the increase in short-term borrowings from banks during the Reporting Period.

Section 4 Discussion and Analysis of the Business Operation of the Company

2. Others

(1) Detailed explanation 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 of non-principal businesses

☐ Applicable ☒ Not applicable

(III) Analysis of assets and liabilities

☒ Applicable ☐ Not applicable

1. Assets and liabilities

Currency: RMB Unit: 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	6,588,607,948.23	7.93	2,153,603,558.38	2.33	205.93	Mainly due to the increase in funds raised from short-term borrowings and increase in bills for collection on due during the Reporting Period
Financial assets carried at fair value through profit or loss	400,000,000.00	0.48			100.00	Due to the principal guaranteed with floating interest rate wealth management products linked to exchange rate purchased during the Reporting Period
Bill receivables	15,644,154,262.42	18.83	39,786,248,863.34	43.10	-60.68	Mainly due to decrease in sales of automobile during the Reporting Period as compared with the second half of last year
Accounts receivable	1,923,474,208.99	2.32	517,976,746.97	0.56	271.34	Mainly due to the increase in receivables from the sales of automobiles in China and the increase in export sales during the Reporting Period
Interest receivable	36,338,262.46	0.04	12,418,121.84	0.01	192.62	Mainly due to the increase in interest receivables from wealth management products during the Reporting Period

Section 4 Discussion and Analysis of the Business Operation of the Company

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
Inventories	8,292,999,908.65	9.98	6,061,138,217.68	6.57	36.82	Mainly due to the increase in raw materials and inventories of automobile
Non-current assets due within one year	4,236,176,414.46	5.10	1,201,702,064.95	1.30	252.51	Mainly due to the increase in loans and advances due within one year extended by Tianjin Great Wall Binyin Automotive Finance Company Limited, a subsidiary of the Company
Available-for-sale financial assets	800,000,000.00	0.96	1,438,000,000.00	1.56	-44.37	Mainly due to the decrease in principal guaranteed with floating interest rate wealth management products not linked to exchange rate purchased during the Reporting Period
Other current assets	5,357,914,731.50	6.45	1,448,753,670.80	1.57	269.83	Mainly due to the increase in principal guaranteed with fixed interest rate wealth management products and taxes to be deducted during the Reporting Period
Long-term deferred expenses	130,709,762.51	0.16	54,066,910.08	0.06	141.76	Mainly due to the increase in deferred royalty fee of moulds during the Reporting Period
Deferred income tax assets	652,001,605.84	0.78	963,955,022.84	1.04	-32.36	Mainly due to the decrease in unrealized profit arising from internal transactions and outstanding rebate from distributors during the Reporting Period
Short-term borrowings	6,269,696,000.00	7.55	250,000,000.00	0.27	2,407.88	Due to increase in bank borrowings during the Reporting Period
Bills payable	5,417,862,338.00	6.52	4,164,982,676.22	4.51	30.08	Mainly due to the increase in payment in the form of pledged bills during the Reporting Period
Account payables	14,565,652,808.22	17.53	25,007,335,076.72	27.09	-41.75	Mainly due to the decrease in amount purchased of material during the Reporting Period
Payments received in advance	3,652,061,470.68	4.40	6,311,928,102.18	6.84	-42.14	Mainly due to the decrease in payments received in advance from distributors
Salaries payable	759,124,076.60	0.91	1,966,848,264.70	2.13	-61.40	Mainly due to the granting of bonus payable during the Reporting Period which was provided in December 2016
Taxes payable	438,229,627.98	0.53	1,978,393,497.86	2.14	-77.85	Mainly due to the decrease in sales in June during the Reporting Period as compared to December of the previous year and the decrease in profit during the Reporting Period

Section 4 Discussion and Analysis of the Business Operation of the Company

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

☒ Applicable ☐ Not applicable

(1) As at 30 June 2017, the Group had restricted cash and bank balances of RMB827,902,184.79, in which guarantee on bank acceptance bills amounted to RMB468,113,398.12, required reserves amounted to RMB300,230,000.00, guarantee on letter of credit amounted to RMB1,487,070.00, performance guarantee deposit amounted to RMB7,560,000.00, deposited investment fund amounted to RMB50,007,416.67 and other guarantees amounted to RMB504,300.00.

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

Unit: RMB Currency: RMB		
Category	2017.6.30 (unaudited)	2016.12.31 (audited)
Bank acceptance bills	6,562,506,657.17	3,526,875,391.00
Total	6,562,506,657.17	3,526,875,391.00

3. Explanation on other matters

☐ Applicable ☒ Not applicable

(IV) Analysis of investments

1. Analysis of external equity investments

☒ Applicable ☐ Not applicable

During the Reporting Period, the total amount of the equity investment of the Group was RMB113,866,400, representing a decrease of 74.49% as compared with RMB446,313,752 in the corresponding period of last year.

Section 4 Discussion and Analysis of the Business Operation of the Company

(1) Major equity investment

√ Applicable ☐ Not applicable

Name of investee	Principal business	Investment amount (RMB10,000)	Percentage of shareholding
Shenzhen Great Wall Auto Sales Co., Ltd. (深圳長城汽車銷售有限公司)	Wholesale, retail and technical services in relation to automobiles and automotive parts and components, technical service and sale in relation to car application software, car rental; agency services in relation to lawful distribution of motor vehicles and application for driving license, sale of used cars, import and export business and car information consultancy.	4,970	100%
Australia Sinyos Technology and Trade Pty Ltd (澳大利亞森友斯科貿有限公司)	Import and export of automobiles, sale and distribution of automobiles, sale of automotive parts and components and after-sales services.	900	100%
Haval Motors US Proprietary Limited (美國哈弗汽車有限公司)	Engaging in any lawful activity	5,516.64	100%

Section 4 Discussion and Analysis of the Business Operation of the Company

(2) Major investment in non-equity interest

√ Applicable ☐ Not applicable

Unit: RMB Currency: RMB

Project	Total investment amount	Progress	Investment amount during the Reporting Period	Accumulated investment amount	Net profit generated by project
Great Wall Motor Passenger Vehicles Xushui Complete Vehicle Factory No. 3	3,614,304,600.00	63.11%	201,658,412.03	2,281,048,975.18	61,358,913.37
Smart transmission system for new energy vehicle with annual production capacity of 500,000 units	4,142,339,700.00	9.25%	102,302,057.80	383,059,640.07	—
Russia automobile plant (俄羅斯整車廠)	2,442,256,660.00	27.69%	388,801,060.36	676,274,488.73	—
Total	15,668,450,510.00	/	805,755,897.56	8,071,638,172.33	/

Note: 1. The Construction Project of Great Wall Motor Technology Centre and the project of Great Wall Motor Passenger Vehicles Xushui Complete Vehicle Factory No. 2 have been completed and have commenced operation.

(3) Financial assets measured at fair value

√ Applicable ☐ Not applicable

Financial assets designated at fair value and subject to changes in current profits and losses

Unit: RMB Currency: RMB

Category	2017.6.30 (unaudited)	2016.12.31 (audited)
Wealth management products linked to exchange rate	400,000,000.00	—
Total	400,000,000.00	—

Available-for-sale financial assets measured at fair value at the end of the period

Unit: RMB Currency: RMB

Item	30 June 2017 (Unaudited)			31 December 2016 (Audited)		
	Carrying amount	Impairment provision	Book value	Carrying amount	Impairment provision	Book value
Wealth management products	800,000,000.00	—	800,000,000.00	1,438,000,000.00	—	1,438,000,000.00
Total	800,000,000.00	—	800,000,000.00	1,438,000,000.00	—	1,438,000,000.00

Section 4 Discussion and Analysis of the Business Operation of the Company

(V) Disposal of major assets and equity interest

☐ Applicable ☒ Not applicable

(VI) Major subsidiaries and investees

☒ Applicable ☐ Not applicable

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	Unit: RMB Currency: RMB		
							Operating revenue for the Reporting Period	Operating profit for the Reporting Period	Net profit for the Reporting Period
Baoding Haval Auto Sales Company Limited (保定哈弗汽車銷售有限公司)	Sales of automobile	5,000,000	100	100	4,446,082,815.21	669,692,269.41	33,144,099,674.71	884,303,790.26	662,192,269.41
Great Wall Baoding Automotive Customer Service Company Limited (保定市長城汽車售後服務有限公司)	Provision of aftersales service	35,000,000	100	100	432,917,366.18	167,989,055.07	1,094,562,363.73	151,104,858.20	115,489,055.07
Haval Logistics Company Limited (哈弗物流有限公司)	General cargo transportation, logistics	85,000,000	100	100	551,206,322.59	186,033,761.61	811,101,703.45	147,605,709.62	110,671,757.58
Tianjin Boxin Automotive Parts Company Limited (天津博信汽車零部件有限公司)	Manufacturing of automotive parts and components	1,890,000,000	100	100	2,682,395,666.97	2,446,255,704.29	645,492,156.77	52,951,445.53	93,422,598.48
Tianjin Great Wall Binyin Automotive Finance Company Limited (天津長城濱銀汽車金融有限公司)	Automotive finance	550,000,000	90	90	6,214,294,164.99	680,331,440.51	262,849,645.68	119,980,649.82	91,903,597.90
Baoding Great Wall Auto Sales Company Limited (保定長城汽車銷售有限公司)	Marketing and promotion and sales of automobile	39,640,000	100	100	1,141,774,994.59	146,900,292.98	3,893,422,736.60	116,327,207.63	87,634,119.62
Baoding Weiye Automobile Co., Ltd. (保定威業汽車有限公司)	Manufacturing of automotive parts and components	2,000,000,000	100	100	433,338,335.82	311,846,909.61	260,989,335.92	48,532,656.61	42,104,802.28
Baoding Nuobo Rubber Production Company Limited (保定市諾博橡膠製品有限公司)	Manufacturing of automotive parts and components	72,240,000	100	100	345,286,349.80	284,006,122.41	156,202,830.01	28,798,451.32	27,625,932.15
Baoding Great Machinery Company Limited (保定市格瑞機械有限公司)	Manufacturing of automotive parts and components	23,000,000	100	100	253,294,357.32	145,319,234.88	117,837,527.97	24,933,420.83	22,985,740.84
Baoding Yixin Automotive Parts Company Limited (保定億新汽車配件有限公司)	Manufacturing of automotive parts and components	13,000,000	100	100	172,618,682.30	57,034,114.66	146,944,745.43	27,189,689.14	22,824,191.91

(VII) Structured entities under the control of the Company

☐ Applicable ☒ Not applicable

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

Section 4 Discussion and Analysis of the Business Operation of the Company

(II) Potential risks

☒ Applicable ☐ Not applicable

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

1. with the new normal and the slowdown of the domestic economy, the demand for automobiles has reduced as the domestic automobile market has entered into an “era of slight growth”. The slowdown in sales growth in the first half of 2017 was significant due to the impact on the automobile industry by the preferential policies of the purchase tax. Market competition, in particular the SUV market, was intensified due to the cancellation of the preferential policies of the purchase tax from 1 January, 2018 and the introduction of new products;
2. In the face of increasing pressure over environment protection, automobile enterprises are required to improve their technologies speedily due to the tightening of overseas and domestic regulations on emission/safety of automobiles, which will further increase pressure over the investment and operation of the Company;
3. as the domestic and overseas automobiles markets become more mature, customers become more demanding on the product quality. With a unique concept for consumption, they demand a higher quality of the automobiles produced by the better enterprises under their own brands.

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

1. in order to strengthen its market position, the Company has fully leveraged on the advantages of its products and introduced differentiated products to diversify its product offering. The Company improved its market research and developing key models in order to expand into high-end and emerging markets. The Company also improved its after-sales services and expanded its service network to introduce new sales channels and to attract customers by high quality products and excellent services;
2. the Company focused on new energy and intelligent driving technology and has mastered core technologies such as integrating the entire new energy vehicle system. The Company accelerated the development of new energy vehicles to expand its share in such market. It has also attained leading edges in areas such as intelligent driving, Internet access and lightweight vehicles;
3. the Company focused on the development of SUVs in accordance with market trend. Product development was supported by our own research and development resources and external advanced technologies. Quality and competitive products were introduced to meet the demands of consumers. The Company continued to create new sales channels and further improved its products and brand position to attract customers.

(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 2017 (six months ended 30 June 2016: 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.

Section 4 Discussion and Analysis of the Business Operation of the Company

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.

Audit Committee

The Company has set up the Audit Committee for the purposes of reviewing and supervising over financial reporting process and internal controls of the Group. The Audit Committee comprises three independent non-executive directors and one non-executive director. At the meeting held on 24 August 2017, the Audit Committee reviewed the 2017 interim results announcement, 2017 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 2017 interim results announcement, 2017 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 to the management from time to time in accordance with the prevailing market environment and changes in policies and is responsible for reviewing and making recommendations on the Company's long-term development strategies and material investment decisions.

Compliance with the Model Code

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
2016 annual general meeting	11 May 2017	Shanghai Stock Exchange www.sse.com.cn; Hong Kong Stock Exchange www.hkexnews.hk	11 May 2017

Description of General Meetings

☐ Applicable ☒ Not applicable

II. PROPOSAL OF PROFIT DISTRIBUTION OR CAPITALIZATION OF CAPITAL RESERVE FOR THE ISSUANCE OF ADDITIONAL SHARES

(I) Profit distribution proposal and proposal for capital increase by way of conversion 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 scrip shares for every 10 shares (share)	—
Details of proposal of profit distribution or capitalization of capital reserve for the issuance of additional shares	—

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責任公司) and Baoding Tai Hang Pump Manufacturing Company Limited (保定市太行製泵有限公司).	From 1 January 2012, permanent	No	Yes	—	—

Section 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)	1. Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司) is not directly or indirectly engaged in any Competing Business. 2. As long as Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司) remains as a related party that has control over Great Wall Motor Company Limited (長城汽車股份有限公司), its directly or indirectly controlled subsidiaries would not in any way, directly or indirectly, engage in any existing or potential Competing Business. 3. Subject to the same conditions, Great Wall Motor Company Limited (長城汽車股份有限公司) shall have the right of first refusal over the investment or other business opportunities relating to Competing Businesses that Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司) will pursue or may get in the future.	From 10 December 2010, permanent	No	Yes	—	—

Section 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	- The subsidiaries directly or indirectly controlled by Mr. Wei Jian Jun are not directly or indirectly engaged in any Competing Business. - As long as Mr. Wei Jian Jun remains as a related party who has control over Great Wall Motor Company Limited (長城汽車股份有限公司), the subsidiaries directly or indirectly controlled by him would not in any way, directly or indirectly, engage in any existing or potential Competing Business. - Subject to the same conditions, Great Wall Motor Company Limited (長城汽車股份有限公司) shall have the right of first refusal over the investment or other business opportunities relating to the Competing Businesses that the subsidiaries directly or indirectly controlled by Mr. Wei Jian Jun will pursue or may get in the future.	From 10 December 2010, permanent	No	Yes	—	—

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 for the “non-standard auditor’s report” from the Certified Public Accountants in the financial report of the annual report of last year

☐ Applicable ☒ Not applicable

Section 5 Significant Events

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

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 description

☐ 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

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

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

3. *Matters undisclosed in temporary announcements*

☐ Applicable ☒ Not applicable

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

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

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

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

3. *Matters undisclosed in temporary announcements*

☐ Applicable ☒ Not applicable

4. *Disclosure of the realization of contracted performance within 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. Zhang Wen Hui, Mr. Zhao Guo Qing and Mr. Xu Hui, the senior management of the Company, the related party transactions set out in note (XI) to the financial statements constitute connected transactions and continuing connected transactions in accordance with the Hong Kong Listing Rules. The Company has complied with relevant requirements under Chapter 14A of the Hong Kong Listing Rules and the connected transactions and continuing connected transactions have been exempt 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

Unit: RMB Currency: RMB

Total guaranteed amount during the Reporting Period (excluding guarantees provided to subsidiaries) 0

Balance of total guarantees as at the end of the Reporting Period (A) (excluding guarantees provided to subsidiaries) 0

Guarantees provided by the Company to subsidiaries

Total guaranteed amount to subsidiaries during the Reporting Period 745,184,000

Total guaranteed balance to subsidiaries as at the end of the Reporting Period (B) 794,884,000

Total guarantees (including guarantees to subsidiaries) provided by the Company

Total guaranteed amount (A+B) 794,884,000

Total guaranteed amount as a percentage of the net asset value of the Company (%) 1.71

Of which:

Guaranteed amount provided for shareholders, parties which have de facto control and their related parties (C) 0

Debt guaranteed amount provided directly or indirectly to parties with gearing ratio exceeding 70% (D) 0

Total guaranteed amount in excess of 50% of net asset value (E) 0

Total guaranteed amount of the above three items (C+D+E) 0

Statement on the contingent joint liability in connection with unexpired guarantees

Details of guarantee

1. 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 of 30 June 2017, the Company entered into guarantee agreements with the Tianjin Binhai New Area Branch of China Bohai Bank Co., Ltd. (渤海銀行股份有限公司天津濱海新區分行), the Hai Gang Subbranch of Tianjin Binhai Rural Commercial Bank Corporation (天津濱海農村商業銀行股份有限公司海港支行) and Tianjin Binhai Branch of Bank of China (中國銀行天津濱海分行) for maximum guarantees of RMB300 million (matured), RMB500 million and RMB500 million (matured), respectively.
2. On 13 March 2017, the Board considered and approved the provision of guarantee of USD110 million for Tide Technology and Trade Company Limited (泰德科貿有限公司), a wholly-owned subsidiary of the Company. As at 30 June 2017, the Company entered into a guarantee agreement with a bank.
3. On 28 June 2017, the Board considered and approved the provision of guarantee of USD350 million for Billion Sunny Development Limited (億新發展有限公司), an indirect wholly-owned subsidiary of the Company. As at 30 June 2017, the Company had not yet entered into any guarantee agreement with any bank.

Note: The exchange rate of US dollar against Renminbi was based on the Renminbi central parity rate (USD1=RMB6.7744) as announced by the People's Bank of China on 30 June 2017.

Section 5 Significant Events

3. Other material contracts

☐ Applicable ☒ Not applicable

XII. POVERTY ALLEVIATION OF THE COMPANY

☒ Applicable ☐ Not applicable

1. The accurate poverty alleviation plan

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

2. Summary of the accurate poverty alleviation for the Reporting Period

In the first half of 2017, the Company offered numerous job opportunities in impoverished area based on the local conditions, and provided vocational training for the local residents to improve their skills. The Company also established an employment platform for the disabled in order to help them solve their financial and employment difficulties. Furthermore, the Company organized visits to the welfare centers for children to express our love and care.

3. Statistics on the accurate poverty alleviation of the Company for the Reporting Period

Unit: RMB10,000 Currency: RMB

Items	Number and its implementation
I. General information	
Of which: 1. Capital	1,899.28
2. Supplies converted to cash	0.21
3. Number of registered poor people lifted out of poverty (person)	16,968
II. Capital injection by project	
1. Poverty alleviation through transferring the form of employment	Jobs were offered to 16,254 persons in the impoverished areas
Of which: 1.1 Capital injected into vocational training	14.06
1.2 Number of people participating in vocational training (person/time)	1,125
1.3 Number of registered poor people obtaining jobs (person)	0

Section 5 Significant Events

Items	Number and its implementation
2 Poverty alleviation through ecological protection	The Company jointly organized voluntary activities with Tianjin Community to pursue a green living environment through planting and protecting the nature.
Of which: 2.1 Project names	☒ Ecology protection and conservation ☐ Establishment of a mechanism for ecological compensation ☐ Establishment of ecology conservation related positions ☐ others
3. Basic protection	
Of which: 3.1 Number of left-behind children, elderly and women funded (person)	120
3.2 Capital injected to help the poor disabled people	1,884.96
3.3 Number of poor disabled people funded (person)	714
III. Awards and its level	NIL
4. <i>Subsequent accurate poverty alleviation programmes</i>	
1. Donations: The Company will improve the living conditions of impoverished areas through various methods, such as making donations, providing support to students, the elderly and the disabled as well as offering medical assistance;	
2. Human resource and technology: Technology support for poverty alleviation will be offered by capitalizing on the human resource advantages of the Company as always. Moreover, various training programmes will be provided on different aspects including practical technologies, production skills and business operation, so as to improve the self-development ability of underprivileged staff and boost their production skills and livelihood;	
3. Employment: More job opportunities will be provided in the impoverished local areas and more training programmes will be organized to improve the quality of employment and boost the economic growth of such areas;	
4. Others: The Company will encourage its staff to participate in its volunteering activities so as to revive the local economic development.	

Section 5 Significant Events

XIII. CONVERTIBLE CORPORATE BONDS

☐ Applicable ☒ Not applicable

XIV. ENVIRONMENT PROTECTION MEASURES TAKEN BY THE COMPANY AND ITS SUBSIDIARIES IN RESPECT OF KEY POLLUTANT DISCHARGING UNITS ANNOUNCED BY THE ENVIRONMENT PROTECTION DEPARTMENTS

☒ Applicable ☐ Not applicable

The Group established environment protection facilities in strict compliance with the environment protection regulations and maintained the emission of pollutants at a standard level. All hazardous waste of the Group was transferred and disposal of strictly according to the requirement of environment protection authorities. From January to June 2017, the Group transferred 4,998.22 tons of hazardous waste in total to qualified hazardous waste disposing companies in accordance with the Measures on Duplicated Form for Transfer of Hazardous Wastes (《危險廢物轉移聯單管理辦法》) and applicable requirements of Tianjin government and Baoding government.

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

1. The reasons for changes in accounting policies

On 28 April 2017, the Ministry of Finance promulgated the Notice on the Issuance of the “Accounting Standards for Business Enterprises No. 42 — Non-current Assets held for Sale, Disposal Groups and Discontinued Operations” (Cai Hui [2017] No. 13) 《關於印發<企業會計準則第42號 — 持有代售的非流動資產、處置組和終止經營>的通知》(財會[2017]13號) which became effective on 28 May 2017. The prospective application method shall be adopted for non-current assets held for sale, disposal groups and discontinued operations subsisting as at the effective date.

On 10 May 2017, the Ministry of Finance promulgated the Notice on the Issuance of the “Accounting Standards for Business Enterprises No.16 — Government Grants” (Revision) (Cai Hui [2017] No. 15) 《關於印發修訂<企業會計準則第16號 — 政府補助>的通知》(財會[2017]15號) which became effective on 12 June 2017. The prospective application method shall be adopted for government grants subsisting as at 1 January 2017 while adjustments shall be made in accordance with the standards for any additional government grants subsisting from 1 January 2017 to the effective date of the standards.

Subject to the requirements of above documents, the Group shall adopt the “Accounting Standards for Business Enterprises No.16 — Government Grants” (Revision) and the “Accounting Standards for Business Enterprises No. 42 — Non-current Assets held for Sale, Disposal Groups and Discontinued Operations” newly amended and promulgated by the Ministry of Finance since 2017.

Section 5 Significant Events

2. *The changes in accounting policies:*

The “Accounting Standards for Business Enterprises No.16 — Government Grants” (Revision) further clarifies the application scope and the principles for classifying government grants and income. Government grants relating to assets shall be used to write off the carrying amount of relevant assets whereas government grants relating to the daily operations of enterprises shall be included in other income or used to write off the related costs based on the actual business nature. The standards also set out the accounting treatment for, and the new requirements for the presentation of, fiscal interest subsidies.

The “Accounting Standards for Business Enterprises No. 42 — Non-current Assets held for Sale, Disposal Groups and Discontinued Operations” sets out the requirements for classification, calculation and presentation of non-current assets held for sale or disposal groups and the presentation of discontinued operations.

3. *The effects of changes in accounting policies on the financial statements:*

In accordance with the requirements of the “Accounting Standards for Business Enterprises No.16 — Government Grants” (Revision), the Company has applied the prospective application method for government grants subsisting as at 1 January 2017. With effect from 1 January 2017, the government grants relating to the daily operations of the Group of RMB57,466,601.41 has been, included in other income, based on the actual business nature, instead of non-operating income. The changes in the above accounting policies has no material effect on the financial position, results of operations and cash flows of the Group.

The issuance of “Accounting Standards for Business Enterprises No. 42 — Non-current Assets held for Sale, Disposal Groups and Discontinued Operations” has no material effect on the financial statements of the Group.

(II) Significant accounting errors in the Reporting Period requiring retrospective restatement and correct amounts, reasons and effect thereof

☐ Applicable ☒ Not applicable

(III) Others

☐ Applicable ☒ Not applicable

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 ordinary shareholders as at the end of Reporting Period (person) 97,277

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

Unit: share(s)

Unit: Shares

Shareholding of the top 10 shareholders							
Name of shareholder (full name)	Increase/decrease during the Reporting Period	Total number of shares held at the end of the Reporting Period	Percentage (%)	Number of shares with selling restrictions held	Situation of shares pledged or frozen		Type of shareholder
					State of shares	Number	
Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限 公司)	0 (A Shares)	5,115,000,000 (A Shares)	56.04	0 (A Shares)	Pledged	1,011,890,000 (A Shares)	Domestic non-state-owned legal person
HKSCC NOMINEES LIMITED	265,750 (H Shares)	3,082,010,012 (H Shares)	33.77	—	Unknown	—	Overseas legal person
National Social Security Fund 108 Package	6,999,775 (A Shares)	115,014,678 (A Shares)	1.26	—	Unknown	—	Others

Section 6 Changes in Ordinary Shares and Shareholders

Unit: share(s)

Shareholding of the top 10 shareholders

Name of shareholder (full name)	Increase/decrease during the Reporting Period	Total number of shares held at the end of the Reporting Period	Percentage (%)	Number of shares with selling restrictions held	Situation of shares pledged or frozen		Type of shareholder
					State of shares	Number	
China Securities Finance Co., Ltd	-57,784,434 (A Shares)	92,289,188 (A Shares)	1.01	—	Unknown	—	Others
Central Huijin Asset Management Co., Ltd	0 (A Shares)	22,308,300 (A Shares)	0.24	—	Unknown	—	Others
Hong Kong Securities Clearing Company Limited	-8,698,367 (A Shares)	20,975,690 (A Shares)	0.23	—	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)	14,336,531 (A Shares)	14,336,531 (A Shares)	0.16	—	Unknown	—	Others
National Social Security Fund 113 Package	13,423,575 (A Shares)	13,423,575 (A Shares)	0.15	—	Unknown	—	Others
Bank of China Co., Ltd. — Chinese New Economic Flexible Configuration Hybrid Type of Securities Investment Fund	0 (A Shares)	12,350,253 (A Shares)	0.14	—	Unknown	—	Others
Hong Kong Monetary Authority — own funds	-5,571,600 (A Shares)	12,002,656 (A Shares)	0.13	—	Unknown	—	Others

Unit: share(s)

Shareholding of the top 10 shareholders holding shares without selling restrictions

Name of shareholder	Number of tradable shares without selling restrictions held	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	3,082,010,012 (H Shares)	Overseas listed foreign shares	3,082,010,012 (H Shares)
National Social Security Fund 108 Package	115,014,678 (A Shares)	RMB-denominated ordinary shares	115,014,678 (A Shares)
China Securities Finance Co., Ltd	92,289,188 (A Shares)	RMB-denominated ordinary shares	92,289,188 (A Shares)

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 without selling restrictions held	Class and number of shares	
		Class of shares	Number of shares
Central Huijin Asset Management Co., Ltd	22,308,300 (A Shares)	RMB-denominated ordinary shares	22,308,300 (A Shares)
Hong Kong Securities Clearing Company Limited	20,975,690 (A Shares)	RMB-denominated ordinary shares	20,975,690 (A Shares)
中國銀行 — 大成藍籌穩健證券投資基金	14,336,531 (A Shares)	RMB-denominated ordinary shares	14,336,531 (A Shares)
National Social Security Fund 113 Package	13,423,575 (A Shares)	RMB-denominated ordinary shares	13,423,575 (A Shares)
Bank of China Co., Ltd. — Chinese New Economic Flexible Configuration Hybrid Type of Securities Investment Fund	12,350,253 (A Shares)	RMB-denominated ordinary shares	12,350,253 (A Shares)
Hong Kong Monetary Authority — own funds	12,002,656 (A Shares)	RMB-denominated ordinary shares	12,002,656 (A Shares)
Description of the related party relationship or acting in concert relationship among the above shareholders	There is no related party relationship between Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司), the controlling shareholder of the Company, and the other shareholders. In addition, the Company is not aware of any related party relationship among the other shareholders mentioned above.		
Description of the shareholders holding preference shares with restored voting rights and their shareholding	—		

Section 6 Changes in Ordinary Shares and Shareholders

Shares Held by Substantial Shareholders (SFO Requirements)

As at 30 June 2017, the following shareholders (excluding the directors, supervisors and chief executives of the Company) had interests or short positions in any shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Name	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 Wangsheng Investment Company Limited (保定市旺盛投資有限公司) (Note 2)	5,115,000,000(L) (A Shares)	84.86	—	56.04
Bank of America Corporation	246,867,050(L) (H Shares)	—	7.96(L)	2.70
	244,074,654(S) (H Shares)	—	7.87(S)	2.67
JPMorgan Chase & Co.	245,790,540(L) (H Shares)	—	7.92(L)	2.69
	53,443,339(S) (H Shares)	—	1.72(S)	0.59
	60,093,468(P) (H Shares)	—	1.93(P)	0.66
BlackRock, Inc.	242,564,260(L) (H Shares)	—	7.83(L)	2.66
	237,500(S) (H Shares)	—	0.01(S)	0.00
Morgan Stanley	222,569,186(L) (H Shares)	—	7.18(L)	2.44
	244,736,627(S) (H Shares)	—	7.89(S)	2.68
	0(P) (H Shares)	—	0.00(P)	0
The Goldman Sachs Group, Inc.	175,700,462(L) (H Shares)	—	5.67(L)	5.67
	120,405,757(S) (H Shares)	—	3.88(S)	3.88
Han Xue Juan (Note 3)	5,115,000,000(L) (A Shares)	84.86	—	56.04
Management Centre of Collective Assets of Nandayuan Town, Lianchi District, Baoding (保定市蓮池區南大園鄉集體資產經管中心) (Note 4)	5,115,000,000(L) (A Shares)	84.86	—	56.04

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

Section 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 638 Yonghua South Street, Baoding. Its business scope covers investments in manufacturing, real estate and horticulture industries, as well as corporate planning and management consultancies (operations that require pre-approvals according to laws and administrative regulations or as prescribed by the State Council can only be conducted after obtaining approvals). As at 30 June 2017, 62.854%, 0.125%, 0.001% and 37.02% equity interest in Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司) were held by Baoding Wangsheng Investment Company Limited (保定市旺盛投資有限公司), Mr. Wei Jian Jun, Ms. Han Xue Juan and Management Centre of Collective Assets of Nandayuan Town, Lianchi District, Baoding (保定市蓮池區南大園鄉集體資產經管中心) respectively. Further, 99% and 1% equity interest in Baoding Wangsheng Investment Company Limited (保定市旺盛投資有限公司) were held by Mr. Wei Jian Jun and Ms. Han Xue Juan respectively. Therefore, Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司) is a company controlled by Baoding Wangsheng Investment Company Limited (保定市旺盛投資有限公司) which is in turn controlled by Mr. Wei Jian Jun and Mr. Wei Jian Jun is deemed to be interested in all the shares of the Company held by Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司) pursuant to the SFO.
- (2) As at 30 June 2017, Baoding Wangsheng Investment Company Limited (保定市旺盛投資有限公司) held 62.854% equity interest in Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司) and is deemed to be interested in all the shares of the Company held by Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司) for the purposes of the SFO.
- (3) As at 30 June 2017, Ms. Han Xue Juan held 0.001% equity interest in Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司) and 1% equity interest in Baoding Wangsheng Investment Company Limited (保定市旺盛投資有限公司), and is the spouse of Mr. Wei Jian Jun. Ms. Han Xue Juan is deemed to be interested in all the shares of the Company in which Mr. Wei Jian Jun is interested for the purposes of the SFO.
- (4) As at 30 June 2017, Management Centre of Collective Assets of Nandayuan Town, Lianchi District, Baoding (保定市蓮池區南大園鄉集體資產經管中心) held 37.02% equity interest in Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司) and is deemed to be interested in all the shares of the Company held by Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司) for the purposes of the SFO.

Save as disclosed above, as at 30 June 2017, so far as the directors, supervisors and chief executives of the Company are aware, no other person (excluding the directors, supervisors and chief executives of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

Directors' and supervisors' interests in securities

As at 30 June 2017, the interests and short positions of each of the directors, supervisors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning as defined in Part XV of the SFO), which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register required to be kept as referred to in Section 352 of the SFO (including the interests and short positions which they were taken or deemed to have under such provisions of the SFO) or were otherwise required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code as set out in Appendix 10 to the Hong Kong Listing Rules, were as follows:

Section 6 Changes in Ordinary Shares and Shareholders

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.

Notes:

As at 30 June 2017, Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司) was controlled by Baoding Wangsheng Investment Company Limited (保定市旺盛投資有限公司) which was in turn controlled by Mr. Wei Jian Jun. Accordingly, pursuant to the SFO, Mr. Wei Jian Jun 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 2017, none of the directors, supervisors or chief executives of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register required to be kept as referred to in Section 352 of the SFO or were otherwise required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code. For this purpose, the relevant provisions of the SFO shall be construed as if they were applicable to the supervisors.

(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

Name	Position	Change
Wei Jian Jun	Chairman and Executive Director	Elected
Wang Feng Ying	Vice Chairman, Executive Director and General Manager	Elected
Yang Zhi Juan	Executive Director	Elected
He Ping	Non-executive Director	Elected
Wong Chi Hung, Stanley	Independent Non-executive Director	Retired
Lu Chuang	Independent Non-executive Director	Retired
Ma Li Hui	Independent Non-executive Director	Elected
Li Wan Jun	Independent Non-executive Director	Elected
Ng Chi Kit	Independent Non-executive Director	Elected
Chen Biao	Chairman of Supervisory Committee	Elected
Luo Jin Li	Supervisor	Elected
Zong Yi Xiang	Supervisor	Elected
Hu Shu Jie	Deputy General Manager	Appointed
Hao Jian Jun	Deputy General Manager	Appointed
Zheng Chun Lai	Deputy General Manager	Appointed
Zhao Guo Qing	Deputy General Manager	Appointed
Li Feng Zhen	Deputy General Manager and Chief Financial Officer	Appointed
Zhang Wen Hui	Deputy General Manager	Appointed
Xu Hui	Secretary to the Board	Appointed

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



De Shi Bao (Yue) Zi (17) No. R00060

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 2017, 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 2017, 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:
Xu Zhaohui
Yang Ning
25 August 2017

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

Consolidated Balance Sheet

At 30 June 2017

RMB

Item	Notes	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Current Assets:			
Cash and bank balances	(VI)1	6,588,607,948.23	2,153,603,558.38
Financial assets carried at fair value through profit or loss	(VI)2	400,000,000.00	—
Notes receivable	(VI)3	15,644,154,262.42	39,786,248,863.34
Accounts receivable	(VI)4	1,923,474,208.99	517,976,746.97
Prepayments	(VI)5	848,048,834.96	1,057,180,423.77
Interest receivable	(VI)6	36,338,262.46	12,418,121.84
Other receivables	(VI)7	277,195,707.35	251,011,870.83
Inventories	(VI)8	8,292,999,908.65	6,061,138,217.68
Non-current assets due within one year	(VI)9	4,236,176,414.46	1,201,702,064.95
Available-for-sale financial assets	(VI)12	800,000,000.00	1,438,000,000.00
Other current assets	(VI)10	5,357,914,731.50	1,448,753,670.80
Total Current Assets		44,404,910,279.02	53,928,033,538.56
Non-current Assets:			
Loans and advances to customers	(VI)11	2,479,355,584.23	3,076,249,652.50
Available-for-sale financial assets	(VI)12	7,700,000.00	7,700,000.00
Long-term receivables	(VI)13	977,261,891.50	1,361,193,481.58
Investment properties	(VI)14	124,954,805.44	128,146,873.50
Fixed assets	(VI)15	26,292,647,623.82	24,714,953,082.84
Construction in progress	(VI)16	4,761,917,888.64	4,859,178,711.02
Intangible assets	(VI)17	3,230,240,783.46	3,210,710,562.88
Goodwill	(VI)18	4,972,730.90	4,972,730.90
Long-term prepaid expenses		130,709,762.51	54,066,910.08
Deferred tax assets	(VI)19	652,001,605.84	963,955,022.84
Total Non-current Assets		38,661,762,676.34	38,381,127,028.14
TOTAL ASSETS		83,066,672,955.36	92,309,160,566.70

Consolidated Balance Sheet

At 30 June 2017

RMB

Item	Notes	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Current Liabilities:			
Short-term borrowings	(VI)20	6,269,696,000.00	250,000,000.00
Notes payable	(VI)21	5,417,862,338.00	4,164,982,676.22
Accounts payable	(VI)22	14,565,652,808.22	25,007,335,076.72
Receipts in advance	(VI)23	3,652,061,470.68	6,311,928,102.18
Employee benefits payable	(VI)24	759,124,076.60	1,966,848,264.70
Taxes payable	(VI)25	438,229,627.98	1,978,393,497.86
Interests payable		4,474,692.70	924,376.74
Other payables	(VI)26	2,286,368,519.68	2,043,696,694.43
Non-current liabilities due within one year	(VI)27	103,405,954.57	105,170,607.29
Other current liabilities	(VI)28	1,250,813,049.24	1,422,960,496.15
Total Current Liabilities		34,747,688,537.67	43,252,239,792.29
Non-current Liabilities:			
Long-term borrowings	(VI)20	49,700,000.00	49,800,000.00
Deferred income	(VI)29	1,674,402,067.31	1,651,147,352.90
Deferred tax liabilities	(VI)19	11,732,069.94	2,328,903.31
Total Non-current Liabilities		1,735,834,137.25	1,703,276,256.21
TOTAL LIABILITIES		36,483,522,674.92	44,955,516,048.50
SHAREHOLDERS' EQUITY:			
Share capital	(VI)30	9,127,269,000.00	9,127,269,000.00
Capital reserve	(VI)31	1,411,231,014.42	1,411,231,014.42
Other comprehensive income	(VI)47	(8,814,271.72)	(1,502,334.31)
Surplus reserve	(VI)32	4,531,163,171.83	4,575,014,412.83
Undistributed profits	(VI)33	31,454,268,221.86	32,182,789,641.00
Total Equity Attributable to Shareholders of the Company		46,515,117,136.39	47,294,801,733.94
Minority Interests		68,033,144.05	58,842,784.26
TOTAL SHAREHOLDERS' EQUITY		46,583,150,280.44	47,353,644,518.20
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		83,066,672,955.36	92,309,160,566.70

The accompanying notes form part of the financial statements.

The financial statements on pages 66 to 209 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 2017

RMB

Item	Notes	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Current Assets:			
Cash and bank balances	(XIV)1	8,689,386,364.24	3,706,746,488.60
Financial assets carried at fair value through profit or loss		400,000,000.00	—
Notes receivable	(XIV)2	14,235,343,191.96	39,004,100,733.85
Accounts receivable	(XIV)3	1,031,033,711.57	536,094,993.79
Prepayments		828,028,938.32	1,135,024,496.35
Interests receivable		70,694,817.83	12,203,875.00
Dividends receivable		285,689,296.71	—
Other receivables	(XIV)4	344,949,616.93	158,182,314.56
Inventories	(XIV)5	6,436,026,710.43	2,917,339,904.06
Non-current assets due within one year		1,094,217,450.00	669,101,300.00
Available-for-sale financial assets		800,000,000.00	1,390,000,000.00
Other current assets		5,258,940,959.63	1,396,101,133.89
Total Current Assets		39,474,311,057.62	50,924,895,240.10
Non-current Assets:			
Available-for-sale financial assets		7,700,000.00	7,700,000.00
Long-term receivables		977,261,891.50	1,361,193,481.58
Long-term equity investments	(XIV)6	4,687,155,965.46	4,573,289,565.46
Investment properties	(XIV)7	89,267,530.84	92,513,725.38
Fixed assets	(XIV)8	24,550,286,642.27	22,838,140,752.28
Construction in progress	(XIV)9	4,076,521,774.96	4,498,461,602.16
Intangible assets	(XIV)10	2,956,888,302.11	2,982,633,028.28
Long-term prepaid expenses		128,692,695.26	52,620,325.16
Deferred tax assets		245,535,977.36	265,433,277.86
Other Non-current asset		39,000,000.00	—
Total Non-current Assets		37,758,310,779.76	36,671,985,758.16
TOTAL ASSETS		77,232,621,837.38	87,596,880,998.26

Balance Sheet of the Company

At 30 June 2017

RMB

Item	Notes	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Current Liabilities:			
Short-term borrowings		3,900,000,000.00	—
Notes payable	(XIV)11	5,395,201,178.45	4,123,771,449.11
Accounts payable	(XIV)12	16,710,048,846.63	27,622,083,830.13
Receipts in advance	(XIV)13	1,873,991,253.78	3,510,866,921.44
Employee benefits payable		677,251,733.03	1,685,822,763.39
Taxes payable		272,485,259.99	1,628,786,090.05
Other payables		2,026,164,163.05	2,044,152,043.06
Non-current liabilities due within one year		84,601,536.01	86,366,188.50
Other current liabilities		477,245,295.29	403,807,474.58
Total Current Liabilities		31,416,989,266.23	41,105,656,760.26
Non-current Liabilities:			
Deferred income		1,302,229,558.04	1,343,014,014.73
Total Non-current Liabilities		1,302,229,558.04	1,343,014,014.73
TOTAL LIABILITIES		32,719,218,824.27	42,448,670,774.99
SHAREHOLDERS' EQUITY:			
Share capital		9,127,269,000.00	9,127,269,000.00
Capital reserve	(XIV)14	1,464,187,305.77	1,464,187,305.77
Surplus reserve		3,521,714,071.43	3,521,714,071.43
Undistributed profits	(XIV)15	30,400,232,635.91	31,035,039,846.07
TOTAL SHAREHOLDERS' EQUITY		44,513,403,013.11	45,148,210,223.27
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		77,232,621,837.38	87,596,880,998.26

Consolidated Income Statement

For the period from 1 January to 30 June 2017

RMB

Item	Notes	For the period from 1 January to 30 June 2017 (Unaudited)	For the period from 1 January to 30 June 2016 (Unaudited)
I. Total operating income		41,255,663,824.84	41,672,184,888.84
Including: Operating income	(VI)34	40,992,814,179.16	41,600,921,174.31
Interest income	(VI)35	261,226,393.25	70,584,009.91
Fee and commission income		1,623,252.43	679,704.62
Less: Total operating costs		38,561,752,739.62	35,872,855,696.75
Including: Operating costs	(VI)34	33,044,501,625.79	30,897,584,888.97
Interest expenses		9,731,607.64	10,442,744.77
Taxes and levies	(VI)36	1,410,152,790.00	1,537,487,514.77
Selling expenses	(VI)37	1,569,425,796.62	1,402,248,359.96
Administrative expenses	(VI)38	2,309,981,237.74	1,906,805,985.58
Financial expenses	(VI)39	76,096,711.63	24,487,468.49
Impairment loss on assets	(VI)40	141,862,970.20	93,798,734.21
Add: Investment income	(VI)41	46,402,606.04	14,830,899.85
Including: Income from investments in associates and joint ventures		—	—
Other income		57,466,601.41	—
II. Operating profit		2,797,780,292.67	5,814,160,091.94
Add: Non-operating income	(VI)42	295,448,543.22	131,511,574.10
Including: Gains from disposal of non-current assets		544,835.78	11,362.91
Less: Non-operating expenses	(VI)43	7,451,115.65	25,346,320.15
Including: Losses from disposal of non-current assets		3,241,245.82	11,551,163.00
III. Total profit		3,085,777,720.24	5,920,325,345.89
Less: Income tax expenses	(VI)44	656,831,910.99	992,070,644.57
IV. Net profit	(VI)45	2,428,945,809.25	4,928,254,701.32
Net profit attributable to shareholders of the Company		2,419,755,449.46	4,925,601,514.99
Profit or loss attributable to minority interests		9,190,359.79	2,653,186.33
V. Net other comprehensive income after taxes		(7,311,937.41)	77,360,709.98
Net other comprehensive income attributable to shareholders of the Company after taxes		(7,311,937.41)	77,360,709.98
Items that may be reclassified subsequently to profit or loss		(7,311,937.41)	77,360,709.98
Foreign currency translation differences	(VI)47	(7,311,937.41)	77,360,709.98
Net other comprehensive income attributable to minority interests after taxes		—	—
VI. Total comprehensive income:		2,421,633,871.84	5,005,615,411.30
Total comprehensive income attributable to shareholders of the Company		2,412,443,512.05	5,002,962,224.97
Total comprehensive income attributable to minority interests		9,190,359.79	2,653,186.33
VII. Earnings per share:			
(I) Basic earnings per share	(VI)46	0.27	0.54
(II) Diluted earnings per share	(VI)46	N/A	N/A

Income Statement of the Company

For the period from 1 January to 30 June 2017

RMB

Item	Notes	For the period from 1 January to 30 June 2017 (Unaudited)	For the period from 1 January to 30 June 2016 (Unaudited)
I. Total operating income	(XIV)16	36,760,455,047.25	40,323,749,284.01
Less: Operating costs	(XIV)16	32,001,384,311.11	32,397,873,108.26
Taxes and levies	(XIV)17	1,352,374,909.62	1,482,151,756.44
Selling expenses		716,537,338.16	388,007,215.19
Administrative expenses	(XIV)18	2,144,403,803.20	1,740,733,006.17
Financial expenses		33,816,902.70	16,437,325.07
Impairment loss on assets		121,085,745.95	62,772,520.39
Add: Investment income	(XIV)19	1,985,631,353.99	2,049,902,628.35
Including: Income from investments in associates and joint ventures		—	—
Other income		48,064,392.10	—
II. Operating profit		2,424,547,782.60	6,285,676,980.84
Add: Non-operating income		199,198,290.64	102,571,234.84
Including: Gains from disposal of non-current assets		794,242.64	328,752.81
Less: Non-operating expenses		14,114,246.21	21,604,176.06
Including: Losses from disposal of non-current assets		11,070,165.06	10,468,086.41
III. Total profit		2,609,631,827.03	6,366,644,039.62
Less: Income tax expenses	(XIV)20	49,894,887.19	591,124,326.56
IV. Net profit		2,559,736,939.84	5,775,519,713.06
V. Net other comprehensive income after taxes		—	—
VI. Total comprehensive income		2,559,736,939.84	5,775,519,713.06

Consolidated Cash Flow Statement

For the period from 1 January to 30 June 2017

RMB

Item	Notes	For the period from 1 January to 30 June 2017 (Unaudited)	For the period from 1 January to 30 June 2016 (Unaudited)
I. Cash Flows from Operating Activities:			
Cash received from the sales of goods and rendering of services		68,947,830,111.22	50,020,121,364.81
Cash received from interest, fee and commissions		351,389,686.68	70,147,602.52
Cash received for net increase by borrowing from other financial institutions		599,900,000.00	—
Tax rebate received		50,964,115.55	14,965,049.58
Other cash received relating to operating activities	(VI)48(1)	293,032,759.78	63,422,888.43
Sub-total of cash inflow from operating activities		70,243,116,673.23	50,168,656,905.34
Cash payments for goods purchased and services received		48,470,782,656.28	35,215,711,678.25
Net increase in customers' loans and advance		2,045,251,985.51	235,554,036.14
Cash payments for interest, fees and commissions		6,181,291.68	1,507,597.22
Cash payments to and on behalf of employees		4,858,289,140.77	3,909,215,930.18
Payments of various types of taxes		4,267,392,962.17	4,496,567,218.82
Other cash payments relating to operating activities	(VI)48(2)	2,256,318,987.55	1,934,400,230.82
Sub-total of cash outflow from operating activities		61,904,217,023.96	45,792,956,691.43
Net Cash Flows from Operating Activities	(VI)49(1)	8,338,899,649.27	4,375,700,213.91
II. Cash Flows from Investing Activities:			
Cash received from disposal of investments		9,790,400,000.00	8,111,100,000.00
Cash received from investment income		29,018,269.29	20,137,925.70
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		7,022,586.85	4,905,087.77
Other cash received relating to investing activities	(VI)48(3)	5,515,282.92	34,888,823.05
Sub-total of cash inflow from investing activities		9,831,956,139.06	8,171,031,836.52
Cash paid to purchase and construct fixed assets, intangible assets and other long-term assets		3,220,361,133.09	2,955,616,219.07
Net cash paid for acquisition of subsidiaries and other business units	(VI)49(2)	—	12,130,564.13
Cash paid for investments		12,698,400,000.00	7,991,100,000.00
Sub-total of cash outflow from investing activities		15,918,761,133.09	10,958,846,783.20
Net Cash Flow from Investing Activities		(6,086,804,994.03)	(2,787,814,946.68)
III. Cash Flows from Financing Activities:			
Cash received from borrowings		11,660,001,234.33	—
Other cash received relating to financing activities	(VI)48(4)	—	896,260,358.21
Sub-total of cash inflow from financing activities		11,660,001,234.33	896,260,358.21
Cash repayments of borrowings		6,240,305,234.33	100,000.00
Cash payments for distribution of dividends or profits or settlement of interest expenses		3,231,876,457.22	1,737,766,740.29
Including: payments for distribution of dividends or profits to minority shareholders of subsidiaries		—	—
Other cash payments relating to financing activities	(VI)48(5)	566,142,960.16	—
Sub-total of cash outflow from financing activities		10,038,324,652.21	1,737,866,740.29
Net Cash Flow from Financing Activities		1,621,676,582.12	(841,606,382.08)

Consolidated Cash Flow Statement

For the period from 1 January to 30 June 2017

RMB

Item	Notes	For the period from 1 January to 30 June 2017 (Unaudited)	For the period from 1 January to 30 June 2016 (Unaudited)
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents		(4,909,807.67)	53,507,402.96
V. Net Increase in Cash and Cash Equivalents		3,868,861,429.69	799,786,288.11
Add: Opening balance of cash and cash equivalents		1,891,844,333.75	2,458,364,987.45
VI. Closing balance of cash and cash equivalents	(VI)49(3)	5,760,705,763.44	3,258,151,275.56

Cash Flow Statement of the Company

For the period from 1 January to 30 June 2017

RMB

Item	Notes	For the period from 1 January to 30 June 2017 (Unaudited)	For the period from 1 January to 30 June 2016 (Unaudited)
I. Cash Flows from Operating Activities:			
Cash received from the sales of goods and rendering of services		61,192,798,092.13	45,082,496,265.00
Tax rebate received		383,664.19	56,316.13
Other Cash received relating to operating activities		201,497,127.68	48,387,950.87
Sub-total of cash inflow from operating activities		61,394,678,884.00	45,130,940,532.00
Cash payments for goods purchased and services received		43,815,484,992.70	33,579,338,167.94
Cash payments to and on behalf of employees		4,262,286,343.18	3,070,831,082.65
Payments of various types of taxes		3,399,812,356.97	3,406,493,759.69
Other cash payments relating to operating activities		904,302,632.30	917,846,725.42
Sub-total of cash outflow from operating activities		52,381,886,325.15	40,974,509,735.70
Net cash flows from operating activities	(XIV)21(1)	9,012,792,558.85	4,156,430,796.30
II. Cash Flows from Investing Activities:			
Cash received from disposal of investments		9,550,000,000.00	7,588,000,000.00
Cash received from investment income		1,682,469,273.89	982,032,047.30
Cash received from merging subsidiaries by absorbing		—	206,830,508.02
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		7,964,767.25	2,703,770.33
Other cash received relating to investing activities		5,515,282.92	34,888,823.05
Sub-total of cash inflow from investing activities		11,245,949,324.06	8,814,455,148.70
Cash paid to purchase and construct fixed assets, intangible assets and other long-term assets		3,295,369,547.91	2,724,763,057.41
Cash paid for investments		12,657,746,756.24	7,892,813,752.00
Cash paid for acquisition of subsidiaries and other business units		—	21,500,000.00
Sub-total of cash outflow from investing activities		15,953,116,304.15	10,639,076,809.41
Net Cash Flow from Investing Activities		(4,707,166,980.09)	(1,824,621,660.71)
III. Cash Flows from Financing Activities:			
Cash received from borrowings		10,140,305,234.33	—
Other cash received relating to financing activities		—	341,047,645.60
Sub-total of cash inflow from financing activities		10,140,305,234.33	341,047,645.60
Cash paid for repayment of borrowings		6,240,305,234.33	—
Cash payments for distribution of dividends or profits or settlement of interest expenses		3,219,165,236.06	1,737,766,740.29
Other cash payments relating to financing activities		370,495,873.10	—
Sub-total of cash outflow from financing activities		9,829,966,343.49	1,737,766,740.29
Net Cash Flow from Financing Activities		310,338,890.84	(1,396,719,094.69)

Cash Flow Statement of the Company

For the period from 1 January to 30 June 2017

RMB

Item	Notes	For the period from 1 January to 30 June 2017 (Unaudited)	For the period from 1 January to 30 June 2016 (Unaudited)
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents		(3,820,467.06)	(1,193,301.02)
V. Net Increase in Cash and Cash Equivalents		4,612,144,002.54	933,896,739.88
Add: Opening balance of cash and cash equivalents		3,623,217,685.00	1,016,521,309.27
VI. Closing balance of cash and cash equivalents	(XIV)21(2)	8,235,361,687.54	1,950,418,049.15

Consolidated Statement of Changes in Shareholders' Equity

For the period from 1 January to 30 June 2017

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 (Note (VI)32)	—	—	—	(43,851,241.00)	—	43,851,241.00	—	—
(V) Others (Note (VI)33)	—	—	—	—	—	2,416,040.40	—	2,416,040.40
III. Balance at the end of the 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

Consolidated Statement of Changes in Shareholders' Equity

For the period from 1 January to 30 June 2017

RMB

Item		For the period from 1 January to 30 June 2016 (Unaudited)							Total equity
		Attributable to shareholders of the Company							
		Share capital	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Undistributed profits	Minority interests	
I.	Balance at the beginning of the period	9,127,269,000.00	1,411,231,014.42	(147,973,964.82)	3,358,758,190.71	—	24,581,585,137.24	56,047,023.99	38,386,916,401.54
II.	Changes in the current period	—	—	77,360,709.98	(64,129,118.13)	—	3,256,032,474.79	2,653,186.33	3,271,917,252.97
(I)	Total comprehensive income	—	—	77,360,709.98	—	—	4,925,601,514.99	2,653,186.33	5,005,615,411.30
(II)	Shareholders' contributions and reduction in capital	—	—	—	—	—	—	—	—
1.	Capital contributions from shareholders	—	—	—	—	—	—	—	—
2.	Acquisition of subsidiaries	—	—	—	—	—	—	—	—
3.	Acquisition of minority interests of subsidiaries	—	—	—	—	—	—	—	—
(III)	Profit distribution	—	—	—	—	—	(1,734,181,110.00)	—	(1,734,181,110.00)
1.	Transfer to statutory reserve	—	—	—	—	—	—	—	—
2.	Transfer to discretionary reserve	—	—	—	—	—	—	—	—
3.	Transfer to venture expansion fund	—	—	—	—	—	—	—	—
4.	Transfer to reserve fund	—	—	—	—	—	—	—	—
5.	Distributions to shareholders	—	—	—	—	—	(1,734,181,110.00)	—	(1,734,181,110.00)
6.	Transfer to employee bonus and welfare fund	—	—	—	—	—	—	—	—
7.	Tax refund for welfare enterprises	—	—	—	—	—	—	—	—
(IV)	Transfer of shareholders' equity	—	—	—	(64,129,118.13)	—	64,129,118.13	—	—
1.	Transfer of capital reserve to share capital	—	—	—	—	—	—	—	—
2.	Transfer of surplus reserve to share capital	—	—	—	—	—	—	—	—
3.	Surplus reserve making up of losses	—	—	—	—	—	—	—	—
4.	Others	—	—	—	(64,129,118.13)	—	64,129,118.13	—	—
(V)	Others	—	—	—	—	—	482,951.67	—	482,951.67
III.	Balance at the end of the period	9,127,269,000.00	1,411,231,014.42	(70,613,254.84)	3,294,629,072.58	—	27,837,617,612.03	58,700,210.32	41,658,833,654.51

Statement of Changes in Shareholders' Equity of the Company

For the period from 1 January to 30 June 2017

RMB

Item	For the period from 1 January to 30 June 2017 (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	3,521,714,071.43	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 contribution 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. Distribution to shareholders	—	—	—	(3,194,544,150.00)	(3,194,544,150.00)
4. Others	—	—	—	—	—
(IV) Transfer of shareholders' equity	—	—	—	—	—
1. Transfer of capital surplus to share capital	—	—	—	—	—
2. Transfer of surplus reserve to share capital	—	—	—	—	—
3. Surplus reserve making up of losses	—	—	—	—	—
4. Others	—	—	—	—	—
(V) Special reserve	—	—	—	—	—
1. Transfer to special reserve in the 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

Statement of Changes in Shareholders' Equity of the Company

For the period from 1 January to 30 June 2017

RMB

Item	For the period from 1 January to 30 June 2016 (Unaudited)				
	Share capital	Capital reserve	Surplus reserve	Undistributed profits	Total equity
I. Balance at the beginning of the period	9,127,269,000.00	1,463,654,023.11	2,305,616,493.42	22,756,665,987.89	35,653,205,504.42
II. Changes in the current period	—	533,282.66	125,763,457.16	4,240,886,483.58	4,367,183,223.40
(I) Total comprehensive income	—	—	—	5,775,519,713.06	5,775,519,713.06
(II) Shareholders' contributions and reduction in capital	—	—	—	—	—
1. Capital contribution from shareholders	—	—	—	—	—
2. Share-based payment recognized in shareholders' equity	—	—	—	—	—
3. Others	—	—	—	—	—
(III) Profit distribution	—	—	—	(1,734,181,110.00)	(1,734,181,110.00)
1. Transfer to surplus reserve	—	—	—	—	—
2. Transfer to general reserve	—	—	—	—	—
3. Distribution to shareholders	—	—	—	(1,734,181,110.00)	(1,734,181,110.00)
4. Others	—	—	—	—	—
(IV) Transfer of shareholders' equity	—	—	—	—	—
1. Transfer of capital surplus to share capital	—	—	—	—	—
2. Transfer of surplus reserve to share capital	—	—	—	—	—
3. Surplus reserve making up of losses	—	—	—	—	—
4. Others	—	—	—	—	—
(V) Special reserve	—	—	—	—	—
1. Transfer to special reserve in the period	—	—	—	—	—
2. Amount utilized in the period	—	—	—	—	—
(VI) Others	—	533,282.66	125,763,457.16	199,547,880.52	325,844,620.34
I. Balance at the end of the period	9,127,269,000.00	1,464,187,305.77	2,431,379,950.58	26,997,552,471.47	40,020,388,727.82

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

I. BASIC CORPORATE INFORMATION

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

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

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

The Company’s and consolidated financial statements have been approved by the Board of Directors on 25 August 2017.

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”) 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 2017

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 2017. There is no indication of major events that may affect the ability of going concern. Thus, the financial statements have been prepared under the assumption of going concern.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

1. Statement of compliance

The financial statements have been prepared in compliance with the "ASBE" to truly and completely reflect the Company's and consolidated financial position of the Company as at 30 June 2017 and the Company's and consolidated operating results and cash flows for the period from 1 January 2017 to 30 June 2017.

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

2. Accounting period

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

3. Operating cycle

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

4. Functional currency

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

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

Business combination is a transaction or event in which separate enterprises constitute one reporting entity. Business combinations are classified into business combinations under common control and not under common control.

The Group recognizes the assets and liabilities arising from the business combinations at the merger or acquisition date. Merger or acquisition date is the date on which the control over the net assets or production and operation decisions of the party being combined is transferred to the Group.

5.1 Business combinations involving enterprises under common control

A business combination involving enterprises under common control is a business combination in which all of the combining enterprises are ultimately controlled by the same party or parties both before and after the combination, and that control is not transitory. On the date of merger, the enterprise which obtains control of another enterprise participating in the combination is the combining party while such other enterprises participating in the combination is a party being combined.

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

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

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

5.2 Business combinations not involving enterprises under common control and goodwill

A business combination involving enterprises not under common control is a business combination in which all of the combining enterprises are not ultimately controlled by the same party or parties before and after the combination. For a business combination involving enterprises not under common control, the party that, on the acquisition date, obtains control over another enterprise participating in the combination is the acquirer, while that other enterprise participating in the combination is the acquiree.

For the business combinations involving enterprises not under common control, the combination costs shall be the fair value of the assets paid, the liabilities incurred or assumed and the equity instruments issued by the acquirer in exchange for the control over the acquire on the acquisition date. The overhead for the business combination of the combining party, including the expenses for audit, legal services, assessment, and other administrative expenses, shall be recorded in profit or loss for the current year when incurred. As for business combinations which involve enterprises not under common control and are carried out in stages, the accounting treatment of separate financial report and consolidated financial report shall be different:

- (1) In the separate financial report, the initial investment cost accounted by cost method shall be the aggregate of the carrying amount of the equity investment held in the acquiree prior to the acquisition date and the cost of additional investment on the acquisition date; no accounting treatment was made on other comprehensive income recognized under equity method of the equity investment held in the acquiree prior to the acquisition date.
- (2) In the consolidated financial report, the equity interest held in the acquiree before the acquisition date shall be revalued at fair value of the equity interest on the acquisition date. The difference between the carrying amount and the fair value shall be recognized as investment income of current year. Cost of acquisition is the sum of consideration at acquisition date and the fair value stated above. If there is other comprehensive income from the equity interest held in the acquiree prior to the acquisition date, the comprehensive income shall be stated as the current investment income incurred on the acquisition date.

Identifiable assets, liabilities and contingent liabilities of acquiree qualifying for the conditions of recognition acquired by the acquirer in business combination involving enterprises not under common control are measured at fair value on the acquisition date.

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

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

5.2 *Business combinations not involving enterprises under common control and goodwill (continued)*

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

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

6. Basis for preparation of consolidated financial statements

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

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

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

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

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

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

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

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

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

7. Joint arrangements

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

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

8. Recognition Criterion of Cash and cash equivalents

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

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

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

9.1 Transactions denominated in foreign currencies

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

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

Non-monetary items denominated in foreign currency that are measured at historical cost are still measured at amount denominated in reporting currency exchanged at the prevailing exchange rate at the transaction date.

9.2 Translation of financial statements denominated in foreign currency

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

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

The opening balances of the period and prior year's figures are presented according to the translated amounts of the financial statements of the prior year.

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

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

10. Financial instruments

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

10.1 Effective interest method

Effective interest method represents the method for calculating the amortized costs and interest income or expense of each period in accordance with the effective interest rate of financial assets or financial liabilities (inclusive of a set of financial assets or financial liabilities). Effective interest rate represents the rate that discounts the future cash flow over the expected subsisting period or shorter period, if appropriate, of the financial asset or financial liability to the current carrying value of such financial asset or financial liability.

When calculating the effective interest rate, the Group will consider the anticipated future cash flow (not considering the future credit loss) on the basis of all contract clauses of financial assets or financial liabilities, as well as consider all kinds of charges, transaction fees and discount or premium paid forming an integral part of the effective interest rate paid or received between both parties of financial asset or financial liability contract.

10.2 Classification, recognition and measurement of the financial assets

Financial assets are divided into financial assets at fair value through profit or loss, held-to-maturity investments, loans and the accounts receivable and available-for-sale financial assets when they are initially recognized. Financial instruments held by the Group are loans and the accounts receivable, financial assets at FVTPL and available-for-sale financial assets. Financial assets purchased and sold in regular way are recognized and derecognized based on the accounting at transaction date.

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

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

Financial assets may be classified as financial assets carried held for trading if one of the following conditions is met: (1) the financial assets is acquired or incurred principally for the purpose of selling it in the near term; (2) the financial assets is part of a portfolio of identified financial instruments that are managed together and for which there is objective evidence of a recent pattern of short-term profit-taking; or (3) the financial assets is a derivative, excluding the derivatives designated as effective hedging instruments, the derivatives classified as financial guarantee contract, and the derivatives linked to an equity instrument investment which has no quoted price in an active market nor a reliably measured fair value and are required to be settled through that equity instrument.

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

10. Financial instruments (continued)

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

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

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

Financial assets carried at FVTPL are subsequently measured at fair value. The gain or loss arising from changes in fair value and dividends and interest income related to such financial assets are charged to profit or loss for the current period.

10.2.2 Loans and accounts receivable

Loans and accounts receivable are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Financial assets, including cash and cash equivalents, notes receivable, accounts receivable, dividends receivable, loans and advances to customers, other receivables and long-term receivables etc., are classified as loans and accounts receivable by the Group.

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

10.2.3 Available-for-sale financial assets

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

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

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

10. Financial instruments (continued)

10.3 Impairment of financial assets

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

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

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

10.3.1 Impairment of financial assets measured at amortized cost

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

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

10. Financial instruments (continued)

10.3 Impairment of financial assets (continued)

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

For a financial asset that is individually significant, the Group assesses the asset individually for impairment. For a financial asset that is not individually significant, the Group assesses the asset individually for impairment or includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. If it is determined that no impairment exists for an individually assessed financial asset, whether the financial asset is individually significant or not, the financial asset is included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment again. Financial assets for which an impairment loss is individually recognized are not included in the collective assessment for impairment for a group of financial assets with similar credit risk characteristics.

10.3.2 Impairment of available-for-sale financial assets

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

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

10.3.3 Impairment of financial assets measured at cost

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

10. Financial instruments (continued)

10.4 Transfer of financial asset

Financial asset that satisfied any of the following criteria shall be derecognized: (1) the contract right to recover the cash flows of the financial asset has terminated; (2) the financial asset, along with substantially all the risk and return arising from the ownership of the financial asset, has been transferred to the transferee; and (3) the financial asset has been transferred to the transferee, and the transferor has given up the control on such financial asset, though it does not transfer or maintain substantially all the risk and return arising from the ownership of the financial asset.

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

10.5 Classification and measurement of financial liabilities

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

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

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

10.6 Derecognition of financial liabilities

Financial liabilities are derecognized in full or in part only when the present obligation is discharged in full or in part. An agreement is entered into between the Group (debtor) and a creditor to replace the original financial liabilities with new financial liabilities with substantially different terms, derecognize the original financial liabilities as well as recognize the new financial liabilities.

When financial liabilities is derecognized in full or in part, the difference between the carrying amount of the financial liabilities derecognized and the consideration paid (including transferred non-cash assets or new financial liability) is recognized in profit or loss for the current period.

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

10. Financial instruments (continued)

10.7 Derivative instruments and embedded derivative instruments

Derivatives are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value. Changes of fair value of derivatives are carried at profit or loss for the reporting period.

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

10.8 Equity instruments

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

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

11. Receivables

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

Recognition criteria of receivables that are individually significant

The Group recognized accounts receivable of over RMB3 million and other receivables of over RMB1 million are recognized as individually significant. Receivables due from related parties are recognized as individually significant.

Provision method for bad debts of receivables that are individually significant

The Group conducts impairment test for receivables that are individually significant, and tests receivables without separate impairment, including conducting impairment test on financial assets group with similar credit risk characteristics. For receivables with impairment loss recognized in a single item test, they cease to be included in the group of receivables with similar risk characteristics for impairment test.

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

11. Receivables (continued)

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

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

Aging analysis method

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

12. Inventories

12.1 Classification of inventories

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

12.2 Valuation method of inventories upon delivery

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

12.3 Recognition of net realizable value of inventories

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

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

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

12. Inventories (continued)

12.3 Recognition of net realizable value of inventories (continued)

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

Net realizable value represents the estimated selling price of inventories minus cost estimated to incur upon completion, estimated selling costs and relevant taxes during normal course of business. When determining the net realizable value of inventory, basis is relied on the actual evidences obtained while the objectives of inventories holding and the impact of post balance sheet date event are also considered.

12.4 Inventory count system

The inventory count system shall be on a perpetual basis.

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

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

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

13. Long-term equity investments

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

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

13.2 Determination of initial investment cost

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

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

13. Long-term equity investments (continued)

13.3 Method for subsequent measurement and profit or loss recognition

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

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

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

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

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

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

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

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

13. Long-term equity investments (continued)

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

13.3.2 Long-term equity investments accounted for using the equity method (continued)

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

13.3.3 Disposal of long-term equity investments

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

14. Investment properties

Investment property refers to real estate held to earn rentals or for capital appreciation, or both, including leased land use rights, land use rights held and provided for transferring after appreciation and leased constructions, etc.

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

The Group adopts cost method for subsequent measurement of investment property, which is depreciated or amortized using the same policy as that for buildings and land use rights.

When an investment property is sold, transferred, retired or damaged, the amount of proceeds on disposal of the property net of the carrying amount and related taxes and surcharges is recognized in profit or loss for the current period.

15. Fixed assets

15.1 Conditions for recognition of fixed assets

Fixed assets are tangible assets that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and have a useful life of more than one accounting period. Fixed assets are only recognized when their related economic benefits are likely to flow to the Group and their cost can be reliably measured. Fixed assets are initially measured at cost.

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

15. Fixed assets (continued)

15.1 Conditions for recognition of fixed assets (continued)

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.

15.2 Method for depreciation of different fixed assets

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

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

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

15.3 Other explanations

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

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

16. Construction in progress

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

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

17. Borrowing costs

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

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

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

18. Intangible assets

18.1 Intangible assets

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

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

Land use rights acquired shall normally be recognized as an intangible asset. Self-constructed buildings (e.g. plants), related land use rights and the buildings shall be separately accounted for as intangible assets and fixed assets. For buildings and structures purchased, the purchase consideration shall be allocated among land use rights and the buildings on a reasonable basis. If there is any difficulty in making a reasonable allocation, the consideration shall be recognized in full as fixed assets.

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

18. Intangible assets (continued)

18.1 Intangible assets (continued)

When an intangible asset with a finite useful life is available for use, its original cost less estimated net residual value and any accumulated impairment losses provided is amortized over its estimated useful life using the straight-line method. The intangible assets with infinite useful life are not amortized. The useful life and annual amortization rate of each category of intangible assets are as follows:

Category	Depreciation period (years)	Annual depreciation rate (%)
Land use rights	50	2.00
Software and others	2–10	10.00–50.00

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

18.2 Research and development expenditure

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

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

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

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

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

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

19. Impairment of long-term assets

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

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

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

Goodwill is tested for impairment yearly. When conducting the impairment test for goodwill, the test is conducted through combination with its related asset group or portfolio of asset group. That is, goodwill is reasonably allocated to the related asset group or each of asset group expected to benefit from the synergies of the combination. If the recoverable amount of asset group or portfolio of asset group containing the allocated goodwill is lower than its carrying value, relevant impairment loss is recognized. The amount of impairment loss is first written-down and allocated to the carrying amount of the goodwill of that asset group or portfolio of asset group, and is then written down to the carrying value of all other types of assets proportionally according to the weighting of the carrying value of all other types of assets other than goodwill within asset group or portfolio of asset group.

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

20. Long-term deferred expenses

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

21. Employee benefits

21.1 Short-term employee benefits

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

During the accounting 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.

21.2 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.

22. Provisions

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

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

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

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

23. Revenue

23.1 Revenue from sales of goods

Revenue is recognized when the Company has transferred to the buyer the significant risks and rewards of ownership of the goods, retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and will probably receive the economic benefits associated with the transaction, and can reliably measure the relevant amount of revenue and costs.

23.2 Revenue from provision of services

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

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

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

23.3 Interest income

Interest income is recognized based on the time horizon of the use of the Group's cash by others and effective interest rate.

24. Government grants

Government grants are monetary assets and non-monetary assets gratuitous acquired from the government. Government grants are classified into government grants related to assets and government grants related to income in accordance with the nature of objects.

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. Government grants are measured at fair value if it is non monetary assets if the fair value cannot be reliably obtained, it shall be measured in nominal amounts.

A government grant related to enterprises' business activities, is recognized as other income in the light of the nature of business. A government grant non-related to enterprises' business activities, is recognized as non-operating income or expense.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

24. Government grants (continued)

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

The group's government grants are mainly "enterprise support grants" for the group to build long-term assets, and such kind of government grants are government grants related to assets.

A government grant related to asset is recognized as deferred income, and be measured in the profits or losses in a reasonable and systematic way within the useful life of the relevant asset.

24.2 Judgement criteria and accounting treatment for government grants related to income

Government grants related to income refer to government grants except for government grants related to assets.

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 or offset cost over the period in which the related costs are recognized. If the grant is a compensation for related expenses or losses already incurred, the grant is recognized immediately in profit or loss or offset cost for the current period.

24.3 The return of government grants

If the approved government grants need to be returned, the relevant deferred income balance shall be offset and the remaining part is measured in the current profits and losses; in other circumstances, it is directly measured in the profits and losses of the current period.

25. Income tax

25.1 Current income tax

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

25.2 Deferred tax assets and deferred tax liabilities

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

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

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

25. Income tax (continued)

25.2 Deferred tax assets and deferred tax liabilities (continued)

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

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

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

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

25.3 Income tax expenses

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

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

25.4 Offsetting of income tax

When the Group has a legal right to settle on a net basis and intends either to settle on a net basis or to 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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

26. Operating lease

26.1 The Group as lessee under operating leases

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

26.2 The Group as lessor under operating leases

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

27. Changes of significant accounting policies

The group adapts the "ASBE 16 Government Grants (Amendment)" and "ASBE 42 Non-current Assets Held for Sale, Disposal of Asset Group and Termination of Operation" revised and promulgated by the Ministry of Finance since 2017.

"ASBE 16 Government Grants" (Amendment) clarifies the applicable scope further and makes clear the principle of distinction between government grants and income. The government grants related to assets are allowed to offset book value of related assets and the government grants related to business activities of enterprises, should offset other income or related costs or expenses according to the type of business. At the same time, the accounting treatment of financial discount was added, and new reporting requirements were stipulated.

The group treats the government grants that existed in 1 January 2017 according to the prospective applicable method. Since 1 January 2017, the group's government grants related to business activities are treated as other income in accordance with business type and are no longer included in non-operating income.

"ASBE 42 Non-current Assets Held for Sale, Disposal of Asset Group and Termination of Operation" stipulates classification, measurement and presentation of non-current assets held for sale, disposal of asset group and reporting of termination of operation.

Above ASBE, has no significant impact on the group's financial statements.

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

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

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

The Group regularly reviews the aforesaid judgments, estimates and assumptions on the basis of continuous operation. Where the changes in accounting estimates only impact the current period, the impact shall be recognized during the current period; where such changes impact both the current and future periods, the impact shall be confirmed during the current and future periods when such changes occur.

Key assumptions and uncertainties in the application of accounting estimates

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

Provision for bad debts

The Group recognizes provision bad debts according to the recoverability of receivables. When there is a sign showing that a receivable item probably cannot be collected, provision for bad debts is required to be recognized. Judgements and estimates are required in recognition of bad debts. If the result of new estimation differs from current estimation, such difference will impact the book value of receivables for the corresponding period.

Provision for decline in value of inventories

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

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

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

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

Useful life of fixed assets

The Group estimates the useful life of fixed assets based on experience of actual useful life of fixed asset of similar nature and function. If the useful life of a fixed asset is shortened, the 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 2017, the Group recognized deferred tax assets of RMB652,001,605.84 (31 December 2016: RMB963,955,022.84) in the consolidated balance sheet. The realization of deferred tax assets is mainly determined by future actual earnings and actual tax rate of temporary difference in future utilization year. If the actual future earning is less than estimates, or the actual tax rate is lower than estimates, the recognized deferred income tax asset shall be reversed, and be recognized in the income statement in the year in which the reversal is incurred. If the actual earnings accrued in the future is more than estimates, or the actual tax rate is higher than estimates, such deferred tax asset shall be recognized in the consolidated income statement in the year in which they are incurred.

Fees for after-sale services

Generally, the Group provides one, two or multiple free maintenance services to its domestic customers and provides a warranty period to their domestic customers for a certain period since the date of purchase, during which period free repairs and maintenance services are provided. The Group makes provisions for after-sale services annually according to the maintenance times and expected standard for each automobile per annum. As at 30 June 2017, provisions for after-sale services amounted to RMB978,349,046.63 (as at 31 December 2016: RMB1,118,768,730.43). If the actual fees for after-sale services varies from the estimates, the profits and losses in incurred period will be affected.

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

V. TAXATION

1. Major tax types and rates

Tax type	Basis	Tax rate
Business tax	Turnover (Note 2)	3%, 5%
Value-added tax	Purchase/Sales (Note 1)	3%, 5%, 6%, 11%, 13%, 17%
Consumption tax	Sales	3%, 5%, 9%, 12%
Urban maintenance and construction tax	Value-added tax, consumption tax and business tax	5%, 7%
Education surcharge	Value-added tax, consumption tax and business tax	3%
Enterprise income tax	Taxable income (Note 1)	20%, 25%, 30%
Real estate tax	Original cost/rental income of the real estate	For self-occupied real estate of the Company, the tax is calculated at 70% of the original cost and a tax rate of 1.2%. For leased real estate, the tax is calculated at 12% of the rental income
Land use tax	Usable area of the land	Relevant tax rate

Note 1: Excluding the tax incentives set out in Note (V) 2, the applicable tax rates of the relevant companies of the Group for 2016 and from 1 January 2017 to 30 June 2017 are listed on the above table.

Note 2:

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

V. TAXATION (continued)**2. Tax incentives and approvals****2.1 Income tax incentives***2.1.1 Income tax incentive policy for recruitment of disabled*

Pursuant to the "Circular on Granting Tax Credit and Exemption relating to Enterprise Income Tax on the Recruitment of Disabled" (關於安置殘疾人員就業有關企業所得稅優惠政策問題的通知) (Cai Shui [2009] No. 70) (the "Circular") issued by the Ministry of Finance and the State Administration of Taxation, the Company and its subsidiaries, Baoding Nuobo Rubber Production Company Limited ("Baoding Nuobo") (保定市諾博橡膠製品有限公司), Baoding Great Machinery Company Limited ("Baoding Great") (保定市格瑞機械有限公司), Baoding Yixin Automotive Parts Company Limited ("Baoding Yixin") (保定億新汽車配件有限公司), Tianjin Boxin Automotive Parts Company Limited ("Tianjin Boxin") (天津博信汽車零部件有限公司), Baoding Xinyi Automobile Seating Co., Ltd. ("Xinyi Seating") (保定信益汽車座椅有限公司) and Baoding Weiyi Automobile Co., Ltd. ("Baoding Weiyi") (保定威奕汽車有限公司), satisfied all conditions as prescribed in the Circular for deduction 100% of the wages paid to disabled staff from taxable income when determining income tax and passed the examination of relevant authorities, and they were entitled to deduct 100% of the actual wages paid to disabled staff from the taxable income when determining enterprise income taxes.

2.1.2 Income tax exemption for new and high-tech enterprise

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

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

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

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

V. TAXATION (continued)

2. Tax incentives and approvals (continued)

2.1 Income tax incentives (continued)

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

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

2.1.3 Income tax credit for small-scaled minimal profit enterprise

Pursuant to the "Circular on Granting Tax Credit and Exemption relating to Enterprise Income Tax on the Small-Scaled Minimal Profit Enterprise" (關於擴大小型微利企業所得稅優惠政策範圍的通知) (Caishui [2017] No. 34) and the "Circular on Further Granting Tax Credit and Exemption relating to Enterprise Income Tax on the Small-Scaled Minimal Profit Enterprise to a Larger Extent by the Ministry of Finance and the State Administration of Taxation" (財政部、國家稅務總局關於進一步擴大小型微利企業所得稅優惠政策有關問題的通知) (Caishui [2015] No. 99) issued by the Ministry of Finance and the State Administration of Taxation, Beijing Great Wall Dong Sheng Business Consulting Company Limited ("Great Wall Dong Sheng") (北京長城東晟商務諮詢有限公司) and Baoding Lean Automotive Occupational Training School ("Lean School") (保定市精益汽車職業培訓學校), which are subsidiaries of the Company, satisfied all conditions as prescribed of in the Circular above for Small-Scaled Minimal Profit Enterprise with annual taxable income less than RMB300,000 (including RMB300,000) in for 2016 and expect RMB500,000 in for 2017, so for the year 2016 and 2017, the taxable income is reduced to 50% of original total taxable income, and the applicable enterprise income tax rate is 20%.

2.2 Value-added tax incentives

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

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and bank balances

Item	RMB	
	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Cash:		
RMB	462,130.34	824,251.11
USD	98,282.05	62,819.67
AUD	38,306.62	10,676.72
EUR	26,381.96	67,479.83
GBP	14,219.57	17,786.94
HKD	9,833.88	10,528.74
JPY	8,829.18	31,837.88
ZAR	3,905.57	3,931.27
SGD	1,528.10	1,492.64
RUB	65.40	65.90
KRW	42.16	40.95
THB	25.95	25.21
NZD	—	3,330.76
Bank balances:		
RMB	4,898,079,407.61	1,549,604,082.49
USD	603,487,630.51	55,722,489.97
RUB	110,653,100.30	183,112,224.00
ZAR	50,644,205.93	26,861,587.71
AUD	45,331,352.39	29,653,377.57
INR	19,487,245.51	24,376,059.72
NZD	11,892,998.22	460,813.61
EUR	10,910,231.35	10,559,780.34
JPY	8,689,533.12	8,317,707.52
KRW	847,993.72	—
HKD	18,502.47	7,894.74
GBP	11.46	2,134,037.40
CHF	0.07	11.06
Other cash and bank balances:		
RMB	826,415,114.79	261,520,381.77
NZD	1,487,070.00	238,842.86
Total	6,588,607,948.23	2,153,603,558.38
Include: overseas cash and bank balances	823,079,969.55	440,755,093.52

As at 30 June 2017, the Group had restricted cash and bank balances of RMB827,902,184.79, in which guarantee on bank acceptance bills amounted to RMB468,113,398.12; required reserves amounted to RMB300,230,000.00; guarantee on letter of credit amounted to RMB1,487,070.00, guarantee on letter of guarantee amounted to RMB7,560,000.00, deposited investment fund amounted to RMB50,007,416.67, and other guarantees amounted to RMB504,300.00.

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

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

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

2. Financial assets at fair value through profit or loss

Item	RMB	
	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Wealth investment products influenced by exchange rate	400,000,000.00	—
Total	400,000,000.00	—

3. Notes receivable

(1) Classification of notes receivable:

Category	RMB	
	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Bank acceptances	15,644,154,262.42	39,786,248,863.34
Total	15,644,154,262.42	39,786,248,863.34

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

Category	RMB	
	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Bank acceptances	6,562,506,657.17	3,526,875,391.00
Total	6,562,506,657.17	3,526,875,391.00

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

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

Category	RMB	
	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Bank acceptances	21,854,661,447.12	21,691,538,965.77
Total	21,854,661,447.12	21,691,538,965.77

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

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

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

4. Accounts receivable

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

RMB

Category	30 June 2017(Unaudited)					31 December 2016(Audited)				
	Carrying amount		Provision for bad debts			Carrying amount		Provision for bad debts		
	Amount	Ratio (%)	Amount	Provision ratio (%)	Book value	Amount	Ratio (%)	Amount	Provision ratio (%)	Book value
Receivables that are individually significant and for which bad debt provision is individually assessed	2,173,206,256.97	94.88	(359,645,600.70)	16.55	1,813,560,656.27	754,841,412.20	85.67	(358,175,977.45)	47.45	396,665,434.75
Receivables for which bad debt provision is collectively assessed on a portfolio basis of credit risk character	116,955,952.34	5.11	(7,308,434.73)	6.25	109,647,517.61	125,474,083.70	14.24	(4,925,996.33)	3.93	120,548,087.37
Accounts receivable that are not individually significant but for which bad debt provision is individually assessed	266,035.11	0.01	—	—	266,035.11	763,224.85	0.09	—	—	763,224.85
Total	2,290,428,244.42	100.00	(366,954,035.43)	16.02	1,923,474,208.99	881,078,720.75	100.00	(363,101,973.78)	41.21	517,976,746.97

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

RMB

Accounts receivable (by customers)	30 June 2017(Unaudited)			Reason for provision
	Accounts receivable	Provision for bad debts	Provision ratio (%)	
Customer 1	354,511,286.34	(334,809,356.27)	94.44	Past due
Customer 2	21,703,877.95	(3,922,269.59)	18.07	Past due
Customer 3	21,498,403.48	(7,654,315.74)	35.60	Past due
Customer 4	20,806,122.68	(2,917,209.09)	14.02	Past due
Customer 5	13,281,738.20	(2,478,631.10)	18.66	Past due
Customer 6	8,698,531.18	(1,105,329.50)	12.71	Past due
Customer 7	5,598,777.73	(975,443.32)	17.42	Past due
Customer 8	5,463,514.88	(416,130.14)	7.62	Past due
Customer 9	5,366,915.95	(5,366,915.95)	100.00	Past due
Others	1,716,277,088.58	—	—	
Total	2,173,206,256.97	(359,645,600.70)	16.55	

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

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

4. Accounts receivable (continued)

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

RMB

Aging	30 June 2017(Unaudited)				31 December 2016(Audited)			
	Amount	Ratio (%)	Provision for bad debts	Book value	Amount	Ratio (%)	Provision for bad debts	Book value
Within 1 year	1,924,564,548.35	84.03	(22,708,273.92)	1,901,856,274.43	509,173,948.52	57.79	(14,391,824.63)	494,782,123.89
1 to 2 years	5,045,435.28	0.22	(2,829,552.83)	2,215,882.45	349,574,065.01	39.68	(343,624,325.06)	5,949,739.95
2 to 3 years	360,818,260.79	15.75	(341,416,208.68)	19,402,052.11	22,330,707.22	2.53	(5,085,824.09)	17,244,883.13
Total	2,290,428,244.42	100.00	(366,954,035.43)	1,923,474,208.99	881,078,720.75	100.00	(363,101,973.78)	517,976,746.97

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

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

Provision for bad debts amounted to RMB16,501,187.52, and collection or reversal of bad debts amounted to RMB12,643,744.87.

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

RMB

Customer	Amount of collection or reversed	Method of recovery	Reason for collection or reversal	Reason for recognise original provision of bad debts
Customer 1	7,916,926.93	Other methods	The change of exchange rate	Past due

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

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

RMB

Name of entity	Closing balance	Proportion of the amount to the total accounts receivable (%)	Amount of provision for bad debts at end of the period
Customer 1	435,870,000.49	19.03	—
Customer 2	354,511,286.34	15.48	(334,809,356.27)
Customer 3	139,287,931.15	6.08	—
Customer 4	123,511,250.02	5.39	—
Customer 5	61,244,815.18	2.67	—
Total	1,114,425,283.18	48.65	(334,809,356.27)

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

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

5. Prepayments

(1) Prepayments by aging:

Aging	30 June 2017(Unaudited)		31 December 2016(Audited)	
	Amount	Ratio (%)	Amount	Ratio (%)
Within 1 year	651,801,064.26	76.86	991,861,559.73	93.82
1 to 2 years	192,445,438.68	22.69	63,300,097.76	5.99
2 to 3 years	3,250,181.87	0.38	1,693,017.38	0.16
Over 3 years	552,150.15	0.07	325,748.90	0.03
Total	848,048,834.96	100.00	1,057,180,423.77	100.00

Description of aging of prepayments:

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

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

Name of entity	Amount	Proportion of
		the amount to the total prepayments (%)
Supplier1	106,765,742.86	12.59
Supplier2	103,218,888.39	12.17
Supplier3	52,150,000.00	6.15
Supplier4	45,615,755.77	5.38
Supplier5	38,296,824.30	4.52
Total	346,047,211.32	40.81

6. Interest receivable

Item	30 June 2017	31 December 2016
	(Unaudited)	(Audited)
Interest on loans and advances to customers	17,311,382.13	12,418,121.84
Interest on wealth investment products	19,026,880.33	—
Total	36,338,262.46	12,418,121.84

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

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

7. Other receivables

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

RMB

Category	30 June 2017(Unaudited)					31 December 2016(Audited)				
	Carrying amount	Ratio	Provision for bad debts		Book value	Carrying amount	Ratio	Provision for bad debts		Book value
	Amount	(%)	Amount	Provision ratio (%)		Amount	(%)	Amount	Provision ratio (%)	
Other receivables that are individually significant and for which bad debt provision is individually assessed	248,280,620.43	87.26	(7,141,494.12)	2.88	241,139,126.31	226,608,337.71	87.72	(7,141,494.12)	3.15	219,466,843.59
Other receivables for which bad debt provision is collectively assessed on a portfolio basis of credit risk character	36,214,075.47	12.73	(181,076.00)	0.50	36,032,999.47	31,545,027.24	12.21	—	—	31,545,027.24
Other receivable that are not individually significant but for which bad debt provision is individually assessed	23,581.57	0.01	—	—	23,581.57	169,838.00	0.07	(169,838.00)	100.00	—
Total	284,518,277.47	100.00	(7,322,570.12)	2.57	277,195,707.35	258,323,202.95	100.00	(7,311,332.12)	2.83	251,011,870.83

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

RMB

Other receivables (by entity)	30 June 2017(Unaudited)			Reason for provision
	Amount	Provision for bad debts	Provision ratio (%)	
Entity 1	70,258,531.06	—	—	
Entity 2	57,055,153.27	—	—	
Entity 3	33,497,681.79	—	—	
Entity 4	11,273,470.19	—	—	
Entity 5	10,200,000.00	—	—	
Entity 6	5,397,354.12	(5,397,354.12)	100.00	Unrecoverable
Entity 7	1,744,140.00	(1,744,140.00)	100.00	Unrecoverable
Others	58,854,290.00	—	—	
Total	248,280,620.43	(7,141,494.12)	2.88	

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

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

7. Other receivables (continued)

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

RMB

Aging	30 June 2017(Unaudited)				31 December 2016(Audited)			
	Amount	Ratio (%)	Provision for bad debts	Book Value	Amount	Ratio (%)	Provision for bad debts	Book Value
Within 1 year	232,486,278.09	81.71	(11,238.00)	232,475,040.09	237,770,215.00	92.04	(5,567,192.12)	232,203,022.88
1 to 2 years	37,624,721.93	13.22	(5,567,192.12)	32,057,529.81	2,803,115.56	1.09	—	2,803,115.56
2 to 3 years	10,773,742.46	3.79	—	10,773,742.46	16,265,819.64	6.30	(1,744,140.00)	14,521,679.64
Over 3 years	3,633,534.99	1.28	(1,744,140.00)	1,889,394.99	1,484,052.75	0.57	—	1,484,052.75
Total	284,518,277.47	100.00	(7,322,570.12)	277,195,707.35	258,323,202.95	100.00	(7,311,332.12)	251,011,870.83

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

Provision for bad debts amounted to RMB11,238.00, and no collection or reversal of bad debts.

(4) *There is no other receivables actually written off during the current period*

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

RMB

Nature	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Deposits	109,096,103.69	104,116,309.98
Export rebates	70,258,531.06	52,793,645.23
Petty cash	21,751,921.74	27,871,549.57
Others	83,411,720.98	73,541,698.17
Total	284,518,277.47	258,323,202.95

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

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

7. Other receivables (continued)

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

RMB

Name of unit	Relationship with the Group	Amount	Aging	Proportion of the amount to the total other receivables (%)	Balance of provision for bad debt at end of the period
Entity 1	Tax refunds receivable	70,258,531.06	Within 1 year	24.69	—
Entity 2	Customs Deposit	57,055,153.27	Within 1 year	20.05	—
Entity 3	Tax refunds receivable	33,497,681.79	Within 2 years	11.77	—
Entity 4	Customs Deposit	11,273,470.19	Within 1 year	3.96	—
Entity 5	Performance Bond	10,200,000.00	2 to 3 years	3.59	—
Total		182,284,836.31		64.06	

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

8. Inventories

(1) Inventories by category

RMB

Item	30 June 2017(Unaudited)		
	Carrying amount	Provision for decline in value of inventories	Book value
Raw materials	2,273,045,516.29	(21,815,042.10)	2,251,230,474.19
Work-in-progress	839,448,366.34	(1,011,076.67)	838,437,289.67
Finished goods	5,038,068,942.84	(84,916,025.04)	4,953,152,917.80
Low-valued and short-lived consumables	250,218,268.26	(39,041.27)	250,179,226.99
Total	8,400,781,093.73	(107,781,185.08)	8,292,999,908.65

RMB

Item	31 December 2016(Audited)		
	Carrying amount	Provision for decline in value of inventories	Book value
Raw materials	809,302,867.30	(1,705,038.57)	807,597,828.73
Work-in-progress	770,621,803.80	(23,149.09)	770,598,654.71
Finished goods	4,274,663,874.52	(4,168,690.27)	4,270,495,184.25
Low-valued and short-lived consumables	212,621,715.54	(175,165.55)	212,446,549.99
Total	6,067,210,261.16	(6,072,043.48)	6,061,138,217.68

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

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

8. Inventories (continued)

(2) Provision for decline in value of inventories

RMB

Inventory categories	1 January 2017	Provided for the period	Decrease for the period		30 June 2017 (Unaudited)
			Reversals	Written-off	
Raw materials	1,705,038.57	20,141,951.85	(1,330.50)	(30,617.82)	21,815,042.10
Work-in-progress	23,149.09	1,011,076.67	—	(23,149.09)	1,011,076.67
Finished goods	4,168,690.27	84,336,746.62	(145,885.08)	(3,443,526.77)	84,916,025.04
Low-valued and short-lived consumables	175,165.55	—	(136,124.28)	—	39,041.27
Total	6,072,043.48	105,489,775.14	(283,339.86)	(3,497,293.68)	107,781,185.08

(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	0.05

Descriptions of inventories:

Note 1: As the estimated net realizable value of some vehicle products was lower than the inventory cost as at the end of the 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 this 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 2017

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

9. Non-current assets due within one year

		RMB	
Item	Note	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Loans and advances to customers due within one year	(VI)11	3,141,958,964.46	532,600,764.95
Long-term receivables due within one year	(VI)13	1,094,217,450.00	669,101,300.00
Total		4,236,176,414.46	1,201,702,064.95

10. Other current assets

		RMB	
Item		30 June 2017 (Unaudited)	31 December 2016 (Audited)
Paint for vehicles		4,011,337.38	3,967,367.57
Taxes to be deducted		586,164,714.83	63,942,498.91
Prepayment of enterprise income tax		222,878,449.38	—
Mould (Note 1)		53,116,416.25	63,676,884.10
Wealth management products		4,446,000,000.00	1,300,000,000.00
Others		45,743,813.66	17,166,920.22
Total		5,357,914,731.50	1,448,753,670.80

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

11. Loans and advances to customers

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

		RMB	
Item		30 June 2017 (Unaudited)	31 December 2016 (Audited)
Company loans and advances		—	—
Including: loans		—	—
Personal loans and advances		5,712,820,418.85	3,667,568,433.34
Including: automotive consumption loans		5,712,820,418.85	3,667,568,433.34
Total amount of loans and advances to customers		5,712,820,418.85	3,667,568,433.34
Less: impairment loss of loans		91,505,870.16	58,718,015.89
Net amount of loans and advances to customers		5,621,314,548.69	3,608,850,417.45
Less: loans and advances to customers due within one year		3,141,958,964.46	532,600,764.95
Loans and advances to customers		2,479,355,584.23	3,076,249,652.50

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

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

Provision for impairment loss of loans amounted to RMB32,789,742.52, and collection or reversal of impairment loss of loans amounted to RMB1,888.25.

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

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

12. Available-for-sale financial assets

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

RMB

Item	30 June 2017(Unaudited)			31 December 2016(Audited)		
	Carrying amount	Impairment provision	Book value	Carrying amount	Impairment provision	Book value
Wealth management products	800,000,000.00	—	800,000,000.00	1,438,000,000.00	—	1,438,000,000.00
Total	800,000,000.00	—	800,000,000.00	1,438,000,000.00	—	1,438,000,000.00

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

RMB

Item	30 June 2017(Unaudited)			31 December 2016(Audited)		
	Carrying amount	Impairment provision	Book value	Carrying amount	Impairment provision	Book value
Available-for-sale equity instruments measured at cost	7,700,000.00	—	7,700,000.00	7,700,000.00	—	7,700,000.00
Total	7,700,000.00	—	7,700,000.00	7,700,000.00	—	7,700,000.00

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

RMB

Investee	Carrying amount			30 June 2017	Impairment			30 June 2017	Holding proportion in investee (%)	Cash dividend for this year
	1 January 2017	Increase	Decrease		1 January 2016	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	—	—	—	—	—	—

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

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

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

13. Long-term receivables

RMB

Items	30 June 2017(Unaudited)			31 December 2016(Audited)			Range of discount rate
	Carrying amount	Impairment provision	Book value	Carrying amount	Impairment provision	Book value	
Performance bond	2,071,479,341.50	—	2,071,479,341.50	2,030,294,781.58	—	2,030,294,781.58	3.80%
Decrease: Long-term receivables due within one year	1,094,217,450.00	—	1,094,217,450.00	669,101,300.00	—	669,101,300.00	—
Total	977,261,891.50	—	977,261,891.50	1,361,193,481.58	—	1,361,193,481.58	

14. Investment properties

The investment properties measured at cost:

RMB

Item	Buildings	Land use rights	Total
I. Original carrying amount			
1 January 2017(Audited)	115,412,902.24	17,770,823.45	133,183,725.69
Additions for the period	—	—	—
Decreases for the period	—	(1,388,790.49)	(1,388,790.49)
(1) Transfer to intangible assets	—	(1,388,790.49)	(1,388,790.49)
Foreign currency translation differences	545,755.50	—	545,755.50
30 June 2017(Unaudited)	115,958,657.74	16,382,032.96	132,340,690.70
II. Accumulated amortization and depreciation			
1 January 2017(Audited)	(3,820,485.30)	(1,216,366.89)	(5,036,852.19)
Additions for the period	(2,274,398.34)	(166,412.34)	(2,440,810.68)
(1) Provision or amortization	(2,274,398.34)	(166,412.34)	(2,440,810.68)
Decreases for the period	—	97,377.64	97,377.64
(1) Transfer to intangible assets	—	97,377.64	97,377.64
Foreign currency translation differences	(5,600.03)	—	(5,600.03)
30 June 2017(Unaudited)	(6,100,483.67)	(1,285,401.59)	(7,385,885.26)
III. Book value			
30 June 2017(Unaudited)	109,858,174.07	15,096,631.37	124,954,805.44
1 January 2017(Audited)	111,592,416.94	16,554,456.56	128,146,873.50

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

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

15. Fixed assets

Fixed assets:

RMB

Item	Buildings	Machinery and equipment	Transportation vehicles	Others	Total
I. Original carrying amount					
1 January 2017(audited)	11,529,676,279.81	17,806,087,131.57	446,454,245.10	5,025,011,592.57	34,807,229,249.05
Additions for the period	541,302,923.06	1,678,460,246.96	28,404,443.02	937,600,790.23	3,185,768,403.27
1. Acquisition	8,185,134.10	50,955,874.33	20,238,090.80	162,394,766.91	241,773,866.14
2. Transfer from construction in progress	533,117,788.96	1,627,504,372.63	4,066,523.25	775,157,510.50	2,939,846,195.34
3. Transfer from inventories	—	—	4,099,828.97	48,512.82	4,148,341.79
Decrease for the period	(51,710,121.13)	(125,672,027.50)	(17,203,360.88)	(12,309,929.67)	(206,895,439.18)
1. Disposal or retired	(788,650.00)	(3,567,112.35)	(17,200,718.31)	(6,429,371.54)	(27,985,852.20)
2. Decrease for transferring to construction in progress	—	(121,303,569.84)	—	—	(121,303,569.84)
3. Decrease for transferring to intangible assets	(50,808,000.00)	—	—	—	(50,808,000.00)
4. Other transfer-out	(113,471.13)	(801,345.31)	(2,642.57)	(5,880,558.13)	(6,798,017.14)
30 June 2017(unaudited)	12,019,269,081.74	19,358,875,351.03	457,655,327.24	5,950,302,453.13	37,786,102,213.14
II. Accumulated depreciation					
1 January 2017(audited)	1,505,966,765.46	5,859,291,729.60	198,809,990.11	2,373,430,158.59	9,937,498,643.76
Additions for the period	205,564,544.44	846,703,435.51	29,424,257.31	388,871,547.07	1,470,563,784.33
1. Provision for the period	205,564,544.44	846,703,435.51	29,424,257.31	388,871,547.07	1,470,563,784.33
Decrease for the period	(141,400.32)	(51,856,338.04)	(5,978,492.81)	(9,343,252.20)	(67,319,483.37)
1. Disposal or retired	(141,400.32)	(1,834,499.73)	(5,978,492.81)	(5,326,441.20)	(13,280,834.06)
2. Decrease for transferring to construction in progress	—	(50,006,985.16)	—	—	(50,006,985.16)
3. Other transfer-out	—	(14,853.15)	—	(4,016,811.00)	(4,031,664.15)
30 June 2017(unaudited)	1,711,389,909.58	6,654,138,827.07	222,255,754.61	2,752,958,453.46	11,340,742,944.72
III. Provision for impairment					
1 January 2017(audited)	136,268.33	53,085,256.58	—	101,555,997.54	154,777,522.45
Additions for the period	—	—	—	—	—
Decrease for the period	—	(1,663,031.55)	—	(402,846.30)	(2,065,877.85)
1. Disposal or retired	—	(1,663,031.55)	—	(402,846.30)	(2,065,877.85)
30 June 2017(unaudited)	136,268.33	51,422,225.03	—	101,153,151.24	152,711,644.60
IV. Book value					
30 June 2017(unaudited)	10,307,742,903.83	12,653,314,298.93	235,399,572.63	3,096,190,848.43	26,292,647,623.82
1 January 2017(audited)	10,023,573,246.02	11,893,710,145.39	247,644,254.99	2,550,025,436.44	24,714,953,082.84

As at 30 June 2017, among the fixed assets, the net book value of properties without title certificates amounted to RMB3,841,886,247.88 (As at 31 December 2016: RMB3,467,547,746.25) and the application of relevant title certificates is in progress.

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

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

16. Construction in progress

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

RMB

Project	30 June 2017(Unaudited)			31 December 2016(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	805,343.37	—	805,343.37	1,234,403.71	—	1,234,403.71
Annual production of 400,000 sets of interior and exterior decorations	—	—	—	45,600.00	—	45,600.00
Tianjin automotive project	105,995,418.03	—	105,995,418.03	21,035,961.28	—	21,035,961.28
Tianjin parts and components project	393,431,095.81	(825,758.75)	392,605,337.06	303,344,365.74	(825,758.75)	302,518,606.99
Industrial park phase I, II, III						
Reconstruction and expansion	161,163,761.25	(2,715,075.95)	158,448,685.30	169,760,315.43	(2,810,400.74)	166,949,914.69
Xindatong Reconstruction	32,066.67	—	32,066.67	32,066.67	—	32,066.67
Jiaozhuang infrastructure	—	—	—	109,481.72	—	109,481.72
New technology center	202,352,953.98	—	202,352,953.98	199,992,873.72	—	199,992,873.72
Other R & D projects	22,642,018.34	—	22,642,018.34	—	—	—
Xushui automotive project	923,546,053.73	—	923,546,053.73	1,379,098,778.59	—	1,379,098,778.59
Xushui parts and components project	1,810,886,837.89	(83,886.55)	1,810,802,951.34	2,074,099,569.20	(83,886.55)	2,074,015,682.65
Xushui supporting infrastructure project	158,535,069.12	—	158,535,069.12	150,547,321.36	—	150,547,321.36
Russia 80,000 sets of vehicle plant and residential area supporting project	647,265,761.48	—	647,265,761.48	286,052,314.77	—	286,052,314.77
Part and Components Department Reconstruction project	339,008,401.60	(122,171.38)	338,886,230.22	277,667,876.25	(122,171.38)	277,545,704.87
Total	4,765,664,781.27	(3,746,892.63)	4,761,917,888.64	4,863,020,928.44	(3,842,217.42)	4,859,178,711.02

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

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

16. Construction in progress (continued)

(2) Changes in major construction in progress

											RMB
Project	Budget amount	31 December 2016 (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	30 June 2017 (Unaudited)
Annual production of 400,000 sets of axles and brakes	578,352,366.14	1,234,403.71	—	—	(429,060.34)	100.00	—	—	—	Raising and Own funds	805,343.37
Annual production of 400,000 sets of interior and exterior decorations	575,893,500.00	45,600.00	—	—	(45,600.00)	100.00	—	—	—	Raising and Own funds	—
Tianjin Automobile project	5,190,778,491.00	21,035,961.28	94,144,025.33	(9,184,459.63)	(108.95)	99.10	—	—	—	Own funds	105,995,418.03
Tianjin parts and components project	3,280,356,574.00	303,344,365.74	169,559,276.60	(77,323,513.07)	(2,149,033.46)	92.62	—	—	—	Own funds	393,431,095.81
Industrial park phase I, II, III Reconstruction and expansion	978,100,661.00	169,760,315.43	68,324,640.36	(68,996,749.37)	(7,924,445.17)	92.09	—	—	—	Own funds	161,163,761.25
Xindatong Reconstruction	8,808,790.00	32,066.67	—	—	—	100.00	—	—	—	Own funds	32,066.67
Jiaozhuang infrastructure	253,863,000.00	109,481.72	8.28	(109,490.00)	—	100.00	—	—	—	Own funds	—
New technology center	1,780,232,549.00	199,992,873.72	48,575,891.33	(45,828,950.46)	(386,860.61)	96.30	—	—	—	Own funds	202,352,953.98
Other R & D projects	317,350,800.00	—	22,642,018.34	—	—	7.13	—	—	—	Own funds	22,642,018.34
Xushui Automobile Project	10,896,932,500.00	1,379,098,778.59	443,536,275.61	(897,260,334.11)	(1,828,666.36)	87.12	—	—	—	Own funds	923,546,053.73
Xushui parts and components project	14,432,926,026.00	2,074,099,569.20	1,326,033,285.79	(1,583,906,936.01)	(5,339,081.09)	63.23	—	—	—	Own funds	1,810,886,837.89
Xushui supporting infrastructure project	593,250,000.00	150,547,321.36	7,987,747.76	—	—	26.72	—	—	—	Own funds	158,535,069.12
Russia 80,000 sets of automobile and residential area supporting project	2,378,175,300.00	286,052,314.77	364,152,380.33	(2,938,933.62)	—	27.34	—	—	—	Own funds	647,265,761.48
Part and Components Department Reconstruction project	1,580,088,390.52	277,667,876.25	321,210,101.71	(254,296,829.07)	(5,572,747.29)	78.19	—	—	—	Own funds	339,008,401.60
Total	42,845,108,947.66	4,863,020,928.44	2,866,165,651.44	(2,939,846,195.34)	(23,675,603.27)	—	—	—	—		4,765,664,781.27

Note: The decrease of RMB8,429,724.40 in construction in progress is transferred into intangible assets.

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

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

17. Intangible assets

(1) Intangible assets

RMB

Item	Land use rights	Software and others (Note)	Total
I. Original carrying amount			
1 January 2017(audited)	3,422,430,955.64	224,972,335.55	3,647,403,291.19
Additions for the period	1,388,790.49	61,686,676.62	63,075,467.11
1. Acquisition	—	2,448,952.22	2,448,952.22
2. Transferred from construction in progress	—	8,429,724.40	8,429,724.40
3. Transferred from investment properties	1,388,790.49	—	1,388,790.49
4. Transferred from fixed assets	—	50,808,000.00	50,808,000.00
Deductions for the period	(1,295,830.52)	—	(1,295,830.52)
1. Decrease for other transferring	(1,295,830.52)	—	(1,295,830.52)
30 June 2017(unaudited)	3,422,523,915.61	286,659,012.17	3,709,182,927.78
II. Total accumulated amortization			
1 January 2017(audited)	357,724,440.21	78,968,288.10	436,692,728.31
Additions for the period	34,725,249.60	7,524,166.41	42,249,416.01
1. Provision	34,627,871.96	7,524,166.41	42,152,038.37
2. Transferred from investment properties	97,377.64	—	97,377.64
Deductions for the period	—	—	—
30 June 2017(unaudited)	392,449,689.81	86,492,454.51	478,942,144.32
III. Book value			
30 June 2017(unaudited)	3,030,074,225.80	200,166,557.66	3,230,240,783.46
1 January 2017(audited)	3,064,706,515.43	146,004,047.45	3,210,710,562.88

Note: Overseas land ownership of subsidiaries included in software and others amounted to RMB91,391,684.16.

As at 30 June 2017, among the intangible assets, the net book value of land use rights without land use rights certificates amounted to RMB131,297,373.25 (As at 31 December 2016: RMB132,673,504.89), and the application of relevant land use rights certificates is in progress.

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

RMB

Item	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Located in mainland China — 10 to 50 years	3,030,074,225.80	3,064,706,515.43

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

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

18. Goodwill

Name of investee or matters generating goodwill				RMB	
	1 January 2017	Additions for the period	Deductions for the period	30 June 2017	Impairment provision as at the end of the period
Baoding Changfu Pressings Co., Ltd. (Note 1)(保定長福衝壓件有限公司)	2,163,713.00	—	—	2,163,713.00	—
Xinyi Seating (Note 2)	2,809,017.90	—	—	2,809,017.90	—
Total	4,972,730.90	—	—	4,972,730.90	—

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

Note 2: The goodwill arose from the acquisition of 50% equity interest in Baoding Yanfeng Johnson Automobile Seating Co., Ltd. ("Xinyi Seating") which was held by Shanghai Yanfeng Johnson Seating Co., Ltd. in January 2016.

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.

19. Deferred tax assets and deferred tax liabilities

(1) Deferred tax assets before offsetting

Item	30 June 2017(Unaudited)		31 December 2016(Audited)	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Provision for bad debts	374,276,605.55	57,476,480.47	370,413,305.90	57,003,936.80
Impairment provisions for loans	34,377,665.97	8,594,416.49	22,042,331.56	5,510,582.89
Provision for decline in value of inventories	107,781,185.08	15,082,013.83	6,072,043.48	755,389.03
Impairment of fixed assets	134,767,747.38	20,864,451.67	136,833,625.23	21,182,843.12
Impairment of construction in progress	3,746,892.63	644,609.77	3,842,217.42	658,908.49
Accrued expenses which are deductible upon payment	878,627,148.83	201,359,576.40	1,035,341,496.46	238,396,411.48
Taxable upon receipt of advance payment	1,015,152,665.07	155,710,661.02	1,382,656,969.66	273,368,167.12
Deductible loss	244,469,811.37	57,326,124.17	175,777,493.44	42,133,888.33
Deferred income	1,047,232,493.11	195,757,952.92	1,017,998,019.70	184,952,721.18
Unrealized profit arising from internal transactions	185,035,186.48	42,729,210.22	759,998,621.35	186,500,029.02
Others	29,751,055.87	11,542,692.66	124,039,485.20	22,882,775.27
Total	4,055,218,457.34	767,088,189.62	5,035,015,609.40	1,033,345,652.73

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

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

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

(2) Deferred tax liabilities before offsetting

RMB

Item	30 June 2017(Unaudited)		31 December 2016(Audited)	
	Taxable temporary difference	Deferred tax liabilities	Taxable temporary difference	Deferred tax liabilities
Difference between the book value of accumulated depreciation and tax base	(804,667,986.29)	(122,646,847.38)	(450,633,396.76)	(68,703,126.86)
Temporary difference of interest receivable	(16,687,225.34)	(4,171,806.34)	(12,065,625.37)	(3,016,406.34)
Total	(821,355,211.63)	(126,818,653.72)	(462,699,022.13)	(71,719,533.20)

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

RMB

Item	30 June 2017(Unaudited)		31 December 2016(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	(115,086,583.78)	652,001,605.84	(69,390,629.89)	963,955,022.84
Deferred tax liabilities	115,086,583.78	(11,732,069.94)	69,390,629.89	(2,328,903.31)

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

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

20. Short-term borrowings and long-term borrowings

(1) Short-term Borrowings

		RMB
Item	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Pledged loan (Note 1)	1,810,000,000.00	—
Guaranteed Loans (Note 2)	609,696,000.00	150,000,000.00
Credit Loans	3,850,000,000.00	100,000,000.00
Total	6,269,696,000.00	250,000,000.00

(2) Long-term Borrowings

Item	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Guaranteed Loans (Note 3)	49,700,000.00	49,800,000.00
Total	49,700,000.00	49,800,000.00

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

Note 2: The balance of guaranteed loans at the end of period was the loan made by Tide Technology and Trade Company Limited ("Tide Technology and Trade") and guaranteed by the Company.

The balance of guaranteed loans as of 30 December 2016 was the loan made by Tianjin Great Wall Binyin Automotive Finance Company Limited ("Automotive Finance") and guaranteed by the Company.

Note 3: The guaranteed loans are made by 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:

		RMB
Bank loan repayment requirements	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Within 1 year	200,000.00	200,000.00
1–2 years	49,500,000.00	49,600,000.00
Total	49,700,000.00	49,800,000.00

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

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

21. Notes payable

		RMB
Category	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Bank acceptance bills	5,417,862,338.00	4,164,982,676.22
Total	5,417,862,338.00	4,164,982,676.22

22. Accounts payable

(1) Accounts payable

		RMB
Item	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Within 1 year	14,529,100,781.77	24,974,181,196.26
1 to 2 years	24,425,880.40	18,904,468.75
2 to 3 years	5,461,054.22	6,892,698.29
Over 3 years	6,665,091.83	7,356,713.42
Total	14,565,652,808.22	25,007,335,076.72

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

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

		RMB
Item	30 June 2017 (Unaudited)	Reason for outstanding or transfer
Supplier 1	4,616,000.00	Payment terms have not been reached
Total	4,616,000.00	

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

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

23. Receipts in advance

(1) Receipts in advance

RMB

Item	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Within 1 year	3,600,020,869.11	6,252,596,197.84
1 to 2 years	39,105,239.22	51,528,376.47
2 to 3 years	9,038,043.49	3,820,193.91
Over 3 years	3,897,318.86	3,983,333.96
Total	3,652,061,470.68	6,311,928,102.18

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

RMB

Item	30 June 2017 (Unaudited)	Reason for outstanding or transfer
Supplier 1	28,802,675.25	Transfer terms have not been reached
Supplier 2	3,868,152.92	Transfer terms have not been reached
Total	32,670,828.17	

24. Employee benefits payable

(1) Employee benefits payable disclosed as follow:

RMB

Item	1 January 2017 (Audited)	Increase	Decrease	30 June 2017 (Unaudited)
1. Short-term employee benefits	1,966,535,942.97	3,451,365,362.40	(4,659,564,828.25)	758,336,477.12
2. Post-employment benefits — defined contribution plan	312,321.73	203,434,017.51	(202,958,739.76)	787,599.48
Total	1,966,848,264.70	3,654,799,379.91	(4,862,523,568.01)	759,124,076.60

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

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

24. Employee benefits payable (continued)

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

				RMB
Item	1 January 2017 (Audited)	Increase	Decrease	30 June 2017 (Unaudited)
1. Salaries, bonuses, allowances and subsidies	1,649,253,115.81	2,797,247,274.04	(3,780,146,156.56)	666,354,233.29
2. Staff welfare	175,454,438.09	189,899,691.34	(357,662,673.73)	7,691,455.70
3. Staff bonuses and welfare fund (Note VI, 33(4))	5,641,508.91	—	(2,416,040.40)	3,225,468.51
4. Social insurance premiums	71,038.59	91,389,777.81	(91,363,044.64)	97,771.76
Including: Medical insurance	89,151.27	77,178,035.82	(77,183,483.73)	83,703.36
Work-related injury insurance	(25,802.29)	9,276,166.28	(9,242,818.74)	7,545.25
Maternity insurance	7,689.61	4,935,575.71	(4,936,742.17)	6,523.15
5. Housing provident funds	10,956,244.01	78,352,427.20	(89,245,217.21)	63,454.00
6. Labor union expenditures	59,540,288.93	15,900,502.64	(60,883,369.03)	14,557,422.54
7. Employees' education expenses	3,096,656.41	1,985,876.19	(2,207,768.30)	2,874,764.30
8. Service charge	62,522,652.22	276,589,813.18	(275,640,558.38)	63,471,907.02
Total	1,966,535,942.97	3,451,365,362.40	(4,659,564,828.25)	758,336,477.12

(3) Defined contribution plan

				RMB
Item	1 January 2017 (Audited)	Increase	Decrease	30 June 2017 (Unaudited)
1. Basic endowment insurance	307,643.01	197,073,811.76	(196,606,341.82)	775,112.95
2. Unemployment insurance	4,678.72	6,360,205.75	(6,352,397.94)	12,486.53
Total	312,321.73	203,434,017.51	(202,958,739.76)	787,599.48

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 2017

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

25. Taxes payable

Item	RMB	
	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Value added tax	45,934,457.13	532,557,124.52
Consumption tax	121,735,526.75	747,037,394.74
Enterprise income tax	127,953,476.75	541,083,532.12
Individual income tax	54,010,487.17	16,309,527.31
Urban maintenance and construction tax	14,244,750.78	68,309,162.16
Education surcharges	12,603,271.51	52,861,912.51
Duty stamp	7,735,165.81	13,863,395.78
Real estate tax	1,205,710.13	1,641,684.33
Others	1,983,838.70	4,729,764.39
Total	438,229,627.98	1,978,393,497.86

26. Other payables

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

Item	RMB	
	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Project payment	533,000,747.19	529,150,550.75
Equipment payment	1,080,403,576.10	875,316,200.07
Deposits	531,481,694.41	478,895,421.36
Others	141,482,501.98	160,334,522.25
Total	2,286,368,519.68	2,043,696,694.43

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

Item	RMB	
	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Within 1 year	1,978,487,970.17	1,599,427,975.39
1 to 2 years	156,675,810.98	271,885,138.85
2 to 3 years	113,907,873.36	103,408,439.68
Over 3 years	37,296,865.17	68,975,140.51
Total	2,286,368,519.68	2,043,696,694.43

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

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

26. Other payables (continued)

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

RMB

Item	30 June 2017 (Unaudited)	Reason for outstanding or transfer
Entity 1	25,937,292.48	Payment terms have not been reached
Entity 2	8,934,722.01	Payment terms have not been reached
Entity 3	6,112,931.29	Payment terms have not been reached
Entity 4	5,460,014.09	Payment terms have not been reached
Entity 5	5,285,000.00	Payment terms have not been reached
Total	51,729,959.87	

27. Non-current liabilities due within one year

RMB

Item	Note	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Non-current liabilities due within one year	(VI) 29	103,405,954.57	105,170,607.29

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

28. Other current liabilities

RMB

Item	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Accrued after-sale service expenses	978,349,046.63	1,118,768,730.43
Accrued advertising and media service expenses	48,539,908.35	20,446,213.00
Accrued transportation costs	28,527,261.45	50,922,376.23
Accrued technology development expenditure	24,839,808.79	37,100,172.49
Accrued utilities fees	6,913,423.70	41,103,370.64
Accrued port charges	5,024,486.38	2,689,237.49
Others	158,619,113.94	151,930,395.87
Total	1,250,813,049.24	1,422,960,496.15

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

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

29. Deferred income

				RMB
Item	1 January 2017 (Audited)	Increase	Decrease	30 June 2017 (Unaudited)
Government grants	1,555,689,232.69	5,515,282.92	(55,701,948.69)	1,505,502,566.92
Subsidy for interest expenses arising from automotive finance loans	95,458,120.21	152,471,151.83	(79,029,771.65)	168,899,500.39
Total	1,651,147,352.90	157,986,434.75	(134,731,720.34)	1,674,402,067.31

Projects related to government grants:

						RMB
Type	1 January 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 2017 (Unaudited)	Related to an asset/ related to income
Infrastructure supporting fund (Note 1)	712,095,651.45	—	(12,070,087.94)	—	700,025,563.51	Related to an asset
Government industrial policy supporting fund (Note 2)	326,293,302.11	—	(10,673,898.19)	—	315,619,403.92	Related to an asset
Soft soil foundation subsidy (Note 3)	263,130,544.34	—	(3,057,486.92)	—	260,073,057.42	Related to an asset
New technical center infrastructure construction project (Note 4)	78,552,809.06	—	(6,313,260.00)	—	72,239,549.06	Related to an asset
Tax refund for purchasing domestic manufactured equipment (Note 5)	24,666,232.42	—	(5,893,100.34)	—	18,773,132.08	Related to an asset
Urban construction fund (Note 6)	50,823,393.59	5,515,282.92	(1,205,874.88)	—	55,132,801.63	Related to an asset
Project for Internet of Vehicles (Note 7)	11,752,560.00	—	(3,677,520.00)	—	8,075,040.00	Related to income
Subsidies for key technological innovation projects (Note 8)	4,216,666.41	—	(575,000.02)	—	3,641,666.39	Related to an asset
Development fund for SMEs (Note 9)	4,407,574.48	—	(147,739.92)	—	4,259,834.56	Related to an asset
Diesel engine development project fund (Note 10)	500,000.00	—	(50,000.00)	—	450,000.00	Related to an asset
Engine construction project (Note 11)	10,500,000.00	—	(1,000,000.00)	—	9,500,000.00	Related to an asset
Development of strategic emerging industry (Note 12)	1,913,164.77	—	(74,430.20)	—	1,838,734.57	Related to an asset
Innovation platform construction project (Note 13)	136,000.00	—	219,555.56	—	355,555.56	Related to an asset
Energy-saving gasoline direct injection engine project (Note 14)	90,830,134.19	—	(5,000,000.00)	—	85,830,134.19	Related to an asset
Jing-Jin-Ji united R&D project of new energy vehicle (Note 15)	3,000,000.00	—	—	—	3,000,000.00	Related to an asset
110KV transformer substation project (Note 16)	29,221,807.16	—	(588,358.56)	—	28,633,448.60	Related to an asset
All-electric vehicle R&D project (Note 17)	8,000,000.00	—	(4,859,400.00)	—	3,140,600.00	Related to income
New energy laboratory project (Note 18)	500,000.00	—	(500,000.00)	—	—	Related to an asset
Automobile industry technology research institute project (Note 19)	500,000.00	—	(500,000.00)	—	—	Related to an asset
Special fund for national model enterprises on technology innovation (Note 20)	1,000,000.00	—	(1,000,000.00)	—	—	Related to income
Intelligent network-connected automotive system project (Note 21)	38,020,000.00	—	—	—	38,020,000.00	Related to an asset
Project for developing intelligent transmission for new energy vehicles (Note 22)	300,000.00	—	—	—	300,000.00	Related to income
Provincial-level intelligence introduction project (Note 23)	500,000.00	—	(500,000.00)	—	—	Related to income
Total	1,660,859,839.98	5,515,282.92	(57,466,601.41)	—	1,608,908,521.49	
Less: Non-current liabilities due within one year	(105,170,607.29)	—	—	—	(103,405,954.57)	
Deferred	1,555,689,232.69	5,515,282.92	(57,466,601.41)	—	1,505,502,566.92	

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

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

29. Deferred income (continued)

- Note 1:* According to the “Circular Regarding the Allocation of Infrastructure Construction Fund to Great Wall Motor Company Limited” issued by Baoding Xushui government, Xushui government allocated money to the Company as the supporting fund for the infrastructure (buildings and ancillary facilities) construction of 500,000-automobile and components and parts production base project in new Great Wall industrial area in Baoding.
- Note 2:* According to the “Provisional Regulations on the Development of Advanced Manufacturing Industry in Tianjin Economic-Technological Development Area” and the cooperation agreement entered into between Tianjin Economic-Technological Development Area and the Company, the Company and Tianjin Great Wall Wantong Automotive Parts Company Limited (“Tianjin Wantong”) and Tianjin Great Wall Lean Automotive Parts Company Limited (“Tianjin Lean”), subsidiaries of the Company, received industrial policy supporting fund from Tianjin Economic-Technological Development Area in 2009.
- Note 3:* According to the “Provisional Regulations on the Development of Advanced Manufacturing Industry in Tianjin Economic-Technological Development Area”, the cooperation agreement entered into between Tianjin Economic-Technological Development Area and the Company, and “Payment agreement of soft soil foundation treatment subsidy” of Tianjin Economic and Technological Development Zone Development Bureau, the Company and two subsidiaries of the company, Tianjin Wantong and Tianjin Lean, received soft soil foundation subsidy 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 (“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 supplemental fund for satellite and appliance industry development in 2013 by the Finance Department and Development and Reform Commission of Hebei Province”, the Bureau of Finance and Development and Reform in Baoding allocated money for the development of front installed telematics services platform and terminals based on the BeiDou Navigation Satellite System of the Company exclusively.
- Note 8:* According to “Notice regarding improving the ability of independent innovation and high-tech industry development projects in 2010 the first batch of the central budget for investment projects” issued by Hebei Development and Reform Commission and forwarded by Baoding Development and Reform Commission, Baoding Development and Reform Commission allocated money to the Company for innovation project of Automobile safety and environmental protection. Baoding Finance Bureau allocated money to Great Wall Internal Combustion Engine, a subsidiary of the Company for Diesel engine technology reconstruction project. Moreover, according to the “Notice Regarding the Central Infrastructure Expenditure Budget (Fund Allocated) for Independent Innovation and Advanced Technology Industrialization in 2011 by Bureau of Finance in Baoding”, the Bureau of Finance in Southern Baoding allocated the Central Infrastructure Expenditure Budget (Allocated Fund) as Central Infrastructure expenditure budget (appropriation) quota for the innovation project of the technology center of the Company exclusively.
- Note 9:* According to “Circular regarding the Granting of the Development Fund for SMEs to Baoding Great Wall Resource Recycling Co. Ltd.”, the Bureau of Finance in Qingyuan granted a fund to Baoding Great Wall Resource Recycling Co. Ltd. (“Great Wall Resource Recycling”), a subsidiary of the Company. The fund was used for the construction of infrastructure of a scrap steel project with annual capacity of 80,000 tons.
- Note 10:* According to “Notice regarding the projects and funding of Hebei Province Scientific and technological research and development program (the first batch) in 2011”, the company’s GW4D20 Diesel product development project was granted directly from the Bureau of Finance in Hebei Province.

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

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

29. Deferred income (continued)

- Note 11:* According to the "Mission Statement 2014ZX04002-071 by Scientific Development Department", the Company took charge of the research project of typical forming process and key equipment technology of aluminum alloy autobody parts in the major special projects of "high-end CNC machine and fundamental manufacturing equipment" and was granted project research funding. During the period, the Company has been allocated special funds to the project, which amounted to RMB0.26 million.
- Note 12:* 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 13:* According to "Requirements on Special Projects of Hebei Key Technology Transformation Projects", the Company obtained special grant of RMB3 million from Department of Science and Technology of Hebei province, which is dedicated in R&D achievements transformation activities of high-end luxurious SUV Haval.
- Note 14:* According to "Circular regarding the Granting of Special Funds to 2016 Innovative Characteristic Promotion Projects from Hebei Baoding Economic Development Zone Administration Committee", the Company obtained special grant of RMB0.5 million which is dedicated to the construction of new energy laboratory.
- Note 15:* According to "Construction of Experimental Zone for Transformation of G45 Achievements and Application of Jing-Jin-Ji United R&D Project of New Energy Vehicle", the Company obtained special grant of RMB3 million from Hebei Baoding Technology Bureau which dedicated in united R&D of new energy automobile of Great Wall Automobile Institute, and purchasing relevant instruments and equipments.
- Note 16:* According to "Symposium Minutes of Western Region Work" filed as Jin Kai Ji (2014) No. 108, the Company obtained RMB30.89 million for the construction of capacity expanding 3rd power circuit project and peripheral expenditures from development zone.
- Note 17:* According to "Circular regarding the Granting of Special Funds to 2016 Innovative Characteristic Promotion Projects from Hebei Baoding Economic Development Zone Administration Committee", the Company obtained special grant of RMB8 million which is dedicated to R&D activities of all electric vehicles.
- Note 18:* According to "Circular regarding the Granting of Special Funds to 2016 Innovative Characteristic Promotion Projects from Hebei Baoding Economic Development Zone Administration Committee", the Company obtained special grant of RMB0.5 million which is dedicated to the construction of new energy laboratory.
- Note 19:* According to "Requirements for Technology Construction Project of Hebei Province", the Company obtained special grant of RMB1 million from Department of Science and Technology of Hebei province, which is specially proposed to instruct the construction of Hebei automobile industry institute dedicated in new energy automobile and efficient dynamic assembly.
- Note 20:* According to "Circular regarding the Granting of Special Funds to 2016 Innovative Characteristic Promotion Projects from Hebei Baoding Economic Development Zone Administration Committee", the Company obtained special grant of RMB1 million which is dedicated to the Company's technology innovation
- Note 21:* According to "Agreement for the Project to Strengthen Industrial Development Basis in 2016", the Company obtained special grant of RMB38.02 million from the Bureau of Industry and Information Technology in Lianchi District, Baoding, which is dedicated to the construction of intelligent network-connected automotive system and the procurement of software.
- Note 22:* According to "Agreement for Baoding Science and Technology Research and Development Program", the Company obtained special grant of RMB0.3 million from Baoding City Science & Technology and Intellectual Property Right Bureau, which is dedicated to R&D activities of intelligent transmission for new energy vehicles in the future
- Note 23:* According to "Circular regarding the Granting of Provincial-level Intelligence Introduction from the Bureau of Finance in Baoding", the Company obtained special grant of RMB0.5 million from the Bureau of Finance in Lianchi District, Baoding, which is dedicated to R&D activities of all-electric vehicles in the future.

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

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

30. Share capital

As at 30 June 2017, the registered capital of the Company amounted to RMB9,127,269,000.00 and the paid up share capital amounted to RMB9,127,269,000.00. The par value of the each share was RMB1.00. The shares by type and structure are as follows:

Item	Changes for the period						RMB
	Opening balance	New issue	Bonus shares	Shares transfer from reserve	Others	Subtotal	Closing balance
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
For the period from 1 January to 30 June 2016(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 2017

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

31. Capital reserve

<i>RMB</i>				
Item	Opening balance	Additions	Deductions	Closing balance
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
For the period from 1 January to 30 June 2016 (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 2017

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

32. Surplus reserve

RMB

Item	Opening balance	Additions	Deductions (Note 1)	Reclassification (Note 2)	Closing balance
For the period from 1 January to 30 June 2017 (Unaudited):					
Statutory surplus reserves	4,198,939,847.35	—	(43,851,241.00)	11,197,280.78	4,166,285,887.13
Discretionary surplus reserves	2,855,650.48	—	—	—	2,855,650.48
Enterprise expansion fund	3,086,749.11	—	—	(127,726.16)	2,959,022.95
Reserve fund	118,294,141.14	—	—	(11,069,554.62)	107,224,586.52
Tax credit for social welfare enterprises	251,838,024.75	—	—	—	251,838,024.75
Total	4,575,014,412.83	—	(43,851,241.00)	—	4,531,163,171.83
For the period from 1 January to 30 June 2016 (Unaudited):					
Statutory surplus reserves	2,993,762,730.55	—	(64,129,118.13)	—	2,929,633,612.42
Discretionary surplus reserves	2,855,650.48	—	—	—	2,855,650.48
Enterprise expansion fund	3,086,749.11	—	—	—	3,086,749.11
Reserve fund	107,215,035.82	—	—	—	107,215,035.82
Tax credit for social welfare enterprises	251,838,024.75	—	—	—	251,838,024.75
Total	3,358,758,190.71	—	(64,129,118.13)	—	3,294,629,072.58

Note 1: According to the shareholder resolution of Baoding Great Wall Auto Sales Company Limited ("Great Wall Sales") on 13 March 2017, surplus reserve which exceed 50% of company's registered capital will transfer to undistributed profits, total amounted to RMB43,851,241.00.

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

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

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

33. Undistributed profits

Item	Amount	Proportion of appropriation or allocation
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 reserves (Note (VI), 32 Note 1)	43,851,241.00	
Other transfers-in	2,416,040.40	(4)
Less: Appropriation of statutory surplus reserves	—	(1)
Appropriation of discretionary surplus reserves	—	
Appropriation of enterprise expansion fund	—	(2)
Appropriation of reserve fund	—	(2)
Distribution of cash dividends	(3,194,544,150.00)	(3)
Appropriation of staff incentive bonus and welfare fund	—	(2)
Share capital transferred from ordinary share dividends	—	
Undistributed profits at the end of the period	31,454,268,221.86	
For the period from 1 January to 30 June 2016(Unaudited):		
Undistributed profits at the beginning of the period	24,581,585,137.24	
Add: Net profits attributable to the shareholders of the Company of the period	4,925,601,514.99	
Transfer from surplus reserves (Note (VI), 32 Note 1)	64,129,118.13	
Other transfers-in	482,951.67	
Less: Appropriation of statutory surplus reserves	—	(1)
Appropriation of discretionary surplus reserves	—	
Appropriation of enterprise expansion fund	—	(2)
Appropriation of reserve fund	—	(2)
Distribution of cash dividends	(1,734,181,110.00)	
Appropriation of staff incentive bonus and welfare fund	—	(2)
Share capital transferred from ordinary share dividends	—	
Undistributed profits at the end of the period	27,837,617,612.03	

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

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

33. 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 transfer to 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 year.*

On 11 May 2017, the 2016 shareholders' meeting approved "Proposal on Profit Distribution of 2016", of which allows the Company to distribute cash dividends of RMB0.35 (inclusive of tax) per share, amounting to RMB3,194,544,150.00 in total, based on total shares of 9,127,269,000 shares with face value of RMB1 per share.

(4) Pursuant to the resolution of the board of directors of Xinyi Seating, a subsidiary of the Company, made on 25 April 2017, the appropriated employee incentives 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 component, 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 2017

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

34. Operating income and operating costs

(1) Operating income

Item	RMB	
	For the period from 1 January to 30 June 2017 (Unaudited)	For the period from 1 January to 30 June 2016 (Unaudited)
Principal operating income	40,760,786,174.10	41,509,817,324.89
Including: Income from the sales of automobiles	39,028,052,278.84	39,957,518,748.58
Income from the sales of automotive parts and components	1,366,280,148.32	1,200,280,978.08
Income from the sales of moulds and others	254,260,089.35	240,136,186.18
Income from rendering of services	112,193,657.59	111,881,412.05
Other operating income	232,028,005.06	91,103,849.42
Total	40,992,814,179.16	41,600,921,174.31

(2) Operating costs

Item	RMB	
	For the period from 1 January to 30 June 2017 (Unaudited)	For the period from 1 January to 30 June 2016 (Unaudited)
Principal operating costs	32,850,170,133.16	30,835,284,835.06
Including: Costs of sales of automobiles	31,644,129,975.54	29,769,105,853.15
Costs of sales of automotive parts and components	936,428,779.40	807,201,517.16
Costs of sales of moulds and others	180,073,133.48	170,504,408.03
Costs of rendering services	89,538,244.74	88,473,056.72
Other operating costs	194,331,492.63	62,300,053.91
Total	33,044,501,625.79	30,897,584,888.97

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

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

35. Interest income

Item	RMB	
	For the period from 1 January to 30 June 2017 (Unaudited)	For the period from 1 January to 30 June 2016 (Unaudited)
Personal loans and advances	257,688,796.75	70,189,516.50
Company loans and advances	7,887.27	8,151.01
Deposits with other banks	1,397,032.84	204,717.42
Deposits with the central bank	2,132,676.39	181,624.98
Total	261,226,393.25	70,584,009.91

36. Taxes and levies

Item	RMB	
	For the period from 1 January to 30 June 2017 (Unaudited)	For the period from 1 January to 30 June 2016 (Unaudited)
Consumption tax	1,097,797,789.10	1,189,935,739.34
City maintenances and construction tax	115,240,557.20	185,131,681.98
Educational surcharges	96,101,663.85	140,930,525.16
Stamp duty	36,217,933.23	—
Land use tax	24,624,261.14	—
Real estate tax	31,920,465.10	—
Business tax	—	3,949,448.65
Water resource tax	1,587,835.13	—
Vehicle and vessel use tax	225,654.54	—
Others	6,436,630.71	17,540,119.64
Total	1,410,152,790.00	1,537,487,514.77

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

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

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

37. Selling expenses

Item	RMB	
	For the period from 1 January to 30 June 2017 (Unaudited)	For the period from 1 January to 30 June 2016 (Unaudited)
Transportation expenses	657,154,719.06	590,183,084.20
After-sale services expenses	393,556,092.95	542,006,010.24
Wages and salaries	112,500,833.09	80,687,412.88
Taxes	—	16,693,971.10
Advertising and media services fees	260,090,034.58	108,713,990.65
Port charges	9,657,942.49	9,456,985.29
Travelling expenses	13,865,855.58	8,803,524.37
Others	122,600,318.87	45,703,381.23
Total	1,569,425,796.92	1,402,248,359.96

38. Administrative expenses

Item	RMB	
	For the period from 1 January to 30 June 2017 (Unaudited)	For the period from 1 January to 30 June 2016 (Unaudited)
Technology development expenditures	1,539,784,150.73	1,257,735,612.96
Wages and salaries	370,722,047.26	263,090,084.02
Taxes	—	84,075,669.39
Depreciation and Amortization	122,769,214.72	105,601,915.32
Business reception fees	6,786,199.03	2,921,481.41
Office expenses	34,963,378.32	36,000,868.54
Repair and maintenance fees	104,442,504.85	81,671,925.97
Auditors' remuneration (Note 1)	1,034,842.21	946,447.09
Service charges	52,716,109.70	12,456,828.61
Others	76,762,790.92	62,305,152.27
Total	2,309,981,237.74	1,906,805,985.58

Note 1: Remuneration for interim review of RMB0.68 million paid to Deloitte Touche Tohmatsu CPA LLP is included.

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

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

39. Financial expenses

Item	RMB	
	For the period from 1 January to 30 June 2017 (Unaudited)	For the period from 1 January to 30 June 2016 (Unaudited)
Interest expense from pledged loans	84,312,026.44	—
Less: interest income from bank deposits	(26,347,501.27)	(24,542,315.01)
Foreign currency translation differences	2,074,242.40	26,962,478.31
Interest of discount on bills	47,598,140.37	20,687,606.35
Long-term receivables discount	(41,184,559.92)	(3,505,915.52)
Others	9,644,363.61	4,885,614.36
Total	76,096,711.63	24,487,468.49

40. Impairment loss on assets

Item	RMB	
	For the period from 1 January to 30 June 2017 (Unaudited)	For the period from 1 January to 30 June 2016 (Unaudited)
1. Loss on bad debts	3,868,680.65	19,704,318.33
2. Loss on decline in value of inventories	105,206,435.28	9,033,021.78
3. Loss on impairment of fixed assets	—	59,411,052.76
4. Loss on impairment of construction in progress	—	909,645.30
5. Loss on impairment of loans	32,787,854.27	4,740,696.04
Total	141,862,970.20	93,798,734.21

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

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

41. Investment income

Breakdown:

Item	For the period from 1 January to 30 June 2017 (Unaudited)	RMB For the period from 1 January to 30 June 2016 (Unaudited)
Income from wealth management products	46,402,606.04	14,146,857.49
Gains from fair value measurement of the acquiree's equity held prior to acquisition date	—	684,042.36
Total	46,402,606.04	14,830,899.85

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

The Group has no gains on investments from listed companies.

42. Non-operating income

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

Item	For the period from 1 January to 30 June 2017 (Unaudited)	For the period from 1 January to 30 June 2016 (Unaudited)	RMB Amount included in non-recurring gains and losses
Total gains from disposal of non-current assets	544,835.78	11,362.91	544,835.78
Including: Gains from disposal of fixed assets	493,553.68	11,362.91	493,553.68
Gains from disposal of construction in progress	51,282.10	—	51,282.10
Government grants	228,226,047.32	64,038,766.03	228,226,047.32
Gains from compensation	19,192,779.69	18,766,093.43	19,192,779.69
Unpayable amount	22,954,511.49	28,087,161.21	22,954,511.49
Others	24,530,368.94	20,608,190.52	24,530,368.94
Total	295,448,543.22	131,511,574.10	295,448,543.22

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

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

42. Non-operating income (continued)

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

RMB

Item	For the period from 1 January to 30 June 2017 (Unaudited)	For the period from 1 January to 30 June 2016 (Unaudited)	related to asset/related to income
Infrastructure supporting fund	—	12,070,087.94	related to asset
Government industrial policy supporting fund	—	10,673,898.22	related to asset
New technology center infrastructure construction fund	—	6,102,745.29	related to asset
Tax refund for purchasing domestic manufactured equipment	—	6,098,230.19	related to asset
Energy-saving gasoline direct injection engine project	—	4,166,666.67	related to asset
Project for Internet of Vehicles	—	11,280.00	related to income
Soft soil foundation subsidy	—	3,057,486.98	related to asset
Urban construction fund	—	1,159,914.18	related to asset
Engine construction project	—	500,000.00	related to asset
110KV transformer substation project	—	1,078,657.33	related to asset
Subsidies for key technological innovation projects	—	575,000.02	related to asset
Development fund for SMEs	—	147,739.92	related to asset
Development of strategic emerging industry	—	12,405.03	related to asset
Diesel engine development project fund	—	50,000.00	related to asset
High grade CNC technology project	—	278,500.00	related to income
Super magnesium alloy and coating project	—	60,400.00	related to income
Other government grants	228,226,047.32	17,995,754.26	related to income
Including: Financial subsidy	166,893,349.27	7,394.95	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	3,000,000.00	related to income
Immediate refund of VAT of welfare enterprises (Note 1)	7,894,460.01	11,153,333.33	related to income
Special funds for foreign economic and trade development	7,439,700.00	563,100.00	related to income
Special funds of the Finance Bureau	2,502,524.40	—	related to income
Supportive development fund of export credit insurance	2,246,800.00	2,431,100.00	related to income
Vocational training subsidy	3,136,890.74	—	related to income
Others	3,905,261.36	840,825.98	related to income
Total	228,226,047.32	64,038,766.03	

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

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

42. Non-operating income (continued)

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

Note 1: 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 Ministry of Finance and the State Administration of Taxation on Issues Concerning the Corporate Income Tax Incentives on Enterprises Which Recruit the Disabled (Caishui [2007] No.92)" 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.

43. Non-operating expenses

Item	For the period from 1 January to 30 June 2017 (Unaudited)	RMB	
		For the period from 1 January to 30 June 2016 (Unaudited)	Amount recognized in non-recurring profit or loss for the period
Total loss on disposal of non-current assets	3,241,245.82	11,551,163.00	3,241,245.82
Including: Loss on disposal of fixed assets	1,659,287.75	5,513,850.08	1,659,287.75
Loss on disposal of construction in progress	1,581,958.07	5,940,625.72	1,581,958.07
Loss on disposal of intangible assets	—	96,687.20	—
Donations	404,639.96	1,523,998.70	404,639.96
Expenses for economic compensations	197,328.80	9,065,146.00	197,328.80
Others	3,607,901.07	3,206,012.45	3,607,901.07
Total	7,451,115.65	25,346,320.15	7,451,115.65

44. Income tax expenses

Item	For the period from 1 January to 30 June 2017 (Unaudited)	RMB	
		For the period from 1 January to 30 June 2016 (Unaudited)	
Current income tax	336,394,157.28	1,017,020,034.00	
Deferred income tax	320,437,753.71	(24,949,389.43)	
Total	636,831,910.99	992,070,644.57	

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

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

44. Income tax expenses (continued)

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

Item	For the period from 1 January to 30 June 2017 (Unaudited)	RMB For the period from 1 January to 30 June 2016 (Unaudited)
Total profit	3,085,777,720.24	5,920,325,345.89
Income tax rate	25%	25%
Income tax calculated at tax rate of 25%	771,444,430.06	1,480,081,336.47
Effects arising from some companies subject to concessionary rates	(39,031,744.33)	(386,719,994.37)
Additional deduction for research and development costs	(130,977,562.55)	(109,254,476.75)
Tax effect of non-taxable income	(243,469.32)	(547,562.30)
Tax effect of non-deductible expenses	55,640,257.13	8,511,341.52
Total	656,831,910.99	992,070,644.57

45. Net profit

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

Item	Notes	For the period from 1 January to 30 June 2017 (Unaudited)	RMB For the period from 1 January to 30 June 2016 (Unaudited)
Depreciation for fixed assets	(VI) 15	1,470,563,784.33	1,166,197,244.10
Depreciation and amortization for investment properties	(VI) 14	2,440,810.68	880,166.36
Amortization of intangible assets	(VI) 17	42,152,038.37	42,236,060.52
Total amount of depreciation and amortization		1,515,156,633.38	1,209,313,470.98
Loss on disposal of non-current assets	(VI) 42,43	2,696,410.04	11,539,800.09
Gross rental income from investment properties		9,522,868.95	1,425,000.00
Employee benefits expense	(VI) 24	3,654,799,379.91	2,888,996,530.75

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

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

46. 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	RMB	
	For the period from 1 January to 30 June 2017 (Unaudited)	For the period from 1 January to 30 June 2016 (Unaudited)
Net profit attributable to ordinary shareholders	2,419,755,449.46	4,925,601,514.99
Including: Net profit attributable to continuing operations	2,419,755,449.46	4,925,601,514.99
Total	2,419,755,449.46	4,925,601,514.99

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

Item	RMB	
	For the period from 1 January to 30 June 2017 (Unaudited)	For the period from 1 January to 30 June 2016 (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 2017

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

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

Item	RMB	
	For the period from 1 January to 30 June 2017 (Unaudited)	For the period from 1 January to 30 June 2016 (Unaudited)
Based on the net profit attributable to shareholders of the Company:	2,419,755,449.46	4,925,601,514.99
Basic earnings per share	0.27	0.54
Diluted earnings per share	N/A	N/A
Based on the net profit from continuing operations attributable to shareholders of the Company:	2,419,755,449.46	4,925,601,514.99
Basic earnings per share	0.27	0.54
Diluted earnings per share	N/A	N/A

47. Other comprehensive income

Foreign currency translation differences

Item	RMB	
	For the period from 1 January to 30 June 2017 (Unaudited)	For the period from 1 January to 30 June 2016 (Unaudited)
Opening balance	(1,502,334.31)	(147,973,964.82)
Exchange differences arising on translation to presentation currency	(7,311,937.41)	77,360,709.98
Closing balance	(8,814,271.72)	(70,613,254.84)

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

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

48. Notes to cash flow statements

(1) Other cash received relating to operating activities

Item	RMB	
	For the period from 1 January to 30 June 2017 (Unaudited)	For the period from 1 January to 30 June 2016 (Unaudited)
Interest income from bank deposits	26,347,501.27	24,542,315.01
Government grants	220,331,587.31	8,942,420.93
Reparations (penalty) income	19,192,779.69	18,766,093.43
Customs deposit withdrawal	—	495,970.36
Others	27,160,891.51	10,676,088.70
Total	293,032,759.78	63,422,888.43

(2) Other cash payments relating to operating activities

Item	RMB	
	For the period from 1 January to 30 June 2017 (Unaudited)	For the period from 1 January to 30 June 2016 (Unaudited)
Advertising and media services fee	231,996,339.23	100,626,088.57
Transportation costs and port charges	686,872,527.44	595,109,288.30
Technology development expenditures	413,890,129.24	417,916,911.65
After-sale services expenses and repair costs	638,418,281.60	617,462,105.05
Business reception fees and office expenses	85,965,074.79	39,854,187.08
Payment of customs deposit	1,245,056.17	—
Travelling expenses	13,865,855.58	8,803,524.37
Consultation fees	75,012,407.73	12,456,828.61
Sales service expenses	70,801,578.51	—
Others	38,251,737.26	142,171,297.19
Total	2,256,318,987.55	1,934,400,230.82

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

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

48. Notes to cash flow statements (continued)

(3) Other cash receipts relating to investing activities

Item	RMB	
	For the period from 1 January to 30 June 2017 (Unaudited)	For the period from 1 January to 30 June 2016 (Unaudited)
Government grants	5,515,282.92	34,888,823.05
Total	5,515,282.92	34,888,823.05

(4) Other cash received relating to financing activities

Item	RMB	
	For the period from 1 January to 30 June 2017 (Unaudited)	For the period from 1 January to 30 June 2016 (Unaudited)
Decrease in restricted bank deposits	—	896,260,358.21
Total	—	896,260,358.21

(5) Other cash payments relating to financing activities

Item	RMB	
	For the period from 1 January to 30 June 2017 (Unaudited)	For the period from 1 January to 30 June 2016 (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 2017

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

49. Supplementary information of cash flow statements

(1) Supplementary information of cash flow statements

Supplementary information	RMB	
	For the period from 1 January to 30 June 2017 (Unaudited)	For the period from 1 January to 30 June 2016 (Unaudited)
1. Reconciliation of net profits to cash flow from operating activities:		
Net profits	2,428,945,809.25	4,928,254,701.32
Add: Impairment provision for assets	141,862,970.20	93,798,734.21
Depreciation of fixed assets	1,470,563,784.33	1,166,197,244.10
Amortization of intangible assets	42,152,038.37	42,236,060.52
Amortization of long-term prepaid expenses	5,508,791.57	4,273,896.86
Depreciation and amortization of investment properties	2,440,810.68	880,166.36
Losses/(Gains) on disposal of fixed assets, intangible assets and other long-term assets	2,696,410.04	11,539,800.09
Amortization of deferred income	(57,466,601.41)	(46,043,011.77)
Financial expense/(income)	43,296,144.95	19,707,588.61
Investment losses/(gains)	(46,402,606.04)	(14,830,899.85)
Decrease/(Increase) in deferred tax assets	311,034,587.08	(27,878,971.27)
Increase/(Decrease) in deferred tax liabilities	9,403,166.63	2,929,581.84
Decrease/(Increase) in inventories	(2,554,188,730.00)	(1,719,070,213.76)
Decrease/(Increase) in operating receivables	20,190,508,473.63	3,044,592,579.72
Increase/(Decrease) in operating payables	(13,651,455,400.01)	(3,130,887,043.07)
Net cash flows from operating activities	8,338,899,649.27	4,375,700,213.91
2. Net change in cash and cash equivalents:		
Cash balance at the end of the period	5,760,705,763.44	3,258,151,275.56
Less: Cash balance at the beginning of the period	1,891,844,333.75	2,458,364,987.45
Net increase in cash and cash equivalents	3,868,861,429.69	799,786,288.11

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

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

49. Supplementary information of cash flow statements (continued)

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

Item	RMB	
	For the period from 1 January to 30 June 2017 (Unaudited)	For the period from 1 January to 30 June 2016 (Unaudited)
I. Acquisition of subsidiaries and other business units:		
1. Price of acquisition of subsidiaries and other business units	—	21,500,000.00
2. Cash and cash equivalents paid for acquisition of subsidiaries and other business units	—	21,500,000.00
Less: Cash and cash equivalents held by subsidiaries and other business units	—	(9,369,435.87)
3. Net cash paid for acquisition of subsidiaries and other business units	—	12,130,564.13
4. Net asset of acquired subsidiaries	—	37,381,964.20
Current assets	—	42,543,965.75
Non-current assets	—	11,116,294.13
Current liabilities	—	16,278,295.68
Non-current liabilities	—	—
II Disposal of subsidiaries and other business units:		
1. Price of disposal of subsidiaries and other business units	—	—
2. Cash and cash equivalents received from disposal of subsidiaries and other business units	—	—
Less: Cash and cash equivalents held by subsidiaries and other business units	—	—
3. Net cash received from disposal of subsidiaries and other business units	—	—
4. Net asset of subsidiaries disposed	—	—
Current assets	—	—
Non-current assets	—	—
Current liabilities	—	—
Non-current liabilities	—	—

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

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

49. Supplementary information of cash flow statements (continued)

(3) Components of cash and cash equivalents

Item	RMB	
	For the period from 1 January to 30 June 2017 (Unaudited)	For the period from 1 January to 30 June 2016 (Unaudited)
I. Cash	5,760,705,763.44	3,258,151,275.56
Including: Cash in hand	663,550.78	736,599.46
Bank deposits readily to be withdrawn on demand	5,760,042,212.66	3,257,414,676.10
Other cash and bank balances readily to be withdrawn on demand	—	—
II. Cash and cash equivalent balance at the end of the period	5,760,705,763.44	3,258,151,275.56

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

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

50. Monetary items denominated in foreign currency

Monetary items denominated in foreign currency:

			RMB
Item	Closing balance of foreign currency	Exchange rate	Closing balance of RMB
Cash and bank balances			
Include: RMB	38,157,320.95	1.0000	38,157,320.95
USD	30,508,608.43	6.7744	206,677,516.94
GBP	1,614.52	8.8144	14,231.03
EUR	223,009.86	7.7496	1,728,237.21
JPY	25,586,952.14	0.0605	1,547,626.80
HKD	32,648.57	0.8679	28,336.35
AUD	1,249,806.16	5.2099	6,511,365.11
SGD	311.00	4.9135	1,528.10
RUB	572.68	0.1142	65.40
KRW	7,114.41	0.0059	42.16
THB	130.01	0.1996	25.95
CHF	0.01	7.0888	0.07
Accounts receivable			
Include: USD	12,493,850.72	6.7744	84,638,342.32
EUR	1,891,716.84	7.7496	14,660,048.82
Other accounts receivable			
Include: USD	12,000.00	6.7744	81,292.80
EUR	2,000.00	7.7496	15,499.20
Accounts payable			
Include: EUR	1,036,469.79	7.7496	8,032,226.28
USD	1,449,284.56	6.7744	9,818,033.32
JPY	25,212,408.00	0.0605	1,524,972.50
HKD	1,692.19	0.8679	1,468.69
Other accounts payable			
Include: EUR	14,444,752.86	7.7496	111,941,056.76
USD	5,449,707.36	6.7744	36,918,497.55
JPY	431,882,738.03	0.0605	26,122,427.41
CHF	733,388.17	7.0888	5,198,842.06
GBP	101,056.10	8.8144	890,748.89

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

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

51. Net current assets

Item	RMB	
	For the period from 1 January to 30 June 2017 (Unaudited)	For the period from 1 January to 31 December 2016 (Audited)
Current assets	44,404,910,279.02	53,928,033,538.56
Less: Current liabilities	34,747,688,537.67	43,252,239,792.29
Net current assets	9,657,221,741.35	10,675,793,746.27

52. Total assets less current liabilities

Item	RMB	
	For the period from 1 January to 30 June 2017 (Unaudited)	For the period from 1 January to 31 December 2016 (Audited)
Total assets	83,066,672,955.36	92,309,160,566.70
Less: Current liabilities	34,747,688,537.67	43,252,239,792.29
Total assets less current liabilities	48,318,984,417.69	49,056,920,774.41

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

VII. CHANGES IN CONSOLIDATION SCOPE

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

There is no merger under different control in this period.

2. Business combination involving enterprises under common control

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

3. Disposal of subsidiaries

There is no subsidiary being disposed in this period.

4. Changes in consolidation scope for other reasons

Newly established subsidiaries during the current period:

RMB

Name	Establishment date	Net assets at the end of the period	Net profits at the end of reporting period
Beijing Forever Peace Information Consulting Company Limited ("Forever Peace")	13 January 2017	3,500,463.38	(499,536.62)
Tianjin Haval Insurance Brokers Company Limited ("Tianjin Haval Insurance")	19 April 2017	50,002,500.00	2,500.00
Billion Sunny Technical Energy LLC ("Billion Sunny Technical Energy")	30 May 2017	880,699.14	(9,046.01)

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

VIII. INTERESTS IN OTHER ENTITIES

1. Interests in subsidiaries

(1) Structure of the Group

Subsidiaries invested by the Group

Full name of subsidiaries	Legal form	Place of principal operations	Place of registration	Business nature	Proportion of shareholdings (%)	
					Proportion of voting rights (%)	Direct
Great Wall Baoding Huabei Automobile Company Limited (保定長城華北汽車有限責任公司) ("Great Wall Huabei")	limited liability company	Gaobeidian	Gaobeidian	Manufacture of automotive parts and components	100.00	—
Baoding Great	limited liability company	Baoding	Baoding	Manufacture of automotive parts and components	100.00	—
Great Wall Vehicle Axles	limited liability company	Baoding	Baoding	Manufacture of automotive parts and components	100.00	—
Baoding Nuobo	limited liability company	Baoding	Baoding	Manufacture of automotive parts and components	100.00	—
Beijing Great	limited liability company	Beijing	Beijing	Manufacture of automotive parts and components	100.00	—
Great Wall Baoding Automotive Customer Service Company Limited (保定市長城汽車售後服務有限公司) ("Baoding Automotive Customer Service")	limited liability company	Baoding	Baoding	Provision of after-sales service	100.00	—
Great Wall Sales	limited liability company	Baoding	Baoding	Marketing and sale of automobiles	20.18	79.82
Tide Technology and Trade	—	Hong Kong	Hong Kong	Investment and financing services	100.00	—
Mind Component	limited liability company	Baoding	Baoding	Manufacture of automotive parts and components	100.00	—
Tianjin Lean	limited liability company	Tianjin Development zone	Tianjin Development zone	Manufacture of automotive parts and components	—	100.00
Baoding Great Wall Ants Logistics Co., Ltd (保定市長城螞蟥物流有限公司) ("Great Wall Ants")	limited liability company	Baoding	Baoding	Logistics and ordinary goods transportation	100.00	—
Lean School	Private non-enterprise school	Baoding	Baoding	Occupational training	100.00	—
Tianjin Boxin	limited liability company	Tianjin	Tianjin	Manufacture of automotive parts and components	100.00	—
Ningxia Great Wall 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	Qingyuan, Baoding	Qingyuan, 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 Weiyi	limited liability company	Baoding	Baoding	Manufacture of automotive parts and components	100.00	—

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

VIII. INTERESTS IN OTHER ENTITIES (continued)

1. Interests in subsidiaries (continued)

(1) Structure of the Group (continued)

Subsidiaries invested by the Group (continued)

Full name of subsidiaries	Legal form	Place of principal operations	Place of registration	Business nature	Proportion of shareholdings (%)	
					Direct	Indirect
Baoding Great Wall Automobile Parts Sales Co., Ltd. (保定長城汽車配件銷售有限公司) ("Xushui Component")	limited liability company	Baoding	Baoding	Sale of automotive parts and components and lubricants	100.00	—
Great Wall Dongsheng	limited liability company	Beijing	Beijing	Business information consultation	—	100.00
Haval Automotive Rental Co., Ltd. (formerly known as Baoding Great Wall Automotive Rental Co., Ltd.) (哈弗汽車租賃有限公司·原保定市長城汽車出租有限公司) ("Haval Rental")	limited liability company	Baoding	Baoding	Car rental	100.00	—
Shanghai Haval Automotive Technology Limited Company (上海哈弗汽車科技有限公司) ("Shanghai Haval")	Limited liability company	Shanghai	Shanghai	Automotive technology research, development and technical consultation	100.00	—
Haval Motors Australia Pty Ltd (哈弗汽車澳大利亞有限公司) ("Haval Australia")	—	Australia	Australia	Auto selling	53.00	47.00
Haval Motor Rus Limited Liability Company (俄羅斯哈弗汽車有限責任公司) ("Haval Russia")	—	Russia	Russia	Auto selling	—	100.00
Baoding Haval Auto Sales Company Limited (保定哈弗汽車銷售有限公司) ("Haval Auto Sales")	Limited liability company	Baoding	Baoding	Auto selling	100.00	—
Automotive Finance Australia Sinyos Technology And Trade Pty Ltd (澳大利亞森友斯科貿易有限公司) ("Sinyos Technology and Trade")	Limited liability company	Tianjin	Tianjin	Automotive Finance	90.00	—
Haval Motor Manufacturing Russia Limited Liability Company (俄羅斯哈弗汽車製造有限責任公司) ("Russia Manufacturing")	—	Australia	Australia	Auto selling	100.00	—
Haval Motor Manufacturing Russia Limited Liability Company (俄羅斯哈弗汽車製造有限責任公司) ("Russia Manufacturing")	—	Russia	Russia	Auto manufacture	94.46	5.54
Haval Motors South Africa Proprietary Limited (哈弗汽車南非有限公司) ("Haval South Africa")	—	South Africa	South Africa	Auto selling	100.00	—
Haval Logistics Company Limited (哈弗物流有限公司) ("Haval Logistics")	Limited liability company	Baoding	Baoding	Logistics and ordinary goods transportation	100.00	—
Haval Insurance Brokers Company Limited (哈弗保險經紀有限公司) ("Haval Insurance Brokers")	Limited liability company	Baoding	Baoding	Insurance Brokers	100.00	—
Scrap car recycling and dismantling Co., Ltd. (保定長城報廢汽車回收拆解有限公司) ("Scrap car recycling and dismantling")	Limited liability company	Baoding	Baoding	Scrap car recycling and dismantling	100.00	—

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

VIII. INTERESTS IN OTHER ENTITIES (continued)

1. Interests in subsidiaries (continued)

(1) Structure of the Group (continued)

Subsidiaries invested by the Group (continued)

Full name of subsidiaries	Legal form	Place of principal operations	Place of registration	Business nature	Proportion of shareholdings (%)	
					Direct	Indirect
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	Research and design of automobile and auto parts	100.00	—
American HAVAL Motor Technology, LLC (美國哈弗汽車科技有限責任公司) ("American HAVAL Technology")	—	USA	USA	Research and design of automobile and auto parts	—	100.00
American HAVAL Asset Management, LLC (美國哈弗資產管理有限責任公司) ("American HAVAL Asset")	—	USA	USA	Real estate	—	100.00
Forever Peace (Note 1)	Limited liability company	Beijing	Beijing	Business information consultation	—	100.00
Tianjin Haval Insurance (Note 2)	Limited liability company	Tianjin	Tianjin	Insurance Brokers	—	100.00
Billion Sunny Technical Energy (Note 3)	—	Korea	Korea	Research and design of automobile and auto parts	—	100.00

Note 1: Forever Peace is established by Baoding Great in Beijing in January 2017 as a wholly-owned subsidiary. The registered capital is RMB60,000,000.

Note 2: Tianjin Haval Insurance is established by Great Wall Sales in Tianjin in April 2017 as a wholly-owned subsidiary. The registered capital is RMB50,000,000.

Note 3: Billion Sunny Technical Energy is established by Billion Sunny Development Limited("Billion Sunny Development") in Korea in May 2017 as a wholly-owned subsidiary. The registered capital is KRW150,000,000.

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

VIII. INTERESTS IN OTHER ENTITIES (continued)

1. Interests in subsidiaries (continued)

(1) Structure of the Group (continued)

Subsidiaries invested by the Group (continued)

Subsidiaries acquired through business combination not under common control:

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

Subsidiaries acquired through business combination under common control:

Full name of subsidiaries	Legal form	Place of principal operations	Place of registration	Business nature	Proportion of shareholdings (%) Proportion of voting rights (%)	
					Direct	Indirect
Baoding Yixin	Limited liability company	Baoding	Baoding	Manufacture of automotive parts and components	75.00	25.00

(2) Significant non-wholly-owned subsidiary

RMB

Full name of subsidiary	Proportion of minority shareholdings	Total profit or loss attributable to minority interests	Dividends attributable to minority interests	Closing balance of Minority interests
Automotive Finance	10%	9,190,359.79	—	68,033,144.05

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

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 2017 (Unaudited)					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Automotive Finance	3,655,526,424.81	2,558,767,740.18	6,214,294,164.99	5,315,363,224.09	218,599,500.39	5,533,962,724.48

RMB

Full name of subsidiary	31 December 2016 (Audited)					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Automotive Finance	770,204,264.33	3,123,448,281.24	3,893,652,545.57	3,159,966,582.75	145,258,120.21	3,305,224,702.96

RMB

Full name of subsidiary	For the period from 1 January to 30 June 2017 (Unaudited)				For the period from 1 January to 30 June 2016 (Unaudited)			
	Operating income	Net profit	Total comprehensive income	Cash flows from operating activities	Operating income	Net profit	Total comprehensive income	Cash flow from operating activities
Automotive Finance	262,849,645.68	91,903,597.90	91,903,597.90	115,046,572.72	71,263,714.53	26,531,863.32	26,531,863.32	51,063,589.57

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

VIII. INTERESTS IN OTHER ENTITIES (continued)

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

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

IX. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

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

1. Objective and policies of risk management

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

1.1 Market risk

1.1.1 Foreign exchange risk

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

Item	RMB	
	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Cash and cash equivalents	254,666,296.07	196,552,122.39
Accounts receivable	99,298,391.14	68,165,021.83
Other receivables	96,792.00	1,031,868.86
Accounts payable	(19,376,700.79)	(21,570,583.64)
Other payables	(181,071,572.67)	(173,774,574.77)

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

IX. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

1. Objective and policies of risk management (continued)

1.1 Market risk (continued)

1.1.1 Foreign exchange risk (continued)

The group pays a close attention to the impact of exchange rate changes on the group's foreign exchange risk.

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:

RMB

Item		For the period from 1 January to 30 June 2017 (Unaudited)	
		Effects on profit	Effects on shareholders' interest
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 2017

IX. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

1. Objective and policies of risk management (continued)

1.1 Market risk (continued)

1.1.1 Foreign exchange risk (continued)

Sensitivity analysis of foreign exchange risk (continued)

		RMB	
		For the period from 1 January to 30 June 2016 (Unaudited)	
Item	Fluctuation of foreign exchange rate	Effects on profit	Effects on shareholders' interest
USD	5% strengthening against RMB	13,690,462.30	13,690,462.30
USD	5% weakening against RMB	(13,690,462.30)	(13,690,462.30)
EUR	5% strengthening against RMB	(4,956,538.88)	(4,956,538.88)
EUR	5% weakening against RMB	4,956,538.88	4,956,538.88
JPY	5% strengthening against RMB	(995,239.61)	(995,239.61)
JPY	5% weakening against RMB	995,239.61	995,239.61
CHF	5% strengthening against RMB	(955,140.91)	(955,140.91)
CHF	5% weakening against RMB	955,140.91	955,140.91

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.

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 bank borrowings (Note (VI) 20). The Group aims at keeping borrowings at variable rates so as to eliminate risk of fair value change of interest.

Sensitivity analysis of interest rate risk

Sensitivity analysis of interest rate risk is based on the assumption that changes in market rate will affect the interest income or expense of financial instruments with floating rates.

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

IX. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

1. Objective and policies of risk management (continued)

1.1 Market risk (continued)

1.1.2 Interest rate risk (continued)

Sensitivity analysis of interest rate risk (continued)

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 follow:

		RMB	
		For the period from 1 January to 30 June 2017 (Unaudited)	
Item	Fluctuation of interest rate	Effect on profit	Effect on shareholders' interest
Loans and advances to customers	Increase 100 basis points	40,503,350.66	40,503,350.66
Loans and advances to customers	Decrease 100 basis points	(40,503,350.66)	(40,503,350.66)
Long-term borrowings	Increase 100 basis points	(496,000.00)	(496,000.00)
Long-term borrowings	Decrease 100 basis points	496,000.00	496,000.00

1.2 Credit risk

As at 30 June 2017, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties, including the carrying amount of the respective recognized financial assets as stated in the consolidated balance sheet. For financial instruments measured at fair value, the carrying amount reflects the exposure to risks but not the maximum exposure to risks. The maximum exposure to risks would vary according to the future changes in fair value.

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

The Group only accepts bank acceptance bills from banks with relatively high level of credit rating, therefore, credit risk of bill receivables is low. The Group only deposits cash and cash equivalents into banks with relatively high level of credit rating, therefore, credit risk of cash and cash equivalents is low.

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

IX. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

1. Objective and policies of risk management (continued)

1.2 Credit risk (continued)

Only a few creditworthy third parties are granted with credit period for credit transactions. As for overseas credit transactions, the Group adopts letter of credit to settle transactions which insured by Sinosure. During the reporting period, the Group is suffered with credit risk concentration to a certain extend as 48.65% accounts receivable is from top five customers (31 December 2016: 61.92%). As of 30 June 2017, the net amount of accounts receivable takes up to 4.69% of the operating income of the Group, so there is no significant credit risk in the Group.

The further quantitative data of credit risks arising from notes receivable, accounts receivable, other receivables and loans and advances to customers are further disclosed in Note (VI), 3, 4, 7 and Note (VI), 11 in the financial statements.

1.3 Liquidity risk

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

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

RMB

	30 June 2017 (Unaudited)			Total
	Within 6 months	6-12 months	Over one year	
Short-term borrowings	(1,115,814,722.22)	(5,321,817,592.00)	—	(6,437,632,314.22)
Notes payable	(5,417,862,338.00)	—	—	(5,417,862,338.00)
Accounts payable	(14,517,501,636.54)	(48,151,171.68)	—	(14,565,652,808.22)
Other payables	(1,841,357,972.69)	(445,010,546.99)	—	(2,286,368,519.68)
Long-term borrowings	(1,606,739.59)	(1,579,179.70)	(50,144,960.94)	(53,330,880.23)

RMB

	31 December 2016 (Audited)			Total
	Within 6 months	6-12 months	Over one year	
Short-term borrowings	(151,690,555.56)	(103,124,444.45)	—	(254,815,000.01)
Notes payable	(4,160,109,392.27)	(4,873,283.95)	—	(4,164,982,676.22)
Accounts payable	(24,976,748,402.50)	(30,586,674.22)	—	(25,007,335,076.72)
Other payables	(727,138,297.17)	(1,316,558,397.26)	—	(2,043,696,694.43)
Long-term borrowings	(1,683,696.20)	(1,606,739.59)	(51,724,140.64)	(55,014,576.43)

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

X. FAIR VALUE

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

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

RMB

Item	Fair value		Fair value level	Valuation technique and inputs
	30 June 2017 (Unaudited)	31 December 2016 (Audited)		
Continuous fair value measurement				
1. Financial assets carried at fair value through profit or loss				
Embedded derivative financial assets — wealth investment products	400,000,000.00	—	Level 2	Discounted cash flow. The future cash flows are estimated at the agreed and forward exchange rates and discounted at the discount rate reflecting the counterparty's credit risk.
2. Available-for-sale financial assets	800,000,000.00	1,438,000,000.00	Level 3	Discounted cash flow. The future cash flow is estimated on the basis of projected income rate, and discounted by discount rate which reflects the counterparty's credit risk.
Wealth investment products				

2. Fair value of financial assets and financial liabilities which are not measured at fair value

The management of the Group considers that the carrying amounts of financial assets and financial liabilities measured at amortized costs in the financial statements as at 30 June 2017 approximate their fair values.

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

XI. RELATED PARTIES AND TRANSACTIONS

1. Parent company of the Company

RMB

Name of company	Place of registration	Nature of business	Registered capital	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.

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 Rui Cheng Real Estate Development Co., Ltd. (保定瑞城房地產開發有限公司)	Company indirectly controlled by ultimate controlling shareholder
Baoding Great Wall School (保定長城學校)	Private non-enterprise organization indirectly controlled by controlling shareholder

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

XI. RELATED PARTIES AND TRANSACTIONS

4. Other related parties of the Company (continued)

Name	Relationship with the company
Hebei Baoding Tai Hang Group Company Limited (河北保定太行集團有限責任公司)	Company directly controlled by related 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
Baoding Great Wall Venture and Investment Co., Ltd. (保定市長城創業投資有限公司)	Company indirectly controlled by ultimate controlling shareholder
Baoding Lianchi District Great Wall Home Community Medical Service Center (保定市蓮池區長城家園社區衛生服務站)	Company indirectly controlled by ultimate controlling shareholder
Zhang Wen Hui	Key management executives
Zhao Guo Qing	Key management executives
Xu Hui	Key management executives
Hao Jian Min	Key management executives
Yu Wei Na	Key management executives

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

XI. RELATED PARTIES AND TRANSACTIONS (continued)

5. Related party transactions

(1) Procurement of raw materials and accessories

RMB

Related parties	Related party transaction	For the period from 1 January to 30 June 2017 (Unaudited)	For the period from 1 January to 30 June 2016 (Unaudited)
Hebei Baoding Tai Hang Group Company Limited	Purchase of raw materials	9,743.59	14,529.91
Baoding Clean Heat Supplying Co. Ltd.	Purchase of steam	57,647,375.93	29,983,953.21

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

RMB

Related parties	Related party transaction	For the period from 1 January to 30 June 2017 (Unaudited)	For the period from 1 January to 30 June 2016 (Unaudited)
Baoding Great Wall Venture and Investment Co., Ltd.	Sales of automobiles or components and parts of automobiles	—	95,213.68

(3) Purchase of fixed assets

RMB

Related parties	Related party transaction	For the period from 1 January to 30 June 2017 (Unaudited)	For the period from 1 January to 30 June 2016 (Unaudited)
Hebei Baoding Tai Hang Group Company Limited	Purchase of fixed assets	25,299.15	—
Baoding Furui Landscape Co., Ltd	Purchase of fixed assets	997,333.03	358,605.75
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 2017

XI. RELATED PARTIES AND TRANSACTIONS (continued)

5. Related party transactions (continued)

(4) Sales of fixed assets

RMB

Related parties	Related party transaction	For the period from 1 January to 30 June 2017 (Unaudited)	For the period from 1 January to 30 June 2016 (Unaudited)
Baoding Zhong Tie Flower-plant Co., Ltd	Sales of fixed assets	—	3979.72
Baoding Lianchi District Great Wall Home Community Medical Service Center	Sales of fixed assets	—	9174.82

(5) Purchase of services

RMB

Related parties	Related party transaction	For the period from 1 January to 30 June 2017 (Unaudited)	For the period from 1 January to 30 June 2016 (Unaudited)
Baoding Clean Heat Supplying Co. Ltd	Purchase of services	426,580.92	—
Baoding Bo Chuang Property Service Co., Ltd.	Purchase of services	4,023.00	2,300.00
Baoding Great Wall School	Purchase of services	5,000.00	—
Bochuang Urban Development Company Limited	Purchase of services	5,298,702.62	5,568,437.76

(6) Rendering of services

RMB

Related parties	Related party transaction	For the period from 1 January to 30 June 2017 (Unaudited)	For the period from 1 January to 30 June 2016 (Unaudited)
Bochuang Urban Development Company Limited	Rendering of services	—	1,114.94
Hebei Baocang Expressway Co. Ltd.	Rendering of services	9,187.27	10,253.85

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

XI. RELATED PARTIES AND TRANSACTIONS (continued)

5. Related party transactions (continued)

(7) Rental income and others

RMB

Related parties	Related party transaction	For the period from 1 January to 30 June 2017 (Unaudited)	For the period from 1 January to 30 June 2016 (Unaudited)
Baoding Ruicheng Real Estate Development Co., Ltd.	Rental income and others	—	33,171.52
Baoding Furui Landscape Co., Ltd.	Income from transferring long-term assets	219,914.54	12,036,400.00
Baoding Great Wall Venture and Investment Co., Ltd.	Rental income	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	244,359.74	—
Zhang Wen Hui	Rental income	18,993.44	7,122.48
Zhao Guo Qing	Rental income	7,122.48	7,122.48
Xu Hui	Rental income	11,395.98	11,395.98
Yu Wei Na	Rental income	5,698.02	3,798.68
Hao Jian Min	Rental income	—	3,561.24

(8) Emolument for key management

RMB'000

Item	For the period from 1 January to 30 June 2017 (Unaudited)	For the period from 1 January to 30 June 2016 (Unaudited)
Emolument for key management	6,321	6,114

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 2017

XI. RELATED PARTIES AND TRANSACTIONS (continued)

5. Related party transactions (continued)

(8) Emolument for key management (continued)

(a) Independent non-executive directors' remuneration

Independent non-executive directors' remuneration within the period are as follows:

	For the period from 1 January to 30 June 2017 (Unaudited)	RMB'000 For the period from 1 January to 30 June 2016 (Unaudited)
Huang Zhi Xiong (Note 1)	51	71
Lu Chuang (Note 1)	22	30
Liang Shang Shang (Note 2)	—	30
Ma Li Hui	30	30
Li Wan Jun (Note 3)	8	—
Wu Zhi Jie (Note 3)	21	—
Total	132	161

The above remuneration are paid for the non-executive directors for being the director of the Company. In the reporting period, there is no outstanding remuneration due to non-executive directors (2016: nil).

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

Note 2: Liang Shang Shang has no longer served as the Company's independent non-executive director since 17 May 2016.

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

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

XI. RELATED PARTIES AND TRANSACTIONS (continued)

5. Related party transactions (continued)

(8) Emolument for key management (continued)

(b) Executive directors, non-executive directors and supervisors

RMB'000

For the period from 30 June to 1 January 2017 (Unaudited)	Fees	Salaries, wages, bonus and physical benefits	Retirement benefits contribution	Total
Executive directors:				
Wei Jian Jun	—	1,386	5	1,391
Wang Feng Ying	—	1,326	5	1,331
Yang Zhi Juan	—	119	—	119
Non-executive directors:				
He Ping	30	—	—	30
Supervisor:				
Luo Jin Li	10	—	—	10
Zong Yi Xiang	10	—	—	10
Chen Biao	—	95	5	100
Total	50	2,926	15	2,991

RMB'000

For the period from 30 June to 1 January 2016 (Unaudited)	Fees	Salaries, wages, bonus and physical benefits	Retirement benefits contribution	Total
Executive directors:				
Wei Jian Jun	—	1,387	5	1,392
Wang Feng Ying	—	1,327	5	1,332
Yang Zhi Juan	—	129	5	134
Non-executive directors:				
He Ping	30	—	—	30
Supervisor:				
Luo Jin Li	10	—	—	10
Zong Yi Xiang	10	—	—	10
Chen Biao	—	92	5	97
Total	50	2,935	20	3,005

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

XI. RELATED PARTIES AND TRANSACTIONS (continued)

5. Related party transactions (continued)

(8) Emolument for key management (continued)

(b) Executive directors, non-executive directors and supervisors (continued)

The compensation of executive directors above are paid for their services as being company management.

For the period, none of directors nor supervisors waived or agreed to waive any emolument, and the Group did not pay any directors nor supervisor as award or compensation for joining the Group.

(c) Five highest paid individuals

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

	For the period from 1 January to 30 June 2017 (Unaudited)	RMB'000 For the period from 1 January to 30 June 2016 (Unaudited)
Salary, bonus, allowance and physical benefits	2,310	2,089
Retirement benefits contribution	16	16
Total	2,326	2,105

The number of employees with emoluments within the following bands:

	For the period from 1 January to 30 June 2017 (Unaudited)	For the period from 1 January to 30 June 2016 (Unaudited)
HK\$0 to HK\$1,000,000 (Equivalent to RMB0 to RMB867,900)	1	2
HK\$1,000,000 to HK\$2,000,000 (equivalent to RMB867,900 to RMB1,735,800)	2	1

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

XI. RELATED PARTIES AND TRANSACTIONS (continued)

6. Amounts due from/due to related parties

		RMB	
Item	Related parties	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Accounts receivable	Hebei Baocang Expressway Co. Ltd.	2,829.06	—
Subtotal of accounts receivable		2,829.06	—
Other receivables	Bochuang Urban Development Company Limited	1,475,800.00	1,485,860.02
Other receivables	Baoding Bo Chuang Property Service Co., Ltd.	—	4,305.29
Other receivables	Baoding Furui Landscape Co., Ltd.	—	8,846.92
Subtotal of other receivables		1,475,800.00	1,499,012.23
Notes payable	Baoding Clean Heat Supplying Co. Ltd.	—	4,296,578.36
Subtotal of Notes payable		—	4,296,578.36
Accounts payable	Hebei Baoding Tai Hang Group Company Limited	132,007.80	149,122.65
Accounts payable	Baoding Clean Heat Supplying Co. Ltd.	7,558,320.00	25,460,005.48
Accounts payable	Baoding Tai Hang Pump Manufacturing Company Limited	—	480.00
Subtotal of accounts payable		7,690,327.80	25,609,608.13
Other payables	Baoding Tai Hang Steel Structure Construction Company Limited	3,217,765.95	4,779,511.85
Other payables	Baoding Tai Hang Pump Manufacturing Company Limited	1,000.00	6,526.00
Other payables	Baoding Furui Landscape Co., Ltd.	35,860.57	564,715.83
Other payables	Hebei Baoding Tai Hang Group Company Limited	8,000.00	26,000.00
Other payables	Zhao Guo Qing	80,409.24	80,409.24
Other payables	Zhang Wen Hui	—	61,825.13
Other payables	Xu Hui	84,542.00	84,542.00
Other payables	Yu Wei Na	21,718.97	21,718.97
Other payables	Baoding Bo Chuang Property Service Co., Ltd.	—	4,305.29
Other payables	Baoding Clean Heat Supplying Co. Ltd.	—	597,490.27
Other payables	Hebei Baocang Expressway Co. Ltd.	—	27,293.53
Subtotal of other payables		3,449,296.73	6,254,338.11
Receipts in advance	Zhao Guo Qing	15,432.20	22,554.68
Receipts in advance	Zhang Wen Hui	—	18,993.44
Receipts in advance	Xu Hui	28,490.14	39,886.12
Receipts in advance	Yu Wei Na	7,597.27	13,295.29
Subtotal of receipts in advance		51,519.61	94,729.53
Prepayments	Baoding Furui Landscape Co., Ltd.	102,920.00	—
Prepayments	Baoding Clean Heat Supplying Co. Ltd.	—	292,637.96
Subtotal of prepayments:		102,920.00	292,637.96

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

XII. COMMITMENTS

1. Significant Commitments

(1) Capital commitments

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Contracted for but not provided	7,277,512	6,782,741

RMB'000

(2) Operating lease commitments

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

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Minimum lease payments under non — cancellable operating leases:		
In the first year from the balance sheet date	9,829	12,033
In the second year from the balance sheet date	8,272	9,939
In the third year from the balance sheet date	6,421	7,964
Subsequent years	25,615	28,424
Total	50,137	58,360

RMB'000

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

XIII. OTHER SIGNIFICANT EVENTS

1. Segment reporting

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

Revenue from external customers by location of revenue sources:

		RMB
	For the period from 1 January to 30 June 2017 (Unaudited)	For the period from 1 January to 30 June 2016 (Unaudited)
Item		
Revenue from external customers in China	40,098,855,644.33	41,205,491,213.28
Northeast China	3,024,222,425.64	2,962,747,568.40
Northern China	6,488,848,984.34	5,856,496,568.96
Eastern China	11,635,051,523.24	13,014,538,268.05
Central China	10,196,314,215.30	10,348,287,658.02
Northwest China	2,786,371,868.53	2,951,172,040.94
Southwest China	5,968,046,627.28	6,072,249,108.91
Revenue from external customers in other countries	1,156,808,180.51	466,693,675.56
Chile	208,148,635.71	129,124,472.25
Ecuador	197,807,555.23	29,967,010.58
Russia	169,960,585.08	34,850,328.42
South Africa	111,322,848.21	5,073,159.44
Australia	97,838,838.95	10,096,550.12
Peru	59,720,617.80	32,536,533.58
Japan	37,900,381.74	10,162,825.43
Malaysia	36,901,736.85	17,378,484.51
Bolivia	28,395,126.90	21,123,968.31
Germany	21,909,521.39	—
Other overseas countries	186,902,332.65	176,380,342.92
Total	41,255,663,824.84	41,672,184,888.84

The segment reports mainly disclose the Group's non-current assets, including fixed assets, investment properties, construction in progress and investment in joint ventures, all of which are located in PRC.

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

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

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

1. Cash and bank balances

Item	RMB	
	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Cash:		
RMB	267,020.27	404,887.70
USD	98,282.05	62,819.67
EUR	26,381.96	67,479.83
AUD	23,418.81	4,238.57
GBP	14,219.57	17,786.94
HKD	9,833.88	10,528.74
JPY	1,931.71	25,265.09
SGD	1,528.10	1,492.64
RUB	65.40	65.90
KRW	42.16	40.95
THB	25.95	25.21
Bank balances:		
RMB	8,164,856,275.43	3,585,928,594.21
USD	62,943,362.02	33,379,520.56
AUD	6,487,946.30	—
EUR	535,923.51	1,164,083.65
JPY	76,916.42	8,912.14
HKD	18,502.47	7,894.74
GBP	11.46	2,134,037.40
CHF	0.07	11.06
Other cash and bank balances:		
RMB	454,024,676.70	83,528,803.60
Total	8,689,386,364.24	3,706,746,488.60
Including: overseas cash and bank balances	—	—

As at 30 June 2017, the Company had restricted cash and bank balances of RMB454,024,676.70, in which guarantee on bank acceptance bills amounted to RMB453,924,676.70 and other guarantee fund amounted to RMB100,000.00.

As at 31 December 2016, the Company had restricted cash and bank balances of RMB83,528,803.60, in which guarantee on bank acceptance bills amounted to RMB81,408,803.60; guarantee on letter of credit amounted to RMB1,320,000.00, and guarantee on letter of guarantee amounted to RMB800,000.00.

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

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

2. Notes receivable

(1) Classification of notes receivable

Category	RMB	
	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Bank acceptance bills	14,235,343,191.96	39,004,100,733.85
Total	14,235,343,191.96	39,004,100,733.85

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

Category	RMB	
	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Bank acceptance bills	5,575,779,344.17	3,480,690,391.00
Total	5,575,779,344.17	3,480,690,391.00

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

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

Category	RMB	
	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Bank acceptance bills	22,038,646,291.34	22,035,780,712.38
Total	22,038,646,291.34	22,035,780,712.38

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

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

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

3. Accounts receivable

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

RMB

Category	30 June 2017 (Unaudited)					31 December 2016 (Audited)				
	Carrying amount		Provision for bad debt		Book value	Carrying amount		Provision for bad debt		Book value
	Amount	Ratio (%)	Amount	Provision ratio (%)		Amount	Ratio (%)	Amount	Provision ratio (%)	
Receivables that are individually significant and for which bad debt provision is individually assessed	1,322,200,094.31	95.48	(349,312,069.97)	26.42	972,888,024.84	809,589,209.35	91.48	(347,723,237.41)	42.95	461,865,971.94
Receivables for which bad debt provision is collectively assessed on a portfolio basis of credit risk character	62,607,593.93	4.52	(4,461,907.20)	7.13	58,145,686.73	75,358,187.00	8.52	(1,129,165.15)	1.50	74,229,021.85
Accounts receivable that are not individually significant but for which bad debt provision is individually assessed	—	—	—	—	—	—	—	—	—	—
Total	1,384,807,688.74	100.00	(353,773,977.17)	25.55	1,031,033,711.57	884,947,396.35	100.00	(348,852,402.56)	39.42	536,094,993.79

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

RMB

Accounts receivable (by customers)	30 June 2017 (Unaudited)			Reason for provision
	Accounts receivable	Provision for bad debts	Provision ratio (%)	
Customer 1	329,842,741.49	(329,842,741.49)	100.00	Past due
Customer 2	21,703,877.95	(3,922,269.59)	18.07	Past due
Customer 3	21,498,403.48	(7,654,315.74)	35.60	Past due
Customer 4	20,806,122.68	(2,917,209.09)	14.02	Past due
Customer 5	13,281,738.20	(2,478,631.10)	18.66	Past due
Customer 6	8,698,531.18	(1,105,329.50)	12.71	Past due
Customer 7	5,598,777.73	(975,443.32)	17.42	Past due
Customer 8	5,463,514.88	(416,130.14)	7.62	Past due
Others	895,306,387.22	—	—	
Total	1,322,200,094.81	(349,312,069.97)	26.42	

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

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

3. Accounts receivable (continued)

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

RMB

Aging	30 June 2017 (Unaudited)				31 December 2016 (Audited)			
	Carrying amount	Ratio (%)	Provision for bad debts	Book value	Carrying amount	Ratio (%)	Provision for bad debts	Book value
Within 1 year	1,017,614,420.84	73.48	(22,691,299.22)	994,923,121.62	486,885,215.52	55.02	(10,594,993.45)	476,290,222.07
1 to 2 years	5,671,185.95	0.41	—	5,671,185.95	396,406,203.45	44.79	(338,257,409.11)	58,148,794.34
2 to 3 years	361,522,081.95	26.11	(331,082,677.95)	30,439,404.00	1,655,977.38	0.19	—	1,655,977.38
Total	1,384,807,688.74	100.00	(353,773,977.17)	1,031,033,711.57	884,947,396.35	100.00	(348,852,402.56)	536,094,993.79

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

(3) *Provision, collection or reversal of bad debts during the reporting period.*

Provision for bad debts amounted to RMB16,492,700.17; amount arising from collection or reversal of bad debts amounted to RMB11,565,744.56.

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

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

RMB

Name of unit	Closing balance	Proportion of the amount to the total accounts receivable (%)	Amount of provision for bad debts at end of the period
Customer 1	329,842,741.49	23.82	(329,842,741.49)
Customer 2	221,155,418.05	15.97	—
Customer 3	125,339,494.80	9.05	—
Customer 4	95,574,131.23	6.90	—
Customer 5	60,904,750.99	4.40	—
Total	832,816,536.56	60.14	(329,842,741.49)

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

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

4. Other receivables

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

RMB

Category	30 June 2017 (Unaudited)					31 December 2016 (Audited)				
	Carrying amount		Provision ratio		Book value	Carrying amount		Provision for bad debts		Book value
	Amount	Ratio (%)	Amount	Provision for bad debts (%)		Amount	Ratio (%)	Amount	Provision ratio (%)	
Other receivables that are individually significant and for which bad debt provision is individually assessed	334,645,108.75	95.04	(7,141,494.12)	2.13	327,503,614.63	149,230,160.09	90.27	(7,141,494.12)	4.79	142,088,665.97
Other receivables for which bad debt provision is collectively assessed on a portfolio basis of credit risk character	17,433,658.73	4.95	(11,238.00)	0.06	17,422,420.73	16,093,648.59	9.73	—	—	16,093,648.59
Other receivable that are not individually significant but for which bad debt provision is individually assessed	23,581.57	0.01	—	—	23,581.57	—	—	—	—	—
Total	352,102,349.05	100.00	(7,152,732.12)	2.03	344,949,616.93	165,323,808.68	100.00	(7,141,494.12)	4.32	158,182,314.56

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

RMB

Other accounts receivable (by entities)	30 June 2017 (Unaudited)			
	Other accounts receivable	Provision for bad debts	Provision ratio (%)	Reason for provision
Entity 1	186,690,072.70	—	—	
Entity 2	57,055,153.27	—	—	
Entity 3	11,273,470.19	—	—	
Entity 4	10,200,000.00	—	—	
Entity 5	10,000,000.00	—	—	
Entity 6	5,397,354.12	(5,397,354.12)	100.00	Uncollectible under estimate
Entity 7	1,744,140.00	(1,744,140.00)	100.00	Uncollectible under estimate
Others	52,284,918.47	—	—	
Total	334,645,108.75	(7,141,494.12)	2.13	

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

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

4. Other receivables (continued)

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

RMB

Aging	30 June 2017 (Unaudited)				31 December 2016 (Audited)			
	Amount	Ratio (%)	Provision for bad debts	Book value	Amount	Ratio (%)	Provision for bad debts	Book value
Within 1 year	312,149,232.91	88.65	(11,238.00)	312,137,994.91	144,813,834.29	87.59	(5,397,354.12)	139,416,480.17
1 to 2 years	23,832,286.57	6.77	(5,397,354.12)	18,434,932.45	1,961,934.68	1.19	—	1,961,934.68
2 to 3 years	13,767,036.67	3.91	—	13,767,036.67	17,611,881.41	10.65	(1,744,140.00)	15,867,741.41
Over 3 years	2,353,792.90	0.67	(1,744,140.00)	609,652.90	936,158.30	0.57	—	936,158.30
Total	352,102,349.05	100.00	(7,152,732.12)	344,949,616.93	165,323,808.68	100.00	(7,141,494.12)	158,182,314.56

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

Provision for bad debts amounted to RMB11,238.00; there were no collection or reversal of bad debts.

(4) The Company did not write off other receivables during the reporting period.

(5) Other accounts receivable disclosed by nature are as follows:

RMB

Nature of other accounts receivable	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Petty cash	15,231,116.38	20,175,170.98
Deposits	102,131,660.88	98,628,404.71
Others	234,739,571.79	46,520,232.99
Total	352,102,349.05	165,323,808.68

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

RMB

Name of unit	Nature of other accounts receivable	Amount	Aging	Percentage of the total other receivables (%)	Closing balance of provision of bad debts
Entity 1	Funds within the group	186,690,072.70	Within 1 year	53.02	—
Entity 2	Customs deposits	57,055,153.27	Within 1 year	16.20	—
Entity 3	Customs deposits	11,273,470.19	Within 1 year	3.20	—
Entity 4	Performance bond	10,200,000.00	2–3 years	2.90	—
Entity 5	Steel products deposits	10,000,000.00	1–2 years	2.84	—
Total		275,218,696.16		78.16	

(7) 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 2017

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

5. Inventories

(1) Inventories categories

RMB

Item	30 June 2017 (Unaudited)		
	Carrying amount	Provision for decline in value of inventories	Book value
Raw materials	2,241,025,822.90	(21,815,042.10)	2,219,210,780.80
Work-in-progress	819,701,657.60	(1,011,076.67)	818,690,580.93
Finished goods	3,249,593,751.91	(95,209,293.43)	3,154,384,458.48
Low-valued and short-lived consumables	243,779,931.49	(39,041.27)	243,740,890.22
Total	6,554,101,163.90	(118,074,453.47)	6,436,026,710.43

RMB

Item	31 December 2016 (Audited)		
	Carrying amount	Provision for decline in value of inventories	Book value
Raw materials	711,492,917.27	(1,705,038.57)	709,787,878.70
Work-in-progress	751,914,788.57	(23,149.09)	751,891,639.48
Finished goods	1,256,880,987.44	(4,308,713.42)	1,252,572,274.02
Low-valued and short-lived consumables	203,263,277.41	(175,165.55)	203,088,111.86
Total	2,923,551,970.69	(6,212,066.63)	2,917,339,904.06

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

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

5. Inventories (continued)

(2) Provision for decline in value of inventories

RMB

Inventory categories	1 January 2017 (Audited)	Provision for the period	Decrease for the year		30 June 2017 (Unaudited)
			Reversals	Written-off	
Raw materials	1,705,038.57	20,141,951.85	(1,330.50)	(30,617.82)	21,815,042.10
Work-in-progress	23,149.09	1,011,076.67	—	(23,149.09)	1,011,076.67
Finished goods	4,308,713.42	95,131,978.60	—	(4,231,398.59)	95,209,293.43
Low-valued and short-lived consumables	175,165.55	—	(136,124.28)	—	39,041.27
Total	6,212,066.63	116,285,007.12	(137,454.78)	(4,285,165.50)	118,074,453.47

(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	0.06

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

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

5. Inventories (continued)

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

Descriptions of inventories:

Note 1: As the estimated net realizable value of some vehicle products was lower than the inventory cost as at the end of the 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 some raw materials 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.

6. Long-term equity investments

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

RMB

Item	30 June 2017 (Unaudited)			31 December 2016 (Audited)		
	Carrying amount	Impairment provision	Book value	Carrying amount	Impairment provision	Book value
Investment in subsidiary	4,687,155,965.46	—	4,687,155,965.46	4,573,289,565.46	—	4,573,289,565.46
Investment in associates and joint venture	—	—	—	—	—	—
Total	4,687,155,965.46	—	4,687,155,965.46	4,573,289,565.46	—	4,573,289,565.46

The breakdown of investments in subsidiaries is as follows:

RMB

Investee	1 January 2017 (Audited)	Addition	Reduction	30 June 2017 (Unaudited)	Provision for impairment during the period	Closing balance of provision for bad debt
Great Wall Huabei	268,092,310.00	—	—	268,092,310.00	—	—
Great Wall Vehicle Axles	65,335,714.49	—	—	65,335,714.49	—	—
Baoding Nuobo	72,240,000.00	—	—	72,240,000.00	—	—
Beijing Great	12,539,100.00	—	—	12,539,100.00	—	—
Baoding Great	23,000,000.00	—	—	23,000,000.00	—	—
Baoding Automotive Customer Service	34,850,000.00	—	—	34,850,000.00	—	—
Tide Technology and Trade	257,353,665.00	—	—	257,353,665.00	—	—
Mind Component	118,017,800.00	—	—	118,017,800.00	—	—
Baoding Yixin	9,750,000.00	—	—	9,750,000.00	—	—
Great Wall Ants	86,000,000.00	—	—	86,000,000.00	—	—
Lean School	100,000.00	—	—	100,000.00	—	—

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

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

6. Long-term equity investment (continued)

The breakdown of investments in subsidiary was as follows: (continued)

Investee				30 June 2017 (Unaudited)	RMB	
	1 January 2017 (Audited)	Addition	Reduction		Provision for impairment during the period	Closing balance of provision for bad debt
Tianjin Boxin	1,891,553,510.28	—	—	1,891,553,510.28	—	—
Ningxia Rental	20,000,000.00	—	—	20,000,000.00	—	—
Great Wall Resource						
Recycling	50,000,000.00	—	—	50,000,000.00	—	—
Exquisite Mould	5,000,000.00	—	—	5,000,000.00	—	—
Xushui Component	7,000,000.00	—	—	7,000,000.00	—	—
Haval Rental	25,000,000.00	—	—	25,000,000.00	—	—
Great Wall Sales	8,000,000.00	—	—	8,000,000.00	—	—
Automotive Finance	495,000,000.00	—	—	495,000,000.00	—	—
Shanghai Haval	1,500,000.00	—	—	1,500,000.00	—	—
Haval Auto Sales	5,000,000.00	—	—	5,000,000.00	—	—
Baoding Weiyi	255,000,000.00	—	—	255,000,000.00	—	—
Baoding Jie Hua	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	450,000,000.00	—	—	450,000,000.00	—	—
Haval Insurance Brokers	50,000,000.00	—	—	50,000,000.00	—	—
Scrap car recycling and dismantling	5,000,000.00	—	—	5,000,000.00	—	—
Xinyi Seating	30,194,561.20	—	—	30,194,561.20	—	—
Haval Australia	21,773,250.00	—	—	21,773,250.00	—	—
Europe Technical Center	33,428,802.00	—	—	33,428,802.00	—	—
India R&D	28,082,810.70	—	—	28,082,810.70	—	—
Sinyos Technology and Trade (Note 1)	13,000,000.00	9,000,000.00	—	22,000,000.00	—	—
Shenzhen Haval Sales (Note 2)	300,000.00	49,700,000.00	—	50,000,000.00	—	—
American Haval (Note 3)	114,454,200.00	55,166,400.00	—	169,620,600.00	—	—
Total	4,573,289,565.46	113,866,400.00	—	4,687,155,965.46	—	—

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

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

6. Long-term equity investment (continued)

Note 1: In February 2017, the Company increased its investment in Sinyos Technology and Trade by RMB9,000,000.00.

Note 2: In January 2017, the Company increased its investment in Shenzhen Haval Sales by RMB49,700,000.00.

Note 3: In March and April 2017, the Company increased its investment in American HAVAL by USD8,000,000.00.

7. Investment properties

The investment properties measured at cost

			RMB
Item	Buildings	Land use right	Total
I. Original carrying amount			
2017.1.1 (Audited)	78,635,824.90	17,770,823.45	96,406,648.35
Additions for the period	—	—	—
Deductions for the period	—	(1,388,790.49)	(1,388,790.49)
(1) Transfer to intangible assets	—	(1,388,790.49)	(1,388,790.49)
2017.6.30 (Unaudited)	78,635,824.90	16,382,032.96	95,017,857.86
II. Accumulated amortization and depreciation			
2017.1.1 (Audited)	(2,676,556.08)	(1,216,366.89)	(3,892,922.97)
Additions for the period	(1,788,369.35)	(166,412.34)	(1,954,781.69)
(1) Provision or amortization	(1,788,369.35)	(166,412.34)	(1,954,781.69)
Deductions for the period	—	97,377.64	97,377.64
(1) Transfer to intangible assets	—	97,377.64	97,377.64
2017.6.30 (Unaudited)	(4,464,925.43)	(1,285,401.59)	(5,750,327.02)
III. Book value			
2017.6.30 (Unaudited)	74,170,899.47	15,096,631.37	89,267,530.84
2017.1.1 (Audited)	75,959,268.82	16,554,456.56	92,513,725.38

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

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

8. Fixed assets

Fixed assets

RMB

Item	Buildings and structures	Machinery and equipment	Motor vehicles	Other equipment	Total
I. Original book value					
2017.1.1(Audited)	10,305,166,425.89	16,484,188,101.14	145,570,435.41	4,506,762,989.95	31,441,687,952.39
Additions for the period	540,748,514.24	1,675,154,642.61	16,249,483.49	930,693,555.70	3,162,846,196.04
1. Purchase	10,569,658.90	47,754,312.70	12,518,773.10	163,246,250.05	234,088,994.75
2. Transfer from construction in progress	530,178,855.34	1,627,400,329.91	3,730,710.39	767,398,792.83	2,928,708,688.47
3. Transfer from inventories	—	—	—	48,512.82	48,512.82
Deductions for the period	(715,600.00)	(143,211,513.51)	(1,058,236.88)	(31,201,862.01)	(176,187,212.40)
1. Disposal and scrap	(715,600.00)	(21,108,798.36)	(1,058,236.88)	(25,321,303.88)	(48,203,939.12)
2. Transfer to construction in progress	—	(121,303,569.84)	—	—	(121,303,569.84)
3. Others	—	(799,145.31)	—	(5,880,558.13)	(6,679,703.44)
2017.6.30 (Unaudited)	10,845,199,340.13	18,016,131,230.24	160,761,682.02	5,406,254,683.64	34,428,346,936.03
II. Total accumulated depreciation					
2017.1.1(Audited)	1,255,345,552.44	5,133,614,663.55	50,324,188.09	2,034,007,793.80	8,473,292,197.88
Additions for the period	180,526,348.60	803,853,594.25	13,285,477.86	366,232,902.86	1,363,898,323.57
1. Provision for the period	180,526,348.60	803,853,594.25	13,285,477.86	366,232,902.86	1,363,898,323.57
Deductions for the period	(124,496.55)	(64,440,868.71)	(744,956.06)	(22,094,128.50)	(87,404,449.82)
1. Disposal and scrap	(124,496.55)	(14,421,230.40)	(744,956.06)	(18,077,317.50)	(33,368,000.51)
2. Transfer to construction in progress	—	(50,006,985.16)	—	—	(50,006,985.16)
3. Others	—	(12,653.15)	—	(4,016,811.00)	(4,029,464.15)
2017.6.30 (Unaudited)	1,435,747,404.49	5,873,027,389.09	62,864,709.89	2,378,146,568.16	9,749,786,071.63
III. Provision for impairment					
2017.1.1(Audited)	136,268.33	48,459,955.82	—	81,658,778.08	130,255,002.23
Additions for the period	—	—	—	—	—
Deductions for the period	—	(1,611,365.87)	—	(369,414.23)	(1,980,780.10)
1. Disposal and scrap	—	(1,611,365.87)	—	(369,414.23)	(1,980,780.10)
2017.6.30(Unaudited)	136,268.33	46,848,589.95	—	81,289,363.85	128,274,222.13
IV. Book value					
2017.6.30(Unaudited)	9,409,315,667.31	12,096,255,251.20	97,896,972.13	2,946,818,751.63	24,550,286,642.27
2017.1.1(Audited)	9,049,684,605.12	11,302,113,481.77	95,246,247.32	2,391,096,418.07	22,838,140,752.28

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

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

8. Fixed assets (continued)

As at 30 June 2017, among the fixed assets, the net book value of properties without title certificates amounted to RMB3,828,466,236.30 (As at 31 December 2016: RMB3,453,684,141.59) and the application of relevant title certificates is in progress.

9. Construction in progress

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

RMB

Project	30 June 2017 (Unaudited)			31 December 2016 (Audited)		
	Carrying amount	Impairment provision	Net book value	Carrying amount	Impairment provision	Net book value
Tianjin automobile project	105,995,418.03	—	105,995,418.03	21,035,961.28	—	21,035,961.28
Tianjin parts and components project	373,005,817.11	—	373,005,817.11	280,396,557.66	—	280,396,557.66
Industrial park phase I. II. III	161,163,761.25	(2,715,075.95)	158,448,685.30	169,760,315.43	(2,810,400.74)	166,949,914.69
Xindatong Reconstruction	32,066.67	—	32,066.67	32,066.67	—	32,066.67
Jiaozhuang infrastructure	—	—	—	109,481.72	—	109,481.72
New technology center	202,352,953.98	—	202,352,953.98	199,992,873.72	—	199,992,873.72
Other R & D projects	22,642,018.34	—	22,642,018.34	—	—	—
Xushui Automobile Project	923,546,053.73	—	923,546,053.73	1,379,098,778.59	—	1,379,098,778.59
Xushui parts and components project	1,797,154,085.47	(83,886.55)	1,797,070,198.92	2,061,260,623.56	(83,886.55)	2,061,176,737.01
Xushui supporting infrastructure project	158,535,069.12	—	158,535,069.12	150,547,321.36	—	150,547,321.36
Others	335,015,665.14	(122,171.38)	334,893,493.76	239,244,080.84	(122,171.38)	239,121,909.46
Total	4,079,442,908.84	(2,921,133.88)	4,076,521,774.96	4,501,478,060.83	(3,016,458.67)	4,498,461,602.16

(2) Changes of major construction in progress

RMB

Project	Budget amount	2017.1.1 (Audited)	Additions	Increase from merger by absorbing	Transfer to fixed assets	Other Deductions (Note)	Investment to budget (%)	Accumulated capitalized interest amount	Of which: capitalized interest amount	Ratio of capitalized interest amount (%)	Sources of fund	2017.6.30 (Unaudited)
Tianjin automobile project	5,190,778,491.00	21,035,961.28	94,144,025.33	—	(9,184,459.63)	(108.95)	99.10	—	—	—	Own funds	105,995,418.03
Tianjin parts and components project	2,470,000,294.00	280,396,557.66	163,387,145.40	—	(68,628,852.49)	(2,149,033.46)	92.84	—	—	—	Own funds	373,005,817.11
Industrial park phase I. II. III	978,100,661.00	169,760,315.43	68,324,640.36	—	(68,996,749.37)	(7,924,445.17)	92.09	—	—	—	Own funds	161,163,761.25
Xindatong Reconstruction	8,808,790.00	32,066.67	—	—	—	—	100.00	—	—	—	Own funds	32,066.67
Jiaozhuang infrastructure	253,863,000.00	109,481.72	8.28	—	(109,490.00)	—	100.00	—	—	—	Own funds	—
New technology center	1,780,232,549.00	199,992,873.72	48,575,891.33	—	(45,828,950.46)	(386,860.61)	96.30	—	—	—	Own funds	202,352,953.98
Other R & D projects	317,350,800.00	—	22,642,018.34	—	—	—	7.13	—	—	—	Own funds	22,642,018.34
Xushui Automobile Project	10,896,932,500.00	1,379,098,778.59	443,536,275.61	—	(897,260,334.11)	(1,828,666.36)	87.12	—	—	—	Own funds	923,546,053.73
Xushui parts and components project	14,047,917,100.00	2,061,260,623.56	1,328,724,178.09	—	(1,586,853,528.26)	(5,977,187.92)	63.08	—	—	—	Own funds	1,797,154,085.47
Xushui supporting infrastructure project	593,250,000.00	150,547,321.36	7,987,747.76	—	—	—	26.72	—	—	—	Own funds	158,535,069.12
Others	1,513,561,267.89	239,244,080.84	351,365,087.75	—	(251,846,324.15)	(3,747,179.30)	80.38	—	—	—	Own funds	335,015,665.14
Total	38,050,795,452.89	4,501,478,060.83	2,528,687,018.25	—	(2,928,708,688.47)	(22,013,481.77)	—	—	—	—	—	4,079,442,908.84

Note: The decrease of RMB7,483,274.39 in construction in progress is transferred into intangible assets.

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

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

10. Intangible assets

Intangible assets

RMB			
Item	Land use rights	Software and others	Total
I. Original book value			
2017.1.1 (Audited)	3,224,357,437.75	138,558,477.87	3,362,915,915.62
Additions for the period	1,388,790.49	12,437,884.31	13,826,674.80
1. Purchase	—	4,954,609.92	4,954,609.92
2. Transfer from construction in progress	—	7,483,274.39	7,483,274.39
3. Transfer from investment properties	1,388,790.49	—	1,388,790.49
Deductions for the period	(1,295,830.52)	—	(1,295,830.52)
1. Other transfer-out	(1,295,830.52)	—	(1,295,830.52)
2017.6.30 (Unaudited)	3,224,450,397.72	150,996,362.18	3,375,446,759.90
II. Total accumulated amortization			
2017.1.1 (Audited)	311,417,232.32	68,865,655.02	380,282,887.34
Additions for the period	32,976,356.45	5,299,214.00	38,275,570.45
1. Provision for the period	32,878,978.81	5,299,214.00	38,178,192.81
2. Transfer from investment properties	97,377.64	—	97,377.64
Deductions for the period	—	—	—
2017.6.30 (Unaudited)	344,393,588.77	74,164,869.02	418,558,457.79
III. Book value			
2017.6.30 (Unaudited)	2,880,056,808.95	76,831,493.16	2,956,888,302.11
2017.1.1 (Audited)	2,912,940,205.43	69,692,822.85	2,982,633,028.28

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

RMB		
Item	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Located in mainland China — 10 to 50 years	2,880,056,808.95	2,912,940,205.43

11. Notes payable

RMB		
Category	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Bank acceptance bills	5,395,201,178.45	4,123,771,449.11
Total	5,395,201,178.45	4,123,771,449.11

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

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

12. Accounts payable

(1) Accounts payable

RMB

Item	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Within 1 year	16,675,206,333.36	27,572,401,252.97
1 to 2 years	26,362,492.27	40,756,954.35
2 to 3 years	3,971,610.62	5,195,911.62
Over 3 years	4,508,410.38	3,729,711.19
Total	16,710,048,846.63	27,622,083,830.13

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

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

RMB

Item	30 June 2017 (Unaudited)	Reason for outstanding or transfer
Supplier 1	4,616,000.00	Payment terms have not been reached
Supplier 2	4,597,801.93	Payment terms have not been reached
Total	9,213,801.93	

13. Receipts in advance

(1) Details of receipts in advance

RMB

Item	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Within 1 year	1,835,250,500.68	3,468,619,410.88
1 to 2 years	32,151,535.28	36,870,151.26
2 to 3 years	3,698,231.34	1,439,720.37
Over 3 years	2,890,986.48	3,937,638.93
Total	1,873,991,253.78	3,510,866,921.44

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

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

13. Receipts in advance (continued)

(2) Receipts in advance aged over 1 year with significant amount

RMB

Item	30 June 2017 (Unaudited)	Reason for outstanding or transfer
Customer 1	28,802,675.25	Payment terms have not been reached
Customer 2	3,868,152.92	Payment terms have not been reached
Total	32,670,828.17	

14. Capital reserve

RMB

Item	Opening balance	Additions	Deductions	Closing balance
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 reserve under previous standards	(2,933,126.78)	—	—	(2,933,126.78)
Translation differences of foreign capital	—	—	—	—
Reserve for revaluation gain of assets	—	—	—	—
Others	4,649,582.66	—	—	4,649,582.66
Total	1,464,187,305.77	—	—	1,464,187,305.77
For the period from 1 January to 30 June 2016 (Unaudited)				
Capital premiums	1,466,587,149.89	—	(4,116,300.00)	1,462,470,849.89
Other capital reserves	(2,933,126.78)	4,649,582.66	—	1,716,455.88
Including: Transfer from capital reserve under previous standards	(2,933,126.78)	—	—	(2,933,126.78)
Translation differences of foreign capital	—	—	—	—
Reserve for revaluation gain of assets	—	—	—	—
Others	—	4,649,582.66	—	4,649,582.66
Total	1,463,654,023.11	4,649,582.66	(4,116,300.00)	1,464,187,305.77

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

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

15. Undistributed profits

		RMB	
Item	Amount	Proportion of appropriation or allocation	
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 profit	2,559,736,939.84		
Less: Appropriation of statutory surplus reserves	—		(1)
Distribution of cash dividends	(3,194,544,150.00)		(2)
Capital transferred from ordinary dividend	—		
Undistributed profits at the end of period	30,400,232,635.91		
For the period from 1 January to 30 June 2016 (Unaudited):			
Undistributed profits at the beginning of the period	22,756,665,987.89		
Add: Net profit	5,775,519,713.06		
Transfer from merger by absorbing	199,547,880.52		
Less: Appropriation of statutory surplus reserves	—		(1)
Distribution of cash dividends	(1,734,181,110.00)		
Capital transferred from ordinary dividend	—		
Undistributed profits at the end of period	26,997,552,471.47		

(1) Appropriation of statutory surplus reserves

As required by the Articles of Association, statutory surplus reserve shall be withdrawn at 10% of net profit. If the accumulated amount of the Company's statutory surplus reserve is over 50% of its registered capital, it can be no provision. Subject to certain provisions of the Company Law and the Articles of Association, part of the statutory surplus reserve may be transferred into the share capital of the Company provided that the balance of statutory surplus reserve shall not be less than 25% of its registered capital.

(2) Cash dividends and share dividends being approved by the shareholders' meeting in this period.

On 11 May 2017, the 2016 shareholders' meeting approved "Proposal on Profit Distribution of 2016", of which allows the Company to distribute cash dividends of RMB0.35 (inclusive of tax) per share, amounting to RMB3,194,544,150.00 in total, based on total shares of 9,127,269,000 shares with a par value of RMB1.00 each for 2016.

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

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

16. Operating income and operating costs

(1) Operating income

Item	For the period from 1 January to 30 June 2017 (Unaudited)	RMB For the period from 1 January to 30 June 2016 (Unaudited)
Revenue from principal businesses	36,481,666,352.74	40,091,859,035.23
Including: Revenue from the sale of automobiles	35,264,560,084.49	39,573,480,669.85
Revenue from the sale of automotive parts and components	1,051,997,007.54	416,289,412.81
Revenue from the sale of moulds and others	139,508,614.44	56,169,481.97
Revenue from rendering of services	25,600,646.27	45,919,470.60
Revenue from other businesses	278,788,694.51	231,890,248.78
Total	36,760,455,047.25	40,323,749,284.01

(2) Operating costs

Item	For the period from 1 January to 30 June 2017 (Unaudited)	RMB For the period from 1 January to 30 June 2016 (Unaudited)
Operating costs from principal businesses	31,763,377,650.14	32,210,485,179.18
Including: Costs of the sale of automobiles	30,934,739,739.58	31,822,466,317.74
Costs of the sale of automotive parts and components	724,155,959.96	325,938,239.63
Costs of the sale of moulds and others	85,644,104.85	27,984,797.04
Costs of rendering services	18,837,845.75	34,095,824.77
Other operating costs	238,006,660.97	187,387,929.08
Total	32,001,384,311.11	32,397,873,108.26

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

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

17. Taxes and levies

Item	RMB	
	For the period from 1 January to 30 June 2017 (Unaudited)	For the period from 1 January to 30 June 2016 (Unaudited)
Consumption tax	1,097,797,789.10	1,189,935,739.34
Urban maintenances and construction tax	96,727,194.07	156,909,196.98
Educational surcharges	80,190,839.26	118,218,625.00
Stamp duty	20,253,015.79	—
Real estate tax	27,687,245.18	—
Land use tax	23,236,163.90	—
Water resource tax	1,517,290.83	—
Business tax	—	1,431,728.39
Vehicle and vessel use tax	75,646.70	—
Others	4,889,724.79	15,656,466.73
Total	1,352,374,909.62	1,482,151,756.44

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

18. Administrative expenses

Item	RMB	
	For the period from 1 January to 30 June 2017 (Unaudited)	For the period from 1 January to 30 June 2016 (Unaudited)
Technology development expenditures	1,498,483,496.37	1,210,471,685.63
Wages and salaries	322,620,028.25	212,449,784.39
Taxes	—	70,401,937.25
Depreciation and amortization	114,792,870.89	94,189,556.21
Business reception fees	6,419,068.14	2,360,777.87
Office expenses	28,790,470.50	28,289,108.79
Repair and maintenance fees	91,958,375.47	66,039,947.59
Auditors' remuneration	705,171.85	695,722.84
Service charges	15,064,022.23	12,036,004.57
Others	65,570,299.50	43,798,481.03
Total	2,144,403,803.20	1,740,733,006.17

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

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

19. Investment income

Breakdown:

Item	For the period from 1 January to 30 June 2017 (Unaudited)	RMB For the period from 1 January to 30 June 2016 (Unaudited)
Income from wealth management products	44,928,495.71	12,669,733.40
Income from long-term equity investments under cost method	1,940,702,858.28	2,037,232,894.95
Total	1,985,631,353.99	2,049,902,628.35

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

20. Income tax expenses

Item	For the period from 1 January to 30 June 2017 (Unaudited)	RMB For the period from 1 January to 30 June 2016 (Unaudited)
Current income tax	29,997,586.69	620,728,558.40
Deferred income tax	19,897,300.50	(29,604,231.84)
Total	49,894,887.19	591,124,326.56

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

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

20. Income tax expenses (continued)

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

Item	RMB	
	For the period from 1 January to 30 June 2017 (Unaudited)	For the period from 1 January to 30 June 2016 (Unaudited)
Total profit	2,609,631,827.03	6,366,644,039.62
Income tax rate	25%	25%
Income tax expenses calculated at tax rate of 25%	652,407,956.76	1,591,661,009.91
Effects of applicable concessionary rate	(34,155,376.56)	(390,414,401.14)
Additional deduction for research and development costs	(128,028,062.30)	(106,953,975.84)
Tax effect of non-taxable income	(485,419,183.89)	(509,855,786.03)
Tax effect of non-deductible expenses	45,089,553.18	6,687,479.66
Total	49,894,887.19	591,124,326.56

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

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

21. Supplementary information of cash flow statements

(1) Supplementary information of cash flow statements

Supplementary information	RMB	
	For the period from 1 January to 30 June 2017 (Unaudited)	For the period from 1 January to 30 June 2016 (Unaudited)
1. Reconciliation of net profits to cash flow from operating activities:		
Net profit	2,559,736,939.84	5,775,519,713.06
Add: Impairment provision for assets	121,085,745.95	62,772,520.39
Depreciation of fixed assets	1,363,898,323.57	1,002,070,968.78
Amortization of intangible assets	38,178,192.81	36,741,668.51
Amortization of long-term prepaid expenses	4,729,489.76	2,867,336.77
Depreciation of investment properties	1,954,781.69	116,060.64
Losses/(Gains) on disposal of fixed assets, intangible assets and other long-term assets, net of gains	10,275,922.42	9,962,615.56
Amortization of deferred income	(48,064,392.10)	(36,553,302.36)
Financing costs/(gains)	67,912,876.14	4,778,931.31
Investment losses/(gains)	(1,985,631,353.99)	(2,049,902,628.35)
(Increase)/Decrease in deferred tax assets	19,897,300.50	(29,604,231.84)
(Increase)/Decrease in inventories	(3,847,124,827.96)	(1,018,376,117.68)
Decrease/(Increase) in operating receivables	23,582,976,651.89	2,888,393,230.83
Increase/(Decrease) in operating payables	(12,877,033,091.67)	(2,492,355,969.32)
Net cash flows from operating activities	9,012,792,558.85	4,156,430,796.30
2. Net change in cash and cash equivalents:		
Cash balance at the end of the period	8,235,361,687.54	1,950,418,049.15
Less: Cash balance at the beginning of the period	3,623,217,685.00	1,016,521,309.27
Add: Cash equivalents balance at the end of the period	—	—
Less: Cash equivalents balance at the beginning of the period	—	—
Net increase in cash and cash equivalents	4,612,144,002.54	933,896,739.88

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

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

21. Supplementary information of cash flow statements (continued)

(2) Components of cash and cash equivalents

		RMB
Item	30 June 2017 (Unaudited)	30 June 2016 (Unaudited)
I. Cash	8,235,361,687.54	1,950,418,049.15
Including: Cash in hand	442,749.86	406,230.41
Bank deposits readily to be withdrawn on demand	8,234,918,937.68	1,950,011,818.74
Other cash and bank balances readily to be withdrawn on demand	—	—
II. Cash and cash equivalent balance as at the end of the period	8,235,361,687.54	1,950,418,049.15

22. Related party transactions

(1) Purchases of raw materials and components

		RMB	
Related party	Category of related party transaction	For the period from 1 January to 30 June 2017 (Unaudited)	For the period from 1 January to 30 June 2016 (Unaudited)
Subsidiaries of the Company	Purchase of raw materials	1,823,681,481.72	5,489,673,265.41
Other related parties of the Company	Purchase of raw materials and steam	56,627,851.87	28,921,614.10

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

			RMB
Related party	Category of related party transaction	For the period from 1 January to 30 June 2017 (Unaudited)	For the period from 1 January to 30 June 2016 (Unaudited)
Subsidiaries of the Company	Sales of automobiles or components and parts of automobiles	33,743,604,142.94	39,932,048,831.84
Other related parties of the Company	Sales of automobiles or components and parts of automobiles	—	95,213.68

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

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

22. Related party transactions (continued)

(3) Purchases of fixed assets and construction in progress

		RMB	
Related party	Category of related party transaction	For the period from 1 January to 30 June 2017 (Unaudited)	For the period from 1 January to 30 June 2016 (Unaudited)
Subsidiaries of the Company	Purchases of fixed assets and construction in progress	31,069,563.18	101,496,112.03
Other related parties of the Company	Purchases of fixed assets and construction in progress	2,584,378.08	358,605.75

(4) Sales of fixed assets and intangible assets

		RMB	
Related party	Category of related party transaction	For the period from 1 January to 30 June 2017 (Unaudited)	For the period from 1 January to 30 June 2016 (Unaudited)
Subsidiaries of the Company	Sales of fixed assets and intangible assets	8,629,988.95	12,647,516.75
Other related parties of the Company	Sales of fixed assets and intangible assets	—	13,154.54

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

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

22. Related party transactions (continued)

(5) Acceptance of services

		RMB	
Related party	Category of related party transaction	For the period from 1 January to 30 June 2017 (Unaudited)	For the period from 1 January to 30 June 2016 (Unaudited)
Subsidiaries of the Company	Acceptance of services	415,478,488.24	357,794,525.82
Other related parties of the Company	Acceptance of services	5,730,283.54	5,570,737.76

(6) Rendering of services

		RMB	
Related party	Category of related party transaction	For the period from 1 January to 30 June 2017 (Unaudited)	For the period from 1 January to 30 June 2016 (Unaudited)
Subsidiaries of the Company	Rendering of services	28,646,268.87	31,213,423.91
Other related parties of the Company	Rendering of services	—	1,114.94

(7) Claims income and others

		RMB	
Related party	Category of related party transaction	For the period from 1 January to 30 June 2017 (Unaudited)	For the period from 1 January to 30 June 2016 (Unaudited)
Subsidiaries of the Company	Claims income and others	(99,148,521.83)	(60,433,771.81)
Other related parties of the Company	Claims income and others	459,831.28	12,036,400.00

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

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

22. Related party transactions (continued)

(8) Guarantee

Warrantee	Relationship with the company	Type of guarantee	Currency	RMB	
				Maximum guaranteed amount	Actual balance of loan borrowed by warrantee
Automotive Finance	Subsidiary of the Company	Maximum guaranteed	RMB	500,000,000.00	49,700,000.00
Tide Technology and Trade	Subsidiary of the Company	Maximum guaranteed	USD	110,000,000.00	90,000,000.00

(9) Emolument of key management

Item	RMB'000	
	For the period from 1 January to 30 June 2017 (Unaudited)	For the period from 1 January to 30 June 2016 (Unaudited)
Emolument of key management	6,003	5,797

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

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

23. Receivables and payables of related parties

		RMB	
Item	Related party	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Accounts receivable	Subsidiary of the Company	553,253,102.93	287,545,917.95
Subtotal of accounts receivable		553,253,102.93	287,545,917.95
Other receivables	Subsidiary of the Company	194,041,167.34	12,783,277.00
Other receivables	Other related party of the Company	1,475,800.00	1,480,105.29
Subtotal of other receivables:		195,516,967.34	14,263,382.29
Prepayments	Subsidiary of the Company	31,016,063.14	121,808,217.33
Prepayments	Other related party of the Company	102,920.00	—
Subtotal of prepayments:		31,118,983.14	121,808,217.33
Notes receivable	Subsidiary of the Company	2,141,000.00	550,518.71
Subtotal of notes receivable		2,141,000.00	550,518.71
Dividends receivable	Subsidiary of the Company	285,689,296.71	—
Subtotal of dividends receivable:		285,689,296.71	—
Accounts payable	Subsidiary of the Company	2,898,038,406.86	4,828,383,821.33
Accounts payable	Other related party of the Company	7,672,561.80	25,507,506.28
Subtotal of accounts payable		2,905,710,968.66	4,853,891,327.61
Other payables	Subsidiary of the Company	98,580,987.35	598,438,717.92
Other payables	Other related party of the Company	3,262,626.52	6,001,537.48
Subtotal of other payables:		101,843,613.87	604,440,255.40
Receipts in advance	Subsidiary of the Company	976,873,707.46	3,415,476,400.15
Subtotal of receipts in advance		976,873,707.46	3,415,476,400.15
Notes payable	Subsidiary of the Company	417,102,899.61	—
Notes payable	Other related party of the Company	—	4,296,578.36
Subtotal of notes payable		417,102,899.61	4,296,578.36
Interest receivable	Subsidiary of the Company	51,667,937.50	12,203,875.00
Subtotal of interest receivable		51,667,937.50	12,203,875.00
Other current assets	Subsidiary of the Company	3,607,582.86	—
Subtotal of other current assets		3,607,582.86	—

SUPPLEMENTARY

FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2017

1. Breakdown of non-recurring gains and losses

Item	RMB	
	For the period from 1 January to 30 June 2017 (Unaudited)	For the period from 1 January to 30 June 2016 (Unaudited)
Profit or loss from disposal of non-current assets	(2,696,410.04)	(11,539,800.09)
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)	285,692,648.73	64,038,766.03
Gains from the disposal of long-term equity investments and disposal of wealth management products	46,402,606.04	14,146,857.49
Gains from the equity in acquiree already held before the date of acquisition and measured at fair value	—	684,042.36
Non-operating gains and losses other than the above items	62,467,790.29	53,666,288.02
Effect of income tax	(64,907,296.32)	(20,220,411.58)
Effect of minority interests (net of tax)	(192,668.79)	(8,069.32)
Total	326,766,669.91	100,767,672.91

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 (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.

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

For the period from 1 January to 30 June 2016 (Unaudited)	Weighted average return on net assets (%)	Earnings per share Basic	Diluted
Net profit attributable to holders of ordinary shares of the Company	12.15	0.54	N/A
Net profit attributable to holders of ordinary shares of the Company, after deducting extraordinary gains and losses	11.90	0.53	N/A

The supplementary provided by the management of Great Wall Motor Company Limited was endorsed by the followings on 25 August 2017:

Legal Representative: Wei Jian Jun

General Manager: Wang Feng Ying

Chief Financial Officer: Li Feng Zhen

Person in charge of the accounting body: Lu Cai Juan

25 August 2017

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.

Index of Documents
Available for Inspection

The Original Auditor's Report With the Seal of the Accounting Firm
and Signatures and Seals of the Certified Public Accountants.

Chairman: Wei Jian Jun

Submission date approved by the Board: 25 August 2017

Amendments to Information

☐ Applicable ☒ Not applicable

Baoding, Hebei Province, the PRC, 25 August 2017

As at the date of this announcement, members of the Board comprise:

Executive Directors: Mr. Wei Jian Jun, Ms. Wang Feng Ying and Ms. Yang Zhi Juan.

Non-executive Director: Mr. He Ping.

Independent Non-executive Directors: Mr. Ma Li Hui, Mr. Li Wan Jun and Mr. Ng Chi Kit.

** For identification purpose only*