

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 2018**

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 2018. This announcement, containing the full text of the 2018 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 2018 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](http://www.hkexnews.hk) and of the Company at [www.gwm.com.cn](http://www.gwm.com.cn).

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

\* For identification purpose only

## IMPORTANT NOTICE

- I. The Board, the Supervisory Committee and the directors, supervisors and senior management of the Company warrant that the information in this interim report is true, accurate and complete and does not contain any false representations, misleading statements or material omissions, and jointly and severally take legal liability for its contents.**
- II. All the directors of the Company attended the Board meeting.**
- III. This interim report of the Company has not been audited.**

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

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

None

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

☒ Applicable   ☐ Not applicable

Forward-looking statements, such as future plans described in this interim report do not constitute an actual commitment of the Company to investors. Investors should be aware of the relevant investment risks.

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

No

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

No

- IX. Reminder of material risks**

During the Reporting Period, there were no material risks resulting in any significant impact on the production and operation of the Company. Risks that the Company may encounter in the course of its production and operation and its corresponding measures have been described in "Other Disclosures" under item II of Section 4 headed "Discussion and Analysis of the Business Operation of the Company (Management Discussion and Analysis)" of this report.

- X. Others**

☐ Applicable   ☒ Not applicable

# CONTENTS

|                                                                                                                          |    |                                                              |     |
|--------------------------------------------------------------------------------------------------------------------------|----|--------------------------------------------------------------|-----|
| Section 1<br>Definitions                                                                                                 | 14 | Section 7<br>Description of Preference Shares                | 80  |
| Section 2<br>Corporate Profile and Key<br>Financial Indicators                                                           | 16 | Section 8<br>Directors, Supervisors and Senior<br>Management | 81  |
| Section 3<br>Business Highlights of the Company                                                                          | 23 | Section 9<br>Description of Corporate Bonds                  | 82  |
| Section 4<br>Discussion and Analysis of the Business<br>Operation of the Company (Management<br>Discussion and Analysis) | 28 | Section 10<br>Financial Report (Unaudited)                   | 83  |
| Section 5<br>Significant Events                                                                                          | 53 | Section 11<br>Index of Documents Available for<br>Inspection | 260 |
| Section 6<br>Changes in Ordinary Shares and<br>Shareholders                                                              | 73 |                                                              |     |



# Section 1 Definitions

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

Definitions for commonly used terms

|                                 |                                                                                                                                                                                                                                                   |
|---------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| "A Shares"                      | domestic share(s) with a nominal value of RMB1.00 each in the share capital of the Company which are listed on the Shanghai Stock Exchange and traded in Renminbi (Stock Code: 601633);                                                           |
| "A Shareholder(s)"              | holders of A Share(s);                                                                                                                                                                                                                            |
| "Articles"                      | articles of association of the Company, as amended, modified or otherwise supplemented from time to time;                                                                                                                                         |
| "Board"                         | the board of directors of the Company;                                                                                                                                                                                                            |
| "Company" or "Great Wall Motor" | Great Wall Motor Company Limited (長城汽車股份有限公司), a joint stock company incorporated in the PRC with limited liability, the H Shares and A Shares of which are listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange, respectively; |
| "Company Law"                   | Company Law of the People's Republic of China;                                                                                                                                                                                                    |
| "Competing Business"            | a business that is identical with or similar to the principal business and other businesses of Great Wall Motor Company Limited;                                                                                                                  |
| "CSRC"                          | China Securities Regulatory Commission;                                                                                                                                                                                                           |
| "Group"                         | Great Wall Motor Company Limited and its subsidiaries;                                                                                                                                                                                            |
| "H Shares"                      | the overseas-listed foreign share(s) with a nominal value of RMB1.00 each in the share capital of the Company which are listed on the Main Board of the Hong Kong Stock Exchange and traded in Hong Kong dollars (Stock Code: 2333);              |
| "H Shareholder(s)"              | holders of H Share(s);                                                                                                                                                                                                                            |
| "Hong Kong Listing Rules"       | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as amended from time to time;                                                                                                                            |
| "Hong Kong Stock Exchange"      | The Stock Exchange of Hong Kong Limited;                                                                                                                                                                                                          |
| "Model Code"                    | Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules;                                                                                                                   |



## Section 1 Definitions

|                                           |                                                                                                           |
|-------------------------------------------|-----------------------------------------------------------------------------------------------------------|
| "PRC"                                     | the People's Republic of China;                                                                           |
| "Reporting Period" or<br>"Current Period" | six months ended 30 June 2018;                                                                            |
| "SFC"                                     | The Securities and Futures Commission in Hong Kong;                                                       |
| "SFO"                                     | Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended from time to time; and |
| "Shanghai Stock Exchange"                 | Shanghai Stock Exchange.                                                                                  |



## Section 2 Corporate Profile and Key Financial Indicators

### I. CORPORATE INFORMATION

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

### II. CONTACT PERSONS AND CONTACT METHODS

|                | Secretary to the Board                                            | Representative of Securities Affairs                              |
|----------------|-------------------------------------------------------------------|-------------------------------------------------------------------|
| Name           | Xu Hui (Company Secretary)                                        | Chen Yong Jun                                                     |
| Address        | No. 2266 Chaoyang Road South,<br>Baoding, Hebei Province, the PRC | No. 2266 Chaoyang Road South,<br>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,<br>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,<br>Hebei Province, the PRC                                      |
| Postal code of the office address of the Company     | 071000                                                                                                 |
| Company's website                                    | www.gwm.com.cn                                                                                         |
| E-mail address                                       | zqb@gwm.com.cn                                                                                         |
| Principal place of business in Hong Kong             | Room 1903-1904, 19/F., Hong Kong Trade Centre,<br>161 Des Voeux Road Central, Sheung Wan,<br>Hong Kong |

## Section 2 Corporate Profile and Key Financial Indicators

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

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

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

| Stock classes | Stock exchanges for the listing of the Company's shares | Stock abbreviation | Stock code                                                                                     | Previous stock abbreviation |
|---------------|---------------------------------------------------------|--------------------|------------------------------------------------------------------------------------------------|-----------------------------|
| A Shares      | Shanghai Stock Exchange                                 | Great Wall Motor   | 601633                                                                                         | —                           |
| H Shares      | Hong Kong Stock Exchange                                | Great Wall Motor   | 2333                                                                                           | —                           |
| Stock classes | Stock exchanges for the listing of the Company's shares | Listing date       | Number of issued shares                                                                        | Board lot                   |
| A Shares      | Shanghai Stock Exchange                                 | 28 September 2011  | 6,027,729,000<br>A Shares (Total shares: 9,127,269,000 shares, H Shares: 3,099,540,000 shares) | 100 shares                  |
| H Shares      | Hong Kong Stock Exchange                                | 15 December 2003   | 3,099,540,000<br>H Shares (Total shares: 9,127,269,000 shares, A Shares: 6,027,729,000 shares) | 500 shares                  |

## Section 2 Corporate Profile and Key Financial Indicators

### VI. OTHER RELEVANT INFORMATION

√ Applicable    ☐ Not applicable

|                                                                |                                                                                                                                                                                                                                                                                                                                                                                                  |
|----------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Accounting firm appointed by the Company                       | Deloitte Touche Tohmatsu Certified Public Accountants LLP (auditor of the Company)                                                                                                                                                                                                                                                                                                               |
| Office address of the accounting firm appointed by the Company | 30/F, 222 Yan An Road East, Huangpu District, Shanghai                                                                                                                                                                                                                                                                                                                                           |
| Legal adviser to the Company (as to Hong Kong law)             | Herbert Smith Freehills                                                                                                                                                                                                                                                                                                                                                                          |
| Legal adviser to the Company (as to PRC law)                   | Zhong Lun Law Firm, Beijing (ceased to be the legal adviser (as to PRC law) of the Company since 1 July 2018)<br>Jincheng Tongda & Neal Law Firm, Beijing (as the legal adviser (as to PRC law) of the Company since 1 July 2018)                                                                                                                                                                |
| H Share registrar and transfer office in Hong Kong             | Computershare Hong Kong Investor Services Limited<br>Shops 1712-1716, 17th Floor, Hopewell Centre,<br>183 Queen's Road East, Wanchai, Hong Kong                                                                                                                                                                                                                                                  |
| A Share registrar and transfer office                          | Shanghai Branch of China Securities Depository and Clearing Corporation Limited<br>3/F, China Insurance Building,<br>166 Lujiazui East Road, New Pudong District,<br>Shanghai, the PRC                                                                                                                                                                                                           |
| Investor and media relations consultant (H Shares)             | CorporateLink Limited<br>18/F, Shun Ho Tower,<br>24-30 Ice House Street, Central, Hong Kong                                                                                                                                                                                                                                                                                                      |
| Principal bankers                                              | Bank of China Limited (Baoding Yuhua sub-branch)<br>The Industrial and Commercial Bank of China<br>(Baoding Yonghua sub-branch)<br>China Construction Bank<br>(Baoding Hengxiang South Street sub-branch)<br>China Everbright Bank (Shijiazhuang branch)<br>China CITIC Bank (Baoding branch)<br>Bank of Communications Co., Ltd. (Baoding branch)<br>Industrial Bank Co., Ltd. (Baoding branch) |
| Authorised representatives                                     | Ms. Wang Feng Ying<br>Mr. Xu Hui                                                                                                                                                                                                                                                                                                                                                                 |
| Financial year-end date                                        | 31 December                                                                                                                                                                                                                                                                                                                                                                                      |

## Section 2 Corporate Profile and Key Financial Indicators

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



## Section 2 Corporate Profile and Key Financial Indicators

### VII. KEY ACCOUNTING DATA AND FINANCIAL INDICATORS OF THE COMPANY

#### (I) Key accounting data

*Unit: RMB    Currency: RMB*

| Key accounting data                                                                           | Reporting Period<br>(January–June) | Corresponding<br>period of last year | Increase/<br>decrease for the<br>Reporting<br>Period over the<br>corresponding<br>period of<br>last year (%) |
|-----------------------------------------------------------------------------------------------|------------------------------------|--------------------------------------|--------------------------------------------------------------------------------------------------------------|
| Total operating revenue                                                                       | <b>48,678,448,851.44</b>           | 41,255,663,824.84                    | 17.99                                                                                                        |
| Operating revenue                                                                             | <b>47,957,822,005.30</b>           | 40,992,814,179.16                    | 16.99                                                                                                        |
| Net profit attributable to<br>shareholders of the Company                                     | <b>3,695,799,261.39</b>            | 2,419,755,449.46                     | 52.73                                                                                                        |
| Net profit attributable to<br>shareholders of the Company<br>after extraordinary gains/losses | <b>3,578,275,369.10</b>            | 2,092,988,779.55                     | 70.96                                                                                                        |
| Net cash flow from operating<br>activities                                                    | <b>14,145,729,736.32</b>           | 8,338,899,649.27                     | 69.64                                                                                                        |

|                                                           | As at<br>the end of<br>the Reporting<br>Period | As at the end of<br>last year | Increase/<br>decrease for the<br>Reporting<br>Period over the<br>end of<br>last year (%) |
|-----------------------------------------------------------|------------------------------------------------|-------------------------------|------------------------------------------------------------------------------------------|
| Net assets attributable to<br>shareholders of the Company | <b>51,148,765,599.67</b>                       | 49,134,530,407.41             | 4.10                                                                                     |
| Total assets                                              | <b>104,193,966,703.78</b>                      | 110,547,073,781.60            | -5.75                                                                                    |

## Section 2 Corporate Profile and Key Financial Indicators

### (II) Key financial indicators

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

Description of key accounting data and financial indicators of the Company

√ Applicable    ☐ Not applicable

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

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

☐ Applicable    √ Not applicable



## Section 2 Corporate Profile and Key Financial Indicators

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

☒ Applicable   ☐ Not applicable

Unit: RMB   Currency: RMB

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

### X. OTHERS

☐ Applicable   ☒ Not applicable



## Section 3 Business Highlights of the Company

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

#### 1. Principal Business of the Company

Great Wall Motor has four brands, namely Great Wall, Haval, WEY and ORA, and will establish a joint venture, Spotlight Automotive Ltd., with BMW. It provides three major products, namely SUVs, sedans and pick-up trucks, and manufactures and supplies relevant major automotive parts and components.

#### 2. Operating Model

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

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

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

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



## Section 3 Business Highlights of the Company

In respect of manufacturing, the Group currently has two major production bases in Baoding (including Xushui District) and Tianjin. The base in Tianjin has already reached the target production capacity of finished automobiles as well as parts and components, ensuring sufficient production capacity of the Group. Xushui Complete Vehicle Factory No. 1, No. 2 and No. 3 have commenced operation while the finished automobile plant in Xushui is equipped with more automated and intelligent facilities so as to enhance the precision of products and speed up the production, providing reliable production capacity for new product release in the future. In the first half of 2018, the plant in Chongqing has commenced construction.

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

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

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

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



## Section 3 Business Highlights of the Company

### 3. Industry Overview

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

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

#### **(2) Passenger vehicles grew steadily with SUV outpacing others**

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

#### **(3) New energy vehicles grew rapidly**

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

#### **(4) Overseas markets recovered**

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

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



## Section 3 Business Highlights of the Company

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

☐ Applicable    ☒ Not applicable

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

☒ Applicable    ☐ Not applicable

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

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

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

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

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

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



## Section 3 Business Highlights of the Company

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

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

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

Committing itself to investment in research and development, the Company has established a global research and development network headquartered in Baoding and covering Europe, Asia and North America. For research and development facilities, the Company has established one of the largest automobile testing plants with the highest specification in the PRC. The Company has also set up a Havel technical center for research and development, trial production, testing, modeling and data processing, which has further enhanced the research and development strategy of finished automobiles and parts and components and strengthened the overall research and development capability of the Company.



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

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

#### Operating Environment

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

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



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

### Financial Review

Unit: RMB Currency: RMB

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

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

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

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

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

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

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

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

### Current assets and current liabilities

Unit: RMB Currency: RMB

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

### Gearing ratio

Unit: RMB Currency: RMB

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

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

### Acquisition and disposal of assets

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

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

### Capital structure

The Group generally finances its day-to-day operations with its internal cash flows and bank borrowings. As at 30 June 2018, the Company borrowed short-term loans of RMB17,386,641,047.91 in total, mainly used for automobile financial lending businesses and to improve the daily liquidity. The Company borrowed long-term loans of RMB1,494,086,500.00, including long-term loans due within one year, mainly used for acquisition, investment and capital expenditure of Billion Sunny Development Limited, a subsidiary of the Company. For details of interest rate of the borrowings, please refer to the descriptions of Note (VI) to the financial statements in this interim report.

### Exposure to foreign exchange risk

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

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

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

### Employment, training and development

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

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

### Segment Information

The Group is mainly engaged in the manufacture and sale of automobiles and automotive parts and components in the PRC, and the majority of its assets are located in the PRC. The management determined the reporting segments according to the organization structure, management requirements and internal reporting system of the Group for the purposes of resource allocation and performance evaluation. As the resource allocation and performance evaluation of the Group are carried out based on the overall operation of the production and sales of automobiles and automotive parts and components, the Group has only one business segment for internal reporting purpose.

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

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

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

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

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

### Business Review

#### Sales volume of products

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

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

#### (1) Pick-up truck

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

#### (2) SUV

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

#### (3) Sedan

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

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

### **Domestic market**

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

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

### **Overseas market**

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

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

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

### **New energy**

The Group concurrently engaged in the development of EV (electric vehicle), HEV (hybrid electric vehicle) and PHEV (plug-in hybrid electric vehicle), which involved three different types of technology, as well as the planning of FCV (fuel cell vehicle). In addition, the Group had joined the Hydrogen Council and carried out the development of hydrogen fuel cell technology.

### **Intelligent driving**

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



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

### **Launch of new products**

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

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

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

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

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

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

### **Outlook**

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

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

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

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

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

### ***New products***

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

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

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

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

### ***Cooperation with BMW***

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

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

### ***Preferential enterprise income tax rate for high-tech enterprises***

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

### **(I) Analysis of principal business**

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

Unit: RMB    Currency: RMB

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

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

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

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

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

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

### 2. Others

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

☐ Applicable ☒ Not applicable

- (2) Others

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

### (III) Analysis of assets and liabilities

☒ Applicable ☐ Not applicable

#### 1. Assets and liabilities

Unit: RMB Currency: RMB

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

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

| Item                                                  | Amount as at the end of the Current Period | Amount as at the end of the Current Period as a percentage of total assets (%) | Amount as at the end of the corresponding period of last year | Amount as at the end of the corresponding period of last year as a percentage of total assets (%) | Changes in the amount as at the end of the Current Period over the end of the corresponding period of last year (%) | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|-------------------------------------------------------|--------------------------------------------|--------------------------------------------------------------------------------|---------------------------------------------------------------|---------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Financial assets at fair value through profit or loss |                                            |                                                                                | 317,994,432.00                                                | 0.29                                                                                              | -100.00                                                                                                             | Changes in financial assets at fair value through profit or loss were mainly because the Group reclassified the equity investments in listed companies originally recognised as financial assets at fair value through profit or loss to "financial assets held for trading" during the Reporting Period according to the Notice of the Ministry of Finance on Revising the Format of Financial Statements of General Enterprises in 2018 (Cai Kuai [2018] No. 15). And the Group did not make any adjustments to the comparative financial statement data for previous periods.                                                                                                                                                                           |
| Notes and accounts receivable                         | 1,543,088,399.71                           | 1.48                                                                           | 49,948,553,567.36                                             | 45.18                                                                                             | -96.91                                                                                                              | Changes in notes and accounts receivable were mainly because the Group reclassified notes receivable to financial assets at fair value through other comprehensive income based on the future cash inflows of such notes receivable and presented such assets in "other current assets" during the Reporting Period according to the Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments revised by the Ministry of Finance in 2017 and the Notice of the Ministry of Finance on Revising the Format of Financial Statements of General Enterprises in 2018 (Cai Kuai [2018] No. 15). And the Group did not make any adjustments to the comparative financial statement data for previous periods. |
| Prepayments                                           | 383,389,970.44                             | 0.37                                                                           | 579,536,182.06                                                | 0.52                                                                                              | -33.85                                                                                                              | Changes in prepayments were mainly due to the decrease in prepayments for raw materials purchased during the Reporting Period as compared with the end of the previous year                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| Non-current assets due within one year                | 9,874,514,930.28                           | 9.48                                                                           | 7,447,875,069.05                                              | 6.74                                                                                              | 32.58                                                                                                               | Changes in non-current assets due within one year were mainly due to the increase in loans and advances to customers due within one year of Tianjin Great Wall Binyin Automotive Finance Co., Ltd., a subsidiary of the Company                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |

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

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

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

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

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

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

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

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

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

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

☒ Applicable ☐ Not applicable

#### Assets with limited ownership or right to use

Unit: RMB Currency: RMB

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

### 3. Description of other matters

☐ Applicable ☒ Not applicable

## (IV) Analysis of investments

### 1. Overall analysis of external equity investment

☒ Applicable ☐ Not applicable

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

#### (1) Major equity investment

☒ Applicable ☐ Not applicable



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

| Name of investee                                               | Principal business                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Investment amount<br>(RMB10,000) | Percentage of shareholding |
|----------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------|----------------------------|
| Xiamen Great Wall Auto Sales Company Limited<br>(廈門長城汽車銷售有限公司) | Wholesale of automobiles; wholesale of automotive components and accessories; import and export of various commodities and technologies (without import and export catalogues) except for those to be carried on by state-designated companies or the import and export of which are prohibited; retail of automobiles; information technology consulting services; business information consultation; other unspecified professional consulting services (excluding projects subject to licensing and approval); wholesale of computers, software and auxiliary equipment; wholesale of other mechanical equipment and electronic products; other unspecified business services (excluding projects subject to licensing and approval); other unspecified services (excluding projects subject to licensing and approval); car rental (excluding operation); used car appraisal and evaluation services. | 3.3                              | 100%                       |
| Guangzhou Great Wall Auto Sales Company Limited (廣州長城汽車銷售有限公司) | Retail of automobiles; retail of automotive parts and components; sale of automobiles; wholesale of automotive parts and components; sale of automotive charging modules; sale of used cars; retail of software; software development; software services; car rental; design of automotive parts and components; design of automotive repair tools; agency service of annual vehicle examination and transfer of vehicle ownership; agency service of motor vehicle management; import and export of commodities (excluding franchised or State-controlled commodities); import and export of technologies; trade agency; commodity information consultation.                                                                                                                                                                                                                                             | 3.45                             | 100%                       |

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

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

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

| Name of investee                                                          | Principal business                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Investment amount (RMB10,000) | Percentage of shareholding |
|---------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------|----------------------------|
| Tianjin Oula Financial Leasing Company Limited (天津歐拉融資租賃有限公司)             | Financial leasing business; leasing business; purchase of domestic and overseas leasing properties; residual value treatment and maintenance of leasing properties; commercial factoring business related to principal business.                                                                                                                                                                                                                                                                                                                                                  | 12,750                        | 100%                       |
| Tianjin Great Wall Car Sharing Service Company Limited (天津長城共享汽車服務有限公司)   | Facilitation of car services; car rental; automotive information consultation; labour services; baggage porter service; technology consultation; technology development; technological services; technology transfer; economic information consultation.                                                                                                                                                                                                                                                                                                                          | 1,805                         | 100%                       |
| Haval Motor Manufacturing Rus Limited Liability Company (俄羅斯哈弗汽車製造有限責任公司) | <ol style="list-style-type: none"> <li>1. Marketing, sales, promotion, production and manufacturing of automobiles, automotive parts, components and accessories, and engaging in any other related operating activities, including trade intermediary activities and foreign trade activities;</li> <li>2. Technical maintenance and repair services for automobiles and the provision of technical maintenance services for other transport vehicles;</li> <li>3. Carrying out financial intermediary activities in the sales of automobiles and transport vehicles.</li> </ol> | 10,155.81                     | 100%                       |

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

### (2) Major investment in non-equity interest

√ Applicable    ☐ Not applicable

Unit: RMB    Currency: RMB

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

### (3) Financial assets measured at fair value

√ Applicable    ☐ Not applicable

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

Unit: RMB    Currency: RMB

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

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

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

☐ Applicable ☒ Not applicable

### (VI) Analysis of major subsidiaries and investees

☒ Applicable ☐ Not applicable

Unit: RMB Currency: RMB

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

### (VII) Structured entities under the control of the Company

☐ Applicable ☒ Not applicable

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

### II. OTHER DISCLOSURES

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

☐ Applicable    ☒ Not applicable

#### (II) Exposure to potential risks

☒ Applicable    ☐ Not applicable

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

1. China's economy is in the throes of the transition period and shifting from high growth to high quality development during the structural upgrade of the industry and transition to new economic drivers, leading to a greater downside pressure on the economy in the short run. In addition, given consumption overdrafts in the past and the current dampened demand on car purchase from consumers, the domestic automobile market will enter into an "era of slight growth" with intensified competition in the industry and continual new products launch, resulting in a crowded SUV market;
2. as the domestic and overseas automobile markets become more mature, customers become increasingly demanding in terms of product quality and requirements, they demand better brands and higher quality automobiles produced by enterprises under their own brands;
3. with the tightening of the new energy dual-credit policy and the rapid growth in the share of SUVs in the China market, SUV is anticipated to account for over 50% of passenger vehicles by 2020. Since SUV consumes more fuel, the Company is under greater pressure in achieving the fuel consumption target at Phase 4. The new energy market in China is a global leading market because of high financial subsidies. However, as subsidies fall at a faster pace than that of new energy costs, the sales volume of new energy vehicles will be hit by the substantial fall in subsidies coming into effect from 2018 onwards, resulting in some risks in achieving the credits in respect of corporate average fuel consumption;
4. due to the growing technical barriers in overseas markets, the intensifying tendency of protectionism, the fragile economic recovery in emerging economies and the risks of capital outflow and exchange rate fluctuation arising from tax cuts in Europe and the United States, there is greater uncertainty for the Company to tap into international markets.



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

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

1. in order to maintain its position as a leading market player, the Company will pool resources to create the right product mix and boost the efficiency of product lines. Meanwhile, it will also be innovative in its brand operations, setting its focus on major products to ensure boosting of dual-brand SUV products (Haval and WEY), with quality remaining a top priority, so as to acquire customers through its leading quality and services;
2. the Company will continue to improve its sales and service networks by expanding its network coverage in the market and setting up professional and efficient sales and service networks. Meanwhile, to meet increasingly demanding consumer requirements, it will implement initiatives to achieve success at the level of end users by offering quality sales services to create a differentiated customer experience for enhanced service quality;
3. the Company will focus on new energy and intelligent driving technology and master core technologies such as integrating the entire new energy vehicle system, achieving an edge in areas such as Internet access and lightweight vehicles. Meanwhile, the Company will continue to accelerate the strategy for the new energy vehicle business. A series of products under the ORA brand will be launched successively in the second half of 2018 to boost the sales of new energy-enabled products;
4. the Company will enhance the quality of its research and development to build global capabilities by strengthening the preliminary planning of products to ensure the development of quality products. It will also commence overseas production planning and localized operation to expand the sale scale of the overseas market.

### (III) Other Disclosures

√ Applicable    ☐ Not applicable

#### **Interim Dividend**

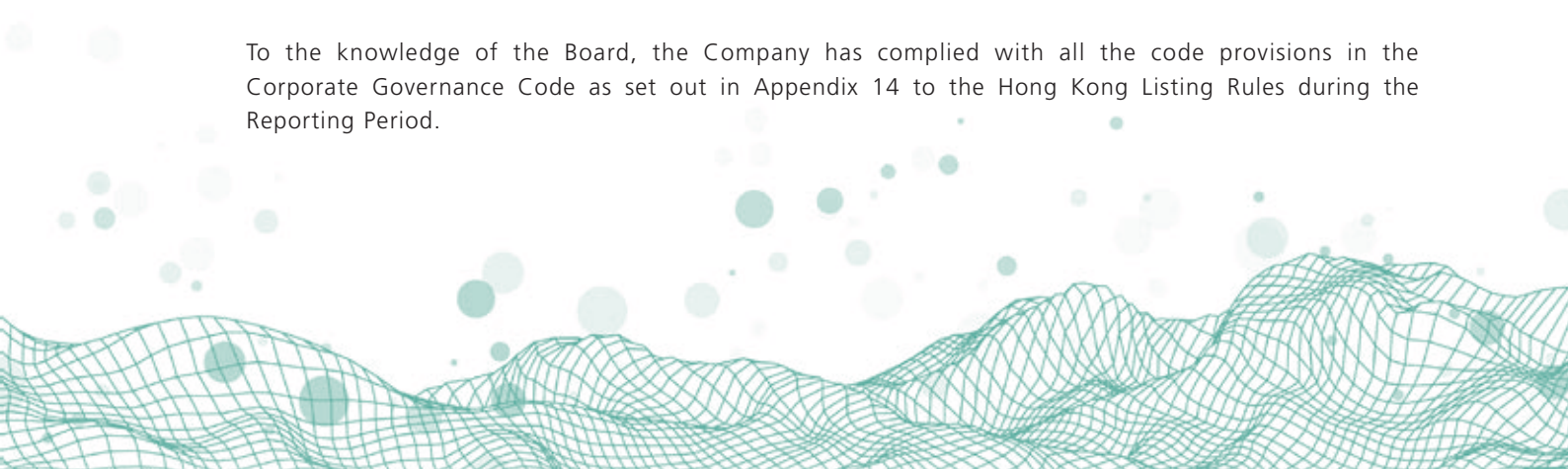
The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

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

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

#### **Corporate Governance**

To the knowledge of the Board, the Company has complied with all the code provisions in the Corporate Governance Code as set out in Appendix 14 to the Hong Kong Listing Rules during the Reporting Period.



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

### ***Audit Committee***

The Company has set up the Audit Committee for the purposes of reviewing and supervising the financial reporting process and internal control of the Group. The Audit Committee comprises three independent non-executive directors and one non-executive director of the Company. At the meeting held on 29 August 2018, the Audit Committee reviewed the 2018 interim results announcement, 2018 interim report and interim financial report of the Group and gave their opinions and recommendations to the Board. The Audit Committee is of the opinion that the 2018 interim results announcement, 2018 interim report and interim financial report of the Company comply with the applicable accounting standards and the Company has made appropriate disclosure thereof.

### ***Remuneration Committee***

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

### ***Nomination Committee***

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

### ***Strategy Committee***

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

### ***Compliance with the Model Code***

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



## Section 5 Significant Events

### I. SUMMARY OF THE GENERAL MEETINGS

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

#### Description of General Meetings

☐ Applicable    ☒ Not applicable

### II. PROPOSAL OF PROFIT DISTRIBUTION OR CAPITALISATION OF CAPITAL RESERVE

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

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

## Section 5 Significant Events

### III. PERFORMANCE OF UNDERTAKINGS

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

√ Applicable    ☐ Not applicable

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

## Section 5 Significant Events

| Background of undertakings                                                        | Type of undertakings           | Undertaking party                                                               | Description of undertakings                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Date and duration of undertakings | Any time frame for performance (yes/no) | Strict and timely performance (yes/no) | Reasons for failure of performance (if undertakings cannot be performed timely) | Next step (if undertakings cannot be performed in a timely manner) |
|-----------------------------------------------------------------------------------|--------------------------------|---------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|-----------------------------------------|----------------------------------------|---------------------------------------------------------------------------------|--------------------------------------------------------------------|
| Undertakings relating to the initial public offering of the shares of the Company | Resolving business competition | Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司) | <p>1. Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司) is neither directly nor indirectly engaged in any Competing Business.</p> <p>2. As long as Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司) remains as a related party that has control over Great Wall Motor Company Limited (長城汽車股份有限公司), its directly or indirectly controlled subsidiaries would not in any way, directly or indirectly, engage in any existing or potential Competing Business.</p> <p>3. Subject to the same conditions, Great Wall Motor Company Limited (長城汽車股份有限公司) shall have the right of first refusal over the investment or other business opportunities relating to Competing Businesses that Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司) will pursue or may get in the future.</p> | From 10 December 2010, permanent  | No                                      | Yes                                    | —                                                                               | —                                                                  |

## Section 5 Significant Events

| Background of undertakings                                                        | Type of undertakings           | Undertaking party | Description of undertakings                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Date and duration of undertakings | Any time frame for performance (yes/no) | Strict and timely performance (yes/no) | Reasons for failure of performance (if undertakings cannot be performed timely) | Next step (if undertakings cannot be performed in a timely manner) |
|-----------------------------------------------------------------------------------|--------------------------------|-------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|-----------------------------------------|----------------------------------------|---------------------------------------------------------------------------------|--------------------------------------------------------------------|
| Undertakings relating to the initial public offering of the shares of the Company | Resolving business competition | Wei Jian Jun      | <p>1. The subsidiaries directly or indirectly controlled by Mr. Wei Jian Jun are neither directly nor indirectly engaged in any Competing Business.</p> <p>2. As long as Mr. Wei Jian Jun remains as a related party who has control over Great Wall Motor Company Limited (長城汽車股份有限公司), the subsidiaries directly or indirectly controlled by him would not in any way, directly or indirectly, engage in any existing or potential Competing Business.</p> <p>3. Subject to the same conditions, Great Wall Motor Company Limited (長城汽車股份有限公司) shall have the right of first refusal over the investment or other business opportunities relating to the Competing Businesses that the subsidiaries directly or indirectly controlled by Mr. Wei Jian Jun will pursue or may get in the future.</p> | From 10 December 2010, permanent  | No                                      | Yes                                    | —                                                                               | —                                                                  |

## Section 5 Significant Events

### IV. APPOINTMENT OR DISMISSAL OF ACCOUNTING FIRM

#### Description of appointment or dismissal of accounting firm

☒ Applicable ☐ Not applicable

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

#### Change of the accounting firm during the audit period

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

### V. BANKRUPTCY AND RESTRUCTURING

☐ Applicable ☒ Not applicable

### VI. MATERIAL LITIGATIONS AND ARBITRATIONS

☐ The Company had material litigations and arbitrations during the Reporting Period

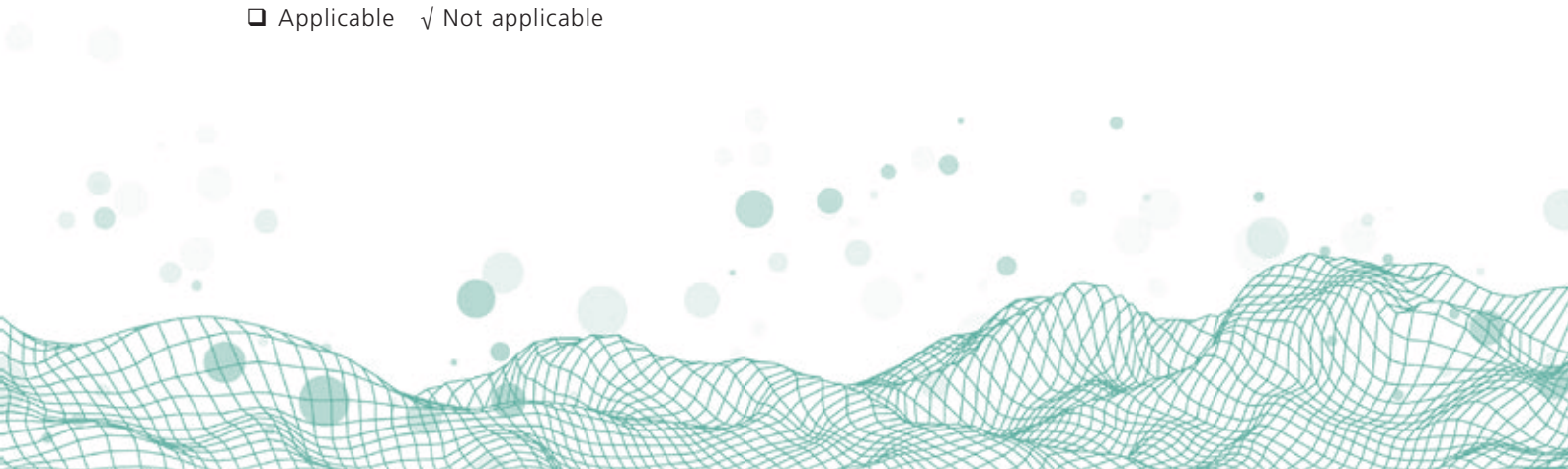
☒ The Company had no material litigations and arbitrations during the Reporting Period

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

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable



## Section 5 Significant Events

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

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

☐ Applicable    ☒ Not applicable

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

##### **Share Incentive Scheme**

☐ Applicable    ☒ Not applicable

##### **Other descriptions**

☐ Applicable    ☒ Not applicable

##### **Employee Share Ownership Scheme**

☐ Applicable    ☒ Not applicable

##### **Other incentives**

☐ Applicable    ☒ Not applicable

### X. MATERIAL RELATED PARTY TRANSACTIONS

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

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

☐ Applicable    ☒ Not applicable

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

☐ Applicable    ☒ Not applicable

##### **3. Matters undisclosed in temporary announcements**

☐ Applicable    ☒ Not applicable

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

## Section 5 Significant Events

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

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

☐ Applicable    ☒ Not applicable

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

☐ Applicable    ☒ Not applicable

**3. *Matters undisclosed in temporary announcements***

☐ Applicable    ☒ Not applicable

**4. *Disclosure about the achievement or otherwise of agreed results during the Reporting Period***

☐ Applicable    ☒ Not applicable

### (III) Material related party transactions in respect of joint foreign investments

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

☐ Applicable    ☒ Not applicable

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

☐ Applicable    ☒ Not applicable

**3. *Matters undisclosed in temporary announcements***

☐ Applicable    ☒ Not applicable



## Section 5 Significant Events

### (IV) Amounts due to or from related parties

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

☐ Applicable    ☒ Not applicable

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

☐ Applicable    ☒ Not applicable

**3. Matters undisclosed in temporary announcements**

☐ Applicable    ☒ Not applicable

### (V) Other material related party transactions

☐ Applicable    ☒ Not applicable

### (VI) Others

☐ Applicable    ☒ Not applicable

Apart from the related party transactions between the Group and Mr. Zhao Guoqing, the senior management of the Company, Ms. Han Xuejuan and Ms. Wei Zihan, immediate family members of the ultimate controlling shareholder, and Lingtu Auto Co., Ltd. (領途汽車有限公司), the related party transactions set out in note 11 to the financial statements constitute connected transactions and continuing connected transactions in accordance with Hong Kong Listing Rules. The Company has complied with relevant requirements under the Chapter 14A of the Hong Kong Listing Rules and the connected transactions and continuing connected transactions have been exempted from complying with the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

## Section 5 Significant Events

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

☐ Applicable    ☒ Not applicable

**2. Guarantee**

☒ Applicable    ☐ Not applicable

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

## Section 5 Significant Events

|                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|-------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Total amount of guarantees in excess of 50% of net asset value (E)                  | 0                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| Total amount of guarantees of the above three items (C+D+E)                         | 0                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| Statement on the contingent joint liability in connection with unexpired guarantees |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| Details of guarantees                                                               | <ol style="list-style-type: none"> <li>1. The said amounts of guarantees are subject to the actual borrowing amounts.</li> <li>2. In 2015, the Board considered and approved the provision of guarantee of RMB1.5 billion for Tianjin Great Wall Binyin Automotive Finance Company Limited (天津長城濱銀汽車金融有限公司), a subsidiary of the Company. As at 30 June 2018, the Company entered into guarantee agreements with the Tianjin Binhai New Area Branch of China Bohai Bank Co., Ltd. (渤海銀行股份有限公司天津濱海新區分行), Tianjin Binhai Branch of Bank of China (中國銀行天津濱海分行) and the Hai Gang Subbranch of Tianjin Binhai Rural Commercial Bank Corporation (天津濱海農村商業銀行股份有限公司) for maximum guarantees of RMB300 million (matured), RMB500 million (matured) and RMB500 million, respectively.</li> <li>3. In 2017, the Board considered and approved the provision of guarantee of USD110 million for Tide Technology and Trade Company Limited (泰德科貿有限公司), a wholly-owned subsidiary of the Company.</li> <li>4. In 2017, the Board considered and approved the provision of guarantee of an amount equivalent to USD350 million for Billion Sunny Development Limited (億新發展有限公司), an indirect wholly-owned subsidiary of the Company.</li> </ol> |

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

## Section 5 Significant Events

### 3. Other material contracts

☐ Applicable    ☒ Not applicable

## XII. POVERTY ALLEVIATION UNDERTAKEN BY THE COMPANY

☒ Applicable    ☐ Not applicable

### 1. The plan for accurate poverty alleviation

☒ Applicable    ☐ Not applicable

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

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

☒ Applicable    ☐ Not applicable

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



## Section 5 Significant Events

### 3. Results of accurate poverty alleviation

√ Applicable    ☐ Not applicable

Unit: RMB10,000    Currency: RMB

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

## Section 5 Significant Events

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

☒ Applicable   ☐ Not applicable

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

### 5. Subsequent programmes on accurate poverty alleviation

☒ Applicable   ☐ Not applicable

1. Donations: The Company will improve the living conditions of impoverished areas through various methods, such as making donations, providing support for students, the elderly and people with disabilities as well as offering medical assistance;
2. Human resources and technology: Technology support for poverty alleviation will be offered by leveraging the human resource advantages of the Company as always. Moreover, various training schemes will be provided in various areas including practical technologies, production skills and business operations, so as to improve the self-development ability of underprivileged staff and enhance their production skills and livelihoods;
3. Employment: The Company will provide job opportunities for people living in local impoverished areas and more training schemes will be conducted to improve the quality of employment and boost the economic growth of such areas;
4. Others: The Company will encourage its staff to participate in volunteer activities so as to revive the local economic development.

## XIII. CONVERTIBLE CORPORATE BONDS

☐ Applicable   ☒ Not applicable



## Section 5 Significant Events

### XIV. ENVIRONMENTAL PROTECTION INFORMATION

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

√ Applicable    □ Not applicable

##### 1. Pollutant discharge

√ Applicable    □ Not applicable

| Name of company or subsidiary                                    | Major pollutants or specific pollutants | Way of emission       | Number of discharge outlets | Location of discharge outlets                                                                                 | Emission concentration | Adopted emission standards for pollutants                                                                       | Total emissions | Verified total emissions | Excessive emission |
|------------------------------------------------------------------|-----------------------------------------|-----------------------|-----------------------------|---------------------------------------------------------------------------------------------------------------|------------------------|-----------------------------------------------------------------------------------------------------------------|-----------------|--------------------------|--------------------|
| Great Wall Motor Company Limited                                 | Sewage                                  | Intermittent emission | 2                           | The discharge outlet on the factory site of Great Wall Motor Company Limited located at Chaoyang South Avenue | 156mg/L                | Table 4 Tertiary                                                                                                | 15.9 tons       | 43.51 tons/year          | Nil                |
|                                                                  |                                         |                       |                             |                                                                                                               | 5.33mg/L               | Standard in Integrated                                                                                          | 0.49 tons       | 2.53 tons/year           |                    |
|                                                                  |                                         |                       |                             |                                                                                                               | 7.92                   | Wastewater Discharge                                                                                            | -               | -                        |                    |
|                                                                  |                                         |                       |                             |                                                                                                               | 1.62mg/L               | Standards (GB 8978-                                                                                             | 0.15 tons       | -                        |                    |
|                                                                  |                                         |                       |                             |                                                                                                               | 2.73mg/L               | 1996)                                                                                                           | 0.25 tons       | -                        |                    |
|                                                                  |                                         |                       |                             |                                                                                                               | 60mg/L                 |                                                                                                                 | 5.52 tons       | -                        |                    |
|                                                                  | Exhaust gas                             | Regular emission      | 9                           | Within the factory site of Great Wall Motor Company Limited                                                   | 0.54mg/L               |                                                                                                                 | 0.05 tons       | -                        |                    |
|                                                                  |                                         |                       |                             |                                                                                                               | 0.39mg/L               |                                                                                                                 | 0.04 tons       | -                        |                    |
|                                                                  |                                         |                       |                             |                                                                                                               | 3.2mg/m³               | Table 2 Secondary                                                                                               | 0.1 tons        | -                        |                    |
|                                                                  |                                         |                       |                             |                                                                                                               | 10mg/m³                | Standard in Integrated                                                                                          | 0.29 tons       | -                        |                    |
|                                                                  |                                         |                       |                             |                                                                                                               | 4mg/m³                 | Emission Standards of Air Pollutants (GB16297-1996)                                                             | 0.13 tons       | -                        |                    |
|                                                                  |                                         |                       |                             |                                                                                                               |                        |                                                                                                                 |                 |                          |                    |
|                                                                  |                                         |                       |                             |                                                                                                               | 7mg/m³                 | Table 2 in Emission Standards of Carbon Monoxide as Stationary Source (DB13/487-2002)                           | 0.03 tons       | -                        |                    |
|                                                                  |                                         |                       |                             |                                                                                                               |                        |                                                                                                                 |                 |                          |                    |
|                                                                  |                                         |                       |                             |                                                                                                               | 2.38mg/m³              | Table 1 in Emission Control Standards of Volatile Organic Compounds for Industrial Enterprises (DB13/2322-2016) | 3.78 tons       | -                        |                    |
|                                                                  |                                         |                       |                             |                                                                                                               | 0.35mg/m³              |                                                                                                                 | 0.26 tons       | -                        |                    |
|                                                                  |                                         |                       |                             |                                                                                                               | 2.59mg/m³              |                                                                                                                 | 0.94 tons       | -                        |                    |
|                                                                  |                                         |                       |                             |                                                                                                               | 4mg/m³                 |                                                                                                                 | 0.83 tons       | -                        |                    |
|                                                                  |                                         |                       |                             |                                                                                                               |                        |                                                                                                                 |                 |                          |                    |
|                                                                  |                                         |                       |                             |                                                                                                               |                        |                                                                                                                 |                 |                          |                    |
| Shunping Fine Casting Branch of Great Wall Motor Company Limited | Sewage                                  | Intermittent emission | 1                           | East side of the factory site                                                                                 | 94mg/L                 | Table 4 Tertiary                                                                                                | 9.02 tons       | 43.67 tons/year          | Nil                |
|                                                                  |                                         |                       |                             |                                                                                                               | 2.21mg/L               | Standard in Integrated                                                                                          | 0.21 tons       | 4.368 tons/year          |                    |
|                                                                  |                                         |                       |                             |                                                                                                               | 7.84                   | Wastewater Discharge                                                                                            | -               | -                        |                    |
|                                                                  |                                         |                       |                             |                                                                                                               | 0.26mg/L               | Standards (GB 8978-                                                                                             | 0.03 tons       | -                        |                    |
|                                                                  |                                         |                       |                             |                                                                                                               | 0.22mg/L               | 1996); Influent Water Quality Requirement                                                                       | 0.02 tons       | -                        |                    |
|                                                                  |                                         |                       |                             |                                                                                                               | 17mg/L                 | of Shunping Qingyuan Sewage Treatment Co., Ltd. (順平清源污水處理有限公司)                                                  | 1.63 tons       | -                        |                    |

## Section 5 Significant Events

| Name of company or subsidiary                            | Major pollutants or specific pollutants |                                                          | Way of emission     | Number of discharge outlets                                                                                                                                                                                                                                                                                                                                                                                                          | Location of discharge outlets | Emission concentration                                                                                                                                                                                                                                                                                                                                                                                                     | Adopted emission standards for pollutants                                                                       | Total emissions  | Verified total emissions | Excessive emission           |                         |                                          |                                                                                                                  |            |     |     |
|----------------------------------------------------------|-----------------------------------------|----------------------------------------------------------|---------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------|------------------|--------------------------|------------------------------|-------------------------|------------------------------------------|------------------------------------------------------------------------------------------------------------------|------------|-----|-----|
| Dingxing Branch of Great Wall Motor Company Limited      | Exhaust gas                             | Particulates                                             | Regular emission    | 29                                                                                                                                                                                                                                                                                                                                                                                                                                   | Outside the casting workshop  | 14.7mg/m³                                                                                                                                                                                                                                                                                                                                                                                                                  | Table 2 Secondary                                                                                               | 2.4 tons         | –                        | Nil                          |                         |                                          |                                                                                                                  |            |     |     |
|                                                          |                                         | Sulphur dioxide                                          |                     |                                                                                                                                                                                                                                                                                                                                                                                                                                      |                               | 24mg/m³                                                                                                                                                                                                                                                                                                                                                                                                                    | Standard in Integrated                                                                                          | 0.23 tons        | 0.881 tons/year          |                              |                         |                                          |                                                                                                                  |            |     |     |
|                                                          |                                         | Nitrogen oxides                                          |                     |                                                                                                                                                                                                                                                                                                                                                                                                                                      |                               | 72mg/m³                                                                                                                                                                                                                                                                                                                                                                                                                    | Emission Standards                                                                                              | 0.3 tons         | 0.702 tons/year          |                              |                         |                                          |                                                                                                                  |            |     |     |
|                                                          |                                         | Non-methane hydrocarbons                                 |                     |                                                                                                                                                                                                                                                                                                                                                                                                                                      |                               | 2.72mg/m³                                                                                                                                                                                                                                                                                                                                                                                                                  | of Air Pollutants                                                                                               | 0.01 tons        | –                        |                              |                         |                                          |                                                                                                                  |            |     |     |
|                                                          |                                         | Benzene                                                  |                     |                                                                                                                                                                                                                                                                                                                                                                                                                                      |                               | 0.1mg/m³                                                                                                                                                                                                                                                                                                                                                                                                                   | (GB16297-1996)                                                                                                  | 0.0003 tons      | –                        |                              |                         |                                          |                                                                                                                  |            |     |     |
|                                                          |                                         | Toluene                                                  |                     |                                                                                                                                                                                                                                                                                                                                                                                                                                      |                               | 0.02mg/m³                                                                                                                                                                                                                                                                                                                                                                                                                  | Table 1 in Emission Control Standards of Volatile Organic Compounds for Industrial Enterprises (DB13/2322-2016) | 0.00004 tons     | –                        |                              |                         |                                          |                                                                                                                  |            |     |     |
|                                                          |                                         | Ammonia                                                  |                     |                                                                                                                                                                                                                                                                                                                                                                                                                                      |                               | 2.3mg/m³                                                                                                                                                                                                                                                                                                                                                                                                                   | Table 1 and Table 2 Standards in Emission Standards of Odour Pollutants (GB14554-93)                            | 0.23 tons        | –                        |                              |                         |                                          |                                                                                                                  |            |     |     |
|                                                          |                                         | CO                                                       |                     |                                                                                                                                                                                                                                                                                                                                                                                                                                      |                               | 42mg/m³                                                                                                                                                                                                                                                                                                                                                                                                                    | Table 2 in Emission Standards of Carbon Monoxide as Stationary Source (DB13/487-2002)                           | 0.17 tons        | –                        |                              | Nil                     |                                          |                                                                                                                  |            |     |     |
|                                                          |                                         | Baoding Nuobo Rubber Production Company Limited          |                     |                                                                                                                                                                                                                                                                                                                                                                                                                                      |                               | Exhaust gas                                                                                                                                                                                                                                                                                                                                                                                                                | Particulates                                                                                                    | Regular emission | 9                        |                              | Around the factory site | 56mg/m³                                  | Table 2 Secondary Standard in Integrated Emission Standards of Air Pollutants (GB16297-1996)                     | 0.16 tons  | –   | Nil |
|                                                          |                                         |                                                          |                     |                                                                                                                                                                                                                                                                                                                                                                                                                                      |                               |                                                                                                                                                                                                                                                                                                                                                                                                                            | Xylene                                                                                                          |                  |                          |                              |                         | 1.16mg/m³                                | Table 1 in Emission Control Standards of Volatile Organic Compounds for Industrial Enterprises (DB13/2322-2016): | 0.003 tons | –   |     |
| Tianjin Haval Branch of Great Wall Motor Company Limited | Sewage                                  |                                                          | COD                 | Intermittent emission                                                                                                                                                                                                                                                                                                                                                                                                                | 2                             |                                                                                                                                                                                                                                                                                                                                                                                                                            | West side of the factory site                                                                                   |                  |                          | 104mg/L                      |                         | Table 1 Tertiary                         | 10.16 tons                                                                                                       | –          | Nil |     |
|                                                          |                                         |                                                          | Ammoniacal nitrogen |                                                                                                                                                                                                                                                                                                                                                                                                                                      |                               |                                                                                                                                                                                                                                                                                                                                                                                                                            |                                                                                                                 |                  |                          | 0.592mg/L                    |                         | Standard in Integrated                   | 0.05 tons                                                                                                        | –          |     |     |
|                                                          |                                         | pH value                                                 | 7.45                |                                                                                                                                                                                                                                                                                                                                                                                                                                      |                               | Wastewater Discharge                                                                                                                                                                                                                                                                                                                                                                                                       |                                                                                                                 | –                | –                        |                              |                         |                                          |                                                                                                                  |            |     |     |
|                                                          |                                         | Animal fats and vegetable oils                           | 0.97mg/L            |                                                                                                                                                                                                                                                                                                                                                                                                                                      |                               | Standards (DB 12/356-2008)                                                                                                                                                                                                                                                                                                                                                                                                 |                                                                                                                 | 0.07 tons        | –                        |                              |                         |                                          |                                                                                                                  |            |     |     |
|                                                          |                                         | Suspended solids                                         | 14mg/L              |                                                                                                                                                                                                                                                                                                                                                                                                                                      |                               | Table 4 Tertiary                                                                                                                                                                                                                                                                                                                                                                                                           |                                                                                                                 | 1.20 tons        | –                        |                              |                         |                                          |                                                                                                                  |            |     |     |
|                                                          |                                         | BOD                                                      | 30.2mg/L            |                                                                                                                                                                                                                                                                                                                                                                                                                                      |                               | Standard in Integrated                                                                                                                                                                                                                                                                                                                                                                                                     |                                                                                                                 | 2.90 tons        | –                        |                              |                         |                                          |                                                                                                                  |            |     |     |
|                                                          |                                         | Total Phosphorus                                         | 1.54mg/L            |                                                                                                                                                                                                                                                                                                                                                                                                                                      |                               | Wastewater Discharge                                                                                                                                                                                                                                                                                                                                                                                                       |                                                                                                                 | 0.14 tons        | –                        |                              |                         |                                          |                                                                                                                  |            |     |     |
|                                                          |                                         | Fluoride                                                 | 3.7mg/L             |                                                                                                                                                                                                                                                                                                                                                                                                                                      |                               | Standards (GB8978-1996)                                                                                                                                                                                                                                                                                                                                                                                                    |                                                                                                                 | 0.36 tons        | –                        |                              |                         |                                          |                                                                                                                  |            |     |     |
|                                                          |                                         | Zinc                                                     | 0.57mg/L            |                                                                                                                                                                                                                                                                                                                                                                                                                                      |                               |                                                                                                                                                                                                                                                                                                                                                                                                                            |                                                                                                                 | 0.05 tons        | –                        |                              |                         |                                          |                                                                                                                  |            |     |     |
|                                                          |                                         | Tianjin Haval Branch of Great Wall Motor Company Limited | Exhaust gas         |                                                                                                                                                                                                                                                                                                                                                                                                                                      |                               | Particulates                                                                                                                                                                                                                                                                                                                                                                                                               |                                                                                                                 | Regular emission | 16                       | Around the painting workshop | 1.63mg/m³               | Table 2 Secondary Standard in Integrated | 0.11 tons                                                                                                        | –          |     | Nil |
| Sulphur dioxide                                          | 17.6mg/m³                               |                                                          |                     | Emission Standards                                                                                                                                                                                                                                                                                                                                                                                                                   | 0.57 tons                     | –                                                                                                                                                                                                                                                                                                                                                                                                                          |                                                                                                                 |                  |                          |                              |                         |                                          |                                                                                                                  |            |     |     |
| Nitrogen oxides                                          | 119.2mg/m³                              |                                                          |                     | of Air Pollutants (GB16297-1996)                                                                                                                                                                                                                                                                                                                                                                                                     | 9.88 tons                     | –                                                                                                                                                                                                                                                                                                                                                                                                                          |                                                                                                                 |                  |                          |                              |                         |                                          |                                                                                                                  |            |     |     |
| Non-methane hydrocarbons                                 | 13.8mg/m³                               |                                                          |                     | Table 2 in Emission Control Standards                                                                                                                                                                                                                                                                                                                                                                                                | 4.19 tons                     | –                                                                                                                                                                                                                                                                                                                                                                                                                          |                                                                                                                 |                  |                          |                              |                         |                                          |                                                                                                                  |            |     |     |
| Benzene                                                  | 0.04mg/m³                               |                                                          |                     | of Volatile Organic                                                                                                                                                                                                                                                                                                                                                                                                                  | 0.003 tons                    | –                                                                                                                                                                                                                                                                                                                                                                                                                          |                                                                                                                 |                  |                          |                              |                         |                                          |                                                                                                                  |            |     |     |
| Toluene                                                  | 1.14mg/m³                               |                                                          |                     | Compounds for                                                                                                                                                                                                                                                                                                                                                                                                                        | 0.07 tons                     | –                                                                                                                                                                                                                                                                                                                                                                                                                          |                                                                                                                 |                  |                          |                              |                         |                                          |                                                                                                                  |            |     |     |
| Xylene                                                   | 3.11mg/m³                               |                                                          |                     | Industrial Enterprises (DB12/524-2014):                                                                                                                                                                                                                                                                                                                                                                                              | 0.15 tons                     | –                                                                                                                                                                                                                                                                                                                                                                                                                          |                                                                                                                 |                  |                          |                              |                         |                                          |                                                                                                                  |            |     |     |
| Tianjin Haval Branch of Great Wall Motor Company Limited | Soil                                    |                                                          |                     | During the Reporting Period, Tianjin Haval Branch of Great Wall Motor Company Limited was on the list of 2018 key soil and environmental pollutant emission entities in Tianjin due to the production of hazardous waste such as sludge, paint waste and waste oil. During the period, a total of 936 tons of hazardous waste was produced, which was disposed of by qualified hazardous waste operators in accordance with the law. |                               |                                                                                                                                                                                                                                                                                                                                                                                                                            |                                                                                                                 |                  |                          |                              | Nil                     |                                          |                                                                                                                  |            |     |     |
|                                                          |                                         |                                                          |                     | Tianjin Boxin Automotive Parts Company Limited                                                                                                                                                                                                                                                                                                                                                                                       | Soil                          | During the Reporting Period, Tianjin Boxin Automotive Parts Company Limited was on the list of 2018 key soil and environmental pollutant emission entities in Tianjin due to the production of hazardous waste such as sludge, paint waste and waste oil. During the period, a total of 561 tons of hazardous waste was produced, which was disposed of by qualified hazardous waste operators in accordance with the law. |                                                                                                                 |                  |                          |                              |                         |                                          | Nil                                                                                                              |            |     |     |

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

## Section 5 Significant Events

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

### 2. Construction and operation of anti-pollution facilities

☒ Applicable    ☐ Not applicable

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

## Section 5 Significant Events

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

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

√ Applicable    ☐ Not applicable

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

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

### **4. *Emergency plan for environmental contingency***

√ Applicable    ☐ Not applicable

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



## Section 5 Significant Events

### 5. *Voluntary environmental monitoring plan*

☒ Applicable   ☐ Not applicable

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

### 6. *Other environmental information which shall be disclosed*

☐ Applicable   ☒ Not applicable

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

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

☒ Applicable   ☐ Not applicable

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

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



## Section 5 Significant Events

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

## Section 5 Significant Events

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

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

☐ Applicable    ☒ Not applicable

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

☐ Applicable    ☒ Not applicable

## XV. OTHER SIGNIFICANT EVENTS

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

☒ Applicable    ☐ Not applicable

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

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

☐ Applicable    ☒ Not applicable

### (III) Others

☒ Applicable    ☐ Not applicable

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

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

## Section 6 Changes in Ordinary Shares and Shareholders

### I. CHANGES IN SHARE CAPITAL

#### (I) Table of changes in shares

##### 1. *Explanation for changes in shares*

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

##### 2. *Explanation for changes in shares*

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

### II. SHAREHOLDERS

#### (I) Total number of shareholders

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

67,059



## Section 6 Changes in Ordinary Shares and Shareholders

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

Unit: share(s)

#### Shareholding of the top 10 shareholders

| Name of shareholder<br>(full name)                                                                   | Increase/<br>decrease<br>during the<br>Reporting<br>Period | Total number<br>of shares held<br>as at the<br>end of<br>the Reporting<br>Period | Percentage<br>(%) | Number<br>of shares held<br>with selling<br>restrictions | Shares<br>pledged or frozen |                             | Nature of<br>shareholder                    |
|------------------------------------------------------------------------------------------------------|------------------------------------------------------------|----------------------------------------------------------------------------------|-------------------|----------------------------------------------------------|-----------------------------|-----------------------------|---------------------------------------------|
|                                                                                                      |                                                            |                                                                                  |                   |                                                          | Status of<br>shares         | Number                      |                                             |
| Baoding Innovation Great<br>Wall Asset Management<br>Company Limited<br>(保定創新長城資產<br>管理有限公司)         | 0<br>(A Shares)                                            | 5,115,000,000<br>(A Shares)                                                      | 56.04             | 0<br>(A Shares)                                          | Pledged                     | 1,011,890,000<br>(A Shares) | Domestic<br>non-state-owned<br>legal person |
| HKSCC NOMINEES LIMITED                                                                               | 226,499<br>(H Shares)                                      | 3,082,552,260<br>(H Shares)                                                      | 33.77             | —                                                        | Unknown                     | —                           | Overseas legal<br>person                    |
| China Securities Finance<br>Co., Ltd                                                                 | 22,071,463<br>(A Shares)                                   | 196,889,089<br>(A Shares)                                                        | 2.16              | —                                                        | Unknown                     | —                           | Others                                      |
| National Social Security Fund<br>Portfolio 108                                                       | 37,101,289<br>(A Shares)                                   | 171,599,624<br>(A Shares)                                                        | 1.88              | —                                                        | Unknown                     | —                           | Others                                      |
| Hong Kong Monetary<br>Authority – self-owned<br>funds                                                | 8,291,474<br>(A Shares)                                    | 30,810,146<br>(A Shares)                                                         | 0.34              | —                                                        | Unknown                     | —                           | Others                                      |
| Hong Kong Securities<br>Clearing Company Limited                                                     | 10,629,853<br>(A Shares)                                   | 23,828,522<br>(A Shares)                                                         | 0.26              | —                                                        | Unknown                     | —                           | Overseas legal<br>person                    |
| Central Huijin Asset<br>Management Co., Ltd                                                          | 0<br>(A Shares)                                            | 22,308,300<br>(A Shares)                                                         | 0.24              | —                                                        | Unknown                     | —                           | Others                                      |
| Bank of China – Dacheng<br>Blue Chip Steady Securities<br>Investment Fund<br>(中國銀行-大成藍籌<br>穩健證券投資基金) | 0<br>(A Shares)                                            | 19,364,124<br>(A Shares)                                                         | 0.21              | —                                                        | Unknown                     | —                           | Others                                      |
| National Pension Service<br>(South Korea) (國民年金公團<br>(韓國)) – self-owned funds                        | 1,120,265<br>(A Shares)                                    | 14,733,307<br>(A Shares)                                                         | 0.16              | —                                                        | Unknown                     | —                           | Others                                      |
| National Social Security Fund<br>Portfolio 113                                                       | 0<br>(A Shares)                                            | 12,431,420<br>(A Shares)                                                         | 0.14              | —                                                        | Unknown                     | —                           | Others                                      |

## Section 6 Changes in Ordinary Shares and Shareholders

Unit: share(s)

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

| Name of shareholder                                                                       | Number of tradable shares held without selling restrictions | Class and number of shares      |                             |
|-------------------------------------------------------------------------------------------|-------------------------------------------------------------|---------------------------------|-----------------------------|
|                                                                                           |                                                             | Class of shares                 | Number of shares            |
| Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司)           | 5,115,000,000<br>(A Shares)                                 | RMB-denominated ordinary shares | 5,115,000,000<br>(A Shares) |
| HKSCC NOMINEES LIMITED                                                                    | 3,082,552,260<br>(H Shares)                                 | Overseas listed foreign shares  | 3,082,552,260<br>(H Shares) |
| China Securities Finance Co., Ltd                                                         | 196,889,089<br>(A Shares)                                   | RMB-denominated ordinary shares | 196,889,089<br>(A Shares)   |
| National Social Security Fund Portfolio 108                                               | 171,599,624<br>(A Shares)                                   | RMB-denominated ordinary shares | 171,599,624<br>(A Shares)   |
| Hong Kong Monetary Authority – self-owned funds                                           | 30,810,146<br>(A Shares)                                    | RMB-denominated ordinary shares | 30,810,146<br>(A Shares)    |
| Hong Kong Securities Clearing Company Limited                                             | 23,828,522<br>(A Shares)                                    | RMB-denominated ordinary shares | 23,828,522<br>(A Shares)    |
| Central Huijin Asset Management Co., Ltd                                                  | 22,308,300<br>(A Shares)                                    | RMB-denominated ordinary shares | 22,308,300<br>(A Shares)    |
| Bank of China – Dacheng Blue Chip Steady Securities Investment Fund (中國銀行 – 大成藍籌穩健證券投資基金) | 19,364,124<br>(A Shares)                                    | RMB-denominated ordinary shares | 19,364,124<br>(A Shares)    |
| National Pension Service (South Korea) (國民年金公團 (韓國)) – self-owned funds                   | 14,733,307<br>(A Shares)                                    | RMB-denominated ordinary shares | 14,733,307<br>(A Shares)    |
| National Social Security Fund Portfolio 113                                               | 12,431,420<br>(A Shares)                                    | RMB-denominated ordinary shares | 12,431,420<br>(A Shares)    |

Description of the related party relationship or acting in concert relationship among the above shareholders

There is no related party relationship between Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司), the controlling shareholder of the Company, and the other shareholders. In addition, the Company is not aware of any related party relationship among the other shareholders mentioned above.

Description of the shareholders holding preference shares with restored voting rights and their shareholdings

—

## Section 6 Changes in Ordinary Shares and Shareholders

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

☐ Applicable    ✓ Not applicable

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

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

| Name                                                                                                                    | Number of shares               | Approximate percentage of A Shares (%) | Approximate percentage of H Shares (%) | Approximate percentage of total number of shares (%) |
|-------------------------------------------------------------------------------------------------------------------------|--------------------------------|----------------------------------------|----------------------------------------|------------------------------------------------------|
| Baoding Innovation Great Wall Asset Management Company Limited<br>(保定創新長城資產管理有限公司)<br>(Note 1)                          | 5,115,000,000(L)<br>(A Shares) | 84.86                                  | —                                      | 56.04                                                |
| Baoding Great Wall Holdings Company Limited<br>(保定市長城控股集團有限公司)<br>(Note 2)                                              | 5,115,000,000(L)<br>(A Shares) | 84.86                                  | —                                      | 56.04                                                |
| Citigroup Inc.                                                                                                          | 178,666,231(L)<br>(H Shares)   | —                                      | 5.76(L)                                | 1.96                                                 |
|                                                                                                                         | 61,580,801(S)<br>(H Shares)    | —                                      | 1.98(S)                                | 0.67                                                 |
|                                                                                                                         | 102,858,084(P)<br>(H Shares)   | —                                      | 3.31(P)                                | 1.13                                                 |
| BlackRock, Inc.                                                                                                         | 160,965,101(L)<br>(H Shares)   | —                                      | 5.19(L)                                | 1.76                                                 |
|                                                                                                                         | 18,476,500(S)<br>(H Shares)    | —                                      | 0.60(S)                                | 0.2                                                  |
| Han Xue Juan (Note 3)                                                                                                   | 5,115,000,000(L)<br>(A Shares) | 84.86                                  | —                                      | 56.04                                                |
| Management Centre of Collective Assets of Nandayuan Town, Lianchi District, Baoding<br>(保定市蓮池區南大園鄉集體資產經營中心)<br>(Note 4) | 5,115,000,000(L)<br>(A Shares) | 84.86                                  | —                                      | 56.04                                                |

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

## Section 6 Changes in Ordinary Shares and Shareholders

### Notes:

- (1) Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司) (formerly known as Baoding Woerte Management Consultant Company Limited (保定市沃爾特管理諮詢有限公司)) was established on 1 December 2005. Its place of incorporation is Baoding, Hebei Province, the PRC and its registered address is 2066 Chaoyang South Street, Lianchi District, Baoding. Its business scope covers investments in manufacturing, real estate and horticulture industries, as well as corporate planning and management consultancies (operations that require pre-approvals according to laws and administrative regulations or as prescribed by the State Council can only be conducted after obtaining approvals). As at 30 June 2018, 62.854%, 0.125%, 0.001% and 37.02% equity interest in Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司) were held by Baoding Great Wall Holdings Company Limited (保定市長城控股集團有限公司), Mr. Wei Jian Jun, Ms. Han Xue Juan and Management Centre of Collective Assets of Nandayuan Town, Lianchi District, Baoding (保定市蓮池區南大園鄉集體資產經管中心) respectively, with 99% and 1% equity interest in Baoding Great Wall Holdings Company Limited (保定市長城控股集團有限公司) held by Mr. Wei Jian Jun and Ms. Han Xue Juan respectively. Therefore, Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司) is a company controlled by Baoding Great Wall Holdings Company Limited (保定市長城控股集團有限公司) which is in turn controlled by Mr. Wei Jian Jun, and Mr. Wei Jian Jun is deemed to be interested in all the shares of the Company held by Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司) pursuant to the SFO.
- (2) As at 30 June 2018, Baoding Great Wall Holdings Company Limited (保定市長城控股集團有限公司) held 62.854% equity interest in Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司) and is deemed to be interested in all the shares of the Company held by Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司) pursuant to the SFO.  
  
On 17 April 2018, Baoding Wangsheng Investment Company Limited (保定市旺盛投資有限公司) was renamed as Baoding Great Wall Corporate Management Consultant Company Limited (保定市長城企業管理諮詢有限公司), which was renamed as Baoding Great Wall Holdings Company Limited (保定市長城控股集團有限公司) on 28 May 2018.
- (3) As at 30 June 2018, Ms. Han Xue Juan, the spouse of Mr. Wei Jian Jun, held 0.001% equity interest in Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司) and 1% equity interest in Baoding Great Wall Holdings Company Limited (保定市長城控股集團有限公司). Ms. Han Xue Juan is deemed to be interested in all the shares of the Company in which Mr. Wei Jian Jun is interested pursuant to the SFO.
- (4) As at 30 June 2018, Management Centre of Collective Assets of Nandayuan Town, Lianchi District, Baoding (保定市蓮池區南大園鄉集體資產經管中心) (formerly known as Management Centre of Collective Assets of Nandayuan Town, Nanshi District, Baoding (保定市南市區南大園鄉集體資產經管中心)) held 37.02% equity interest in Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司) and is deemed to be interested in all the shares of the Company held by Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司) pursuant to the SFO.

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



## Section 6 Changes in Ordinary Shares and Shareholders

### *Directors' and supervisors' interests in securities*

As at 30 June 2018, the interests and short positions of each of the directors, supervisors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning as defined in Part XV of the SFO), which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register required to be kept as referred to in section 352 of the SFO (including the interests and short positions which they were taken or deemed to have under such provisions of the SFO) or were otherwise required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code as set out in Appendix 10 to the Hong Kong Listing Rules, were as follows:

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

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

Note:

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

Save as disclosed above, so far as the directors of the Company are aware, as at 30 June 2018, none of the directors, supervisors or chief executives of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register required to be kept as referred to in section 352 of the SFO or were otherwise required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code. For this purpose, the relevant provisions of the SFO shall be construed as if they were applicable to the supervisors.

## Section 6 Changes in Ordinary Shares and Shareholders

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

☐ Applicable    ☒ Not applicable

### III. CHANGES IN CONTROLLING SHAREHOLDERS AND DE FACTO CONTROLLER

☐ Applicable    ☒ Not applicable



## Section 7 Description of Preference Shares

☐ Applicable ☒ Not applicable



## Section 8 Directors, Supervisors and Senior Management

### I. CHANGES IN SHAREHOLDINGS

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

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

### III. OTHER EXPLANATIONS

☐ Applicable ☒ Not applicable



## Section 9 Description of Corporate Bonds

☐ Applicable ☒ Not applicable



# Section 10 Financial Report (Unaudited) Review Report

**Deloitte.**  
**德勤**

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

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

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

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

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

**Deloitte Touche Tohmatsu CPA LLP.**  
Shanghai, China

*Chinese Certified Public Accountants:*  
**Tong Chuan Jiang**  
**Xu Zhaohui**

30 August 2018

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

# Consolidated Balance Sheet

At 30 June 2018

RMB

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

## Consolidated Balance Sheet

At 30 June 2018

RMB

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

The accompanying notes form part of the financial statements.

The financial statements on pages 84 to 257 were signed by:

**Wei Jian Jun**

Legal Representative

**Wang Feng Ying**

General Manager

**Li Feng Zhen**

Chief Financial Officer

**Lu Cai Juan**

Head of the Finance Section

# Balance Sheet of the Company

At 30 June 2018

RMB

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

## Balance Sheet of the Company

At 30 June 2018

RMB

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

# Consolidated Income Statement

For the Period from 1 January to 30 June 2018

RMB

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

## Consolidated Income Statement

For the Period from 1 January to 30 June 2018

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

# Income Statement of the Company

For the Period from 1 January to 30 June 2018

RMB

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

# Consolidated Cash Flow Statement

For the Period from 1 January to 30 June 2018

RMB

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

# Consolidated Cash Flow Statement

For the Period from 1 January to 30 June 2018

RMB

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



# Cash Flow Statement of the Company

For the Period from 1 January to 30 June 2018

| Item                                                                                           | Notes      | RMB                                                                |                                                                    |
|------------------------------------------------------------------------------------------------|------------|--------------------------------------------------------------------|--------------------------------------------------------------------|
|                                                                                                |            | For the period<br>from 1 January<br>to 30 June 2018<br>(Unaudited) | For the period<br>from 1 January<br>to 30 June 2017<br>(Unaudited) |
| <b>I. Cash Flows from Operating Activities:</b>                                                |            |                                                                    |                                                                    |
| Cash received from the sales of goods and rendering of services                                |            | 70,872,653,164.27                                                  | 61,192,798,092.13                                                  |
| Tax rebate received                                                                            |            | 493,885.06                                                         | 383,664.19                                                         |
| Other cash received relating to operating activities                                           |            | 146,546,049.53                                                     | 201,497,127.68                                                     |
| Sub-total of cash inflow from operating activities                                             |            | 71,019,693,098.86                                                  | 61,394,678,884.00                                                  |
| Cash payments for goods purchased and services received                                        |            | 45,949,483,097.81                                                  | 43,815,484,992.70                                                  |
| Cash payments to and on behalf of employees                                                    |            | 4,300,036,523.57                                                   | 4,262,286,343.18                                                   |
| Payments of various types of taxes                                                             |            | 4,845,978,507.98                                                   | 3,399,812,356.97                                                   |
| Other cash payments relating to operating activities                                           |            | 1,663,944,821.47                                                   | 904,302,632.30                                                     |
| Sub-total of cash outflow from operating activities                                            |            | 56,759,442,950.83                                                  | 52,381,886,325.15                                                  |
| Net Cash Flows from Operating Activities                                                       | (XIV)26(1) | 14,260,250,148.03                                                  | 9,012,792,558.85                                                   |
| <b>II. Cash Flows from Investing Activities:</b>                                               |            |                                                                    |                                                                    |
| Cash received from disposal of investments                                                     |            | 4,180,459,766.66                                                   | 9,550,000,000.00                                                   |
| Cash received from investment income                                                           |            | 209,410,582.61                                                     | 1,682,469,273.89                                                   |
| Cash received from merging subsidiaries by absorbing                                           |            | 124,765,140.80                                                     | —                                                                  |
| Net cash received from disposal of fixed assets, intangible assets and other long-term assets  |            | 106,621,497.04                                                     | 7,964,767.25                                                       |
| Other cash received relating to investing activities                                           |            | 5,100,000.00                                                       | 5,515,282.92                                                       |
| Sub-total of cash inflow from investing activities                                             |            | 4,626,356,987.11                                                   | 11,245,949,324.06                                                  |
| Cash paid to purchase and construct fixed assets, intangible assets and other long-term assets |            | 1,913,611,294.62                                                   | 3,295,369,547.91                                                   |
| Cash paid for investments                                                                      |            | 13,495,617,500.00                                                  | 12,657,746,756.24                                                  |
| Sub-total of cash outflow from investing activities                                            |            | 15,409,228,794.62                                                  | 15,953,116,304.15                                                  |
| Net Cash Flow from Investing Activities                                                        |            | (10,782,871,807.51)                                                | (4,707,166,980.09)                                                 |
| <b>III. Cash Flows from Financing Activities:</b>                                              |            |                                                                    |                                                                    |
| Cash received from borrowings                                                                  |            | 11,150,000,000.00                                                  | 10,140,305,234.33                                                  |
| Other cash received relating to financing activities                                           |            | 904,809,172.96                                                     | —                                                                  |
| Sub-total of cash inflow from financing activities                                             |            | 12,054,809,172.96                                                  | 10,140,305,234.33                                                  |
| Cash repayments of borrowings                                                                  |            | 9,450,000,000.00                                                   | 6,240,305,234.33                                                   |
| Cash payments for distribution of dividends or profits or settlement of interest expenses      |            | 1,794,969,919.41                                                   | 3,219,165,236.06                                                   |
| Other cash payments relating to financing activities                                           |            | —                                                                  | 370,495,873.10                                                     |
| Sub-total of cash outflow from financing activities                                            |            | 11,244,969,919.41                                                  | 9,829,966,343.49                                                   |
| Net Cash Flow from Financing Activities                                                        |            | 809,839,253.55                                                     | 310,338,890.84                                                     |
| <b>IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents</b>                |            | (1,506,905.47)                                                     | (3,820,467.06)                                                     |
| <b>V. Net Increase in Cash and Cash Equivalents</b>                                            |            | 4,285,710,688.60                                                   | 4,612,144,002.54                                                   |
| Add: Opening balance of cash and cash equivalents                                              |            | 8,621,442,696.58                                                   | 3,623,217,685.00                                                   |
| <b>VI. Closing balance of cash and cash equivalents</b>                                        | (XIV)26(2) | 12,907,153,385.18                                                  | 8,235,361,687.54                                                   |

# Consolidated Statement of Changes in Shareholders' Equity

For the Period from 1 January to 30 June 2018

RMB

| Item                                                 | For the period from 1 January to 30 June 2018 (Unaudited)<br>Attributable to shareholders of the Company |                  |                            |                  |                      |                       |                    |                    |
|------------------------------------------------------|----------------------------------------------------------------------------------------------------------|------------------|----------------------------|------------------|----------------------|-----------------------|--------------------|--------------------|
|                                                      | Share capital                                                                                            | Capital reserve  | Other comprehensive income | Surplus reserve  | General risk reserve | Undistributed profits | Minority interests | Total equity       |
| I. Balance at the beginning of the period            | 9,127,269,000.00                                                                                         | 1,411,231,014.42 | 3,056,451.02               | 5,062,440,729.64 | —                    | 33,530,533,212.33     | 123,431,243.05     | 49,257,961,650.46  |
| II. Changes in the current period                    | —                                                                                                        | —                | (129,928,339.13)           | —                | —                    | 2,144,163,531.39      | 20,736,194.52      | 2,034,971,386.78   |
| (I) Total comprehensive income                       | —                                                                                                        | —                | (129,928,339.13)           | —                | —                    | 3,695,799,261.39      | 20,736,194.52      | 3,586,607,116.78   |
| (II) Owners' contributions and reduction in capital  | —                                                                                                        | —                | —                          | —                | —                    | —                     | —                  | —                  |
| 1. Capital contributions from owners                 | —                                                                                                        | —                | —                          | —                | —                    | —                     | —                  | —                  |
| 2. Acquisition of subsidiaries                       | —                                                                                                        | —                | —                          | —                | —                    | —                     | —                  | —                  |
| 3. Acquisition of minority interests of subsidiaries | —                                                                                                        | —                | —                          | —                | —                    | —                     | —                  | —                  |
| (III) Profit distribution                            | —                                                                                                        | —                | —                          | —                | —                    | (1,551,635,730.00)    | —                  | (1,551,635,730.00) |
| 1. Transfer to statutory reserve                     | —                                                                                                        | —                | —                          | —                | —                    | —                     | —                  | —                  |
| 2. Transfer to discretionary reserve                 | —                                                                                                        | —                | —                          | —                | —                    | —                     | —                  | —                  |
| 3. Transfer to enterprise expansion fund             | —                                                                                                        | —                | —                          | —                | —                    | —                     | —                  | —                  |
| 4. Transfer to reserve fund                          | —                                                                                                        | —                | —                          | —                | —                    | —                     | —                  | —                  |
| 5. Distributions to shareholders                     | —                                                                                                        | —                | —                          | —                | —                    | (1,551,635,730.00)    | —                  | (1,551,635,730.00) |
| 6. Transfer to employee bonus and welfare fund       | —                                                                                                        | —                | —                          | —                | —                    | —                     | —                  | —                  |
| 7. Tax refund for welfare enterprises                | —                                                                                                        | —                | —                          | —                | —                    | —                     | —                  | —                  |
| (IV) Transfer of shareholders' equity                | —                                                                                                        | —                | —                          | —                | —                    | —                     | —                  | —                  |
| 1. Transfer of capital reserve to share capital      | —                                                                                                        | —                | —                          | —                | —                    | —                     | —                  | —                  |
| 2. Transfer of surplus reserve to share capital      | —                                                                                                        | —                | —                          | —                | —                    | —                     | —                  | —                  |
| 3. Surplus reserve making up of losses               | —                                                                                                        | —                | —                          | —                | —                    | —                     | —                  | —                  |
| 4. Others                                            | —                                                                                                        | —                | —                          | —                | —                    | —                     | —                  | —                  |
| (v) Others                                           | —                                                                                                        | —                | —                          | —                | —                    | —                     | —                  | —                  |
| III. Balance at the end of the period                | 9,127,269,000.00                                                                                         | 1,411,231,014.42 | (126,871,888.11)           | 5,062,440,729.64 | —                    | 35,674,696,743.72     | 144,167,437.57     | 51,292,933,037.24  |

## Consolidated Statement of Changes in Shareholders' Equity

For the Period from 1 January to 30 June 2018

RMB

| Item                                                 | For the period from 1 January to 30 June 2017 (Unaudited)<br>Attributable to shareholders of the Company |                  |                            |                  |                      |                       |                    | Total equity       |
|------------------------------------------------------|----------------------------------------------------------------------------------------------------------|------------------|----------------------------|------------------|----------------------|-----------------------|--------------------|--------------------|
|                                                      | Share capital                                                                                            | Capital reserve  | Other comprehensive income | Surplus reserve  | General risk reserve | Undistributed profits | Minority interests |                    |
| I. Balance at the beginning of the period            | 9,127,269,000.00                                                                                         | 1,411,231,014.42 | (1,502,334.31)             | 4,575,014,412.83 | —                    | 32,182,789,641.00     | 58,842,784.26      | 47,353,644,518.20  |
| II. Changes in the current period                    | —                                                                                                        | —                | (7,311,937.41)             | (43,851,241.00)  | —                    | (728,521,419.14)      | 9,190,359.79       | (770,494,237.76)   |
| (I) Total comprehensive income                       | —                                                                                                        | —                | (7,311,937.41)             | —                | —                    | 2,419,755,449.46      | 9,190,359.79       | 2,421,633,871.84   |
| (II) Owners' contributions and reduction in capital  | —                                                                                                        | —                | —                          | —                | —                    | —                     | —                  | —                  |
| 1. Capital contributions from owners                 | —                                                                                                        | —                | —                          | —                | —                    | —                     | —                  | —                  |
| 2. Acquisition of subsidiaries                       | —                                                                                                        | —                | —                          | —                | —                    | —                     | —                  | —                  |
| 3. Acquisition of minority interests of subsidiaries | —                                                                                                        | —                | —                          | —                | —                    | —                     | —                  | —                  |
| (III) Profit distribution                            | —                                                                                                        | —                | —                          | —                | —                    | (3,194,544,150.00)    | —                  | (3,194,544,150.00) |
| 1. Transfer to statutory reserve                     | —                                                                                                        | —                | —                          | —                | —                    | —                     | —                  | —                  |
| 2. Transfer to discretionary reserve                 | —                                                                                                        | —                | —                          | —                | —                    | —                     | —                  | —                  |
| 3. Transfer to enterprise expansion fund             | —                                                                                                        | —                | —                          | —                | —                    | —                     | —                  | —                  |
| 4. Transfer to reserve fund                          | —                                                                                                        | —                | —                          | —                | —                    | —                     | —                  | —                  |
| 5. Distributions to shareholders                     | —                                                                                                        | —                | —                          | —                | —                    | (3,194,544,150.00)    | —                  | (3,194,544,150.00) |
| 6. Transfer to employee bonus and welfare fund       | —                                                                                                        | —                | —                          | —                | —                    | —                     | —                  | —                  |
| 7. Tax refund for welfare enterprises                | —                                                                                                        | —                | —                          | —                | —                    | —                     | —                  | —                  |
| (IV) Transfer of shareholders' equity                | —                                                                                                        | —                | —                          | (43,851,241.00)  | —                    | 43,851,241.00         | —                  | —                  |
| 1. Transfer of capital reserve to share capital      | —                                                                                                        | —                | —                          | —                | —                    | —                     | —                  | —                  |
| 2. Transfer of surplus reserve to share capital      | —                                                                                                        | —                | —                          | —                | —                    | —                     | —                  | —                  |
| 3. Surplus reserve making up of losses               | —                                                                                                        | —                | —                          | —                | —                    | —                     | —                  | —                  |
| 4. Others                                            | —                                                                                                        | —                | —                          | (43,851,241.00)  | —                    | 43,851,241.00         | —                  | —                  |
| V. Others                                            | —                                                                                                        | —                | —                          | —                | —                    | 2,416,040.40          | —                  | 2,416,040.40       |
| III. Balance at the end of the period                | 9,127,269,000.00                                                                                         | 1,411,231,014.42 | (8,814,271.72)             | 4,531,163,171.83 | —                    | 31,454,268,221.86     | 68,033,144.05      | 46,583,150,280.44  |

# Statement of Changes in Shareholders' Equity of the Company

For the Period from 1 January to 30 June 2018

RMB

| Item                                                      | For the period from 1 January to 30 June 2018 (Unaudited) |                  |                  |                       |                    |
|-----------------------------------------------------------|-----------------------------------------------------------|------------------|------------------|-----------------------|--------------------|
|                                                           | Share capital                                             | Capital reserve  | Surplus reserve  | Undistributed profits | Total equity       |
| I. Balance at the beginning of the period                 | 9,127,269,000.00                                          | 1,464,187,305.77 | 3,967,512,617.15 | 31,852,682,607.51     | 46,411,651,530.43  |
| II. Changes in the current period                         | —                                                         | (5,434,120.19)   | 485,669,468.95   | 3,055,226,115.15      | 3,535,461,463.91   |
| (I) Total comprehensive income                            | —                                                         | —                | —                | 4,050,645,289.54      | 4,050,645,289.54   |
| (II) Owners' contributions and reduction in capital       | —                                                         | —                | —                | —                     | —                  |
| 1. Capital contributions from owners                      | —                                                         | —                | —                | —                     | —                  |
| 2. Share-based payment recognized in shareholders' equity | —                                                         | —                | —                | —                     | —                  |
| 3. Others                                                 | —                                                         | —                | —                | —                     | —                  |
| (III) Profit distribution                                 | —                                                         | —                | —                | (1,551,635,730.00)    | (1,551,635,730.00) |
| 1. Transfer to surplus reserve                            | —                                                         | —                | —                | —                     | —                  |
| 2. Transfer to general risk reserve                       | —                                                         | —                | —                | —                     | —                  |
| 3. Distributions to shareholders                          | —                                                         | —                | —                | (1,551,635,730.00)    | (1,551,635,730.00) |
| (IV) Transfer of shareholders' equity                     | —                                                         | —                | —                | —                     | —                  |
| 1. Transfer of capital surplus to share capital           | —                                                         | —                | —                | —                     | —                  |
| 2. Transfer of surplus reserve to share capital           | —                                                         | —                | —                | —                     | —                  |
| 3. Surplus reserve making up of losses                    | —                                                         | —                | —                | —                     | —                  |
| 4. Others                                                 | —                                                         | —                | —                | —                     | —                  |
| (V) Special reserve                                       | —                                                         | —                | —                | —                     | —                  |
| 1. Transfer to special reserve in the period              | —                                                         | —                | —                | —                     | —                  |
| 2. Amount utilized in the period                          | —                                                         | —                | —                | —                     | —                  |
| (VI) Others (Note)                                        | —                                                         | (5,434,120.19)   | 485,669,468.95   | 556,216,555.61        | 1,036,451,904.37   |
| III. Balance at the end of the period                     | 9,127,269,000.00                                          | 1,458,753,185.58 | 4,453,182,086.10 | 34,907,908,722.66     | 49,947,112,994.34  |

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

## Statement of Changes in Shareholders' Equity of the Company

For the Period from 1 January to 30 June 2018

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 contributions from owners                      | —                                                         | —                | —                | —                     | —                  |
| 2. Share-based payment recognized in shareholders' equity | —                                                         | —                | —                | —                     | —                  |
| 3. Others                                                 | —                                                         | —                | —                | —                     | —                  |
| (III) Profit distribution                                 | —                                                         | —                | —                | (3,194,544,150.00)    | (3,194,544,150.00) |
| 1. Transfer to Surplus reserve                            | —                                                         | —                | —                | —                     | —                  |
| 2. Transfer to general risk reserve                       | —                                                         | —                | —                | —                     | —                  |
| 3. Distributions to shareholders                          | —                                                         | —                | —                | (3,194,544,150.00)    | (3,194,544,150.00) |
| 4. Others                                                 | —                                                         | —                | —                | —                     | —                  |
| (IV) Transfer of shareholders' equity                     | —                                                         | —                | —                | —                     | —                  |
| 1. Transfer of capital surplus to share capital           | —                                                         | —                | —                | —                     | —                  |
| 2. Transfer of surplus reserve to share capital           | —                                                         | —                | —                | —                     | —                  |
| 3. Surplus reserve making up of losses                    | —                                                         | —                | —                | —                     | —                  |
| 4. Others                                                 | —                                                         | —                | —                | —                     | —                  |
| (V) Special reserve                                       | —                                                         | —                | —                | —                     | —                  |
| 1. Transfer to special reserve in the period              | —                                                         | —                | —                | —                     | —                  |
| 2. Amount utilized in the period                          | —                                                         | —                | —                | —                     | —                  |
| (VI) Others                                               | —                                                         | —                | —                | —                     | —                  |
| III. Balance at the end of the period                     | 9,127,269,000.00                                          | 1,464,187,305.77 | 3,521,714,071.43 | 30,400,232,635.91     | 44,513,403,013.11  |



# Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

## I. BASIC CORPORATE INFORMATION

Great Wall Motor Company Limited (hereinafter referred as “the Company”) is registered in Baoding, Hebei Province which is the main city for its core business as well. The controlling shareholder is Baoding Innovation Great Wall Asset Management Company Limited and the ultimate controlling shareholder is Wei Jianjun.

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

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

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

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

## II. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

### Basis of preparation

The Group has applied the *Accounting Standards for Business Enterprises* (“ASBE”) and guidelines, interpretations and other related provisions promulgated by the Ministry of Finance (“MoF”), as well as the *Notice of the Revised Format of Financial Statements for General Business Enterprise for the year of 2018* released on 15 June 2018 for the preparation of the financial statements of the Group. In addition, the Group also discloses relevant financial information according to the requirements of *Rules on Compiling the Information Disclosure of the Company that Issue Stocks Publicly No.15 – General Provision on Financial Report* (revised in 2014) by China's Securities Regulatory Commission, the “Companies Ordinance” of Hong Kong and the “Listing Rules of The Stock Exchange of Hong Kong Limited”.



# Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

### Basic of preparation and principle of measurement

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

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

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

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

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

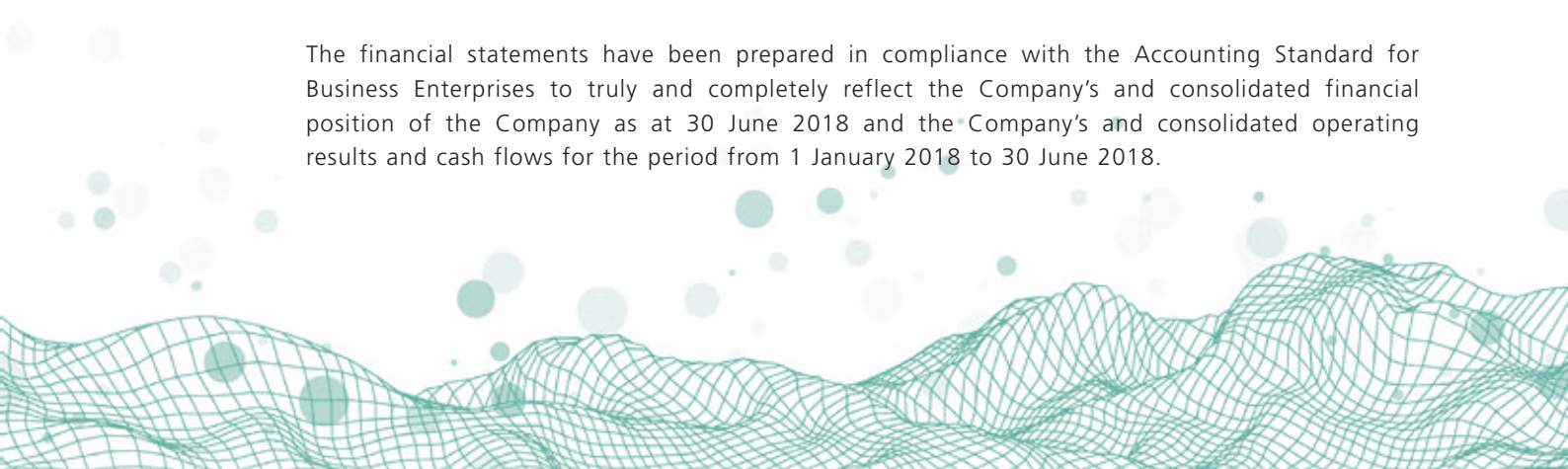
### Going concern

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

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

### 1. Statement of compliance

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



# Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

### 2. Accounting period

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

### 3. Operating cycle

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

### 4. Functional currency

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

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

Business combination includes business combinations involving enterprises under common control and business combinations not involving enterprises under common control.

#### 5.1 Business combinations involving enterprises under common control

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

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

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



# Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

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

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

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

The combination costs of the combining party shall be the fair value of the assets paid, the liabilities incurred or assumed and the equity instruments issued by the acquirer in exchange for the control over the 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.

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

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

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

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

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



# Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

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

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

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

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

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

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

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

### 7. Recognition Criterion of Cash and cash equivalents

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



# Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

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

#### 8.1 Transactions denominated in foreign currencies

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

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

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

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

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

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

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

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

# Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

### 9. Financial instruments

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

#### 9.1 Classification and measurement of the financial assets

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

##### 9.1.1 Financial assets at amortised cost

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

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

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

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



# Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

### 9. Financial instruments (continued)

#### 9.1 Classification and measurement of the financial assets (continued)

##### 9.1.1 Financial assets at amortised cost (continued)

##### 9.1.1.1 Effective interest method and amortized cost

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

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

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

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

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



# Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

### 9. Financial instruments (continued)

#### 9.1 Classification and measurement of the financial assets (continued)

##### 9.1.2 Financial assets at FVTOCI

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

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

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

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

##### 9.1.3 Financial assets at FVTPL

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

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



# Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

### 9. Financial instruments (continued)

#### 9.1 Classification and measurement of the financial assets (continued)

##### 9.1.3 Financial assets at FVTPL (continued)

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

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

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

##### 9.1.4 Designated financial assets at FVTOCI

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

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

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

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

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

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

# Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

### 9. Financial instruments (continued)

#### 9.2 Impairment of financial assets

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

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

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

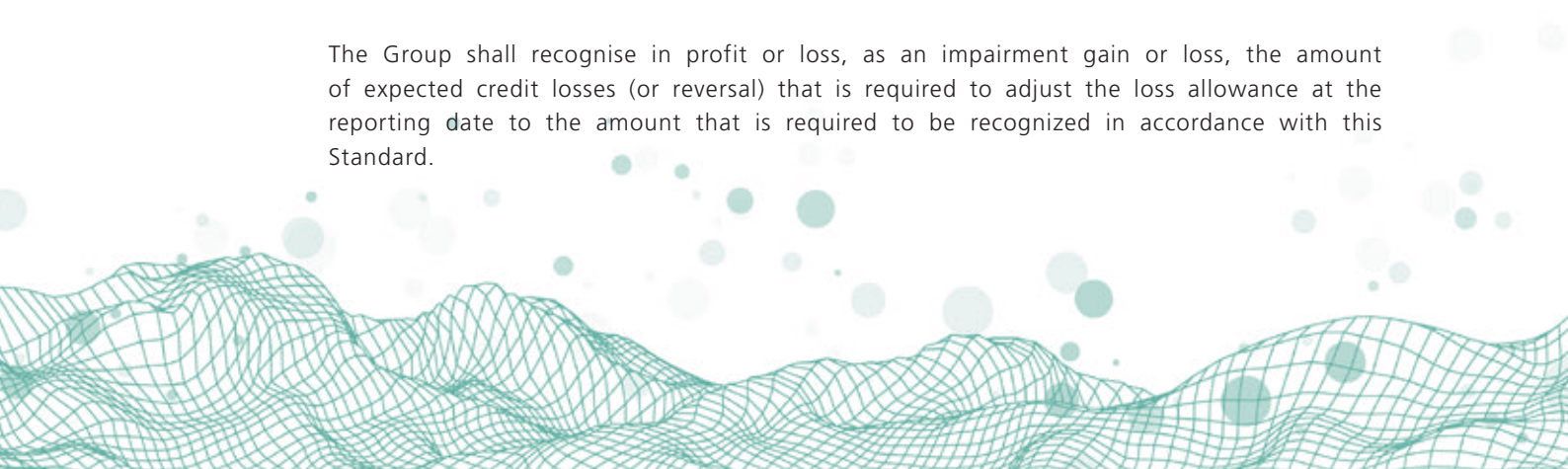
If, at the reporting date, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group shall measure the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

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

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

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

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



# Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

### 9. Financial instruments (continued)

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

##### 9.2.1 Significant increase in credit risk

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

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

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

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

# Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

### 9. Financial instruments (continued)

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

##### 9.2.1 Significant increase in credit risk (continued)

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



# Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

### 9. Financial instruments (continued)

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

##### 9.2.1 Significant increase in credit risk (continued)

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



# Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

### 9. Financial instruments (continued)

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

##### 9.2.1 Significant increase in credit risk (continued)

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

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

##### 9.2.2 Credit-impaired financial assets

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

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

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

# Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

### 9. Financial instruments (continued)

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

##### 9.2.3 Recognition of expected credit losses

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

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

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

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

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

# Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

### 9. Financial instruments (continued)

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

##### 9.2.3 Recognition of expected credit losses (continued)

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

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

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

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

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

##### 9.2.4 Written-off of financial assets

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



# Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

### 9. Financial instruments (continued)

#### 9.3 Transfer of financial assets

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

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

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

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



# Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

### 9. Financial instruments (continued)

#### 9.3 Transfer of financial assets (continued)

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

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

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

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

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

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



# Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

### 9. Financial instruments (continued)

#### 9.3 Transfer of financial assets (continued)

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

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

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

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

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



# Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

### 9. Financial instruments (continued)

#### 9.4 Classification and measurement of financial liabilities

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

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

##### 9.4.1 Other financial liabilities

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

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

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



# Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

### 9. Financial instruments (continued)

#### 9.5 Derecognition of financial liabilities

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

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

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

#### 9.6 Equity instruments

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

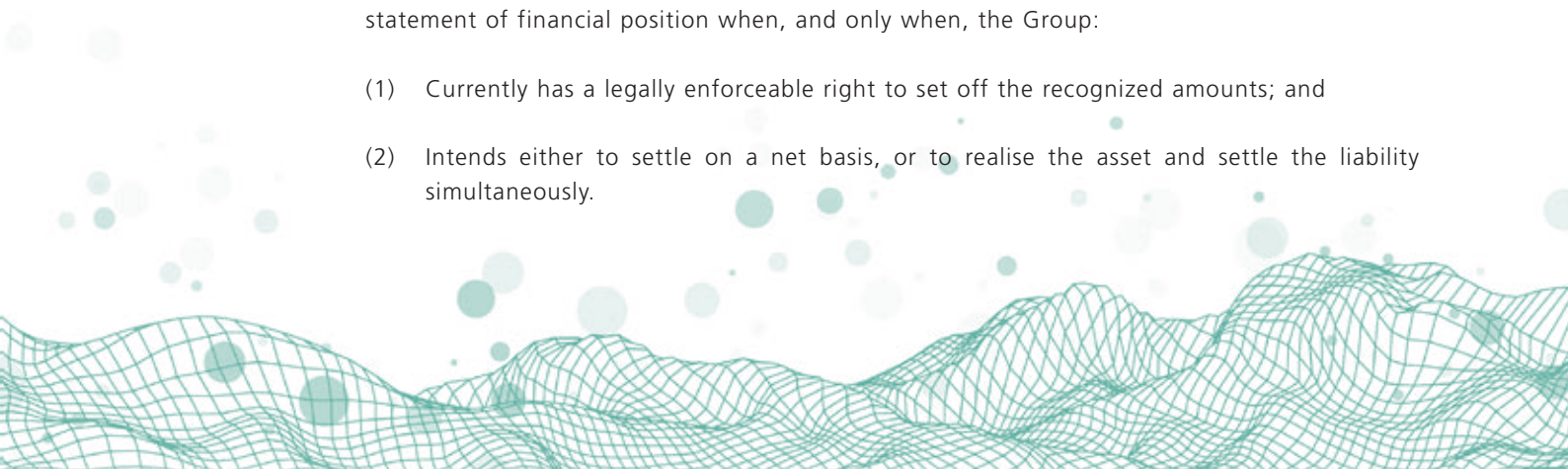
The classification of a financial instrument as a financial liability or an equity instrument determines whether interest, dividends, losses and gains relating to that instrument are recognised as income or expense in profit or loss. Thus, dividend payments on shares wholly recognised as liabilities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

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

#### 9.7 Offsetting a financial asset and a financial liability

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

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



# Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

### 10. Inventories

#### 10.1 Classification of inventories

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

#### 10.2 Valuation method of inventories upon delivery

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

#### 10.3 Recognition of net realizable value of inventories

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

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

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

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

#### 10.4 Inventory count system

The inventory count system shall be on a perpetual basis.

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

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

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

# Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

### 11. Long-term equity investments

#### **11.1 Judgement criterion of determining joint control or significant influence over the investee**

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

#### **11.2 Determination of initial investment cost**

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

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

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

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

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

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

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



# Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

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

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

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

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

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

##### 11.3.3 Disposal of long-term equity investments

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



# Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

### 12. Investment properties

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

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

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

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

### 13. Fixed assets

#### 13.1 Conditions for recognition of fixed assets

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

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



# Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

### 13. Fixed assets (continued)

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

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

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

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

#### 13.3 Other explanations

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

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

### 14. Construction in progress

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

## Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

#### 15. Borrowing costs

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

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

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



# Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

### 16. Intangible assets

#### 16.1 Intangible assets

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

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

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

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

| Category              | Depreciation<br>period<br>(years) | Annual<br>depreciation rate<br>(%) |
|-----------------------|-----------------------------------|------------------------------------|
| Land use rights       | 50                                | 2.00                               |
| Software and others   | 2-10                              | 10.00-50.00                        |
| Non-patent technology | 1-10                              | 10.00-100.00                       |

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

# Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

### 16. Intangible assets (continued)

#### 16.2 Research and development expenditure

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

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

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

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

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



# Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

### 17. Impairment of long-term assets

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

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

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

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

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

### 18. Long-term deferred expenses

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



# Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

### 19. Employee benefits

#### 19.1 Short-term employee benefits

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

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

#### 19.2 Post-employment benefits

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

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

### 20. Provisions

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

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

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



# Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

### 21. Revenue

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

#### **Variable consideration**

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

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

#### **Warranties**

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

#### **Customers' unexercised rights**

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

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

# Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

### 22. Government grants

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

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

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

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

#### **22.2 Judgement criteria and accounting treatment for government grants related to income**

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

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

### 23. Income tax

#### **23.1 Current income tax**

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



# Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

### 23. Income tax (continued)

#### 23.2 Deferred tax assets and deferred tax liabilities

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

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

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

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

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

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



# Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

### 23. Income tax (continued)

#### 23.3 Income tax expenses

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

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

#### 23.4 Offsetting of income tax

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

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

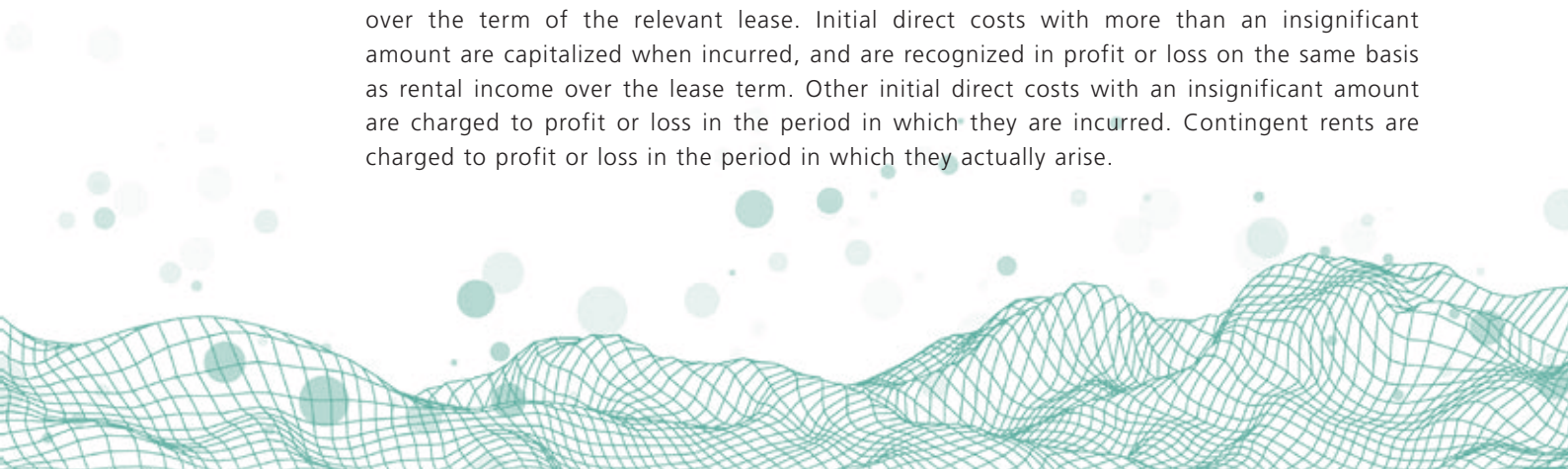
### 24. Operating lease

#### 24.1 The Group as lessee under operating leases

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

#### 24.2 The Group as lessor under operating leases

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



# Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

### 25. Changes in significant accounting policies

#### 25.1 Standards for financial instrument

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

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

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

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

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

## Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

## 25. Changes in significant accounting policies (continued)

## 25.1 Standards for financial instrument (continued)

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

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

RMB

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

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

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

# Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

### 25. Changes in significant accounting policies (continued)

#### 25.1 Standards for financial instrument (continued)

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

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

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

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

Note 4: Expected credit losses

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

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

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

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



## Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

## 25. Changes in significant accounting policies (continued)

## 25.2 Standards for revenue

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

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

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

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

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

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

# Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

### 25. Changes in significant accounting policies (continued)

#### 25.2 Standards for revenue (continued)

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

#### Balance Sheet

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

#### Income statement

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

## Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

## 25. Changes in significant accounting policies (continued)

## 25.2 Standards for revenue (continued)

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

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

RMB

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

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

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

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

# Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

### Key assumptions and uncertainties in the application of accounting estimates

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

#### *Provision for decline in value of inventories*

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

#### *Useful life of fixed assets*

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

#### *Recognition of deferred tax assets*

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

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

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

#### *Capitalization of development expenditures*

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



## Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

## V. TAXATION

## 1. Major tax types and rates

| Tax type                               | Basis                                          | Tax rate                                                                                                                                                                                          |
|----------------------------------------|------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Value-added tax                        | Purchase/Sales<br>(Note 1 and 2)               | 3%.5%.6%.10%.11%.13%.16%.17%                                                                                                                                                                      |
| Consumption tax                        | Sales                                          | 3%.5%.9%.12%                                                                                                                                                                                      |
| Urban maintenance and construction tax | Value-added tax and consumption tax            | 5%.7%                                                                                                                                                                                             |
| Education surcharge                    | Value-added tax and consumption tax            | 3%                                                                                                                                                                                                |
| Enterprise income tax                  | Taxable income (Note 2)                        | 20%.25%.28%.30%                                                                                                                                                                                   |
| Real estate tax                        | Original cost/rental income of the real estate | For self-occupied real estate of the Company, the tax is calculated at 70% of the original cost and a tax rate of 1.2%. For leased real estate, the tax is calculated at 12% of the rental income |
| Land use tax                           | Usable area of the land                        | Relevant tax rate                                                                                                                                                                                 |

Note 1: Pursuant to the *Notice on Policies Relating to Degenerating Value-added Tax Rate* (關於簡併增值稅稅率有關政策的通知) (Cai Shui [2017] No.37) issued by the MoF and the State Administration of Taxation, value-added tax rate structure shall be degenerated and the value-added tax rate at 13% shall be cancelled as of 1 July 2017. Pursuant to the *Notice on Adjusting Value-added Tax Rate* (關於調整增值稅稅率的通知) (Cai Shui [2018] No.32) issued by the MoF and the State Administration of Taxation, VAT taxable sales or imported goods subject to 17% and 11% shall be adjusted to 16% and 10% since 1 May 2018.

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

# Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

## V. TAXATION (continued)

### 2. Tax incentives and approvals

#### 2.1 Income tax incentives

##### 2.1.1 Income tax incentive policy for recruitment of disabled

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

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

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

Baoding Weiyi, which is one of subsidiaries of the Company, was approved as new and high-tech enterprise, and obtained the New and High-Tech Enterprise Certificate jointly issued by the Hebei Provincial Department of Science and Technology, Department of Finance of Hebei Province, Hebei Provincial Office of the State Administration of Taxation and Hebei Local Taxation Bureau on 26 November 2015 with a term of three years, and the applicable tax rate from 2015 to 2017 is 15%. As at 30 June 2018, the new and high-tech enterprise certificate of Baoding Weiyi expires but the requalification of new and high-tech enterprises has not started yet. According to the related regulations set out in *Introduction to Recognition of New and High-tech Enterprise Qualification* (高新技術企業認定管理工作指引) (Guo Ke Fa Huo [2016] No. 195) issued by Ministry of Science and Technology, MoF, and the State Administration of Taxation, the enterprise income tax of Baoding Weiyi shall be levied at 15% before requalification for the year in which the company's new and high-tech enterprise certificate expires (i.e. the year of 2018). If fail to acquire new and high-tech certificate before final settlement of the year, Baoding Weiyi shall make up the tax difference in accordance with related regulations.

# Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

## V. TAXATION (continued)

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

#### 2.1 Income tax incentives (continued)

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

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

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

##### 2.1.3 Income tax credit for encouraged industry enterprises in the western region

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



# Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

## V. TAXATION (continued)

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

#### 2.1 Income tax incentives (continued)

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

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

#### 2.2 Value-added tax incentives

##### Value-added tax concessionary policies on fostering disabled people

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

## Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

## VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. Cash and bank balances

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

# Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

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

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

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

### 2. Held-for-trading financial assets

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

## Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

## 3. Notes receivable and accounts receivable

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

## (1) Notes receivable

Classification of notes receivable:

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

Pledged notes receivable as at the end of each period:

| Category         | RMB                           |  |
|------------------|-------------------------------|--|
|                  | 31 December 2017<br>(Audited) |  |
| Bank acceptances | 7,669,337,556.18              |  |
| Total            | 7,669,337,556.18              |  |

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

# Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

### 3. Notes receivable and accounts receivable (continued)

#### (1) Notes receivable (continued)

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

|                  | RMB               |
|------------------|-------------------|
|                  | 31 December 2017  |
|                  | (Audited)         |
| Category         |                   |
| Bank acceptances | 14,562,674,803.01 |
| Total            | 14,562,674,803.01 |

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

#### (2) Accounts receivable

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

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

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

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

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

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

## Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

## 3. Notes receivable and accounts receivable (continued)

## (2) Accounts receivable (continued)

Top five entities with the largest balances of accounts receivable:

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

# Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

### 4. Prepayments

#### (1) Prepayments by aging:

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

Description of aging of prepayments:

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

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

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

## Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

## 5. Other receivables

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

## (1) Interest receivable

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

## (2) Other receivables

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

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

# Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

### 5. Other receivables (continued)

#### (2) Other receivables (continued)

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

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

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

Other receivables disclosed by nature are as follows:

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

Top five entities with the largest balances of other receivables:

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

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

## Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

## 6. Inventories

## (1) Inventories by category

RMB

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

RMB

| Item                                   | 31 December 2017 (Audited) |                                               |                  |
|----------------------------------------|----------------------------|-----------------------------------------------|------------------|
|                                        | Carrying amount            | Provision for decline in value of inventories | Book value       |
| Raw materials                          | 1,567,176,625.47           | (66,930,828.92)                               | 1,500,245,796.55 |
| Work-in-progress                       | 896,977,842.78             | (2,868,511.72)                                | 894,109,331.06   |
| Finished goods                         | 2,918,201,263.65           | (12,098,705.30)                               | 2,906,102,558.35 |
| Low-valued and short-lived consumables | 274,339,447.93             | (25,184.26)                                   | 274,314,263.67   |
| Total                                  | 5,656,695,179.83           | (81,923,230.20)                               | 5,574,771,949.63 |

## (2) Provision for decline in value of inventories

RMB

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

# Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

### 6. Inventories (continued)

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

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

Descriptions of inventories:

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

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

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

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

### 8. Other current assets

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

## Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

## 8. Other current assets (continued)

## (1) Notes receivable

Classification of notes receivable:

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

Pledged notes receivable as at the end of each period:

| Category         | RMB                         |
|------------------|-----------------------------|
|                  | 30 June 2018<br>(Unaudited) |
| Bank acceptances | 9,590,651,589.12            |
| Total            | 9,590,651,589.12            |

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

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

| Category         | RMB                         |
|------------------|-----------------------------|
|                  | 30 June 2018<br>(Unaudited) |
| Bank acceptances | 22,151,579,102.16           |
| Total            | 22,151,579,102.16           |

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

# Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

### 8. Other current assets (continued)

#### (2) Other current assets

Other current assets are set out as follows:

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

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

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

### 9. Loans and advances to customers

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

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

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

## Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

## 9. Loans and advances to customers (continued)

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

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

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

## 10. Long-term receivables

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

## 11. Other equity instrument investments

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

|                             | 30 June 2018<br>(Unaudited)<br>Carrying value |
|-----------------------------|-----------------------------------------------|
| Unlisted equity investments | 7,700,000.00                                  |
| Total                       | 7,700,000.00                                  |

# Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

### 11. Other equity instrument investments (continued)

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

RMB

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

### 12. Investment properties

The investment properties measured at cost:

RMB

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

## Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

## 13. Fixed assets

*Fixed assets:*

RMB

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

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

# Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

### 14. Construction in progress

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

RMB

| Item                                                                        | 30 June 2018 (Unaudited) |                      |                  | 31 December 2017 (Audited) |                      |                  |
|-----------------------------------------------------------------------------|--------------------------|----------------------|------------------|----------------------------|----------------------|------------------|
|                                                                             | Carrying amount          | Impairment provision | Net book value   | Carrying amount            | Impairment provision | Net book value   |
| Annual production of 400,000 sets of axles and brakes                       | 14,240.99                | —                    | 14,240.99        | 14,240.99                  | —                    | 14,240.99        |
| Tianjin automotive project                                                  | 123,008,608.87           | (131,527.46)         | 122,877,081.41   | 60,030,666.90              | (131,527.46)         | 59,899,139.44    |
| Tianjin parts and components project                                        | 85,778,765.98            | (5,064,216.91)       | 80,714,549.07    | 122,163,399.33             | (416,173.85)         | 121,747,225.48   |
| Industrial park phase I, II, III reconstruction and expansion               | 144,340,853.62           | (1,186,284.28)       | 143,154,569.34   | 151,875,434.71             | (1,788,431.95)       | 150,087,002.76   |
| New technology center                                                       | 127,060,864.45           | —                    | 127,060,864.45   | 162,172,618.20             | —                    | 162,172,618.20   |
| Other R & D projects                                                        | 128,996,325.26           | —                    | 128,996,325.26   | 69,580,893.95              | —                    | 69,580,893.95    |
| Xushui automotive project                                                   | 388,377,500.04           | —                    | 388,377,500.04   | 453,299,582.90             | —                    | 453,299,582.90   |
| Xushui parts and components project                                         | 1,642,208,895.85         | (853,830.79)         | 1,641,355,065.06 | 2,240,284,583.74           | —                    | 2,240,284,583.74 |
| Xushui supporting infrastructure project                                    | 165,678,798.00           | —                    | 165,678,798.00   | 149,981,488.25             | —                    | 149,981,488.25   |
| Russia 80,000 sets of vehicle plant and residential area supporting project | 1,892,858,768.46         | —                    | 1,892,858,768.46 | 1,173,871,774.87           | —                    | 1,173,871,774.87 |
| Chongqing Great Wall vehicle project                                        | 72,158,711.98            | —                    | 72,158,711.98    | —                          | —                    | —                |
| Part and Components Department reconstruction project                       | 212,561,803.95           | (122,171.38)         | 212,439,632.57   | 298,524,812.68             | (624,799.69)         | 297,900,012.99   |
| Total                                                                       | 4,983,044,137.45         | (7,358,030.82)       | 4,975,686,106.63 | 4,881,799,496.52           | (2,960,932.95)       | 4,878,838,563.57 |

## Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

## 14. Construction in progress (continued)

## (2) Changes in major construction in progress

RMB

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

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

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

RMB

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

# Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

### 15. Intangible assets

#### (1) Intangible assets

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

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

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

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

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

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

## Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

## 16. Development expenses

RMB

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

## 17. Goodwill

RMB

| Name of investee or matters<br>generating goodwill                                  | 31 December<br>2017 (Audited) | Additions for<br>the period | Deductions<br>for the period | 30 June 2018<br>(Unaudited) | Impairment<br>provision<br>as at the end<br>of the period |
|-------------------------------------------------------------------------------------|-------------------------------|-----------------------------|------------------------------|-----------------------------|-----------------------------------------------------------|
| Baoding Changfu Pressings Co., Ltd.<br>(Note 1)                                     | 2,163,713.00                  | —                           | —                            | 2,163,713.00                | —                                                         |
| Oula Information Service Co., Ltd.<br>(歐拉信息服務有限公司)<br>("Oula Information") (Note 2) | —                             | 4,391,332.13                | —                            | 4,391,332.13                | —                                                         |
| Total                                                                               | 2,163,713.00                  | 4,391,332.13                | —                            | 6,555,045.13                | —                                                         |

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

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

The goodwill arising from business combination has been allocated to assets used for manufacturing and sales of pick-up trucks, sport utility vehicle (SUV) and cross-border vehicles in purpose of impairment testing. The management of the Group evaluated the recoverable amount and expected that no impairment provision will be required for goodwill during the current period.

# Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

### 18. Deferred tax assets and deferred tax liabilities

#### (1) Deferred tax assets before offsetting

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

RMB

## Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

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

## (2) Deferred tax liabilities before offsetting

RMB

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

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

RMB

| Item                     | 30 June 2018 (Unaudited)                             |                                                    | 31 December 2017 (Audited)                           |                                                    |
|--------------------------|------------------------------------------------------|----------------------------------------------------|------------------------------------------------------|----------------------------------------------------|
|                          | Offset amount of deferred tax assets and liabilities | Deferred tax assets (liabilities) after offsetting | Offset amount of deferred tax assets and liabilities | Deferred tax assets (liabilities) after offsetting |
| Deferred tax assets      | (445,722,563.41)                                     | 602,353,229.01                                     | (180,620,836.58)                                     | 691,008,604.27                                     |
| Deferred tax liabilities | 445,722,563.41                                       | (14,809,605.16)                                    | 180,620,836.58                                       | (20,613,845.65)                                    |

# Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

### 19. Short-term borrowings and long-term borrowings

#### (1) Short-term Borrowings

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

#### (2) Long-term Borrowings

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

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

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

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

Note 4: The guaranteed loans amounted to RMB1,144,586,500.00 are made by the subsidiary of the Company Billion Sunny Development Limited (億新發展有限公司) ("Billion Sunny Development") and guaranteed by the Company. The annual interest rate of the long-term borrowings is 1.0000% to 2.9612%. The balance of guaranteed loans amounted to RMB49,500,000.00 was the loan made by Tianjin Great Wall Binyin Automotive Finance Company Limited (天津長城濱銀汽車金融有限公司) ("Automotive Finance") and guaranteed by the Company. The annual interest rate of the long-term borrowings is 5.9375%.

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

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

## Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

## 20. Notes payable and accounts payable

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

## (1) Notes payable

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

## (2) Accounts payable

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

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

Accounts payable aged over one year with significant amount:

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

# Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

### 21. Contract liabilities

Contract liabilities disclosed as follows:

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

### 22. Employee benefits payable

(1) Employee benefits payable disclosed as follows:

| Item                                                  | RMB                           |                  |                    |
|-------------------------------------------------------|-------------------------------|------------------|--------------------|
|                                                       | 31 December 2017<br>(Audited) | Increase         | Decrease           |
| 1. Short-term employee benefits                       | 1,870,806,059.42              | 3,114,333,506.79 | (4,554,704,913.93) |
| 2. Post-employment benefits-defined contribution plan | 1,222,844.56                  | 401,247,089.24   | (223,766,874.94)   |
| Total                                                 | 1,872,028,903.98              | 3,515,580,596.03 | (4,778,471,788.87) |



## Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

## 22. Employee benefits payable (continued)

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

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

## (3) Defined contribution plan

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

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

# Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

### 23. Taxes payable

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

### 24. Other payables

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

## Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

## 24. Other payables (continued)

## (1) Other payables

Other payables disclosed by nature are as follows:

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

The breakdown of other payables is as follows:

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

Descriptions of other significant payables aged over one year:

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

# Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

### 25. Non-current liabilities due within one year

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

### 26. Other current liabilities

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

### 27. Deferred income

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

## Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

## 27. Deferred income (continued)

Projects related to government grants:

RMB

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

# Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

### 27. Deferred income (continued)

- Note 1:* According to the *Circular Regarding the Allocation of Infrastructure Construction Fund to Great Wall Motor Company Limited* issued by Baoding Xushui government, Xushui government allocated money to the Company as the supporting fund for the infrastructure (buildings and ancillary facilities) construction of 500,000 automobile and components and parts production base project in new Great Wall industrial area in Baoding.
- Note 2:* According to the *Provisional Regulations on the Development of Advanced Manufacturing Industry in Tianjin Economic-Technological Development Area* and the cooperation agreement entered into between Tianjin Economic-Technological Development Area and the Company, the Company and Tianjin Great Wall Lean Automotive Parts Company Limited (天津長城精益汽車零部件有限公司) ("Tianjin Lean"), subsidiary of the Company, received industrial policy supporting fund from Tianjin Economic-Technological Development Area in 2009. According to *Notice On the Allocation of Special Funds to Chongqing Great Wall Motor Co., Ltd. by Chongqing Yongchuan Industrial Park Phoenix Lake Management Committee* and the project investment agreement entered into between Chongqing Yongchuan government and the Company, the Company and its subsidiary Chongqing Great Wall Motor Co., Ltd. (重慶長城汽車有限公司) ("Chongqing Great Wall") received specific development funds of RMB600 million allocated by Chongqing Yongchuan government in 2018. According to *Notice on Allocation of Supporting Funds to the New Energy Power System Project of Great Wall Motor* issued by the Bureau of Finance of Changzhou Jintan, Honeycomb Energy Technology Co., Ltd. (蜂巢能源科技有限公司) ("Honeycomb Energy"), a subsidiary of the Company, received industrial supporting funds of RMB200 million to the new energy power system project of Great Wall Motor, allocated by the Bureau of Finance of Changzhou Jintan.
- Note 3:* According to the *Provisional Regulations on the Development of Advanced Manufacturing Industry in Tianjin Economic-Technological Development Area*, the cooperation agreement entered into between Tianjin Economic-Technological Development Area and the Company, and *Payment agreement of soft soil foundation treatment subsidy* of Tianjin Economic and Technological Development Zone Development Bureau, the Company and a subsidiary of the Company, Tianjin Lean, received soft soil foundation 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 (保定長城汽車橋業有限公司) ("Great Wall Vehicle Axles"), a subsidiary of the Company, for the purchase of domestic manufactured equipment by foreign-invested enterprises.
- Note 6:* According to *Minutes of the Meeting Regarding Coordination of the Relevant Issues of New Factory Construction of Baoding Great Wall Motor Company Limited* (Baoding Zheng [2002] No.170) issued by the office of Baoding government, Baoding Municipal Bureau of Finance allocated urban construction fund to the Group for land and related infrastructure construction exclusively.
- Note 7:* According to *Notice regarding improving the ability of independent innovation and high-tech industry development projects in 2010 the first batch of the central budget for investment projects* issued by Hebei Development and Reform Commission and forwarded by Baoding Development and Reform Commission, Baoding Development and Reform Commission allocated money to the Company for innovation project of Automobile safety and environmental protection. Baoding Finance Bureau allocated money to the Company for Diesel engine technology reconstruction project. Moreover, according to the *Notice Regarding the Central Infrastructure Expenditure Budget (Fund Allocated) for Independent Innovation and Advanced Technology Industrialization in 2011 by Bureau of Finance in Baoding*, the Bureau of Finance in Southern Baoding allocated the Central Infrastructure Expenditure Budget (Allocated Fund) as Central Infrastructure expenditure budget (appropriation) quota for the innovation project of the technology center of the Company exclusively.
- Note 8:* According to *Circular regarding the Granting of the Development Fund for SMEs to Baoding Great Wall Resource Recycling Co. Ltd.*, in 2010 the Bureau of Finance in Qingyuan granted a fund to Baoding Great Wall Resource Recycling Co., Ltd. (保定長城再生資源利用有限公司) ("Great Wall Resource Recycling"), a subsidiary of the Company. The fund was used for the construction of infrastructure of a scrap steel project with annual capacity of 80,000 tons.
- Note 9:* According to *Notice regarding the projects and funding of Hebei Province Scientific and technological research and development program (the first batch) in 2011*, the company's GW4D20 Diesel product development project was granted directly from the Bureau of Finance in Hebei Province.

# Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

### 27. Deferred income (continued)

- Note 10:* According to *Notice Regarding the Fund for Technological Renovation in 2014 by Baoding Finance Bureau and Bureau of Industry and Information*, Baoding Finance Bureau allocated a fund for the construction of the Company's engine test center project.
- Note 11:* According to the *Notice of Allocating the Special Provincial Funds for the Development of Strategic Emerging Industry in 2014* which announced by Hebei Province Department of Finance and Hebei Development and Reform Commission, the Company has been allocated with special funds to the project of Develop Innovation Capacity of Company Technique Centre.
- Note 12:* According to the *Hebei Province Mission Statement of the Expenditure of Innovation Platform Construction*, special funds were allocated by Department of Science and Technology of Hebei province, which are dedicated to the improvement of hardware of loop simulation system and the purchasing of equipment.
- Note 13:* According to *Baoding Notice of Central Infrastructure Expenditure Budget for industrial transformation and upgrading (Second Batch) of Industry Revitalization and Technology Reform in 2015*, the Company received RMB100 million from the Bureau of Finance of Hebei province in 2015, which is used in the Energy-saving Gasoline Direct Injection Engine Project.
- Note 14:* According to *Construction of Experimental Zone for Transformation of G45 Achievements and Application of Jing-Jin-Ji United R&D Project of New Energy Vehicle*, the Company obtained a special grant from Hebei Baoding Technology Bureau which is dedicated in united R&D of new energy automobile of Great Wall Automobile Institute, and purchasing relevant instruments and equipment.
- Note 15:* According to *Symposium Minutes of Western Region Work* filed as Jin Kai Ji (2014) No. 108, the Company obtained the subsidy of RMB30.89 million in 2016 for the construction of capacity expanding 3rd power circuit project and peripheral expenditures from development zone.
- Note 16:* According to *Agreement for the Project to Strengthen Industrial Development Basis in 2016*, the Company obtained a special grant of RMB38.02 million from the Bureau of Industry and Information Technology in Lianchi District, Baoding in 2016, which is dedicated to the construction of intelligent network-connected automotive system and the procurement of software.
- Note 17:* According to *Rules on "the Recruitment Program of Global Experts" of the State Administration of Foreign Experts Affairs*, the Company obtained special subsidy grants of RMB1 million from the State Administration of Foreign Experts Affairs in 2017.
- Note 18:* According to *Circular regarding the Granting of Special Funds to 2017 Innovative Characteristic Promotion Projects from Hebei Baoding Economic Development Zone Administration Committee*, the Company obtained a special grant of RMB10 million in 2017 which is dedicated to the Company's new energy cell R&D project.
- Note 19:* According to *Circular regarding the Granting of Special Funds to 2017 Local Technology Development under Central Guidance from the Bureau of Finance in Baoding*, the Company obtained a special grant of RMB0.9 million in 2017 from the Bureau of Finance in Baoding which is dedicated to the Company's fuel cell test platform construction.
- Note 20:* According to *Circular regarding Printing and Issuing Implementation of Coal-fired Boiler Replacement and Reconstruction from Gaobeidian Bureau of Environmental Protection*, a subsidy of the Company, Baoding Great Wall Huabei Automobile Co., Ltd. (保定長城華北汽車有限責任公司) ("Great Wall Huabei") received subsidy of RMB0.96 million in 2017 which is dedicated to the Company's coal-fired boiler project.
- Note 21:* According to *Circular on Allocation of New Energy Vehicle High-End Talent Introduction Project Reward Fund from the Department of Industry and Information Technology of Hebei Province*, in the period the Company received special funds of RMB0.1 million from the Department of Industry and Information Technology of Hebei Province.
- Note 22:* According to *Notice from the Bureau of Foreign Experts Affairs of Hebei Province*, in the period the Company received special funds of RMB0.89 million allocated by the Bureau of Foreign Experts Affairs of Baoding and dedicated to the plug-in hybrid electric SUV R&D program.
- Note 23:* According to the *Notice on the 20<sup>th</sup> Batch of Special Funds Budget for 2017 Air Pollution Control (Waste Gas Treatment Project) Issued by the MoF of Tianjin*, a subsidy of the Company, Tianjin Boxin., received special funds of RMB5.1 million allocated by the MoF of Tianjin in the period, and dedicated to the construction of waste concentration incineration systems.

# Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

### 28. Other non-current liabilities

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

### 29. Share capital

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

RMB

| Item                                                       | Opening balance  | New issue | Changes for the period |                              |        | Sub-total | Closing balance  |
|------------------------------------------------------------|------------------|-----------|------------------------|------------------------------|--------|-----------|------------------|
|                                                            |                  |           | Bonus shares           | Shares transfer from reserve | Others |           |                  |
| For the period from 1 January to 30 June 2018 (Unaudited): |                  |           |                        |                              |        |           |                  |
| Promoters' shares                                          | 5,115,000,000.00 | —         | —                      | —                            | —      | —         | 5,115,000,000.00 |
| Outstanding overseas listed foreign shares                 | 3,099,540,000.00 | —         | —                      | —                            | —      | —         | 3,099,540,000.00 |
| Outstanding domestic listed RMB ordinary shares            | 912,729,000.00   | —         | —                      | —                            | —      | —         | 912,729,000.00   |
| Total number of shares                                     | 9,127,269,000.00 | —         | —                      | —                            | —      | —         | 9,127,269,000.00 |
| For the period from 1 January to 30 June 2017 (Unaudited): |                  |           |                        |                              |        |           |                  |
| Promoters' shares                                          | 5,115,000,000.00 | —         | —                      | —                            | —      | —         | 5,115,000,000.00 |
| Outstanding overseas listed foreign shares                 | 3,099,540,000.00 | —         | —                      | —                            | —      | —         | 3,099,540,000.00 |
| Outstanding domestic listed RMB ordinary shares            | 912,729,000.00   | —         | —                      | —                            | —      | —         | 912,729,000.00   |
| Total number of shares                                     | 9,127,269,000.00 | —         | —                      | —                            | —      | —         | 9,127,269,000.00 |

## Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

## 30. Capital reserve

RMB

| Item                                                                                                                      | Opening balance  | Additions | Deductions | Closing balance  |
|---------------------------------------------------------------------------------------------------------------------------|------------------|-----------|------------|------------------|
| <b>For the period from 1 January to 30 June 2018 (Unaudited):</b>                                                         |                  |           |            |                  |
| 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 |
| <b>For the period from 1 January to 30 June 2017 (Unaudited):</b>                                                         |                  |           |            |                  |
| Capital premiums                                                                                                          | 1,466,587,149.89 | —         | —          | 1,466,587,149.89 |
| Other capital reserves                                                                                                    | (55,356,135.47)  | —         | —          | (55,356,135.47)  |
| Including: Transfer from capital reserves under the previous standards                                                    | 13,911,809.08    | —         | —          | 13,911,809.08    |
| Difference between the consideration of acquiring minority interest in subsidiary and the fair value of minority interest | (37,780,293.29)  | —         | —          | (37,780,293.29)  |
| Translation differences of foreign capital                                                                                | 27,752.39        | —         | —          | 27,752.39        |
| Reserve for revaluation gain of assets                                                                                    | (31,515,403.65)  | —         | —          | (31,515,403.65)  |
| Total                                                                                                                     | 1,411,231,014.42 | —         | —          | 1,411,231,014.42 |

# Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

### 31. Surplus reserve

RMB

| Item                                                              | Opening balance         | Additions | Deductions             | Reclassification | Closing balance         |
|-------------------------------------------------------------------|-------------------------|-----------|------------------------|------------------|-------------------------|
| <b>For the period from 1 January to 30 June 2018 (Unaudited):</b> |                         |           |                        |                  |                         |
| Statutory surplus reserve                                         | 4,697,563,444.94        | —         | —                      | —                | 4,697,563,444.94        |
| Discretionary surplus reserve                                     | 2,855,650.48            | —         | —                      | —                | 2,855,650.48            |
| Enterprise expansion fund                                         | 2,959,022.95            | —         | —                      | —                | 2,959,022.95            |
| Reserve fund                                                      | 107,224,586.52          | —         | —                      | —                | 107,224,586.52          |
| Tax credit for social welfare enterprises                         | 251,838,024.75          | —         | —                      | —                | 251,838,024.75          |
| <b>Total</b>                                                      | <b>5,062,440,729.64</b> | <b>—</b>  | <b>—</b>               | <b>—</b>         | <b>5,062,440,729.64</b> |
| <b>For the period from 1 January to 30 June 2017 (Unaudited):</b> |                         |           |                        |                  |                         |
| Statutory surplus reserve                                         | 4,198,939,847.35        | —         | (43,851,241.00)        | 11,197,280.78    | 4,166,285,887.13        |
| Discretionary surplus reserve                                     | 2,855,650.48            | —         | —                      | —                | 2,855,650.48            |
| Enterprise expansion fund                                         | 3,086,749.11            | —         | —                      | (127,726.16)     | 2,959,022.95            |
| Reserve fund                                                      | 118,294,141.14          | —         | —                      | (11,069,554.62)  | 107,224,586.52          |
| Tax credit for social welfare enterprises                         | 251,838,024.75          | —         | —                      | —                | 251,838,024.75          |
| <b>Total</b>                                                      | <b>4,575,014,412.83</b> | <b>—</b>  | <b>(43,851,241.00)</b> | <b>—</b>         | <b>4,531,163,171.83</b> |

## Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

## 32. Undistributed profits

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

# Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

### 32. Undistributed profits (continued)

#### (1) Appropriation to statutory surplus reserve

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

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

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

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

On 14 May 2018, the 2017 shareholders' meeting approved *Proposal on Profit Distribution of 2017*, which allows the Company to distribute cash dividends of RMB0.17 (inclusive of tax) per share, amounting to RMB1,551,635,730.00 in total, based on total shares of 9,127,269,000 shares with par value of RMB1 per share.

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

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



## Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

## 33. Operating income and operating costs

## (1) Operating income

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

## Composition of operating income — geographical area of source

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

# Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

### 33. Operating income and operating costs (continued)

#### (1) Operating income (continued)

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

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

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

#### (2) Operating costs

|                                                   | RMB                                                       |                                                           |
|---------------------------------------------------|-----------------------------------------------------------|-----------------------------------------------------------|
| Item                                              | For the period from 1 January to 30 June 2018 (Unaudited) | For the period from 1 January to 30 June 2017 (Unaudited) |
| Principal operating costs                         | 38,057,057,055.50                                         | 32,850,170,133.16                                         |
| Including: Costs of sales of automobiles          | 36,356,643,402.09                                         | 31,644,129,975.54                                         |
| Costs of sales of automotive parts and components | 1,060,173,951.29                                          | 936,428,779.40                                            |
| Costs of sales of moulds and others               | 133,964,026.97                                            | 180,073,133.48                                            |
| Costs of rendering services                       | 506,275,675.15                                            | 89,538,244.74                                             |
| Other operating costs                             | 357,727,231.01                                            | 194,331,492.63                                            |
| Total                                             | 38,414,784,286.51                                         | 33,044,501,625.79                                         |

## Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

## 34. Interest income

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

## 35. Taxes and levies

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

# Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

### 36. Selling expenses

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

### 37. Administrative expenses

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

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

## Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

## 38. Financial expenses

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

## 39. Impairment losses on assets

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

# Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

### 40. Impairment losses on credit

RMB

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

### 41. Other income

Government grants recognized in other income:

RMB

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

## Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

## 42. Investment income

Breakdown:

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

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

The Group has no gains on investments from listed companies.

## 43. Gains or losses from changes in fair values

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

# Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

### 44. Non-operating income

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

RMB

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

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

RMB

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

Note: During the reporting period, Baoding Nuobo, Baoding Great and Baoding Yixin, subsidiaries of the Company, were recognized as social welfare enterprises by Department of Civil Affairs of Hebei Province. Pursuant to *Circular of the MoF and the State Administration of Taxation on Issues Concerning the Corporate Income Tax Incentives on Enterprises Which Recruit the Disabled* (Cai Shui [2007] No.92) and *Circular on Preferential Tax Policy for Promoting Disabled Employment* (Cai Shui [2016] No.52), subject to relevant conditions, the above social welfare enterprises enjoy value added tax refund based on the maximum amount specified by relevant taxation authorities and the number of disabled employees. According to the *Accounting Standards for Business Enterprises No.16 — Government Grants* revised in May 2017 by the MoF, the Group recognizes welfare enterprise value-added tax refundable relating to daily activities in this period into other income account.

## Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

## 45. Non-operating expenses

*RMB*

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

## 46. Income tax expenses

*RMB*

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

# Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

### 46. Income tax expenses (continued)

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

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

### 47. Net profit

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

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

## Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

## 48. Calculation of basic and diluted earnings per share

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

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

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

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

# Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

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

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

### 49. Other comprehensive income

#### Foreign currency translation differences

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

## Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

## 50. Notes to cash flow statements

## (1) Other cash received relating to operating activities

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

## (2) Other cash payments relating to operating activities

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

# Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

### 50. Notes to cash flow statements (continued)

#### (3) Other cash received relating to investing activities

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

#### (4) Other cash received relating to financing activities

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

#### (5) Other cash payments relating to financing activities

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

## Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

## 51. Supplementary information of cash flow statements

## (1) Supplementary information of cash flow statements

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

# Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

### 51. Supplementary information of cash flow statements (continued)

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

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

#### (3) Components of cash and cash equivalents

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

### 52. Assets with limited ownership or use right

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

## Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

## 53. Monetary items denominated in foreign currency

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

# Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

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

### 54. Net current assets

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

### 55. Total assets less current liabilities

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

## Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

## VII. CHANGES IN CONSOLIDATION SCOPE

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

## (1) Merger under different control in this period

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

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

*Basic information of the acquiree*

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

## (2) Combination cost and goodwill

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

# Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

## VII. CHANGES IN CONSOLIDATION SCOPE (continued)

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

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

RMB

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

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

### 2. Business combination involving enterprises under common control

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

### 3. Disposal of subsidiaries

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

## Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

## VII. CHANGES IN CONSOLIDATION SCOPE (continued)

## 4. Changes in consolidation scope for other reasons

Newly established subsidiaries during the current period:

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

# Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

## VIII. INTERESTS IN OTHER ENTITIES

### 1. Interests in subsidiaries

#### (1) Structure of the Group

*Subsidiaries invested by the Group*

| Full name of subsidiaries                                                                                                | Legal form                | Place of principal operations                        | Place of registration                                | Business nature                                                        | Proportion of shareholdings (%) |          |
|--------------------------------------------------------------------------------------------------------------------------|---------------------------|------------------------------------------------------|------------------------------------------------------|------------------------------------------------------------------------|---------------------------------|----------|
|                                                                                                                          |                           |                                                      |                                                      |                                                                        | Proportion of voting rights (%) | Indirect |
| Great Wall Huabei                                                                                                        | limited liability company | Gaobeidian                                           | Gaobeidian                                           | Manufacture of automotive parts and components                         | 100.00                          | —        |
| Baoding Great                                                                                                            | limited liability company | Baoding                                              | Baoding                                              | Manufacture of automotive parts and components                         | 100.00                          | —        |
| Great Wall Vehicle Axles (Note 11)                                                                                       | limited liability company | Baoding                                              | Baoding                                              | Manufacture of automotive parts and components                         | 100.00                          | —        |
| Baoding Nuobo                                                                                                            | limited liability company | Baoding                                              | Baoding                                              | Manufacture of automotive parts and components                         | 100.00                          | —        |
| Beijing Great                                                                                                            | limited liability company | Beijing                                              | Beijing                                              | Manufacture of automotive parts and components                         | 100.00                          | —        |
| Great Wall Baoding Automotive Customer Service Company Limited (保定市長城汽車售後服務有限公司) ("Baoding Automotive Customer Service") | limited liability company | Baoding                                              | Baoding                                              | Provision of after-sales service                                       | 100.00                          | —        |
| Baoding Great Wall Auto Sales Co., Ltd. (保定市長城汽車銷售有限公司) ("Great Wall Sales")                                             | limited liability company | Baoding                                              | Baoding                                              | Marketing and sale of automobiles                                      | 20.18                           | 79.82    |
| Tide Technology and Trade                                                                                                | —                         | Hong Kong                                            | Hong Kong                                            | Investment and financing services                                      | 100.00                          | —        |
| Mind electronics                                                                                                         | limited liability company | Baoding                                              | Baoding                                              | Manufacture of automotive parts and components                         | 100.00                          | —        |
| Tianjin Lean                                                                                                             | limited liability company | Tianjin Development zone                             | Tianjin Development zone                             | Manufacture of automotive parts and components                         | 75.00                           | 25.00    |
| Baoding Great Wall Ants Logistics Co., Ltd. (保定市長城螞蟻物流有限公司) ("Great Wall Ants")                                          | limited liability company | Baoding                                              | Baoding                                              | Logistics and ordinary goods transportation                            | 100.00                          | —        |
| Tianjin Boxin (Note 11)                                                                                                  | limited liability company | Tianjin                                              | Tianjin                                              | Manufacture of automotive parts and components                         | 100.00                          | —        |
| Ningxia Great Wall Motor Rental Company Limited (寧夏長城汽車租賃有限公司) ("Ningxia Rental")                                        | limited liability company | Yinchuan Economic and Technological Development Zone | Yinchuan Economic and Technological Development Zone | Buildings rental                                                       | 100.00                          | —        |
| Great Wall Resource Recycling                                                                                            | limited liability company | Baoding                                              | Baoding                                              | Processing, recycling and sale of waste and used material              | 100.00                          | —        |
| Baoding Exquisite Automotive Mould Technology Co., Ltd. (保定市精工汽車模具技術有限公司) ("Exquisite Mould")                            | limited liability company | Baoding                                              | Baoding                                              | Research, development and manufacture of auto moulds                   | 100.00                          | —        |
| Baoding Weiyi                                                                                                            | limited liability company | Baoding                                              | Baoding                                              | Manufacture of automotive parts and components                         | 100.00                          | —        |
| Great Wall Dongsheng                                                                                                     | limited liability company | Beijing                                              | Beijing                                              | Business information consultation                                      | —                               | 100.00   |
| Haval Automotive Rental Co., Ltd. (哈弗汽車租賃有限公司) ("Haval Rental")                                                          | limited liability company | Baoding                                              | Baoding                                              | Car rental                                                             | 100.00                          | —        |
| Shanghai Haval                                                                                                           | limited liability company | Shanghai                                             | Shanghai                                             | Automotive technology research, development and technical consultation | 100.00                          | —        |
| Haval Motors Australia Pty Ltd (哈弗汽車澳大利亞有限公司) ("Haval Australia")                                                        | —                         | Australia                                            | Australia                                            | Auto selling                                                           | 38.50                           | 61.50    |
| Haval Motor Rus Limited Liability Company (俄羅斯哈弗汽車有限責任公司) ("Haval Russia")                                               | —                         | Russia                                               | Russia                                               | Auto selling                                                           | —                               | 100.00   |
| Baoding Haval Auto Sales Company Limited (保定哈弗汽車銷售有限公司) ("Haval Auto Sales") (Note 11)                                   | limited liability company | Baoding                                              | Baoding                                              | Auto selling                                                           | 100.00                          | —        |

## Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

## VIII. INTERESTS IN OTHER ENTITIES (continued)

## 1. Interests in subsidiaries (continued)

## (1) Structure of the Group (continued)

## Subsidiaries invested by the Group (continued)

| Full name of subsidiaries                                                                                                 | Legal form                | Place of principal operations | Place of registration | Business nature                                         | Proportion of shareholdings (%)           |          |
|---------------------------------------------------------------------------------------------------------------------------|---------------------------|-------------------------------|-----------------------|---------------------------------------------------------|-------------------------------------------|----------|
|                                                                                                                           |                           |                               |                       |                                                         | Proportion of voting rights (%)<br>Direct | Indirect |
| Automotive Finance                                                                                                        | limited liability company | Tianjin                       | Tianjin               | Automotive Finance                                      | 90.00                                     | —        |
| Australia Sinyos Technology And Trade Pty Ltd<br>(澳大利亞森友斯科實有限公司)<br>("Sinyos Technology and Trade")                       | —                         | Australia                     | Australia             | Auto selling                                            | —                                         | 100.00   |
| Haval Motor Manufacturing Rus Limited Liability Company (俄羅斯哈弗汽車製造有限責任公司)<br>("Russia Manufacturing")                     | —                         | Russia                        | Russia                | Auto manufacture                                        | 50.31                                     | 49.69    |
| Haval Motors South Africa Proprietary Limited<br>(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<br>(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<br>(哈弗保險經紀有限公司)<br>("Haval Insurance Brokers")                                    | limited liability company | Baoding                       | Baoding               | Insurance Brokers                                       | 100.00                                    | —        |
| Baoding Great Wall Scrap Car Recycling & Dismantling Co., Ltd. (保定長城報廢汽車回收拆解有限公司) ("Scrap Car Recycling and Dismantling") | limited liability company | Baoding                       | Baoding               | Scrap car recycling and dismantling                     | 100.00                                    | —        |
| Great Wall Japan Motor Co., Ltd.<br>(長城日本技研株式會社) ("Japan Motor")                                                          | —                         | Yokohama, Japan               | Yokohama, Japan       | Research and design of automobile and auto parts        | —                                         | 100.00   |
| Great Wall Motor Europe Technical Center GmbH<br>(長城汽車歐洲技術中心有限公司)<br>("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)<br>("India R&D")                                 | —                         | India                         | India                 | Research, design and sales of automobile and auto parts | 99.90                                     | 0.10     |
| Shenzhen Haval Auto Sales Company Limited<br>(深圳長城汽車銷售有限公司)<br>("Shenzhen Haval Sales")                                   | limited liability company | Shenzhen                      | Shenzhen              | Auto selling                                            | 100.00                                    | —        |
| Haval Financial Leasing Company Limited<br>(哈弗融資租賃有限公司)<br>("Haval Financial Leasing")                                    | limited liability company | Baoding                       | Baoding               | Finance Lease business                                  | 75.00                                     | 25.00    |
| American HAVAL Motor Company<br>(美國哈弗汽車有限公司) ("American HAVAL")                                                           | —                         | USA                           | USA                   | Technology research and development of automobile       | 100.00                                    | —        |
| American HAVAL Motor technology, LLC<br>(美國哈弗汽車科技有限責任公司)<br>("American HAVAL Technology")                                 | —                         | USA                           | USA                   | Technology research and development of automobile       | —                                         | 100.00   |
| American HAVAL Asset Management, LLC<br>(美國哈弗資產管理有限責任公司)<br>("American HAVAL Asset")                                      | —                         | USA                           | USA                   | Real estate                                             | —                                         | 100.00   |
| Forever Peace                                                                                                             | Limited liability company | Beijing                       | Beijing               | Business information consultation                       | —                                         | 100.00   |

# Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

## VIII. INTERESTS IN OTHER ENTITIES (Continued)

### 1. Interests in subsidiaries (Continued)

#### (1) Structure of the Group (Continued)

##### Subsidiaries invested by the Group (Continued)

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

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

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

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

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

## Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

## VIII. INTERESTS IN OTHER ENTITIES (continued)

## 1. Interests in subsidiaries (continued)

## (1) Structure of the Group (continued)

*Subsidiaries invested by the Group (continued)*

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

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

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

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

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

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

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

Subsidiaries acquired through business combination not under common control:

| Full name of subsidiaries                                                               | Legal form                | Place of principal operations | Place of registration | Business nature                                | Proportion of shareholdings (%) |        |
|-----------------------------------------------------------------------------------------|---------------------------|-------------------------------|-----------------------|------------------------------------------------|---------------------------------|--------|
|                                                                                         |                           |                               |                       |                                                | Proportion of voting rights (%) | Direct |
| Billion Sunny Development                                                               | Limited liability company | — Hong Kong                   | Hong Kong             | Investment holding                             | —                               | 100.00 |
| Baoding Jiehua Automobile Components and Accessories Company Limited ("Baoding Jiehua") |                           | Baoding                       | Baoding               | Manufacture of automotive parts and components | 100.00                          | —      |
| (Note)                                                                                  |                           |                               |                       |                                                |                                 |        |
| Oula Information                                                                        | Limited liability company | Baoding                       | Baoding               | Internet Information Service                   | —                               | 100.00 |

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

# Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

## VIII. INTERESTS IN OTHER ENTITIES (continued)

### 1. Interests in subsidiaries (continued)

#### (1) Structure of the Group (continued)

Subsidiaries acquired through business combination under common control:

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

#### (2) Significant non-wholly-owned subsidiary

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

## Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

## VIII. INTERESTS IN OTHER ENTITIES (continued)

## 1. Interests in subsidiaries (continued)

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

RMB

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

RMB

| Full name of subsidiary | 31 December 2017 |                    |                   |                     |                         |                   |
|-------------------------|------------------|--------------------|-------------------|---------------------|-------------------------|-------------------|
|                         | Current assets   | Non-current assets | Total assets      | Current liabilities | Non-current liabilities | Total liabilities |
| Automotive Finance      | 8,018,796,531.38 | 4,619,340,243.55   | 12,638,136,774.93 | 10,779,041,006.76   | 494,368,396.06          | 11,273,409,402.82 |

RMB

| Full name of subsidiary | For the period from 1 January to 30 June 2018 |                |                            |                                      | For the period from 1 January to 30 June 2017 |               |                            |                                      |
|-------------------------|-----------------------------------------------|----------------|----------------------------|--------------------------------------|-----------------------------------------------|---------------|----------------------------|--------------------------------------|
|                         | Operating income                              | Net profit     | Total comprehensive income | Cash flows from operating activities | Operating income                              | Net profit    | Total comprehensive income | Cash flows from operating activities |
| Automotive Finance      | 720,471,715.86                                | 207,361,945.20 | 207,361,945.20             | (278,498,660.23)                     | 262,849,645.68                                | 91,903,597.90 | 91,903,597.90              | 115,046,572.72                       |

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

## 3. Interests in joint ventures or associates

There are no transactions that may result in a change in the share of owners' equity between joint ventures during this period.

# Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

## IX. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Major financial instruments of the Group include cash and bank balances, held-for-trading financial assets, accounts receivable, other current assets — financial assets at fair value through other comprehensive income, loans and advances to customers, borrowings, accounts payable, financial assets at fair value through profit or loss, available-for-sale financial assets, other current assets — wealth management products and notes receivable. Detailed descriptions of these financial instruments are set out in Note (VI). The risks associated with these financial instruments and the risk management policies adopted by the Group to mitigate such risks are set out below. The management of the Group manages and monitors such risk exposures to ensure such risks are limited to a prescribed level.

The Group applied sensitive analysis technic to analyze the reasonableness of risk variables, possible changes that may affect profit and loss or shareholders' equity. Risk variables are less likely to change isolated, whereas the correlation between variables have major effect on the changes of single risk. Thus, contents below are under the assumption that the changes of single variable are isolated.

### 1. Objective and policies of risk management

The objective of the risk management of the Group is to maintain an appropriate balance between risks and return so to minimize the negative effects of risks against the Group's operating results in order to maximize the benefits of shareholders. Based on such objective, the principle strategy of the Group's risk management is to identify and analyze all types of risks of the Group, establish appropriate risk tolerance thresholds, carry out risk management procedures and perform risk monitoring on all kinds of risks in a timely and reliable manner, thus controlling the risk exposures within a prescribed level.

#### 1.1 Market risk

##### 1.1.1 Foreign exchange risk

Foreign exchange risk represents risks of loss incurred as a result of changes in exchange rates. Foreign currency assets and liabilities which are possible to influence the business performance might be affected by foreign exchange rate. Such elements are set out as follows:

| Item                                                  | RMB                         |                               |
|-------------------------------------------------------|-----------------------------|-------------------------------|
|                                                       | 30 June 2018<br>(Unaudited) | 31 December 2017<br>(Audited) |
| Cash and bank balances                                | 207,409,812.27              | 494,509,647.74                |
| Held-for-trading financial assets                     | 235,578,252.00              |                               |
| Financial assets at fair value through profit or loss |                             | 317,994,432.00                |
| Notes receivable and accounts receivable              | 142,262,765.91              | 130,889,030.76                |
| Other receivables                                     | —                           | 6,692.92                      |
| Notes payable and accounts payable                    | (28,847,473.59)             | (31,423,959.80)               |
| Other payables                                        | (142,575,464.28)            | (252,474,204.60)              |
| Short-term borrowings                                 | (559,411,047.91)            | —                             |
| Long-term borrowings                                  | (1,144,586,500.00)          | (423,754,500.00)              |

The Group pays close attention to the impact of exchange rate changes on the Group's foreign exchange risk. Except for above items, the other financial instruments of the Group are not involved in foreign exchange risk.

## Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

**IX. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT** (continued)**1. Objective and policies of risk management** (continued)**1.1 Market risk** (continued)**1.1.1 Foreign exchange risk** (continued)

Sensitivity analysis of foreign exchange risk

Holding other variables constant, the effects of potential reasonable changes in exchange rates on the profit and loss and equity interests before tax for the period are set out below:

|      |                                         | RMB                                                             |                                         |
|------|-----------------------------------------|-----------------------------------------------------------------|-----------------------------------------|
|      |                                         | For the period from<br>1 January to 30 June 2018<br>(Unaudited) |                                         |
| Item | Fluctuation of<br>foreign exchange rate | Effects on profit                                               | Effects on<br>shareholders'<br>interest |
| USD  | 5% strengthening against RMB            | (2,469,895.45)                                                  | (2,469,895.45)                          |
| USD  | 5% weakening against RMB                | 2,469,895.45                                                    | 2,469,895.45                            |
| EUR  | 5% strengthening against RMB            | (76,821,949.82)                                                 | (76,821,949.82)                         |
| EUR  | 5% weakening against RMB                | 76,821,949.82                                                   | 76,821,949.82                           |
| JPY  | 5% strengthening against RMB            | (653,245.39)                                                    | (653,245.39)                            |
| JPY  | 5% weakening against RMB                | 653,245.39                                                      | 653,245.39                              |
| AUD  | 5% strengthening against RMB            | 12,554,343.39                                                   | 12,554,343.39                           |
| AUD  | 5% weakening against RMB                | (12,554,343.39)                                                 | (12,554,343.39)                         |
| CHF  | 5% strengthening against RMB            | (16,777.38)                                                     | (16,777.38)                             |
| CHF  | 5% weakening against RMB                | 16,777.38                                                       | 16,777.38                               |

Note: The effects of the possible reasonable changes in the exchange rates of other foreign currencies to the profit and loss and equity interests before tax for the period are relatively insignificant.

# Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

## IX. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

### 1. Objective and policies of risk management (continued)

#### 1.1 Market risk (continued)

##### 1.1.1 Foreign exchange risk (continued)

|      |                                         | RMB                                                             |                                         |
|------|-----------------------------------------|-----------------------------------------------------------------|-----------------------------------------|
|      |                                         | For the period from<br>1 January to 30 June 2017<br>(Unaudited) |                                         |
| Item | Fluctuation of<br>foreign exchange rate | Effects on profit                                               | Effects on<br>shareholders'<br>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 2018

**IX. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT** (continued)**1. Objective and policies of risk management** (continued)**1.1 Market risk** (continued)**1.1.2 Interest rate risk**

The risk of change in cash flow of financial instruments caused by interest rate changes in the Group relates primarily to floating-rate loans and advances to customers and bank borrowings (Note (VI) 9 and 19). The Group aims at keeping borrowings at variable rates so as to eliminate risk of fair value change of interest.

Sensitivity analysis of interest rate risk

Sensitivity analysis of interest rate risk is based on the assumption that changes in market interest rate will affect the interest income or expense of financial instruments with floating rates.

In accordance with the assumption above, with no changes in other factors, the influence on profit and shareholders' interest before tax which caused by reasonable fluctuation of interest rate in this period is as follows:

RMB

| Item                            | Fluctuation of interest rate | For the period from 1 January to 30 June 2018 (Unaudited) |                                  |
|---------------------------------|------------------------------|-----------------------------------------------------------|----------------------------------|
|                                 |                              | Effect on profit                                          | Effect on shareholders' interest |
| Loans and advances to customers | Increase of 100 basis points | 99,519,737.38                                             | 99,519,737.38                    |
| Loans and advances to customers | Decrease of 100 basis points | (99,519,737.38)                                           | (99,519,737.38)                  |
| Long-term borrowings            | Increase of 100 basis points | (14,693,365.00)                                           | (14,693,365.00)                  |
| Long-term borrowings            | Decrease of 100 basis points | 14,693,365.00                                             | 14,693,365.00                    |

# Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

## IX. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

### 1. Objective and policies of risk management (continued)

#### 1.2 Credit risk

As at 30 June 2018, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties, including the carrying amount of the respective recognized financial assets as stated in the consolidated balance sheet.

The Group only trades with third-parties with good credit records, and the majority of sales are settled by receipts in advance or bank acceptance bills. In order to minimize the credit risk, the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of the financial assets at each balance sheet date to ensure that adequate expected credit loss are made for related financial assets. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced.

The Group only deposits cash and cash equivalents into banks with relatively high level of credit rating, therefore, credit risk of cash and cash equivalents is low.



## Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

**IX. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT** (continued)**1. Objective and policies of risk management** (continued)**1.3 Liquidity risk**

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The following is the maturity analysis for financial liabilities held by the Group which is based on undiscounted remaining contractual obligations by the end of each period:

|                                    | 30 June 2018 (Unaudited) |                   |                  | Total             |
|------------------------------------|--------------------------|-------------------|------------------|-------------------|
|                                    | Within 6 months          | 6-12 months       | Over one year    |                   |
| Short-term borrowings              | 7,585,349,306.82         | 10,357,760,105.10 | —                | 17,943,109,411.92 |
| Notes payable and accounts payable | 21,967,574,414.87        | 257,605,328.87    | —                | 22,225,179,743.74 |
| Other payables                     | 1,654,307,101.59         | 872,808,680.40    | —                | 2,527,115,781.99  |
| Long-term borrowings               | 58,500,694.06            | 8,282,256.56      | 1,470,150,252.34 | 1,536,933,202.96  |

|                                    | 31 December 2017 (Audited) |                  |                | Total             |
|------------------------------------|----------------------------|------------------|----------------|-------------------|
|                                    | Within 6 months            | 6-12 months      | Over one year  |                   |
| Short-term borrowings              | 7,866,807,573.38           | 5,529,616,800.28 | —              | 13,396,424,373.66 |
| Notes payable and accounts payable | 31,760,075,862.60          | 81,313,009.72    | —              | 31,841,388,872.32 |
| Other payables                     | 1,742,550,118.36           | 825,700,420.05   | —              | 2,568,250,538.41  |
| Long-term borrowings               | 5,311,278.94               | 53,942,372.69    | 437,734,024.86 | 496,987,676.49    |

# Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

## X. FAIR VALUE

### 1. Fair value at the end of the period of assets and liabilities measured at fair value

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation techniques and inputs used).

| Item                                                                         | NOTES | Fair value                  |                               | Fair value level |
|------------------------------------------------------------------------------|-------|-----------------------------|-------------------------------|------------------|
|                                                                              |       | 30 June 2018<br>(Unaudited) | 31 December 2017<br>(Audited) |                  |
| I. Continuous fair value measurement                                         |       |                             |                               |                  |
| 1. Financial assets at fair value through profit or loss                     |       |                             |                               |                  |
| Held-for trading financial assets                                            |       |                             |                               |                  |
| – Equity instruments (VI), 2                                                 |       | 235,578,252.00              | 317,994,432.00                | Level 1          |
| Held-for trading financial assets                                            |       |                             |                               |                  |
| – wealth management products (VI), 2                                         |       | 9,244,204,590.34            | —                             | Level 2          |
| 2. Financial assets carried at fair value through other comprehensive income |       |                             |                               |                  |
| Other current assets-notes receivable (VI), 8                                |       | 24,729,835,495.31           | —                             | Level 3          |
| Other equity instruments (VI), 11                                            |       | 7,700,000.00                | —                             | Level 3          |

### 2. The basis of market prices determined on level 1 of the fair value hierarchy

The financial assets at fair value through profit or loss held by the Group on 30 June 2018 and 31 December 2017 are measured at level 1 of the fair value hierarchy, and the market price is determined based on the value of the open market stocks.

# Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

## **X. FAIR VALUE** (continued)

### **3. Qualitative and quantitative information of valuation techniques and key inputs on level 2 of the fair value hierarchy**

For held-for trading financial assets — wealth management products held by the Group on 30 June 2018, cash flow discount is adopted for valuation techniques of fair values, and the inputs are contract-linked observable inputs, expected return rate agreed in the contract, and the discount rate reflecting the credit risk of the counterparties, etc.

### **4. Qualitative and quantitative information of valuation techniques and key inputs on level 3 of the fair value hierarchy**

For other current assets — notes receivable held by the Group on 30 June 2018, cash flow discount is adopted for valuation techniques of fair values, and the inputs include future cash flows.

For other equity instrument held by the Group on 30 June 2018, cash flow discount is adopted for valuation techniques of fair values, and the main inputs include expected return rate and discount rate, etc.

### **5. Fair value of financial assets and financial liabilities which are not measured at fair value**

The management of the Group considers that the carrying amounts of financial assets and financial liabilities measured at amortized costs in the financial statements as at 30 June 2018 approximate their fair values.



# Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

## XI. RELATED PARTIES AND TRANSACTIONS

### 1. Parent company of the Company

*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<br>(保定創新長城資產管理有限公司) | Baoding               | Investment         | 5,000,000,000.00   | 56.04                           | 56.04                            |

The ultimate controlling shareholder of the Company is Wei Jian Jun.

### 2. Subsidiaries of the Company

Details of the subsidiaries of the Company are set out in Note (VIII).

### 3. Joint ventures of the Company

There is no joint venture of the Company.

## Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

## XI. RELATED PARTIES AND TRANSACTIONS (continued)

## 4. Other related parties of the Company

| Name                                                                                                | Relationship with the Company                                                                 |
|-----------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------|
| Bochuang Urban Development Company Limited<br>(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.<br>(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.<br>(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.<br>(保定科林供熱有限公司)                                              | Company indirectly controlled by ultimate controlling shareholder                             |
| Baoding Tai Hang Pump Manufacturing Company Limited<br>(保定市太行制泵有限公司)                                | Company indirectly controlled by ultimate controlling shareholder                             |
| Baoding Furui Landscape Co., Ltd.<br>(保定市富瑞園林有限公司)                                                  | Company indirectly controlled by ultimate controlling shareholder                             |
| Baoding Great Wall Venture and Investment Co., Ltd.<br>(保定市長城創業投資有限公司)                              | Company indirectly controlled by ultimate controlling shareholder                             |
| Baoding Bochuang Park Construction and Development Co., Ltd.<br>(保定博創園區建設開發有限公司)                    | Company indirectly controlled by ultimate controlling shareholder                             |
| Baoding Bochuang Public Facilities Management Co., Ltd.<br>(保定博創公共設施管理有限公司)                         | Company indirectly controlled by ultimate controlling shareholder                             |
| Baoding Wan Wei Municipal Engineering Co., Ltd.<br>(保定市萬維市政工程有限公司)                                  | Company indirectly controlled by ultimate controlling shareholder                             |
| Baoding Great Wall School (保定長城學校)                                                                  | Private non-enterprise organization indirectly controlled by ultimate controlling shareholder |
| Hebei Baoding Tai Hang Group Company Limited<br>(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<br>(保定太行鋼結構工程有限公司)                    | Company indirectly controlled by controlling shareholder                                      |
| Hebei Baocang Expressway Co. Ltd. (河北保滄高速公路有限公司)                                                    | Ultimate controlling shareholder serving as director of the company                           |
| Zhang Wen Hui                                                                                       | Key management executives                                                                     |
| Zhao Guo Qing                                                                                       | Key management executives                                                                     |
| Yu Wei Na                                                                                           | Key management executives                                                                     |
| Xu Hui                                                                                              | Key management executives                                                                     |
| Han Xue Juan                                                                                        | Direct relative of ultimate controlling shareholder                                           |
| Wei Zi Han                                                                                          | Direct relative of ultimate controlling shareholder                                           |
| Lingtu Auto Co., Ltd. (originally Hebei Yogomo Auto Industry Co., Ltd.)<br>(領途汽車有限公司 (原河北御捷車業有限公司)) | Enterprise significantly influenced by the Company                                            |
| Yogomo Times Automotive Co., Ltd.<br>(河北御捷時代汽車有限公司)                                                 | Subsidiary of the enterprise significantly influenced by the Company                          |

# Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

## XI. RELATED PARTIES AND TRANSACTIONS (continued)

### 5. Related party transactions

#### (1) Procurement of raw materials and accessories

| Related parties                              | Related party transaction   | RMB                                                       |                                                           |
|----------------------------------------------|-----------------------------|-----------------------------------------------------------|-----------------------------------------------------------|
|                                              |                             | For the period from 1 January to 30 June 2018 (Unaudited) | For the period from 1 January to 30 June 2017 (Unaudited) |
| Hebei Baoding Tai Hang Group Company Limited | Purchase of raw materials   | —                                                         | 9,743.59                                                  |
| Baoding Clean Heat Supplying Co. Ltd.        | Purchase of steam           | 56,659,297.24                                             | 57,647,375.93                                             |
| Baoding Zhong Tie Flower-plant Co., Ltd.     | Purchase of other materials | 3,600.00                                                  | —                                                         |

#### (2) Sales of automobiles and components and parts of automobiles

| Related parties | Related party transaction | RMB                                                       |                                                           |
|-----------------|---------------------------|-----------------------------------------------------------|-----------------------------------------------------------|
|                 |                           | For the period from 1 January to 30 June 2018 (Unaudited) | For the period from 1 January to 30 June 2017 (Unaudited) |
| Han Xue Juan    | Sales of automobiles      | 205,025.86                                                | —                                                         |
| Wei Zi Han      | Sales of automobiles      | 205,025.86                                                | —                                                         |

#### (3) Purchase of fixed assets

| Related parties                                               | Related party transaction | RMB                                                       |                                                           |
|---------------------------------------------------------------|---------------------------|-----------------------------------------------------------|-----------------------------------------------------------|
|                                                               |                           | For the period from 1 January to 30 June 2018 (Unaudited) | For the period from 1 January to 30 June 2017 (Unaudited) |
| Hebei Baoding Tai Hang Group Company Limited                  | Purchase of fixed assets  | —                                                         | 25,299.15                                                 |
| Baoding Furui Landscape Co., Ltd.                             | Purchase of fixed assets  | 2,460,598.82                                              | 997,333.03                                                |
| Baoding Tai Hang Steel Structure Construction Company Limited | Purchase of fixed assets  | —                                                         | 1,561,745.90                                              |

## Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

**XI. RELATED PARTIES AND TRANSACTIONS** (continued)**5. Related party transactions** (continued)**(4) Sales of fixed assets**

|                                            |                           | RMB                                                       |                                                           |
|--------------------------------------------|---------------------------|-----------------------------------------------------------|-----------------------------------------------------------|
| Related parties                            | Related party transaction | For the period from 1 January to 30 June 2018 (Unaudited) | For the period from 1 January to 30 June 2017 (Unaudited) |
| Baoding Furui Landscape Co., Ltd.          | Sales of fixed assets     | 41,777.78                                                 | —                                                         |
| Bochuang Urban Development Company Limited | Sales of fixed assets     | 124,137.93                                                | —                                                         |

**(5) Purchase of services**

|                                                         |                           | RMB                                                       |                                                           |
|---------------------------------------------------------|---------------------------|-----------------------------------------------------------|-----------------------------------------------------------|
| Related parties                                         | Related party transaction | For the period from 1 January to 30 June 2018 (Unaudited) | For the period from 1 January to 30 June 2017 (Unaudited) |
| Baoding Clean Heat Supplying Co., Ltd.                  | Purchase of services      | 1,214,509.64                                              | 426,580.92                                                |
| Baoding Bo Chuang Property Service Co., Ltd.            | Purchase of services      | —                                                         | 4,023.00                                                  |
| Baoding Great Wall School                               | Purchase of services      | 5,000.00                                                  | 5,000.00                                                  |
| Bochuang Urban Development Company Limited              | Purchase of services      | —                                                         | 5,298,702.62                                              |
| Baoding Furui Landscape Co., Ltd.                       | Purchase of services      | 1,273,739.47                                              | —                                                         |
| Baoding Bochuang Public Facilities Management Co., Ltd. | Purchase of services      | 535,793.51                                                | —                                                         |

# Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

## XI. RELATED PARTIES AND TRANSACTIONS (continued)

### 5. Related party transactions (continued)

#### (6) Rendering of services

|                                                                            |                           | RMB                                                       |                                                           |
|----------------------------------------------------------------------------|---------------------------|-----------------------------------------------------------|-----------------------------------------------------------|
| Related parties                                                            | Related party transaction | For the period from 1 January to 30 June 2018 (Unaudited) | For the period from 1 January to 30 June 2017 (Unaudited) |
| Baoding Bochuang Park Construction and Development Co., Ltd.               | Rendering of services     | 1,215.41                                                  | —                                                         |
| Hebei Baocang Expressway Co. Ltd.                                          | Rendering of services     | 19,268.96                                                 | 9,187.27                                                  |
| Baoding Clean Heat Supplying Co., Ltd.                                     | Rendering of services     | 10,256.41                                                 | —                                                         |
| Lingtu Auto Co., Ltd.<br>(originally Hebei Yogomo Auto Industry Co., Ltd.) | Rendering of services     | 19,315.32                                                 | —                                                         |

#### (7) Rental income and others

|                                                     |                                           | RMB                                                       |                                                           |
|-----------------------------------------------------|-------------------------------------------|-----------------------------------------------------------|-----------------------------------------------------------|
| Related parties                                     | Related party transaction                 | For the period from 1 January to 30 June 2018 (Unaudited) | For the period from 1 January to 30 June 2017 (Unaudited) |
| Baoding Furui Landscape Co., Ltd.                   | Income from transferring long-term assets | —                                                         | 219,914.54                                                |
| Baoding Great Wall Venture and Investment Co., Ltd. | Rental income                             | 5,301.82                                                  | 5,254.05                                                  |
| Baoding Zhong Tie Flower-plant Co., Ltd.            | Other material purchase                   | —                                                         | (420.00)                                                  |
| Baoding Clean Heat Supplying Co., Ltd.              | Rental income                             | —                                                         | 5,128.21                                                  |
| Baoding Great Wall School                           | Heating costs                             | 349,220.99                                                | 244,359.74                                                |
| Zhang Wen Hui                                       | Rental income                             | —                                                         | 18,993.44                                                 |
| Zhao Guo Qing                                       | Rental income                             | 7,122.48                                                  | 7,122.48                                                  |
| Xu Hui                                              | Rental income                             | —                                                         | 11,395.98                                                 |
| Yu Wei Na                                           | Rental income                             | 3,608.65                                                  | 5,698.02                                                  |

## Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

**XI. RELATED PARTIES AND TRANSACTIONS** (continued)**5. Related party transactions** (continued)**(8) Rental expenses and others**

|                                              |                            | RMB                                                       |                                                           |
|----------------------------------------------|----------------------------|-----------------------------------------------------------|-----------------------------------------------------------|
| Related parties                              | Related party transaction  | For the period from 1 January to 30 June 2018 (Unaudited) | For the period from 1 January to 30 June 2017 (Unaudited) |
| Bochuang Urban Development Company Limited   | Rental expenses and others | 5,964,785.09                                              | —                                                         |
| Baoding Bo Chuang Property Service Co., Ltd. | Property management fee    | 17,339.00                                                 | —                                                         |

**(9) Emolument for key management**

|                              |  | RMB'000                                                   |                                                           |
|------------------------------|--|-----------------------------------------------------------|-----------------------------------------------------------|
| Item                         |  | For the period from 1 January to 30 June 2018 (Unaudited) | For the period from 1 January to 30 June 2017 (Unaudited) |
| Emolument for key management |  | 7,631                                                     | 6,321                                                     |

Key management are the individuals who are authorized and responsible for planning, supervision and control of corporate activities, including directors, general manager, chief accounting officer, deputy general managers, and other administration officers.

# Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

## XI. RELATED PARTIES AND TRANSACTIONS (continued)

### 6. Amounts due from/due to related parties

|                                 |                                                                               | RMB                         |                               |
|---------------------------------|-------------------------------------------------------------------------------|-----------------------------|-------------------------------|
| Item                            | Related parties                                                               | 30 June 2018<br>(Unaudited) | 31 December 2017<br>(Audited) |
| Accounts receivable             | Lingtu Auto Co., Ltd.<br>(originally Hebei Yogomo<br>Auto Industry Co., Ltd.) | —                           | 104,370.00                    |
| Accounts receivable             | Yogomo Times Automotive<br>Co., Ltd.                                          | —                           | 800.00                        |
| Subtotal of accounts receivable |                                                                               | —                           | 105,170.00                    |
| Other receivables               | Bochuang Urban Development<br>Company Limited                                 | 2,075,800.00                | 1,475,800.00                  |
| Subtotal of other receivables   |                                                                               | 2,075,800.00                | 1,475,800.00                  |
| Notes payable                   | Baoding Clean Heat Supplying<br>Co., Ltd.                                     | 182,220.30                  | 228,371.15                    |
| Subtotal of notes payable       |                                                                               | 182,220.30                  | 228,371.15                    |
| Accounts payable                | Hebei Baoding Tai Hang<br>Group Company Limited                               | 132,007.80                  | 132,007.80                    |
| Accounts payable                | Baoding Clean Heat Supplying<br>Co., Ltd.                                     | 26,265.82                   | 24,768,033.22                 |
| Subtotal of accounts payable    |                                                                               | 158,273.62                  | 24,900,041.02                 |
| Other payables                  | Baoding Tai Hang Steel Structure<br>Construction Company Limited              | 48,265.95                   | 48,265.95                     |
| Other payables                  | Baoding Tai Hang Pump<br>Manufacturing Company<br>Limited                     | 1,000.00                    | 1,000.00                      |
| Other payables                  | Baoding Furui Landscape Co., Ltd.                                             | 2,633,731.70                | 499,500.46                    |
| Other payables                  | Hebei Baoding Tai Hang<br>Group Company Limited                               | 2,000.00                    | 8,000.00                      |
| Other payables                  | Baoding Wan Wei Municipal<br>Engineering Co., Ltd.                            | 1,428.75                    | —                             |
| Other payables                  | Bochuang Urban Development<br>Company Limited                                 | 10,176.85                   | —                             |
| Other payables                  | Zhao Guo Qing                                                                 | 80,409.24                   | 80,409.24                     |
| Other payables                  | Yu Wei Na                                                                     | 9,718.97                    | 21,718.97                     |
| Subtotal of other payables      |                                                                               | 2,786,731.46                | 658,894.62                    |
| Receipts in advance             | Zhao Guo Qing                                                                 | 1,187.24                    | 8,309.72                      |
| Receipts in advance             | Yu Wei Na                                                                     | 8,547.01                    | 1,899.25                      |
| Subtotal of receipts in advance |                                                                               | 9,734.25                    | 10,208.97                     |
| Prepayments                     | Baoding Furui Landscape Co., Ltd.                                             | 1,137.74                    | 92,535.73                     |
| Subtotal of prepayments         |                                                                               | 1,137.74                    | 92,535.73                     |

## Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

## XII. COMMITMENTS

## 1. Significant Commitments

## (1) Capital commitments

|                                 | 30 June 2018<br>(Unaudited) | 31 December 2017<br>(Audited) |
|---------------------------------|-----------------------------|-------------------------------|
| Contracted for but not provided | 4,572,321                   | 5,795,607                     |

## (2) Operating lease commitments

As at balance sheet date, the Group's commitments under non-cancellable operating leases are as follows:

|                                                                | 30 June 2018<br>(Unaudited) | 31 December 2017<br>(Audited) |
|----------------------------------------------------------------|-----------------------------|-------------------------------|
| Minimum lease payments under non-cancellable operating leases: |                             |                               |
| In the first year from the balance sheet date                  | 19,811                      | 16,263                        |
| In the second year from the balance sheet date                 | 15,816                      | 13,958                        |
| In the third year from the balance sheet date                  | 12,374                      | 12,272                        |
| Subsequent years                                               | 24,014                      | 29,847                        |
| Total                                                          | 72,015                      | 72,340                        |

## XIII. OTHER SIGNIFICANT EVENTS

## 1. Segment reporting

The Group is mainly engaged in the manufacture and sales of automobiles and automotive parts and components in the PRC, and the majority of its assets are located in the PRC. The management determined the reporting segments according to the organization structure, management requirements and internal reporting system of the Group for the purposes of resource allocation and performance evaluation. As the resource allocation and performance evaluation of the Group are carried out based on the overall operation of the production and sales of automobiles and automotive parts and components, the Group has only one business segment for internal reporting purpose.

# Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

## XIII OTHER SIGNIFICANT EVENTS (continued)

### 1. Segment reporting (continued)

Revenue from external customers by location of revenue sources:

| Item                                    | RMB                                                                |                                                                    |
|-----------------------------------------|--------------------------------------------------------------------|--------------------------------------------------------------------|
|                                         | For the period<br>from 1 January<br>to 30 June 2018<br>(Unaudited) | For the period<br>from 1 January<br>to 30 June 2017<br>(Unaudited) |
| External revenue from local customers   | <b>47,085,215,614.54</b>                                           | 40,098,855,644.33                                                  |
| Northeast China                         | <b>2,714,526,572.34</b>                                            | 3,024,222,425.64                                                   |
| Northern China                          | <b>7,351,759,269.60</b>                                            | 6,488,848,984.34                                                   |
| Eastern China                           | <b>13,340,161,454.66</b>                                           | 11,635,051,523.24                                                  |
| Central China                           | <b>12,521,143,304.10</b>                                           | 10,196,314,215.30                                                  |
| Northwest China                         | <b>3,480,940,253.44</b>                                            | 2,786,371,868.53                                                   |
| Southwest China                         | <b>7,676,684,760.40</b>                                            | 5,968,046,627.28                                                   |
| External revenue from foreign customers | <b>1,593,233,236.90</b>                                            | 1,156,808,180.51                                                   |
| South Africa                            | <b>333,952,206.60</b>                                              | 111,322,848.21                                                     |
| Ecuador                                 | <b>208,644,193.28</b>                                              | 197,807,555.23                                                     |
| Chile                                   | <b>198,095,701.92</b>                                              | 208,148,635.71                                                     |
| Russia                                  | <b>146,532,027.47</b>                                              | 169,960,585.08                                                     |
| Iran                                    | <b>146,272,908.22</b>                                              | 5,714,860.59                                                       |
| Australia                               | <b>87,754,436.34</b>                                               | 97,838,838.95                                                      |
| Peru                                    | <b>79,083,637.83</b>                                               | 59,720,617.80                                                      |
| Uruguay                                 | <b>73,226,440.07</b>                                               | 14,773,053.39                                                      |
| New Zealand                             | <b>46,154,161.55</b>                                               | 19,374,053.21                                                      |
| Malaysia                                | <b>45,142,659.28</b>                                               | 36,901,736.85                                                      |
| Iraq                                    | <b>34,628,957.18</b>                                               | 8,266,348.04                                                       |
| Bolivia                                 | <b>23,266,488.75</b>                                               | 28,395,126.90                                                      |
| Other overseas countries                | <b>170,479,418.41</b>                                              | 198,583,920.55                                                     |
| Total                                   | <b>48,678,448,851.44</b>                                           | 41,255,663,824.84                                                  |

The segment reports mainly disclose the Group's non-current assets, including fixed assets and investment properties, both of which are located in PRC.

The Group is not dependent on one or a few of major customers.

## Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

## XIV. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY

## 1. Cash and bank balances

| Item                                       | RMB                         |                               |
|--------------------------------------------|-----------------------------|-------------------------------|
|                                            | 30 June 2018<br>(Unaudited) | 31 December 2017<br>(Audited) |
| <b>Cash:</b>                               |                             |                               |
| RMB                                        | 256,303.60                  | 296,374.69                    |
| GBP                                        | 13,962.58                   | 14,162.78                     |
| HKD                                        | 8,684.27                    | 9,028.16                      |
| USD                                        | 5,391.60                    | 3,318.46                      |
| JPY                                        | 1,809.94                    | 1,848.61                      |
| SGD                                        | 1,504.80                    | 1,518.64                      |
| RUB                                        | 60.35                       | 64.98                         |
| KRW                                        | 41.95                       | 43.44                         |
| THB                                        | 25.97                       | 25.97                         |
| <b>Bank balances:</b>                      |                             |                               |
| RMB                                        | 12,859,587,728.55           | 8,532,259,851.06              |
| USD                                        | 29,076,707.66               | 79,106,136.78                 |
| AUD                                        | 15,508,239.95               | 2,661,219.01                  |
| EUR                                        | 2,508,812.77                | 5,969,471.93                  |
| JPY                                        | 162,683.04                  | 1,098,370.03                  |
| HKD                                        | 21,005.83                   | 20,825.65                     |
| CHF                                        | 422.32                      | 424.98                        |
| GBP                                        | —                           | 11.41                         |
| <b>Other cash and bank balances:</b>       |                             |                               |
| RMB                                        | 7,804,446.42                | 512,613,619.38                |
| <b>Total</b>                               | <b>12,914,957,831.60</b>    | <b>9,134,056,315.96</b>       |
| Including: overseas cash and bank balances | —                           | —                             |

As at 30 June 2018, the Company had restricted cash and bank balances of RMB7,804,446.42, in which other guarantees amounted to RMB7,804,446.42.

As at 31 December 2017, the Company had restricted cash and bank balances of RMB512,613,619.38, in which guarantee on bank acceptance bills amounted to RMB508,662,671.46, guarantee on letter of credit amounted to RMB1,250,947.92, and other guarantees amounted to RMB2,700,000.00.

# Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

## XIV. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY (continued)

### 2. Notes receivable and accounts receivable

| Category            | RMB                         |                               |
|---------------------|-----------------------------|-------------------------------|
|                     | 30 June 2018<br>(Unaudited) | 31 December 2017<br>(Audited) |
| Notes receivable    | —                           | 48,761,099,726.21             |
| Accounts receivable | 2,063,516,048.97            | 1,258,275,245.19              |
| Total               | 2,063,516,048.97            | 50,019,374,971.40             |

#### (1) Notes receivable

Notes receivable categories:

| Category                    | RMB                           |  |
|-----------------------------|-------------------------------|--|
|                             | 31 December 2017<br>(Audited) |  |
| Bank acceptance bills       | 48,758,934,146.81             |  |
| Commercial acceptance bills | 2,165,579.40                  |  |
| Total                       | 48,761,099,726.21             |  |

Pledged notes receivable as at the end of each period:

| Category              | RMB                           |  |
|-----------------------|-------------------------------|--|
|                       | 31 December 2017<br>(Audited) |  |
| Bank acceptance bills | 7,653,487,556.18              |  |
| Total                 | 7,653,487,556.18              |  |

Note: The Company pledged the notes receivable for the issuance of notes payable and the short-term borrowings.

## Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

## XIV. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY (continued)

## 2. Notes receivable and accounts receivable (continued)

## (1) Notes receivable (continued)

Bills endorsed and discounted by the Company to other parties but yet undue by the end of the period are as follows:

|                       |  | RMB               |
|-----------------------|--|-------------------|
|                       |  | 31 December 2017  |
|                       |  | (Audited)         |
| Category              |  |                   |
| Bank acceptance bills |  | 14,766,679,654.79 |
| Total                 |  | 14,766,679,654.79 |

The above bills which were endorsed and discounted but yet undue have been derecognized.

## (2) Accounts receivable

Aging analysis of accounts receivable and corresponding provisions for bad debts are as follows:

|               |  |                          |           |                         |                  |                            |           |                         | RMB              |
|---------------|--|--------------------------|-----------|-------------------------|------------------|----------------------------|-----------|-------------------------|------------------|
|               |  | 30 June 2018 (Unaudited) |           |                         |                  | 31 December 2017 (Audited) |           |                         |                  |
| Aging         |  | Carrying amount          | Ratio (%) | Provision for bad debts | Book value       | Carrying amount            | Ratio (%) | Provision for bad debts | Book value       |
| Within 1 year |  | 2,089,063,641.68         | 86.22     | (37,492,432.02)         | 2,051,571,209.66 | 1,267,733,809.82           | 79.42     | (19,736,285.71)         | 1,247,997,524.11 |
| 1 to 2 years  |  | 9,206,400.00             | 0.38      | —                       | 9,206,400.00     | 314,940.26                 | 0.02      | —                       | 314,940.26       |
| 2 to 3 years  |  | 1,812,574.75             | 0.07      | —                       | 1,812,574.75     | 328,110,283.40             | 20.56     | (318,147,502.58)        | 9,962,780.82     |
| Over 3 years  |  | 323,085,389.15           | 13.33     | (322,159,524.59)        | 925,864.56       | —                          | —         | —                       | —                |
| Total         |  | 2,423,168,005.58         | 100.00    | (359,651,956.61)        | 2,063,516,048.97 | 1,596,159,033.48           | 100.00    | (337,883,788.29)        | 1,258,275,245.19 |

The analysis of aging of accounts receivable is based on the time of revenue recognition.

Provision, collection or reversal of bad debts during the reporting period:

Provision for bad debts amounted to RMB28,441,698.52; amount arising from collection or reversal of bad debts amounted to RMB6,673,530.20.

# Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

## XIV. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY (continued)

### 2. Notes receivable and accounts receivable (continued)

#### (2) Accounts receivable (continued)

The Company did not write off accounts receivable during the reporting period.

Top five entities with the largest balances of accounts receivable:

| 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 |
| Unit 1       | 493,684,400.20   | 20.37                                                         | —                                                      |
| Unit 2       | 322,159,524.59   | 13.29                                                         | (322,159,524.59)                                       |
| Unit 3       | 184,430,469.99   | 7.61                                                          | —                                                      |
| Unit 4       | 155,267,472.92   | 6.41                                                          | —                                                      |
| Unit 5       | 122,852,520.00   | 5.08                                                          | —                                                      |
| Total        | 1,278,394,387.70 | 52.76                                                         | (322,159,524.59)                                       |

## Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

## XIV. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY (continued)

## 3. Other receivables

*RMB*

| Category            | 30 June 2018<br>(Unaudited) | 31 December 2017<br>(Audited) |
|---------------------|-----------------------------|-------------------------------|
| Interest receivable | 145,812,547.46              | 92,022,313.91                 |
| Dividend receivable | 33,211,499.87               | —                             |
| Other receivables   | 411,128,262.13              | 384,121,491.21                |
| Total               | 590,152,309.46              | 476,143,805.12                |

## (1) Other receivables

Aging analysis of other receivables and corresponding provision for bad debts are as follows:

*RMB*

| Aging         | 30 June 2018 (Unaudited) |              |                            |                | 31 December 2017 (Audited) |              |                            |                |
|---------------|--------------------------|--------------|----------------------------|----------------|----------------------------|--------------|----------------------------|----------------|
|               | Amount                   | Ratio<br>(%) | Provision<br>for bad debts | Book value     | Amount                     | Ratio<br>(%) | Provision<br>for bad debts | Book value     |
| Within 1 year | 386,064,889.93           | 92.63        | (230,564.00)               | 385,834,325.93 | 359,884,403.94             | 91.97        | (22,476.00)                | 359,861,927.94 |
| 1 to 2 years  | 1,590,392.44             | 0.38         | (21,000.00)                | 1,569,392.44   | 17,298,309.39              | 4.42         | (5,418,354.12)             | 11,879,955.27  |
| 2 to 3 years  | 18,072,480.52            | 4.34         | (5,403,824.94)             | 12,668,655.58  | 1,657,943.05               | 0.42         | (6,470.82)                 | 1,651,472.23   |
| Over 3 years  | 11,055,888.18            | 2.65         | —                          | 11,055,888.18  | 12,472,275.77              | 3.19         | (1,744,140.00)             | 10,728,135.77  |
| Total         | 416,783,651.07           | 100.00       | (5,655,388.94)             | 411,128,262.13 | 391,312,932.15             | 100.00       | (7,191,440.94)             | 384,121,491.21 |

Provision, collection or reversal of bad debts during the reporting period:

Provision for bad debts amounted to RMB38,250.00. Merger by absorption transferred to bad debts provision amounted to RMB169,838.00. There was no collection or reversal of bad debts.

Other receivables amounted to RMB1,744,140.00 have been written off during the reporting period.

# Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

## XIV. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY (continued)

### 3. Other receivables (continued)

#### (1) Other receivables (continued)

Other receivables disclosed by nature are as follows:

| Nature of other receivables | RMB                         |                               |
|-----------------------------|-----------------------------|-------------------------------|
|                             | 30 June 2018<br>(Unaudited) | 31 December 2017<br>(Audited) |
| Petty cash                  | 14,274,429.07               | 16,656,065.64                 |
| Deposits                    | 29,022,655.45               | 24,750,044.86                 |
| Others                      | 373,486,566.55              | 349,906,821.65                |
| Total                       | 416,783,651.07              | 391,312,932.15                |

Top five entities with the largest balances of other receivables:

| RMB          |                             |                |               |                                               |                                           |
|--------------|-----------------------------|----------------|---------------|-----------------------------------------------|-------------------------------------------|
| Name of unit | Nature of other receivables | Amount         | Aging         | Percentage of the total other receivables (%) | Closing balance of provision of bad debts |
| Customer1    | Auto fund                   | 340,551,281.80 | Within 1 year | 81.71                                         | —                                         |
| Customer2    | Performance bond            | 10,200,000.00  | Over 3 years  | 2.45                                          | —                                         |
| Customer3    | Steel products deposits     | 10,000,000.00  | 2 to 3 years  | 2.40                                          | —                                         |
| Customer4    | Equipment fund              | 5,397,354.12   | 2 to 3 years  | 1.30                                          | (5,397,354.12)                            |
| Customer5    | Litigation deposits         | 3,905,305.00   | Within 1 year | 0.93                                          | —                                         |
| Total        |                             | 370,053,940.92 |               | 88.79                                         | (5,397,354.12)                            |

The Company has no other receivables related to government grants.

## Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

## XIV. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY (continued)

## 4. Inventories

## (1) Inventory categories

RMB

| Item                                   | 30 June 2018 (Unaudited) |                                                     |                  |
|----------------------------------------|--------------------------|-----------------------------------------------------|------------------|
|                                        | Carrying amount          | Provision for<br>decline in value<br>of inventories | Book value       |
| Raw materials                          | 1,164,405,698.17         | (46,554,094.84)                                     | 1,117,851,603.33 |
| Work-in-progress                       | 924,994,958.41           | (1,440,017.58)                                      | 923,554,940.83   |
| Finished goods                         | 1,944,251,841.27         | (36,443,207.66)                                     | 1,907,808,633.61 |
| Low-valued and short-lived consumables | 308,863,035.30           | (7,957.20)                                          | 308,855,078.10   |
| Total                                  | 4,342,515,533.15         | (84,445,277.28)                                     | 4,258,070,255.87 |

RMB

| Item                                   | 31 December 2017 (Audited) |                                                     |                  |
|----------------------------------------|----------------------------|-----------------------------------------------------|------------------|
|                                        | Carrying amount            | Provision for<br>decline in value<br>of inventories | Book value       |
| Raw materials                          | 1,523,527,345.10           | (66,930,828.92)                                     | 1,456,596,516.18 |
| Work-in-progress                       | 873,637,387.24             | (2,868,511.72)                                      | 870,768,875.52   |
| Finished goods                         | 1,350,142,696.78           | (10,637,320.20)                                     | 1,339,505,376.58 |
| Low-valued and short-lived consumables | 267,325,978.86             | (25,184.26)                                         | 267,300,794.60   |
| Total                                  | 4,014,633,407.98           | (80,461,845.10)                                     | 3,934,171,562.88 |

# Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

## XIV. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY (continued)

### 4. Inventories (continued)

#### (2) Provision for decline in value of inventories

RMB

| Inventory categories                   | 31 December<br>2017 (Audited) | Provision for<br>the period | Decrease for the period |                 | 30 June 2018<br>(Unaudited) |
|----------------------------------------|-------------------------------|-----------------------------|-------------------------|-----------------|-----------------------------|
|                                        |                               |                             | Reversals               | Written-off     |                             |
| Raw materials                          | 66,930,828.92                 | 955,752.74                  | (1,069.92)              | (21,331,416.90) | <b>46,554,094.84</b>        |
| Work-in-progress                       | 2,868,511.72                  | 1,440,017.58                | —                       | (2,868,511.72)  | <b>1,440,017.58</b>         |
| Finished goods                         | 10,637,320.20                 | 36,124,837.04               | (48,978.97)             | (10,269,970.61) | <b>36,443,207.66</b>        |
| Low-valued and short-lived consumables | 25,184.26                     | —                           | (17,227.06)             | —               | <b>7,957.20</b>             |
| Total                                  | 80,461,845.10                 | 38,520,607.36               | (67,275.95)             | (34,469,899.23) | <b>84,445,277.28</b>        |

#### (3) Analysis of provision for decline in value of inventories

| Item                                   | Basis of<br>provision for<br>decline in value<br>of inventories | Reasons for<br>reversal or<br>written-off of<br>provision for<br>decline in value<br>of inventories<br>during the period | Percentage of the<br>reversal to the<br>closing balance<br>of such inventory<br>during the period<br>(%) |
|----------------------------------------|-----------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------|
| Raw materials                          | Note 1                                                          | Note 2                                                                                                                   | —                                                                                                        |
| Work-in-progress                       | Note 1                                                          | Note 2                                                                                                                   | —                                                                                                        |
| Finished goods                         | Note 1                                                          | Note 2                                                                                                                   | —                                                                                                        |
| Low-valued and short-lived consumables | —                                                               | Note 2                                                                                                                   | 0.01                                                                                                     |

Descriptions of inventories:

**Note 1:** As the estimated net realizable value of some vehicle products was lower than the inventory cost as at the end of the period, provision for decline in value of inventories had been made for raw materials, work-in-process and finished goods correspondingly.

**Note 2:** As the estimated net realizable value of raw materials, finished goods, and low-valued and short-lived consumables was higher than the inventory cost as at the end of the reporting period, the provision for decline in value of inventories for the previous year has been reversed. In addition, as the inventories for which provision for decline in value has been made in the previous year was sold during the period, the provision for decline in value of inventories has been written off.

## Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

## XIV. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY (continued)

## 5. Other current assets

| Category             | RMB                         |                               |
|----------------------|-----------------------------|-------------------------------|
|                      | 30 June 2018<br>(Unaudited) | 31 December 2017<br>(Audited) |
| Notes receivable     | 24,623,048,819.80           |                               |
| Other current assets | 599,869,095.04              | 184,564,259.52                |
| Total                | 25,222,917,914.84           | 184,564,259.52                |

## (1) Notes receivable

Notes receivable categories:

| Category                    | RMB                         |  |
|-----------------------------|-----------------------------|--|
|                             | 30 June 2018<br>(Unaudited) |  |
| Bank acceptance bills       | 24,623,048,819.80           |  |
| Commercial acceptance bills | —                           |  |
| Total                       | 24,623,048,819.80           |  |

Pledged notes receivable as at the end of each period:

| Category              | RMB                         |  |
|-----------------------|-----------------------------|--|
|                       | 30 June 2018<br>(Unaudited) |  |
| Bank acceptance bills | 9,568,651,589.12            |  |
| Total                 | 9,568,651,589.12            |  |

Note: The Company pledged the notes receivable for the issuance of notes payable and the short-term borrowings.

# Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

## XIV. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY (continued)

### 5. Other current assets (continued)

#### (1) Notes receivable (continued)

Bills endorsed and discounted by the Company to other parties but yet undue by the end of the period are as follows:

| Category              | RMB                         |
|-----------------------|-----------------------------|
|                       | 30 June 2018<br>(Unaudited) |
| Bank acceptance bills | 22,584,312,522.49           |
| Total                 | 22,584,312,522.49           |

The above bills which were endorsed and discounted but yet undue have been derecognized.

#### (2) Other current assets

The breakdown of other current assets is as follows:

| Category                            | RMB                         |                               |
|-------------------------------------|-----------------------------|-------------------------------|
|                                     | 30 June 2018<br>(Unaudited) | 31 December 2017<br>(Audited) |
| Paint for vehicles                  | 4,025,385.49                | 3,985,488.60                  |
| Taxes to be deducted                | 194,518,851.47              | 73,970,557.94                 |
| Mould (Note 1)                      | 98,196,097.75               | 71,271,439.91                 |
| Advertising fee                     | 140,814,514.00              | 283,018.86                    |
| Prepayment of enterprise income tax | 152,990,672.49              | 25,359,288.42                 |
| Others                              | 9,323,573.84                | 9,694,465.79                  |
| Total                               | 599,869,095.04              | 184,564,259.52                |

Note 1: The estimated usage time is less than one year.

## Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

## XIV. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY (continued)

## 6. Long-term equity investments

The breakdown of long-term equity investments is as follows:

RMB

| Item                     | 30 June 2018 (Unaudited) |                      |                  | 31 December 2017 (Audited) |                      |                  |
|--------------------------|--------------------------|----------------------|------------------|----------------------------|----------------------|------------------|
|                          | Carrying amount          | Impairment provision | Book value       | Carrying amount            | Impairment provision | Book value       |
| Investment in subsidiary | 3,790,836,045.01         | —                    | 3,790,836,045.01 | 5,273,861,404.26           | —                    | 5,273,861,404.26 |
| Total                    | 3,790,836,045.01         | —                    | 3,790,836,045.01 | 5,273,861,404.26           | —                    | 5,273,861,404.26 |

The breakdown of investments in subsidiaries is as follows:

RMB

| Investee                               | 31 December 2017<br>(Audited) | Addition | Reduction          | 30 June 2018<br>(Unaudited) | Provision for<br>impairment for<br>the period | Closing balance<br>of provision for<br>bad debt |
|----------------------------------------|-------------------------------|----------|--------------------|-----------------------------|-----------------------------------------------|-------------------------------------------------|
| Great Wall Huabei                      | 268,092,310.00                | —        | —                  | 268,092,310.00              | —                                             | —                                               |
| Great Wall Vehicle Axles (Note 1)      | 65,335,714.49                 | —        | (65,335,714.49)    | —                           | —                                             | —                                               |
| Baoding Nuobo                          | 72,240,000.00                 | —        | —                  | 72,240,000.00               | —                                             | —                                               |
| Beijing Great                          | 12,539,100.00                 | —        | —                  | 12,539,100.00               | —                                             | —                                               |
| Baoding Great                          | 23,000,000.00                 | —        | —                  | 23,000,000.00               | —                                             | —                                               |
| Great Wall Customer Service            | 34,850,000.00                 | —        | —                  | 34,850,000.00               | —                                             | —                                               |
| Tide Technology and Trade              | 257,353,665.00                | —        | —                  | 257,353,665.00              | —                                             | —                                               |
| Mind electronics                       | 118,017,800.00                | —        | —                  | 118,017,800.00              | —                                             | —                                               |
| Baoding Yixin                          | 9,750,000.00                  | —        | —                  | 9,750,000.00                | —                                             | —                                               |
| Great Wall Ants                        | 86,000,000.00                 | —        | —                  | 86,000,000.00               | —                                             | —                                               |
| Tianjin Boxin (Note 1)                 | 1,891,553,510.28              | —        | (1,891,553,510.28) | —                           | —                                             | —                                               |
| Ningxia Leasing                        | 20,000,000.00                 | —        | —                  | 20,000,000.00               | —                                             | —                                               |
| Great Wall Resource Recycling (Note 2) | 50,000,000.00                 | —        | (40,000,000.00)    | 10,000,000.00               | —                                             | —                                               |
| Exquisite Mould                        | 5,000,000.00                  | —        | —                  | 5,000,000.00                | —                                             | —                                               |
| Haval Rental                           | 25,000,000.00                 | —        | —                  | 25,000,000.00               | —                                             | —                                               |

# Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

## XIV. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY (continued)

### 6. Long-term equity investments (continued)

The breakdown of investments in subsidiaries is as follows: (continued)

RMB

| Investee                            | 31 December 2017<br>(Audited) | Addition       | Reduction          | 30 June 2018<br>(Unaudited) | Provision for<br>impairment for<br>the period | Closing balance<br>of provision<br>for bad debt |
|-------------------------------------|-------------------------------|----------------|--------------------|-----------------------------|-----------------------------------------------|-------------------------------------------------|
| Great Wall Sales                    | 8,000,000.00                  | —              | —                  | 8,000,000.00                | —                                             | —                                               |
| Automotive Finance                  | 1,080,000,000.00              | —              | —                  | 1,080,000,000.00            | —                                             | —                                               |
| Shanghai Haval                      | 1,500,000.00                  | —              | —                  | 1,500,000.00                | —                                             | —                                               |
| Haval Auto Sales (Note 1)           | 5,000,000.00                  | —              | (5,000,000.00)     | —                           | —                                             | —                                               |
| Baoding Weiye                       | 255,000,000.00                | —              | —                  | 255,000,000.00              | —                                             | —                                               |
| Baoding Jiehua (Note 1)             | 40,811,761.79                 | —              | (40,811,761.79)    | —                           | —                                             | —                                               |
| Haval Motors South Africa           | 25,912,080.00                 | —              | —                  | 25,912,080.00               | —                                             | —                                               |
| Haval Logistics                     | 50,000,000.00                 | —              | —                  | 50,000,000.00               | —                                             | —                                               |
| Russia Manufacturing (Note 3)       | 489,000,000.00                | 101,558,127.31 | —                  | 590,558,127.31              | —                                             | —                                               |
| Haval Insurance Brokers             | 50,000,000.00                 | —              | —                  | 50,000,000.00               | —                                             | —                                               |
| Scrap Car Recycling & Dismantling   | 5,000,000.00                  | —              | —                  | 5,000,000.00                | —                                             | —                                               |
| Haval Australia                     | 43,773,250.00                 | —              | —                  | 43,773,250.00               | —                                             | —                                               |
| Europe Technical Center             | 33,428,802.00                 | —              | —                  | 33,428,802.00               | —                                             | —                                               |
| India R&D                           | 28,082,810.70                 | —              | —                  | 28,082,810.70               | —                                             | —                                               |
| Shenzhen Great Wall Sales           | 50,000,000.00                 | —              | —                  | 50,000,000.00               | —                                             | —                                               |
| American HAVAL                      | 169,620,600.00                | —              | —                  | 169,620,600.00              | —                                             | —                                               |
| Tianjin Lean (Note 4)               | —                             | 112,500,000.00 | —                  | 112,500,000.00              | —                                             | —                                               |
| Guangzhou Great Wall Sales (Note 5) | —                             | 34,500.00      | —                  | 34,500.00                   | —                                             | —                                               |
| Tianjin Sharing Car (Note 6)        | —                             | 18,050,000.00  | —                  | 18,050,000.00               | —                                             | —                                               |
| Tianjin Oula (Note 7)               | —                             | 127,500,000.00 | —                  | 127,500,000.00              | —                                             | —                                               |
| Honeycomb Energy (Note 8)           | —                             | 200,000,000.00 | —                  | 200,000,000.00              | —                                             | —                                               |
| Xiamen Great Wall Sales (Note 9)    | —                             | 33,000.00      | —                  | 33,000.00                   | —                                             | —                                               |
| Total                               | 5,273,861,404.26              | 559,675,627.31 | (2,042,700,986.56) | 3,790,836,045.01            | —                                             | —                                               |

## Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

## XIV. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY (continued)

## 6. Long-term equity investments (continued)

Note 1: In January 2018, the Company merged its wholly-owned subsidiaries Great Wall Vehicle Axles, Tianjin Boxin, Haval Auto Sales and Baoding Jiehua.

Note 2: In February 2018, the Company decreased its capital in its wholly-owned subsidiary Great Wall Resource Recycling. After the capital decrease, the registered capital of Great Wall Resource Recycling is changed from RMB50 million to RMB10 million.

Note 3: In February and April 2018, the Company increased its capital in Russia Manufacturing by total amount of RMB101.56 million with equipments. After the capital increase, the shareholding proportion of the Company in Russia Manufacturing is changed to 50.31%, and that of Tide Technology and Trade (a subsidiary of the Company) is changed to 49.69%.

Note 4: In January 2018, the Company merged Tianjin Boxin, and the 75% equity held by Tianjin Boxin in Tianjin Lean is transferred to the Company. After the transfer, the shareholding proportion of the Company and Billion Sunny Development (a subsidiary of the Company) in Tianjin Lean is 75% and 25% respectively.

Note 5: In January 2018, the Company injected RMB34,500 in Guangzhou Great Wall Sales.

Note 6: In June 2018, the Company injected RMB18.05 million in Tianjin Sharing Car.

Note 7: In January 2018, Tianjin Oula was established by the Company and Billion Sunny Development (a subsidiary of the Company) jointly with the registered capital of RMB170 million. The Company and Billion Sunny Development hold 75% and 25% equity in that company respectively.

Note 8: In February 2018, the Company established Honeycomb Energy with the registered capital of RMB1 billion, and the Company directly holds 100% equity in it. As at the end of the reporting period, the Company actually contributed RMB0.2 billion, and the remaining part is not paid.

Note 9: In January 2018, the Company injected RMB33,000 in Xiamen Great Wall Sales.

## 7. Investment properties

The investment properties measured at cost:

|                                               |               |                | RMB            |
|-----------------------------------------------|---------------|----------------|----------------|
| Item                                          | Buildings     | Land use right | Total          |
| I. Original carrying amount                   |               |                |                |
| 31 December 2017 (Audited)                    | 89,267,530.79 | 17,619,408.20  | 106,886,938.99 |
| Additions for the period                      | 408,530.85    | —              | 408,530.85     |
| (1) Transfer from construction in progress    | 408,530.85    | —              | 408,530.85     |
| 30 June 2018 (Unaudited)                      | 89,676,061.64 | 17,619,408.20  | 107,295,469.84 |
| II. Accumulated amortization and depreciation |               |                |                |
| 31 December 2017 (Audited)                    | 6,320,127.64  | 1,558,452.59   | 7,878,580.23   |
| Additions for the period                      | 2,048,258.21  | 175,434.71     | 2,223,692.92   |
| (1) Provision or amortization                 | 2,048,258.21  | 175,434.71     | 2,223,692.92   |
| 30 June 2018 (Unaudited)                      | 8,368,385.85  | 1,733,887.30   | 10,102,273.15  |
| III. Book value                               |               |                |                |
| 30 June 2018 (Unaudited)                      | 81,307,675.79 | 15,885,520.90  | 97,193,196.69  |
| 31 December 2017 (Audited)                    | 82,947,403.15 | 16,060,955.61  | 99,008,358.76  |

# Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

## XIV. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY (continued)

### 8. Fixed assets

#### Description of fixed assets:

RMB

| Item                                      | Buildings and structures | Machinery and equipment | Motor vehicles | Other equipment  | Total             |
|-------------------------------------------|--------------------------|-------------------------|----------------|------------------|-------------------|
| I. Original book value                    |                          |                         |                |                  |                   |
| 31 December 2017 (Audited)                | 11,220,813,097.66        | 19,866,038,073.99       | 166,718,523.77 | 6,112,010,689.23 | 37,365,580,384.65 |
| Additions for the period                  | 1,146,989,899.38         | 2,070,521,494.50        | 2,786,729.81   | 577,761,627.37   | 3,798,059,751.06  |
| 1. Purchase                               | 92,939,981.25            | 114,649,611.51          | 419,523.85     | 118,205,206.60   | 326,214,323.21    |
| 2. Transfer from construction in progress | 373,173,473.93           | 1,580,956,001.99        | 1,635,855.88   | 377,378,230.26   | 2,333,143,562.06  |
| 3. Transfer from merger by absorbing      | 680,876,444.20           | 374,915,881.00          | 731,350.08     | 82,178,190.51    | 1,138,701,865.79  |
| Deductions for the period                 | (19,165,704.20)          | (827,232,067.08)        | (3,141,763.12) | (37,070,059.23)  | (886,609,593.63)  |
| 1. Disposal and scrap                     | (5,613,464.84)           | (264,529,788.01)        | (2,726,378.50) | (35,205,478.13)  | (308,075,109.48)  |
| 2. Transfer to construction in progress   | (13,552,239.36)          | (560,516,154.32)        | (415,384.62)   | (948,285.93)     | (575,432,064.23)  |
| 3. Others                                 | —                        | (2,186,124.75)          | —              | (916,295.17)     | (3,102,419.92)    |
| 30 June 2018 (Unaudited)                  | 12,348,637,292.84        | 21,109,327,501.41       | 166,363,490.46 | 6,652,702,257.37 | 40,277,030,542.08 |
| II. Accumulated depreciation              |                          |                         |                |                  |                   |
| 31 December 2017 (Audited)                | 1,619,990,353.05         | 6,685,690,967.47        | 77,043,119.49  | 2,802,090,465.86 | 11,184,814,905.87 |
| Additions for the period                  | 391,790,052.42           | 1,099,446,599.28        | 13,789,057.83  | 522,942,173.81   | 2,027,967,883.34  |
| 1. Provision for the period               | 216,822,550.99           | 975,996,432.69          | 13,539,012.07  | 478,549,988.47   | 1,684,907,984.22  |
| 2. Increase from merger by absorbing      | 174,967,501.43           | 123,450,166.59          | 250,045.76     | 44,392,185.34    | 343,059,899.12    |
| Deductions for the period                 | (11,739,240.83)          | (260,124,544.77)        | (1,175,937.51) | (28,073,169.99)  | (301,112,893.10)  |
| 1. Disposal and scrap                     | (2,310,500.71)           | (191,585,161.68)        | (1,052,620.21) | (27,288,443.84)  | (222,236,726.44)  |
| 2. Transfer to construction in progress   | (9,428,740.12)           | (66,849,500.97)         | (123,317.30)   | (194,849.37)     | (76,596,407.76)   |
| 3. Others                                 | —                        | (1,689,882.12)          | —              | (589,876.78)     | (2,279,758.90)    |
| 30 June 2018 (Unaudited)                  | 2,000,041,164.64         | 7,525,013,021.98        | 89,656,239.81  | 3,296,959,469.68 | 12,911,669,896.11 |
| III. Provision for impairment             |                          |                         |                |                  |                   |
| 31 December 2017 (Audited)                | 136,268.33               | 51,186,051.47           | 37,680.75      | 113,079,800.94   | 164,439,801.49    |
| Additions for the period                  | —                        | 15,789,001.97           | 42,105.00      | 23,061,188.07    | 38,892,295.04     |
| 1. Provision for the period               | —                        | 12,582,476.12           | 42,105.00      | 20,503,905.56    | 33,128,486.68     |
| 2. Increase from merger by absorbing      | —                        | 3,206,525.85            | —              | 2,557,282.51     | 5,763,808.36      |
| Deductions for the period                 | —                        | (967,998.84)            | —              | (1,512,558.15)   | (2,480,556.99)    |
| 1. Disposal and scrap                     | —                        | (858,596.03)            | —              | (1,512,558.15)   | (2,371,154.18)    |
| 2. Others                                 | —                        | (109,402.81)            | —              | —                | (109,402.81)      |
| 30 June 2018 (Unaudited)                  | 136,268.33               | 66,007,054.60           | 79,785.75      | 134,628,430.86   | 200,851,539.54    |
| IV. Book value                            |                          |                         |                |                  |                   |
| 30 June 2018 (Unaudited)                  | 10,348,459,859.87        | 13,518,307,424.83       | 76,627,464.90  | 3,221,114,356.83 | 27,164,509,106.43 |
| 31 December 2017 (Audited)                | 9,600,686,476.28         | 13,129,161,055.05       | 89,637,723.53  | 3,196,840,422.43 | 26,016,325,677.29 |

As at 30 June 2018, among the fixed assets, the net book value of properties without title certificates amounted to RMB2,100,272,471.83 (As at 31 December 2017: RMB3,888,475,045.49) and the application of relevant title certificates is in progress.

## Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

## XIV. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY (continued)

## 9. Construction in progress

(1) The breakdown of construction in progress is as follows:

RMB

| Project                                                    | 30 June 2018 (Unaudited) |                      |                  | 31 December 2017 (Audited) |                      |                  |
|------------------------------------------------------------|--------------------------|----------------------|------------------|----------------------------|----------------------|------------------|
|                                                            | Carrying amount          | Impairment provision | Net book value   | Carrying amount            | Impairment provision | Net book value   |
| Tianjin automobile project                                 | 123,008,608.87           | (131,527.46)         | 122,877,081.41   | 60,030,666.90              | (131,527.46)         | 59,899,139.44    |
| Tianjin parts and components project                       | 85,778,765.98            | (5,064,216.91)       | 80,714,549.07    | 104,886,199.26             | (34,074.03)          | 104,852,125.23   |
| Project with annual production of 400,000 axles and brakes | 14,240.99                | —                    | 14,240.99        | —                          | —                    | —                |
| Industrial park phase I. II. III                           | 144,340,853.62           | (1,186,284.28)       | 143,154,569.34   | 151,875,434.71             | (1,788,431.95)       | 150,087,002.76   |
| New technology center                                      | 127,060,864.45           | —                    | 127,060,864.45   | 162,172,618.20             | —                    | 162,172,618.20   |
| Other R & D projects                                       | 128,996,325.26           | —                    | 128,996,325.26   | 69,580,893.95              | —                    | 69,580,893.95    |
| Xushui Automobile Project                                  | 388,377,500.04           | —                    | 388,377,500.04   | 453,299,582.90             | —                    | 453,299,582.90   |
| Xushui parts and components project                        | 1,624,962,222.15         | (853,830.79)         | 1,624,108,391.36 | 2,224,260,049.85           | —                    | 2,224,260,049.85 |
| Xushui supporting infrastructure project                   | 165,678,798.00           | —                    | 165,678,798.00   | 149,981,488.25             | —                    | 149,981,488.25   |
| Others                                                     | 290,941,702.50           | (122,171.38)         | 290,819,531.12   | 324,747,118.82             | (624,799.69)         | 324,122,319.13   |
| Total                                                      | 3,079,159,881.86         | (7,358,030.82)       | 3,071,801,851.04 | 3,700,834,052.84           | (2,578,833.13)       | 3,698,255,219.71 |

# Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

## XIV. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY (continued)

### 9. Construction in progress (continued)

#### (2) Changes of major construction in progress

RMB

| Project name                                                  | Budget amount     | 31 December 2017<br>(Audited) | Additions        | Increase from<br>merger by<br>absorbing | Transfer to<br>fixed assets | Other Deductions<br>(Note) | Investment to<br>budget (%) | Accumulated<br>capitalized<br>interest amount | Including:<br>capitalized<br>interest amount | Ratio of<br>capitalized<br>interest amount<br>(%) | Sources of fund        | 30 June 2018<br>(Unaudited) |
|---------------------------------------------------------------|-------------------|-------------------------------|------------------|-----------------------------------------|-----------------------------|----------------------------|-----------------------------|-----------------------------------------------|----------------------------------------------|---------------------------------------------------|------------------------|-----------------------------|
| Tianjin automobile project                                    | 5,375,062,391.00  | 60,030,666.90                 | 106,209,260.73   | —                                       | (43,015,148.85)             | (216,169.91)               | 98.85                       | —                                             | —                                            | —                                                 | Own funds              | 123,008,608.87              |
| Tianjin parts and components<br>project                       | 3,231,123,934.80  | 104,886,199.26                | 15,618,639.41    | 17,277,200.07                           | (50,236,855.90)             | (1,766,416.86)             | 89.24                       | —                                             | —                                            | —                                                 | Own funds              | 85,778,765.98               |
| Project with annual production of<br>400,000 axles and brakes | 578,352,366.14    | —                             | —                | 14,240.99                               | —                           | —                          | 100.00                      | —                                             | —                                            | —                                                 | Raise and<br>own funds | 14,240.99                   |
| Industrial park phase I, II, III                              | 1,151,953,407.28  | 151,875,434.71                | 74,151,177.56    | —                                       | (21,008,994.52)             | (60,676,764.13)            | 84.04                       | —                                             | —                                            | —                                                 | Own funds              | 144,340,853.62              |
| New technology center                                         | 1,727,202,349.00  | 162,172,618.20                | 1,107,246.60     | —                                       | (31,758,183.80)             | (4,460,816.55)             | 97.60                       | —                                             | —                                            | —                                                 | Own funds              | 127,060,864.45              |
| Other R & D projects                                          | 621,832,512.00    | 69,580,893.95                 | 125,016,480.53   | —                                       | (65,594,211.62)             | (6,837.60)                 | 33.23                       | —                                             | —                                            | —                                                 | Own funds              | 128,996,325.26              |
| Xushui Automobile Project                                     | 10,896,610,844.00 | 453,299,582.90                | 143,050,227.46   | —                                       | (207,621,479.68)            | (350,830.64)               | 90.36                       | —                                             | —                                            | —                                                 | Own funds              | 388,377,500.04              |
| Xushui parts and components<br>project                        | 14,449,187,988.00 | 2,224,260,049.85              | 1,060,278,060.41 | —                                       | (1,652,778,791.70)          | (6,797,096.41)             | 80.57                       | —                                             | —                                            | —                                                 | Own funds              | 1,624,962,222.15            |
| Xushui supporting infrastructure<br>project                   | 193,250,000.00    | 149,981,488.25                | 15,697,309.75    | —                                       | —                           | —                          | 85.73                       | —                                             | —                                            | —                                                 | Own funds              | 165,678,798.00              |
| Others                                                        | 1,871,489,919.15  | 324,747,118.82                | 230,483,755.60   | —                                       | (261,129,895.99)            | (3,159,275.93)             | 89.08                       | —                                             | —                                            | —                                                 | Own funds              | 290,941,702.50              |
| Total                                                         | 40,096,065,711.37 | 3,700,834,052.84              | 1,771,612,158.05 | 17,291,441.06                           | (2,333,143,562.06)          | (77,434,208.03)            | —                           | —                                             | —                                            | —                                                 |                        | 3,079,159,881.86            |

Note: The decrease of RMB56,988,660.43 in construction in progress is transferred into intangible assets, and the decrease of RMB408,530.85 in construction in progress is transferred into investment properties.

#### (3) Impairment provision of construction in progress provided for the period

RMB

| Project                                 | Amount provided<br>for the period | Reason for provision                              |
|-----------------------------------------|-----------------------------------|---------------------------------------------------|
| Tianjin parts and<br>components project | 4,648,043.06                      | Vehicle model discontinued.                       |
| Xushui parts and<br>components project  | 853,830.79                        | Project suspended. Production process<br>changed. |
| Total                                   | 5,501,873.85                      |                                                   |

## Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

## XIV. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY (continued)

## 10. Intangible assets

*Intangible assets:*

RMB

| Item                                                | Land use rights  | Software and others | Non-patent technology | Total            |
|-----------------------------------------------------|------------------|---------------------|-----------------------|------------------|
| I. Original book value                              |                  |                     |                       |                  |
| 31 December 2017 (Audited)                          | 3,285,697,575.46 | 164,700,960.41      | —                     | 3,450,398,535.87 |
| Additions for the period                            | 104,389,555.01   | 70,228,050.99       | 27,764,351.29         | 202,381,957.29   |
| 1. Purchase                                         | —                | 3,505,871.44        | —                     | 3,505,871.44     |
| 2. Transfer from construction in progress           | —                | 56,988,660.43       | —                     | 56,988,660.43    |
| 3. Internal R&D                                     | —                | —                   | 27,764,351.29         | 27,764,351.29    |
| 4. Merge subsidiary by absorbing                    | 104,389,555.01   | 9,733,519.12        | —                     | 114,123,074.13   |
| Deductions for the period                           | (155,438,868.05) | (35,376.43)         | —                     | (155,474,244.48) |
| 1. Disposal                                         | (155,438,868.05) | —                   | —                     | (155,438,868.05) |
| 2. Other transfer-out                               | —                | (35,376.43)         | —                     | (35,376.43)      |
| 30 June 2018 (Unaudited)                            | 3,234,648,262.42 | 234,893,634.97      | 27,764,351.29         | 3,497,306,248.68 |
| II. Accumulated amortization                        |                  |                     |                       |                  |
| 31 December 2017 (Audited)                          | 375,957,276.52   | 79,054,569.26       | —                     | 455,011,845.78   |
| Additions for the period                            | 53,198,545.26    | 11,895,513.08       | 6,089,111.82          | 71,183,170.16    |
| 1. Provision for the period                         | 35,461,029.18    | 9,693,531.23        | 6,089,111.82          | 51,243,672.23    |
| 2. Increase from merger by absorbing                | 17,737,516.08    | 2,190,230.87        | —                     | 19,927,746.95    |
| 3. Purchase from internal entities within the Group | —                | 11,750.98           | —                     | 11,750.98        |
| Deductions for the period                           | (8,522,306.00)   | (23,501.96)         | —                     | (8,545,807.96)   |
| 1. Disposal                                         | (8,522,306.00)   | (11,750.98)         | —                     | (8,534,056.98)   |
| 2. Other transfer-out                               | —                | (11,750.98)         | —                     | (11,750.98)      |
| 30 June 2018 (Unaudited)                            | 420,633,515.78   | 90,926,580.38       | 6,089,111.82          | 517,649,207.98   |
| III. Book value                                     |                  |                     |                       |                  |
| 30 June 2018 (Unaudited)                            | 2,814,014,746.64 | 143,967,054.59      | 21,675,239.47         | 2,979,657,040.70 |
| 31 December 2017 (Audited)                          | 2,909,740,298.94 | 85,646,391.15       | —                     | 2,995,386,690.09 |

At the end of the period, intangible assets formed from internal R&D accounted for 0.73% of the balance of the intangible assets.

# Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

## XIV. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY (continued)

### 10. Intangible assets (continued)

#### *Intangible assets: (continued)*

Prepaid lease payment (land use rights) analysis by location and aging is as follows:

| Item                                       | RMB                         |                               |
|--------------------------------------------|-----------------------------|-------------------------------|
|                                            | 30 June 2018<br>(Unaudited) | 31 December 2017<br>(Audited) |
| Located in mainland China — 20 to 50 years | 2,814,014,746.64            | 2,909,740,298.94              |

### 11. Development expenditure

| Project                  | RMB                           |                             |                                                                 |                                 |
|--------------------------|-------------------------------|-----------------------------|-----------------------------------------------------------------|---------------------------------|
|                          | 31 December<br>2017 (Audited) | Additions for<br>the period | Deductions for the period<br>Recognized as<br>intangible assets | Transfer into<br>profit or loss |
| Auto development project | —                             | 631,297,865.54              | (27,764,351.29)                                                 | —                               |
|                          |                               |                             |                                                                 | 30 June 2018<br>(Unaudited)     |
|                          |                               |                             |                                                                 | 603,533,514.25                  |

### 12. Short-term borrowings

| Item                 | RMB                         |                               |
|----------------------|-----------------------------|-------------------------------|
|                      | 30 June 2018<br>(Unaudited) | 31 December 2017<br>(Audited) |
| Pledged loans (Note) | 4,800,000,000.00            | 4,100,000,000.00              |
| Credit loans         | 5,999,900,000.00            | 4,999,900,000.00              |
| Sub-total            | 10,799,900,000.00           | 9,099,900,000.00              |

Note: Loans pledged at the end of the period are loans made by the Company to pledge bank acceptances.

## Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

## XIV. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY (continued)

## 13. Notes payable and accounts payable

| Category         | RMB                         |                               |
|------------------|-----------------------------|-------------------------------|
|                  | 30 June 2018<br>(Unaudited) | 31 December 2017<br>(Audited) |
| Notes payable    | 4,815,362,552.38            | 3,856,869,008.99              |
| Accounts payable | 18,378,088,046.82           | 30,380,110,620.64             |
| Total            | 23,193,450,599.20           | 34,236,979,629.63             |

## (1) Notes payable

| Category                    | RMB                         |                               |
|-----------------------------|-----------------------------|-------------------------------|
|                             | 30 June 2018<br>(Unaudited) | 31 December 2017<br>(Audited) |
| Bank acceptance bills       | 4,623,956,619.62            | 3,539,526,819.67              |
| Commercial acceptance bills | 191,405,932.76              | 317,342,189.32                |
| Total                       | 4,815,362,552.38            | 3,856,869,008.99              |

## (2) Accounts payable

Accounts payable is listed as follows:

| Item          | RMB                         |                               |
|---------------|-----------------------------|-------------------------------|
|               | 30 June 2018<br>(Unaudited) | 31 December 2017<br>(Audited) |
| Within 1 year | 18,314,998,130.73           | 30,349,504,135.52             |
| 1 to 2 years  | 43,860,198.91               | 18,653,294.80                 |
| 2 to 3 years  | 13,830,848.75               | 7,178,135.81                  |
| Over 3 years  | 5,398,868.43                | 4,775,054.51                  |
| Total         | 18,378,088,046.82           | 30,380,110,620.64             |

The aging analysis of accounts payable is based on the time of purchasing materials, goods or receiving services.

# Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

## XIV. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY (continued)

### 13. Notes payable and accounts payable (continued)

#### (2) Accounts payable (continued)

Accounts payable aged over one year with significant amounts:

RMB

| Item       | 30 June 2018<br>(Unaudited) | Reason for outstanding or transfer  |
|------------|-----------------------------|-------------------------------------|
| Supplier 1 | 16,998,963.48               | Payment terms have not been reached |
| Supplier 2 | 8,976,584.97                | Payment terms have not been reached |
| Supplier 3 | 4,225,655.07                | Payment terms have not been reached |
| Total      | 30,201,203.52               |                                     |

### 14. Contract liability

RMB

| Item                                                                 | 30 June 2018<br>(Unaudited) |
|----------------------------------------------------------------------|-----------------------------|
| Advances from customers                                              | 2,334,267,644.11            |
| Maintenance and service fee                                          | 685,544,875.43              |
| Sub-total                                                            | 3,019,812,519.54            |
| Less: Contract liabilities included in other non-current liabilities | —                           |
| Total                                                                | 3,019,812,519.54            |

## Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

## XIV. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY (continued)

## 15. Capital reserve

RMB

| Item                                                                   | Opening balance  | Additions | Deductions     | Closing balance  |
|------------------------------------------------------------------------|------------------|-----------|----------------|------------------|
| <b>For the period from 1 January to 30 June 2018 (Unaudited) :</b>     |                  |           |                |                  |
| Capital premiums                                                       | 1,462,470,849.89 | —         | —              | 1,462,470,849.89 |
| Other capital reserves                                                 | 1,716,455.88     | —         | (5,434,120.19) | (3,717,664.31)   |
| Including: Transfer from capital reserves under the previous standards | (2,933,126.78)   | —         | —              | (2,933,126.78)   |
| Translation differences of foreign capital                             | —                | —         | —              | —                |
| Reserve for revaluation gain of assets                                 | —                | —         | —              | —                |
| Others (Note)                                                          | 4,649,582.66     | —         | (5,434,120.19) | (784,537.53)     |
| Total                                                                  | 1,464,187,305.77 | —         | (5,434,120.19) | 1,458,753,185.58 |
| <b>For the period from 1 January to 30 June 2017 (Unaudited) :</b>     |                  |           |                |                  |
| Capital premiums                                                       | 1,462,470,849.89 | —         | —              | 1,462,470,849.89 |
| Other capital reserves                                                 | 1,716,455.88     | —         | —              | 1,716,455.88     |
| Including: Transfer from capital reserves under the previous standards | (2,933,126.78)   | —         | —              | (2,933,126.78)   |
| Translation differences of foreign capital                             | —                | —         | —              | —                |
| Reserve for revaluation gain of assets                                 | —                | —         | —              | —                |
| Others                                                                 | 4,649,582.66     | —         | —              | 4,649,582.66     |
| Total                                                                  | 1,464,187,305.77 | —         | —              | 1,464,187,305.77 |

Note: Other changes are mainly generated from merging the wholly-owned subsidiary Great Wall Vehicle Axles.

# Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

## XIV. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY (continued)

### 16. Undistributed profits

| Item                                                               | RMB                |                                           |
|--------------------------------------------------------------------|--------------------|-------------------------------------------|
|                                                                    | Amount             | Proportion of appropriation or allocation |
| <b>For the period from 1 January to 30 June 2018 (Unaudited) :</b> |                    |                                           |
| Undistributed profits at the beginning of the period               | 31,852,682,607.51  |                                           |
| Add: Net profits                                                   | 4,050,645,289.54   |                                           |
| Others                                                             | 556,216,555.61     | (3)                                       |
| Less: Appropriation of statutory surplus reserve                   | —                  | (1)                                       |
| Distribution of cash dividends                                     | (1,551,635,730.00) | (2)                                       |
| Undistributed profits at the end of the period                     | 34,907,908,722.66  |                                           |
| <b>For the period from 1 January to 30 June 2017 (Unaudited) :</b> |                    |                                           |
| Undistributed profits at the beginning of the period               | 31,035,039,846.07  |                                           |
| Add: Net profits                                                   | 2,559,736,939.84   |                                           |
| Less: Appropriation of statutory surplus reserve                   | —                  | (1)                                       |
| Distribution of cash dividends                                     | (3,194,544,150.00) |                                           |
| Undistributed profits at the end of the period                     | 30,400,232,635.91  |                                           |

#### (1) Appropriation to statutory surplus reserve

According to the Articles of Association, the Company is required to transfer 10% of its net profit to the statutory surplus reserve. The transfer can be ceased if the balance of the statutory surplus reserve has reached 50% of the Company's registered capital. Under the Articles of Associations and relevant company regulations, some statutory surplus reserve can transfer to share capital of the Company, while the remaining statutory reserves shall be no less than 25% of the registered capital.

#### (2) Cash dividends approved by the shareholders' meeting in this period

On 14 May 2018, the 2017 shareholders' meeting approved *Proposal on Profit Distribution of 2017*, which allows the Company to distribute cash dividends of RMB0.17 (inclusive of tax) per share, amounting to RMB1,551,635,730.00 in total, based on total shares of 9,127,269,000 shares with par value of RMB1 per share.

- (3) In January 2018, the Company merged its wholly-owned subsidiaries Great Wall Vehicle Axles, Tianjin Boxin, Haval Auto Sales and Baoding Jiehua, and transferred the undistributed profits realized during the period from the date of establishment or acquisition of those subsidiaries to the date of merger into undistributed profits of the Company.

## Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

## XIV. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY (continued)

## 17. Operating income and operating costs

## (1) Operating income

| Item                                                     | For the period<br>from 1 January<br>to 30 June 2018<br>(Unaudited) | RMB<br>For the period<br>from 1 January to<br>30 June 2017<br>(Unaudited) |
|----------------------------------------------------------|--------------------------------------------------------------------|---------------------------------------------------------------------------|
|                                                          |                                                                    |                                                                           |
| Principal operating income                               | 48,047,338,985.70                                                  | 36,481,666,352.74                                                         |
| Including: Income from the sales of automobiles          | 45,544,621,594.50                                                  | 35,264,560,084.49                                                         |
| Income from the sales of automotive parts and components | 1,803,112,689.08                                                   | 1,051,997,007.54                                                          |
| Income from the sales of moulds and others               | 138,707,503.75                                                     | 139,508,614.44                                                            |
| Income from rendering of services                        | 560,897,198.37                                                     | 25,600,646.27                                                             |
| Other operating income                                   | 769,983,854.49                                                     | 278,788,694.51                                                            |
| Total                                                    | 48,817,322,840.19                                                  | 36,760,455,047.25                                                         |

## (2) Operating costs

| Item                                              | For the period<br>from 1 January<br>to 30 June 2018<br>(Unaudited) | RMB<br>For the period<br>from 1 January to<br>30 June 2017<br>(Unaudited) |
|---------------------------------------------------|--------------------------------------------------------------------|---------------------------------------------------------------------------|
|                                                   |                                                                    |                                                                           |
| Principal operating costs                         | 39,273,243,407.03                                                  | 31,763,377,650.14                                                         |
| Including: Costs of sales of automobiles          | 37,544,068,730.25                                                  | 30,934,739,739.58                                                         |
| Costs of sales of automotive parts and components | 1,100,731,399.18                                                   | 724,155,959.96                                                            |
| Costs of sales of moulds and others               | 104,232,832.25                                                     | 85,644,104.85                                                             |
| Costs of rendering services                       | 524,210,445.35                                                     | 18,837,845.75                                                             |
| Other operating costs                             | 681,283,861.57                                                     | 238,006,660.97                                                            |
| Total                                             | 39,954,527,268.60                                                  | 32,001,384,311.11                                                         |

# Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

## XIV. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY (continued)

### 18. Taxes and levies

| Item                                   | RMB                                                                |                                                                    |
|----------------------------------------|--------------------------------------------------------------------|--------------------------------------------------------------------|
|                                        | For the period<br>from 1 January<br>to 30 June 2018<br>(Unaudited) | For the period<br>from 1 January to<br>30 June 2017<br>(Unaudited) |
| Consumption tax                        | 1,381,042,464.40                                                   | 1,097,797,789.10                                                   |
| City maintenances and construction tax | 141,838,476.27                                                     | 96,727,194.07                                                      |
| Educational surcharges                 | 114,381,148.20                                                     | 80,190,839.26                                                      |
| Stamp duty                             | 46,655,301.80                                                      | 20,253,015.79                                                      |
| House property tax                     | 32,908,488.85                                                      | 27,687,245.18                                                      |
| Land use tax                           | 22,993,815.26                                                      | 23,236,163.90                                                      |
| Water resource tax                     | 965,777.01                                                         | 1,517,290.83                                                       |
| Vehicle and vessel use tax             | 105,699.34                                                         | 75,646.70                                                          |
| Others                                 | 16,538,574.15                                                      | 4,889,724.79                                                       |
| Total                                  | 1,757,429,745.28                                                   | 1,352,374,909.62                                                   |

### 19. Selling expenses

| Item                                | RMB                                                                |                                                                    |
|-------------------------------------|--------------------------------------------------------------------|--------------------------------------------------------------------|
|                                     | For the period<br>from 1 January<br>to 30 June 2018<br>(Unaudited) | For the period<br>from 1 January to<br>30 June 2017<br>(Unaudited) |
| Transportation expenses             | 619,100,770.87                                                     | 60,260,106.08                                                      |
| After-sale services expenses        | 185,918,594.28                                                     | 486,035,966.62                                                     |
| Wages and salaries                  | 94,915,419.13                                                      | 30,830,438.32                                                      |
| Taxes                               | 558,071,898.98                                                     | 97,181,436.26                                                      |
| Advertising and media services fees | 13,060,894.76                                                      | 8,158,759.05                                                       |
| Port charges                        | 15,753,252.58                                                      | 7,139,984.50                                                       |
| Others                              | 342,682,611.47                                                     | 26,930,647.33                                                      |
| Total                               | 1,829,503,442.07                                                   | 716,537,338.16                                                     |

## Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

## XIV. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY (continued)

## 20. Administrative expenses

| Item                          | RMB                                                                |                                                                    |
|-------------------------------|--------------------------------------------------------------------|--------------------------------------------------------------------|
|                               | For the period<br>from 1 January<br>to 30 June 2018<br>(Unaudited) | For the period<br>from 1 January<br>to 30 June 2017<br>(Unaudited) |
| Wages and salaries            | 349,101,862.81                                                     | 322,620,028.25                                                     |
| Depreciation and amortization | 65,977,681.89                                                      | 114,792,870.89                                                     |
| Business reception fees       | 5,750,717.62                                                       | 6,419,068.14                                                       |
| Office expenses               | 23,092,090.79                                                      | 28,790,470.50                                                      |
| Repair and maintenance fees   | 96,564,648.38                                                      | 91,958,375.47                                                      |
| Auditors' remuneration        | 664,727.40                                                         | 705,171.85                                                         |
| Service charges               | 15,240,407.59                                                      | 15,064,022.23                                                      |
| Others                        | 32,802,616.54                                                      | 65,570,299.50                                                      |
| Total                         | 589,194,753.02                                                     | 645,920,306.83                                                     |

## 21. Financial expenses

| Item                                     | RMB                                                                |                                                                    |
|------------------------------------------|--------------------------------------------------------------------|--------------------------------------------------------------------|
|                                          | For the period<br>from 1 January<br>to 30 June 2018<br>(Unaudited) | For the period<br>from 1 January<br>to 30 June 2017<br>(Unaudited) |
| Interest expense from borrowings         | 250,768,955.60                                                     | 75,531,162.21                                                      |
| Interest income from bank deposits       | (156,454,149.70)                                                   | (58,497,050.14)                                                    |
| Foreign currency translation differences | (1,538,289.37)                                                     | 5,964,352.92                                                       |
| Interest of discount on bills            | 14,491,123.71                                                      | 47,598,140.37                                                      |
| Long-term receivables discount           | —                                                                  | (41,184,559.92)                                                    |
| Others                                   | 8,903,382.69                                                       | 4,404,857.26                                                       |
| Total                                    | 116,171,022.93                                                     | 33,816,902.70                                                      |

# Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

## XIV. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY (continued)

### 22. Impairment losses on assets

| Item                                           | RMB                                                                |                                                                    |
|------------------------------------------------|--------------------------------------------------------------------|--------------------------------------------------------------------|
|                                                | For the period<br>from 1 January<br>to 30 June 2018<br>(Unaudited) | For the period<br>from 1 January<br>to 30 June 2017<br>(Unaudited) |
| Loss on bad debts                              | 38,250.00                                                          | 4,938,193.61                                                       |
| Loss on decline in value of inventories        | 38,453,331.41                                                      | 116,147,552.34                                                     |
| Impairment provision of fixed assets           | 33,128,486.68                                                      | —                                                                  |
| Loss on impairment of construction in progress | 5,501,873.85                                                       | —                                                                  |
| Total                                          | 77,121,941.94                                                      | 121,085,745.95                                                     |

### 23. Impairment losses on credit

| Item                | RMB                                                                |  |
|---------------------|--------------------------------------------------------------------|--|
|                     | For the period<br>from 1 January<br>to 30 June 2018<br>(Unaudited) |  |
| Accounts receivable | 21,768,168.32                                                      |  |
| Total               | 21,768,168.32                                                      |  |

### 24. Investment income

#### Breakdown:

| Item                                                     | RMB                                                                |                                                                    |
|----------------------------------------------------------|--------------------------------------------------------------------|--------------------------------------------------------------------|
|                                                          | For the period<br>from 1 January<br>to 30 June 2018<br>(Unaudited) | For the period<br>from 1 January<br>to 30 June 2017<br>(Unaudited) |
| Income from wealth management products                   | 3,939,545.11                                                       | 44,928,495.71                                                      |
| Income from long-term equity investment measured at cost | 752,126,154.67                                                     | 1,940,702,858.28                                                   |
| Total                                                    | 756,065,699.78                                                     | 1,985,631,353.99                                                   |

There are no significant restrictions on remittance of investment income of the Company.

## Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

## XIV. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY (continued)

## 25. Income tax expenses

| Item                  | RMB                                                                |                                                                    |
|-----------------------|--------------------------------------------------------------------|--------------------------------------------------------------------|
|                       | For the period<br>from 1 January<br>to 30 June 2018<br>(Unaudited) | For the period<br>from 1 January<br>to 30 June 2017<br>(Unaudited) |
| Current tax expenses  | 269,073,639.17                                                     | 29,997,586.69                                                      |
| Deferred tax expenses | 275,083,367.81                                                     | 19,897,300.50                                                      |
| Total                 | 544,157,006.98                                                     | 49,894,887.19                                                      |

Reconciliation of income tax expenses to accounting profits is as follows:

| Item                                                                                            | RMB                                                                |                                                                    |
|-------------------------------------------------------------------------------------------------|--------------------------------------------------------------------|--------------------------------------------------------------------|
|                                                                                                 | For the period<br>from 1 January<br>to 30 June 2018<br>(Unaudited) | For the period<br>from 1 January<br>to 30 June 2017<br>(Unaudited) |
| Total profit                                                                                    | 4,594,802,296.52                                                   | 2,609,631,827.03                                                   |
| Income tax rate                                                                                 | 15%                                                                | 15%                                                                |
| Income tax expenses calculated at tax rate of 15%                                               | 689,220,344.48                                                     | 391,444,774.05                                                     |
| Changes in opening balances of deferred tax assets/liabilities<br>due to the change in tax rate | 5,953,440.79                                                       | —                                                                  |
| Effect of additional deduction for research and development costs                               | (39,338,571.44)                                                    | (76,816,837.38)                                                    |
| Effect of preferential tax rates used by some companies                                         | (589,881.72)                                                       | —                                                                  |
| Effect of additional deduction for salaries of disabled employees                               | —                                                                  | (597,073.60)                                                       |
| Tax effect of non-taxable income                                                                | (112,965,004.79)                                                   | (291,251,510.32)                                                   |
| Tax effect of non-deductible expenses                                                           | 1,876,679.66                                                       | 27,115,534.44                                                      |
| Total                                                                                           | 544,157,006.98                                                     | 49,894,887.19                                                      |

# Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

## XIV. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY (continued)

### 26. Supplementary information of cash flow statements

#### (1) Supplementary information of cash flow statements

| Supplementary information                                                                       | RMB                                                                |                                                                    |
|-------------------------------------------------------------------------------------------------|--------------------------------------------------------------------|--------------------------------------------------------------------|
|                                                                                                 | For the period<br>from 1 January<br>to 30 June 2018<br>(Unaudited) | For the period<br>from 1 January<br>to 30 June 2017<br>(Unaudited) |
| <b>1. Reconciliation of net profits to cash flow from operating activities:</b>                 |                                                                    |                                                                    |
| Net profits                                                                                     | 4,050,645,289.54                                                   | 2,559,736,939.84                                                   |
| Add: Impairment provision for assets                                                            | 98,890,110.26                                                      | 121,085,745.95                                                     |
| Depreciation of fixed assets                                                                    | 1,684,907,984.22                                                   | 1,363,898,323.57                                                   |
| Amortization of intangible assets                                                               | 51,243,672.23                                                      | 38,178,192.81                                                      |
| Amortization of long-term prepaid expenses                                                      | 9,791,730.95                                                       | 4,729,489.76                                                       |
| Amortization of investment properties                                                           | 2,223,692.92                                                       | 1,954,781.69                                                       |
| Gains on disposal of fixed assets, intangible assets<br>and other long-term assets (less: loss) | (31,359,091.37)                                                    | 10,275,922.42                                                      |
| Amortization of deferred income                                                                 | (42,197,361.89)                                                    | (48,064,392.10)                                                    |
| Financial expense (less: gains)                                                                 | 257,885,958.17                                                     | 67,912,876.14                                                      |
| Gains from changes in fair values                                                               | (52,590,204.19)                                                    | —                                                                  |
| Investment income                                                                               | (756,065,699.78)                                                   | (1,985,631,353.99)                                                 |
| Decrease in deferred tax assets                                                                 | 158,854,147.24                                                     | 19,897,300.50                                                      |
| Decrease in inventories (less: increase)                                                        | 953,636,341.20                                                     | (3,847,124,827.96)                                                 |
| Decrease in operating receivables                                                               | 28,253,674,497.07                                                  | 23,582,976,651.89                                                  |
| Decrease in operating payables                                                                  | (20,379,290,918.54)                                                | (12,877,033,091.67)                                                |
| Net cash flows from operating activities                                                        | 14,260,250,148.03                                                  | 9,012,792,558.85                                                   |
| <b>2. Net change in cash and cash equivalents:</b>                                              |                                                                    |                                                                    |
| Closing balance of cash                                                                         | 12,907,153,385.18                                                  | 8,235,361,687.54                                                   |
| Less: Opening balance of cash                                                                   | 8,621,442,696.58                                                   | 3,623,217,685.00                                                   |
| Add: Closing balance of cash equivalents                                                        | —                                                                  | —                                                                  |
| Less: Opening balance of cash equivalents                                                       | —                                                                  | —                                                                  |
| Net increase in cash and cash equivalents                                                       | 4,285,710,688.60                                                   | 4,612,144,002.54                                                   |

## Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

## XIV. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY (continued)

## 26. Supplementary information of cash flow statements (continued)

## (2) Components of cash and cash equivalents

| Item                                                            | RMB                                                                |                                                                    |
|-----------------------------------------------------------------|--------------------------------------------------------------------|--------------------------------------------------------------------|
|                                                                 | For the period<br>from 1 January<br>to 30 June 2018<br>(Unaudited) | For the period<br>from 1 January<br>to 30 June 2017<br>(Unaudited) |
| <b>I. Cash</b>                                                  | <b>12,907,153,385.18</b>                                           | 8,235,361,687.54                                                   |
| Including: Cash on hand                                         | <b>287,785.06</b>                                                  | 442,749.86                                                         |
| Bank deposits ready to be withdrawn<br>on demand                | <b>12,906,865,600.12</b>                                           | 8,234,918,937.68                                                   |
| Other cash and bank balances ready to be<br>withdrawn on demand | —                                                                  | —                                                                  |
| <b>II. Closing balance of cash and cash equivalents</b>         | <b>12,907,153,385.18</b>                                           | 8,235,361,687.54                                                   |

## 27. Related party transactions

## (1) Procurement of raw materials and accessories

|                                         |                                        | RMB                                                                |                                                                    |
|-----------------------------------------|----------------------------------------|--------------------------------------------------------------------|--------------------------------------------------------------------|
| Related parties                         | Related party<br>transaction           | For the period<br>from 1 January<br>to 30 June 2018<br>(Unaudited) | For the period<br>from 1 January<br>to 30 June 2017<br>(Unaudited) |
| Subsidiaries of the Company             | Purchase of raw materials              | <b>1,089,490,364.78</b>                                            | 1,823,681,481.72                                                   |
| Other related parties of<br>the Company | Purchase of raw materials<br>and steam | <b>55,267,652.24</b>                                               | 56,627,851.87                                                      |

# Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

## XIV. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY (continued)

### 27. Related party transactions (continued)

#### (2) Sales of automobiles and components and parts of automobiles

|                                      |                                                             | RMB                                                       |                                                           |
|--------------------------------------|-------------------------------------------------------------|-----------------------------------------------------------|-----------------------------------------------------------|
| Related parties                      | Related party transaction                                   | For the period from 1 January to 30 June 2018 (Unaudited) | For the period from 1 January to 30 June 2017 (Unaudited) |
| Subsidiaries of the Company          | Sales of automobiles or components and parts of automobiles | 4,292,612,638.57                                          | 33,743,604,142.94                                         |
| Other related parties of the Company | Sales of automobiles                                        | 410,051.72                                                | —                                                         |

#### (3) Purchase of fixed assets and construction in progress

|                                      |                                                       | RMB                                                       |                                                           |
|--------------------------------------|-------------------------------------------------------|-----------------------------------------------------------|-----------------------------------------------------------|
| Related parties                      | Related party transaction                             | For the period from 1 January to 30 June 2018 (Unaudited) | For the period from 1 January to 30 June 2017 (Unaudited) |
| Subsidiaries of the Company          | Purchase of fixed assets and construction in progress | 1,347,446.20                                              | 31,069,563.18                                             |
| Other related parties of the Company | Purchase of fixed assets and construction in progress | 2,460,598.82                                              | 2,584,378.08                                              |

#### (4) Sales of fixed assets and intangible assets

|                                      |                                             | RMB                                                       |                                                           |
|--------------------------------------|---------------------------------------------|-----------------------------------------------------------|-----------------------------------------------------------|
| Related parties                      | Related party transaction                   | For the period from 1 January to 30 June 2018 (Unaudited) | For the period from 1 January to 30 June 2017 (Unaudited) |
| Subsidiaries of the Company          | Sales of fixed assets and intangible assets | 362,885,700.41                                            | 8,629,988.95                                              |
| Other related parties of the Company | Sales of fixed assets and intangible assets | 165,915.71                                                | —                                                         |

## Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

## XIV. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY (continued)

## 27. Related party transactions (continued)

## (5) Purchase of services

|                                      |                           | RMB                                                       |                                                           |
|--------------------------------------|---------------------------|-----------------------------------------------------------|-----------------------------------------------------------|
| Related parties                      | Related party transaction | For the period from 1 January to 30 June 2018 (Unaudited) | For the period from 1 January to 30 June 2017 (Unaudited) |
| Subsidiaries of the Company          | Purchase of services      | 253,804,006.94                                            | 415,478,488.24                                            |
| Other related parties of the Company | Purchase of services      | 3,025,326.74                                              | 5,730,283.54                                              |

## (6) Rendering of services

|                             |                           | RMB                                                       |                                                           |
|-----------------------------|---------------------------|-----------------------------------------------------------|-----------------------------------------------------------|
| Related parties             | Related party transaction | For the period from 1 January to 30 June 2018 (Unaudited) | For the period from 1 January to 30 June 2017 (Unaudited) |
| Subsidiaries of the Company | Rendering of services     | 111,600,351.40                                            | 28,646,268.87                                             |

## (7) Claims income and others

|                                      |                           | RMB                                                       |                                                           |
|--------------------------------------|---------------------------|-----------------------------------------------------------|-----------------------------------------------------------|
| Related parties                      | Related party transaction | For the period from 1 January to 30 June 2018 (Unaudited) | For the period from 1 January to 30 June 2017 (Unaudited) |
| Subsidiaries of the Company          | Claims income and others  | 7,774,998.75                                              | (99,148,521.83)                                           |
| Other related parties of the Company | Other procurement         | —                                                         | 459,831.28                                                |

# Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

## XIV. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY (continued)

### 27. Related party transactions (continued)

#### (8) Rental expenditures and others

| Related parties                    | Related party transaction      | RMB                                                       |                                                           |
|------------------------------------|--------------------------------|-----------------------------------------------------------|-----------------------------------------------------------|
|                                    |                                | For the period from 1 January to 30 June 2018 (Unaudited) | For the period from 1 January to 30 June 2017 (Unaudited) |
| Other related party of the Company | Rental expenditures and others | 5,632,903.10                                              | —                                                         |

#### (9) Guarantee

| Warrantee                 | Relationship with the company | Type of guarantee  | Currency | Maximum guaranteed amount | Actual balance of loan borrowed by warrantee |
|---------------------------|-------------------------------|--------------------|----------|---------------------------|----------------------------------------------|
| Automotive Finance        | Subsidiary of the Company     | Maximum guaranteed | RMB      | 500,000,000.00            | 49,500,000.00                                |
| Tide Technology and Trade | Subsidiary of the Company     | Maximum guaranteed | USD      | 110,000,000.00            | 90,000,000.00                                |
| Billion Sunny Development | Subsidiary of the Company     | Maximum guaranteed | USD      | 80,000,000.00             | 40,000,000.00                                |
| Billion Sunny Development | Subsidiary of the Company     | Maximum guaranteed | EUR      | 230,000,000.00            | 115,000,000.00                               |

#### (10) Emolument of key management

| Item                        | RMB'000                                                   |                                                           |
|-----------------------------|-----------------------------------------------------------|-----------------------------------------------------------|
|                             | For the period from 1 January to 30 June 2018 (Unaudited) | For the period from 1 January to 30 June 2017 (Unaudited) |
| Emolument of key management | 7,212                                                     | 6,003                                                     |

## Notes to the Financial Statements

For the Period from 1 January to 30 June 2018

## XIV. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY (continued)

## 28. Receivables and payables of related parties

|                                   |                                       | RMB                         |                               |
|-----------------------------------|---------------------------------------|-----------------------------|-------------------------------|
| Item                              | Related party                         | 30 June 2018<br>(Unaudited) | 31 December 2017<br>(Audited) |
| Accounts receivable               | Subsidiary of the Company             | 992,641,451.16              | 526,521,528.00                |
| Subtotal of accounts receivable:  |                                       | 992,641,451.16              | 526,521,528.00                |
| Other receivables                 | Subsidiary of the Company             | 345,105,208.54              | 288,439,931.25                |
| Other receivables                 | Other related party of<br>the Company | 2,075,800.00                | 1,475,800.00                  |
| Subtotal of other receivables:    |                                       | 347,181,008.54              | 289,915,731.25                |
| Prepayments                       | Subsidiary of the Company             | 3,388,355.80                | 10,620,366.77                 |
| Prepayments                       | Other related party of<br>the Company | 1,137.74                    | 92,535.73                     |
| Subtotal of prepayments:          |                                       | 3,389,493.54                | 10,712,902.50                 |
| Notes receivable                  | Subsidiary of the Company             | 583,345.59                  | 970,142.70                    |
| Subtotal of notes receivable      |                                       | 583,345.59                  | 970,142.70                    |
| Dividends receivable              | Subsidiary of the Company             | 33,211,499.87               | —                             |
| Subtotal of dividends receivable: |                                       | 33,211,499.87               | —                             |
| Accounts payable                  | Subsidiary of the Company             | 1,220,739,842.25            | 3,536,069,213.92              |
| Accounts payable                  | Other related party of<br>the Company | 133,901.02                  | 23,995,361.02                 |
| Subtotal of accounts payable:     |                                       | 1,220,873,743.27            | 3,560,064,574.94              |
| Other payables                    | Subsidiary of the Company             | 858,981,240.49              | 71,676,664.38                 |
| Other payables                    | Other related party of<br>the Company | 2,696,603.25                | 556,766.41                    |
| Subtotal of other payables:       |                                       | 861,677,843.74              | 72,233,430.79                 |
| Receipts in advance               | Subsidiary of the Company             | 114,039,176.53              | 3,857,033,614.16              |
| Subtotal of receipts in advance:  |                                       | 114,039,176.53              | 3,857,033,614.16              |
| Notes payable                     | Subsidiary of the Company             | 163,490,972.40              | 280,633,040.97                |
| Notes payable                     | Other related party of<br>the Company | 182,220.30                  | 228,371.15                    |
| Subtotal of notes payable:        |                                       | 163,673,192.70              | 280,861,412.12                |
| Interest receivable               | Subsidiary of the Company             | 145,812,547.46              | 92,022,313.91                 |
| Subtotal of interest receivable:  |                                       | 145,812,547.46              | 92,022,313.91                 |

# Supplementary Information

For the Period from 1 January to 30 June 2018

## SUPPLEMENTARY INFORMATION

### 1. Breakdown of non-recurring gains and losses

| Item                                                                                                                                                                                                                                              | RMB                                                                |                                                                    |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------|--------------------------------------------------------------------|
|                                                                                                                                                                                                                                                   | For the period<br>from 1 January<br>to 30 June 2018<br>(Unaudited) | For the period<br>from 1 January<br>to 30 June 2017<br>(Unaudited) |
| Profit or loss from disposal of non-current assets                                                                                                                                                                                                | <b>30,501,359.26</b>                                               | (2,696,410.04)                                                     |
| Government grants accounted for in profit and loss account of the current period (except for government grants closely related to the corporate business that were given under at a fixed standard amount or quantity as stipulated by the State) | <b>91,712,123.84</b>                                               | 285,692,648.73                                                     |
| Gains from the disposal of long-term equity investments and disposal of wealth management products                                                                                                                                                | <b>5,948,164.90</b>                                                | 46,402,606.04                                                      |
| Gains from changes in fair value                                                                                                                                                                                                                  | <b>(28,211,589.66)</b>                                             | —                                                                  |
| Non-operating gains and losses other than the above items                                                                                                                                                                                         | <b>59,479,378.11</b>                                               | 62,467,790.29                                                      |
| Effect of income tax                                                                                                                                                                                                                              | <b>(41,185,070.10)</b>                                             | (64,907,296.32)                                                    |
| Effect of minority interests (net of tax)                                                                                                                                                                                                         | <b>(720,474.06)</b>                                                | (192,668.79)                                                       |
| Total                                                                                                                                                                                                                                             | <b>117,523,892.29</b>                                              | 326,766,669.91                                                     |

The non-recurring gains and losses of the Group was recognized in accordance with the relevant requirements of the *Compilation Rules for Information Disclosures by Companies that Offer Securities to the Public (No. 09) — Initial Public Offering and Listing Documents* and *Explanatory Notice for Information Disclosures by Companies that Offer Securities to the Public (No. 01) — Non-recurring Gains and Losses (2008)*.

## Supplementary Information

For the Period from 1 January to 30 June 2018

## SUPPLEMENTARY INFORMATION (continued)

## 2. Return on net assets and earnings per share

This calculation of return on net assets and earnings per share was prepared by the Group in accordance with the relevant requirements of the *Compilation Rules for Information Disclosures by Companies that Offer Securities to the Public (No. 09) — Calculations and Disclosures for the Return on Net Assets and Earnings per Share* (as amended in 2010) issued by the China Securities Regulatory Commission.

RMB

| For the period from 1 January to<br>30 June 2018 (Unaudited)                                                                    | Weighted<br>average return<br>on net assets<br>(%) | Earnings per share |         |
|---------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------|--------------------|---------|
|                                                                                                                                 |                                                    | Basic              | Diluted |
| Net profit attributable to shareholders of<br>ordinary shares of the Company                                                    | 7.30                                               | 0.40               | N/A     |
| Net profit attributable to shareholders of<br>ordinary shares of the Company, after<br>deducting non-recurring gains and losses | 7.06                                               | 0.39               | N/A     |

| For the period from 1 January to<br>30 June 2017 (Unaudited)                                                                    | Weighted<br>average return<br>on net assets<br>(%) | Earnings per share |         |
|---------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------|--------------------|---------|
|                                                                                                                                 |                                                    | Basic              | Diluted |
| Net profit attributable to shareholders of<br>ordinary shares of the Company                                                    | 5.04                                               | 0.27               | N/A     |
| Net profit attributable to shareholders of<br>ordinary shares of the Company, after<br>deducting non-recurring gains and losses | 4.36                                               | 0.23               | N/A     |

The supplementary information provided by the management of Great Wall Motor Company Limited was endorsed by the followings on 30 August 2018:

Legal Representative: Wei Jian Jun

General Manager: Wang Feng Ying

Chief Financial Officer: Li Feng Zhen

Person in charge of the accounting body: Lu Cai Juan

30 August 2018

# Section 11 Index of Documents Available for Inspection

|                                                |                                                                                                                                                                                                                                                                                                           |
|------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Index of Documents<br>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.<br><br>The Original Auditor’s Report With the Seal of the Accounting Firm and Signatures and Seals of the Certified Public Accountants. |
|------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

Chairman: Wei Jian Jun  
Submission date approved by the Board: 30 August 2018

## AMENDMENTS TO INFORMATION

☐ Applicable    ☒ Not applicable



Baoding, Hebei Province, the PRC, 30 August 2018

*As at the date of this announcement, members of the Board comprise:*

*Executive Directors: Mr. Wei Jian Jun, Ms. Wang Feng Ying and Ms. Yang Zhi Juan.*

*Non-executive Director: Mr. He Ping.*

*Independent Non-executive Directors: Mr. Ma Li Hui, Mr. Li Wan Jun and Mr. Ng Chi Kit.*