长城汽车
专注 专业 专家

# 長城汽車股份有限公司
# GREAT WALL MOTOR COMPANY LIMITED*

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

H Share Stock Code: 2333
A Share Stock Code: 601633

# 2019
# ANNUAL REPORT

* 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 contents of this annual report are true, accurate and complete and do not contain any false representations, misleading statements or material omissions, and jointly and severally take legal liability for its contents.**

**II. All the directors of the Company attended the Board meeting.**

**III. Deloitte Touche Tohmatsu Certified Public Accountants LLP has issued the standard audited report for the Company without qualified opinion.**

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

**IV. Wei Jian Jun, person-in-charge of the Company, Liu Yu Xin, person-in-charge of the accounting affairs and Lu Cai Juan, person-in-charge of the accounting department (head of the accounting department), declare that they warrant the truthfulness, accuracy and completeness of the financial report in this annual report.**

**V. Proposal of profit distribution or capitalization of capital reserve during the Reporting Period reviewed by the Board**

As audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP, the net profit of the Group and net profit attributable to shareholders of the Company in 2019 amounted to RMB4,530,732,870.30 and RMB4,496,874,893.92 respectively. The Company proposed to declare a cash dividend of RMB2,281,817,250.00, (representing RMB0.25 per share) (tax inclusive) to the shareholders of the Company for the year ended 31 December 2019. This proposal is subject to the approval at the 2019 annual general meeting of the Company.

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

√ Applicable ❑ Not applicable

Forward-looking statements, such as future plans and development strategies, contained in this report do not constitute any actual commitment of the Company to its investors. Investors should be aware of the investment risks.

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

No

**VIII. Was there any provision of guarantee for 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 production and operation and its corresponding measures have been detailedly described in "Discussion and Analysis concerning the Future Development of the Company" under item III of Section 5 headed "Discussion and Analysis of the Business Operation of the Company (Management Discussion and Analysis)" of this report.

**X. Others**

❑ Applicable √ Not applicable

# CONTENTS


Section 1
Definitions 16

Section 2
Corporate Profile and
Key Financial Indicators 18

Section 3
Business Highlights of the Company 27

Section 4
Chairman's Statement 30

Section 5
Discussion and Analysis of the
Business Operation of the Company
(Management Discussion and Analysis) 33

Section 6
Report of the Board 73

Section 7
Report of the Supervisory Committee 80

Section 8
Significant Events 83

Section 9
Changes in Ordinary Shares
and Shareholders 114

Section 10
Description of Preference Shares 123

Section 11
Directors, Supervisors,
Senior Management and Employees 124

Section 12
Corporate Governance Report 137

Section 13
Description of Corporate Bonds 163

Section 14
Financial Report (Auditor's Report) 164

Section 15
Index of Documents Available
for Inspection 360

*Leading the Trend with*

# INTELLIGENT TECHNOLOGY

HAVAL

中国SUV全球领导者

VV5

WEY
中国豪华SUV领导者
Amazing Your Eyes by
WEY's
REDEFINED LUXURY

*Leading the Trend with*

# INTELLIGENT TECHNOLOGY

HAVAL

中国SUV全球领导者

VV6

WEY
中国豪华SUV领导者
Amazing Your Eyes by
WEY's
REDEFINED LUXURY

Leading the Trend with
INTELLIGENT
TECHNOLOGY

HAVAL

中国SUV全球领导者

风骏7

长城皮卡
Driving to the
FUTURE

# Driving to the FUTURE

ORA
欧拉

# Section 1 Definitions

## I. DEFINITIONS

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

Definitions for commonly used terms

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

| | |
|---|---|
| "PRC" | the People's Republic of China; |
| "Reporting Period" or "Current Period" or "the Year" | twelve months ended 31 December 2019; |
| "SFO" | Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended from time to time; and |
| "Shanghai Stock Exchange" | Shanghai Stock Exchange. |

# Section 2 Corporate Profile and Key Financial Indicators

## I. CORPORATE INFORMATION

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

## II. CONTACT PERSONS AND CONTACT METHODS

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

## III. BASIC INFORMATION

| | |
|---|---|
| Registered address of the Company | No. 2266 Chaoyang Road South, Baoding, Hebei Province, the PRC |
| Postal code of the registered address of the Company | 071000 |
| Office address of the Company | No. 2266 Chaoyang Road South, Baoding, Hebei Province, the PRC |
| Postal code of the office address of the Company | 071000 |
| Company's website | www.gwm.com.cn |
| E-mail address | zqb@gwm.com.cn |
| Principal place of business in Hong Kong | Room 1903-1904, 19/F, Hong Kong Trade Centre, 161 Des Voeux Road Central, Sheung Wan, Hong Kong |

## IV. INFORMATION DISCLOSURE AND PLACE OF DOCUMENT INSPECTION

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

## V. INFORMATION ON THE COMPANY'S SHARES

**Information on the Company's Shares**

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

| Stock Classes | Stock exchanges for the listing of the Company's Shares | Listing date | Number of issued shares | Board lot |
|---|---|---|---|---|
| A Shares | Shanghai Stock Exchange | 28 September 2011 | 6,027,729,000 A Shares (Total shares: 9,127,269,000 shares, H Shares: 3,099,540,000 shares) | 100 shares |
| H Shares | Hong Kong Stock Exchange | 15 December 2003 | 3,099,540,000 H Shares (Total shares: 9,127,269,000 shares, A Shares: 6,027,729,000 shares) | 500 shares |

## VI. OTHER RELEVANT INFORMATION

| | | |
|---|---|---|
| Domestic accounting firm appointed by the Company | Name | Deloitte Touche Tohmatsu Certified Public Accountants LLP (the auditor of the Company) |
| | Office address | 30/F, 222 Yan An Road East, Huangpu District, Shanghai |
| | Names of the signing accountants | Tong Chuan Jiang<br>Yang Ning |
| Legal adviser to the Company (as to Hong Kong law) | Herbert Smith Freehills | |
| Legal adviser to the Company (as to the PRC law) | Jincheng Tongda & Neal Law Firm, Beijing | |
| 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>Nos 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, Baoding Yonghua sub-branch<br>China Construction Bank Corporation, Baoding Hengxiang South Street sub-branch<br>China Everbright Bank Corporation Limited, Shijiazhuang branch<br>China CITIC Bank Corporation Limited, Baoding branch<br>Bank of Communications Co., Ltd., Baoding branch<br>Ping An Bank Co., Ltd., Guangzhou branch | |
| Authorised representatives | Ms. Wang Feng Ying<br>Mr. Xu Hui | |
| Financial year-end date | 31 December | |

| | |
|---|---|
| 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 (resigned on 17 May 2019)<br>Ms. Liu Qian (appointed on 17 May 2019) |
| 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 |

## VII. KEY ACCOUNTING DATA AND FINANCIAL INDICATORS IN THE LAST FIVE YEARS

### (I) Key accounting data

*Unit: 0'000 Currency: RMB*

| Key accounting data | 2019 | 2018 | Increase/ decrease for the Current Period over the corresponding period last year (%) | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|
| Total operating revenue | **9,621,068.88** | 9,922,998.72 | -3.04 | 10,116,948.88 | 9,861,570.24 | 7,603,314.25 |
| Operating revenue | **9,510,807.86** | 9,779,985.92 | -2.75 | 10,049,161.82 | 9,844,366.51 | 7,595,458.60 |
| Net profit attributable to shareholders of the Company | **449,687.49** | 520,731.40 | -13.64 | 502,729.80 | 1,055,115.89 | 805,933.25 |
| Net profit attributable to shareholders of the Company after extraordinary gains/losses | **398,675.10** | 388,877.21 | 2.52 | 429,819.69 | 1,035,362.67 | 765,198.58 |
| Net cash flow from operating activities | **1,397,230.24** | 1,969,782.59 | -29.07 | -107,667.01 | 883,540.62 | 1,003,369.04 |
| Total operating costs | **9,140,898.60** | 9,299,224.22 | -1.70 | 9,546,032.71 | 8,595,641.79 | 6,676,875.09 |
| Operating costs | **7,968,448.73** | 8,148,094.26 | -2.20 | 8,196,690.36 | 7,436,022.35 | 5,686,391.14 |
| Tax and surcharges | **316,860.30** | 362,738.04 | -12.65 | 390,568.81 | 383,280.64 | 288,628.58 |
| Selling expenses | **389,666.99** | 457,519.86 | -14.83 | 440,639.78 | 317,542.44 | 284,156.51 |
| Administrative expenses | **195,545.34** | 167,630.37 | 16.65 | 159,846.54 | 139,446.05 | 126,999.49 |
| Research and development expenses | **271,622.04** | 174,337.91 | 55.80 | 336,457.33 | 318,023.64 | 276,060.91 |
| Financial expenses | **-35,102.91** | -49,387.52 | – | 13,860.11 | -385.86 | 13,937.09 |
| Impairment losses on assets (losses stated with"-") | **-50,361.76** | -13,652.92 | – | -31,707.87 | -41,315.30 | -8,185.11 |
| Impairment losses on credit (losses stated with"-") | **-4,934.87** | -18,187.91 | – | – | – | – |
| Gains or losses from changes in fair value (losses stated with"-") | **-7,330.20** | -14,035.13 | – | 17,539.60 | – | -21.44 |
| Investment gains | **1,550.51** | 21,927.02 | -92.93 | 12,422.48 | 3,034.78 | 9,809.67 |
| Share of investment gains of associates and joint ventures | **30,370.69** | – | 100.00 | – | – | 783.58 |
| Other income | **54,269.70** | 17,580.53 | 208.69 | 16,625.66 | – | – |
| Gains from disposal of assets (losses stated with"-") | **4,320.70** | 5,797.65 | -25.47 | -380.81 | -1,577.44 | -4,521.61 |
| Operating profit | **477,684.36** | 623,203.73 | -23.35 | 585,415.24 | 1,226,070.49 | 923,520.67 |
| Non-operating income | **34,212.43** | 25,287.99 | 35.29 | 39,068.85 | 24,757.52 | 46,532.54 |
| Non-operating expenses | **1,841.15** | 784.53 | 134.68 | 1,187.50 | 2,521.93 | 1,195.54 |
| Losses from disposal of non-current assets | **7,107.44** | 7,627.54 | -6.82 | 2,278.37 | 1,712.74 | 4,723.57 |
| Total profit | **510,055.64** | 647,707.20 | -21.25 | 623,296.60 | 1,248,306.08 | 968,857.68 |
| Income tax expenses | **56,982.35** | 122,943.29 | -53.65 | 118,957.95 | 192,910.61 | 162,821.20 |
| Net profit | **453,073.29** | 524,763.91 | -13.66 | 504,338.65 | 1,055,395.46 | 806,036.48 |
| Profit or loss attributable to minority interests | **3,385.80** | 4,032.52 | -16.04 | 1,608.85 | 279.58 | 103.23 |

*Unit: 0'000 Currency: RMB*

| Key accounting data | As at the end of 2019 | As at the end of 2018 | Increase/ decrease for the end of the Current Period over the end of the corresponding period last year (%) | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|
| Net assets attributable to shareholders of the Company | **5,439,922.99** | 5,252,483.11 | 3.57 | 4,913,453.04 | 4,729,480.17 | 3,833,086.94 |
| Total assets | **11,309,640.95** | 11,180,041.13 | 1.16 | 11,054,707.38 | 9,230,916.06 | 7,191,062.68 |
| Total liabilities | **5,869,717.96** | 5,911,182.38 | -0.70 | 6,128,911.21 | 4,495,551.60 | 3,352,371.04 |
| Total share capital as at the end of the Period | **912,726.90** | 912,726.90 | – | 912,726.90 | 912,726.90 | 912,726.90 |

## (II) Key financial indicators

| Key financial indicators | 2019 | 2018 | Increase/ decrease for the Current Period over the corresponding period last year (%) | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|
| Basic earnings per share (RMB/share) | **0.4927** | 0.5705 | -13.64 | 0.5508 | 1.1560 | 0.8830 |
| Diluted earnings per share (RMB/share) | **N/A** | N/A | N/A | N/A | N/A | N/A |
| Basic earnings per share after extraordinary gains/losses (RMB/share) | **0.4368** | 0.4261 | 2.52 | 0.4709 | 1.1344 | 0.8384 |
| Weighted average return on net assets (%) | **8.45** | 10.27 | decreased by 1.82 percentage points | 10.48 | 24.73 | 22.47 |
| Weighted average return on net assets after extraordinary gains/losses (%) | **7.49** | 7.67 | decreased by 0.18 percentage point | 8.96 | 24.27 | 21.34 |

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

√ Applicable ❑ Not applicable

In recent years, the Group has focused on SUV products, increased the investment and expense on research and development, strengthened brand marketing, and improved customers' satisfaction and brand influence, facilitating the sustainable growth of sales scale. Faced with increasing market competition, the Company proactively adjusts its strategy, speeds up the effort on the buildup of four major brand products and brand image, expands the pricing range of products, affecting the growth rate of revenue and profit. The Company's market occupation rate and operation quality have increased in recent years. Net profit attributable to shareholders of the Company after extraordinary gains/losses in 2019 realized a year-on-year increase of 2.52%.

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

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

❑ Applicable √ Not applicable

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

❑ Applicable √ Not applicable

### (III) Differences between overseas and domestic accounting standards:

❑ Applicable √ Not applicable

## IX. QUARTERLY KEY FINANCIAL DATA IN 2019

*Unit: RMB Currency: RMB*

| | First Quarter (January to March) | Second Quarter (April to June) | Third Quarter (July to September) | Fourth Quarter (October to December) |
|---|---|---|---|---|
| Total operating revenue | 22,627,226,455.43 | 18,749,452,822.26 | 21,201,530,706.25 | 33,632,478,834.86 |
| Operating revenue | 22,085,450,532.15 | 18,231,476,470.48 | 21,183,426,831.34 | 33,607,724,805.55 |
| Net profit attributable to shareholders of the Company | 773,283,049.90 | 743,886,063.78 | 1,400,277,004.73 | 1,579,428,775.51 |
| Net profit attributable to shareholders of the Company after extraordinary gains/losses | 643,462,453.45 | 597,605,772.90 | 1,348,257,965.52 | 1,397,424,843.54 |
| Net cash flow from operating activities | -1,735,743,530.51 | 7,848,360,261.48 | 3,793,577,237.97 | 4,066,108,465.85 |

Differences between quarterly data and data disclosed in regular reports

❑ Applicable √ Not applicable

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

√ Applicable ❑ Not applicable

*Unit: RMB Currency: RMB*

| Extraordinary gains/losses | 2019 | 2018 | 2017 |
|---|---|---|---|
| Profit or loss from disposal of non-current assets | **43,207,041.88** | 57,976,477.13 | -3,808,085.14 |
| 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 | **609,187,841.95** | 322,488,351.22 | 439,093,687.35 |
| Net profit or loss of the current period from the beginning of the period to the combination date for subsidiaries acquired through business combination under common control | **54,486.41** | – | – |
| Non-operating gains and losses other than the above items | **90,769,597.30** | 98,351,583.15 | 105,976,484.20 |
| Gains from the disposal of long-term equity investments and disposal of wealth management products investments (losses stated with "-") | **-89,308,089.77** | 219,270,174.59 | 124,224,830.95 |
| Gains from changes in fair value (losses stated with "-") | **-73,302,005.19** | -140,351,300.70 | 175,396,032.00 |
| Interest income on performance bond | **–** | 1,025,378,584.90 | – |
| Effect of minority interests | **-2,959.70** | -717,579.32 | -280,190.33 |
| Effect of income tax | **-70,482,054.37** | -263,854,453.41 | -111,501,675.25 |
| Total | **510,123,858.51** | 1,318,541,837.56 | 729,101,083.78 |

## XI. ITEMS MEASURED AT FAIR VALUE

√ Applicable ❑ Not applicable

*Unit: RMB Currency: RMB*

| Name of item | Balance at the beginning of the Period | Balance at the end of the Period | Changes in the Current Period | Effect on profit for the Current Period |
|---|---|---|---|---|
| Financial assets classified as at fair value through profit or loss for the current period | | | | |
| Including: Debt instrument investments | | | | |
| – Wealth management products | **3,008,768,131.30** | 4,286,106,393.12 | 1,277,338,261.82 | 18,606,393.12 |
| Equity instrument investments | **168,875,000.00** | 76,585,824.00 | -92,289,176.00 | -92,289,176.00 |
| Derivative financial assets | | 380,777.69 | 380,777.69 | 380,777.69 |
| Financial assets at fair value through other comprehensive income | | | | |
| Including: receivables finance | | | | |
| – notes receivable | **31,883,667,949.34** | 31,445,748,809.31 | -437,919,140.03 | – |
| Other equity instrument investments | **7,700,000.00** | 7,700,000.00 | – | – |
| Total | **35,069,011,080.64** | 35,816,521,804.12 | 747,510,723.48 | -73,302,005.19 |

## XII. OTHERS

❑ Applicable √ Not applicable

# Section 3 Business Highlights of the Company

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

### 1. Principal Business of the Company

Great Wall Motor is one of the largest SUV manufacturers in the PRC. It currently owns four brands, namely Haval, WEY, Great Wall Pick-up, and ORA. The Company, in cooperation with BMW, has established a joint venture named Spotlight Automotive Limited which is engaged in providing three product categories, i.e. SUVs, sedans and pick-up trucks, and manufacturing and supplying related auto parts and components.

### 2. Operating Model

Focusing on the SUV category, the Group innovates in brand management to meet different customer needs and build a leading position in relevant niche markets, so as to consolidate its position in the SUV market.

The Group is devoted to establishing a sound system integrating R&D, procurement, production and sales.

In respect of R&D, the Group always adheres to "precise investment" in R&D in the pursuit of industry leadership, thus laying a solid foundation for building "Tech-driven Great Wall". Great Wall Motor has long been exploring the "four new modernization" areas of automobiles. In the area of AIoT, it has released the "GTO Smart Ecosystem Strategy" to collaborate with Tencent, Alibaba Autonavi, Baidu, China Telecom, China Unicom, China Mobile, Huawei and Qualcomm to build up a smart travel ecosystem with the vision of creating driving robots. In addition, the Company's "black technologies" such as smart cockpit, L4 urban automatic driving, 5G remote unmanned driving and fully automated valet parking are going to be mass-produced or applied, which will comprehensively enhance the competitiveness of the Company in the global market.

In respect of procurement of parts and components, the Group aims to build a world-class supply chain and control the sources of core parts and components through vertical integration of resources and strategic cooperation with internationally renowned brand suppliers. In order to develop independent auto parts business, carry out market-oriented operation and improve overall competitiveness, the Group has set up four auto parts companies, namely Honeycomb Yichuang Technology Co., Ltd. ("Honeycomb Yichuang"), Jingcheng Engineering Automotive Systems Co., Ltd. ("Jingcheng Engineering Automotive"), Nuobo Automotive Systems Co., Ltd. ("Nuobo Automotive"), and Mind Electronics Company Limited ("Mind Electronics"). In addition, the Group has established a long-term strategic partnership with such world-class suppliers as Bosch, ZF, AUTOLIV and BorgWarner to jointly develop innovative and leading automotive products at home and abroad leveraging their respective resource advantages.

In respect of production, the Group has built up "9+5" global production facilities. In the PRC, its vehicle production facilities are concentrated in three major regions, i.e. North China, East China and South China, and its eight full-process production bases in Baoding, Xushui, Tianjin, Yongchuan, Pinghu, Taizhou and Zhangjiagang cover the domestic market, laying a solid foundation for its global development. Globally, the Group's plant in Tula, Russia has become a bridgehead to enter the European market, and is connected with its KD plants in Ecuador, Malaysia and Tunisia to jointly support the development of overseas markets.

In respect of sales, the Group has built a network of over 500 sales outlets in more than 60 countries around the world while exploring innovative Internet Plus marketing models. This year, in the principle of going "intelligent, mobile, scenario-oriented, and data-based", the Group launched its first full-scenario, new retail AI-driven "smart store" as the front line of user operation integrating online and offline services. Such store will serve as a key supporting unit and strategic fulcrum for the new retail system of the Company and facilitate the transformation from product-oriented model to "product & service" dual brand building.

Furthermore, based on the life cycle of automotive products, the Group extends its automotive industry chain and explores and improves automotive aftermarket services. In respect of auto finance, the Group set up Tianjin Great Wall Binyin Automotive Finance Company Limited (天津長城濱銀汽車金融有限公司) in 2014 to diversify products and expand channels based on traditional personal auto loans and dealer inventory financing services, so as to meet the car purchase needs of different customers to the greatest extent.

## 3. Industry Overview

### *(1) Increased decline in automobile production and sales*

In 2019, amid the Sino-US trade frictions, the shift in environmental standards, and the phasing out of subsidies for new energy vehicles, China's production and sales volume of automobiles dropped 7.5% and 8.2% to 25,721,000 units and 25,769,000 units respectively, but still ranked first in the world.

### *(2) Greater overall decline in passenger vehicles and increasingly fierce competition in the future*

In 2019, the production and sales volume of passenger vehicles amounted to 21,360,000 units and 21,444,000 units, decreased by 9.2% and 9.6% year on year, respectively. The production and sales volume of sedans, SUVs, MPVs and crossover passenger cars all saw a decline. There is a rising trend for consumption upgrade of passenger vehicles. As the proportion of first-time car buyers dwindles, the market share of low-end passenger vehicles shrinking and products in niche markets are going high-end. Moreover, the undercutting by joint venture brands, the melee of independent brands and the emergence of new hybrid players further fuel the increasingly fierce competition in the automotive market where survival of the fittest plays out.

### *(3) New energy vehicles losing rapid growth momentum*

In 2019, the production and sales volume of new energy vehicles reached 1,242,000 units and 1,206,000 units, down 2.3% and 4.0% year on year, respectively. Among them, the production and sales volume of battery electric vehicles reached 1,020,000 units and 972,000 units, up 3.4% and down 1.2% year on year, respectively; the production and sales volume of plug-in hybrid electric vehicles were 220,000 units and 232,000 units, down 22.5% and 14.5% year on year, respectively; and the production and sales volume of fuel cell vehicles were 2,833 units and 2,737 units, up 85.5% and 79.2% year on year, respectively. Due to the phasing out of subsidies, the second half of the year saw a sharp decline in new energy vehicles.

***(4) Slowdown in automobile exports***

In 2019, automobile exports dropped 1.6% year on year to 1,024,000 units, of which 725,000 were passenger vehicles, down 4.3% year on year.

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

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

❑ Applicable √ Not applicable

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

√ Applicable ❑ Not applicable

### 1. Creating fair and just corporate culture

The Company is committed to "promoting cooperation with integrity and seeking development through cooperation", and facilitating its sustainable and healthy development by creating a fair, just, simple and transparent working environment.

### 2. Focusing on brand building to seek progress amidst stability

Over the years, the Company has been upholding the development strategy of focusing on the principal business while sharing quality resources. By concentrating on specific sub-sectors, it aims to build a leading brand in the niche markets and develop unique competitive strengths.

### 3. Strengthening quality culture and focusing on quality improvement

Upholding the quality culture of "constant refinement", the Company continuously improves its quality management to "drive performance growth and sustainable development with high-quality products".

### 4. Building an industrial cluster through vertical integration

The Company has long been dedicated to the research, development and production of core parts and components, and constantly improves vertical integration. It has developed capabilities in independent production of engines, transmissions, auto lights and other core parts and components, greatly increasing its competitiveness in terms of quality and cost of automobiles. The Company also expands presence in the auto parts market to raise competitiveness and plans for auto parts business based on the distribution of its plants.

### 5. Insisting on targeted R&D to drive development with innovation

The Group introduced BAT, Huawei, Qualcomm and other strategic partners for cross-industry integration and collaboration, and released the GTO Smart Ecosystem Strategy to usher in a new era of driving robots. Furthermore, it completed embedded integrated development of L3 automatic driving technology and demonstrated its L4 automatic driving capabilities, securing an industry-leading position in the field of intelligent driving.

# Section 4 Chairman's Statement

To all shareholders:

I am pleased to present the audited consolidated results of the Group for the year ended 31 December 2019.

2019 was a year of ups and downs for the global economy. Against the backdrop of on-and-off international trade tensions and increasing vulnerabilities of the financial market, growth in global economy and trade significantly slowed down and growth in major economies generally decelerated. Since 2019, the global economy has been affected by a number of factors and gradually entered a new development period.

With slowdown in the international and domestic economic growth, there was great pressure on China's automobile industry in 2019. However, in the second half of 2019, the market showed signs of recovery, and its growth in general remained within a reasonable range. According to the data from China Association of Automobile Manufacturers, the production and sales volume of automobiles in 2019 amounted to 25,721,000 and 25,769,000 respectively, down by 7.5% and 8.2% year-on-year respectively; nevertheless, the production and sales volume of automobiles in China continued to rank first in the world. The mainstream Chinese brands showed great resilience in development.

Amid the continuous decline of the automobile industry in 2019, the Group continued to work hard and move forward, achieving a total annual sales volume of 1.06 million units and a production and sales volume of over 1 million units each for four consecutive years. The total operating revenue exceeded RMB96 billion and the net profit amounted to RMB4.53 billion.

In 2019, Great Wall Motor not only deepened its relationship with its existing partners, but also found new partners, thus expanding its network of business partners and working with world's top-notch enterprises to build a new industry-leading cooperation ecosystem. Great Wall Motor adhered to the principle of "stable operation" and constantly deepened "opening up", leveraging globalization to facilitate development. During the Year, the Tula plant in Russia completed construction and commenced operation, and the heads of state of the PRC and Russia witnessed the launch of the Haval F7 model in the Russian market. The Chongqing plant, which completed construction and commenced operation, not only covers Chengdu and Chongqing markets, but also extends its reach along the Yangtze River Economic Belt in the east, as well as the entire Southeast Asian market in the south. In addition, the Spotlight Project, a joint venture between the Group and BMW Holding in Zhangjiagang, commenced, achieving a new business model of "joint research and development of products to be made in China for the global market". Projects in Shandong Rizhao, Zhejiang Pinghu and Jiangsu Taizhou were also making smooth progress. We should have the strategic vision of globalization to prepare for a win-win model for China's automobile enterprises going global.

In 2019, the Group further implemented its "innovation driven development" strategy, adhering to "precise investment in research and development", and innovated for the future. The Group had established a global R&D network spanning "10 places in seven countries", with centres in Germany, the United States, Japan, India, Austria and South Korea supporting the Baoding headquarters. The Group introduced strategic partners such as Baidu, Alibaba's AutoNavi, Tencent, Huawei and Qualcomm, and released the intelligent networking strategy centering on GTO (GreatWall Totally Online) totally intelligent ecosystem to create a new era of mobile robots. The Group launched China's first 9DCT transmission, as well as an three-in-one electric drive assembly system (combining motor, electric control system and decelerator). The GW4C20B engine launched by the Group won the title of "China's Heart" Top 10 Engines.

In 2019, the Group continued to fulfil the development requirement of "transformation from Chinese products to Chinese brands", and enhanced value through brand. The global cumulative sales volume of Haval brand amounted to nearly 6 million units, and Haval has remained the top bestselling brand in the China's SUV market for 10 consecutive years. The WEY brand, which has only been established for three years, became the first Chinese luxury SUV brand with sales volume exceeding 300,000 units. With the vision of globalization, the WEY brand planned to enter the European and North American markets. The Great Wall Motor's pick-up trucks continued to rank first in China in terms of domestic and export sales volume for 22 consecutive years, with a domestic market share of more than 35%. In the new energy vehicle market, the Group's ORA brand developed rapidly, achieving the fastest growth rate of sales volume in A00 market segment. In the future, these brands will continue to complement each other to launch more high-quality products and services to create greater value for global users.

In the future, China's economy will maintain stable and positive trends and a long-term positive outlook. Such will not change. Yet, it is also going through the critical period of transforming its development mode, optimizing the economic structure and transforming its growth structure; meanwhile, affected by the novel coronavirus pneumonia epidemic, the economy is under greater downward pressure. The global economy, affected by Brexit, Sino-US trade frictions and the novel coronavirus pneumonia epidemic, is also slowing down. As an industry strongly related to the economic cycle, the global automobile market will inevitably be affected.

But just as the epidemic is a crisis, it also provides us with opportunities and hope. We need to view things from a wider and higher perspective to push beyond our limits to achieve new milestone. The development achieved by the Group so far evidences that, while adhering to the long-term corporate value, we should also have the courage to innovate and reform. For the global automobile industry, China is undoubtedly a latecomer, but fortunately we are faced with the right set of circumstances. At present, the wave of the fourth industrial revolution as represented by 5G and AI technology is sweeping across all sectors worldwide with unprecedented strength and speed. We see a historic convergence of a new round of scientific and technological revolutions and industrial restructuring. Among the unprecedented changes seen in the industry in a century, "electric vehicles, intelligent technology, network connection and sharing" will still be at the core of the global automobile industry reform. China's automobiles will become an exemplar of latecomers outdoing the existing market, and occupy the commanding heights of the global automobile development in the future. For the Group, this is an exceptionally rare and precious opportunity. We should seize the opportunity to actively transform and innovate. We should believe in ourselves that we will be the key to reshape the global automobile industry.

2020 is the last year of the "13th Five Year Plan" of China, as a well as a critical year for the Group to embrace new challenges and achieve high-quality development, and a year for the Group to accelerate its globalization strategy in every aspect. The Group will continue to take the perspectives of end-users, the industry, and competitive companies, and focus its reform on the following aspects, to unveil a new growth cycle of Great Wall Motor, and to build a growth driver for future development.

1. Continue to deepen mechanism reform and improve management efficiency;

2. Do not set any universal standard for high caliber people;

3. Be open-minded when facilitating quality development of all business segments;

4. Accelerate the digitalization and clean energy transformation;

5. Expand globally without wavering, and persevere with "globalization".

Great Wall Motor was incorporated as a result of ownership reform. It has been growing in tandem with China's automobile industry for decades, and has thus involved in shaping China's economic development. The Company has prospered from its own reforms, leaping from a "market player" position into leadership in the automobile industry, and has fueled confidence in the development of Chinese brands. Now as we arrive at an important juncture (30th anniversary) in our development, we should develop a perspective plan, have a broader vision, be more open-minded and innovative, in order to achieve globalization of the automobile industry in our time! A man with dogged ambition can overcome difficulties easily; a man who keeps walking can reach his destination no matter how far it is.

**Wei Jian Jun**
*Chairman*

Baoding, Hebei Province, the PRC
24 April 2020

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

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

### Operating Environment

In 2019, growth in global economy and trade slowed down significantly while growth in major economies generally declined. Facing a complex international and domestic environment marked by increasing risks and challenges, China's economic development remained stable while making progress with fairly sufficient employment. The three tough battles (i.e. targeted poverty alleviation, pollution control and preventing major risks) have achieved notable results, and various tasks have yielded positive results. The gross domestic product ("GDP") in 2019 reached RMB99.1 trillion, representing a year-on-year growth of 6.1%.

In the process of transformation and upgrade in 2019, China's automotive industry was faced with relatively high pressure under the impact of Sino-US trade frictions, phase-in of higher environmental standards, and the reduction in subsidies for new energy vehicles. During the Year, manufacturing companies made proactive response by taking the initiative to adjust their activities. In the second half of 2019, the market showed signs of recovery, and its growth in general remained within a reasonable range.

In 2019, the production volume and sales volume of automobiles amounted to 25,721,000 units and 25,769,000 units respectively, representing year-on-year decreases of 7.5% and 8.2% respectively. Nevertheless, the production and sales volume of automobiles in China continued to rank first in the world.

According to the statistics of China Association of Automobile Manufacturers, the production volume and sales volume of passenger vehicles in 2019 amounted to 21,360,000 units and 21,444,000 units in 2019, representing year-on-year decreases of 9.2% and 9.6% respectively.

Amid a severe market environment, the Company was determined to reform, which helped enhance products and brands; the Company achieved a sales volume of over one million units for the full year and a year-on-year growth of 1.43% in sales volume.

## Financial Review

*Currency: RMB Unit: RMB*

| | From 1 January 2019 to 31 December 2019 (Audited) | From 1 January 2018 to 31 December 2018 (Audited) | Change % |
|---|---|---|---|
| Total operating revenue | **96,210,688,818.80** | 99,229,987,202.20 | -3.04 |
| Operating revenue | **95,108,078,639.52** | 97,799,859,204.66 | -2.75 |
| Revenue from the sale of automobiles | **86,251,409,500.45** | 91,597,050,795.51 | -5.84 |
| Revenue generated from the sale of automotive parts and components and others (Note 1) | **8,856,669,139.07** | 6,202,808,409.15 | 42.78 |
| Interest income | **1,031,247,017.36** | 1,388,705,701.12 | -25.74 |
| Selling expenses | **3,896,669,879.09** | 4,575,198,601.16 | -14.83 |
| Administrative expenses | **1,955,453,366.52** | 1,676,303,700.58 | 16.65 |
| Research and development expenses (Note 2) | **2,716,220,367.89** | 1,743,379,055.09 | 55.80 |
| Financial expenses | **-351,029,083.69** | -493,875,195.06 | -28.92 |
| Gross profit | **16,187,620,346.65** | 17,366,131,546.85 | -6.79 |
| Income tax expenses (Note 3) | **569,823,510.79** | 1,229,432,879.17 | -53.65 |
| Net profit attributable to shareholders of the parent | **4,496,874,893.92** | 5,207,313,967.76 | -13.64 |
| Basic earnings per share | **0.49** | 0.57 | -13.64 |
| Gross profit margin (%) | **16.83** | 17.50 | Decreased by 0.67 percentage point |
| Percentage of selling expenses to operating revenue (%) | **4.10** | 4.68 | Decreased by 0.58 percentage point |
| Percentage of administrative expenses to operating revenue (%) | **2.06** | 1.71 | Increased by 0.35 percentage point |

(Note 1) The increase in revenue generated from the sale of automotive parts and components and others was mainly due to: ① according to the requirements of the new recognition standard, the fee of transportation services rendered by the Company according to the delivery-to-factory term had been stripped out from the revenue generated from the sale of automobiles at market price and reclassified transportation income during the Reporting Period; ② the increase in the revenue from external sale of automotive parts and components during the Reporting Period.

(Note 2) The increase in research and development expenses was mainly due to the increase in the amount of research and development investments during the Reporting Period.

(Note 3) The decrease in income tax expenses was mainly due to the decrease in taxable income as a result of decreased profit during the Reporting Period.

## Assets and liabilities

As at 31 December 2019, the Group's current assets were RMB68,502,163,106.36 (31 December 2018: RMB66,126,293,810.75), mainly including cash and bank balances of RMB9,723,312,735.05, held-for-trading financial assets of RMB4,362,692,217.12, accounts receivable of RMB3,193,188,485.27, receivables financing of RMB31,445,748,809.31, inventories of RMB6,237,193,915.62 and other current assets of RMB11,343,946,670.26. As at 31 December 2019, the Group's current liabilities were RMB54,599,801,076.22 (31 December 2018: RMB54,379,417,271.59) mainly including notes payable of RMB10,020,895,844.52, accounts payable of RMB25,439,536,613.98, contract liabilities of RMB4,603,831,957.67, employee remuneration payable of RMB2,094,259,980.68, other payables of RMB2,481,286,817.71, non-current liabilities due within one year of RMB3,179,995,453.40 and other current liabilities of RMB4,087,539,918.81.

## Gearing ratio

*Currency: RMB Unit: RMB*

| | **As at 31 December 2019 (Audited)** | As at 31 December 2018 (Audited) |
|---|---|---|
| Total liabilities | **58,697,179,552.06** | 59,111,823,806.94 |
| Total equity | **54,399,229,916.90** | 52,688,587,490.87 |
| Gearing ratio | **107.90%** | 112.19% |

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

### Disposal and acquisition of assets

For details, please refer to the relevant descriptions of "Disposal of major assets and equity interest" and "Acquisition" in"The Principal Operation during the Reporting Period" in item II of this section of this report.

During the Year, reporting and announcements regarding the asset acquisitions and disposals by the Group were made in accordance with Chapter 14A or requirements under Chapter 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Hong Kong Listing Rules").

Other than the above disposal and acquisitions of assets, the Company, its subsidiaries and associates did not have any other major disposals and acquisitions of assets during the Year.

### Capital structure

The Group mainly finances its day-to-day operations with its internal cash flows and bank borrowings. As at 31 December 2019, the Company had short-term borrowings of RMB1,180,470,655.50, mainly used for overseas investments and as working capital; and long-term borrowings (including long-term borrowings due within one year) of RMB4,353,492,768.41, mainly for the construction of overseas and Chongqing manufacturing plants.

### Exposure to foreign exchange risk

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

*RMB*

| Item | As at 31 December 2019 (Audited) | As at 31 December 2018 (Audited) |
|---|---|---|
| Cash and bank balances | **578,788,984.45** | 170,563,688.64 |
| Held-for-trading financial assets | **76,585,824.00** | 168,875,000.00 |
| Accounts receivable | **523,220,468.89** | 170,480,719.74 |
| Accounts payable | **-41,582,710.36** | -21,456,110.71 |
| Other payables | **-40,607,988.48** | -82,683,782.26 |
| Short-term borrowings | **–** | -573,726,238.81 |
| Long-term borrowings | **-2,253,013,663.75** | -1,647,805,500.00 |

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

### Employment, training and development

As at 31 December 2019, the Group employed a total of 59,756 employees (31 December 2018: 63,455 employees). Employees were remunerated by the Group based on their performance, experience and prevailing industry practices. The Group's remuneration policies and packages are 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 9.13% of the Group's total operating revenue as at 31 December 2019 (31 December 2018: 8.80%).

### Taxation

During the Year, income tax expenses of the Group was RMB569,823,510.79 (2018: RMB1,229,432,879.17).

### 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 internal 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 12 months ended 31 December | |
|---|---|---|
| | **2019** | 2018 |
| | ***RMB*** | *RMB* |
| | **(Audited)** | (Audited) |
| China | **90,688,477,677.13** | 95,915,540,820.51 |
| Russia | **1,434,260,137.18** | 398,144,414.21 |
| South Africa | **1,082,150,831.12** | 741,188,254.78 |
| Saudi Arabia | **720,431,670.58** | 84,478,711.76 |
| Chile | **443,586,854.38** | 400,096,185.90 |
| Ecuador | **347,401,002.29** | 496,898,610.48 |
| Other overseas countries | **1,494,380,646.12** | 1,193,640,204.56 |
| Total | **96,210,688,818.80** | 99,229,987,202.20 |

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

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

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

## Business Review

***Analysis of production and sales volume of automobiles***

| Car classification | Item | Sales Volume (unit) Total for the year | Total for last year | Increase/ decrease (%) | Production Volume (unit) Total for the year | Total for last year | Increase/ decrease (%) |
|---|---|---|---|---|---|---|---|
| Pick-up truck | Domestic sales | 147,408 | 133,283 | 10.60 | – | – | – |
| | Export | 17,453 | 12,961 | 34.66 | – | – | – |
| | **Sub-total** | **164,861** | **146,244** | **12.73** | **170,675** | **143,679** | **18.79** |
| SUV | Domestic sales | 808,471 | 856,290 | -5.58 | – | – | – |
| | Export | 43,785 | 27,778 | 57.62 | – | – | – |
| | **Sub-total** | **852,256** | **884,068** | **-3.60** | **870,655** | **869,783** | **0.10** |
| Sedan (mainly NEVs) | Domestic sales | 37,365 | 9,005 | 314.94 | – | – | – |
| | Export | 4,166 | 4,390 | -5.10 | – | – | – |
| | **Sub-total** | **41,531** | **13,395** | **210.05** | **45,439** | **13,956** | **225.59** |
| Total | Domestic sales | 993,244 | 998,578 | -0.53 | – | – | – |
| | Export | 65,404 | 45,129 | 44.93 | – | – | – |
| | **Sub-total** | **1,058,648** | **1,043,707** | **1.43** | **1,086,769** | **1,027,418** | **5.78** |

The Group's principal products are pick-up trucks, SUVs and sedans. The Group also engages in the production and sale of major automotive parts and components used in the above mentioned products. During the Year, the Group's sales volume of automobiles achieved a year-on-year growth of 1.43%, with continued improvement in product mix.

*(1) Pick-up truck*

According to the statistics of China Association of Automobile Manufacturers, the Group's pick-up trucks continued to rank first in the PRC market in terms of sales volume for 22 consecutive years, thus entrenching its leading market position. During the Year, the Group launched "Great Wall Pao" series covering a comprehensive range of pick-up trucks, which seeks to be end-user oriented through offering superior products, superior services, superior experience and the "Great Wall Pao Alliance" plan. The Great Wall Pao series can match the comfort of a sedan, the off-road nature of an SUV, and the payload capacity of a light truck. One Great Wall Pao can function as four different types of vehicles through its multiple-purpose characteristics. In 2019, the Group launched passenger and commercial models. The sturdy-looking Great Wall Pao is equipped with an 8AT automatic transmission and capable of driving itself at a Level 2 autonomy; it is also installed with ESP (electronic stability programme) and a 360-degree surround view system.

*(2) SUV*

During the Year, the Group accelerated the launch of new car models, introducing more brand new cars. With respect to the Haval brand, the Group, during the Year, launched various facelift models and brand new models. The Group also upgraded vehicle emission level. Through continuous improvement of product quality, Haval SUV continued to rank first in sales volume in the domestic SUV market for 10 consecutive years. In particular, Haval H6 ranked first in sales volume in the SUV market for 79 months, while Haval F7 had an average monthly sales of over 10,000 units since its launch. The "Haval 5-2-1 Globalisation Strategy" was announced during the Year. The Haval brand has unveiled a new era. Its success has been attributable to its perseverance with market focus, and an integrity-based approach. With respect to the WEY brand, the Group rolled out the models "VV7GT", "VV7 PHEV" and "VV7GT PHEV". By continuing to launch new models, the Group maintained stable sales volume of automobiles under WEY brand; meanwhile, the Group strengthened brand marketing to enhance the WEY brand.

*(3) New energy vehicles*

During the Year, to establish ORA brand as a stylish, comfortable and smart vehicle representing the "new generation of compact electric cars", the Group innovated its marketing model with an end-user-oriented approach to develop products and continuously launch facelift and upgraded models in accordance with the needs of end-users. The ORA brand, being the vanguard of the Group's automobile innovative marketing and business mode reform, achieved a rapid growth in sales volume in 2019; in particular, "ORA R1" posted the fastest growth in sales volume in the A00 level new energy market segment.

***Domestic market***

During the Year, slowdown in the domestic economic growth, coupled with the Sino-US trade dispute had a relatively large impact on the domestic automobile industry. During the Year, sales volume in first-tier cities increased. In the low-end markets, which suffered greater impact from the slowdown in economic growth, the sales volume of automobiles declined significantly. At the same time, due to decrease in the industry's sales volume, price competition in the domestic automobile market further intensified; meanwhile the joint ventures' brands continued to lower the price of their car models, leading to more ferocious market competition.

In the face of changing market conditions, the Group continued to strengthen its brand building and launched more new models. During the Year, "Haval H6 GT", "Haval F7x", "2020 Haval H9" and "2020 VV6" were launched. In the second half of 2019, the Group introduced a new brand for pick-up trucks – "Great Wall Pao", under which passenger and commercial vehicle models were launched, thereby further enriching the pick-up truck category and enhancing the brand.

***Overseas markets***

During the Year, the Group's Tula factory in Russia was completed and put into operation, which greatly boosted the export sales volume of the Company. In addition, the Group also stepped up its overseas market promotional efforts, thus having achieved automobile export sales volume of 65,404 units, representing a year-on-year increase of 44.93%.

The Group's overseas research and development ("R&D") centres in Japan, South Korea, India, Germany, Austria and the United States had been in operation, enabling the Group to achieve global R&D, which facilitated rapid improvement in the Group's product quality.

The Group further fine-tuned the distribution channels of overseas markets. Vehicles under the Haval brand were being promoted in overseas markets. Meanwhile, the Group also actively explored other overseas markets with potential, in a bid to further boost its sales volume in future.

***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 2019, the Group launched two plug-in hybrid vehicles "VV7 PHEV" and "VV7GT PHEV" under the brand "WEY", which further enriched the Company's product portfolio of new energy vehicles.

***Global R&D system***

Great Wall Motor possesses world-class R&D equipment and system, as well as the development and design capabilities of three product categories, namely SUV, sedan and pick-up truck, as well as powertrain. With respect to technology development, the Group always adheres to "precise investment", focuses on effective R&D, and pursues industry leadership, thereby laying a solid foundation for sustainable independent innovation.

In the field of Internet of Vehicles and intelligent network, Great Wall Motor is building an open technological innovation platform to jointly promote the R&D of key technologies such as 5G, Internet of Things, self-driving, and Internet of Vehicles V2X etc. and to accelerate the industrialization of generic technologies.

On the aspect of intelligent network, in July 2019, the Group joined hands with eight strategic partners, namely Tencent, Alibaba's AutoNavi, Baidu, China Telecom, China Unicom, China Mobile, Huawei and Qualcomm, to establish a GTO (GreatWall Totally Online) total intelligent ecosystem and to develop, basing on 5G+AI technologies, experience-driven robots that bring full-lifecycle experience and services to users, thereby creating a new era of travel robots.

***Collaboration with BMW Holding ("BMW")***

On 29 November 2019, Spotlight Automotive, a joint project between the Company and BMW, officially kicked off in Zhangjiagang City, Jiangsu Province. This marks another milestone in the innovative cooperation between Great Wall Motor and BMW following the signing of a 50:50 joint venture agreement by both parties 2018 as in presence of the government officials of the PRC and Germany.

The project involved a total investment of RMB5.1 billion, with an annual standard production capacity of 160,000 units and approximately 3,000 employees. According to the plan, the products under the Spotlight Automotive project will be offered, by brand, on the respective sales and service networks of BMW and Great Wall Motor. The two parties will unswervingly continue to maintain a successful collaboration relationship with the existing sales and service network partners.

Leveraging the R&D capabilities and resources of both shareholders, Spotlight Automotive has achieved a new business model of "joint research and development of products to be made in China for the global market".

The kick-off ceremony marked the official implementation of the Spotlight Automotive project, and also started a new journey of collaboration between BMW Group and Great Wall Motor. The project will provide a strong support for Great Wall Motor's globalization strategy and set a new benchmark for Sino-foreign collaboration in future.

It is believed that with the Group's cooperation with BMW on technology and production, the Spotlight Automotive project will realize synergistic effect of "one plus one greater than two". Meanwhile, with further advancement of the Spotlight Automotive project, this new joint venture, which implies light, glory, cleanliness, energy and speed, will also open up a new pattern for the new energy vehicle industry.

## Launch of new products

During the Year, the Group rationalized its four major brands, namely Haval, WEY, Great Wall Pickup and ORA, and launched more new and facelift models, boosting the Group's sales volume to over 1,000,000 units.

The main car models launched in 2019 are as follows:

| Launch date | Car model | Model characteristics |
|---|---|---|
| February 2019 | Haval H6 Coupe Intelligent Connected Version | Equipped with the Haval intelligent networking system, the new model is powered by the golden combination of "1.5GDIT engine + 7DCT". It takes 9.7 seconds to accelerate from zero to 100 kilometres per hour and consumes 6.8 litres of fuel per 100 kilometres, reaching a perfect balance between power and fuel consumption. Safety features include 6 airbags, 360-degree surround view system, blind spot detection system and LED automatic headlights. |
| March 2019 | ORA R1 Goddess Edition | Built on the ME platform, a dedicated platform for electric vehicles rather than a "switching oil to electricity" platform, ORA R1 has core advantages over car body structure and three electric system, making it perfect for urban commuting. Designed to cater to stylish consumers, ORA R1 boasts a series of amenities to gratify drivers' needs. |
| April 2019 | Haval F7x | Positioned as "AI Smart SUV", Haval F7x integrates the fastback styling of a sport coupe in its exterior design that adapts to the taste of its youthful target customers with its high-tech style interior that takes inspiration from the spaceship cockpit to bring about an ultimate driving experience. Equipped with a fully-upgraded and driver-centred intelligent technology configuration including Level 2 autopilot system and the latest Haval intelligent networking system, the model is powered by a 1.5T or 2.0T engine with a maximum power of 165kW and peak torque of 385Nm and takes only 6.6 seconds to accelerate from zero to 100 kilometres per hour. |
| August 2019 | Haval H9-2020 | Positioned as "Smart All-Terrain SUV", Haval H9-2020 offers strong off-road performance featuring three differential locks, cruise control off-road and tank u-turn, advanced safety systems such as Level 2 autopilot system and Bosch Version 9.3 ESP, and upgraded intelligent technology including over-the-air software updating, dual-mode navigation and smart voice control. |

| Launch date | Car model | Model characteristics |
|---|---|---|
| August 2019 | Great Wall Pao | As the first product launched in the Age of Pick-up 3.0 that embraces a passenger-oriented trend, Great Wall Pao integrates the following five elements in the new ecological system: firstly, comfortability the same as passenger vehicles featuring multiple connecting rods, 8AT, sunroof, soft-touch interior coating, leather seats and fragrance; secondly, intelligent technology including Level 2 autopilot system that enables assisted driving, environment detection and decision-making as well as 360-degree surround view system, adaptive cruise control, intelligent front-view recognition system and 12 radar sensors; thirdly, network connection supported by the latest generation of vehicle networking solution that offers online navigation, online speech recognition, dynamic information service and remote control; fourthly, customization brought about by the world-leading flexible production lines in our smart plant in Chongqing to provide various personally tailored products; and fifthly, environmental friendliness achieved by adopting "China VI" vehicle emission standards in all of Great Wall Pao models and launching all-electric and hydrogen-fueled pick-ups in the future. |
| September 2019 | Haval H4 Pro | To emphasize its stylishness and smartness, H4 Pro has an improved appearance and interior as well as an upgraded configuration to include the Hi-Life intelligent network connection system. |
| October 2019 | Haval H4 Joy Edition (樂享版) | Haval H4 Joy Edition (樂享版) is equipped with the latest Haval intelligent networking system and a 1.5T turbocharged engine. |
| October 2019 | VV7 GT | The model comes with a sloped fastback style that is often featured in a GT, and is equipped with the new exhaust system, launch control and laser headlight to enhance driving safety. |
| November 2019 | VV7 PHEV | Powered by the combination of 2.0T engine + 7DCT, the model is equipped with the iBooster electromechanical brake booster and the ESP 9.3 system to achieve 100% brake energy regeneration. It consumes 1.6L of fuel per 100 kilometres and has a pure-electric cruising range of 70km. It can be accelerated to 100 kilometres per hour in 5.9 seconds under the unique launch control mode. As the flagship product of the WEY brand, VV7 PHEV is empowered by the Collie system that includes 43 leading intelligent safety technologies to provide all-round intelligent safety guarantee. |

| Launch date | Car model | Model characteristics |
|---|---|---|
| November 2019 | HAVAL F7-2020 | Powered by the golden combination of "1.5GDIT/2.0GDIT engine + 7DCT", this model, positioned as "AI Connected SUV" redefines the new generation of SUVs with its space age aesthetics design and powerful intelligent technology. |
| December 2019 | HAVAL H6 GT (newly introduced) | Introducing new level of power, the latest HAVAL H6 GT boasts a self-developed 2.0T turbocharged direct-injected engine coded "GW4C20B", which has been awarded as 2019 "Chinese Heart" Annual Top Ten Engines. |

In addition, at Shanghai International Automobile Industry Exhibition in April 2019, the Group showcased a number of SUV models including existing mass-produced models as well as new models to be launched in the future.

### Outlook

2020 is the last year of the 13th Five-Year Plan, and it is also a year of significant importance for the Company to embrace new challenges and achieve high-quality development.

China's automobile industry declined for two consecutive years, and with the impact of the COVID-19, there will be downward pressure on the economy. Against the backdrop of excess capacity elimination, inventory reduction and decline in consumption growth, the overall automobile market will continue to be volatile and on a downward trend in 2020.

Despite the continuous decline of the automobile industry in the past two years, the Company managed to achieve sales volume exceeding one million units.

Based in China, the Group will continue its global expansion. The Group's plant in Tula Oblast, Russia was completed and put into operation in 2019. In early 2020, the Group entered into agreements with General Motors for the acquisition of the latter's automobile factories in India and Thailand, a step signifying the Group's further development of the global market.

The Group is not only committed to constant expansion of the sales volume of its automobiles, but also its parts and components business. The Group currently has established Honeycomb Yichuang Technology Co., Ltd. ("Honeycomb Yichuang"), Nuobo Automotive Systems Co., Ltd. ("Nuobo Automotive Systems"), Mind Electronics Company Limited ("Mind Electronics") and Jingcheng Engineering Automotive Systems Co., Ltd. ("Jinggong Automotive"). These four parts and components companies continue to improve the quality of parts and components, expand external market business, which will become the growth pole of the Company's operating performance in the future.

In terms of new technologies, the Group actively utilizes new technologies and innovation to carry out in-depth cooperation with leading enterprises in the market such as Huawei, Baidu, Qualcomm etc. Meanwhile, the Group's in-house staff also actively conducts development and application of new technologies; the Group's autonomous driving technology had reached Level 2.

In future, the Group will continue to adhere to the open-minded innovation approach, working with the upstream and downstream enterprises as well as related parties to achieve collaborative development and innovation, thereby creating greater value for stakeholders.

The Group actively explores overseas markets. In 2019, the Group's plant in Tula Oblast, Russia commenced operation after completing the construction. At the same time, dealers in Ecuador, Malaysia and other places established KD (knock-down) factories. The Group can now achieve overseas CBU (completely built unit) production and KD assembly. The Group continues to step up its efforts in overseas market development. Through the establishment of overseas factories and subsidiaries, the Group continues to boost its exports. In addition, the Group will strengthen its brand marketing efforts in overseas markets, to continue to enhance its reputation and influence in overseas markets, paving the way for effective global marketing.

### New facilities

Completed and put into operation in June 2019, the Group's plant in Tula Oblast, Russia, will mainly be used to produce Haval H9 and Haval F7 models. Production of the plant is expected to help boost sales in Russia and extend the Group's reach into the Eastern European market.

The Group's plant in Yongchuan, Chongqing was completed and put into operation in August 2019, which will cover the southwestern market and the Yangtze River Economic Belt.

In July 2019, Honeycomb Yichuang and Jinggong Automotive under the Group entered into an investment cooperation agreement with the Yangzhong municipal government of Jiangsu province for the establishment of a plant in Yangzhong, which will produce engines, transmissions, electric drive systems, die-casting components and other products. Establishing a plant in Yangzhong also signifies an important step in the development of the Group's parts and components business, which will create greater value for the Company's employees, customers and shareholders and will contribute to the local economic development.

In addition, construction of the Company's plants in Taizhou, Rizhao and Pinghu has commenced.

### Four major parts and components companies

The Group has established Honeycomb Yichuang, Nuobo Automotive Systems, Jinggong Automotive and Mind Electronics. The core businesses of the aforesaid parts and components companies are as follows:

***Honeycomb Yichuang:***

Honeycomb Yichuang is one of China's major automotive parts and components companies, mainly providing automotive powertrain system solutions, including automotive engines, transmissions, decelerators, electric drives, smart steering, automated driving systems and other components. Honeycomb Yichuang adheres to the concept of "excessive R&D", and integrates the world's top R&D resources by establishing seven R&D centers in Baoding, Shanghai of China and the United States, Austria, India, South Korea, Japan etc. It has become one of the few automotive parts and components companies in China that can fully master the core technology of automotive engines and transmission with independent intellectual property rights.

The 1.5GDIT engine and 7DCT transmission developed by Honeycomb Yichuang won the "China Heart" Top 10 Engines and the "World Top 10 Transmissions" respectively. On 20 June 2019, Honeycomb Yichuang officially released the "I era" powertrain technology, including 4N20 engine, 9DCT transmission, 6001 series electric drive and other products.

A series of three-in-one electric drive assembly products (combining motor, electric control system, decelerators) developed by Honeycomb Yichuang are highly integrated, with high NVH performance and two-speed electric drive configuration, being compatible with EV and PHEV (P4) system. Being a cutting-edge technology in the industry, this "three-in-one" electric drive assembly can greatly reduce volume, weight and cost, thereby increasing the mileage of electric vehicles.

***Nuobo Automotive Systems:***

Nuobo Automotive Systems mainly produces four major types of products, namely automotive interior and exterior decoration products, car seats, and rubber products. It has an annual capacity of 1.5 million sets, a full-set production and service structure, as well as a complete production system. With a wide range of products and experience of stable large-batch production, it can meet the requirements of various customers. Nuobo Automotive's key business covers the latest products including seat assembly, door panel assembly, front-end framework, plastic fender, intake manifold and magnesium alloy mount etc.

***Jinggong Automotive:***

Jinggong Automotive is a global automotive parts and components supplier dedicated to diversification and engaged in the design, development and manufacturing of metal parts, components and modular products. The products included chassis systems, body systems, power systems, transmission systems and other related components and automated production equipment. The products are divided into three major categories according to their process characteristics, namely chassis, equipment and die-casting. The process involves cold stamping, hydroforming, welding, electrophoresis, machining, module assembly, aluminum alloy casting, mold casting, thermoforming, rolling, mold design and manufacturing, automation equipment design and integration, resource recovery and reuse etc.

***Mind Electronics:***

Mind Electronics includes three business segments, namely optoelectronics, thermal systems and electrical systems. By integrating automotive lighting and its electronic components, air conditioning, cooling modules and battery thermal management, automotive high-voltage and low-voltage wiring harnesses, Mind Electronics has 7 production bases and 4 R&D centers in Baoding, Xushui, Tianjin and Shanghai. With the continuous expansion of the Company's business, new production bases will be built in Chongqing and the eastern region in the future.

### Tax incentives for high-tech enterprises

In accordance with the Notice Regarding the Announcement of the First Batch of the List of High-tech Enterprises to be Identified in Hebei Province in 2019 (關於公示河北省2019年第一批擬認定高新技術企業名單的通知) issued by the Torch High-tech Industry Development Center of the Ministry of Science and Technology (科技部火炬高技術產業開發中心) on 10 September 2019, the Company was re-accredited as a high-tech enterprise in 2019 (valid for three years) and hence is entitled to a preferential income tax rate of 15% from 2019 to 2021.

## II. THE PRINCIPAL OPERATION DURING THE REPORTING PERIOD

During the Reporting Period, the total operating revenue, operating profit and net profit attributable to shareholders of the Company were RMB96,211 million, RMB4,777 million and RMB4,497 million,representing an decrease of 3.04%, an decrease of 23.35% and an decrease of 13.64%, respectively, as compared to the corresponding period of last year.

### (I) Analysis of principal business

#### *1. Analysis of changes in relevant items in income statement and cash flow statement*

*Unit: RMB Currency: RMB*

| Item | For the Current Period | For the corresponding period last year | Changes (%) | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|
| Total operating revenue | 96,210,688,818.80 | 99,229,987,202.20 | -3.04 | 101,169,488,827.86 | 98,615,702,427.24 | 76,033,142,505.96 |
| Operating revenue | 95,108,078,639.52 | 97,799,859,204.66 | -2.75 | 100,491,618,178.70 | 98,443,665,116.02 | 75,954,585,964.64 |
| Operating costs | 79,684,487,295.85 | 81,480,942,550.61 | -2.20 | 81,966,903,618.84 | 74,360,223,523.10 | 56,863,911,403.05 |
| Selling expenses | 3,896,669,879.09 | 4,575,198,601.16 | -14.83 | 4,406,397,762.23 | 3,175,424,411.26 | 2,841,565,090.40 |
| Administrative expenses | 1,955,453,366.52 | 1,676,303,700.58 | 16.65 | 1,598,465,449.58 | 1,394,460,474.44 | 1,269,994,881.03 |
| Research and development expenses | 2,716,220,367.89 | 1,743,379,055.09 | 55.80 | 3,364,573,281.17 | 3,180,236,419.29 | 2,760,609,085.70 |
| Financial expenses | -351,029,083.69 | -493,875,195.06 | – | 138,601,073.50 | -3,858,556.40 | 139,370,863.43 |
| Net cash flows from operating activities | 13,972,302,434.79 | 19,697,825,948.40 | -29.07 | -1,059,294,783.95 | 8,835,406,234.02 | 10,033,690,411.71 |
| Net cash flows from investing activities | -15,801,684,305.19 | -10,040,436,458.33 | – | -3,072,997,093.57 | -8,367,460,548.39 | -6,516,889,077.71 |
| Net cash flows from financing activities | 3,943,947,671.02 | -6,500,837,532.69 | – | 6,089,261,843.31 | -1,116,326,659.64 | -4,112,054,970.50 |

### 2. *Revenue and cost analysis*

√ Applicable ❑ Not applicable

Refer to the following table for details

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

*Unit: RMB Currency: RMB*

**Principal businesses by industries**

| Industry | Operating revenue | Operating costs | Gross profit margin (%) | Increase/ decrease in operating revenue over last year (%) | Increase/ decrease in operating costs over last year (%) | Increase/ decrease in gross profit margin over last year (%) |
|---|---|---|---|---|---|---|
| Automotive industry | 93,781,063,199.92 | 78,539,622,949.05 | 16.25 | -3.08 | -2.70 | decreased by 0.32 percentage point |

**Principal businesses by products**

| Product | Operating revenue | Operating costs | Gross profit margin (%) | Increase/ decrease in operating revenue over last year (%) | Increase/ decrease in operating costs over last year (%) | Increase/ decrease in gross profit margin over last year (%) |
|---|---|---|---|---|---|---|
| Sales of automobiles | 86,251,409,500.45 | 73,487,141,119.05 | 14.80 | -5.84 | -4.75 | decreased by 0.97 percentage point |
| Sales of automotive parts and components | 4,292,562,401.39 | 2,504,209,784.27 | 41.66 | 14.59 | 9.56 | increased by 2.68 percentage points |
| Sales of moulds and others | 652,205,754.59 | 511,484,525.69 | 21.58 | 41.36 | 34.56 | increased by 3.96 percentage points |
| Rendering of labour services | 2,584,885,543.49 | 2,036,787,520.04 | 21.20 | 170.11 | 125.60 | increased by 15.55 percentage points |

**Principal businesses by regions**

| Region | Operating revenue | Operating costs | Gross profit margin (%) | Increase/ decrease in operating revenue over last year (%) | Increase/ decrease in operating costs over last year (%) | Increase/ decrease in gross profit margin over last year (%) |
|---|---|---|---|---|---|---|
| The PRC | 88,278,009,284.68 | 73,688,195,217.66 | 16.53 | -5.55 | -5.31 | Decreased by 0.21 percentage point |
| Overseas | 5,503,053,915.24 | 4,851,427,731.39 | 11.84 | 66.96 | 66.99 | Decreased by 0.01 percentage point |

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

Description of principal businesses by industries, products and regions

√ Applicable ❑ Not applicable

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

The domestic business was mainly located in the mainland China.

*(2) Analysis of output and sales volume*

√ Applicable ❑ Not applicable

| Major product | Unit | Output | Sales volume | Inventory | Increase/ decrease in output over last year (%) | Increase/ decrease in sales volume over last year (%) | Increase/ decrease in inventory over last year (%) |
|---|---|---|---|---|---|---|---|
| Pick-up trucks | Unit | 170,675 | 164,861 | 8,377 | 18.79 | 12.73 | 224.69 |
| SUVs | Unit | 870,655 | 852,256 | 33,598 | 0.10 | -3.60 | 151.56 |
| Sedans (mostly new energy automobiles) | Unit | 45,439 | 41,531 | 4,697 | 225.59 | 210.05 | 470.02 |
| Total | Unit | 1,086,769 | 1,058,648 | 46,672 | 5.78 | 1.43 | 178.47 |

*(3) Cost analysis*

*Unit: RMB Currency: RMB*

**By industries**

| Industry | Cost item | Amount for the Current Period | Proportion to total costs for the Current Period (%) | Amount for the corresponding period last year | Proportion to total costs for the corresponding period last year (%) | Changes in the amount for the Current Period over the corresponding period last year (%) | Description |
|---|---|---|---|---|---|---|---|
| Automotive industry | Raw materials, labour wages, depreciation, energy, etc. | 78,539,622,949.05 | 98.56 | 80,722,599,578.15 | 99.07 | -2.70 | – |

**By products**

| Product | Cost item | Amount for the Current Period | Proportion to total costs for the Current Period (%) | Amount for the corresponding period last year | Proportion to total costs for the corresponding period last year (%) | Changes in the amount for the Current Period over the corresponding period last year (%) | Description |
|---|---|---|---|---|---|---|---|
| Finished automobiles | Raw materials, labour wages, depreciation, energy, etc. | 73,487,141,119.05 | 92.22 | 77,153,995,718.49 | 94.69 | -4.75 | – |
| Parts and components | Raw materials, labour wages, depreciation, energy, etc. | 2,504,209,784.27 | 3.14 | 2,285,641,404.34 | 2.80 | 9.56 | – |
| Moulds and others | Raw materials, labour wages, depreciation, energy, etc. | 511,484,525.69 | 0.64 | 380,119,063.21 | 0.47 | 34.56 | – |
| Labour services | Finished automobile maintenance service costs, transportation tolls, fuel costs, travel expenses, labour wages, etc. | 2,036,787,520.04 | 2.56 | 902,843,392.11 | 1.11 | 125.60 | – |

*(4) Major customers and suppliers*

√ Applicable ❑ Not applicable

*Unit: RMB Currency: RMB*

| Name of customer | Operating revenue | Proportion to total operating revenue of the Company (%) |
|---|---|---|
| Customer 1 | 3,797,884,732.40 | 3.95 |
| Customer 2 | 2,746,387,988.66 | 2.85 |
| Customer 3 | 1,369,504,145.71 | 1.42 |
| Customer 4 | 1,206,558,640.20 | 1.25 |
| Customer 5 | 1,107,027,830.89 | 1.15 |
| Total | 10,227,363,337.86 | 10.62 |

Sales to the five largest customers amounted to RMB10,227.3633 million, accounting for 10.62% of the total sales of the Year, in which sales of RMB0 came from the related parties, accounting for 0% of the total sales of the Year.

During the Year, sales to the Group's five largest customers accounted for less than 30% of the Group's annual total sales. The directors did not consider that any customer had significant influence on the Group.

None of the directors, their associates or any shareholders (which, to the knowledge of the directors, own more than 5% of the Company's issued share capital) were interested in the major customers mentioned above.

*Unit: RMB Currency: RMB*

| Name of supplier | Purchases | Proportion to total purchases for the Year (%) |
|---|---|---|
| Supplier 1 | 2,159,635,558.04 | 2.79 |
| Supplier 2 | 1,443,475,811.40 | 1.87 |
| Supplier 3 | 1,442,882,926.04 | 1.87 |
| Supplier 4 | 1,311,008,121.91 | 1.70 |
| Supplier 5 | 1,200,716,738.66 | 1.55 |
| Total | 7,557,719,156.05 | 9.78 |

Purchases from the five largest suppliers amounted to RMB7,557.7192 million, accounting for 9.78% of the total purchases of the Year, in which, purchases of RMB0 came from the related parties, accounting for 0% of the total purchases of the Year.

During the Year, purchases from the Group's five largest suppliers accounted for less than 30% of the Group's annual total purchases. The directors did not consider that any supplier had significant influence on the Group.

None of the directors, their associates or any shareholders (which, to the knowledge of the directors, own more than 5% of the Company's issued share capital) was interested in the major suppliers mentioned above.

### *3. Expenses*

√ Applicable ❑ Not applicable

| Items | 2019 | 2018 | Changes (%) | Reasons |
|---|---|---|---|---|
| Selling expenses | 3,896,669,879.09 | 4,575,198,601.16 | -14.83 | – |
| Administrative expenses | 1,955,453,366.52 | 1,676,303,700.58 | 16.65 | – |
| Research and development expenses | 2,716,220,367.89 | 1,743,379,055.09 | 55.80 | The change in research an development expenses was mainly due to the increase in research and development allocation. |
| Financial expenses | -351,029,083.69 | -493,875,195.06 | – | – |

### *4. Research and development expenses*

#### (1) Statement of research and development expenses

√ Applicable ❑ Not applicable

*Unit: RMB Currency: RMB*

| | |
|---|---|
| Research and development expenses for the Current Period | 2,173,032,714.38 |
| Research and development expenses capitalised for the Current Period | 2,075,406,194.73 |
| Total research and development expenses | 4,248,438,909.11 |
| Percentage of total research and development expenses over operating revenue (%) | 4.47 |
| Number of research and development employees of the Company | 17,603 |
| Percentage of the number of research and development employees over the total number of employees of the Company (%) | 29.46% |
| Percentage of research and development expenses capitalised (%) | 48.85 |

**(2) Description**

√ Applicable ❑ Not applicable

In 2019, the total research and development expenses of the Company amounted to RMB4.248 billion, representing a year-on-year increase of 7.31%.

The Company has always put a great emphasis on the research and development of new products and technologies, and will adhere to "precise investment". It seeks to continuously strengthen its position as a leading player in the industry by enhancing the efficiency of research and development, thus laying a solid foundation for consistent independent innovation. During the Reporting Period, the research and development expenses were mainly used in the research and development of complete buildup units, core parts and components as well as new energy technology. With our continuous efforts in research and development, we reaped satisfactory sales achievements from various new products.

In the "Notice on Publishing the Results of Appraisal by the National Enterprise Technology Center in 2019" issued by the National Development and Reform Commission in 2019, the Technology Center of Great Wall Motors was rated as an outstanding national enterprise technology center with a score of 92.8 for the fourth time in a row, ranking 2nd among all the enterprises being appraised in Hebei Province and 5th among all the automobile manufacturers.

As at 31 December 2019, the Company applied for a total of 10,243 patents at home and abroad, including 3,302 invention patents, 4,800 utility model patents and 2,141 design patents. A total of 7,512 patents were granted, including 1,386 invention patents, 4,207 utility model patents and 1,919 design patents.

### *5. Cash flow*

√ Applicable ❑ Not applicable

*Unit: RMB Currency: RMB*

| Items | 2019 | 2018 | Changes (%) | Reasons |
|---|---|---|---|---|
| Net cash flows from operating activities | **13,972,302,434.79** | 19,697,825,948.40 | -29.07 | The change in net cash flows from operating activities was mainly due to the decrease in cash received from sales of goods and the drop in gross margin during the Reporting Period. |
| Net cash flows from investing activities | **-15,801,684,305.19** | -10,040,436,458.33 | 57.38 | The change in net cash flows from investing activities was mainly due to the conversion of Tianjin Great Wall Binyin Automotive Finance Co., Ltd., a subsidiary of the Company, into a joint venture in June 2019 and the resulting transfer of its cash and bank balances at the end of the Reporting Period. |
| Net cash flows from financing activities | **3,943,947,671.02** | -6,500,837,532.69 | -160.67 | The change in net cash flows from financing activities was mainly due to the receipt of cash by Tianjin Great Wall Binyin Automotive Finance Co., Ltd. from its issuance of bonds. |

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

❑ Applicable √ Not applicable

## (III) Analysis of assets and liabilities

√ Applicable ❑ Not applicable

### *1. Assets and liabilities*

*Currency: RMB Unit: RMB*

| Item | Amount as at the end of the Current Period | Proportion to total assets for the amount as at the end of the Current Period (%) | Amount as at the end of the corresponding period last year | Proportion to total assets for the amount as at the end of the corresponding period last year (%) | Changes in the amount as at the end of the Current Period over the corresponding period last year (%) | Description | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|---|---|---|
| Cash and bank balances | 9,723,312,735.05 | 8.60 | 7,682,083,569.01 | 6.87 | 26.57 | – | 4,831,349,324.85 | 2,153,603,558.38 | 3,641,764,292.73 |
| Held-for-trading financial assets | 4,362,692,217.12 | 3.86 | 3,177,643,131.30 | 2.84 | 37.29 | The change in held-for-trading financial assets was mainly due to the increase in principal-guaranteed floating-income wealth management products | – | – | – |
| Derivative financial assets | 380,777.69 | 0.00 | – | – | 100.00 | Derivative financial assets as at the end of the Reporting Period represent the fair value of forward foreign exchange contracts signed by the Company. | – | – | – |
| Accounts receivable | 3,193,188,485.27 | 2.82 | 3,343,220,862.42 | 2.99 | -4.49 | – | 873,444,976.66 | 517,976,746.97 | 675,922,020.83 |
| Receivable financing | 31,445,748,809.31 | 27.80 | 31,883,667,949.34 | 28.52 | -1.37 | – | 49,075,108,590.70 | 39,786,248,863.34 | 28,161,748,218.41 |
| Prepayments | 441,162,238.54 | 0.39 | 440,800,952.34 | 0.39 | 0.08 | – | 579,536,182.06 | 1,057,180,423.77 | 880,716,835.91 |
| Other receivables | 946,974,372.15 | 0.84 | 651,737,776.25 | 0.58 | 45.30 | The change in other receivables was mainly due to the increase in receivables from land transfer receivables and export tax rebates receivable during the Reporting Period. | 326,247,513.83 | 263,429,992.67 | 116,771,548.65 |
| Inventories | 6,237,193,915.62 | 5.51 | 4,445,104,832.92 | 3.98 | 40.32 | The change in inventories was mainly due to the increase in vehicle inventory. | 5,574,771,949.63 | 6,061,138,217.68 | 4,119,805,909.61 |

| Item | Amount as at the end of the Current Period | Proportion to total assets for the amount as at the end of the Current Period (%) | Amount as at the end of the corresponding period last year | Proportion to total assets for the amount as at the end of the corresponding period last year (%) | Changes in the amount as at the end of the Current Period over the corresponding period last year (%) | Description | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|---|---|---|
| Non-current assets due within one year | 807,562,885.35 | 0.71 | 12,440,648,243.17 | 11.13 | -93.51 | The change in non-current assets due within one year was mainly due to the conversion of Tianjin Great Wall Binyin Automotive Finance Co., Ltd., a subsidiary of the Company, into a joint venture in June 2019, whereby the Company no longer consolidates its balance sheet items, resulting in a decrease in loans and advances to customers due within one year. | 7,447,875,069.05 | 1,201,702,064.95 | 1,023,694,956.31 |
| Other current assets | 11,343,946,670.26 | 10.03 | 2,061,386,494.00 | 1.84 | 450.31 | Other current assets mainly represent the Company's deposits deposited with Tianjin Great Wall Binyin Automotive Finance Co., Ltd. during the Reporting Period. | 267,000,053.72 | 1,448,753,670.80 | 1,769,572,570.82 |
| Current assets | 68,502,163,106.36 | 60.57 | 66,126,293,810.75 | 59.15 | 3.59 | – | 69,293,328,092.50 | 53,928,033,538.56 | 40,389,996,353.27 |
| Loans and advances to customers | – | – | 5,816,518,883.33 | 5.20 | -100.00 | The change of loans and advances to customers was due to the conversion of Tianjin Great Wall Binyin Automotive Finance Co., Ltd., a subsidiary of the Company, into a joint venture in June 2019, whereby the Company no longer consolidates its balance sheet items. | 4,428,694,699.29 | 3,076,249,652.50 | 561,063,510.14 |
| Long-term receivables | 1,295,037,499.26 | 1.15 | 145,875,825.39 | 0.13 | 787.77 | The change in long-term receivables was mainly due to the increase in finance lease receivables due over one year during the Reporting Period. | – | 1,361,193,481.58 | 1,613,829,351.48 |
| Long-term equity investments | 3,112,651,355.60 | 2.75 | – | – | 100.00 | The change in long-term equity investments as at the end of the Reporting Period was due to the fact that the Company's equity interest in its former subsidiary Tianjin Great Wall Binyin Automotive Finance Co., Ltd. recognized under the cost method was changed to long-term equity investment in it under the equity method as it was converted into a joint venture in June 2019. | – | – | 18,006,939.74 |

| Item | Amount as at the end of the Current Period | Proportion to total assets for the amount as at the end of the Current Period (%) | Amount as at the end of the corresponding period last year | Proportion to total assets for the amount as at the end of the corresponding period last year (%) | Changes in the amount as at the end of the Current Period over the corresponding period last year (%) | Description | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|---|---|---|
| Investment properties | 322,196,530.21 | 0.28 | 183,718,426.00 | 0.16 | 75.38 | The change in investment properties was due to the increase in the Group's rental properties during the Reporting Period. | 126,047,995.75 | 128,146,873.50 | 21,474,328.15 |
| Construction in progress | 2,247,372,266.06 | 1.99 | 4,405,617,743.58 | 3.94 | -48.99 | The change in construction in progress was mainly due to the transfer of construction in progress to fixed assets as a result of the commencement of production of Russia Haval Automobile Manufacturing Co., Ltd., a subsidiary of the Company, during the Reporting Period. | 4,878,838,563.57 | 4,859,178,711.02 | 6,240,538,917.53 |
| Right-of-use assets | 100,421,181.38 | 0.09 | – | – | 100.00 | The change in right-of-use assets was due to the recognition of right-to-use assets by the Group in accordance with the new lease accounting standards during the Reporting Period. | – | – | – |
| Intangible assets | 4,710,234,725.81 | 4.16 | 3,391,095,601.61 | 3.03 | 38.90 | The change in intangible assets was mainly due to the increase of intangible assets resulting from internal R&D. | 3,268,606,352.49 | 3,210,710,562.88 | 3,135,781,642.66 |
| Goodwill | – | – | 4,391,332.13 | 0.00 | -100.00 | The change in goodwill was due to the decrease in goodwill caused by the Company's sale of shares in its subsidiaries. | 2,163,713.00 | 4,972,730.90 | 2,163,713.00 |
| Short-term borrowings | 1,180,470,655.50 | 1.04 | 12,799,966,582.00 | 11.45 | -90.78 | The change in short-term borrowings was due to the decrease in short-term borrowings resulting from the conversion of Tianjin Great Wall Binyin Automotive Finance Co., Ltd., a subsidiary of the Company, into a joint venture in June 2019, whereby the Company no longer consolidates its balance sheet items. | 13,037,978,000.00 | 250,000,000.00 | 300,000,000.00 |
| Notes payable | 10,020,895,844.52 | 8.86 | 4,205,233,491.00 | 3.76 | 138.30 | The change in notes payable was mainly due to the increase in pledged notes issued for payables during the Reporting Period. | 3,879,647,201.41 | 4,164,982,676.22 | 5,480,528,560.69 |
| Accounts payable | 25,439,536,613.98 | 22.49 | 25,196,407,749.32 | 22.54 | 0.96 | – | 27,961,741,670.91 | 25,007,335,076.72 | 15,603,253,561.15 |
| Contract liabilities | 4,603,831,957.67 | 4.07 | 3,433,904,092.43 | 3.07 | 34.07 | The change in contract liabilities was mainly due to the increase in receipts in advance from sale of vehicles during the Reporting Period. | – | – | – |
| Employee benefits payable | 2,094,259,980.68 | 1.85 | 2,060,853,914.65 | 1.84 | 1.62 | – | 1,872,028,903.98 | 1,966,848,264.70 | 1,534,598,723.77 |

| Item | Amount as at the end of the Current Period | Proportion to total assets for the amount as at the end of the Current Period (%) | Amount as at the end of the corresponding period last year | Proportion to total assets for the amount as at the end of the corresponding period last year (%) | Changes in the amount as at the end of the Current Period over the corresponding period last year (%) | Description | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|---|---|---|
| Taxes payable | 1,511,983,833.95 | 1.34 | 2,551,412,583.25 | 2.28 | -40.74 | The change in taxes payable was mainly due to the decrease in VAT payable. | 2,308,154,256.08 | 1,978,393,497.86 | 979,247,478.39 |
| Other payables | 2,481,286,817.71 | 2.19 | 2,916,697,689.61 | 2.61 | -14.93 | – | 2,568,250,538.41 | 2,044,621,071.17 | 1,671,822,888.55 |
| Non-current liabilities due within one year | 3,179,995,453.40 | 2.81 | – | – | 100.00 | Non-current liabilities due within one year as at the end of the Reporting Period represent long-term borrowings and lease liabilities due within one year. | 142,533,396.22 | 105,170,607.29 | 83,299,009.08 |
| Other current liabilities | 4,087,539,918.81 | 3.61 | 1,214,941,169.33 | 1.09 | 236.44 | The change in other current liabilities was mainly due to the issuance of short-term bonds by the Company during the Reporting Period. | 1,653,117,141.98 | 1,422,960,496.15 | 1,195,842,038.07 |
| Current liabilities | 54,599,801,076.22 | 48.28 | 54,379,417,271.59 | 48.64 | 0.41 | – | 58,881,223,748.49 | 43,252,239,792.29 | 31,786,437,525.14 |
| Long-term borrowings | 1,205,655,653.71 | 1.07 | 2,157,805,500.00 | 1.93 | -44.13 | The change in long-term borrowings was mainly due to the reclassification of long-term borrowings due within one year into non-current liabilities due within one year during the Reporting Period. | 423,754,500.00 | 49,800,000.00 | 50,000,000.00 |
| Lease liabilities | 59,180,216.30 | 0.05 | – | – | 100.00 | The change in lease liabilities was due to the recognition of lease liabilities by the Group in accordance with the new lease accounting standards. | – | – | – |
| Deferred income tax liabilities | 489,414,659.97 | 0.43 | 252,949,267.07 | 0.23 | 93.48 | The change in deferred income tax liabilities was due to the auto parts companies affiliated to the Company making up for losses of previous years and the increase in taxable temporary difference arising from depreciation of fixed assets during the Reporting Period. | 20,613,845.65 | 2,328,903.31 | 1,094,276.88 |
| Other non-current liabilities | 150,164,008.01 | 0.13 | – | – | 100.00 | The change in other non-current liabilities was mainly due to the provision of long-term warranty service fees for the WEY brand during the Reporting Period. | – | – | – |

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

√ Applicable ❑ Not applicable

*Currency: RMB Unit: RMB*

| Item | Carrying amount at the end of the year | Cause of encumbrance |
|---|---|---|
| Cash and bank balances | 946,081,149.41 | Used as deposits of bank acceptance bills, L/C deposits, L/G deposits and others |
| Notes receivable | 9,287,029,931.21 | Used to issue notes payable |
| Intangible assets | 84,854,208.12 | Used to secure long-term borrowings |
| Long-term receivables | 418,452,646.96 | Used to secure long-term borrowings |
| Total | 10,736,417,935.70 | |

***3. Description of other matters***

❑ Applicable √ Not applicable

## (IV) Analysis of operation information by industries

√ Applicable ❑ Not applicable

Refer to the following table for details

**Analysis of operation information of automobile manufacturing industry**

***1. Production capacity***

√ Applicable ❑ Not applicable

*Current production capacity*

√ Applicable ❑ Not applicable

| Major factory | Designated production capacity (10,000 units) | Production capacity during the Reporting Period (10,000 units) | Utilisation rate of production capacity (%) |
|---|---|---|---|
| Baoding (including Xushui Vehicle Factory) | 70 | 59.30 | 84.71 |
| Tianjin | 30 | 46.97 | 156.57 |
| Chongqing | 16 | 1.91 | 11.94 |
| Russia | 8 | 0.27 | 3.38 |
| Total | 124 | 108.45 | 87.47 |

*Production capacity of factories under construction*

❑ Applicable √ Not applicable

*Calculation standards of production capacity*

√ Applicable ❑ Not applicable

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

***2. Output and sales volume of vehicles***

√ Applicable ❑ Not applicable

*By types of vehicles*

√ Applicable ❑ Not applicable

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

*By regions*

√ Applicable ❑ Not applicable

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

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

❑ Applicable √ Not applicable

The revenue from external sales of manufacturing of automotive parts and components accounted for 4.46% of the total operating revenue of the Company, which is not subject to disclosure.

### *4. New energy automobile business*

√ Applicable ❑ Not applicable

*Production capacity of new energy automobile*

√ Applicable ❑ Not applicable

Note: Currently, new energy products and traditional automobile products are manufactured on the same production line to share production capacity. The Company adopts a flexible approach to coordinate the production of these two types of products in response to market conditions.

*Output and sales volume of new energy automobiles*

√ Applicable ❑ Not applicable

| | Sales Volume (unit) | | | Production Volume (unit) | | |
|---|---|---|---|---|---|---|
| Car classification | Total for the year | Total for last year | Increase/ decrease (%) | Total for the year | Total for last year | Increase/ decrease (%) |
| New energy automobiles | 37,751 | 11,600 | 225.44 | 41,977 | 12,528 | 235.07 |

*Revenue from and subsidy for new energy automobile business*

√ Applicable ❑ Not applicable

*Unit: RMB Currency: RMB*

| Car classification | Revenue | Subsidy for new energy automobile business | Percentage (%) |
|---|---|---|---|
| New energy automobiles | 2,995,979,688.98 | 831,633,489.93 | 27.76 |

***5. Description of other matters***

❑ Applicable √ Not applicable

## (V) Analysis of investments

***1. General analysis of external equity investments***

√ Applicable ❑ Not applicable

During the Reporting Period, the total equity investment of the Group was RMB5,457,329,300, representing an increase of 109.30% as compared with RMB2,607,398,000 in the corresponding period of last year.

*(1) Major equity investment*

√ Applicable ❑ Not applicable

| Name of investee | Principal business | Investment amount (RMB10,000) | Percentage of shareholding |
|---|---|---|---|
| Jingcheng Engineering Automotive Systems Co., Ltd. (精誠工科汽車系統有限公司) | Manufacture, design, research and development, technical services, consulting services, sale and after-sales services of automotive parts, components and accessories ,vehicle bodies, instruments, moulds, jigs and gauges; research and development, design and manufacture of automated industrial transmission and control equipment, industrial robot integration and instrumentation systems; sale and transfer of technology, technology consultation and after-sales services of automated equipment; information technology consulting services; design, manufacture and sale of metal structures; recycling, processing and sales of waste metal, waste plastic, waste paper and other waste materials (excluding hazardous waste and chemicals); transportation of ordinary goods; warehousing (excluding flammable and explosive hazardous chemicals) services; leasing services of self-owned properties and equipment; proprietary and agency businesses of import and export of commodities other than the export businesses centrally and jointly monopolized by the State authorities and the import businesses traded by the State-approved companies; domestic trade agency services. | 38,118.14 | 100% |

| Name of investee | Principal business | Investment amount (RMB10,000) | Percentage of shareholding |
|---|---|---|---|
| Mind Electronics Company Limited (曼德電子電器有限公司) | Research and development, design, manufacture, sale and after-sales services of automotive parts, components and accessories, cooling and air-conditioning equipment, electronic components, lighting fixtures, wires and cables, transportation equipment, production gauges , moulds, automated industrial control systems and mechanical parts and components; transportation of ordinary goods and specialized transportation (vans); imports and exports of commodities and technologies (except for those prohibited by the State or for which administrative approval is required); technology consulting services; corporate governance consulting services; leasing of self-owned properties, facilities and equipment | 5,900.00 | 100% |
| Honeycomb Yichuang Technology Co., Ltd. (蜂巢易創科技有限公司) | Research and development, manufacture, examination, testing, trial production, design and technical services, consulting services, transfer of technology, sale and after-sales services of automotive parts, components and accessories, engines and relevant components, transmissions and relevant components, decelerators and relevant components, new energy generators and relevant components, new energy controllers and relevant components, smart steering systems and relevant components, automated driving systems and relevant components; manufacture of electrical and mechanical equipment; repair of automotive parts and components; transportation of ordinary goods; warehousing (excluding flammable and explosive hazardous chemicals) services; leasing of self-owned properties and equipment; proprietary and agency businesses of import and export of commodities other than the export businesses centrally and jointly monopolized by the State authorities and the import businesses traded by the State-approved companies; corporate image planning services; public relations services; conference services. | 195,716.00 | 100% |
| Baoding Yijian Start Automobile Sales Services Co., Ltd. (保定一見啟動汽車銷售服務有限公司) | Sale of automobiles; appraisement and sale of used cars; wholesale and retail of automotive accessories and components; leasing business; commercial factoring business; mortgage (excluding automobile finance business), licensing, transfer and annual examination service of automotive agency; corporate management consultation services; technical development, technical consulting, technical services and technical transfer in professional fields of Internet information technology, development of computer hardware and software, design, production, agency and publication of various advertisements, advertising via self-owned media, ecommerce, operation of telecommunication business, value-added telecommunication business, sale of electronic products, toys, daily necessities, computer hardware and software; and organization of Internet cultural activities, market information consulting and surveys. | 20,000.00 | 100% |

| Name of investee | Principal business | Investment amount (RMB10,000) | Percentage of shareholding |
|---|---|---|---|
| India Haval Automobile Private Co., Ltd. (印度哈弗汽車私人有限公司) | Import and export, sale, leasing and maintenance of automobiles, automotive parts and related products | 1,100.85 | 100% |
| Tianjin Great Wall Binyin Automotive Finance Co., Ltd. (天津長城濱銀汽車金融有限公司) | Accepting time deposits with a term of no less than three months from domestic shareholders; accepting security deposits from automobile dealers for automobile purchasing loans and from lease deposits from leasee for automobile leasing; issuing of financial bonds upon approval; engaging in inter-bank lending business; obtaining loans from financial institutions; providing automobile purchasing loans; offering loans to automobile dealers for purchasing automobiles and operating equipment, including construction of exhibition halls, loans to automotive parts and components as well as equipment maintenance; engaging in automobile finance leasing business (excluding sale and leaseback business); sale or repurchase of automobile loan receivables and automobile finance leasing receivables to or from financial institutions; engaging in sales and disposals of residual value of leased automobiles; engaging in consultation and agency business relating to automobile purchase financing activities; engaging in equity investment in financial institutions relating to automobile financial business, upon approval; and engaging in other businesses approved by the China Banking Regulatory Commission. | 90,000.00 | 94.29% |
| Nuobo Automotive System Co., Ltd. (諾博汽車系統有限公司) | Manufacturing, examination, design, research and developing as well as provision of technical, consulting and after-sales services of automotive parts and components, automotive accessories, automotive seats, rubber products and plastics products; manufacturing of mechanical and electrical equipment; processing and manufacturing of moulds; land transportation of ordinary goods; warehousing (excluding flammable and explosive hazardous chemicals) services; leasing of self-owned properties and equipment; proprietary and agency businesses of import and export of commodities other than the export businesses centrally and jointly monopolized by the State authorities and the import businesses traded by the State-approved companies. | 128,300.00 | 100% |

| Name of investee | Principal business | Investment amount (RMB10,000) | Percentage of shareholding |
|---|---|---|---|
| Changyou Haoche (Tianjin) Automobile Import and Export Co., Ltd. (常有好車(天津)汽車進出口有限公司) | Whole sale and retail of automobiles and parts, automobile fittings, arts and crafts, and daily necessities; warehousing agency services; online trading agency services; facilitation of car services; appraisement of used cars; development, consulting, transfer and services of network technologies and computer software and hardware technologies; design, production, agency and publishing of advertisement; web design; corporate management consultation; exhibition and display services; trade consulting services; import and export of commodities or technologies (except for those prohibited by the State or for which administrative approval is required); used car brokerage; used car rental services; and used car trading. | 1,997.94 | 100% |
| Tianjin Oula Financial Leasing Co., Ltd. (天津歐拉融資租賃有限公司) | Financial leasing business; leasing business; acquiring leased property domestically and overseas; concurrently engaging in commercial factoring business related to its principal businesses. | 43,500.00 | 100% |
| Haval Motor Manufacturing Russia Limited Liability Company (俄羅斯哈弗汽車製造有限公司) | 1. Marketing, sale, promotion as well as production and manufacturing of automobiles, automotive parts, components and accessories and any other relevant operating activities, including intermediary trading activities and foreign trading activities;<br>2. Providing technical maintenance and repair services for motor vehicles and other types of technical maintenance services for motor vehicles;<br>3. Carrying out financial intermediary activities in the sales of automobiles and commuting vehicles. | 2,100.00 | 100% |

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

❑ Applicable √ Not applicable

Note: A new energy intelligent transmission project with an annual production capacity of 500,000 units, Russian vehicle plant, and Chongqing automotive project have completed construction and commenced operations.

*(3) Financial assets measured at fair value*

√ Applicable ❑ Not applicable

*RMB*

| Item | 31 December 2019 |
|---|---|
| Financial assets classified as at fair value through profit or loss for the current period | **4,363,072,994.81** |
| Including: Debt instrument investments – Wealth management products | **4,286,106,393.12** |
| Equity instrument investments | **76,585,824.00** |
| Derivative financial assets | **380,777.69** |
| Financial assets at fair value through other comprehensive income | **31,445,748,809.31** |
| Including: receivables finance – notes receivable | **31,445,748,809.31** |
| Other equity instrument investments | **7,700,000.00** |
| Total | **35,816,521,804.12** |

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

√ Applicable ❑ Not applicable

The Company entered into an equity transfer agreement with Baoding Great Wall Holdings Co., Ltd. ("Great Wall Holdings") on 20 February 2019, pursuant to which the Company agreed to sell, and Great Wall Holdings agreed to acquire, 100% of equity interest in Tianjin Great Wall Car Sharing Service Co., Ltd. ("Great Wall Car Sharing"), a wholly-owned subsidiary of the Company, at a consideration of RMB464.18 million. The relevant procedures for changing industrial and commercial registration were already completed on 1 March 2019.

The Company and Baoding Great Machinery Co., Ltd. ("Great Machinery"), a subsidiary of the Company, entered into equity transfer agreements with Great Wall Car Sharing on 26 August 2019 respectively, pursuant to which the Company agreed to sell, and Great Wall Car Sharing agreed to acquire, Hebei Xiong'an Oula Sharing Technology Co., Ltd., a wholly-owned subsidiary of the Company, at a consideration of RMB70,000. The relevant procedures for changing industrial and commercial registration were already completed on 23 September 2019. Great Machinery, a subsidiary of the Company, agreed to sell, and Great Wall Car Sharing agreed to acquire, Beijing Forever Peace Information Consulting Co., Ltd., an indirect wholly-owned subsidiary of the Company, at a consideration of RMB7.5 million. The relevant procedures for changing industrial and commercial registration were already completed on 16 September 2019.

For details of the disposals, please refer to the relevant announcements published by the Company on 20 February 2019 and 26 August 2019 respectively.

## (VII) Acquisition

The Company entered into an equity transfer agreement with Great Wall Holdings on 26 August 2019, pursuant to which Great Wall Holdings agreed to sell, and the Company agreed to acquire, 100% of equity interest in Changyou Haoche (Tianjin) Automobile Import and Export Co., Ltd., a wholly-owned subsidiary of Great Wall Holdings, at a consideration of RMB19,979,360. The relevant procedures for changing industrial and commercial registration were already completed on 29 August 2019. For details, please refer to the relevant announcements published by the Company on 26 August 2019.

## (VIII) Major subsidiaries and investees

√ Applicable ❑ Not applicable

Information of subsidiaries and investees contributing more than 10% of net profit of the Company

*Unit: RMB Currency: RMB*

| Major subsidiaries and investees | Business nature | Registered capital | Proportion of shareholding (%) | Proportion of voting rights (%) | Total assets as at the end of the Year | Total net assets as at the end of the Year | Operating revenue for the Year | Operating profit for the Year | Net profit for the Year |
|---|---|---|---|---|---|---|---|---|---|
| Chongqing Haval Automobile Company Limited (重慶哈弗汽車有限公司) | Sale of automobiles | 5,000,000.00 | 100 | 100 | 4,011,140,227.10 | 1,145,359,447.27 | 36,590,572,776.82 | 1,103,049,504.17 | 1,008,165,940.65 |
| 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) | Sale of auto parts | 30,000,000.00 | 100 | 100 | 18,493,650,648.18 | 947,421,964.00 | 26,105,791,761.97 | 1,016,252,354.02 | 940,359,842.33 |
| Jingcheng Engineering Automotive Systems Co., Ltd. (精誠工科汽車系統有限公司) | Manufacture of automotive parts and components | 1,000,000,000.00 | 100 | 100 | 7,555,991,681.01 | 2,078,436,383.37 | 7,327,786,329.78 | 880,779,168.54 | 792,347,749.73 |
| Tianjin Great Wall Binyin Automotive Finance Company Limited (天津長城濱銀汽車金融有限公司) | Automotive Finance | 2,100,000,000.00 | 94.29 | 50 | 27,289,699,781.51 | 3,328,657,582.02 | 2,169,851,122.07 | 889,333,573.13 | 660,678,542.47 |
| Nuobo Automotive Systems Co., Ltd. (諾博汽車系統有限公司) | Manufacture of automotive parts and components | 2,283,000,000.00 | 100 | 100 | 6,472,234,131.03 | 3,038,319,639.40 | 5,337,745,185.67 | 721,726,766.45 | 651,965,426.27 |

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

❑ Applicable √ Not applicable

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

### (I) Landscape and development trend of the industry

√ Applicable ❑ Not applicable

***Industry landscape in 2019***

According to the data released by the China Association of Automobile Manufacturers, the production and sales volume of automobiles in China declined substantially to 25,721,000 units and 25,769,000 units respectively, representing a year-on-year decrease of 7.5% and 8.2%. Among these vehicles, the production and sales volume of passenger vehicles were 21,360,000 units and 21,444,000 respectively, representing a year-on-year decrease of 9.2% and 9.6%.

As far as the entire automotive industry is concerned, 9,367,700 units of SUV models were sold, representing a year-on-year decrease of 6.3%. In terms of market segments, 4,920,000 units of China-made SUV models were sold, representing a decrease of 15%, and the market share decreased to 52.6% from 58.0%. Industry competition is expected to intensify in the coming years as the selling prices of joint venture brands continue to fall and more products are being launched on the market.

***Market position of the Company***

Great Wall Motor ranked eighth in terms of total sales volume in 2019.

Haval SUV continued to outperform the domestic SUV market by topping the annual sales charts for the tenth time in a row in the domestic SUV market;

WEY became the first Chinese luxury brand with the sales of 300,000 units;

ORA R1, the main bestseller model under the ORA brand, achieved the highest sales growth rate in the new energy A00 segment market;

Pick-up trucks retained the title of the bestseller in terms of sales volume for 22 consecutive years.

***Future development of the automotive industry***

① Existing and new competitors will join the automotive industry, forcing companies to strive to improve their core competitiveness and continuously shorten the iteration cycle;

② The automotive industry is seeing collaboration between groups, showing a trend that features "participation involving various parties, and collaboration in competition";

③ A new round of technological revolution represented by the Internet, big data, cloud computing and artificial intelligence is driving a comprehensive transformation of the automotive industry;

④ As more companies regard "digital" as their core assets, new resources and new wealth, they carry out digital transformation with the purpose of increasing operational efficiency and boosting revenue growth, making this trend a strategic direction for many companies to grow;

⑤ The conventional model of creating sales as the main source of profits is changing rapidly, and the new feature has begun to emerge that the core along the industrial value chain is shifting backwards.

### (II) Development strategy of the Company

√ Applicable ❑ Not applicable

Focusing on SUVs, the Company aspires to build a world-class professional SUV brand and act as an active pathfinder, thereby becoming a global leader in the SUV industry.

As the trends of intellectualization, interconnection, energy cleanliness and sharing are sweeping the globe, the Company will step up its investment in advanced technology and provide its customers with integrated solutions to smart travel.

### (III) Operational plan

√ Applicable ❑ Not applicable

The Group's sales target for 2020 is 1,020,000 units.

Setting a foothold surpassing international benchmarks, Great Wall Motor will maintain its focus on product quality with delicate sensation and reliability as core elements. By strengthening the preliminary product planning, it will build up technology development capabilities and improve product capabilities on an ongoing basis;

The Company will deepen its global strategic planning and open a new chapter in the market with its multi-brand planning.

### (IV) Potential risks

√ Applicable ❑ Not applicable

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

1. with China's automotive market undergoing a transitional period, the oversupply of production capacity, brands and products and the increased competition in the automotive industry shall lead to the elimination of some of the automobile enterprises;

2. the direct relationship between the end consumers and automakers, internet companies and travel companies enabled by the maturity of vehicle networking technology has reduced the profitability of the traditional 4S store model and facilitated the transition towards the online and offline model in various forms;

3. the Group's new energy business, in the course of building up brand and developing products and technologies, faces enormous pressure from fuel consumption credits and operational costs due to the lack of competitiveness, the restriction on fuel consumption and the reduction in subsidies for the new energy sector;

4. "intellectualization", "interconnection", "cleanliness" and "sharing" have become the generally accepted future trends in the automotive industry. Realizing these trends requires disruptive innovation among automotive companies, which calls for a reconstruction of the research and development system and a disruption of creative thinking and product concepts.

5. the pandemic poses a potential rupture risk for global automobile industry chain, which will bring operation and management crisis to enterprises and mainly involve the procurement, production, sales and investment of enterprises, thus causing the risk of production capacity stagnation.

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

1. the Company will accelerate its global expansion by establishing systematic global management and organizational capabilities, so as to achieve breakthroughs in key overseas markets while ensuring incremental market growth;

2. sticking to its strategies of multi-brand operations and entire industry chain synergy, the Company provides customer-centered and high-quality service to increase brand awareness and value, thus creating a new "experience + business" oriented retail model to build up a new marketing ecosystem with an integration of online and offline channels;

3. to facilitate the implementation of the new energy plan, the Company will lay out resources for new energy technology to establish platforms for multiple brands and products with an emphasis on electric power while exploring hybrid and hydrogen energy;

4. the Company carries out digital transformation by digitalizing its design, production, sales and service process to increase the operational efficiency and quality of its main value chain.

5. the Company conducts analysis and prediction on the pandemic impact and proactively adjusts the operation strategy of the enterprise; builds up forward-looking healthy management system for employees to improve the swift response to the public health emergencies; reduces enterprise capital pressure through financial management measures; actively adjusts procurement and market strategy, such as taking into account multiple sources supply strategy and maintaining strategical safety reservoir scheme; shoulders social responsibility bravely to boost brand reputation; and establishes long-term mechanism to handle crisis and manage business continuity.

### (V) Others

❑ Applicable √ Not applicable

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

❑ Applicable √ Not applicable

# Section 6 Report of the Board

The Group is principally engaged in the design, research and development, manufacture and sale as well as distribution of SUVs, sedans, pick-up trucks and automobile-related parts and components. There was no significant change in the nature of the Group's principal business during the Year.

The subsidiaries of the Company established in the PRC during the year ended 31 December 2019 or in previous years are limited companies.

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

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

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

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

## III. RESULTS AND DIVIDENDS

The Group's operating results for the year ended 31 December 2019 and the financial positions of the Company and the Group for the year ended 31 December 2019 are set out in the audited financial statements.

Details of distribution of the final dividend for the year ended 31 December 2019 are set out under "Profit Distribution Plan for Ordinary Shares or Plan for Capitalisation of Capital Reserves" of Section 8 "Significant Events" of this report.

## IV. SHARE CAPITAL

Details of movements of the share capital of the Company as at 31 December 2019, together with the reasons for such movements, are set out under "Changes in Ordinary Shares and Shareholders" of section 9 of this report.

## V. FIXED ASSETS

Details of the fixed assets of the Group and the Company as at 31 December 2019 are set out in the audited financial report.

## VI. PRE-EMPTIVE RIGHTS

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

## VII. RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

## VIII. UNDISTRIBUTED PROFITS

As at 31 December 2019, pursuant to the Company Law and the Articles, the undistributed profits of the Group amounted to RMB38,345,853,094.28, and the final dividend for the year of 2019 proposed to be distributed amounted to RMB0.25 per share (tax inclusive). In addition, the capital premium and part of the capital reserves may be distributed through capitalisation issue in the future.

## IX. MAJOR CUSTOMERS AND SUPPLIERS

Please refer to the paragraphs headed "The Principal Operation during the Reporting Period" under item II of Section 5 of this report.

## X. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

## XI. MATERIAL CONTRACTS

Please refer to the paragraphs headed "Disposal of major assets and equity interest" under item II "The Principal Operation during the Reporting Period" in Section 5 of this report.

## XII. MANAGEMENT CONTRACTS

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

## XIII. DIRECTORS' AND SUPERVISORS' INTERESTS IN SECURITIES

As at 31 December 2019, the interests and short positions of each of the directors, supervisors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning as defined in Part XV of the SFO), which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register required to be kept as referred to in Section 352 of the SFO (including the interests and short positions which they were taken or deemed to have under such provisions of the SFO) or were otherwise required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code as set out in Appendix 10 to the Hong Kong Listing Rules, were as follows:

| Name of director/ supervisor | Capacity/ nature of interest | Number of shares | Approximate percentage of A Shares (%) | Approximate percentage of H Shares (%) | Approximate percentage of total number of shares (%) |
|---|---|---|---|---|---|
| Mr. Wei Jian Jun | Interests in controlled companies | 5,115,000,000 (L) (A Shares) | 84.86 | – | 56.04 |
| Mr. Wei Jian Jun | Interests in controlled companies | 30,018,500 (L) (H Shares) | – | 0.97 | 0.33 |
| Total | | 5,145,018,500 (L) (A Shares and H Shares) | – | – | 56.37 |

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

## XIV. INTERESTS IN CONTROLLED COMPANIES

As at 31 December 2019, 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 was deemed to be interested in the 5,115,000,000 A Shares held by Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司) and the 30,018,500 H Shares held by Baoding Great Wall Holdings Company Limited (保定市長城控股集團有限公司).

Save as disclosed above, so far as the directors of the Company are aware, as at 31 December 2019, none of the directors, supervisors or chief executives of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register required to be kept as referred to in Section 352 of the SFO or were otherwise required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code. For this purpose, the relevant provisions of the SFO shall be construed as if they were applicable to the supervisors.

## XV. SHAREHOLDING STRUCTURE AND NUMBER OF SHAREHOLDERS

Please refer to Section 9 "Changes in Ordinary Shares and Shareholders" of this report.

## XVI. SHARES HELD BY SUBSTANTIAL SHAREHOLDERS (SFO REQUIREMENTS)

Please refer to Section 9 "Changes in Ordinary Shares and Shareholders" of this report.

## XVII. PUBLIC FLOAT

Based on the public information available to the Company prior to the publication of this report and to the knowledge of the directors of the Company, the directors of the Company confirmed as at 31 December 2019, there was sufficient public float with approximately 43.63% of the issued share capital of the Company held by the public.

## XVIII. CONNECTED TRANSACTIONS

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

1. in the ordinary and usual course of business of the Group;

2. either on normal commercial terms or, if there are no sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties;

3. in accordance with the relevant agreements governing them; and

4. on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

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

The related party transactions and the connected transactions conducted by the Group during the Year have been complied with the reporting, annual review, announcement and independent shareholders' approval as required under Chapter 14A of the Hong Kong Listing Rules.

## XIX. REMUNERATION POLICIES

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

### Directors

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

### Non-executive directors

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

### Employees

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

## XX. UNCLAIMED DIVIDENDS

As at 31 December 2019, the Company's unclaimed dividends are shown below:

| Dividends | Unclaimed dividends (number of cases) | Unclaimed amount (in HK$) |
|---|---|---|
| 2013 final dividends | 46 | 88,296.98 |
| 2014 final dividends | 53 | 103,754.18 |
| 2015 interim dividends | 52 | 28,830.09 |
| 2015 final dividends | 54 | 68,691.41 |
| 2016 final dividends | 54 | 120,117.41 |
| 2017 final dividends | 59 | 74,523.09 |
| 2018 final dividends | 65 | 132,394.62 |

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

## XXI. MATERIAL LITIGATIONS

During the Year, the Company was not involved in any material litigation.

## XXII. PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

There was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries during the Year.

## XXIII. CORPORATE GOVERNANCE

To the knowledge of the Board, the Company has complied with all the code provisions in the Corporate Governance Code as set out in Appendix 14 to the Hong Kong Listing Rules during the Year. The Corporate Governance Report sets out a summary of the corporate governance practices of the Company and, if any, the explanation of deviation from the Corporate Governance Code set out in the Hong Kong Listing Rules.

## XXIV. ENVIRONMENT AND SOCIAL RESPONSIBILITIES

For details of environmental policy and social responsibility during the Year, please refer to the Corporate Social Responsibility Report for 2019 of Great Wall Motor Company Limited (《長城汽車股份有限公司2019年度社會責任報告》) published on the websites of the Shanghai Stock Exchange (www.sse.com.cn) and the Hong Kong Stock Exchange (www.hkexnews.hk).

## XXV. DESCRIPTION OF OTHER MATTERS

During the Reporting Period, the Company has complied with relevant laws and regulations that have significant impacts on the Company.

## XXVI. AUDIT COMMITTEE

The Company has set up the Audit Committee for the purposes of reviewing and supervising 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 23 April 2020, the Audit Committee reviewed the 2019 annual report and financial report of the Group and gave their opinions and recommendations to the Board of the Company. The Audit Committee is of the opinion that the 2019 annual report and financial report of the Company comply with the applicable accounting standards and the Company has made appropriate disclosure thereof.

## XXVII. REMUNERATION COMMITTEE

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

## XXVIII. NOMINATION COMMITTEE

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

## XXIX. STRATEGY COMMITTEE

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

## XXX. COMPLIANCE WITH THE MODEL CODE

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

## XXXI. AUDITOR

Deloitte Touche Tohmatsu Certified Public Accountants LLP (special general partnership) was the Company's external auditor for the year ended 31 December 2019. A resolution for the re-appointment of Deloitte Touche Tohmatsu Certified Public Accountants LLP as the Company's external auditor will be proposed at the annual general meeting. There was no change in the auditor of the Company in any of the preceding three years. For details, please refer to Section 12 "Corporate Governance Report" of this report.

# Section 7 Report of the Supervisory Committee

To all shareholders:

During the year 2019, all members of the Supervisory Committee of the Company adhered strictly to the requirements of the Company Law of the PRC and the Articles, discharged their supervisory duties in accordance with the relevant regulations and, actively as well as cautiously, proceeded with various initiatives to safeguard the interests of the Company and all its shareholders based on the principle of integrity. The Supervisory Committee played an effective role in ensuring the formalised operation and sustainable development of the Company.

## I. MEETINGS AND RESOLUTIONS OF THE SUPERVISORY COMMITTEE

| Session of meeting | Date of meeting | Resolution |
|---|---|---|
| The 9th meeting of the 6th session of the Supervisory Committee | 20 February 2019 | The proposals on equity transfers and related party (connected) transactions of the Company, contemplated ordinary related party transactions in 2019-2021, connected transactions on purchase of products and the proposed annual cap in 2019-2021, connected transactions on sale of products and the proposed annual cap in 2019-2021, and connected transactions on purchase of services and the proposed annual cap in 2019-2021 were considered and approved |
| The 10th meeting of the 6th session of the Supervisory Committee | 22 March 2019 | The proposals on the Company's audited financial report for 2018, report of the Supervisory Committee for 2018, profit distribution plan for 2018, annual report for 2018 and its summary, appointment of the accounting firm, internal control self-evaluation report for 2018, social responsibility report for 2018, and the election of Ms. Liu Qian as an independent supervisor of the sixth session of the Supervisory Committee were considered and approved |
| The 11th meeting of the 6th session of the Supervisory Committee | 29 April 2019 | The proposals on the first quarterly report for 2019 and changes in accounting policies were considered and approved |
| The 12th meeting of the 6th session of the Supervisory Committee | 24 June 2019 | The proposal on deposits with Tianjin Great Wall Binyin Automotive Finance Company Limited and related party transaction of the Company was considered and approved |

| Session of meeting | Date of meeting | Resolution |
|---|---|---|
| The 13th meeting of the 6th session of the Supervisory Committee | 26 August 2019 | The proposals on the Company's interim report for 2019 and its summary, the transfer of equity interest in Hebei Xiong'an Oula Sharing Technology Co., Ltd. and related party (connected) transaction, the transfer of equity interest in Beijing Forever Peace Information Consulting Company Limited and related party (connected) transaction, the acquisition of equity interest in Changyou Haoche (Tianjin) Automobile Import & Export Company Limited and related party (connected) transaction, and the capital increase in Tianjin Great Wall Binyin Automotive Finance Company Limited and related party transaction were considered and approved |
| The 14th meeting of the 6th session of the Supervisory Committee | 6 September 2019 | The proposals on the Company's restricted share and share option incentive scheme for 2019 (draft) and its summary, the assessment measures on restricted share and share option incentive scheme for 2019, and the management measures on long-term incentive mechanism were considered and approved |
| The 15th meeting of the 6th session of the Supervisory Committee | 27 September 2019 | The proposals on the Company's restricted share and share option incentive scheme for 2019 (first revised draft) and its summary, the assessment measures on restricted share and share option incentive scheme for 2019 (revised), and the management measures on long-term incentive mechanism (revised) were considered and approved |
| The 16th meeting of the 6th session of the Supervisory Committee | 10 October 2019 | The proposal on review and announcement of the list of participants to the restricted share and share option incentive scheme for 2019 was considered and approved |
| The 17th meeting of the 6th session of the Supervisory Committee | 25 October 2019 | The proposal on the third quarterly report for 2019 was considered and approved |
| The 18th meeting of the 6th session of the Supervisory Committee | 9 December 2019 | The proposal on additional deposits with Tianjin Great Wall Binyin Automotive Finance Company Limited and other ordinary related party transactions of the Company was considered and approved |

## II. TASKS OF THE SUPERVISORY COMMITTEE DURING THE REPORTING PERIOD

During the Reporting Period, the members of the Supervisory Committee not only attended the regular Board meetings of the Company in 2019, but also duly supervised and monitored the financial affairs of the Company, operation decisions made by the management, operation of the Company in accordance with the law and the discharge of duties by the directors and the senior management of the Company. The Supervisory Committee is of the opinion that:

1. The Company and its subsidiaries were not involved in any violation of the Company Law, the Articles, the relevant accounting standards, and the laws and regulations of the PRC during their operation in 2019. Acquisitions of assets and connected transactions of the Company were fair and reasonable, and did not prejudice the interests of other shareholders and the Company, nor were there any significant deficiencies in the design or execution of the Company's internal control system. The Company's internal control system was sound and effectively executed.

2. The directors and senior management of the Company have discharged their duties with commitment, due observance of the law, well-regulated management, innovation, and high regard for all shareholders' interest during 2019 and there was no violation of the Company Law, the Articles, the relevant accounting standards, and the laws and regulations of the PRC.

3. The accounting firm issued a standard and unqualified auditor's report. The Company's financial statements reflected a true view of the financial positions of the Group and the Company as at 31 December 2019, and the results of the Group for the year then ended.

4. The Company disclosed information strictly in accordance with relevant provisions of the regulatory authorities and its information disclosure system. The information disclosed by the Company was true, accurate and complete. There was no information which should be disclosed but was not disclosed by the Company.

By Order of the Supervisory Committee
**Chen Biao**
*Supervisor*

Hebei Province, the PRC, 24 April 2020

# Section 8 Significant Events

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

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

√ Applicable ❑ Not applicable

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

During the Reporting Period, the resolution regarding the profit distribution proposal for the year 2018 (《關於2018年度利潤分配方案的議案》) was considered and approved at the 2018 annual general meeting of the Company. Based on the total share capital of 9,127,269,000 shares as at 31 December 2018, a final cash dividend of RMB0.29 for every share (tax inclusive) would be paid, amounting to RMB2,646,908,010.00 in total. On 27 May 2019, the Board of the Company published the Announcement on the Implementation of the Profit Distribution Plan for A Shares of Great Wall Motor Company Limited for the Year of 2018 (《長城汽車股份有限公司2018年度A股利潤分配實施公告》) on China Securities Journal, Shanghai Securities News and the website of the Shanghai Stock Exchange. The announcement was also published on the website of the Hong Kong Stock Exchange in the form of overseas regulatory announcement. The distribution of dividend to A Shareholders was completed on 31 May 2019. Meanwhile, the dividend for H Shareholders of the Company was distributed in accordance with the relevant requirements of the Hong Kong Stock Exchange.

### (II) Plan or proposal for profit distribution or capitalisation of capital reserves of the Company in ordinary shares in the last three years (including the Reporting Period)

*Unit: RMB Currency: RMB*

| Year of distributed | Number of bonus shares for every 10 shares (share) | Dividend for every 10 shares (RMB) (Tax inclusive) | Number of scrip shares for every 10 shares (share) | Total amount of cash dividend (Tax inclusive) | Net profits attributable to ordinary shareholders of the Company in the consolidated financial statements for the year during which dividend was distribution | Ratio of the net profits attributable to ordinary shareholders of the Company in the consolidated financial statements (%) |
|---|---|---|---|---|---|---|
| 2019 | 0 | 2.5 | 0 | 2,281,817,250.00 | 4,496,874,893.92 | 50.74 |
| 2018 | 0 | 2.9 | 0 | 2,646,908,010.00 | 5,207,313,967.76 | 50.83 |
| 2017 | 0 | 1.7 | 0 | 1,551,635,730.00 | 5,027,297,997.74 | 30.86 |

### (III) Cash dividend by share repurchase offer in cash

❑ Applicable √ Not applicable

### (IV) If the Parent recorded profits distributable to the ordinary shareholders during the Reporting Period, but has not proposed any plans or proposals for distribution of cash dividend for the ordinary shares, it shall disclose the reasons for non-distribution as well as the use of and future plans for the undistributed profits in detail

❑ Applicable √ Not applicable

### (V) Other matters

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

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

## II. PERFORMANCE OF UNDERTAKINGS

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

√ Applicable ❑ Not applicable

| Background of undertakings | Type of undertakings | Undertaking party | Description of undertakings | Date and duration of undertakings | Any time frame for performance (yes/no) | Strict and timely performance (yes/no) | Reasons for failure of performance (if undertakings cannot be performed in a timely manner) | Description of next step plan (if undertakings cannot be performed in a timely manner) |
|---|---|---|---|---|---|---|---|---|
| Undertakings relating to the initial public offering | Resolving related party transaction | Great Wall Motor Company Limited | Since 1 January 2012, Great Wall Motor Company Limited (長城汽車股份有限公司) has ceased to enter into any transactions relating to automotive parts and components with Hebei Baoding Tai Hang Group Company Limited (河北保定太行集團有限責任公司) and Baoding Tai Hang Pump Manufacturing Company Limited (保定市太行製泵有限公司). | From 1 January 2012, permanent | No | Yes | | |
| | Resolving business competition of the same industry | Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司) | 1. Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司) is not directly or indirectly engaged in any Competing Business. | From 10 December 2010, permanent | No | Yes | | |

| 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 in a timely manner) | Description of next step plan (if undertakings cannot be performed in a timely manner) |
|---|---|---|---|---|---|---|---|---|
| | | | 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 a related party that has control over Great Wall Motor Company Limited (長城汽車股份有限公司), its directly or indirectly controlled subsidiaries would not in any way, directly or indirectly, engage in any existing or potential Competing Business. | | | | | |
| | | | 3. Subject to the same conditions, Great Wall Motor Company Limited (長城汽車股份有限公司) shall have the right of first refusal on 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. | | | | | |

| 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 in a timely manner) | Description of next step plan (if undertakings cannot be performed in a timely manner) |
|---|---|---|---|---|---|---|---|---|
| | Resolving business competition of the same industry | Wei Jian Jun | 1. The subsidiaries directly or indirectly controlled by Mr. Wei Jian Jun are not directly or indirectly engaged in any Competing Business.<br><br>2. As long as Mr. Wei Jian Jun remains 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.<br><br>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 on the investment or other business opportunities relating to the Competing Businesses that the subsidiaries directly or indirectly controlled by Mr. Wei Jian Jun will pursue or may get in the future. | From 10 December 2010, permanent | No | Yes | | |

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

❑ Yes ❑ No √ Not applicable

**(III) Fulfilment of performance undertakings and their impact on goodwill impairment testing**

❑ Applicable √ Not applicable

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

❑ Applicable √ Not applicable

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

❑ Applicable √ Not applicable

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

**(I) Explanation of the Company for the reasons for and effects of changes in the accounting policies and accounting estimates**

√ Applicable ❑ Not applicable

Please refer to "28. Changes in significant accounting policies" of "(III) Significant Accounting Policies and Accounting Estimates" in the Auditor's report.

**(II) Explanation of the Company for the reasons for and effects of remedies for major accounting errors**

❑ Applicable √ Not applicable

**(III) Communication with the former accounting firm**

❑ Applicable √ Not applicable

**(IV) Other explanations**

❑ Applicable √ Not applicable

## VI. APPOINTMENT AND DISMISSAL OF ACCOUNTING FIRM

*Unit: RMB Currency: RMB*

| | Current appointment |
|---|---|
| Name of local accounting firm | Deloitte Touche Tohmatsu Certified Public Accountants LLP (special general partnership) |
| Remuneration for local accounting firm | 2,311,320.75 |
| Audit years of local accounting firm | 10 years |

| | Name | Remuneration |
|---|---|---|
| Accounting firm for internal control audit | Deloitte Touche Tohmatsu Certified Public Accountants LLP (special general partnership) | 330,188.68 |

### Description of appointment and dismissal of accounting firm

√ Applicable ❑ Not applicable

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

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

❑ Applicable √ Not applicable

## VII. RISKS OF SUSPENSION OF LISTING

### (I) Reasons for suspension of listing

❑ Applicable √ Not applicable

### (II) Measures to be adopted by the Company

❑ Applicable √ Not applicable

## VIII. DELISTING AND ITS REASONS

❑ Applicable √ Not applicable

## IX. BANKRUPTCY AND RESTRUCTURING

❑ Applicable √ Not applicable

## X. MATERIAL LITIGATION AND ARBITRATION

❑ The Company was involved in material litigation and arbitration during the Year
√ The Company was not involved in material litigation and arbitration during the Year

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

❑ Applicable √ Not applicable

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

❑ Applicable √ Not applicable

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

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

❑ Applicable √ Not applicable

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

***Share Incentive Scheme***

❑ Applicable √ Not applicable

***Other descriptions***

√ Applicable ❑ Not applicable

**2019 Restricted Share and Share Option Incentive Scheme of Great Wall Motor Company Limited**

On 6 September 2019, the Company held the twenty-third meeting of the sixth session of the Board and the fourteenth meeting of the sixth session of the Supervisory Committee, in which the Resolution on the 2019 Restricted Share and Share Option Incentive Scheme (Draft) of Great Wall Motor Company Limited and its Summary, the Resolution on the Appraisal Measures for Implementation of the 2019 Restricted Share and Share Option Incentive Scheme of Great Wall Motor Company Limited, the Resolution on the Administrative Measures for Long-term Incentive Mechanism of Great Wall Motor Company Limited, and the Resolution on the Proposed Authorisation at a General Meeting to the Board and its Authorised Persons to Deal with Matters Relating to the 2019 Restricted Share and Share Option Incentive Scheme of the Company at Their Full Discretion were considered and approved.

On 27 September 2019, the Company held the twenty-fourth meeting of the sixth session of the Board and the fifteenth meeting of the sixth session of the Supervisory Committee, in which the Resolution on the 2019 Restricted Share and Share Option Incentive Scheme (the First Amended Draft) of Great Wall Motor Company Limited and its Summary, the Resolution on the Appraisal Measures for Implementation of the 2019 Restricted Share and Share Option Incentive Scheme of Great Wall Motor Company Limited (Amended), the Resolution on the Administrative Measures for Long-term Incentive Mechanism of Great Wall Motor Company Limited (Amended), and the Resolution on the Proposed Authorisation at a General Meeting to the Board and its Authorised Persons to Deal with Matters Relating to the 2019 Restricted Share and Share Option Incentive Scheme of the Company at Their Full Discretion were considered and approved.

On 25 October 2019, the Company held its fourth extraordinary general meeting in 2019, the second H Shareholders' Class Meeting in 2019 and the second A Shareholders' Class Meeting in 2019, in which the Resolution on the 2019 Restricted Share and Share Option Incentive Scheme (the First Amended Draft) of Great Wall Motor Company Limited and its Summary, the Resolution on the Appraisal Measures for Implementation of the 2019 Restricted Share and Share Option Incentive Scheme of Great Wall Motor Company Limited (Amended), and the Resolution on the Proposed Authorisation at a General Meeting to the Board and its Authorised Persons to Deal with Matters Relating to the 2019 Restricted Share and Share Option Incentive Scheme of the Company at Their Full Discretion were considered and approved at the fourth extraordinary general meeting in 2019 and the second A Shareholders' Class Meeting in 2019. The Resolution on the 2019 Restricted Share and Share Option Incentive Scheme (the First Amended Draft) of Great Wall Motor Company Limited and its Summary, the Resolution on the Appraisal Measures for Implementation of the 2019 Restricted Share and Share Option Incentive Scheme of Great Wall Motor Company Limited (Amended), and the Resolution on the Proposed Authorisation at a General Meeting to the Board and its Authorised Persons to Deal with Matters Relating to the 2019 Restricted Share and Share Option Incentive Scheme of the Company at Their Full Discretion were considered but not approved at the second H Shareholders' Class Meeting in 2019. Accordingly, the resolutions above were not passed after deliberation.

Pursuant to the Administrative Measures for Share Incentives of Listed Companies, the Company will not consider the share incentive scheme again within 3 months from 25 October 2019.

On 30 January 2020, the Company held the 29th meeting of the sixth session of the Board and the 19th meeting of the sixth session of the Supervisory Committee, at which the Resolution on the Restricted Share and Share Option Incentive Scheme for 2020 (Draft) and its Summary of Great Wall Motor Company Limited, the Resolution on Appraisal Measures for Implementation of the 2020 Restricted Share and Share Option Incentive Scheme of Great Wall Motor Company Limited, the Resolution on the Administrative Measures for Long-term Incentive Mechanism of Great Wall Motor Company Limited, and the Resolution on the Proposed Authorisation at a General Meeting to the Board and its Authorised Persons to Deal with Matters Relating to the 2020 Restricted Share and Share Option Incentive Scheme of the Company at Their Full Discretion were considered and approved.

On 13 March 2020, the Company held the 31st meeting of the sixth session of the Board and the 20th meeting of the sixth session of the Supervisory Committee, at which the Resolution on the 2020 Restricted Shares and Share Option Incentive Scheme (the First Amended Draft) of Great Wall Motor Company Limited and its Summary, the Resolution on Appraisal Measures for Implementation of the 2020 Restricted Shares and Share Option Incentive Scheme (Amended) of Great Wall Motor Company Limited, and the Resolution on the Administrative Measures for Long-term Incentive Mechanism (Amended) of Great Wall Motor Company Limited, were considered and approved.

On 15 April 2020, the Company held the first extraordinary general meeting in 2020, the first H Shareholders' Class Meeting in 2020 and the first A Shareholders' Class Meeting in 2020, at which the Resolution on the 2020 Restricted Share and Share Option Incentive Scheme (the First Amended Draft) of Great Wall Motor Company Limited and its Summary, the Resolution on Appraisal Measures for Implementation of the 2020 Restricted Shares and Share Option Incentive Scheme (Amended) of Great Wall Motor Company Limited, and the Resolution on the Administrative Measures for Long-term Incentive Mechanism (Amended) of Great Wall Motor Company Limited, were considered and approved.

For details, please refer to the relevant announcements dated 6 September 2019, 27 September 2019, 25 October 2019, 30 January 2020, 13 March 2020 and 15 April 2020 published by the Company on the designated media for information disclosure.

***Employee Incentive Scheme***

❑ Applicable √ Not applicable

***Other incentives***

❑ Applicable √ Not applicable

## XIV. MATERIAL RELATED PARTY TRANSACTIONS

### (I) Related party transactions relating to daily operations

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

❑ Applicable √ Not applicable

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

❑ Applicable √ Not applicable

*1. The Company and Great Wall Holdings*

The 16th meeting of the sixth session of the Board was held by the Company on 20 February 2019, at which the Proposal on the Contemplated Ordinary Related Party Transactions for 2019-2021 was approved in relation to the estimated aggregate amount of transactions for leasing, provision for lease, purchase of products, sale of products, purchase of services and sales services between the Group and Great Wall Holdings (長城控股) from 2019 to 2021. The proposal was considered and approved at the second extraordinary general meeting held by the Company on 12 April 2019. For details, please refer to the Announcement on Ordinary Related Party Transactions of Great Wall Motor Company Limited (announcement No.: 2019-011) dated 20 February 2019 and the Announcement on Resolutions of the 2019 Second Extraordinary General Meeting of Great Wall Motor Company Limited (announcement No.: 2019-022) dated 12 April 2019, as published by the Company. Set out below are the ordinary related party transactions conducted in 2019 as of 31 December 2019 between the Group and Great Wall Holdings (長城控股):

*Currency: RMB Unit: 0'000*

| Type | Estimated cap for 2019 | Actual amount for 2019 | Reasons for the relatively large difference between the estimated amount and the actual amount |
|---|---|---|---|
| Procurement of products | 596,500.00 | 94,089.18 | Mainly due to the relatively small number of battery packs purchased from related parties as a result of the small sale scale of new energy vehicles of the Company |
| Sales of products | 382,605.00 | 30,118.23 | Mainly due to the small purchase scale of new energy vehicles to the Company by related parties |
| Procurement of services | 9,788.00 | 4,707.40 | – |
| Provision of services | 2,760.00 | 3,228.52 | – |
| Leasing | 1,811.00 | 1,177.17 | – |
| Provision of leases | 441.00 | 693.10 | – |
| Total | 993,905.00 | 134,013.60 | – |

The total amount of the continuing related (connected) transactions between the Group and Great Wall Holdings (including companies directly or indirectly under its control) in 2019 did not exceed the estimated amount for 2019. Specifically, the amount by which the actual amount of the provision of services and provision of leases in 2019 exceeded the estimated amount did not meet the criteria for disclosure under the Rules Governing the Listing of Stocks on Shanghai Stock Exchange. Meanwhile, transactions in relation to the provision of services, leasing, and provision of leases are exempt from all requirements of reporting, annual review, announcement, and independent shareholders' approval under Chapter 14A of the Hong Kong Listing Rules.

2. *The Company and Tianjin Great Wall Binyin Automotive Finance Company Limited ("Great Wall Binyin")*

The 20th meeting of the sixth session of the Board was held by the Company on 24 June 2019, at which the Proposal on Deposits with Tianjin Great Wall Binyin Automotive Finance Company Limited (天津長城濱銀汽車金融有限公司) and Related Party Transaction was approved in relation to the estimated amount of deposits with Great Wall Binyin (長城濱銀), a related party of the Company, subject to a maximum daily balance of deposits at RMB7.5 billion, RMB9 billion and RMB10 billion respectively for each year from 2019 to 2021. The proposal was considered and approved by the third extraordinary general meeting held by the Comp any on 9 August 2019. The 27th meeting of the sixth session of the Board was held by the Company on 9 December 2019, at which the Proposal on the Increase in Deposits with Tianjin Great Wall Binyin Automotive Finance Company Limited (天津長城濱銀汽車金融有限公司) by Great Wall Motor Company Limited and Other Ordinary Related Party Transactions was approved, pursuant to which, the Company will increase its deposit cap with Great Wall Binyin, a related party, to RMB8.7 billion (the increased amount was RMB1.2 billion) in 2019 and its deposit cap to RMB11.5 billion (the increased amount was RMB2.5 billion) in 2020. As at the date of this report, the Group's deposits with Great Wall Binyin (長城濱銀) did not exceed the adjusted amount. For details, please refer to the Announcement of Great Wall Motor Company Limited on Amendments to the Articles of Association of Tianjin Great Wall Binyin Automotive Finance Company Limited and the Deposits with Tianjin Great Wall Binyin Automotive Finance Company Limited (天津長城濱銀汽車金融有限公司) and Related Party Transaction (announcement No.: 2019-040) dated 24 June 2019, the Announcement of Great Wall Motor Company Limited on Resolutions of the 2019 Third Extraordinary General Meeting of Great Wall Motor Company Limited (announcement No.:2019-049) dated 9 August 2019 and the Announcement on the Increase in Deposits with Tianjin Great Wall Binyin Automotive Finance Company Limited (天津長城濱銀汽車金融有限公司) by Great Wall Motor Company Limited and Other Ordinary Related Party Transactions (announcement No.:2019-083) dated 9 December 2019, as published by the Company.

As at 31 December 2019, the continuing related transactions between the Group and Great Wall Binyin in 2019 are as follows:

(1) Related transactions under which the Group made deposits at Great Wall Binyin in 2019:

*Currency: RMB Unit: 0'000*

| Type | Estimated daily cap of deposit balance for 2019 | Maximum amount of single-day deposit balance in 2019 | Reasons for the relatively large difference between the estimated amount and the actual amount |
|---|---|---|---|
| Deposit | 870,000 | 829,000 | – |

(2) Related transactions under which the Group provided services and leases for Great Wall Binyin:

*Currency: RMB Unit: 0'000*

| Type | Estimated cap for 2019 (July-December) | Actual amount in 2019 (July to December) | Reasons for the relatively large difference between the estimated amount and the actual amount |
|---|---|---|---|
| Provision of services | 1,730 | 2,769.61 | – |
| Provision of leases | 25 | 22.4 | – |

Note: Great Wall Binyin (長城濱銀) is a related party under the Listing Rules of the Shanghai Stock Exchange. Accordingly, the deposit transactions contemplated with Great Wall Binyin (長城濱銀) constitute related party transactions under the Listing Rules of the Shanghai Stock Exchange but do not constitute related party transactions under the Hong Kong Listing Rules.

For details of subsequent development and changes of ordinary related party transactions, please refer to Related Parties and Related Party Transactions in note 11 of the financial statements to this report.

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

❑ Applicable √ Not applicable

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

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

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

❑ Applicable √ Not applicable

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

√ Applicable ❑ Not applicable

*Currency: RMB Unit: 0'000*

| Related parties | Transaction date | Relationship | Type of related party transactions | Description of the related party transactions | Basis of pricing for the related party transactions | Valuation approach | Assessed value | Carrying value | Amount of related party transactions | Subsequent development | Index of related announcements |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Baoding Great Wall Holdings Company Limited (保定市長城控股集團有限公司) | 20 February 2019 | the indirect controlling shareholder of the Company | Disposal of equity interest | Transferring the 100% equity interest in Tianjin Great Wall Sharing Car Service Co., Ltd. (天津長城共享汽車服務有限公司), a wholly-owned subsidiary, to Baoding Great Wall Holdings Company Limited (保定市長城控股集團有限公司) | Mainly based on the assessed value as at the Valuation Benchmark Date | Asset-based approach | 39,798.94 | 39,995.73 | 46,418 | The change of business registration has been completed on 1 March 2019 | For details, please see the Connected Transaction Announcement of Great Wall Motor Company Limited (announcement no.: 2019-010) published by the Company on 20 February 2019 |
| Baoding Great Wall Holding Group Co., Ltd. (保定市長城控股集團有限公司) | 26 August 2019 | the indirect controlling shareholder of the Company | Acquisition of equity interest | Acquiring the 100% equity interest in Changyou Haoche (Tianjin) Automobile Import and Export Co., Ltd. (常有好車(天津)汽車進出口有限公司) | Mainly based on the assessed value as at the Valuation Benchmark Date | Asset-based approach | 1,997.936 | 1,997.936 | 1,997.936 | The change of business registration has been completed on 29 August 2019 | For details, please see the Connected Transaction Announcement Regarding the Acquisition of Equity Interest of Great Wall Motor Company Limited (announcement no.: 2019-053) published by the Company on 26 August 2019 |

| Related parties | Transaction date | Relationship | Type of related party transactions | Description of the related party transactions | Basis of pricing for the related party transactions | Valuation approach | Assessed value | Carrying value | Amount of related party transactions | Subsequent development | Index of related announcements |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Tianjin Great Wall Sharing Car Service Co., Ltd. (天津長城共享汽車服務有限公司) | 26 August 2019 | wholly-owned subsidiary of the indirect controlling shareholder of the Company | Disposal of equity interest | Disposing the 100% equity interest in Hebei Xiong'an Oula Sharing Technology Co., Ltd. (河北雄安歐拉共享科技有限公司) | Mainly based on the cash and bank balances, paid-up capital and net assets of Xiong'an Sharing amounted to RMB13,300, RMB70,000 and RMB14,800, respectively, as of 31 July 2019 | – | – | – | 7.00 | The change of business registration has been completed on 23 September 2019 | For details, please see the Connected Transaction Announcement Regarding the Disposal of Equity Interest of Great Wall Motor Company Limited (announcement no.: 2019- 052) published by the Company on 26 August 2019 |
| | | | | Disposing the 100% equity interest in Beijing Forever Peace Information Consulting Company Limited (北京萬里友好信息諮詢有限公 司) | Mainly based on the assessed value as at the Valuation Benchmark Date | Asset-based approach | 658.36 | 658.58 | 750 | The change of business registration has been completed on 16 September 2019 | For details, please see the Connected Transaction Announcement Regarding the Disposal of Equity Interest of Great Wall Motor Company Limited (announcement no.: 2019-052) published by the Company on 26 August 2019 |

***3. Matters undisclosed in preliminary announcements***

❑ Applicable √ Not applicable

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

❑ Applicable √ Not applicable

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

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

❑ Applicable √ Not applicable

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

❑ Applicable √ Not applicable

***3. Matters undisclosed in preliminary announcements***

❑ Applicable √ Not applicable

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

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

❑ Applicable √ Not applicable

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

❑ Applicable √ Not applicable

***3. Matters undisclosed in preliminary announcements***

❑ Applicable √ Not applicable

### (V) Others

❑ Applicable √ Not applicable

Apart from the related party transactions between the Group and Hebei Baocang Expressway Co. Ltd. as well as between the Group and Tianjin Great Wall Binyin Automotive Finance Co., Ltd. (天津長城濱銀汽車金融有限公司), 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, relevant approval and disclosure procedures, or 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.

## XV. MATERIAL CONTRACTS AND PERFORMANCE THEREOF

### (I) Trust, contracting and leasing

***1. Trust***

❑ Applicable √ Not applicable

***2. Contracting***

❑ Applicable √ Not applicable

***3. Leasing***

❑ Applicable √ Not applicable

## (II) Guarantee

√ Applicable ❑ Not applicable

*Unit: RMB Currency: RMB*

| | |
|---|---|
| External guarantee of the Company (excluding those provided to subsidiaries) | |
| Total guaranteed amount during the Reporting Period (excluding guarantees provided for subsidiaries) | 0 |
| Total guaranteed balance as at the end of the Reporting Period (A) (excluding guarantees provided for subsidiaries) | 0 |
| Guarantees provided by the Company and its subsidiaries for subsidiaries | |
| Total guaranteed amount to subsidiaries during the Reporting Period | 429,869,940.50 |
| Total guaranteed balance to subsidiaries as at the end of the Reporting Period (B) | 2,878,876,000.00 |
| Total guarantees (including guarantees to subsidiaries) provided by the Company | |
| Total guaranteed amount (A+B) | 2,878,876,000.00 |
| Total guaranteed amount as a percentage of the net asset value of the Company (%) | 5.29 |
| Of which: | |
| Guaranteed amount provided for shareholders, parties which have de facto control and their related parties (C) | 0 |
| Debt guaranteed amount provided directly or indirectly for parties with gearing ratio exceeding 70% (D) | 0 |
| Total guaranteed amount in excess of 50% of net asset value (E) | 0 |
| Total guaranteed amount of the above three items (C+D+E) | 0 |
| Statement on the contingent joint liability in connection with unexpired guarantees | Nil |

Details of guarantee

1. The above guaranteed amounts are subject to the actual borrowing amounts.

2. In 2017, the Board considered and approved the provision of guarantee of USD110 million for Tide Technology and Trade Company Limited (泰德科貿有限公司), a wholly-owned subsidiary of the Company. As at 31 December 2019, the guaranteed balance amounted to USD90 million.

3. In 2017, the Board considered and approved the provision of guarantee of USD350 million for Billion Sunny Development Limited (億新發展有限公司), an indirect wholly-owned subsidiary of the Company. As at 31 December 2019, the guaranteed balance amounted to EUR230 million and USD65 million.

4. In November 2019, the Board considered and approved the provision of guarantee of RMB1 billion for Tianjin Oula Financial Leasing Co., Ltd. (天津歐拉融資租賃有限公司), an indirect wholly-owned subsidiary of the Company. As at 31 December 2019, the guaranteed balance amounted to RMB0.

5. In December 2019, the Board considered and approved the provision of guarantee of RMB975.224 million for Honeycomb Drive System (Jiangsu) Co., Ltd. (蜂巢傳動系統(江蘇)有限公司), an indirect wholly-owned subsidiary of the Company. As at 31 December 2019, the guaranteed balance amounted to RMB0.

Note: The exchange rate of US dollar against Renminbi was based on the Renminbi central parity rate (USD1=RMB6.9762) as announced by the People's Bank of China on 31 December 2019; the exchange rate of Euro against Renminbi was based on the Renminbi central parity rate (EUR1=RMB7.8155) as announced by the People's Bank of China on 31 December 2019.

## (III) Entrustment of cash asset management

### 1. *Entrusted wealth management*

*(1) Overall entrusted wealth management*

√ Applicable ❑ Not applicable

*Unit: RMB Currency: RMB*

| Type | Source of capital | Amount | Amount undue | Amount due and not yet recovered |
|---|---|---|---|---|
| Guaranteed principal with floating yield | | | | |
| Own funds | 3,900,000,000.00 | 1,905,000,000.00 | 0 | 0 |
| Guaranteed yield | | | | |
| Own funds | 5,240,000,000.00 | 4,062,500,000.00 | 0 | 0 |

Other matters

❑ Applicable √ Not applicable

*(2) Single item entrusted wealth management*

√ Applicable ❑ Not applicable

*Unit: RMB Currency: RMB*

| Trustee | Type of entrusted wealth management | Amount of entrusted wealth management | Commencement date of entrusted wealth management | Termination date of entrusted wealth management | Source of capital | Use of capital | Way of determining remuneration | Annualised yield | Expected gain (if any) | Actual gain or loss | Actual state of recovery | Whether it has gone through statutory procedures | Whether there is any future entrusted wealth management plan | Amount of provision for impairment (if any) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| China Everbright Bank, Operation Department of Tianjin Binhai Branch | Guaranteed yield | 600,000,000.00 | 2019.09.09 | 2020.01.06 | Own funds | - | - | 3.85% | 7,571,666.67 | - | - | Yes | - | - |
| Ping An Bank, Guangzhou Branch | Guaranteed principal with floating yield | 1,000,000,000.00 | 2019.09.12 | 2020.01.06 | Own funds | - | - | 4.00% | 11,906,367.12 | - | - | Yes | - | - |
| China Everbright Bank, Operation Department of Tianjin Binhai Branch | Guaranteed yield | 1,100,000,000.00 | 2019.11.14 | 2020.01.13 | Own funds | - | - | 3.80% | 6,850,555.56 | - | - | Yes | - | - |
| Ping An Bank, Guangzhou Branch | Guaranteed principal with floating yield | 250,000,000.00 | 2019.11.14 | 2020.01.13 | Own funds | - | - | 3.56% | 1,462,635.62 | - | - | Yes | - | - |
| Ping An Bank, Guangzhou Branch | Guaranteed principal with floating yield | 560,000,000.00 | 2019.11.14 | 2020.02.14 | Own funds | - | - | 3.79% | 5,354,170.13 | - | - | Yes | - | - |
| Bank of Communications, Baoding Branch | Guaranteed principal with floating yield | 1,100,000,000.00 | 2019.12.11 | 2020.01.02 | Own funds | - | - | 3.30% | 2,187,945.21 | - | - | Yes | - | - |
| Bank of Communications, Baoding Branch | Guaranteed principal with floating yield | 355,000,000.00 | 2019.12.12 | 2020.01.17 | Own funds | - | - | 3.30% | 1,155,452.05 | - | - | Yes | - | - |
| Bank of Communications, Baoding Branch | Guaranteed principal with floating yield | 120,000,000.00 | 2019.12.16 | 2020.02.17 | Own funds | - | - | 3.65% | 696,830.40 | - | - | Yes | - | - |
| Bank of Communications, Rizhao Branch | Guaranteed principal with floating yield | 50,000,000.00 | 2019.12.20 | 2020.01.10 | Own funds | - | - | 2.80% | 75,441.21 | - | - | Yes | - | - |
| China CITIC Bank, Baoding Branch | Guaranteed principal with floating yield | 50,000,000.00 | 2019.12.24 | 2020.02.11 | Own funds | - | - | 3.65% | 229,467.00 | - | - | Yes | - | - |
| China CITIC Bank, Baoding Branch | Guaranteed principal with floating yield | 150,000,000.00 | 2019.12.24 | 2020.03.23 | Own funds | - | - | 3.80% | 1,316,372.05 | - | - | Yes | - | - |
| Bank of China, Yuhua Sub-branch | Guaranteed yield | 75,000,000.00 | 2019.12.27 | 2020.02.03 | Own funds | - | - | 3.10% | 226,708.52 | - | - | Yes | - | - |
| Bank of China, Yuhua Sub-branch | Guaranteed yield | 130,000,000.00 | 2019.12.27 | 2020.03.04 | Own funds | - | - | 3.20% | 725,877.83 | - | - | Yes | - | - |
| Bank of Communications, Baoding Branch | Guaranteed principal with floating yield | 387,500,000.00 | 2019.12.30 | 2020.01.10 | Own funds | - | - | 2.50% | 273,442.29 | - | - | Yes | - | - |
| Bank of Communications, Baoding Branch | Guaranteed principal with floating yield | 40,000,000.00 | 2019.12.31 | 2020.01.06 | Own funds | - | - | 2.50% | 17,962.19 | - | - | Yes | - | - |

Other matters

❑ Applicable √ Not applicable

*(3) Provision for entrusted wealth management impairment*

❑ Applicable √ Not applicable

***2. Entrusted loans***

*(1) General information on entrusted loans*

❑ Applicable √ Not applicable

Other matters

❑ Applicable √ Not applicable

*(2) Single item entrusted loans*

❑ Applicable √ Not applicable

Other matters

❑ Applicable √ Not applicable

*(3) Provision for impairment of entrusted loans*

❑ Applicable √ Not applicable

***3. Other matters***

❑ Applicable √ Not applicable

## (IV) Other material contracts

❑ Applicable √ Not applicable

## XVI. DESCRIPTIONS OF OTHER SIGNIFICANT EVENTS

❑ Applicable √ Not applicable

## XVII. FULFILMENT OF SOCIAL RESPONSIBILITIES

### (I) Poverty alleviation of listed companies

√ Applicable ❑ Not applicable

#### *1. The accurate poverty alleviation plan*

√ Applicable ❑ Not applicable

The Company, taking the top-down approach, convened poverty alleviation meetings and assigned specific personnel the task of 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 the accurate poverty alleviation for the Year*

√ Applicable ❑ Not applicable

In 2019, 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 people with disabilities to help them solve financial and employment difficulties, and consoled left-behind children and poor people to spread care and warmth.

#### *3. Effect of the accurate poverty alleviation*

√ Applicable ❑ Not applicable

*Unit: 0'000 Currency: RMB*

| Items | Number and implementation |
|---|---|
| I. General information | |
| Of which: 1. Capital | 4,633.72 |
| 2. Supplies converted to cash | 1,001.5 |
| 3. Number of registered poor people lifted out of poverty (person) | 6,545 |
| II. Capital injection by project | |
| 1. Poverty alleviation through transferring the form of employment | provision of jobs to 5,925 people in poverty-stricken areas |
| Of which: 1.1 Capital injected into vocational training | 313.46 |
| 1.2 Number of people participating in vocational training (person/time) | 21,768 |
| 1.3 Number of registered poor people obtaining jobs (person) | 0 |

| Items | | Number and implementation |
|---|---|---|
| 2. Educational poverty relief | | |
| Of which: 2.1 | Input of funding poverty-stricken students | 0.39 |
| 2.2 | Number of poverty-stricken students funded (person) | 20 |
| 2.3 | Input of improving educational resources in poverty-stricken areas | 1,010 |
| 3. Basic protection | | |
| Of which: 3.1 | Capital injected to help left-behind children, elderly and women | 11.11 |
| 3.2 | Number of left-behind children, elderly and women funded (person) | 1,270 |
| 3.3 | Capital injected to help the poor people with disabilities | 4,280.26 |
| 3.4 | Number of poor people with disabilities funded (person) | 620 |
| III. Awards (details and class) | | Nil |

***4. Subsequent accurate poverty alleviation programmes***

√ Applicable ❑ Not applicable

1. Donation program: 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. Intelligence program: Technology support for poverty alleviation will be offered by leveraging the human resource advantage of the Company as always. Moreover, training schemes will be provided in various areas including practical technologies, production skills and operations management, so as to enhance the self-development ability of underprivileged staff and improve their production skills and livelihoods;

3. Employment program: 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. Other programs: The Company will encourage its staff to participate in volunteer activities so as to spur the local economic development.

## (II) Social responsibilities

√ Applicable ❑ Not applicable

For details, please refer to Corporate Social Responsibility Report for 2019 of Great Wall Motor Company Limited (《長城汽車股份有限公司2019年度社會責任報告》)published on the websites of the Shanghai Stock Exchange (www.sse.com.cn) and the Hong Kong Stock Exchange (www.hkexnews.hk)

## (III) Information on environmental protection

***1. 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 | Name of major pollutants or specific pollutants | Way of emission | Number of discharge outlet | Location of discharge outlet | `Emission concentration | Adopted emission standards for pollutants | Total Emissions (ton) | Verified total emissions (ton/ per year) | Excessive emission |
|---|---|---|---|---|---|---|---|---|---|
| Great Wall Motor Company Limited | Sewage pH value | Intermittent emission | 2 | The discharge outlet on the factory site of Great Wall Motor Company Limited located at Chaoyang South Avenue | 7.56 | Table 4 Tertiary Standard in Integrated Wastewater Discharge Standards (GB8978-1996) | – | – | Nil |
| | COD | | | | 47mg/L | | 16.76 | 38.61 | Nil |
| | Ammoniacal nitrogen | | | | 5.05mg/L | | 1.5 | 2.53 | Nil |
| | Total Phosphorus | | | | 0.88mg/L | | 0.22 | 0.232 | Nil |
| | Suspended solids | | | | 14mg/L | | 2.62 | – | Nil |
| | BOD5 | | | | 14.1mg/L | | 3.29 | – | Nil |
| | Petroleum fractions | | | | 0.37mg/L | | 0.1 | – | Nil |
| | hexavalent chromium | | | | 0.028mg/L | | 0.004 | – | Nil |
| | Anionic surface active agent | | | | 0.222mg/L | | 0.04 | – | Nil |
| | Total chromium | | | | 0.026mg/L | | 0.005 | – | Nil |
| | Total nickel | | | | 0.09mg/L | | 0.01 | – | Nil |
| | Exhaust gas Particulates | Regular emission | 13 | Within the factory site of Great Wall Motor Company Limited | 6mg/m³ | Table 2 Secondary Standard in Integrated Emission Standards of Air Pollutants (GB16297-1996) | 12.16 | 19.76 | Nil |
| | Sulphur dioxide | | | | ND | | – | 2.16 | Nil |
| | Nitrogen oxides | | | | 9mg/m³ | | 0.92 | 8.64 | Nil |
| | Toluene | | | | 0.276mg/m³ | Table 1 in Emission Control Standards of Volatile Organic Compounds for Industrial Enterprises (DB13/2322-2016) | 2.96 | – | Nil |
| | Xylene | | | | ND | | 6.35 | – | Nil |
| | Non-methane hydrocarbons | | | | 3.35mg/m³ | | 24.59 | 115.89 | Nil |
| | Soil During the Reporting Period, Great Wall Motor Company Limited was on the list of 2019 key pollutant emission entities in Hebei. During the period, a total of 2,295 tons of hazardous waste was produced, which was disposed of by qualified hazardous waste operators in accordance with the law. | | | | | | | | |
| Baoding Great Wall Precision Casting Co., Ltd. | Sewage pH value | Intermittent emission | 1 | Main discharge of sewage station | 7.28 | Table 4 Tertiary Standard in Integrated Wastewater Discharge Standards (GB8978-1996); Influent water requirements of Shunping Qingyuan Sewage Treatment Co., Ltd. | – | – | Nil |
| | COD | | | | 130mg/L | | 0.120 | 1.88 | Nil |
| | Ammoniacal nitrogen | | | | 18.9mg/L | | 0.02 | 0.188 | Nil |
| | Suspended solids | | | | 11mg/L | | 0.074 | – | Nil |
| | Petroleum fractions | | | | 0.14mg/L | | 0.0001 | – | Nil |
| | Animal fats and vegetable oils | | | | 0.23mg/L | | 0.0002 | – | Nil |

| Name of company or subsidiary | Name of major pollutants or specific pollutants | | Way of emission | Number of discharge outlet | Location of discharge outlet | `Emission concentration | Adopted emission standards for pollutants | Total Emissions (ton) | Verified total emissions (ton/ per year) | Excessive emission |
|---|---|---|---|---|---|---|---|---|---|---|
| Jingcheng Engineering Automotive Systems Co., Ltd. Shunping Precision Die Casting Branch | Sewage | pH value | Intermittent emission | 1 | Main discharge of sewage station | 7.28 | Table 4 Tertiary Standard in Integrated Wastewater Discharge Standards (GB8978-1996); Influent water requirements of Shunping Qingyuan Sewage Treatment Co., Ltd. | – | – | Nil |
| | | COD | | | | 130mg/L | | 21.000 | 41.79 | Nil |
| | | Ammoniacal nitrogen | | | | 18.9mg/L | | 3.130 | 4.18 | Nil |
| | | Suspended solids | | | | 11mg/L | | 1.510 | – | Nil |
| | | Petroleum fractions | | | | 0.14mg/L | | 0.022 | – | Nil |
| | | Animal fats and vegetable oils | | | | 0.23mg/L | | 0.030 | – | Nil |
| Great Wall Motor Company Limited's Dingxing Branch | Exhaust gas | Particulates | Regular emission | 30 | Around the factory | 6.5mg/m³ | Table 2 Secondary Standard in Integrated Emission Standards of Air Pollutants (GB16297-1996) | 4.565 | – | Nil |
| | | Phenolic compound | | | | 0.3mg/m³ | | 0.014 | – | Nil |
| | | Formaldehyde | | | | ND | | 0.000 | – | Nil |
| | | Nitrogen oxides | | | | 64mg/m³ | | 0.382 | 0.702 | Nil |
| | | Sulphur dioxide | | | | 17mg/m³ | Table 2 Standard in Emission Standards of Industrial Furnace Kiln Air (DB13/1640-2012) | 0.142 | – | Nil |
| | | Non-methane hydrocarbons | | | | 5.52mg/m³ | Table 1 in Emission Control Standards of Volatile Organic Compounds for Industrial Enterprises (DB13/2322-2016) | 0.710 | – | Nil |
| | | Benzene | | | | 0.136mg/m³ | | 0.008 | – | Nil |
| | | Toluene | | | | 0.0836mg/m³ | | 0.005 | – | Nil |
| | | Xylene | | | | 0.189mg/m³ | | 0.007 | – | Nil |
| | | Ammonia | | | | 1.45mg/m³ | Table 1 and Table 2 Standards in Emission Standards of Odour Pollutants (GB14554-93) | 0.204 | – | Nil |
| | | CO | | | | 32mg/m³ | Table 2 in Emission Standards of Carbon Monoxide as Stationary Source (DB13/487-2002) | 0.056 | – | Nil |

| Name of company or subsidiary | Name of major pollutants or specific pollutants | | Way of emission | Number of discharge outlet | Location of discharge outlet | `Emission concentration | Adopted emission standards for pollutants | Total Emissions (ton) | Verified total emissions (ton/ per year) | Excessive emission |
|---|---|---|---|---|---|---|---|---|---|---|
| Baoding Nuobo Rubber Production Company Limited | Exhaust gas | Particulates | Regular emission | 7 | Around the factory | 3.0mg/m$^3$ | Table 2 Secondary Standard in Integrated Emission Standards of Air Pollutants (GB16297-1996) | 0.13 | – | Nil |
| | | Benzene | | | | 0.271mg/m$^3$ | Table 1 in Emission | 0.01 | – | Nil |
| | | Toluene | | | | 1.10mg/m$^3$ | Control Standards | 0.08 | – | Nil |
| | | Xylene | | | | ND | of Volatile Organic | 0.05 | – | Nil |
| | | Non-methane hydrocarbons | | | | 3.040mg/m$^3$ | Compounds for Industrial Enterprises (DB13/2322-2016) | 0.34 | – | Nil |
| Jingcheng Engineering Automotive Systems Co., Ltd. | Sewage | pH value | Intermittent emission | 1 | South side of the factory site | 8.06 | Table 4 Tertiary | – | – | Nil |
| | | COD | | | | 121mg/L | Standard in | 2.87 | 4.066 | Nil |
| | | Suspended solids | | | | 40mg/L | Integrated | 0.59 | – | Nil |
| | | Zinc | | | | 0.17mg/L | Wastewater | 0.004 | – | Nil |
| | | Petroleum fractions | | | | 1.39mg/L | Discharge Standards (GB 8978-1996) | 0.03 | – | Nil |
| | | BOD5 | | | | 52.4mg/L | | 1.19 | – | Nil |
| | | Anionic surface active agent | | | | 0.114mg/L | | 0.003 | – | Nil |
| | | Hexavalent chromium | | | | 0.01mg/L | | 0.0002 | – | Nil |
| | | Total chromium | | | | 0.016mg/L | | 0.0004 | – | Nil |
| | | Total nickel | | | | 0.51mg/L | | 0.01 | – | Nil |
| | | Ammoniacal nitrogen | | | | 2.83mg/L | Table 1B Standard Water Quality Standards for Sewage Discharge into Urban Sewers (GB/T 31962-2015) | 0.04 | 0.675 | Nil |
| | | Total Phosphorus | | | | 1.94mg/L | | 0.04 | 0.0813 | Nil |

| Name of company or subsidiary | Name of major pollutants or specific pollutants | | Way of emission | Number of discharge outlet | Location of discharge outlet | `Emission concentration | Adopted emission standards for pollutants | Total Emissions (ton) | Verified total emissions (ton/ per year) | Excessive emission |
|---|---|---|---|---|---|---|---|---|---|---|
| Tianjin Boxin Automotive Parts Company Limited | Sewage | pH value | Intermittent emission | 1 | East side of the factory site | 7.68 | Table 2 Tertiary Standard in Integrated Wastewater Discharge Standards (DB12/356-2008) | – | – | Nil |
| | | Petroleum fractions | | | | ND | | – | – | Nil |
| | | Animal fats and vegetable oils | | | | 2.07mg/L | | 0.022 | – | Nil |
| | | Suspended solids | | | | 18mg/L | | 0.21 | – | Nil |
| | | COD | | | | 37mg/L | | 2.27 | 188.0031 | Nil |
| | | BOD | | | | 88.2mg/L | | 0.56 | – | Nil |
| | | Ammoniacal nitrogen | | | | 1mg/L | | 0.03 | 13.6454 | Nil |
| | | Total Phosphorus | | | | 0.44mg/L | | 0.007 | 3.57 | Nil |
| | Exhaust gas | Particulates | Regular emission | 25 | Around the factory site | 4.6mg/m³ | Table 2 Secondary Standard in Integrated Emission Standards of Air Pollutants (GB16297-1996) | 3.15 | – | Nil |
| | | Sulphur dioxide | | | | ND | | 0.420 | – | Nil |
| | | Nitrogen oxides | | | | ND | | 0.420 | – | Nil |
| | | Non-methane hydrocarbons | | | | 44.7mg/m³ | | 1.900 | – | Nil |
| | | Benzene | | | | 0.108mg/m³ | Table 2 in Emission Control Standards of Volatile Organic Compounds for Industrial Enterprises (DB12/524-2014) | 0.120 | – | Nil |
| | | Toluene | | | | 2.6mg/m³ | | 1.780 | – | Nil |
| | | Xylene | | | | 4.61mg/m³ | | 4.220 | – | Nil |
| Tianjin Haval Branch of Great Wall Motor Company Limited | Sewage | pH value | Intermittent emission | 2 | West side of the factory site | 8.38 | Table 2 Tertiary Standard in Integrated Wastewater Discharge Standards (DB12/356-2008) | – | – | Nil |
| | | Petroleum fractions | | | | 0.53mg/L | | 0.06 | – | Nil |
| | | Animal fats and vegetable oils | | | | 1.82mg/L | | 0.80 | – | Nil |
| | | Suspended solids | | | | 17mg/L | | 1.34 | – | Nil |
| | | COD | | | | 203mg/L | | 41.87 | 96.313 | Nil |
| | | BOD | | | | 55.4mg/L | | 10.71 | – | Nil |
| | | Ammoniacal nitrogen | | | | 22.8mg/L | | 4.31 | 5.85 | Nil |
| | | Total Phosphorus | | | | 1.28mg/L | | 0.22 | 1.541 | Nil |
| | | Anionic surface active agent | | | | ND | | ND | – | Nil |
| | | Zinc | | | | 1mg/L | | 0.24 | – | Nil |
| | Exhaust gas | Toluene | Regular emission | 55 | Around the painting workshop, general assembly workshop | 2.17mg/m³ | Table 2 in Emission Control Standards of Volatile Organic Compounds for Industrial Enterprises (DB12/524-2014) | 0.9 | – | Nil |
| | | Xylene | | | | 4.26mg/m³ | | 1.712 | – | Nil |
| | | VOCs | | | | 28.4mg/m³ | | 45.720 | 398.29 | Nil |
| | | Particulates | | | | 3.5mg/m³ | Table 2 Secondary Standard in Integrated Emission Standards of Air Pollutants (GB16297-1996) | 8.860 | – | Nil |
| | | Sulphur dioxide | | | | 27mg/m³ | | 3.290 | – | Nil |
| | | Nitrogen oxides | | | | 86.1mg/m³ | | 13.700 | – | Nil |
| | Solid and Hazardous waste | During the Reporting Period, Tianjin Haval Branch of Great Wall Motor Company Limited was included in the list of 2019 key environmental pollutant emission entities of solid and hazardous waste in Tianjin. During the Current Period, a total of 1,811.271 tons of hazardous waste was generated, which was legally disposed of by the manufacturer with the qualification of hazardous waste management. 201 boxes of ordinary solid waste (length*width*height: 3.45m*2.2m*1m) were generated, which was disposed of by qualified manufacturers. | | | | | | | | | Nil |

| Name of company or subsidiary | Name of major pollutants or specific pollutants | Way of emission | Number of discharge outlet | Location of discharge outlet | `Emission concentration | Adopted emission standards for pollutants | Total Emissions (ton) | Verified total emissions (ton/ per year) | Excessive emission |
|---|---|---|---|---|---|---|---|---|---|
| Tianjin Haval Branch of Great Wall Motor Company Limited – Dynamics Business Department | Solid and Hazardous waste | During the Reporting Period, Tianjin Haval Branch of Great Wall Motor Company Limited – Dynamics Business Department was included in the list of 2019 key environmental pollutant emission entities of solid and hazardous waste in Tianjin. During the Current Period, a total of 321.11 tons of hazardous waste was generated, which was legally disposed of by the manufacturer with the qualification of hazardous waste management. 95 boxes of ordinary solid waste (length*width*height: 3.45m*2.2m*1m) were generated, which was disposed of by qualified manufacturers. | | | | | | | Nil |
| Tianjin Haval Branch of Great Wall Motor Company Limited – Transmission Business Department | Solid and Hazardous waste | During the Reporting Period, Tianjin Haval Branch of Great Wall Motor Company Limited – Transmission Business Department was included in the list of 2019 key environmental pollutant emission entities of solid and hazardous waste in Tianjin. During the Current Period, a total of 66.47 tons of hazardous waste was generated, which was legally disposed of by the manufacturer with the qualification of hazardous waste management. 25 boxes of ordinary solid waste (length*width*height: 3.45m*2.2m*1m) were generated, which was disposed of by qualified manufacturers. | | | | | | | Nil |
| Tianjin Haval Branch of Great Wall Motor Company Limited – Interior and Exterior Decoration Business Department | Solid and Hazardous waste | During the Reporting Period, Tianjin Haval Branch of Great Wall Motor Company Limited – Interior and Exterior Decoration Business Department was included in the list of 2019 key environmental pollutant emission entities of solid and hazardous waste in Tianjin. During the Current Period, a total of 691.34 tons of hazardous waste was generated, which was legally disposed of by the manufacturer with the qualification of hazardous waste management. 857 boxes of ordinary solid waste (length*width*height: 3.45m*2.2m*1m) were generated, which was disposed of by qualified manufacturers. | | | | | | | Nil |
| Tianjin Haval Branch of Great Wall Motor Company Limited – Chassis Business Department | Solid and Hazardous waste | During the Reporting Period, Tianjin Haval Branch of Great Wall Motor Company Limited- Chassis Business Department was included in the list of 2019 key environmental pollutant emission entities of solid and hazardous waste in Tianjin. During the Current Period, a total of 242.78 tons of hazardous waste was generated, which was legally disposed of by the manufacturer with the qualification of hazardous waste management. 130 boxes of ordinary solid waste (length*width*height: 3.45m*2.2m*1m) were generated, which was disposed of by qualified manufacturers. | | | | | | | 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 Boundary Noise Emission Standards for Industrial Enterprises (GB12348-2008).

In 2019, a total of 1,137.13 tons of hazardous waste consisting mainly of sludge, paint waste and contaminated waste was produced, representing a unit production of 0.010 ton per vehicle. Such waste was transferred in accordance with 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》), the Notice on the Relevant Procedures of Launching Tianjin's Hazardous Waste Online Transfer Supervision Platform for the Transfer of Hazardous Wastes in the City of Tianjin (《關於啟動天津市危險廢物在線轉移監管平台辦理危險廢物市內轉移相關手續的通知》) and the procedures for obtaining approval of transfer established by the competent authorities in Tianjin and Baoding. Hazardous waste of Tianjin was transferred to Tianjin Hejia Veolia Environmental Services Co., Ltd. (天津合佳威立雅環境服務有限公司), 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), Tianjin Yahuan Renewable Resources Recycling Co., Ltd. (天津市雅環再生資源回收利用有限公司) and Tianjin Huaqing Baisheng Energy Co., Ltd. (天津華慶百勝能源有限公司) for disposal. Hazardous waste of Baoding was transferred to Cangzhou Jihuan Veolia Environmental Services Co., Ltd. (滄州冀環威立雅環境服務有限公司), Qinhuangdao Xushankou Hazardous Waste Treatment Co., Ltd. (秦皇島市徐山口危險廢物處理有限公司), Baoding Colin Heating Co., Ltd. (保定科林供熱有限公司), Hebei Fenghua Environmental Protection Service Co., Ltd. (河北風華環保服務有限公司) and other companies for disposal. General solid waste produced by the Company is comprised mainly of domestic waste. In 2019, a total of 15,900 tons of general solid waste was produced, representing a unit production of 0.015 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 bylaws 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.

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 2017 and ISO14001:2015 Environmental Management Systems surveillance audit in 2018 and 2019. Rules and regulations on environmental management systems were well implemented.

*(3) Environmental impact assessment of 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: 91130000105941834E001Z). 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: 91130000105941835). 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.

*(5) Voluntary environmental monitoring plan*

√ Applicable ❑ Not applicable

1. Regularly monitoring the discharge of sewage, keeping water quality inspection records and installing automatic PH, flow, COD, ammoniacal nitrogen, total nitrogen and total phosphorus monitoring equipment;

2. Regularly monitoring the discharge of VOCs, keeping VOCs inspection records, installing online VOC monitoring equipment and transmitting the real-time data to the environmental authorities;

3. Regularly monitoring noise on a voluntary basis and keeping noise inspection records;

4. Carrying out third-party monitoring of pollutant discharge on schedule in accordance with the environmental protection requirements.

*(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 (《中華人民共和國環境保護法》) and the Measures for the Disclosure of Environmental Information by Enterprises and Institutions (Huanbao Bu No. 31) (《企業事業單位環境信息公開辦法》(環保部第31號令)), 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, Baoding Nuobo Rubber Production Co., Ltd., Jingcheng Engineering Automotive Systems Co., Ltd., Great Wall Motor Company Limited's Dingxing Branch, Baoding Great Wall Exquisite Foundry Company Limited, Shunping Fine Casting Branch of Jingcheng Engineering Automotive Systems Co., Ltd., Tianjin Haval Branch of Great Wall Motor Company Limited, Tianjin Haval Branch of Great Wall Motor Company Limited – Dynamics Business Department, Tianjin Haval Branch of Great Wall Motor Company Limited – Transmission Business Department, Tianjin Haval Branch of Great Wall Motor Company Limited – Interior and Exterior Decoration Business Department, Tianjin Haval Branch of Great Wall Motor Company Limited – Chassis Business Department, 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.

***2. 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.

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 (sound proof 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 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 philosophy of waste reduction at source and treatment at the end simultaneously to raise pollution treatment standards and reduce the generation of pollutants.

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.

***3. Explanation for not disclosing environmental protection information by companies other than key pollutant discharging units***

❑ Applicable √ Not applicable

***4. Description of subsequent development of or changes in disclosed environmental information during the Reporting Period***

❑ Applicable √ Not applicable

### (IV) Other information

❑ Applicable √ Not applicable

## XVIII. CONVERTIBLE CORPORATE BONDS

❑ Applicable √ Not applicable

# Section 9 Changes in Ordinary Shares and Shareholders

## I. CHANGES IN ORDINARY SHARE CAPITAL

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

***1. Table of changes in ordinary shares***

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

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

❑ Applicable √ Not applicable

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

❑ Applicable √ Not applicable

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

❑ Applicable √ Not applicable

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

❑ Applicable √ Not applicable

## II. ISSUE AND LISTING OF SECURITIES

### (I) Issue of securities as at the Reporting Period

❑ Applicable √ Not applicable

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

❑ Applicable √ Not applicable

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

√ Applicable ❑ Not applicable

At the beginning of the Reporting Period, total assets and total liabilities amounted to RMB111,800,411,297.81 and RMB59,111,823,806.94, respectively, with a gearing ratio of 52.87%. At the end of the Reporting Period, total assets and total liabilities amounted to RMB113,096,409,468.96 and RMB58,697,179,552.06, respectively, with a gearing ratio of 51.90%.

### (III) Existing employee shares

❑ Applicable √ Not applicable

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

## III. SHAREHOLDERS AND THE DE FACTO CONTROLLER

### (I) Total number of shareholders

| | |
|---|---|
| Total number of ordinary shareholders as at the end of the Reporting Period (person) | 68,792 |
| Total number of ordinary shareholders as at the end of the last month prior to the date of this annual report (person) | 66,003 |

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

*Unit: Share(s)*

| Name of shareholder (full name) | Shareholding of the top 10 shareholders: Increase/ decrease during the Reporting Period | Number of shares held at the end of the Reporting Period | Percentage (%) | Number of shares held with selling restrictions | Shares pledged or frozen: Condition of shares | Number | Type of shareholder |
|---|---|---|---|---|---|---|---|
| Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司) | 0 (A Shares) | 5,115,000,000 (A Shares) | 56.04% | 0(A Shares) | Pledged | 2,074,190,000 | Domestic non-state-owned legal person |
| HKSCC NOMINEES LIMITED(香港中央結算(代理人) 有限公司) | 440,189 (H Shares) | 3,083,873,699 (H Shares) | 33.79% | – | Unknown | – | Overseas legal person |
| China Securities Finance Corporation Limited | 0 (A Shares) | 196,889,089 (A Shares) | 2.16% | – | Unknown | – | Other |
| Hong Kong Securities Clearing Company Limited | 13,294,534 (A Shares) | 38,227,924 (A Shares) | 0.42% | – | Unknown | – | Other |

| Name of shareholder (full name) | Increase/ decrease during the Reporting Period | Shareholding of the top 10 shareholders<br>Number of shares held at the end of the Reporting Period | Percentage (%) | Number of shares held with selling restrictions | Shares pledged or frozen<br>Condition of shares | Number | Type of shareholder |
|---|---|---|---|---|---|---|---|
| Central Huijin Asset Management Co., Ltd | 0 (A Shares) | 22,308,300 (A Shares) | 0.24% | – | Unknown | – | Other |
| ICBC – E Fund Value Growth Mixed Securities Investment Fund (中國工商銀行－易方達價值成長混合型證券投資基金) | 21,489,502 (A Shares) | 21,489,502 (A Shares) | 0.24% | – | Unknown | – | Other |
| Hong Kong Monetary Authority – own funds | 8,260,600 (A Shares) | 21,099,117 (A Shares) | 0.23% | – | Unknown | – | Other |
| China Construction Bank Corporation – Harvest Emerging Consumption Equity Securities Investment Fund (中國建設銀行股份有限公司－嘉實新消費股票型證券投資基金) | 17,795,918 (A Shares) | 17,795,918 (A Shares) | 0.19% | – | Unknown | – | Other |
| Bank of China Limited – Harvest Value Advantage Mixed Securities Investment Fund (中國銀行股份有限公司－嘉實價值優勢混合型證券投資基金) | 15,405,392 (A Shares) | 15,405,392 (A Shares) | 0.17% | – | Unknown | – | Other |
| 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) | -9,480,555 (A Shares) | 11,855,069 (A Shares) | 0.13% | – | Unknown | – | Other |

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

| Name of shareholder | Number of tradable shares without selling restrictions held | Class and number of shares | |
|---|---|---|---|
| | | Class | Number |
| Baoding Innovation Great Wall Asset Management Company Limited | 5,115,000,000 (A Shares) | RMB-denominated ordinary shares | 5,115,000,000 (A shares) |
| HKSCC NOMINEES LIMITED | 3,083,873,699 (H Shares) | Overseas listed foreign shares | 3,083,873,699 (H shares) |
| China Securities Finance Corporation Limited | 196,889,089 (A Shares) | RMB-denominated ordinary shares | 196,889,089 (A shares) |
| Hong Kong Securities Clearing Company Limited | 38,227,924 (A Shares) | RMB-denominated ordinary shares | 38,227,924 (A shares) |
| Central Huijin Asset Management Co., Ltd. | 22,308,300 (A Shares) | RMB-denominated ordinary shares | 22,308,300 (A shares) |
| ICBC - E Fund Value Growth Mixed Securities Investment Fund | 21,489,502 (A Shares) | RMB-denominated ordinary shares | 21,489,502 (A shares) |
| Hong Kong Monetary Authority - own funds | 21,099,117 (A Shares) | RMB-denominated ordinary shares | 21,099,117 (A shares) |
| China Construction Bank Corporation - Harvest Emerging Consumption Equity Securities Investment Fund | 17,795,918 (A Shares) | RMB-denominated ordinary shares | 17,795,918 (A shares) |
| Bank of China Limited - Harvest Value Advantage Mixed Securities Investment Fund | 15,405,392 (A Shares) | RMB-denominated ordinary shares | 15,405,392 (A shares) |
| Bank of China - Dacheng Blue Chip Steady Securities Investment Fund | 11,855,069 (A Shares) | RMB-denominated ordinary shares | 11,855,069 (A shares) |
| Description of the related party relationship or acting in concert 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 other shareholders. In addition, the Company is not aware of any related party relationship among the other shareholders mentioned above. | | |
| Description of the shareholders holding preference shares with restored voting rights and their shareholding | – | | |

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

❑ Applicable √ Not applicable

*Shares Held by Substantial Shareholders (SFO Requirements)*

As at 31 December 2019, the following shareholders (excluding the directors, supervisors and chief executives of the Company) had interests or short positions in any shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

| Name | No. of shares | Approximate percentage of A Shares (%) | Approximate percentage of H Shares (%) | Approximate percentage of total number of shares (%) |
|---|---|---|---|---|
| Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司) (Note 1) | 5,115,000,000 (L) (A Shares) | 84.86 | — | 56.04 |
| Baoding Great Wall Holdings Company Limited (保定市長城控股集團有限公司) (Note 2) | 5,145,018,500 (L) (A Shares and H Shares) | — | — | 56.37 |
| Citigroup Inc. | 281,241,588 (L) (H Shares) | — | 9.07 (L) | 3.08 (L) |
| | 112,940,015 (S) (H Shares) | — | 3.64 (S) | 1.24 (S) |
| | 158,889,163 (P) (H Shares) | — | 5.12 (P) | 1.74 (P) |
| BlackRock, Inc. | 184,375,066 (L) (H Shares) | — | 5.95 (L) | 2.02 (L) |
| | 25,141,500 (S) (H Shares) | — | 0.81 (S) | 0.28 (S) |
| JPMorgan Chase & Co. | 171,039,691 (L) (H Shares) | — | 5.51 (L) | 1.87 (L) |
| | 44,716,911 (S) (H Shares) | — | 1.44 (S) | 0.49 (S) |
| | 92,179,630 (P) (H Shares) | — | 2.97 (P) | 1.01 (P) |
| Bank of America Corporation | 162,008,743 (L) (H Shares) | — | 5.23 (L) | 1.77 (L) |
| | 152,999,056 (S) (H Shares) | — | 4.94 (S) | 1.68 (S) |
| Han Xue Juan (Note 3) | 5,115,000,000 (L) (A Shares) | 84.86 | — | 56.04 |
| Management Centre of Collective Assets of Nandayuan Town, Lianchi District, Baoding (保定市蓮池區南大園鄉集體資產經管中心) (Note 4) | 5,115,000,000 (L) (A Shares) | 84.86 | — | 56.04 |

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

Notes:

(1) Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司) (formerly known as Baoding Woerte Management Consultant Company Limited (保定市沃爾特管理諮詢有限公司) was established on 1 December 2005. Its place of incorporation is Baoding, Hebei Province, the PRC and its registered address is 638 Yonghua South Street, Baoding. Its scope of business covers investments in manufacturing, real estate and horticulture industries, as well as corporate planning and management consulting (operations that require pre-approval according to laws and administrative regulations or as prescribed by the State Council can only be conducted after obtaining approval). As at 31 December 2019, 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. Further, 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) were held by Mr. Wei Jian Jun and Ms. Han Xue Juan respectively. Therefore, Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司) is a company controlled by Baoding 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 31 December 2019, 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) for the purposes of the SFO. At the same time, Baoding Great Wall Holdings Company Limited (保定市長城控股集團有限公司) is interested in 30,018,500 H Shares.

(3) As at 31 December 2019, Ms. Han Xue Juan held 0.001% equity interest in Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司) and 1% equity interest in Baoding Great Wall Holdings Company Limited (保定市長城控股集團有限公司), and is the spouse of Mr. Wei Jian Jun. Ms. Han Xue Juan is deemed to be interested in all the shares of the Company in which Mr. Wei Jian Jun is interested for the purposes of the SFO.

(4) Management Centre of Collective Assets of Nandayuan Town, Lianchi District, Baoding (保定市蓮池區南大園鄉集體資產經管中心) was formerly known as Management Centre of Collective Assets of Nandayuan Town, Nanshi District, Baoding (保定市南市區南大園鄉集體資產經管中心). As at 31 December 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) held 37.02% equity interest in Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司) and is deemed to be interested in all the shares of the Company held by Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司) for the purposes of the SFO.

Save as disclosed above, as at 31 December 2019, so far as the directors, supervisors and chief executives of the Company are aware, no other person (excluding the directors, supervisors and chief executives of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

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

❑ Applicable √ Not applicable

## IV. CONTROLLING SHAREHOLDERS AND DE FACTO CONTROLLER

### (I) Details of controlling shareholders

#### 1. *Legal person*

√ Applicable ❑ Not applicable

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

#### 2. *Natural person*

❑ Applicable √ Not applicable

#### 3. *Specific descriptions of no controlling shareholder in the Company*

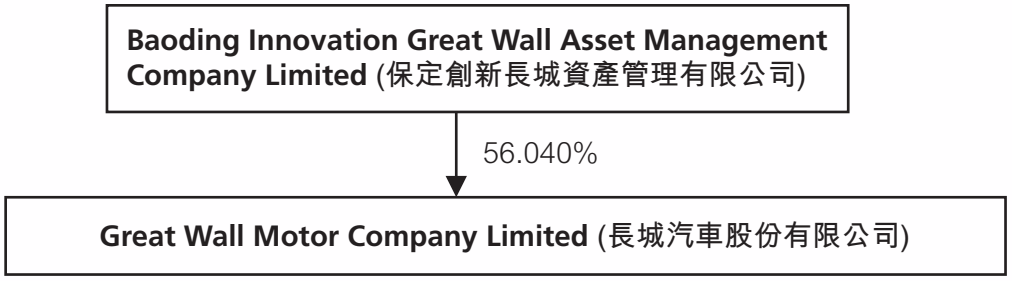
❑ Applicable √ Not applicable

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

❑ Applicable √ Not applicable

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

√ Applicable ❑ Not applicable



## (II) Details of the de facto controller

### 1. *Legal person*

❑ Applicable √ Not applicable

### 2. *Natural Person*

√ Applicable ❑ Not applicable

| | |
|---|---|
| Name | Wei Jian Jun |
| Nationality | Chinese |
| Right of abode in other countries or regions | No |
| Occupation and position | Chairman of Great Wall Motor Company Limited |
| Shareholdings in domestic or overseas listed companies in the last ten years | Mr. Wei Jian Jun did not hold any shares in any listed companies other than Great Wall Motor in the last ten years. |

### 3. *Specific descriptions of no de facto controller in the Company*

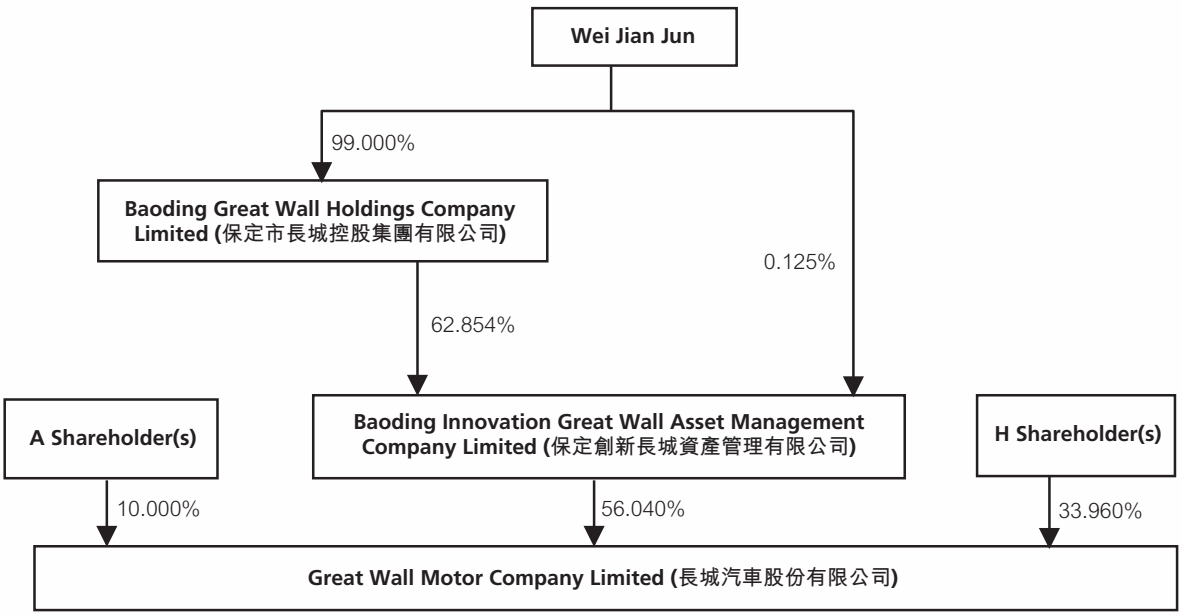
❑ Applicable √ Not applicable

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

❑ Applicable √ Not applicable

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

√ Applicable ❑ Not applicable




Note: Baoding Great Wall Holdings Company Limited (保定市長城控股集團有限公司) holds 30,018,500 H Shares, representing 0.97% of total number of H Shares.

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

❑ Applicable √ Not applicable

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

❑ Applicable √ Not applicable

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

√ Applicable ❑ Not applicable

As at 31 December 2019, HKSCC NOMINEES LIMITED, an overseas legal person, held 3,083,873,699 H Shares, representing 33.79% of the total shares of the Company. HKSCC NOMINEES LIMITED held these shares on behalf of a number of customers.

## VI. LIMIT ON THE SHAREHOLDING REDUCTION

❑ Applicable √ Not applicable

# Section 10 Description of Preference Shares

❑ Applicable √ Not applicable

# Section 11 Directors, Supervisors, Senior Management and Employees

## I. CHANGE IN SHAREHOLDINGS AND REMUNERATION

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

√ Applicable ❑ Not applicable

*Unit: Share(s)*

| Name | Position (Note) | Gender | Age | Term commencement date | Term expiration date | No. of shares held at the beginning of the Year | No. of shares held at the end of the Year | Changes (+/-) in shareholdings during the Year | Reason for changes | Total remuneration before tax from the Company during the Reporting Period (RMB10,000) | Whether receiving remuneration from related parties of the Company |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Wei Jian Jun | Chairman and Executive Director | Male | 56 | 11 May 2017 | 10 May 2020 | 0 | 0 | 0 | | 574.52 | No |
| Wang Feng Ying | Vice Chairman, Executive Director and General Manager | Female | 49 | 11 May 2017 | 10 May 2020 | 0 | 0 | 0 | | 551.15 | No |
| Yang Zhi Juan | Executive Director | Female | 53 | 11 May 2017 | 10 May 2020 | 0 | 0 | 0 | | 59.47 | No |
| He Ping | Non-executive Director | Male | 43 | 11 May 2017 | 10 May 2020 | 0 | 0 | 0 | | 6 | No |
| Ma Li Hui | Independent Non-executive Director | Male | 52 | 11 May 2017 | 10 May 2020 | 0 | 0 | 0 | | 6 | No |
| Li Wan Jun | Independent Non-executive Director | Male | 56 | 11 May 2017 | 10 May 2020 | 0 | 0 | 0 | | 6 | No |
| Ng Chi Kit | Independent Non-executive Director | Male | 46 | 11 May 2017 | 10 May 2020 | 0 | 0 | 0 | | 13.64 | No |
| Chen Biao | Chairman of Supervisory Committee | Male | 35 | 11 May 2017 | 10 May 2020 | 0 | 0 | 0 | | 60.96 | No |
| Luo Jin Li | Supervisor | Female | 60 | 11 May 2017 | 17 May 2019 | 0 | 0 | 0 | | 0.77 | No |
| Liu Qian | Supervisor | Female | 38 | 17 May 2019 | 10 May 2020 | 0 | 0 | 0 | | 1.28 | No |
| Zong Yi Xiang | Supervisor | Female | 49 | 11 May 2017 | 10 May 2020 | 0 | 0 | 0 | | 2.08 | No |
| Hu Shu Jie | Deputy General Manager | Male | 48 | 11 May 2017 | 10 May 2020 | 0 | 0 | 0 | | 434.06 | No |
| Zhao Guo Qing | Deputy General Manager | Male | 42 | 11 May 2017 | 10 May 2020 | 0 | 0 | 0 | | 301.52 | No |
| Li Feng Zhen | Deputy General Manager and Chief Financial Controller | Female | 57 | 11 May 2017 | 29 April 2019 | | 0 | 0 | | 24.3 | No |
| Liu Yu Xin | Chief Financial Controller | Female | 42 | 29 April 2019 | 10 May 2020 | 0 | 0 | 0 | | 47.08 | No |
| Zhang Wen Hui | Deputy General Manager | Male | 44 | 11 May 2017 | 22 March 2019 | 0 | 0 | 0 | | 13.28 | No |
| Xu Hui | Secretary to the Board | Male | 41 | 11 May 2017 | 10 May 2020 | 0 | 0 | 0 | | 94.16 | No |
| Total | / | / | / | / | / | 0 | 0 | 0 | | 2,196.27 | / |

| Name | Major working experience |
|---|---|
| Wei Jian Jun | **Mr. Wei Jian Jun (魏建軍先生) ("Mr. Wei")**, aged 56, is the chairman and executive director of the Company. He graduated from the Committee College of Hebei Province of the PRC Communist Party (中共河北省委黨校) in 1999 majoring in corporate management studies. Mr. Wei joined Baoding Great Wall Motor Industry Company (保定長城汽車工業公司) (the predecessor of the Company) as the general manager in 1990. He has been the chairman of the Company since June 2001. He is responsible for the overall strategic planning and business development of the Group. Mr. Wei was appointed as a representative to the Ninth and Tenth National People's Congress of Hebei Province, as well as a representative to the Eighteenth National Congress of the Communist Party of China. Mr. Wei is concurrently a director of the Company's substantial shareholder, Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司). Details of the disclosure of interests of the aforementioned substantial shareholder in the Company are set out under "Shares Held by Substantial Shareholders (SFO Requirements)" of Section 9 of this report. |
| Wang Feng Ying | **Ms. Wang Feng Ying (王鳳英女士) ("Ms. Wang")**, aged 49, is the vice chairman, executive director and general manager of the Company. She graduated from Tianjin Institute of Finance (天津財經學院) in 1999 and obtained a master's degree in economics. Ms. Wang joined the Company in 1991. She is responsible for marketing management of the Company. Ms. Wang has been acting as the general manager of the Company since November 2002. She is concurrently the general manager of Baoding Great Wall Automobile Sales Company Limited (保定長城汽車銷售有限公司). She has been acting as an executive director of the Company since June 2001. In addition, Ms. Wang was a representative to the Eleventh, Twelfth and Thirteenth National People's Congress. |
| Yang Zhi Juan | **Ms. Yang Zhi Juan (楊志娟女士) ("Ms. Yang")**, aged 53, is an executive director of the Company. She graduated from Hebei University (河北大學) with a major in law in 1987. Ms. Yang joined the Company in 1999, and served as the general office supervisor of Baoding Great Wall Huabei Automotive Company Limited (保定長城華北汽車有限責任公司) and the head of the investment management department of the Company. She has been acting as an executive director of the Company since August 2001. |

| Name | Major working experience |
|---|---|
| He Ping | **Mr. He Ping (何平先生) ("Mr. He")**, aged 43, is a non-executive director of the Company. He graduated from Fudan University (復旦大學) with a major in international economic law in 1997 and obtained a bachelor's degree in law. Since June 1997, Mr. He had worked in the investment banking headquarters of China Southern Securities Company Limited (南方證券有限責任公司). From March 2002 to December 2005, Mr. He successively acted as the deputy general manager and general manager of the investment banking headquarters of GuoDu Securities Company Limited (國都證券有限責任公司). Mr. He was appointed as the director of the investment department of Beijing Hony Future Investment Advisor Ltd. (北京弘毅遠方投資顧問有限公司) in December 2010. From October 2012 to April 2014, Mr. He was redesignated as the general manager of the risk control and compliance department. Mr. He was appointed as an executive director and the legal representative of Wuhu Zhuohui Chuangshi Investment Management Company Limited (蕪湖卓輝創世投資管理有限公司) on 22 October 2014. Mr. He was appointed as a director of Beijing Shenogen Pharmaceutical Co., Ltd. (北京盛諾基醫藥科技有限公司) in August 2016; an independent director of Beijing Capital Retailing Group Co., Ltd. (北京首商集團股份有限公司) in June 2017; and a supervisor of Hangzhou Suli Technology Company Limited (杭州速利科技有限公司) in July 2017, and an executive director, manager and legal representative of Zhuohui Holdings Co., Ltd. (卓輝控股有限公司) in September 2019. Mr. He has been acting as a non-executive director of the Company since May 2002. |
| Ma Li Hui | **Mr. Ma Li Hui (馬力輝先生) ("Mr. Ma")**, aged 52, is a professor in mechanical engineering and an independent non-executive director of the Company. Mr. Ma graduated from Hebei Institute of Technology (河北工學院) with a major in machine manufacturing technology and equipment in 1989. He taught in Hebei Institute of Technology (河北工學院) after obtaining a master's degree in engineering from the same institute in 1992. He obtained a doctoral degree in mechanic design and theory from Hebei University of Technology (河北工業大學) in June 2007. He is currently a professor of School of Quality and Technology Supervision (質量技術監督學院) in Hebei University (河北大學), and a member of the technological innovation committee of China Innovation Method Society (中國創新方法研究會). His research focuses include innovative design of mechanical and electrical products. Mr. Ma has been acting as an independent non-executive director of the Company since May 2014. |

| Name | Major working experience |
|---|---|
| Li Wan Jun | **Mr. Li Wan Jun (李萬軍) ("Mr. Li")**, aged 56, is a member of the Communist Party. He obtained a master's degree in management and is a senior accountant, certified public accountant and registered tax advisor. Mr. Li has acted as an independent director of Beijing Centergate Technologies (Holding) Co., Ltd. (北京中關村科技發展(控股)股份有限公司) since August 2018 and an independent director of Shijiazhuang Changshan Beiming Technology Co., Ltd. (石家莊常山北明科技股份有限公司) since October 2018. Currently, he works as a partner of Asia Pacific (Group) CPAs (special general partnership) (亞太(集團)會計師事務所(特殊普通合夥)), as the legal representative and a director of Hebei Kunhong Asset Management Company Limited (河北錕泓資產管理有限公司) and Hebei Liqin Tax Accountant Office Co., Ltd (河北力勤税務師事務所有限公司). Mr. Li has been acting as an independent non-executive director of the Company since May 2017. |
| Ng Chi Kit | **Mr. Ng Chi Kit (吳智傑) ("Mr. Ng")**, aged 46, graduated from the Hong Kong Polytechnic University in Hong Kong with a Bachelor of Arts in Accountancy in November 1997. Mr. Ng has been an associate member of Hong Kong Institute of Certified Public Accountants since January 2003 and a fellow member of the Association of Chartered Certified Accountants since June 2006. From March 2000 to December 2009, Mr. Ng worked in the Assurance and Advisory Business Services Department of Ernst & Young and was a senior manager of Ernst & Young from October 2006 to November 2009. From December 2010 to February 2017, Mr. Ng acted as a non-executive director and a member of the audit committee of Chaowei Power Holdings Limited, and was redesignated as an independent non-executive director on 10 February 2017. He is responsible for oversight of financial management and reporting. Since December 2013, Mr. Ng has been acting as the chief financial officer and the company secretary of Suchuang Gas Corporation Limited. Mr. Ng has been acting as an independent non-executive director of the Company since May 2017. |
| Chen Biao | **Mr. Chen Biao (陳彪先生) ("Mr. Chen")**, aged 35, is an engineer and an international certified internal auditor. He graduated from Chengde Petroleum College (承德石油高等專科學校) in 2007 majoring in automotive engineering. Mr. Chen joined the Company in 2007 and served as an assistant to the division head of the quality management division and as a deputy division head of the operation and supervision division of the Company. From October 2014 to May 2019, he has served as a division head of the supervision and audit division of the Company. Since May 2019, he has served as a supervision and audit director of the supervision and audit division of the Company. He has also been serving as a supervisor of 43 wholly-owned subsidiaries of the Company since August 2015. Since December 2015, Mr. Chen has been acting as the Company's supervisor. |

| Name | Major working experience |
|---|---|
| Luo Jin Li | **Ms. Luo Jin Li (羅金莉女士) ("Ms. Luo")**, aged 60, is a senior economist, and a supervisor of the Company. She graduated from Hebei Normal University (河北師範大學) with a major in physics in 1982. Ms. Luo has been working at the personnel department of Hebei University (河北大學) since December 1993, responsible for human resources management. Ms. Luo acted as a supervisor of the Company from September 2003 to May 2019. She ceased to act as a supervisor of the Company from 17 May 2019. |
| Liu Qian | **Ms. Liu Qian (劉倩女士) ("Ms. Liu"),** aged 38, is an associate professor. She graduated from Hebei University with a bachelor's degree in statistics in 2003 and a master's degree in statistics in 2006. Since July 2003, she has been teaching in the Statistics Department of the College of Economics of Hebei University. Ms. Liu has been acting as a supervisor of the Company since May 2019. |
| Zong Yi Xiang | **Ms. Zong Yi Xiang (宗義湘女士) ("Ms. Zong")**, aged 49, is a professor and a doctoral supervisor, a certified asset valuer in the PRC and a supervisor of the Company. Ms. Zong graduated from the Chinese Academy of Agricultural Sciences (中國農業科學院) with a doctoral degree in 2006. She is currently serving as a professor of the College of Economics and Management in Agricultural University of Hebei (河北農業大學經濟管理學院), standing committee member of Statistical Association of Hebei (河北省統計學會) and a standing committee member of Research Committee of Legal System for Agriculture and Rural Area under the Law Association of Hebei (河北省法學會農業與農村法制研究會). Her research focuses include industrial economic theories and policies as well as statistics. Ms. Zong has been acting as the Company's supervisor since May 2014. |
| Hu Shu Jie | **Mr. Hu Shu Jie (胡樹傑先生) ("Mr. Hu")**, aged 48, is a deputy general manager of the Company. Mr. Hu joined the Company in 1996 and worked in Baoding Great Wall Automobile Sales Network Company Limited (保定市長城汽車營銷網絡有限公司) as the head of the external affairs department, the manager of the information department and the manager of the market planning department. He also worked as the general manager of Baoding Great Wall Automobile After-sales Services Company Limited (保定市長城汽車售後服務有限公司), the general manager of the first manufacturing division of the Company and the general manager of the second manufacturing division of the Company. He is currently in charge of the Group's development of automobile products and has been acting as a deputy general manager of the Company since December 2005. |

| Name | Major working experience |
|---|---|
| Zhao Guo Qing | **Mr. Zhao Guo Qing (趙國慶先生) ("Mr. Zhao")**, aged 42, is a deputy general manager of the Company. He joined the Company in 2000 and acted as the director of the lean promotion department, the deputy director of the technology research institute, the director of the supporting facilities management department and the deputy supervisor of the technology centre. He is currently responsible for the procurement of ancillary parts and equipment. He has been acting as the Company's deputy general manager since June 2010. |
| Li Feng Zhen | **Ms. Li Feng Zhen (李鳳珍女士) ("Ms. Li")**, aged 57, is the deputy general manager and chief financial controller of the Company. Ms. Li is qualified as a PRC registered accountant, PRC registered valuer and PRC registered tax adviser. Ms. Li has worked as a financial accountant in enterprises for 15 years and engaged in auditing in accounting firms for 7 years. Ms. Li joined the Company in 2001 and has been acting as the chief financial controller of the Company since May 2005. She was the deputy general manager of the Company from June 2010 to April 2019. She ceased to act as the deputy general manager of the Company from 29 April 2019. |
| Zhang Wen Hui | **Mr. Zhang Wen Hui (張文輝先生) ("Mr. Zhang")**, aged 44, is a deputy general manager of the Company. Mr. Zhang joined the Company in 2000 and was responsible for daily management of GW Internal Combustion Engine Company (長城內燃機公司). He acted as the head of the operation management department. He is currently the head of the strategic management department and the secretary of the party committee of the Company. He acted as the Company's deputy general manager from January 2012 to March 2019 and resigned from the post on 22 March 2019. |
| Liu Yu Xin | **Ms. Liu Yu Xin (劉玉新女士) ("Ms. Liu"),** aged 42, joined the Company in 2000 and has engaged in financial management for 19 years. Ms. Liu was the financial director of Baoding Great Wall Automobile After-sales Services Company Limited, head of finance department of Baoding Great Wall Huabei Automobile Co., Ltd. (保定長城華北汽車有限責任公司) and head of the Company's financial management center, leading financial management, financial organization reform, and establishment of the financial sharing model of the Group. She has been acting as the chief financial officer of the Company since April 2019. |
| Xu Hui | **Mr. Xu Hui (徐輝先生) ("Mr. Xu")**, aged 41, is the secretary to the Board of the Company. Mr. Xu joined the Company in 2001 and is responsible for works related to corporate finance, equity investment and management authorization. He has been acting as the head of the securities and legal affairs department of the Company since July 2008 and as the secretary to the Board of the Company since June 2010. |

## Additional Information

√ Applicable ❑ Not applicable

***Directors' and Supervisors' Service Agreements and Letters of Appointment***

The Company entered into service agreements with each of the executive directors and supervisors in May 2017, and entered into appointment letters with each of the non-executive directors and independent non-executive directors in May 2017. Pursuant to the above service agreements and appointment letters, the term of directors is three years expiring upon the expiry of the sixth session of the Board, and that of supervisors will expire upon the expiry of the sixth session of the Supervisory Committee. Save as disclosed above, none of the directors or supervisors had entered into or proposed to enter into any other service contracts with the Company or its subsidiaries or any service contracts not determinable by the employer within one year without payment of compensation (other than statutory compensation).

***Independence of Independent Non-Executive Directors***

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

***Interests of Controlling Shareholders, Directors and Supervisors in Material Contracts***

None of the controlling shareholders or their subsidiaries, directors or supervisors or entities connected with such directors or supervisors was or had been materially interested, whether directly or indirectly, in any contract subsisting during 2019 or at the end of 2019 which was significant to the business of the Company or any of its subsidiaries.

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

❑ Applicable √ Not applicable

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

### (I) Positions held in the Company's shareholders

√ Applicable ❑ Not applicable

| Name | Name of the Company's shareholders | Positions held in the Company's shareholders | Term commencement date | Term expiration date |
|---|---|---|---|---|
| Wei Jian Jun | Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司) | Chairman and general manager | 1 December 2005 | |
| Wei Jian Jun | Baoding Great Wall Holdings Company Limited (保定市長城控股集團有限公司) | Chairman and general manager | 31 January 2013 | |
| Yang Zhi Juan | Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司) | Vice Chairman | 18 January 2016 | |
| Yang Zhi Juan | Management Centre of Collective Assets of Nandayuan Town, Lianchi District, Baoding (保定市蓮池區南大園鄉集體資產經管中心) | General manager | 7 January 2016 | |
| Description of positions held in the Company's shareholders | Baoding Great Wall Holdings Company Limited (保定市長城控股集團有限公司) (controlling shareholder of Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司)) is an indirect shareholder of the Company;<br><br>Management Centre of Collective Assets of Nandayuan Town, Lianchi District, Baoding (保定市蓮池區南大園鄉集體資產經管中心) (shareholder of Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司)) is an indirect shareholder of the Company. | | | |

### (II) Positions held in other entities

√ Applicable ❑ Not applicable

| Name | Name of other entities | Positions held in other entities | Term commencement date | Term expiration date |
|---|---|---|---|---|
| Wei Jian Jun | Baoding Great Wall Pioneer Enterprise Investment Company Limited (保定市長城創業投資有限公司) | Chairman and general manager | 14 April 2004 | |
| Wei Jian Jun | Hebei Baocang Expressway Co. Ltd. (河北保滄高速公路有限公司) | Vice Chairman | 10 December 2004 | |
| Wei Jian Jun | Baoding Taihang Steel Structure Engineering Co., Ltd. (保定太行鋼結構工程有限公司) | Director | 20 September 2000 | |
| Yang Zhi Juan | Baoding Great Wall Pioneer Enterprise Investment Company Limited (保定市長城創業投資有限公司) | Vice Chairman | 9 May 2018 | |
| He Ping | Wuhu Zhuo Hui Chuang Shi Investment Management Ltd. (蕪湖卓輝創世投資管理有限公司) | Executive director/Legal representative | 22 October 2014 | |
| He Ping | Beijing Shenogen Pharmaceutical Co., Ltd. (北京盛諾基醫藥科技有限公司) | Director | August 2016 | |
| He Ping | Beijing Capital Retailing Group Co., Ltd. (北京首商集團股份有限公司) | Independent director | June 2017 | |
| He Ping | Hangzhou Suli Technology Company Limited (杭州速利科技有限公司) | Supervisor | July 2017 | |
| He Ping | Zhuohui Holdings Co., Ltd. (卓輝控股有限公司) | Executive director, manager, legal representative | September 2019 | |
| Li Wan Jun | Asia Pacific (Group) CPAs (special general partnership) (亞太(集團) 會計師事務所(特殊普通合夥)) | Partner | December 2014 | |
| Li Wan Jun | Hebei Kunhong Asset Management Company Limited (河北錕泓資產管理有限公司) | Legal representative and director | March 2016 | |
| Li Wan Jun | Hebei Liqin Tax Accountant Office Co., Ltd. (河北力勤税務師事務所有限公司) | Director | 8 August 2018 | |
| Ng Chi Kit | Suchuang Gas Corporation Limited | Chief financial officer/ company secretary | December 2013 | |
| Ng Chi Kit | Chaowei Power Holdings Limited | Independent non-executive director | February 2017 | |
| Hu Shu Jie | China Automobile (Beijing) Automobile Lightweight Technology Research Institute Company Limited (國汽(北京)汽車輕量化技術研究院有限公司) | Director | 29 March 2016 | |

| Name | Name of other entities | Positions held in other entities | Term commencement date | Term expiration date |
|---|---|---|---|---|
| Wang Feng Ying | Tianjin Great Wall Binyin Automotive Finance Company Limited (天津長城濱銀汽車金融有限公司) | Director | 30 May 2014 | |
| Li Feng Zhen | Tianjin Great Wall Binyin Automotive Finance Company Limited | Chairman | 4 March 2019 | |
| Li Feng Zhen | Tianjin Yihe Information Technology Co., Ltd. (天津易和信息科技有限公司) | Executive director | 11 June 2019 | |
| Li Feng Zhen | Xinbao Enterprise Management Services Co., Ltd. (鑫寶企業管理服務有限公司) | Executive director and manager | 10 December 2019 | |
| Zhang Wen Hui | Tianjin Great Wall Car Sharing Service Company Limited (天津長城共享汽車服務有限公司) | Executive director | 21 December 2017 | |
| Zhang Wen Hui | Time Technology Co., Ltd. (紛時科技有限公司) | Executive director | 30 July 2018 | |
| Zhang Wen Hui | Haval Automotive Rental Co., Ltd. (哈弗汽車租賃有限公司) | Executive director | 20 April 2018 | |
| Zhang Wen Hui | Beijing Forever Peace Information Consulting Company Limited (北京萬里友好信息諮詢有限公司) | Executive director and manager | 16 September 2019 | |
| Zhang Wen Hui | Hebei Xiong'an Oula Sharing Technology Co., Ltd. (河北雄安歐拉共享科技有限公司) | Executive director and manager | 7 September 2018 | |
| Zhao Guo Qing | Spotlight Automotive Ltd. (光束汽車有限公司) | Chairman | 27 December 2019 | |
| Hu Shu Jie | Spotlight Automotive Ltd. | Director | 27 December 2019 | |
| Xu Hui | Spotlight Automotive Ltd. | Supervisor | 27 December 2019 | |
| Description of positions in other entities | – | | | |

## III. REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

√ Applicable ❑ Not applicable

| | |
|---|---|
| Decision-making process for determining remuneration of directors, supervisors and senior management | The Board has set up the Remuneration Committee, which conducts evaluation of directors and senior management according to the performance appraisal standards and procedures, and makes reasonable recommendations on remuneration of directors and senior management based on their evaluation results and the Company's operating results. |
| Basis for determining remuneration of directors, supervisors and senior management | According to the Company's remuneration policy, the annual remuneration of directors, supervisors and senior management is paid by the Company on a monthly basis. Year-end bonuses are given to executive directors and senior management based on the Company's operating results and appraisal results at the end of the year. |
| Remuneration actually paid to directors, supervisors and senior management | For the actual amount paid to directors, supervisors and senior management according to the above-mentioned principles, please refer to the table under (I) "The change in shareholdings and remuneration of existing and resigned/retired directors, supervisors and senior management during the Reporting Period" of item (I) "Change in Shareholdings and Remuneration" in this section. |
| Total remuneration actually received by all the directors, supervisors and senior management at the end of the Reporting Period | As at the end of the Reporting Period, the total amount of remuneration actually received by all the directors, supervisors and senior management from the Company was RMB21,962,700. |

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

√ Applicable ❑ Not applicable

| Name | Position | Change | Reason for change |
|---|---|---|---|
| Zhang Wen Hui | Deputy general manager | Dismissal | Change of work |
| Li Feng Zhen | Deputy general manager, chief financial controller | Dismissal | Change of work |
| Liu Yu Xin | Chief financial controller | Appointment | operational demand |
| Luo Jin Li | Supervisor | Retirement | Age issue |
| Liu Qian | Supervisor | Election | operational demand |

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

❑ Applicable √ Not applicable

## VI. EMPLOYEES OF THE PARENT AND MAJOR SUBSIDIARIES

### (I) Employees

| | |
|---|---|
| Number of serving employees of the Parent | 26,569 |
| Number of serving employees of major subsidiaries | 33,187 |
| Total number of serving employees | 59,756 |
| Number of disengaged and retired employees for whom the Parent and its major subsidiaries shall be liable to expenses | 31 |

***Composition of employees by profession***

| Profession | Number |
|---|---|
| Manufacturing personnel | 26,675 |
| Sales personnel | 2,019 |
| Technicians | 17,603 |
| Financial personnel | 899 |
| Administrative officers | 3,240 |
| Others | 9,320 |
| Total | 59,756 |

***Education level***

| Education level | Number (person) |
|---|---|
| Doctor's degree | 89 |
| Master's degree | 2,010 |
| Bachelor's degree | 16,593 |
| University diploma | 13,210 |
| Secondary schools and below | 27,854 |
| Total | 59,756 |

### (II) Remuneration policy

√ Applicable ❑ Not applicable

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

### (III) Training Program

√ Applicable ❑ Not applicable

Adhering to the principle of "talent is the foundation of car production", the Company established a cadre management mechanism and globalized talent nurturing system focusing on selection, and constructed three nurturing models including domestic approach, external dispatch approach and oversea locally-oriented approach, developing talent teams possessing innovative and digital thinking and global vision.

### (IV) Outsourcing of labour

❑ Applicable √ Not applicable

## VII. OTHERS

❑ Applicable √ Not applicable

# Section 12 Corporate Governance Report

## I. DESCRIPTION OF CORPORATE GOVERNANCE

√ Applicable ❑ Not applicable

The Company has strictly complied with the Securities Law, the Rules Governing the Listing of Stocks on Shanghai Stock Exchange (《上海證券交易所股票上市規則》), the Code of Corporate Governance for Listed Companies in China (《上市公司治理準則》) and the requirements of the relevant laws and regulations of the CSRC, as well as the Hong Kong Listing Rules and the requirements of the relevant laws and regulations in Hong Kong to establish and perfect its corporate governance structure, regulate its operations, strengthen its information disclosure system, and improve its investor relations management on an on-going basis.

Since the listing of its H Shares in Hong Kong in 2003, the Company has formulated relevant corporate governance rules, including the Rules of General Meetings (《股東大會議事規則》), the Rules of the Meetings of the Board (《董事會議事規則》), the Rules of the Meetings of the Supervisory Committee (《監事會議事規則》), the Terms of Reference for General Manager (《總經理工作細則》), the Implementation Rules for the Audit Committee under the Board (《董事會審計委員會實施細則》), the Working Procedures for the Nomination Committee under the Board (《董事會提名委員會工作制度》), the Working Procedures for the Remuneration Committee under the Board (《董事會薪酬委員會工作制度》) and the Administrative Measures for Strategic Management Plan of Strategy Committee (《戰略委員會戰略規劃管理制度》).

Since the listing of its A Shares in the PRC in 2011, the Company has amended and refined some of its rules, and formulated the Accountability Rules for Material Errors on Information Disclosure in Annual Report (《年報信息披露重大差錯責任追究制度》), the Working Procedures of Independent Directors on Annual Report (《獨立董事年報工作制度》), the Administrative Rules on the Shares of the Company Held by its Directors, Supervisors and Senior Management and the Changes thereof (《董事、監事和高級管理人員持有本公司股份及其變動管理制度》), the Administrative Rules on Information Disclosure (《信息披露管理制度》), the Administrative Rules on the Release of Information to External Parties and the Use of Such Information (《對外信息報送和使用管理制度》), the Administrative Rules on Fund Raising (《籌資管理制度》) and the Administrative Rules on Donation to External Parties (《對外捐贈管理制度》) in accordance with the relevant requirements in the PRC. These rules and procedures help improve the regulatory system of the Company and ensure that the existing corporate governance of the Company can meet the relevant requirements in both Hong Kong and the PRC.

The Board considered and passed the Rules on Registration and Filing of Details of Insiders (《內幕信息知情人登記備案制度》) on 22 November 2011 and coordinated with the Administrative Rules on the Release of Information to External Parties and the Use of Such Information (《對外信息報送和使用管理制度》) and strictly implemented thereof so as to effectively prevent the leak of confidential information of the Company.

Reasons should be provided for any discrepancies between the corporate governance of the Company and the relevant requirements of the CSRC.

❑ Applicable √ Not applicable

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

## II. SUMMARY OF THE GENERAL MEETINGS

| Session | Date of general meeting | Designated website on which the resolution was published | Publication date of the resolution |
|---|---|---|---|
| 2018 annual general meeting | 17 May 2019 | Shanghai Stock Exchange www.sse.com.cn; Hong Kong Stock Exchange www.hkexnews.hk | 17 May 2019 |
| The first A Shareholders' class meeting in 2019 | 17 May 2019 | Shanghai Stock Exchange www.sse.com.cn; Hong Kong Stock Exchange www.hkexnews.hk | 17 May 2019 |
| The first H Shareholders' class meeting in 2019 | 17 May 2019 | Shanghai Stock Exchange www.sse.com.cn; Hong Kong Stock Exchange www.hkexnews.hk | 17 May 2019 |
| The first extraordinary general meeting in 2019 | 3 January 2019 | Shanghai Stock Exchange www.sse.com.cn; Hong Kong Stock Exchange www.hkexnews.hk | 3 January 2019 |
| The second extraordinary general meeting in 2019 | 12 April 2019 | Shanghai Stock Exchange www.sse.com.cn; Hong Kong Stock Exchange www.hkexnews.hk | 12 April 2019 |
| The third extraordinary general meeting in 2019 | 9 August 2019 | Shanghai Stock Exchange www.sse.com.cn; Hong Kong Stock Exchange www.hkexnews.hk | 9 August 2019 |
| The fourth extraordinary general meeting in 2019 | 25 October 2019 | Shanghai Stock Exchange www.sse.com.cn; Hong Kong Stock Exchange www.hkexnews.hk | 25 October 2019 |
| The second A Shareholders' class meeting in 2019 | 25 October 2019 | Shanghai Stock Exchange www.sse.com.cn; Hong Kong Stock Exchange www.hkexnews.hk | 25 October 2019 |
| The second H Shareholders' class meeting in 2019 | 25 October 2019 | Shanghai Stock Exchange www.sse.com.cn; Hong Kong Stock Exchange www.hkexnews.hk | 25 October 2019 |

### Description of General Meetings

❑ Applicable √ Not applicable

## III. PERFORMANCE OF DUTIES BY DIRECTORS

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

| | | Attendance at Board meetings | | | | | Attendance at general meetings | |
|---|---|---|---|---|---|---|---|---|
| Name of director | Independent director | No. of meetings during the Year | Attendance in person | Attendance by means of communication | Attendance by proxy | Absence | Absent from meetings for two consecutive times | Attendance at general meetings |
| Wei Jian Jun | No | 14 | 14 | 10 | 0 | 0 | No | 1 |
| Wang Feng Ying | No | 14 | 14 | 10 | 0 | 0 | No | 1 |
| Yang Zhi Juan | No | 14 | 12 | 10 | 2 | 0 | No | 4 |
| He Ping | No | 14 | 14 | 10 | 0 | 0 | No | 0 |
| Ma Li Hui | Yes | 14 | 14 | 10 | 0 | 0 | No | 4 |
| Li Wan Jun | Yes | 14 | 14 | 10 | 0 | 0 | No | 0 |
| Ng Chi Kit | Yes | 14 | 14 | 10 | 0 | 0 | No | 0 |

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

❑ Applicable √ Not applicable

| | |
|---|---|
| No. of Board meetings held during the Year | 14 |
| Including: no. of on-site Board meetings | 1 |
| No. of Board meetings convened by means of communication | 10 |
| No. of Board meetings held both on-site and by communication | 3 |

The Company held five general meetings in 2019. Specifically, one executive director, one non-executive director and three independent non-executive directors were absent from the 2018 annual general meeting and relevant class meetings; two executive directors, one non-executive director and two independent non-executive directors were absent from the first extraordinary general meeting in 2019, the second extraordinary general meeting in 2019 and the third extraordinary general meeting in 2019; and three executive directors, one non-executive director and two independent non-executive directors were absent from the fourth extraordinary general meeting in 2019 and relevant class meetings. However, such directors had already attended the Board meetings relevant to the issues to be considered and approved at the Shareholders' meeting. All the directors, including independent non-executive directors and non-executive directors, are aware that they should attend general meetings and understand the views of the shareholders.

Note: The means of communication mentioned above include electronic means of communication and circulation of written proposals. During the Year, all the directors of the Company attended four regular Board meetings either in person or through electronic means of communication.

### (II) Disagreement of the independent directors on matters related to the Company

❑ Applicable √ Not applicable

During the Reporting Period, the independent directors (independent non-executive directors) of the Company had no disagreement on matters considered and approved by the Board.

### (III) Others

❑ Applicable √ Not applicable

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

√ Applicable ❑ Not applicable

The duties performed by the special committees under the Board during the Reporting Period are summarized as follows: the Audit Committee under the Board played an important role in the auditing of the 2019 annual report. During the auditing, the Audit Committee under the Board enhanced the communication with the accountant and solved the relevant problems in a timely manner to ensure the completion of the auditor's report as scheduled. The Audit Committee under the Board also reviewed the auditor's report of the Company and submitted the same to the 19th meeting of the 6th session of the Board for voting. During the Reporting Period, the Audit Committee under the Board reviewed and provided valuable opinions on the relevant financial reports including the quarterly and interim reports. The Company convened a meeting of the Strategy Committee under the Board to consider and approve the operational strategies of the Company for the year of 2019.

## V. RISKS OF THE COMPANY IDENTIFIED BY THE SUPERVISORY COMMITTEE

❑ Applicable √ Not applicable

During the Reporting Period, the Supervisory Committee of the Company had no disagreement with the Board on matters under the Supervisory Committee's supervision.

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

❑ Applicable √ Not applicable

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

❑ Applicable √ Not applicable

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

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

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

√ Applicable ❑ Not applicable

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

## VIII. HAS THE INTERNAL CONTROL EVALUATION REPORT BEEN DISCLOSED

√ Applicable ❑ Not applicable

For details of the internal control self-evaluation report, please refer to the Evaluation Report on Internal Control for the Year of 2019 of Great Wall Motor Company Limited published by the Company on the website of the Shanghai Stock Exchange (www.sse.com.cn) (this report was also published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) in the form of overseas regulatory announcement).

Description of material defect of internal control during the Reporting Period

❑ Applicable √ Not applicable

## IX. RELEVANT MATTERS OF AUDIT REPORT ON INTERNAL CONTROL

√ Applicable ❑ Not applicable

For details of the audit report on internal control, please refer to the Audit Report on Internal Control for the Year of 2019 published by the Company on the website of the Shanghai Stock Exchange (www.sse.com.cn) (this report was also published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) in the form of overseas regulatory announcement).

Has the audit report on internal control been disclosed: Yes

## X. INVESTOR RELATIONS

During the Year, the Company enhanced the two-way communication between the Company and its investors so as to enable the general investors to keep abreast of the operation condition of the Company, promote a better relationship between the Company and its investors and help its investors to have a timely and accurate understanding of the operation condition of the Company. During the Year, the Company enabled its investors to have a timely understanding of the Company's operation condition through inviting them to participate in the Company's activities, such as general meetings and exhibitions. The Company had comprehensive communication with its investors by organising domestic and overseas roadshows, receiving survey and research delegations from investors, organising teleconferences and attending summit meetings organised by investment banks. During the Year, the Company hosted 3 domestic and overseas roadshows, received 18 survey and research delegations from domestic and overseas investors, held 26 teleconferences and attended 29 summit meetings hosted by investment banks in total.

## XI. OTHERS

√ Applicable ❑ Not applicable

The Company is committed to enhancing its corporate governance standard by improving its transparency, independence, accountability and fairness. The Company has adopted appropriate measures to comply with the Corporate Governance Code as set out in Appendix 14 to the Hong Kong Listing Rules and its principles. During the Year, the Company met the code provisions of the Corporate Governance Code. Set out below is a summary of the corporate governance practices of the Company and, if any, the explanation of deviation from the Corporate Governance Code set out in the Hong Kong Listing Rules.

### Principal Corporate Governance Principles and Practices of the Company

#### *A. Board of Directors*

The Board should have a balance of skills and experience appropriate for the requirements of the business of the Company.

The members of the Board are as follows:

**Executive Directors:**
Mr. Wei Jian Jun *(Chairman)*
Ms. Wang Feng Ying *(Vice-chairman and General Manager)*
Ms. Yang Zhi Juan

**Non-Executive Director:**
Mr. He Ping

**Independent Non-Executive Directors:**
Mr. Ma Li Hui
Mr. Li Wan Jun
Mr. Ng Chi Kit

- During the year, the Company complied with the requirements regarding the number of independent non-executive directors and accounting or related financial management expertise set out under Rule 3.10(1) and (2) and Rule 3.10A of the Hong Kong Listing Rules, respectively.

- All independent non-executive directors complied with the guidelines on independence set out under Rule 3.13 of the Hong Kong Listing Rules and did not violate any provision thereunder throughout the Year.

- During the year, none of the directors engaged in or was interested in any business which competed or was likely to compete, directly or indirectly, with the business of the Group.

- There is no financial, business, family or other material relationship among members of the Board.

- The biographies of directors are set out in Section 11.

Deviation: NIL

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

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

Deviation: NIL

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

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

Deviation: NIL

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

- The Board shall meet regularly and hold at least four board meetings a year. The Board is responsible for formulating and reviewing the business direction and strategy for the relevant auditing period and for supervising the operating and financial performance of the Group. Where necessary, the Board will also convene extraordinary meetings to discuss matters requiring a decision by the Board on an ad hoc basis. The management is authorised to exercise discretion on day-to-day operations.
- The Board is accountable to the general meetings and discharges the following duties:

  (1) to convene general meetings and report its work to the general meetings;

  (2) to implement resolutions of the general meetings;

  (3) to determine operating plans and investment proposals of the Company;

(4) to prepare annual financial budgets and financial statements of the Company;

(5) to prepare proposals for profit distribution and making up losses of the Company;

(6) to prepare proposals for the increase or decrease in registered capital and issue of bonds of the Company;

(7) to prepare proposals for the mergers, segregation and dissolution of the Company;

(8) to determine the internal management structure of the Company;

(9) to appoint or remove the general manager of the Company, and on the basis of nomination by the general manager, to appoint or remove the deputy general manager, chief financial controller and other senior management of the Company and to determine their remunerations;

(10) to set up the basic management systems of the Company;

(11) to prepare proposals for amendments to the Articles; and

(12) other authorisations from the general meetings.

Deviation: NIL

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

- The Articles clearly stipulate that the general manager of the Company is responsible for implementing various strategies and overseeing the day-to-day operations of the Company and is required to report to the Board on a regular basis.

- The Board will formulate the development strategies of the Company within its scope of authority. The management is authorised and entrusted by the Board to implement the strategies and oversee the day-to-day operations of the Company. The management is accountable to the Board.

- Save for matters of significance of the Company to be determined by the Board, which are set out in the terms of reference of the Board, other issues relating to day-to-day operation are subject to the decision of the management, and shall be reported to the Board by the management.

Deviation: NIL

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

- During the Year, the Board held fourteen meetings. Pursuant to the Articles, "meetings or extraordinary meetings of the Board may be convened by means of telephone or similar telecommunication facilities".

- Regular meetings of the Board were held in the middle of the Year and at the end of the Year. Additional meetings were also held to consider important matters arising from time to time. Directors may attend such meetings in person or through other electronic means of communication.

- Notice will be given to each director 14 days prior to a Board meeting. Documents containing meeting agenda will be sent to each director four days before the date appointed for the relevant meeting.

- The secretary to the Board assists the chairman of the Board in preparing the meeting agenda. The directors are allowed to submit agenda proposals to the secretary to the Board before the date appointed for the relevant meeting.

- Minutes of Board meetings and meetings of committees are kept by the secretary to the Board and are available for inspection by the directors at any time. Such minutes of the meeting will record opinions and suggestions raised by the directors in the meeting, the final version of which will be sent to directors for signing and confirmation.

- Transactions in which directors are deemed to have a conflict of interests or deemed to be materially interested will not be dealt with by written resolution. The relevant director will be allowed to attend the meeting but may not express any opinion and will be required to abstain from voting.

- The directors may seek independent professional advice on professional matters involved in the agenda at the expense of the Company.

**Attendance of individual directors at Board meetings and general meetings in 2019**

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

Deviation: NIL

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

- The company secretary provides up-to-date information on trading of H Shares and A Shares in Hong Kong and in the PRC respectively on each trading day to the directors and committee members and keeps them abreast of the latest developments of the Group and business progress of the Company.

- Pursuant to the prevailing "Rules and Procedures of Independent Directors" (獨立董事工作制度), non-executive directors and independent non-executive directors are entitled to attend and propose to convene Board meetings. All the committees of the Company currently comprise independent non-executive directors.

- The Company regularly provides all directors, whose names are set out in this section, with information in relation to their professional conduct and enhancement of their expertise for training purposes in order to ensure all directors are familiar with the operation and business of the Company and relevant laws and regulations (including but not limited to the listing rules of Hong Kong and China).

Deviation: NIL

*Compliance with Model Code*

- The Company has complied with the Model Code set out in Appendix 10 to the Hong Kong Listing Rules and has not adopted any separate code of conduct on terms more exacting than those set out in the Model Code. The Company has made specific enquiry to each director in respect of securities transactions by directors. None of the directors of the Company violated any provisions of the Model Code.

Deviation: NIL

*The Board committees*

There are four committees under the Board. The Strategy Committee is responsible for assisting the Board in formulating strategies and providing recommendations to the management from time to time in accordance with the prevailing market environment and changes in policies. The Remuneration Committee is responsible for formulating remuneration policies of the Company and supervising their implementations. The Nomination Committee is responsible for making recommendations to the Board regarding its size and composition as well as the standards and procedures for selecting directors and management. The Audit Committee is responsible for monitoring the financial conditions of the Company. The Strategy Committee, Remuneration Committee, Nomination Committee and Audit Committee report to the Board on a regular basis.

| **Strategy Committee** | **Remuneration Committee** | **Nomination Committee** | **Audit Committee** |
|---|---|---|---|
| Mr. Wei Jian Jun *(Chairman)* | Mr. Wei Jian Jun | Mr. Wei Jian Jun | Mr. He Ping |
| Ms. Wang Feng Ying | Mr. Ma Li Hui *(Chairman)* | Mr. Ma Li Hui *(Chairman)* | Mr. Ma Li Hui |
| Mr. He Ping | Mr. Li Wan Jun | Mr. Ng Chi Kit | Mr. Li Wan Jun *(Chairman)* |
| Mr. Ma Li Hui | | | Mr. Ng Chi Kit |
| Mr. Li Wan Jun | | | |

Deviation: NIL

### *B. The Strategy Committee*

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

**Attendance of committee members at meetings of the Strategy Committee in 2019**

| **No. of meetings** | 1 |
|---|---|
| **Date and Business** | **21 March 2019 To consider the proposal on the operational strategies of the Company for the year of 2019** |
| | **No. of attendance/ No. of meeting** / **Attendance rate** |
| Wei Jian Jun | 1/1 / 100% |
| Wang Feng Ying | 1/1 / 100% |
| He Ping | 1/1 / 100% |
| Ma Li Hui | 1/1 / 100% |
| Li Wan Jun | 1/1 / 100% |
| **Average attendance rate** | – / 100% |

During the Reporting Period, the Company held a meeting of the Strategy Committee to consider and approve the operational strategies of the Company for the year of 2019.

Deviation: NIL

### *C. Remuneration of Directors and Senior Management*

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

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

- The Remuneration Committee is responsible for making recommendations on the remuneration policies in relation to the directors and senior management of the Group, and determining the remuneration packages for executive directors and senior management, including benefits in kind, pensions and compensation payments. The terms of reference of the Remuneration Committee include the specific duties set out under the Corporate Governance Code.

- The Group proposes the basis of remuneration for directors and employees according to the performance and qualification of the directors and employees as well as the prevailing industry practice. The remuneration policies and packages are reviewed regularly. Based on the performance assessment report, employees may receive bonus and incentive payments as rewards.

- In May 2017, the Company and each of the directors, including non-executive directors and independent non-executive directors, entered into a Director's Service Agreement or an appointment letter for a term of three years, which set out the respective remunerations of the directors.

- Details of directors' and senior management's remuneration as well as the five highest paid individuals in the Group are set out in item I. (I) "The change in shareholdings and remuneration of existing and resigned/retired directors, supervisors and senior management during the Reporting Period" in Section 11 and note (XI) to the financial statements.

**Attendance of committee members at meetings of the Remuneration Committee in 2019**

| | | |
|---|---|---|
| **No. of meetings** | 2 | |
| **Date and Business** | **6 September 2019 To consider the Resolution on the 2019 Restricted Share and Share Option Incentive Scheme (draft) of Great Wall Motor Company Limited and its Summary, the Resolution on the Appraisal Measures for Implementation of the 2019 Restricted Share and Share Option Incentive Scheme of Great Wall Motor Company Limited, the Resolution on the Administrative Measures for Long-term Incentive Mechanism of Great Wall Motor Company Limited 27 September 2019 To consider the Resolution on the 2019 Restricted Share and Share Option Incentive Scheme (the First Amended Draft) of Great Wall Motor Company Limited and its Summary, the Resolution on the Appraisal Measures for Implementation of the 2019 Restricted Share and Share Option Incentive Scheme (Amended) of Great Wall Motor Company Limited, the Resolution on the Administrative Measures for Long-term Incentive Mechanism (Amended) of Great Wall Motor Company Limited** | |
| | **No. of attendance/ No. of meetings** | **Attendance rate** |
| Wei Jian Jun | 2/2 | 100% |
| Ma Li Hui | 2/2 | 100% |
| Li Wan Jun | 2/2 | 100% |
| **Average attendance rate** | – | 100% |

During the Reporting Period, the Remuneration Committee of the Company held a meeting on 6 September 2019, at which the Resolution on the 2019 Restricted Share and Share Option Incentive Scheme (draft) of Great Wall Motor Company Limited and its Summary, the Resolution on the Appraisal Measures for Implementation of the 2019 Restricted Share and Share Option Incentive Scheme of Great Wall Motor Company Limited, the Resolution on the Administrative Measures for Long-term Incentive Mechanism of Great Wall Motor Company Limited were considered and approved; the Remuneration Committee of the Company held a meeting on 27 September 2019, at which the Resolution on the 2019 Restricted Share and Share Option Incentive Scheme (the First Amended Draft) of Great Wall Motor Company Limited and its Summary, the Resolution on the Appraisal Measures for Implementation of the 2019 Restricted Share and Share Option Incentive Scheme (Amended) of Great Wall Motor Company Limited, the Resolution on the Administrative Measures for Long-term Incentive Mechanism (Amended) of Great Wall Motor Company Limited were considered and approved.

Deviation: NIL

***D. Nomination Committee***

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

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

**Attendance of committee members at meeting(s) of the Nomination Committee in 2019**

| **No. of meeting** | 1 | |
|---|---|---|
| **Date and Business** | **28 Mach 2019 To consider the Resolution on the Appointment of the Chief Financial Controller of the Company** | |
| | **No. of attendance/ No. of meetings** | **Attendance rate** |
| Wei Jian Jun | 1/1 | 100% |
| Ma Li Hui | 1/1 | 100% |
| Ng Chi Kit | 1/1 | 100% |
| **Average attendance rate** | – | 100% |

During the Reporting Period, the Nomination Committee of the Company held a meeting, at which the Resolution on the Appointment of Chief Financial Controller of the Company was considered and approved.

Deviation: NIL

*Board diversity policy*

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

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

As at the date of this report, the Board comprises seven directors, of which two are female. The educational background of the directors covers accounting, law, management and machine manufacturing, etc. The Company considers that the current composition of the Board has the characteristic of diversity in gender, professional background and skills.

Deviation: NIL

***E. Accountability and Audit***

*The Board should present a balanced, clear and comprehensive assessment of the Company's performance, position and prospects.*

- The directors are responsible for supervising the preparation of accounts for each financial period, which are required to give a true and fair view of the operating conditions, results and cash flow of the Group during the relevant period. When preparing the accounts for the year ended 31 December 2019, the directors have:

  1. selected and consistently applied appropriate accounting policies, made prudent and reasonable judgments and estimations and prepared accounts on a going concern basis; and

  2. announced interim and final results of the Group every year in accordance with the Hong Kong Listing Rules and disclosed other financial information as required by the Hong Kong Listing Rules.

Deviation: NIL

*The Board should ensure that the Company maintains a sound and effective internal control system to safeguard the shareholders' investment and the company's assets.*

- The Board is fully responsible for overseeing the internal control system and evaluating its efficiency at least once a year.

- The Audit Committee is responsible for overseeing the financial affairs of the Group.

- The management is responsible for overseeing the daily operations of the Company and regularly reviewing the operational control.

- The Financial Management Department and Securities and Legal Affairs Department of the Company are responsible for monitoring compliance affairs of the Group and organising regular training.

- The Board is responsible for risk management and regular risk management reviews.

Deviation: NIL

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

- Deloitte Touche Tohmatsu Certified Public Accountants LLP (special general partnership) was the external auditor of the Company in 2019. Its auditing fees in respect of the interim audit service amounted to RMB0.566 million. The financial statements of the Company's annual report have been prepared in accordance with the China Accounting Standards for Business Enterprises and audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP (special general partnership). In 2019, Deloitte Touche Tohmatsu Certified Public Accountants LLP (special general partnership) charged the Company RMB1.4151 million, RMB0.3302 million, RMB0 million and RMB4.7472 million for the auditing fees in respect of the annual audit, the annual internal control audit, audit service provided by Deloitte (including other entities under Deloitte) to the Company's subsidiaries and the annual consultation fees (including other entities under Deloitte) respectively. Apart from these, there was no fee payable for non-audit services by Deloitte Touche Tohmatsu Certified Public Accountants LLP (special general partnership) in 2019.

- The directors of the Company acknowledge that it is their responsibility for preparing the accounts of the Group.

- A statement by the auditors about their reporting responsibilities is set out in Section 14 "Financial Report".

- During the Year, the Board conducted a review of the effectiveness of the internal control system of the Group.

- The Company has set up an Audit Committee comprising all the current independent non-executive directors (Li Wan Jun (Chairman), Ma Li Hui, Ng Chi Kit) and one non-executive director (He Ping) of the Company.

- The terms of reference of the Audit Committee conformed with the recommendations set out in A Guide for Effective Audit Committees issued by the Hong Kong Institute of Certified Public Accountants, which stipulates the following specific functions:

  (1) monitoring and evaluating the external auditors;

  (2) providing guidance on internal audit work;

  (3) reviewing financial statements, annual reports, interim reports and quarterly reports of the Company and making comments thereon;

  (4) assessing the effectiveness of internal control and risk management;

  (5) reviewing and confirming the list of related parties;

  (6) coordinating communication between the management, internal audit departments and relevant departments with the external auditors;

  (7) other matters as authorized by the Board and other matters involved in the relevant laws and regulations.

- The principal work of the Audit Committee includes reviewing and supervising the financial reporting procedures and internal control of the Group.

- The Audit Committee holds at least four meetings each year to review the audited annual accounts, unaudited interim accounts and unaudited quarterly accounts. The principal duties of the Audit Committee include reviewing the financial reporting of the Group, auditors' advice on internal control and compliance matters and financial risk management. The Audit Committee performed the above duties at its meetings during the Year.

- In 2019, the Audit Committee considered and passed at its meetings the Resolution on Auditing the Contemplated Ordinary Related Party (Connected) Transactions of the Company for 2019-2021, the Resolution on Equity Transfer and Related Party (Connected) Transactions, the Resolution on Auditing the Connected Transactions on Purchase of Products and the Proposed Annual Cap of the Company for 2019-2021, the Resolution on Auditing the Connected Transactions on Sale of Products and the Proposed Annual Cap of the Company for 2019-2021, the Resolution on Auditing the Connected Transactions on Purchase of Services and the Proposed Annual Cap of the Company for 2019-2021, the Resolution on Reviewing the Independence and Objectivity of External Auditors and Effectiveness of Audit Procedures of the Company, the Resolution to the Board of Directors on the Engagement of Auditors, the Resolution on Reviewing the Final Accounts of the Company for 2018, the Resolution on Reviewing the Annual Report of the Company for 2018, the Resolution on Reviewing the Execution of Related Party (Connected) Transactions of the Company for 2018, the Resolution on Reviewing the List of Related Parties (Connected Persons) of the Company for 2018, the Resolution on Reviewing the Report on Comprehensive Risk Management of the Company for 2018, the Resolution on Reviewing the Internal Control Self-evaluation Report of the Company for 2018, the Resolution on Reviewing the Audit Report on Internal Control of the Company for 2018, the Resolution on Reviewing the Conclusion of Internal Audit of the Company for 2018 and the Reporting of the Audit Plan of the Company for 2019, the Resolution on Reviewing the Performance Report of the Audit Committee of the Board of Directors for 2018, the Resolution on Reviewing the First Quarterly Financial Report of the Company for 2019, the Resolution on Reviewing Changes in Accounting Policies of the Company, the Resolution on Deposits with Tianjin Great Wall Binyin Automotive Finance Company Limited and the Related Party Transaction, the Resolution on Reviewing the Independence and Objectivity of External Auditors and Effectiveness of Review Procedures of the Company, the Resolution on Auditing of the Interim Financial Report of the Company for 2019, the Resolution on Reviewing the Interim Report of the Company for 2019, the Resolution on Reviewing the Related Party (Connected) Transactions of the Company for the Interim Period of 2019, the Resolution on Reviewing the List of Related Parties (Connected Persons) of the Company for the Interim Period of the Company for 2019, the Resolution on Reviewing the Transfer of Equity Interest in Hebei Xiong'an Oula Sharing Technology Co., Ltd. and the Related Party (Connected) Transaction, the Resolution on Reviewing the Transfer of Equity Interest in Beijing Forever Peace Information Consulting Company Limited and the Related Party (Connected) Transaction, the Resolution on Reviewing the Acquisition of Equity Interest in Changyou Haoche (Tianjin) Automobile Import & Export Company Limited and Related Party (Connected) Transaction, the Resolution on Reviewing the Capital Increase in Tianjin Great Wall Binyin Automotive Finance Company Limited and Related Party Transaction, the Resolution on Reviewing the Internal Audit Report of the Company for the Interim Period of 2019, the Resolution on the 2019 Restricted Shares and Shares Option Incentive Scheme of Great Wall Motor Company Limited (draft) and its Summary, the Resolution on Reviewing the Third Quarterly Financial Report of the Company for 2019, and the Resolution on Additional Deposits with Tianjin Great Wall Binyin Automotive Finance Company Limited and Other Ordinary Related Party Transactions of Great Wall Motor Company Limited.

**Attendance of committee members in meetings of the Audit Committee in 2019**

| | |
|---|---|
| **No. of meetings** | 8 |
| **Date and Main Business** | **20 February 2019 To review the ordinary related party transaction 21 March 2019 To review the financial report for 2018 28 April 2019 To review the first quarterly report for 2019 24 June 2019 To review the Deposits with Tianjin Great Wall Binyin Automotive Finance Company Limited and the Related Party Transaction 26 August 2019 To review the interim report of the Company for 2019 6 September 2019 To review the 2019 Restricted Shares and Shares Option Incentive Scheme (draft) and its Summary 24 October 2019 To review the third quarterly report for 2019 9 December 2019 To review the Additional Deposits with Tianjin Great Wall Binyin Automotive Finance Company Limited and Other Ordinary Related Party Transactions of the Company** |

| | **No. of attendance/ No. of meetings** | **Attendance rate** |
|---|---|---|
| He Ping | 8/8 | 100% |
| Li Wan Jun | 8/8 | 100% |
| Ma Li Hui | 8/8 | 100% |
| Ng Chi Kit | 8/8 | 100% |
| **Average attendance rate** | – | 100% |

- The Audit Committee held a meeting on 22 March 2019 and reviewed the audited annual results announcement, annual report and annual financial statements of the Group for the year ended 31 December 2018.

- The terms of reference of the Audit Committee covered all duties set out in the Corporate Governance Code. During the Year, the Audit Committee recommended to the Board for the reappointment of Deloitte Touche Tohmatsu Certified Public Accountants LLP (special general partnership) as the external auditor of the Company for the year of 2019.

- The Audit Committee reviewed the independence and objectivity as well as the effectiveness of the auditing procedures adopted by Deloitte Touche Tohmatsu Certified Public Accountants LLP (special general partnership), the external auditor of the Company.

- The Audit Committee reviewed the Company and its subsidiaries' financial report for the year of 2018, the first quarterly financial report for the year of 2019, the interim financial report for the year of 2019, the third quarterly financial report for the year of 2019.

- The Audit Committee reviewed the related party transactions of the Company for the year of 2018 and for the interim period of the year of 2019.

- The Audit Committee reviewed the internal control system of the Company and its subsidiaries for the year of 2018.

- The Audit Committee reviewed the ordinary related party transactions estimate of the Company for 2019-2021 and the related party transactions on the disposal and acquisition of equity.

- The minutes of meetings of the Audit Committee are duly kept by the secretary to the Board and provided a detailed record of the opinions and suggestions of the committee members. The minutes are filed for record upon signing and confirmation by the committee members.

- All the current independent non-executive directors and one non-executive director of the Company serve as members of the Audit Committee.

- Deloitte Touche Tohmatsu Certified Public Accountants LLP (special general partnership) was re-appointed as the external auditor of the Company in 2019. In the last three years, the Company had not changed its auditor.

Deviation: NIL

### *F. Corporate Governance Functions*

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

1. to develop and review the Group's policies and practices on corporate governance;

2. to review and monitor the training and continuous professional development of directors and senior management;

3. to review and monitor the Group's policies and practices in compliance with all legal and regulatory requirements;

4. to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors of the Group; and

5. to review the Group's compliance with the Corporate Governance Code and disclose it in the Corporate Governance Report.

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

Deviation: NIL

### *G. Risk Management and Internal Control*

The Board confirms that it is obliged to monitor the risk management and internal control system of the Group and review its effectiveness on an annual basis through the Audit Committee. The risk management and internal control system is designed to manage rather than to eliminate the risks of failure to reach operation objectives, and may only provide reasonable instead of absolute assurance against material misstatement or loss. The Audit Committee is responsible for assisting the Board in evaluating the effectiveness of internal control and risk management, which includes monitoring the finance, operation, compliance and other material aspects of the Group. The Board has reviewed the risk management and internal control system of the Group, and confirmed that, for the year ended 31 December 2019, the risk management and internal control system was effective and no material fault or weakness in respect of supervision was identified during the Reporting Period.

#### 1. Main characteristics of risk management and internal control

Risk management and internal control system:

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

*Duties:*

The Board

- To oversee and review the effectiveness of the risk management and internal control system from time to time, so as to ensure the development and maintenance of an effective risk management and internal control system of the Group;

- To review the risk management and internal control system of the Group at least once a year and to ensure the sufficiency of resources on accounting, internal audit and financial reporting, qualification and experience of employees and training provided to employees and relevant budgets. The chairman shall decide whether to report ad hoc matters, if any, to the Board;

- To oversee the design, implementation and supervision of the risk management and internal control system by the management.

Audit Committee

- To review the risk management and internal control system of the Company;

- To assess the evaluation and review results in respect of the risk management and internal control system and to supervise the rectification of relevant defects;

- To discuss with the management on the risk management and internal control system in order to ensure that the management has performed its duties to establish an effective system;

- To analyse the findings of important investigation on risk management and internal control and the management's response to the relevant findings on its own or upon request of the Board.

The management

- To assume the duties of risk management and internal control and management of related aspects

- To report relevant information regarding the risk management and internal control to the Board and the Audit Committee

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

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

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

Relevant procedures:

*(1) Risk identification*

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

*(2) Risk evaluation*

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

*(3) Risk management*

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

*(4) Risk monitoring*

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

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

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

**3. Internal audit**

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

**4. The effectiveness of processes for financial reporting and compliance with the Hong Kong Listing Rules**

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

**5. Information disclosure rules**

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

Deviation: NIL

### *H. Company Secretary*

In compliance with Rule 3.29 of the Hong Kong Listing Rules, Mr. Xu Hui, secretary to the Board of the Company, has taken no less than 15 hours of relevant professional training during the year ended 31 December 2019.

Deviation: NIL

### *I. Corporate Communications*

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

- The Company communicates with shareholders by publishing the latest resolutions of the Board in its annual and interim reports and announcements. Contact details of secretary to the Board of the Company are contained in the "Investor Relations" channel on the Company's website. The Company also responds to queries raised by investors.

- At the general meetings, the chairman of the meeting will put forward separate resolutions for each substantially independent issue.

- At the annual general meeting, the chairman of the Board will answer and provide proper explanations of questions raised by shareholders, their proxies and members of the Audit Committee.

- The details of the procedures for voting by poll and the shareholders' rights for demanding a poll are set out in the circulars despatched to shareholders.

Deviation: NIL

### *J. Shareholders' Rights*

- Two or more shareholders holding, solely or jointly, 10% or more of the shares carrying voting rights at the proposed extraordinary general meeting may sign one or more written requisition(s) with the same form and contents, and submit the same with the agenda to the Board for holding an extraordinary general meeting or a class meeting. The Board shall, upon receipt of the written requisition(s), hold an extraordinary general meeting or a class meeting as soon as possible.

- Shareholders can attend the general meeting by presenting the proof of their identities, such as identity cards or other valid identification documents, and can put forward their proposals at the general meeting.

- Shareholders can make enquiries to the Board of the Company and submit their enquiry applications by fax (86-312-2197812).

Deviation: NIL

### *K. Investor Relations*

- At the 2018 annual general meeting convened on 17 May 2019 by the Company, the proposed amendments to the Articles of Association of the Company concerning the provisions on share repurchase were considered and approved, and came into effect on 17 May 2019.

Please refer to the relevant announcements publicized on the website of the Hong Kong Stock Exchange (www.hkexnews.hk), the website of Shanghai Stock Exchange (www.sse.com.cn) and the Company's website (www.gwm.com.cn) for the above-mentioned amendments to the Articles of Association.

Deviation: NIL

# Section 13 Description of Corporate Bonds

❑ Applicable √ Not applicable

# Section 14 Financial Report (Auditor's Report)



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

## I. OPINION

We have audited the accompanying financial statements of Great Wall Motor Company Limited (hereinafter referred as "Great Wall Motor"), which comprise the consolidated and the company's balance sheets as at 31 December 2019, the consolidated and the company's income statements, the consolidated and the company's cash flow statements and the consolidated and the company's statements of changes in shareholders' equity for the year then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and the company's financial position as at 31 December 2019, and the consolidated and the company's results of operations and cash flows for the year then ended in accordance with the Accounting Standards for Business Enterprises ("ASBEs").

## II. BASIS FOR OPINION

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

## III. KEY AUDIT MATTERS

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

## III. KEY AUDIT MATTERS (continued)

### (I). Capitalization of development expenditure

#### *1. Description*

As disclosed in Note (VI) 17 to the financial statements, the balance of development expenditure of Great Wall Motor was RMB2,188,699,764.12 as at 31 December 2019. As disclosed in Note (IV) to the financial statements, significant judgements made in the application of accounting policies – capitalization of development expenditure, considering that whether the development expenditure meets the capitalization conditions stipulated in the ASBEs involves significant judgment of management, the development expenditure is identified as a key audit matter.

#### *2. Audit response*

Our main procedures in relation to capitalization of development expenditure included:

(1) Testing and evaluating of the effectiveness of the design and implementation of key internal controls related to the capitalization of development expenditure;

(2) Understanding relevant accounting policies and estimates for capitalization conditions of development expenditure determined by the management, and evaluating the reasonableness of capitalization conditions of development expenditure and whether the provisions of ASBEs are complied with;

(3) Sampling the supporting documents such as meeting minutes, project approvals and feasibility analysis, etc. related to research and development projects, and evaluating whether the conditions and basis for the capitalization of research and development projects are sufficient and reasonable;

(4) Sample testing the project development expenditure to check and evaluate the authenticity and accuracy of development expenditure.

## III. KEY AUDIT MATTERS (continued)

### (II). Provision for after-sales service expenses

#### *1. Description*

As disclosed in Note (VI) 28 to the financial statements, the provision for after-sales service expenses made by Great Wall Motor was RMB694,933,978.06 as at 31 December 2019. As disclosed in Note (IV) key assumptions and uncertainties in accounting estimates – after-sales service expense, Great Wall Motor also undertakes warranty obligations within a specific warranty period regarding to automobiles sold. Great Wall Motor provided for after-sales service expenses based on sales volume and estimated expense standard, which involves significant accounting estimates and judgment made by management. Accordingly, provision for after-sales service expenses is identified as a key audit matter.

#### *2. Audit response*

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

(1) Testing and evaluating of the design and implementation effectiveness of key internal controls related to the provisions for after-sales service expenses;

(2) Understanding and evaluating whether the accounting policies related to the provision were applied appropriately and consistently;

(3) Understanding and evaluating the reasonableness of the methodology and calculation models used by Great Wall Motor in determining the provisions based on the requirements of laws and contracted terms;

(4) Evaluating the reasonableness of the underlying data used by Great Wall Motor in the calculation models by analyzing historical repairment, maintenance records and sales data and, on a sample basis, checking relevant underlying data;

(5) On a sample basis, recalculating the provision for after-sales service for major automobile models to verify the accuracy of calculation made by management.

## IV. OTHER INFORMATION

Great Wall Motor's management is responsible for the other information. The other information comprises the information included in the 2019 annual report, but does not include the financial statements and our auditor's report thereon.

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

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

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

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

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

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

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

## VI. AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of the management's use of going concern assumption and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of Great Wall Motor to continue as a going concern. If we conclude that a material uncertainty exists, we are required by CSAs to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Great Wall Motor to cease to continue as a going concern.

5. Evaluate the overall presentation (including the disclosures), structure and content of the financial statements, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Great Wall Motor to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

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

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

**Yang Ning**

24 April 2020

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

# Consolidated Balance Sheet

At 31 December 2019

RMB

| Item | Notes | 31/12/2019 | 31/12/2018 |
|---|---|---|---|
| **Current Assets:** | | | |
| Cash and bank balances | (VI)1 | **9,723,312,735.05** | 7,682,083,569.01 |
| Held-for-trading financial assets | (VI)2 | **4,362,692,217.12** | 3,177,643,131.30 |
| Derivative financial assets | | **380,777.69** | — |
| Accounts receivable | (VI)3 | **3,193,188,485.27** | 3,343,220,862.42 |
| Financing with receivables | (VI)4 | **31,445,748,809.31** | 31,883,667,949.34 |
| Prepayments | (VI)5 | **441,162,238.54** | 440,800,952.34 |
| Other receivables | (VI)6 | **946,974,372.15** | 651,737,776.25 |
| Inventories | (VI)7 | **6,237,193,915.62** | 4,445,104,832.92 |
| Non-current assets due within one year | (VI)8 | **807,562,885.35** | 12,440,648,243.17 |
| Other current assets | (VI)9 | **11,343,946,670.26** | 2,061,386,494.00 |
| **Total Current Assets** | | **68,502,163,106.36** | 66,126,293,810.75 |
| **Non-Current Assets:** | | | |
| Loans and advances to customers | | — | 5,816,518,883.33 |
| Debt investments | | **70,000,000.00** | 70,000,000.00 |
| Long-term receivables | (VI)10 | **1,295,037,499.26** | 145,875,825.39 |
| Long-term equity investments | (VI)11 | **3,112,651,355.60** | — |
| Other equity instrument investments | | **7,700,000.00** | 7,700,000.00 |
| Investment properties | (VI)12 | **322,196,530.21** | 183,718,426.00 |
| Fixed assets | (VI)13 | **29,743,309,551.28** | 28,993,553,495.38 |
| Construction in progress | (VI)14 | **2,247,372,266.06** | 4,405,617,743.58 |
| Right-of-use asset | (VI)15 | **100,421,181.38** | |
| Intangible assets | (VI)16 | **4,710,234,725.81** | 3,391,095,601.61 |
| Development expenditure | (VI)17 | **2,188,699,764.12** | 1,853,380,455.31 |
| Goodwill | (VI)18 | — | 4,391,332.13 |
| Long-term prepaid expenses | | **112,345,772.69** | 125,728,779.61 |
| Deferred tax assets | (VI)19 | **684,277,716.19** | 676,536,944.72 |
| **Total Non-current Assets** | | **44,594,246,362.60** | 45,674,117,487.06 |
| **TOTAL ASSETS** | | **113,096,409,468.96** | 111,800,411,297.81 |

# Consolidated Balance Sheet

At 31 December 2019

*RMB*

| Item | *Notes* | 31/12/2019 | 31/12/2018 |
|---|---|---|---|
| **Current Liabilities:** | | | |
| Short-term borrowings | *(VI)20* | **1,180,470,655.50** | 12,799,966,582.00 |
| Notes payable | *(VI)21* | **10,020,895,844.52** | 4,205,233,491.00 |
| Accounts payable | *(VI)22* | **25,439,536,613.98** | 25,196,407,749.32 |
| Contract liabilities | *(VI)23* | **4,603,831,957.67** | 3,433,904,092.43 |
| Employee benefits payable | *(VI)24* | **2,094,259,980.68** | 2,060,853,914.65 |
| Taxes payable | *(VI)25* | **1,511,983,833.95** | 2,551,412,583.25 |
| Other payables | *(VI)26* | **2,481,286,817.71** | 2,916,697,689.61 |
| Non-current liabilities due within one year | *(VI)27* | **3,179,995,453.40** | — |
| Other current liabilities | *(VI)28* | **4,087,539,918.81** | 1,214,941,169.33 |
| **Total Current Liabilities** | | **54,599,801,076.22** | 54,379,417,271.59 |
| **Non-current Liabilities:** | | | |
| Long-term borrowings | *(VI)20* | **1,205,655,653.71** | 2,157,805,500.00 |
| Lease liabilities | *(VI)29* | **59,180,216.30** | |
| Deferred income | *(VI)30* | **2,192,963,937.85** | 2,321,651,768.28 |
| Deferred tax liabilities | *(VI)19* | **489,414,659.97** | 252,949,267.07 |
| Other non-current liabilities | | **150,164,008.01** | — |
| **Total Non-current Liabilities** | | **4,097,378,475.84** | 4,732,406,535.35 |
| **TOTAL LIABILITIES** | | **58,697,179,552.06** | 59,111,823,806.94 |
| **SHAREHOLDERS' EQUITY:** | | | |
| Share capital | *(VI)31* | **9,127,269,000.00** | 9,127,269,000.00 |
| Capital reserve | *(VI)32* | **1,411,251,654.42** | 1,411,231,014.42 |
| Other comprehensive income | *(VI)52* | **(240,814,343.11)** | (262,321,113.07) |
| Surplus reserve | *(VI)33* | **5,755,670,511.31** | 5,628,946,670.54 |
| Undistributed profits | *(VI)34* | **38,345,853,094.28** | 36,619,705,509.19 |
| **Total Equity Attributable to Shareholders of the Company** | | **54,399,229,916.90** | 52,524,831,081.08 |
| **Minority Interests** | | — | 163,756,409.79 |
| **TOTAL SHAREHOLDERS' EQUITY** | | **54,399,229,916.90** | 52,688,587,490.87 |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | | **113,096,409,468.96** | 111,800,411,297.81 |

The accompanying notes form part of the financial statements.

The financial statements on pages 170 to 357 were signed by:

| **Wei Jian Jun** | **Wang Feng Ying** | **Liu Yu Xin** | **Lu Cai Juan** |
|---|---|---|---|
| *Legal Representative* | *General Manager* | *Chief Financial Officer* | *Head of the Finance Section* |

# Balance Sheet of the Company

At 31 December 2019

*RMB*

| Item | Notes | 31/12/2019 | 31/12/2018 |
|---|---|---|---|
| **Current Assets:** | | | |
| Cash and bank balances | *(XV)1* | **4,920,861,492.76** | 11,614,944,510.31 |
| Held-for-trading financial assets | | **2,927,556,676.14** | 3,008,768,131.30 |
| Derivative financial assets | | **380,777.69** | — |
| Accounts receivable | *(XV)2* | **8,728,902,722.86** | 9,983,638,409.35 |
| Financing with receivables | *(XV)3* | **22,693,583,567.35** | 31,541,372,945.94 |
| Prepayments | | **313,246,241.16** | 354,560,193.02 |
| Other receivables | *(XV)4* | **3,585,584,186.33** | 983,288,876.36 |
| Inventories | *(XV)5* | **3,638,348,784.35** | 3,296,413,880.20 |
| Non-current assets due within one year | | **313,655,673.35** | 695,309,958.75 |
| Other current assets | *(XV)6* | **10,517,501,718.61** | 1,358,901,149.65 |
| **Total Current Assets** | | **57,639,621,840.60** | 62,837,198,054.88 |
| **Non-current Assets:** | | | |
| Debt investments | | — | 70,000,000.00 |
| Long-term receivables | | **654,398,596.31** | — |
| Long-term equity investments | *(XV)7* | **11,907,777,927.38** | 5,828,792,010.05 |
| Other equity instrument investments | | **7,700,000.00** | 7,700,000.00 |
| Investment properties | *(XV)8* | **2,223,073,338.54** | 155,127,278.60 |
| Fixed assets | *(XV)9* | **18,305,040,845.05** | 24,031,494,030.40 |
| Construction in progress | *(XV)10* | **672,134,768.76** | 1,445,346,971.48 |
| Right-of-use asset | *(XV)11* | **48,826,780.79** | |
| Intangible assets | *(XV)12* | **4,167,758,479.35** | 3,071,622,464.86 |
| Development expenditure | *(XV)13* | **1,730,992,533.56** | 1,625,608,507.97 |
| Long-term prepaid expenses | | **44,255,825.70** | 123,366,270.51 |
| Deferred tax assets | | **374,182,142.64** | 153,042,792.89 |
| **Total Non-Current Assets** | | **40,136,141,238.08** | 36,512,100,326.76 |
| **TOTAL ASSETS** | | **97,775,763,078.68** | 99,349,298,381.64 |

# Balance Sheet of the Company

At 31 December 2019

*RMB*

| Item | *Notes* | 31/12/2019 | 31/12/2018 |
|---|---|---|---|
| **Current Liabilities:** | | | |
| Short-term borrowings | *(XV)14* | **500,564,895.84** | 3,003,768,187.50 |
| Notes payable | *(XV)15* | **3,175,427,026.22** | 3,966,231,319.00 |
| Accounts payable | *(XV)16* | **26,854,869,119.84** | 28,057,262,893.83 |
| Contract liabilities | *(XV)17* | **6,245,197,854.93** | 4,101,500,468.08 |
| Employee benefits payable | | **1,435,079,093.25** | 1,537,313,713.52 |
| Taxes payable | | **1,160,600,875.97** | 2,108,286,230.54 |
| Other payables | | **2,391,920,236.15** | 3,938,416,073.24 |
| Non-current liabilities due within one year | | **558,232,453.24** | — |
| Other current liabilities | | **3,562,899,767.61** | 927,291,346.23 |
| **Total Current Liabilities** | | **45,884,791,323.05** | 47,640,070,231.94 |
| **Non-current Liabilities:** | | | |
| Long-term borrowings | *(XV)14* | **1,130,000,000.00** | — |
| Lease liabilities | *(XV)18* | **36,384,538.74** | |
| Deferred income | | **1,184,219,191.77** | 1,440,118,881.69 |
| Other non-current liabilities | | **146,405,723.03** | — |
| **Total Non-current Liabilities** | | **2,497,009,453.54** | 1,440,118,881.69 |
| **TOTAL LIABILITIES** | | **48,381,800,776.59** | 49,080,189,113.63 |
| **SHAREHOLDERS' EQUITY:** | | | |
| Share capital | | **9,127,269,000.00** | 9,127,269,000.00 |
| Capital reserve | *(XV)19* | **1,458,787,890.56** | 1,458,753,185.58 |
| Other comprehensive income | | **(148,477,708.08)** | — |
| Surplus reserve | | **4,890,446,242.43** | 4,890,446,242.43 |
| Undistributed profits | *(XV)20* | **34,065,936,877.18** | 34,792,640,840.00 |
| **TOTAL SHAREHOLDERS' EQUITY** | | **49,393,962,302.09** | 50,269,109,268.01 |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | | **97,775,763,078.68** | 99,349,298,381.64 |

# Consolidated Income Statement

For the year ended 31 December 2019

*RMB*

| Item | | | | Notes | 2019 | 2018 |
|---|---|---|---|---|---|---|
| **I.** | **Total operating income** | | | | **96,210,688,818.80** | 99,229,987,202.20 |
| | Including: | Operating income | | *(VI)35* | **95,108,078,639.52** | 97,799,859,204.66 |
| | | Interest income | | *(VI)36* | **1,031,247,017.36** | 1,388,705,701.12 |
| | | Fee and commission income | | | **71,363,161.92** | 41,422,296.42 |
| | Less: | Total operating costs | | | **91,408,986,015.92** | 92,992,242,195.51 |
| | | Including: | Operating costs | *(VI)35* | **79,684,487,295.85** | 81,480,942,550.61 |
| | | | Interest expenses | | **321,440,421.44** | 371,172,721.02 |
| | | | Fee and commission expenses | | **17,140,754.86** | 11,740,383.72 |
| | | | Taxes and levies | *(VI)37* | **3,168,603,013.96** | 3,627,380,378.39 |
| | | | Selling expenses | *(VI)38* | **3,896,669,879.09** | 4,575,198,601.16 |
| | | | Administrative expenses | *(VI)39* | **1,955,453,366.52** | 1,676,303,700.58 |
| | | | Research and development expenses | | **2,716,220,367.89** | 1,743,379,055.09 |
| | | | Financial expenses | *(VI)40* | **(351,029,083.69)** | (493,875,195.06) |
| | | | Including: Interest expenses | | **173,711,422.47** | 461,638,282.31 |
| | | | Interest income | | **350,419,202.56** | 1,158,028,639.33 |
| | Add: | Other income | | *(VI)41* | **542,696,952.66** | 175,805,267.89 |
| | | Investment income | | *(VI)42* | **15,505,068.58** | 219,270,174.59 |
| | | Including: Investment income from joint ventures | | | **303,706,938.37** | — |
| | | Losses from changes in fair values | | *(VI)43* | **(73,302,005.19)** | (140,351,300.70) |
| | | Impairment gains (losses) on credit | | *(VI)44* | **(49,348,660.18)** | (181,879,087.86) |
| | | Impairment gains (losses) on assets | | *(VI)45* | **(503,617,643.58)** | (136,529,190.55) |
| | | Gains from disposal of assets | | *(VI)46* | **43,207,041.88** | 57,976,477.13 |
| **II.** | **Operating profit** | | | | **4,776,843,557.05** | 6,232,037,347.19 |
| | Add: Non-operating income | | | *(VI)47* | **342,124,331.71** | 252,879,918.78 |
| | Less: Non-operating expenses | | | *(VI)48* | **18,411,507.67** | 7,845,252.30 |
| **III.** | **Total profit** | | | | **5,100,556,381.09** | 6,477,072,013.67 |
| | Less: Income tax expenses | | | *(VI)49* | **569,823,510.79** | 1,229,432,879.17 |

# Consolidated Income Statement

For the year ended 31 December 2019

*RMB*

| Item | Notes | 2019 | 2018 |
|---|---|---|---|
| **IV. Net profit** | *(VI)50* | **4,530,732,870.30** | 5,247,639,134.50 |
| (I) Classification by going concern: | | | |
| Net profit under going concern | | **4,530,732,870.30** | 5,247,639,134.50 |
| (II) Classification by attribution of ownership: | | | |
| 1. Net profit attributable to shareholders of the Company | | **4,496,874,893.92** | 5,207,313,967.76 |
| 2. Profit or loss attributable to minority interests | | **33,857,976.38** | 40,325,166.74 |
| **V. Net other comprehensive income after taxes** | *(VI)52* | **21,506,769.96** | (265,377,564.09) |
| Net other comprehensive income attributable to shareholders of the Company after taxes | | **21,506,769.96** | (265,377,564.09) |
| Other comprehensive income that will be reclassified to profit or loss | | **21,506,769.96** | (265,377,564.09) |
| Translation difference of financial statements denominated in foreign currency | | **226,165,075.97** | (265,377,564.09) |
| Changes in fair value of financial assets classified as at fair value through other comprehensive income | | **(204,658,306.01)** | — |
| Net other comprehensive income attributable to minority interests after taxes | | — | — |
| **VI. Total comprehensive income** | | **4,552,239,640.26** | 4,982,261,570.41 |
| Total comprehensive income attributable to shareholders of the Company | | **4,518,381,663.88** | 4,941,936,403.67 |
| Total comprehensive income attributable to minority interests | | **33,857,976.38** | 40,325,166.74 |
| **VII. Earnings per share:** | | | |
| (I) Basic earnings per share | *(VI)51* | **0.49** | 0.57 |
| (II) Diluted earnings per share | *(VI)51* | **N/A** | N/A |

For business combination involving entities under common control occurred during the period, net profit of the acquiree generated before the business combination is RMB54,486.41.

# Income Statement of the Company

For the year ended 31 December 2019

*RMB*

| Item | | | Notes | 2019 | 2018 |
|---|---|---|---|---|---|
| **I.** | **Total Operating income** | | *(XV)21* | **94,470,846,527.59** | 98,767,595,236.77 |
| | Less: | Operating costs | *(XV)21* | **85,832,863,609.19** | 85,896,856,525.60 |
| | | Taxes and levies | *(XV)22* | **2,966,199,531.33** | 3,534,768,356.58 |
| | | Selling expenses | *(XV)23* | **2,755,636,205.68** | 3,519,563,832.22 |
| | | Administrative expenses | *(XV)24* | **1,438,436,270.40** | 1,339,717,425.05 |
| | | Research and development expenses | | **2,240,243,662.87** | 1,567,674,946.94 |
| | | Financial expenses | *(XV)25* | **(201,225,318.13)** | (901,007,920.20) |
| | | Including: Interest expenses | | **120,909,583.53** | 454,413,945.57 |
| | | Interest income | | **428,959,731.45** | 1,399,162,407.39 |
| | Add: | Other income | | **478,937,628.35** | 103,595,485.37 |
| | | Investment income | *(XV)26* | **1,303,008,944.57** | 926,566,538.45 |
| | | Including: Investment income from joint ventures | | **608,428,725.83** | — |
| | | Gains from changes in fair values | | **17,937,453.83** | 8,768,131.30 |
| | | Impairment gains (losses) on credit | *(XV)27* | **29,534,900.59** | (36,997,536.96) |
| | | Impairment losses on assets | *(XV)28* | **(293,675,308.61)** | (150,265,513.51) |
| | | Gains from disposal of assets | | **267,159,559.17** | 68,999,990.61 |
| **II.** | **Operating profit** | | | **1,241,595,744.15** | 4,730,689,165.84 |
| | Add: | Non-operating income | | **127,133,592.72** | 197,338,000.60 |
| | Less: | Non-operating expenses | | **17,295,285.16** | 6,983,632.45 |
| **III.** | **Total profit** | | | **1,351,434,051.71** | 4,921,043,533.99 |
| | Less: | Income tax expenses | *(XV)29* | **(108,425,405.90)** | 548,401,970.78 |
| **IV.** | **Net profit** | | | **1,459,859,457.61** | 4,372,641,563.21 |
| | Net profit under going concern | | | **1,459,859,457.61** | 4,372,641,563.21 |
| **V.** | **Net other comprehensive income after taxes** | | | **(148,477,708.08)** | — |
| | Other comprehensive income that will be reclassified to profit or loss | | | **(148,477,708.08)** | — |
| | Changes in fair value of financial assets classified as at fair value through other comprehensive income | | | **(148,477,708.08)** | — |
| **VI.** | **Total comprehensive income** | | | **1,311,381,749.53** | 4,372,641,563.21 |

# Consolidated Cash Flow Statement

For the year ended 31 December 2019

*RMB*

| Item | | *Notes* | 2019 | 2018 |
|---|---|---|---|---|
| **I.** | **Cash Flows from Operating Activities:** | | | |
| | Cash receipts from the sales of goods and rendering of services | | **112,601,955,628.25** | 126,174,840,593.43 |
| | Cash receipts from interest, fee and commissions | | **1,504,262,185.51** | 2,236,866,828.97 |
| | Net increase in taking from banks and other financial institutions | | **1,984,748,024.37** | 5,755,710,000.00 |
| | Receipts of tax refunds | | **815,386,595.91** | 332,327,931.20 |
| | Net increase in deposits for leases and prepaid rents | | **10,979,187.43** | 2,761,768.00 |
| | Other cash receipts relating to operating activities | *(VI)53(1)* | **1,920,990,782.80** | 2,492,209,038.33 |
| | Sub-total of cash inflow from operating activities | | **118,838,322,404.27** | 136,994,716,159.93 |
| | Cash payments for goods purchased and services received | | **81,601,873,859.18** | 88,169,921,169.35 |
| | Net increase in customers' loans and advance | | **3,309,244,378.77** | 7,681,396,712.96 |
| | Cash payments for interest, fees and commissions | | **332,187,874.18** | 343,189,142.80 |
| | Net increase in customers' leases | | **899,863,831.52** | 227,785,797.30 |
| | Cash payments to and on behalf of employees | | **7,118,346,473.73** | 8,552,438,830.07 |
| | Payments of various types of taxes | | **7,320,797,789.21** | 7,385,445,951.61 |
| | Other cash payments relating to operating activities | *(VI)53(2)* | **4,283,705,762.89** | 4,936,712,607.44 |
| | Sub-total of cash outflow from operating activities | | **104,866,019,969.48** | 117,296,890,211.53 |
| | Net Cash Flows from Operating Activities | *(VI)54(1)* | **13,972,302,434.79** | 19,697,825,948.40 |
| **II.** | **Cash Flows from Investing Activities:** | | | |
| | Cash receipts from disposal of investments | | **22,084,000,000.00** | 23,034,100,000.00 |
| | Cash receipts from investment income | | **104,210,402.85** | 205,692,836.22 |
| | Net cash receipts from disposal of fixed assets, intangible assets and other long-term assets | | **155,270,499.10** | 415,764,191.42 |
| | Net cash receipts from disposal of subsidiaries and other business units | *(VI)54(2)* | **175,449,788.51** | 72,396,865.59 |
| | Other cash receipts relating to investing activities | *(VI)53(3)* | **640,000,000.00** | 155,030,000.00 |
| | Sub-total of cash inflow from investing activities | | **23,158,930,690.46** | 23,882,983,893.23 |
| | Cash payments to purchase and construct fixed assets, intangible assets and other long-term assets | | **6,940,322,371.02** | 6,662,489,810.42 |
| | Net cash payments for disposal of subsidiaries and other business units | *(VI)54(3)* | **4,993,792,624.63** | — |
| | Net cash payments for acquisition of subsidiaries and other business units | *(VI)54(4)* | — | 3,280,452.50 |
| | Other cash payments related to investing activities | *(VI)53(4)* | **1,175,000,000.00** | — |
| | Cash payments to acquire investments | | **25,851,500,000.00** | 27,257,650,088.64 |
| | Sub-total of cash outflow from investing activities | | **38,960,614,995.65** | 33,923,420,351.56 |
| | Net Cash Flow from Investing Activities | | **(15,801,684,305.19)** | (10,040,436,458.33) |

# Consolidated Cash Flow Statement

For the year ended 31 December 2019

*RMB*

| Item | | *Notes* | 2019 | 2018 |
|---|---|---|---|---|
| **III.** | **Cash Flows from Financing Activities:** | | | |
| | Cash receipts from capital contributions | | **20,000,000.00** | — |
| | Cash receipts from borrowings | | **4,819,026,600.00** | 14,871,411,000.00 |
| | Cash receipts from issue of bonds | | **10,517,321,973.25** | — |
| | Other cash receipts relating to financing activities | *(VI)53(5)* | **121,390,982.17** | — |
| | Sub-total of cash inflow from financing activities | | **15,477,739,555.42** | 14,871,411,000.00 |
| | Cash repayments of borrowings | | **8,650,462,354.63** | 19,249,900,000.00 |
| | Cash payments for distribution of dividends or profits or settlement of interest expenses | | **2,830,052,136.50** | 2,042,135,996.39 |
| | Including: Payments for distribution of dividends or profits to minority shareholders of subsidiaries | | — | — |
| | Other cash payments relating to financing activities | *(VI)53(6)* | **53,277,393.27** | 80,212,536.30 |
| | Sub-total of cash outflow from financing activities | | **11,533,791,884.40** | 21,372,248,532.69 |
| | Net Cash Flow from Financing Activities | | **3,943,947,671.02** | (6,500,837,532.69) |
| **IV.** | **Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents** | | **48,054,347.59** | (386,030,249.52) |
| **V.** | **Net Increase in Cash and Cash Equivalents** | | **2,162,620,148.21** | 2,770,521,707.86 |
| | Add: Opening balance of cash and cash equivalents | | **6,614,611,437.43** | 3,844,089,729.57 |
| **VI.** | **Closing balance of cash and cash equivalents** | *(VI)54(5)* | **8,777,231,585.64** | 6,614,611,437.43 |

# Cash Flow Statement of the Company

For the year ended 31 December 2019

*RMB*

| Item | | *Notes* | 2019 | 2018 |
|---|---|---|---|---|
| **I.** | **Cash Flows from Operating Activities:** | | | |
| | Cash receipts from the sales of goods and rendering of services | | **113,936,467,222.79** | 124,051,838,200.70 |
| | Receipts of tax refunds | | **364,597,324.58** | 1,443,496.09 |
| | Other cash receipts relating to operating activities | | **443,071,226.07** | 1,765,192,798.65 |
| | Sub-total of cash inflow from operating activities | | **114,744,135,773.44** | 125,818,474,495.44 |
| | Cash payments for goods purchased and services received | | **89,276,863,768.49** | 89,948,344,056.04 |
| | Cash payments to and on behalf of employees | | **4,719,568,831.33** | 7,301,341,573.37 |
| | Payments of various types of taxes | | **5,292,947,846.71** | 6,497,597,715.04 |
| | Other cash payments relating to operating activities | | **4,293,217,030.53** | 3,265,422,304.15 |
| | Sub-total of cash outflow from operating activities | | **103,582,597,477.06** | 107,012,705,648.60 |
| | Net Cash Flows from Operating Activities | *(XV)30(1)* | **11,161,538,296.38** | 18,805,768,846.84 |
| **II.** | **Cash Flows from Investing Activities:** | | | |
| | Cash receipts from disposal of investments | | **19,489,370,000.00** | 23,329,176,592.06 |
| | Cash receipts from investment income | | **749,891,508.33** | 427,372,947.46 |
| | Cash receipts from merging subsidiaries by absorbing | | **70,510,670.15** | 124,765,140.80 |
| | Net cash receipts from disposal of fixed assets, intangible assets and other long-term assets | | **2,016,574,825.83** | 385,017,336.60 |
| | Other cash receipts relating to investing activities | | **900,000,000.00** | 156,035,437.50 |
| | Sub-total of cash inflow from investing activities | | **23,226,347,004.31** | 24,422,367,454.42 |
| | Cash payments to purchase and construct fixed assets, intangible assets and other long-term assets | | **3,653,982,970.08** | 3,375,117,078.28 |
| | Cash payments to acquire investments | | **33,044,602,949.64** | 29,551,317,588.64 |
| | Other cash payments relating to investing activities | | **1,435,000,000.00** | 1,000,000.00 |
| | Sub-total of cash outflow from investing activities | | **38,133,585,919.72** | 32,927,434,666.92 |
| | Net Cash Flow from Investing Activities | | **(14,907,238,915.41)** | (8,505,067,212.50) |
| **III.** | **Cash Flows from Financing Activities:** | | | |
| | Cash receipts from borrowings | | **3,439,987,600.00** | 13,150,000,000.00 |
| | Cash receipts from issue of bonds | | **4,000,000,000.00** | – |
| | Other cash receipts relating to financing activities | | **334,788,516.21** | 533,562,904.13 |
| | Sub-total of cash inflow from financing activities | | **7,774,776,116.21** | 13,683,562,904.13 |
| | Cash payments for repayments of borrowings | | **7,299,987,600.00** | 19,249,900,000.00 |
| | Cash payments for distribution of dividends or profits or settlement of interest expenses | | **2,773,738,349.29** | 2,020,042,224.05 |
| | Other cash payments relating to financing activities | | **310,407,106.65** | 100,000,000.00 |
| | Sub-total of cash outflow from financing activities | | **10,384,133,055.94** | 21,369,942,224.05 |
| | Net Cash Flow from Financing Activities | | **(2,609,356,939.73)** | (7,686,379,319.92) |
| **IV.** | **Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents** | | **(4,236,942.58)** | 128,784.06 |
| **V.** | **Net Increase in Cash and Cash Equivalents** | | **(6,359,294,501.34)** | 2,614,451,098.48 |
| | Add: Opening balance of cash and cash equivalents | | **11,235,893,795.06** | 8,621,442,696.58 |
| **VI.** | **Closing balance of cash and cash equivalents** | *(XV)30(2)* | **4,876,599,293.72** | 11,235,893,795.06 |

# Consolidated Statement of Changes in Shareholders' Equity

For the year ended 31 December 2019

*RMB*

| Item | 2019 Attributable to shareholders of the Company | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Share capital | Capital reserve | Other comprehensive income | Surplus reserve | General risk reserve | Undistributed profits | Minority interests | Total equity |
| I. Balance at the beginning of the year | 9,127,269,000.00 | 1,411,231,014.42 | (262,321,113.07) | 5,628,946,670.54 | – | 36,619,705,509.19 | 163,756,409.79 | 52,688,587,490.87 |
| II. Changes in the current year | – | 20,640.00 | 21,506,769.96 | 126,723,840.77 | – | 1,726,147,585.09 | (163,756,409.79) | 1,710,642,426.03 |
| (I) Total comprehensive income | – | – | 21,506,769.96 | – | – | 4,496,874,893.92 | 33,857,976.38 | 4,552,239,640.26 |
| (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 | – | – | – | 240,973,318.39 | – | (2,887,921,749.82) | – | (2,646,948,431.43) |
| 1. Transfer to statutory reserve | – | – | – | 240,594,651.26 | – | (240,594,651.26) | – | – |
| 2. Transfer to discretionary reserve | – | – | – | – | – | – | – | – |
| 3. Transfer to enterprise expansion fund | – | – | – | – | – | – | – | – |
| 4. Transfer to reserve fund | – | – | – | 378,667.13 | – | (378,667.13) | – | – |
| 5. Distributions to shareholders | – | – | – | – | – | (2,646,948,431.43) | – | (2,646,948,431.43) |
| 6. Transfer to employee bonus and welfare fund | – | – | – | – | – | – | – | – |
| 7. Tax refund for welfare enterprises | – | – | – | – | – | – | – | – |
| (IV) Transfer of shareholders' equity | – | – | – | (114,249,477.62) | – | 114,249,477.62 | – | – |
| 1. Transfer of capital reserve to share capital | – | – | – | – | – | – | – | – |
| 2. Transfer of surplus reserve to share capital | – | – | – | – | – | – | – | – |
| 3. Surplus reserve making up of losses | – | – | – | – | – | – | – | – |
| 4. Others (Note (VI), 33) | – | – | – | (114,249,477.62) | – | 114,249,477.62 | – | – |
| (V) Others | – | 20,640.00 | – | – | – | 2,944,963.37 | (197,614,386.17) | (194,648,782.80) |
| 1. Original shareholder's input of subsidiary obtained from business combination involving enterprise under common control | – | 20,000,000.00 | – | – | – | – | – | 20,000,000.00 |
| 2 Consideration for business combination involving enterprise under common control (Note (VII), 2) | – | (19,979,360.00) | – | – | – | – | – | (19,979,360.00) |
| 3. Disposal of subsidiaries (Note (VII), 3) | – | – | – | – | – | – | (197,614,386.17) | (197,614,386.17) |
| 4. Others (Note (VI), 34) | – | – | – | – | – | 2,944,963.37 | – | 2,944,963.37 |
| III. Balance at the end of the year | 9,127,269,000.00 | 1,411,251,654.42 | (240,814,343.11) | 5,755,670,511.31 | – | 38,345,853,094.28 | – | 54,399,229,916.90 |

# Consolidated Statement of Changes in Shareholders' Equity

For the year ended 31 December 2019

*RMB*

| Item | 2018 Attributable to shareholders of the Company | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Share capital | Capital reserve | Other comprehensive income | Surplus reserve | General risk reserve | Undistributed profits | Minority interests | Total equity |
| I. Balance at the beginning of the year | 9,127,269,000.00 | 1,411,231,014.42 | 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 year | – | – | (265,377,564.09) | 566,505,940.90 | – | 3,089,172,296.86 | 40,325,166.74 | 3,430,625,840.41 |
| (I) Total comprehensive income | – | – | (265,377,564.09) | – | – | 5,207,313,967.76 | 40,325,166.74 | 4,982,261,570.41 |
| (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 | – | – | – | 571,015,376.78 | – | (2,122,651,106.78) | – | (1,551,635,730.00) |
| 1. Transfer to statutory reserve | – | – | – | 571,015,376.78 | – | (571,015,376.78) | – | – |
| 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 | – | – | – | (4,509,435.88) | – | 4,509,435.88 | – | – |
| 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 | – | – | – | (4,509,435.88) | – | 4,509,435.88 | – | – |
| (V) Others | – | – | – | – | – | – | – | – |
| III. Balance at the end of the year | 9,127,269,000.00 | 1,411,231,014.42 | (262,321,113.07) | 5,628,946,670.54 | – | 36,619,705,509.19 | 163,756,409.79 | 52,688,587,490.87 |

# Statement of Changes in Shareholders' Equity of the Company

For the year ended 31 December 2019

*RMB*

| Item | 2019 | | | | | |
|---|---|---|---|---|---|---|
| | Share capital | Capital reserve | Other comprehensive income | Surplus reserve | Undistributed profits | Total equity |
| I. Balance at the beginning of the year | 9,127,269,000.00 | 1,458,753,185.58 | – | 4,890,446,242.43 | 34,792,640,840.00 | 50,269,109,268.01 |
| II. Changes in the current year | – | 34,704.98 | (148,477,708.08) | – | (726,703,962.82) | (875,146,965.92) |
| (I) Total comprehensive income | – | – | (148,477,708.08) | – | 1,459,859,457.61 | 1,311,381,749.53 |
| (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 | – | – | – | – | (2,646,908,010.00) | (2,646,908,010.00) |
| 1. Transfer to surplus reserve | – | – | – | – | – | – |
| 2. Transfer to general risk reserve | – | – | – | – | – | – |
| 3. Distributions to shareholders | – | – | – | – | (2,646,908,010.00) | (2,646,908,010.00) |
| (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) Special reserve | – | – | – | – | – | – |
| 1. Transfer to special reserve in the year | – | – | – | – | – | – |
| 2. Amount utilized in the year | – | – | – | – | – | – |
| (VI) Others | – | 34,704.98 | – | – | 460,344,589.57 | 460,379,294.55 |
| 1. Business combination involving enterprise under common control (Note (VII), 2) | – | 34,704.98 | – | – | – | 34,704.98 |
| 2. Others (Note (XV), 20) | – | – | – | – | 460,344,589.57 | 460,344,589.57 |
| III. Balance at the end of the year | 9,127,269,000.00 | 1,458,787,890.56 | (148,477,708.08) | 4,890,446,242.43 | 34,065,936,877.18 | 49,393,962,302.09 |

# Statement of Changes in Shareholders' Equity of the Company

For the year ended 31 December 2019

*RMB*

| Item | 2018 | | | | |
|---|---|---|---|---|---|
| | Share capital | Capital reserve | Surplus reserve | Undistributed profits | Total equity |
| I. Balance at the beginning of the year | 9,127,269,000.00 | 1,464,187,305.77 | 3,967,512,617.15 | 31,852,682,607.51 | 46,411,651,530.43 |
| II. Changes in the current year | – | (5,434,120.19) | 922,933,625.28 | 2,939,958,232.49 | 3,857,457,737.58 |
| (I) Total comprehensive income | – | – | – | 4,372,641,563.21 | 4,372,641,563.21 |
| (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 | – | – | 437,264,156.33 | (1,988,899,886.33) | (1,551,635,730.00) |
| 1. Transfer to Surplus reserve | – | – | 437,264,156.33 | (437,264,156.33) | – |
| 2. Transfer to general risk reserve | – | – | – | – | – |
| 3. Distributions to shareholders | – | – | – | (1,551,635,730.00) | (1,551,635,730.00) |
| 4. Others | – | – | – | – | – |
| (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) Special reserve | – | – | – | – | – |
| 1. Transfer to special reserve in the year | – | – | – | – | – |
| 2. Amount utilized in the year | – | – | – | – | – |
| (VI) Others | – | (5,434,120.19) | 485,669,468.95 | 556,216,555.61 | 1,036,451,904.37 |
| III. Balance at the end of the year | 9,127,269,000.00 | 1,458,753,185.58 | 4,890,446,242.43 | 34,792,640,840.00 | 50,269,109,268.01 |

# Notes to the Financial Statements

For the year from 1 January to 31 December 2019

## I. BASIC CORPORATE INFORMATION

### 1. Company Overview

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 of the Company 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.

### 2. The scope of consolidated financial statements

The Company's and consolidated financial statements have been approved by the Board of Directors on 24 April 2020.

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

## II. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

### Basis of preparation

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

### Basis of accounting and principle of measurement

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

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

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

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly;

- Level 3 inputs are unobservable inputs for the asset or liability.

### Going concern

The Group has evaluated its ability of going concern for the next 12 months since 31 December 2019. 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 with the ASBEs

The financial statements have been prepared in compliance with the Accounting Standard for Business Enterprises to truly and completely reflect the Company's and consolidated financial position of the Company as at 31 December 2019, the Company's and consolidated statement of changes in shareholders' equity and the Company's and consolidated operating results and cash flows for the year ended 31 December 2019.

### 2. Accounting year

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 year 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. 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 is adjusted to capital reserves. If the capital reserve is not sufficient to absorb the difference, any excess is adjusted to retained earnings.

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

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

### 5. 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 not involving enterprises 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.

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

### 6. Preparation of consolidated financial statements

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

The combination of subsidiaries begins with controlling the subsidiary by the Group, and ceases with the Group's losing control of the subsidiary.

For a subsidiary disposed of by the Group, the operating results and cash flows before the date of disposal (the date when control is lost) are included in the consolidated income statement and consolidated statement of cash flows, as appropriate.

For a subsidiary acquired through a business combination not involving enterprises under common control, the operating results and cash flows from the acquisition date (the date when control is obtained) are included in the consolidated income statement and consolidated statement of cash flows, as appropriate.

No matter when the business combination occurs in the reporting period, subsidiaries acquired through a business combination involving enterprises under common control are included in the Group's scope of consolidation as if they had been included in the scope of consolidation from the date when they first came under the common control of the ultimate controlling party. Their operating results and cash flows from the date when they first came under the common control of the ultimate controlling party are included in the consolidated income statement and consolidated statement of cash flows, as appropriate.

Major accounting policies and accounting years adopted by the subsidiaries are defined according to the standardized accounting policies and accounting years 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 year attributable to minority interests is presented in the consolidated income statement under the "net profit" item as profit or losses attributable to "minority interests".

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

### 6. Preparation of consolidated financial statements (continued)

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.

When the Group loses control over a subsidiary due to disposal of certain equity interest or other reasons, any retained interest is re-measured at its fair value at the date when control is lost. The difference between (i) the aggregate of the consideration received on disposal and the fair value of any retained interest and (ii) the share of the former subsidiary's net assets cumulatively calculated from the acquisition date according to the original proportion of ownership interest is recognized as investment income in the period in which control is lost, and is offset against goodwill. Other comprehensive income associated with investment in the former subsidiary is reclassified to investment income in the period in which control is lost.

### 7. Classification of joint arrangements and accounting treatments of joint operations

A joint arrangement is classified into joint operation and joint venture, depending on the rights and obligations of the parties to the arrangement, which is assessed by considering the structure and the legal form of the arrangement, the terms agreed by the parties in the contractual arrangement and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement.

The Group accounts for investments in joint ventures using equity method. Refer to Note (III) 13.3.2 "Long-term equity investments accounted for using the equity method" for details.

### 8. Recognition criterion of cash and cash equivalents

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

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

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

#### *9.1 Transactions denominated in foreign currencies*

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

As at the balance sheet date, monetary items denominated in foreign currency are exchanged to Renminbi by adopting the prevailing exchange rate on that date. Foreign exchange difference arising from the difference between the prevailing exchange rate on that date and the prevailing exchange rate on initial reorganization or on the previous balance sheet date are all credited to profit or loss for the current year, 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 year 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.

#### *9.2 Translation of financial statements denominated in foreign currency*

To prepare consolidated financial statements, 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.

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

### 9. Translation of transactions and financial statements denominated in foreign currencies (continued)

#### *9.2 Translation of financial statements denominated in foreign currency (continued)*

The opening balances of the year 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 year.

### 10. Financial instruments

The Group shall recognize 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.

Where financial assets are purchased or sold in a regular way, assets to be received and liabilities to be borne for it are recognized on the date of transaction, or sold assets are derecognized on the date of transaction.

The financial assets and liabilities are measured at fair value on initial recognition. For the financial assets and liabilities at fair value through profit or loss (FVTPL), related transaction expenses are directly charged to the profit or loss for the year; 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 recognized based on Accounting Standard for Business Enterprises No.14-Revenue ("Revenue Standard"), accounts receivable initially recognized shall be measured at transaction price defined based on the Revenue Standard on initial recognition.

Effective interest method is the method that is used in the calculation of the amortized 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 year.

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 amortized 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.

Amortized 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 amortization 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.

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

### 10. Financial instruments (continued)

#### *10.1 Classification, recognition and measurement of 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.

If 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 and the financial asset is held within a business model whose objective is achieved by collecting contractual cash flows, the Group shall classify the financial asset into the financial asset measured at amortized cost. Such financial assets mainly include: cash and bank balances, accounts receivable, other receivables, loans and advances to customers, other current assets, structured deposits, other current assets – deposits in non-bank financial institutions, long-term receivables and debt investments.

If 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 and the financial asset is held within a business model whose objective is achieved by collecting contractual cash flows and selling such financial assets, the Group shall classify the financial asset into the financial asset at fair value through other comprehensive income. Financial assets at FVTOCI are presented as other debt investments. Other debt investments due within one year (inclusive) since the balance sheet date are presented as non-current assets due within one year. Notes receivable and notes receivable classified as at FVTOCI upon acquisition are presented as financing with receivables. Other debt investments due within one year (inclusive) upon acquisition are presented as other current assets.

On initial recognition, the Company may, based on an individual financial asset, irrevocably designate a non-tradable equity instrument investment which is non-contingent consideration and recognized in business combination not involving enterprises under common control as financial asset measured at FVTOCI. Such financial assets are presented as other equity instrument investments.

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

### 10. Financial instruments (continued)

#### *10.1 Classification, recognition and measurement of financial assets (continued)*

The Group's purpose of holding the financial assets is for trading if one of the following conditions is satisfied:

- The purpose of acquiring the financial assets is to sell the assets in the near future.
- The relevant financial assets are, on initial recognition, a part of the centrally-managed identifiable financial instrument portfolio, and the objective evidence indicates that short-term profit model exists in the near future.
- The relevant financial assets are derivative instruments. However, derivatives that meet the definition of financial guarantee contracts and those designated as effective hedging instruments are excluded.

Financial assets measured at fair value through profit or loss ("FVTPL") include those classified as at FVTPL and those designated as at FVTPL:

- Financial assets that are not qualified to be classified as financial assets at amortized cost or financial assets at FVTOCI are classified as financial assets at FVTPL.
- Upon initial recognition, in order to eliminate or significantly reduce accounting mismatch, the Group will irrevocably designate financial assets at FVTPL.

The financial assets at FVTPL are presented as held-for-trading financial assets and those due after one year from the balance sheet date (or with no fixed term) and expected to be held for more than one year are presented as other non-current financial assets.

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

### 10. Financial instruments (continued)

#### *10.1 Classification, recognition and measurement of financial assets (continued)*

*10.1.1 Financial assets at amortized cost*

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

The Group recognizes interest income on financial assets measured at amortized cost using the effective interest method. Except for the following circumstances, the Group calculates interest income based on the Carrying amount of financial assets multiplied by the actual interest rate.

- Purchased or originated credit-impaired financial assets. For those financial assets, the Group shall apply the credit-adjusted effective interest rate to the amortized 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 amortized cost of the financial asset in subsequent reporting periods. If the financial assets no longer has credit impairment during the follow-up period as a result of an improvement in its credit risk, and this improvement may be linked to an event that occurred after the application of the above regulations, the Group calculates interest income based on the Carrying amount of financial assets multiplied by the actual interest rate.

*10.1.2 Financial assets at FVTOCI*

Impairment gains or losses on a financial asset at FVTOCI and the interest income calculated using the effective interest method shall be recognized in profit or loss. Except for them, changes in fair value of such financial assets shall be recognized in other comprehensive income. The amount of such financial asset recognized in profit or loss of each period is equal to the amount deemed as measured at amortized cost all the time and recognized in profit or loss of each period. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is transferred from other comprehensive income to profit or loss.

Changes in fair value of non-tradable equity instrument investment designated as at FVTOCI are recognized in other comprehensive income. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income are transferred from other comprehensive income to retained earnings. During the period that the Group holds these non-tradable equity instrument, the Group has established the right of collecting dividends, whose economic benefit is probably flow into the Group, and the amount of the dividends can be reliably measured, then the Group will recognize dividends in profit or loss.

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

### 10. Financial instruments (continued)

#### *10.1 Classification, recognition and measurement of financial assets (continued)*

*10.1.3 Financial assets at FVTPL*

Financial assets at FVTPL shall be subsequently measured at fair value. Gains or losses from change in fair value and dividends and interest income related to such financial assets shall be recognized in profit or loss.

#### *10.2 Impairment of financial instruments and other items*

The Group shall recognize a loss allowance for expected credit losses on financial assets at amortized cost, financial assets FVTOCI and a lease receivable.

The Group measures a loss allowance equivalent to the amount of lifetime expected credit losses for the contract assets or accounts receivable arising from transactions adopting Standards for Revenue, and the financing lease receivables arising from transactions adopting *ASBEs No. 21 – Leases*.

For other financial instrument, other than purchased or originated credit-impaired financial assets, the Group assesses changes in credit risks of the relevant financial asset since initial recognition at each balance sheet date. If the credit risks of the financial instrument has been significantly increased since initial recognition, the Group will make a loss allowance at an amount of lifetime expected credit loss; if not, the Group will make a loss allowance for the financial instrument at an amount in the future 12-month expected credit losses. Increase in or reversal of credit loss provision is included in profit or loss as loss/gain on impairment, except for financial assets classified as at fair value through other comprehensive income. The Group recognizes credit loss provision for financial assets at FVTOCI in other comprehensive income and recognizes loss/gain on impairment in profit or loss for the period, without reducing the carrying amount of the financial assets presented in the balance sheet.

The Group has made a loss allowance against amount of lifetime expected credit losses in the prior accounting period. However, at the balance sheet date, the credit risk on a financial instrument has not increased significantly since initial recognition; the Group will measure the loss allowance for that financial instrument at an amount in the future 12-month expected credit losses. Reversed amount of loss allowance arising from such circumstances shall be included in profit or loss as impairment gains.

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

### 10. Financial instruments (continued)

#### *10.2 Impairment of financial instruments and other items (continued)*

*10.2.1 Significant increase in credit risk*

The Group will make use of reasonable and supportable forward-looking information that is available to determine whether credit risk has increased significantly since initial recognition through comparing 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.

The Group will take the following factors into consideration when assessing whether credit risk has increased significantly:

(1) 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.

(2) An actual or expected significant change in the operating results of the borrower.

(3) Significant increases in credit risk on other financial instruments of the same borrower.

(4) A significant adverse change in the regulatory, economic, or technological environment of the borrower.

(5) Significant changes in the expected performance and behavior of the borrower.

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. If the risk of default of a financial instrument is low, the borrower is highly capable of meeting its contract cash flow obligations in the short term, and the financial instrument is considered to have a lower credit risk even if there is a negative change in the economic situation and operating environment over a longer period of time, but it may not necessarily reduce the borrower's performance of its contract cash obligations.

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

### 10. Financial instruments (continued)

#### *10.2 Impairment of financial instruments and other items (continued)*

*10.2.2 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:

(1) Significant financial difficulty of the issuer or the borrower;

(2) A breach of contract by the debtor, such as a default or delinquency in interest or principal payments;

(3) The creditor, for economic or legal reasons relating to the debtor's financial difficulty, granting a concession to the debtor;

(4) It becoming probable that the debtor will enter bankruptcy or other financial reorganizations;

(5) The disappearance of an active market for that financial asset because of financial difficulties of the issuer or the debtor;

(6) The purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

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

### 10. Financial instruments (continued)

#### *10.2 Impairment of financial instruments and other items (continued)*

*10.2.3 Recognition of expected credit losses*

The Group recognizes the credit loss on lease receivables on an individual asset basis, and the credit loss on related financial instruments of financial assets classified as at amortized cost and debt instrument classified as at FVTOCI with impairment matrix on a collective basis. The Group can group financial instruments on the basis of shared credit 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.

The Group determines expected credit losses of relevant financial instruments using the following methods:

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

The factors reflected in methods of measurement of expected credit losses include an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes; time value of money; reasonable and supportable information about past events, current conditions and forecasts on future economic status at balance sheet date without unnecessary additional costs or efforts.

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

### 10. Financial instruments (continued)

#### *10.2 Impairment of financial instruments and other items (continued)*

*10.2.4 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.

#### *10.3 Transfer of financial assets*

The Group shall derecognize a financial asset when: (1) the contractual rights to the cash flows from the financial asset expire, (2) the financial asset has been transferred and substantially all the risks and rewards of ownership of the financial asset is transferred to the transferee; or (3) although the financial asset has been transferred, the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but has not retained control of the financial asset.

For a transfer of a financial asset in its entirety that satisfies the derecognition criteria, the difference between the carrying amount at the derecognition date of the financial asset transferred and the sum of the consideration received from the transfer of the financial asset and the amount correlating to the derecognition part in the accumulated amount originally recognized in changes in fair value of other comprehensive income is recognized in profit or loss. If the transferred financial asset is the non-tradable equity instrument investment designated as at FVTOCI, cumulative gain or loss that has been recognized in other comprehensive income should be removed from other comprehensive income but be recognized in retained earnings.

For a part of transfer of a financial asset that satisfies the derecognition criteria, the carrying amount of the transferred financial asset is allocated between the part that is derecognized and the part that is continuously involved, based on the respective fair values of those parts on transfer date. The difference between (1) the sum of the consideration received for the part derecognized and any cumulative gain or loss allocated to the part derecognized which has been previously recognized in other comprehensive income; and (2) the carrying amount allocated to the part derecognized on derecognition date; is recognized in profit or loss or retained earnings. If the transferred financial asset is the non-tradable equity instrument investment designated as at FVTOCI, cumulative gain or loss that has been recognized in other comprehensive income should be removed from other comprehensive income but be recognized in retained earnings.

For a transfer of a financial asset in its entirety that does not satisfy the derecognition criteria, the Group will continuously recognize the transferred financial asset in its entirety. Considerations received should be recognized as a financial liability.

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

### 10. Financial instruments (continued)

#### *10.4 Classification of financial liabilities and equity instruments*

Financial instruments issued by the Group are classified into financial liabilities or equity instruments on the basis of the substance of the contractual arrangements and the economic nature not only its legal form, together with the definition of financial liability and equity instruments on initial recognition.

*10.4.1 Classification, recognition and measurement of financial liabilities*

On initial recognition, financial liabilities are classified into financial liabilities at fair value through profit or loss and other financial liabilities. The Group's financial liabilities are all 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, are classified as financial liabilities measured at amortized cost. Subsequent measurement, gain or loss arising from derecognition or amortization is recognized in profit or loss.

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

*10.4.2 Derecognition of financial liabilities*

The Group derecognizes a financial liability (or part of it) only when the underlying present obligation (or part of it) is discharged. An agreement between the Group (an existing debtor) and an existing lender to replace the original financial liability with a new financial liability with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

When the Group derecognizes a financial liability or a part of it, it recognizes the difference between the carrying amount of the financial liability (or part of the financial liability) derecognized and the consideration paid (including any non-cash assets transferred or new financial liabilities assumed) in profit or loss.

*10.4.3 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 issuance (including refinance), repurchase, selling or cancellation of these instruments are treated as change in equity. The enterprise should not recognize changes in the fair value of the equity instruments. The related transaction costs are deducted from equity.

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

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

### 10. Financial instruments (continued)

#### *10.5 Derivatives*

Derivative financial instruments include forward exchange contracts. Derivatives are initially measured at fair value at the date when the derivative contracts are entered into and are subsequently re-measured at fair value.

#### *10.6 Offsetting a financial asset and a financial liability*

Where the Group has a legal right that is currently enforceable to set off the amount of the recognized financial assets and financial liabilities, and intends either to settle on a net basis, or to realize the financial asset and settle the financial liability simultaneously, a financial asset and a financial liability shall be offset and the net amount is presented in the balance sheet. Except for the above circumstances, financial assets and financial liabilities shall be presented separately in the balance sheet and shall not be offset.

### 11. Financing with receivables

For the notes receivable classified as at fair value through other comprehensive income, the portion within one year (inclusive) since acquisition is presented as financing with receivables. Refer to Note III.10.1, 10.2 and 10.3 for the relevant accounting policies.

### 12. Inventories

#### *12.1 Classification of inventories*

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

#### *12.2 Valuation method of inventories upon delivery*

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

#### *12.3 Recognition of net realizable value of inventories*

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

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.

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

### 12. Inventories (continued)

#### *12.3 Recognition of net realizable value of inventories (continued)*

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 year.

#### *12.4 Inventory count system*

The inventory count system shall be on a perpetual basis.

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

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

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

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

### 13. Long-term equity investments

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

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

#### *13.2 Determination of initial investment cost*

For a long-term equity investment acquired through business combination involving enterprises under common control, shares of book value of owners' equity of combined party in financial statements of ultimate controlling party is recognized as initial investment cost of long-term equity investment at the date of combination. The difference between initial investment cost of long-term equity investment and cash paid, non-cash assets transferred and book value of liabilities assumed, is adjusted in capital reserve. If the balance of capital reserve is not sufficient to absorb the difference, any excess is adjusted to retained earnings.

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, appraisement and other agency expense and other administration expense occurred during combination, the acquiree shall recognize those expenditure in profit or loss.

Long-term equity investment acquired otherwise than through a business combination is initially measured at its cost.

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

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

The Company's separate financial statements adopted cost method to account for the long-term equity investments of subsidiaries. A subsidiary is an investee that is controlled by the Group.

Under the cost method, a long-term equity investment is measured at initial investment cost. When additional investment is made or the investment is recouped, the cost of the long-term equity investment is adjusted accordingly. Investment income is recognized in the period in accordance with the attributable share of cash dividends or profit distributions declared by the investee.

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

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

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

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

The Group accounts for investments in joint ventures using equity method. Joint venture refers to a joint venture arrangement in which the Group only has rights to the net assets of the arrangement.

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 year, and the cost of the long-term equity investment shall be adjusted accordingly.

Under the equity method, the Group recognizes its share of the net profit or loss and other comprehensive income of the investee for the period as investment income and other comprehensive income for the period. Meanwhile, carrying amount of long-term equity investment is adjusted: the carrying amount of long-term equity investment is decreased in accordance with its share of the investee's declared profit or cash dividends; Other changes in owners' equity of the investee other than net profit or loss and other comprehensive income are correspondingly adjusted to the carrying amount of the long-term equity investment, and recognized in the capital reserve. The Group recognizes its share of the investee's net profit or loss based on the fair value of the investee's individual identifiable assets, etc. at the acquisition date after making appropriate adjustments.

The Group discontinues recognizing its share of net losses of the investee after the carrying amount of the long-term equity investment together with any long-term interests that in substance form part of its net investment in the investee is reduced to zero. If the Group has incurred obligations to assume additional losses of the investee, a provision is recognized according to the expected obligation, and recorded as investment loss for the period. Where net profits are subsequently made by the investee, the Group resumes recognizing its share of those profits only after its share of the profits exceeds the share of losses previously not recognized.

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

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

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

*13.3.3 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.

Where the Group loses control over investee due to disposal of part of shares, during preparing separate financial statement, if remaining shares after disposal can make joint control or significant influence on investee, they are accounted under equity method, and adjusted as if they are accounted under equity method since the acquisition date; If remaining shares after disposal cannot make joint control or significant influence on investee, they are accounted according to recognition and measurement of financial instruments, and the difference between fair value on date of losing control and book value is recognized in profit or loss of current period.

### 14. Investment properties

Investment property refers to real estate held to earn rentals or for capital appreciation, or both, including leased land use right, land use right 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 year 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 right.

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 year.

When the Group has evidence indicating the self-occupied houses and buildings are converted to leasing, the carrying amount of such fixed assets, before the conversion are transferred to investment properties.

When the Group has evidence indicating the property held to earn rentals or for capital appreciation are converted to self-occupation, the carrying amount of such properties before the conversion are transferred to fixed assets.

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

### 15. Fixed assets

#### *15.1 Recognition criteria*

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 year. 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 year when incurred.

#### *15.2 Depreciation method*

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

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

#### *15.3 Other explanations*

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

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.

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

### 16. Construction in progress

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

### 17. Borrowing costs

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

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

### 18. Intangible assets

#### *18.1 Valuation method, useful life, impairment test for intangible assets*

Intangible assets include land use right, software and non-patent technology, etc.

An intangible asset shall be measured initially at cost.

Land use right acquired shall normally be recognized as an intangible asset. Self-constructed buildings (e.g. plants), related land use right 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 right 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 years | Annual depreciation rate (%) |
|---|---|---|
| Land use right | 50 | 2.00 |
| Software and others | 2-10 | 10.00-50.00 |
| Non-patent technology | 2-10 | 10.00-50.00 |

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

Details of impairment test for intangible assets are set out in Note III "19. Impairment of long-term assets".

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

### 18. Intangible assets (continued)

#### *18.2 Research and development expenditure*

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

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

Expenses incurred during the development phase 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 year:

(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 phase 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 year.

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

### 19. Impairment of long-term assets

The Group assesses at each balance sheet date whether there is any indication that any long-term equity investments, investment properties measured at cost, fixed assets, construction in progress and intangible assets and right-of-use 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 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 year.

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 year.

### 20. Long-term prepaid expenses

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

### 21. Contract liabilities

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. Contract assets and contract liabilities under common contract are presented as net.

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

### 22. Employee benefits

#### *22.1 Accounting treatment of short-term employee benefits*

In the accounting year 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 year 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 year or cost of relevant assets.

During the accounting year 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 labor 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 year or cost of relevant assets.

#### *22.2 Accounting treatment of post-employment benefits*

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

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

### 23. Provisions

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

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

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

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

### 24. Revenue

The revenue from the Group are mainly from selling automobiles and components and parts of automobiles; processing and manufacturing of models; providing services and so on.

The Group recognizes 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.

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.

***Variable consideration***

For contracts that contain variable consideration, the Group estimates the amount of consideration to which it will be entitled using either the expected value method or the most likely amount. The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved. At each balance sheet date, the Group updates the estimated transaction price.

***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.

In addition to the income from contracts with customers, the Group's income includes interest income from daily business activities. Please refer to Note (III) 10 for corresponding accounting policies.

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

### 25. 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.

#### *25.1 Judgement criteria and accounting treatment of 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.

#### *25.2 Judgement criteria and accounting treatment of government grants related to income*

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

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.

### 26. Income tax

#### *26.1 Current income tax*

At the balance sheet date, current income tax liabilities (or assets) for the current and prior years shall be measured at the amount expected to be paid (or recovered) according to the requirements of tax laws.

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

### 26. Income tax (continued)

#### *26.2 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, 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 utilize 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 year 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 utilized. Such reduction in amount is reversed when it becomes probable that sufficient taxable profits will be available.

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

### 26. Income tax (continued)

#### *26.3 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 year, 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.

#### *26.4 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 rate 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 year 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.

### 27. Lease

A lease is a contract whereby the lessor conveys to the lessee in return for a consideration the right to use an asset for an agreed period of time.

At inception/modification of the contracts, the Group assesses whether the contract is, or contains, a lease. Unless the terms and conditions of the contract are changed, the Group does not reassess whether a contract is, or contains, a lease.

#### *27.1 The Group as lessee*

*27.1.1 Separation of a lease*

For a contract that contains one or more lease or non-lease components at the same time, the Group separates the individual lease component and non-lease component of the contract and allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

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

### 27. Lease (continued)

#### *27.1 The Group as lessee (continued)*

*27.1.2 Right-of-use assets*

Except for short-term leases and leases of low-value assets, the Group recognizes right-of-use assets at the commencement date of the lease. The commencement date of a lease is the date that the underlying asset leased out by the lessor is available for use by the Group. Right-of-use assets are initially measured at cost, which includes the following:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received (if any);
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, exclusive of the cost incurred for production of inventories.

Right-of-use assets is depreciated by the Group in accordance with relevant regulations on depreciation in Accounting Standard for Business Enterprises No.4 – Fixed Assets. Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated over the remaining useful life of the leased assets. Otherwise, right-of-use assets are depreciated over the shorter of lease term and the remaining useful life of the leased assets.

The Group determines whether a right-of-use asset is impaired and makes accounting treatments in accordance with relevant regulations in Accounting Standard for Business Enterprises No.8 – Impairment of Assets, and account for the identified impairment loss.

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

### 27. Lease (continued)

#### *27.1 The Group as lessee (continued)*

##### *27.1.3 Lease liabilities*

At the commencement date of a lease, except for short-term lease and leases of low-value assets, the Group initially measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the interest rate implicit in the lease as the discount rate. The Group uses the incremental borrowing rate if the interest rate implicit in the lease is not readily determinable.

Lease payments refers to payments relating to the right to use leased assets during the lease term which are made by the Group to the lessor, including:

- fixed payments and in substance fixed payments, less any lease incentives receivable (if any);
- variable lease payments that depend on an index or a rate;
- the exercise price of a purchase option reasonably certain to be exercised by the Group;
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate the lease; and
- amounts expected to be paid under residual value guarantees provided by the Group.

Variable lease payments that depend on an index or a rate, are initially measured using the index or rate as at the commencement date. Variable lease payments not included in the measurement of the lease liabilities, are recognized in profit or loss, or in the cost of relevant assets, in the period of those payments.

After the commencement date of a lease, the Group calculates interest expenses of lease liabilities for each period of the lease term based on fixed periodic rate and recognizes the expenses in profit or loss or cost of related assets.

Subsequent to the commencement date of a lease, in case of any of the following circumstances, the Group re-measures lease liabilities and makes a corresponding adjustment to the related right-of-use assets, if the book value of the right-of-use asset has been reduced to zero, but the lease liability still needs to be further reduced, the Group calculates the difference in the current profit and loss:

- the Group re-measures the lease liabilities at the present value of revised lease payment discounted at revised discount rate due to the changes of lease term or results of assessment on purchase option.
- the Group re-measures the lease liabilities at the present value of revised lease payment discounted at original discount rate due to the changes in amount payable estimated based on guaranteed residual value or the index or ratio used to determine the amount of lease payment.

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

### 27. Lease (continued)

#### *27.1 The Group as lessee (continued)*

*27.1.4 Short-term leases and leases of low-value assets*

The Group elects not to recognize right-of-use assets and lease liabilities for short-term leases and leases of low-value assets of transportation vehicle, machinery and electronic equipment. A short-term lease is a lease that at the commencement date, has a lease term of 12 months or less and does not contain any purchase options. A lease of a low-value asset, is a lease that the single underlying asset, when is new, is of low value. The Group shall recognize the lease payments associated with short-term leases and leases of low-value assets as the cost of the related assets or profit or loss on a straight-line basis over the lease term.

*27.1.5 Lease modifications*

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the scope of increase which is adjusted based on circumstances of such contract.

For a lease modification that is not accounted for as a separate lease, the Group reallocates the revised contract consideration, re-determines the lease term and re-measures the lease liabilities at the present value of the revised lease payments discounted using the revised discount rate.

If the scope of the lease is narrowed or the lease term is shortened as a result of the lease modification, the Group reduces the carrying amount of the right-of-use assets accordingly, and record the relevant gains or losses of partial or complete termination of the lease into the current profit and loss. In case of re-measurement of lease liabilities due to other lease modifications, the Group adjusts the carrying amount of the right-of-use assets accordingly.

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

### 27. Lease (continued)

#### *27.2 The Group as lessor*

*27.2.1 Separation of a lease*

For a contract that contains lease and non-lease components simultaneously, the Group applies the Accounting Standard for Business Enterprises No. 14 – Revenue to allocate consideration in a contract to lease and non-lease components. The basis of the allocation is the separately stand-alone price of the lease component and the non-lease component.

*27.2.2 Classification of lease*

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Other leases which are not finance leases are operating leases.

27.2.2.1 The Group as lessor under operating leases

Receipts of lease under operating leases are recognized as rental income on a straight-line basis over the term of the relevant lease. Initial direct costs related to operating leases incurred by the Group are capitalized when incurred, and are recognized in profit or loss for the current period on the same basis as recognition of rental income over the lease term.

The variable receipts of lease received by the Group that are related to operating leases and not included in receipts of lease are recognized in profit or loss for the period when they are incurred.

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

### 27. Lease (continued)

#### *27.2 The Group as lessor (continued)*

##### *27.2.2 Classification of lease (continued)*

27.2.2.2 The Group as lessor under finance lease

At the commencement date, the Group uses the net lease investment as the accounting value of the finance lease receivables and derecognizes the finance lease assets. The net investment in the lease is the sum of the unguaranteed residual value and the present value of the lease receipts that have not been received at the commencement date, discounted at the interest rate embedded in the lease.

The amount of lease receivable refers to the amount that the Group should collect from the lessee for the purpose of transferring the leased assets during the lease term, including:

- fixed payments and in substance fixed payments to be paid by the lessee, less any lease incentives receivable (if any);
- variable lease payments that depend on an index or rate;
- exercise price of purchase options, if it is reasonably determined that the lessee will exercise the option;
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate the lease; and
- The residual value of the guarantee provided to the Group by the lessee, a party related to the lessee and an independent third party who has the financial ability to perform the guarantee obligation.

The variable lease receipts that are not included in the measurement of net investment in the lease investment are recognized in current profit or loss when actually incurred.

The Group calculates and recognizes interest income for each period of the lease term based on a fixed periodic interest rate.

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

### 28. Changes in significant accounting policies

#### *28.1 New lease standards*

Since 1 January 2019 (date of initial application), the Group applied the Accounting Standard for Business Enterprises No.21 – Lease (hereinafter referred to as "New lease standards", referred to as "Original lease standards" prior to the revision) revised by Ministry of Finance in 2018. The new lease standards improved the definition of leases, added contents of identification, separation and combination of leases, cancelled the classification of operating leases and finance leases by lessee and required recognition of right-of-use assets and lease liabilities for all leases (except for short-term leases and leases of low-value assets) at the commencement date of a lease and confirm depreciation and interest expenses separately. It also improved the subsequent measurement of leases by lessee, added accounting treatment in the case of options revaluation and lease changes, and increased relevant disclosure requirements. In addition, it also enriched the disclosure content of the lessor. Subsequent to the revision, the accounting policies of the Group as lessee and lessor for the recognition and measurement of leases are described in Note III. 27.

For a contract that already existed prior to the date of initial application, the Group chooses not to reassess whether such contract is, or contains leases.

*The Group as lessee*

For the cumulative effect of initial application of new lease standards, the Group adjusts the retained profits and amount of relevant items in the financial statements at the date of initial application, without adjusting information in comparable periods.

For operating leases prior to the date of initial application, the Group chooses one or more following simplified methods on the basis of each lease:

- Leases that have a lease term less than 12 months since the date of initial application are accounted for as short-term leases;
- Leases that have similar characteristics shall use the same discount rate for measurement of lease liabilities;
- Measurement of right-of-use assets excludes initial direct costs;
- For leases with options to extend or terminate, the Group determines the lease term based on the actual exercise of options before the initial application date and other most updated information;

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

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

#### *28.1 New lease standards (continued)*

*The Group as lessee (continued)*

On the initial application date, the Group makes following adjustments due to adoption of new lease standards:

For operating leases existed prior to the date of initial application, the Group initially measures lease liabilities at the present value of the remaining lease payments discounted at the lessee's incremental borrowing rate on the date of initial application and measures right-of-use assets amount equivalent to lease liabilities, which is adjusted for any prepaid lease payments as necessary.

The Group recognized lease liabilities and right-of-use assets of RMB49,631,355.08 and RMB52,499,010.14 respectively as at 1 January 2019. For operating leases existed prior to the date of initial application, the Group initially measures lease liabilities at the present value of the remaining lease payments discounted at the lessee's incremental borrowing rate on the date of initial application. The weighted average rate for such incremental borrowing rate is 4.75%~4.90%.

Impact of application of new lease standards on relevant items recognized in the Group and the Company's balance sheet at 1 January 2019 is as follows:

The Group:

*RMB*

| Item | 31 December 2018 | Adjustment | 1 January 2019 |
|---|---|---|---|
| **Current assets:** | | | |
| Other receivables | 651,737,776.25 | (771,790.80) | **650,965,985.45** |
| **Non-current assets:** | | | |
| Right-of-use assets | – | 52,499,010.14 | **52,499,010.14** |
| Long-term prepaid expenses | 125,728,779.61 | (2,095,864.26) | **123,632,915.35** |
| **Current liability:** | | | |
| Non-current liabilities due within one year | – | 13,292,608.44 | **13,292,608.44** |
| **Non-current liabilities:** | | | |
| Lease liabilities | – | 36,338,746.64 | **36,338,746.64** |

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

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

#### *28.1 New lease standards (continued)*

*The Group as lessee (continued)*

The Company:

*RMB*

| Item | 31 December 2018 | Adjustment | 1 January 2019 |
|---|---|---|---|
| **Current assets:** | | | |
| Other receivables | 983,288,876.36 | (368,342.31) | **982,920,534.05** |
| **Non-current assets:** | | | |
| Right-of-use assets | – | 31,557,573.34 | **31,557,573.34** |
| Long-term prepaid expenses | 123,366,270.51 | (2,095,864.26) | **121,270,406.25** |
| **Current liability:** | | | |
| Non-current liabilities due within one year | – | 5,899,544.64 | **5,899,544.64** |
| **Non-current liabilities:** | | | |
| Lease liabilities | – | 23,193,822.13 | **23,193,822.13** |

Differences between the lease liabilities recognized by the Group as at 1 January 2019 and significant operating lease commitment disclosed in the 2018 financial statements are as follows:

*RMB*

| Item | 1 January 2019 |
|---|---|
| I. Operating lease commitment at 31 December 2018 | **65,761,677.74** |
| Lease liabilities discounted at the incremental borrowing rate on the date of initial application | **60,140,291.09** |
| Less: Recognition exemption – short-term leases | **7,026,107.53** |
| Recognition exemption – leases of low-value assets | **3,482,828.48** |
| Lease liabilities recognized under new lease standards and related to original operating leases | **49,631,355.08** |
| II. Lease liabilities at 1 January 2019 | **49,631,355.08** |
| Including: Non-current liabilities due within one year | **13,292,608.44** |
| Lease liabilities | **36,338,746.64** |

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

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

#### *28.1 New lease standards (continued)*

*The Group as lessee (continued)*

Book value of right-of-use assets as at 1 January 2019 comprises the following:

*RMB*

| Item | 1 January 2019 |
|---|---|
| Right-of-use assets: | |
| Right-of-use assets recognized for operating leases existed prior to the date of initial application | **49,631,355.08** |
| Reclassification of prepaid lease payment | **2,095,864.26** |
| Adjustment of lease deposit on the date of initial application | **771,790.80** |
| Total | **52,499,010.14** |

Disclosure of right-of-use assets by category as at 1 January 2019 is as follows:

*RMB*

| Item | At 1 January 2019 |
|---|---|
| Land use rights | **2,095,864.26** |
| Buildings | **49,293,003.09** |
| Machinery and equipment | **1,110,142.79** |
| Total | **52,499,010.14** |

*The Group as lessor*

The Group does not need any transitional adjustments for its leases as a lessor, but rather accounts for it under the new lease standard from the date of initial application.

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

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

#### *28.2 Presenting format of financial statements*

The Group has prepared the financial statements for the year 2019 in accordance with the Notice of the Revised Format of 2019 Financial Statements for General Business Enterprises (Cai Kuai (2019) No. 6, hereinafter referred to as the "Cai Kuai No.6 Document") released by the Ministry of Finance on 30 April 2019. Cai Kuai No.6 Document revised the presenting accounts in the balance sheet and income statement and split "Notes and accounts receivable" to be "Notes receivable" and "Accounts receivable", and "Notes and accounts payable" to be "Notes payable" and "Accounts payable". It also specified or revised the presentation of line items of "Non-current assets due within one year", "Deferred income", "Other equity instruments", "Research and development expenses", "Interest income" under "Financial expenses", "Other income", "Gains on disposal of assets", "Non-operating income" and "Non-operating expenses", and adjusted the presenting location of "Impairment losses of assets", and specified the presentation of "Capital contribution of holders of other equity instruments". For the above changes in presenting accounts, the Company has adjusted retrospectively the comparable data for the prior year.

## 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 year, the impact shall be recognized during the current year; where such changes impact both the current and future years, the impact shall be confirmed during the current and future years when such changes occur.

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

### Significant judgements made in the application of accounting policies

The Group has made the following important judgments in the application of accounting policies, which had a significant impact on the amounts recognized in the financial statements:

***Capitalization of development expenditure***

If the expenditure in the development stage meets the conditions as described in Note (III) 18.2, it shall be capitalized, or included in the current profit and loss if not. Whether the expenditure in the development stage is capitalized or expensed requires significant judgment and estimates.

***Determination of the lease term of lease contract with renewal option***

For the lease contract signed by the Group as the lessee with the renewal option, the Group needs to use judgment to determine the lease term of the lease contract. An assessment of whether the Group is reasonably certain to exercise this option will affect the length of the lease term, which will have a significant impact on the amount of lease liabilities and right-of-use assets recognized.

### Key assumptions and uncertainties in 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 year.

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

### Key assumptions and uncertainties in accounting estimates (continued)

***Useful life of fixed assets***

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

***Recognition of deferred tax assets***

As at 31 December 2019, the Group has recognized deferred tax assets of RMB684,277,716.19 (31 December 2018: RMB676,536,944.72) in the consolidated balance sheet. The realization of deferred tax assets is mainly determined by future actual earnings and actual tax rate of temporary difference in future utilization year. If the actual future earning is less than estimates, or the actual tax rate is lower than estimates, the recognized deferred income tax asset shall be reversed, and be recognized in the income statement in the year in which the reversal is incurred. If the actual earnings accrued in the future is more than estimates, or the actual tax rate is higher than estimates, such deferred tax asset shall be recognized in the consolidated income statement in the year in which they are incurred.

***After-sales service expenses***

The Group undertakes the warranty obligation for the vehicles sold within a certain warranty period, and accrues the after-sales service expenses according to the sales volume and estimated cost standards. The after-sales service expense accrued on 31 December 2019 is RMB694,933,978.06. If the actual after-sales service expenses are greater or less than the expected amount, it will affect the profit and loss of the year.

## V. TAXATION

### 1. Major tax types and rates

| Tax type | Basis | Tax rate |
|---|---|---|
| Value-added tax | Sales/Purchase *(Note 1 and 2)* | Before 1 May 2018: 3%, 5%, 6%, 11%, 17%<br>1 May 2018 to 31 March 2019: 3%, 5%, 6%, 10%, 16%<br>From 1 April 2019: 3%, 5%, 6%, 9%, 13% |
| Consumption tax | Sales | 3%, 5%, 9% |
| City 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%, 27.38%, 28%, 29.74%, 30%, 30.4% |
| 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 |
| Consumption tax | Land use area | Relevant tax rate |

*Note 1:* Pursuant to the Notice on Adjusting Value-added Tax Rate (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. Pursuant to the Announcement of MoF, the State Administration of Taxation and the General Administration of Customs on Relevant Policies for Deepening the Value-added Tax Reform (Announcement No.39 [2019]), VAT taxable sales or imported goods subject to 16% and 10% shall be adjusted to 13% and 9% since 1 April 2019.

*Note 2:* Excluding the tax incentives set out in Note (V). 2, the applicable tax rates of the relevant companies of the Group for 2018 and 2019 are listed on the above table.

## V. TAXATION (continued)

### 2. Tax incentives and approvals

#### *2.1 Income tax incentives*

*2.1.1 Income tax incentive policy for recruitment of the disabled*

Pursuant to the Circular on Granting Tax Credit and Exemption relating to Enterprise Income Tax on the Recruitment of the 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, 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"), Nuobo Rubber Production Company Limited (諾博橡膠製品有限公司) ("Nuobo Rubber"), Jingcheng Engineering Automotive Systems Co., Ltd. (精誠工科汽車系統有限公司) ("Jinggong Motor"), Nuobo Automotive Systems Co., Ltd. (諾博汽車系統有限公司) ("Nuobo Automotive"), 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 Enterprise income tax exemption for new and high-tech enterprise*

According to the "Notice on Publicizing the List of the First Batch of High-tech Enterprises to be Recognized in Hebei Province in 2019" issued by the Torch High Technology Industry Development Center, Ministry of Science & Technology on 10 September 2019, the Company and its subsidiary Baoding Great were re-identified as high-tech enterprises in 2019 (valid for three years), and the applicable income tax rate from 2019 to 2021 is 15%.

According to the "Notice on Publicizing the List of the Second Batch of High-tech Enterprises to be Recognized in Hebei Province in 2019" issued by Torch High Technology Industry Development Center, Ministry of Science & Technology on 30 October 2019, the Company's subsidiary Mind Electronics Company Limited (曼德電子電器有限公司) (hereinafter referred to as "Mind Electronics") was re-identified as a high-tech enterprise (valid for three years) in 2019, and the applicable income tax rate from 2019 to 2021 is 15%.

According to the "Notice on Publicizing the List of the Third Batch of High-tech Enterprises to be Recognized in Hebei Province in 2019" issued by the Torch High Technology Industry Development Center, Ministry of Science & Technology on 2 December 2019, the Company's subsidiaries Jinggong Motor, Nuobo Automotive and Nuobo Rubber were identified as high-tech enterprises in 2019 (valid for three years), and the applicable income tax rate from 2019 to 2021 is 15%.

As of December 31, 2019, the high-tech enterprise certificate of the above-mentioned companies has yet to be issued.

## V. TAXATION (continued)

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

#### *2.1 Income tax incentives (continued)*

*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) and 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), Chongqing Great Wall Automotive After-sales Service Co., Ltd. (重慶市長城汽車售後服務有限公司) ("Chongqing Great Wall After-sales"), Chongqing Weipai Automotive Sales Co., Ltd. (重慶魏派汽車銷售有限公司) ("Chongqing Weipai"), Chongqing Haval Logistics Co., Ltd. (重慶哈弗物流有限公司) ("Chongqing Haval Logistics") subsidiaries of the Company, satisfy all conditions prescribed in the Circular above for encouraged industry enterprises located in the western region, and their principle operating income accounts for over 70% of the total income, so from 2018 to 2020, the applicable enterprise income tax rate is 15%.

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

Pursuant to the Circular on Further Granting Tax Credit and Exemption relating to Enterprise Income Tax on the Small-Scaled Minimal Profit Enterprise to a Larger Extent by the 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, 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%.

## V. TAXATION (continued)

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

#### *2.1 Income tax incentives (continued)*

*2.1.4Income tax credit for small-scaled minimal profit enterprise (continued)*

According to the *Notice on Implementing the Inclusive Tax Deduction and Exemption Policies for Small Low-profit Enterprises* (關於實施小微企業普惠性税收減免政策的通知) (Cai Shui [2019] No. 13) issued by the Ministry of Finance and the State Administration of Taxation, the taxable income in 2019 of the Company's subsidiaries Ningxia Great Wall Motor Rental Co., Ltd. (hereinafter referred to as "Ningxia Rental"), 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"), Yijian Start (Chongqing) Automobile Sales Service Co., Ltd. (一見啟動(重慶)汽車銷售服務有限公司) ("Chongqing Yijian Start"), Zhengzhou Yijian Start Automobile Sales Service Co., Ltd. (鄭州一見啟動汽車銷售服務有限公司) ("Zhengzhou Yijian Start"), Lanzhou Yijian Start Automobile Sales Service Co., Ltd. (蘭州一見啟動汽車銷售服務有限公司) ("Lanzhou Yijian Start"), Taiyuan Yijian Start Automobile Sales Service Co., Ltd.(太原一見啟動汽車銷售服務有限公司) ("Taiyuan Yijian Start"), Yijian Start (Wuhan) Automobile Sales Service Co., Ltd. (一見啟動(武漢)汽車銷售服務有限公司) ("Wuhan Yijian Start"), Baoding Billion Sunny Consulting Service Co., Ltd. (保定億新諮詢服務有限公司)("Billion Sunny Consulting") is less than RMB3 million, which satisfies the provisions of the notice above. In 2019, the annual taxable income of a small low-profit enterprise that is not more than RMB1 million shall be included in its taxable income at the reduced rate of 25%, with the applicable enterprise income tax rate of 20%; and the annual taxable income that is not less than RMB1 million nor more than RMB3 million shall be included in its taxable income at the reduced rate of 50%, with the applicable enterprise income tax rate of 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 VAT Policy for Promoting the Employment of Disabled Persons* (關於促進殘疾人就業增值税優惠政策的通知) (Cai Shui [2016] No. 52) issued by the MoF and State Administration of Taxation, Baoding Nuobo (not satisfying the preferential tax policy in and after September 2018), Baoding Great and Baoding Yixin, subsidiaries of the Company, were entitled to immediate refund of value-added tax as they satisfied the requirements: The ratio of the disabled persons employed each month to the number of in-service employees is 25% or more, and the number of disabled persons employed is ten or more. 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.

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

### 1. Cash and bank balances

*RMB*

| Item | 31/12/2019 | 31/12/2018 |
|---|---|---|
| **Cash:** | | |
| RMB | **208,369.19** | 265,901.42 |
| GBP | **14,761.12** | 13,996.62 |
| HKD | **7,045.67** | 7,497.99 |
| JPY | **5,059.07** | 6,357.89 |
| USD | **4,638.20** | 4,563.07 |
| ZAR | **3,040.38** | 1,511.44 |
| SGD | **1,609.08** | 1,556.93 |
| GBP | **1,040.89** | 7,294.44 |
| RUB | **64.49** | 56.49 |
| KRW | **42.87** | 43.51 |
| THB | **30.26** | 27.43 |
| **Bank balances:** | | |
| RMB | **7,796,458,278.11** | 6,021,218,863.39 |
| USD | **353,062,364.34** | 137,516,525.35 |
| RUB | **274,800,763.64** | 78,009,772.12 |
| ZAR | **176,996,167.53** | 240,052,026.50 |
| EUR | **84,093,334.68** | 70,397,883.16 |
| AUD | **42,182,302.70** | 7,690,778.69 |
| JPY | **18,864,316.38** | 36,880,159.37 |
| INR | **16,311,722.60** | 11,109,408.63 |
| SGD | **13,907,199.78** | 8,539,581.41 |
| GBP | **146,977.32** | 561,324.89 |
| KRW | **125,403.06** | 353,320.84 |
| CHF | **36,213.81** | — |
| HKD | **840.47** | 54,382.97 |
| **Other cash and bank balances:** | | |
| RMB | **880,175,243.32** | 1,058,649,288.65 |
| USD | **64,872,500.09** | — |
| NZD | **1,033,406.00** | — |
| RUB | — | 10,741,445.81 |
| **Total** | **9,723,312,735.05** | 7,682,083,569.01 |
| Including: Overseas cash and bank balances | **942,035,026.01** | 519,985,624.57 |

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

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

As at 31 December 2019, the Group had restricted cash and bank balances of RMB946,081,149.41, in which security and margin deposits for bank acceptances amounted to RMB834,035,972.70, security and margin deposits for letter of credit amounted to RMB79,893,408.42, security and margin deposits for letter of guarantee amounted to RMB9,180,999.79, and other guarantees amounted to RMB22,970,768.50.

As at 31 December 2018, the Group had restricted cash and bank balances of RMB1,067,472,131.58, in which security and margin deposits for bank acceptances amounted to RMB530,242,032.67, required reserves amounted to RMB503,307,000.00, security and margin deposits for letter of credit amounted to RMB2,833,552.36, security and margin deposits for letter of guarantee amounted to RMB16,141,445.81, and other guarantees amounted to RMB14,948,100.74.

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

*RMB*

| Item | 31/12/2019 | 31/12/2018 |
|---|---|---|
| Financial assets classified as at fair value through profit or loss | **4,362,692,217.12** | 3,177,643,131.30 |
| Including: Equity instrument investments | **76,585,824.00** | 168,875,000.00 |
| Debt instrument investment - wealth management products | **4,286,106,393.12** | 3,008,768,131.30 |
| Total | **4,362,692,217.12** | 3,177,643,131.30 |

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

### 3. Accounts receivable

#### *(1) Disclosed by aging:*

*RMB*

| Aging | 31/12/2019 Amount | 31/12/2019 Credit loss provision | 31/12/2019 Ratio (%) | 31/12/2018 Amount | 31/12/2018 Credit loss provision | 31/12/2018 Ratio (%) |
|---|---|---|---|---|---|---|
| Within 1 year | 2,919,653,678.07 | (46,169,165.87) | 1.58 | 3,273,690,214.61 | (40,936,594.88) | 1.25 |
| 1 to 2 years | 320,000,964.57 | (296,991.50) | 0.09 | 109,848,000.00 | — | — |
| 2 to 3 years | — | — | — | 619,242.69 | — | — |
| Over 3 years | 345,793,284.28 | (345,793,284.28) | 100.00 | 340,192,148.82 | (340,192,148.82) | 100.00 |
| Total | 3,585,447,926.92 | (392,259,441.65) | 10.94 | 3,724,349,606.12 | (381,128,743.70) | 10.23 |

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

#### *(2) Disclosed by classification of method of credit loss provision*

*RMB*

| Category | 31/12/2019 Carrying amount Amount | Carrying amount Ratio (%) | Credit loss provision Amount | Credit loss provision Ratio (%) | Book value | 31/12/2018 Carrying amount Amount | Carrying amount Ratio (%) | Credit loss provision Amount | Credit loss provision Ratio (%) | Book value |
|---|---|---|---|---|---|---|---|---|---|---|
| Credit loss provision assessed by portfolios | 3,585,447,926.92 | 100.00 | (392,259,441.65) | 10.94 | 3,193,188,485.27 | 3,724,349,606.12 | 100.00 | (381,128,743.70) | 10.23 | 3,343,220,862.42 |
| Total | 3,585,447,926.92 | 100.00 | (392,259,441.65) | | 3,193,188,485.27 | 3,724,349,606.12 | 100.00 | (381,128,743.70) | | 3,343,220,862.42 |

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

### 3. Accounts receivable (continued)

#### (2) *Disclosed by classification of method of credit loss provision (continued)*

Description of accounts receivable for which credit loss provision has been assessed by portfolios:

As part of the Group's credit risk management, the Group uses the credit period of receivables and overdue aging as the basis to assess the expected credit losses of various receivables.

The credit risk and provision for the expected credit loss of accounts receivable are as follows:

*RMB*

| | 31/12/2019 | | | | 31/12/2018 | | | |
|---|---|---|---|---|---|---|---|---|
| Aging | Expected average loss rate | Carrying amount | Credit loss provision | Book value | Expected average loss rate | Carrying amount | Credit loss provision | Book value |
| Within credit period | 0.35% | 3,188,118,517.86 | (11,294,550.78) | 3,176,823,967.08 | — | 3,318,185,089.05 | — | 3,318,185,089.05 |
| 1-180 days overdue | 50.00% | 32,727,236.44 | (16,362,718.25) | 16,364,518.19 | 49.58% | 49,650,554.91 | (24,614,781.54) | 25,035,773.37 |
| Overdue more than 180 days | 100.00% | 364,602,172.62 | (364,602,172.62) | — | 100.00% | 356,513,962.16 | (356,513,962.16) | — |
| Total | | 3,585,447,926.92 | (392,259,441.65) | 3,193,188,485.27 | | 3,724,349,606.12 | (381,128,743.70) | 3,343,220,862.42 |

#### (3) *Provision, collection or reversal of credit loss provision for the year:*

*RMB*

| | 2019 | | |
|---|---|---|---|
| Credit loss provision | Lifetime ECL (not credit-impaired) | Lifetime ECL (credit-impaired) | Total |
| Balance at 1 January 2019 | (40,936,594.88) | (340,192,148.82) | (381,128,743.70) |
| – Transfer to credit impairment incurred | 16,321,813.34 | (16,321,813.34) | — |
| Provision for the year | (27,938,888.87) | (23,216,455.31) | (51,155,344.18) |
| Reversal for the year | 24,896,401.40 | 15,128,244.83 | 40,024,646.23 |
| Balance at 30 June 2019 | (27,657,269.01) | (364,602,172.64) | (392,259,441.65) |

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

### 3. Accounts receivable (continued)

***(3) Provision, collection or reversal of credit loss provision for the year:*** *(continued)*

Among them, significant collection or reversal of credit loss provision for the year:

*RMB*

| Name of entity | Collection or reversal | Method of collection | Reasons for reversal or collection |
|---|---|---|---|
| Customer 1 | 10,025,431.41 | Cash | Collected in cash through the effort of the Group's management |
| Customer 2 | 6,884,338.18 | Cash | Collected in cash through the effort of the Group's management |
| Customer 3 | 4,894,095.11 | Cash | Collected in cash through the effort of the Group's management |
| Customer 4 | 4,708,873.23 | Cash | Collected in cash through the effort of the Group's management |
| Customer 5 | 3,176,228.23 | Cash | Collected in cash through the effort of the Group's management |
| Total | 29,688,966.16 | | |

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

*RMB*

| Name of entity | Closing balance | Proportion of the amount to the total accounts receivable (%) | Closing balance of credit loss provision |
|---|---|---|---|
| Customer 1 | 1,389,897,687.23 | 38.76 | — |
| Customer 2 | 345,793,284.28 | 9.64 | (345,793,284.28) |
| Customer 3 | 292,207,254.00 | 8.15 | — |
| Customer 4 | 184,339,083.17 | 5.14 | — |
| Customer 5 | 89,417,740.17 | 2.49 | — |
| Total | 2,301,655,048.85 | 64.18 | (345,793,284.28) |

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

### 4. Financing with receivables

***Notes receivable***

*(1) Classification of notes receivables :*

*RMB*

| Classifications | 31/12/2019 | 31/12/2018 |
|---|---|---|
| Bank acceptances | **31,444,425,191.57** | 31,883,667,949.34 |
| Commercial acceptances | **1,323,617.74** | — |
| Total | **31,445,748,809.31** | 31,883,667,949.34 |

*Note:* The Group classifies notes receivable as financial assets at fair value through other comprehensive income.

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

*RMB*

| Classifications | 31/12/2019 | 31/12/2018 |
|---|---|---|
| Bank acceptances | **9,287,029,931.21** | 5,758,816,794.08 |
| Total | **9,287,029,931.21** | 5,758,816,794.08 |

*Note:* The Group pledged notes receivable for the issuance of notes payable at the end of the reporting year.

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

### 4. Financing with receivables (continued)

***Notes receivable*** *(continued)*

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

*RMB*

| Classifications | 31/12/2019 | 31/12/2018 |
|---|---|---|
| Bank acceptances | **20,094,547,980.28** | 17,183,360,037.82 |
| Total | **20,094,547,980.28** | 17,183,360,037.82 |

The aforesaid notes endorsed and discounted by the Group to other parties but yet undue will fall due within 1 to 12 months. According to the relevant provisions of the Law of Negotiable Instruments, if the acceptance bank refuses to pay, the holder has the right of recourse against the Group ("continuing involvement").

The Group believes that the Group has transferred almost all the risks and rewards of the above-mentioned notes, therefore, the book value of the settled accounts payable and related accounts payable is derecognized. The maximum losses and undiscounted cash flows for continuing involvement and repurchases are equal to their book value. The Group believes that continuing involvement in fair value is not significant.

The Group holds that the acceptance bank of bank acceptances held by the Group has relatively high credit rating with no significant credit risk and no impairment allowance has been made.

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

### 5. Prepayments

#### (1) *Prepayments by aging:*

*RMB*

| Aging | 31/12/2019 Amount | 31/12/2019 Ratio (%) | 31/12/2018 Amount | 31/12/2018 Ratio (%) |
|---|---|---|---|---|
| Within 1 year | **407,284,189.24** | **92.32** | 426,930,723.56 | 96.85 |
| 1 to 2 years | **29,557,378.86** | **6.70** | 10,538,735.77 | 2.39 |
| 2 to 3 years | **3,082,205.13** | **0.70** | 2,763,411.50 | 0.63 |
| Over 3 years | **1,238,465.31** | **0.28** | 568,081.51 | 0.13 |
| Total | **441,162,238.54** | **100.00** | 440,800,952.34 | 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*

*RMB*

| Name of entity | Amount | Proportion of the amount to the total prepayments (%) |
|---|---|---|
| Supplier 1 | 47,124,215.19 | 10.68 |
| Supplier 2 | 35,440,745.74 | 8.03 |
| Supplier 3 | 27,606,830.53 | 6.26 |
| Supplier 4 | 26,488,527.72 | 6.00 |
| Supplier 5 | 25,283,523.21 | 5.73 |
| Total | 161,943,842.39 | 36.70 |

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

### 6. Other receivables

#### 6.1 *Summary of other receivables*

*RMB*

| Category | 31/12/2019 | 31/12/2018 |
|---|---|---|
| Interest receivable | **228,748.88** | 741,275.17 |
| Other receivables | **946,745,623.27** | 650,996,501.08 |
| Total | **946,974,372.15** | 651,737,776.25 |

#### 6.2 *Interest receivable*

*RMB*

| Item | 31/12/2019 | 31/12/2018 |
|---|---|---|
| Interest of bank deposits | **228,748.88** | — |
| Interest of deposits with the central bank and other banks | — | 741,275.17 |
| Total | **228,748.88** | 741,275.17 |

#### 6.3 *Other receivables*

*(1) Disclosed by aging:*

*RMB*

| Aging | 31/12/2019 Amount | 31/12/2019 Credit loss provision | 31/12/2019 Ratio (%) | 31/12/2018 Amount | 31/12/2018 Credit loss provision | 31/12/2018 Ratio (%) |
|---|---|---|---|---|---|---|
| Within 1 year | **914,746,410.35** | **(441,070.54)** | **0.05** | 632,308,281.81 | (208,088.00) | 0.03 |
| 1 to 2 years | **18,284,251.13** | **(169,838.00)** | **0.93** | 5,298,372.34 | — | — |
| 2 to 3 years | **1,237,054.66** | — | — | 6,868,799.51 | (5,397,354.12) | 78.58 |
| Over 3 years | **13,088,815.67** | — | — | 12,126,489.54 | — | — |
| Total | **947,356,531.81** | **(610,908.54)** | **0.06** | 656,601,943.20 | (5,605,442.12) | 0.85 |

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

### 6. Other receivables (continued)

#### *6.3 Other receivables (continued)*

*(2) Other receivables classified by nature are as follows:*

*RMB*

| Nature | Carrying amount at 31/12/2019 | Carrying amount at 31/12/2018 |
|---|---|---|
| Proceeds from land transfer | **351,079,822.38** | 206,310,216.00 |
| Current amounts | **180,572,327.04** | — |
| Taxes refunds | **223,042,001.92** | 238,130,479.69 |
| Security and margin deposits | **40,887,736.43** | 93,738,615.17 |
| Deposits | **24,210,195.29** | 28,748,945.79 |
| Others | **127,564,448.75** | 89,673,686.55 |
| Total | **947,356,531.81** | 656,601,943.20 |

*(3) Analysis of credit loss provision*

*RMB*

| Aging | 31/12/2019 Expected average loss rate | 31/12/2019 Carrying amount | 31/12/2019 Credit loss provision | 31/12/2019 Book value | 31/12/2018 Expected average loss rate | 31/12/2018 Carrying amount | 31/12/2018 Credit loss provision | 31/12/2018 Book value |
|---|---|---|---|---|---|---|---|---|
| Within credit period | — | **946,745,623.27** | — | **946,745,623.27** | 0.03% | 651,166,339.08 | (169,838.00) | 650,996,501.08 |
| 1-180 days overdue | — | — | — | — | — | — | — | — |
| Overdue more than 180 days | **100.00%** | **610,908.54** | **(610,908.54)** | — | 100.00% | 5,435,604.12 | (5,435,604.12) | — |
| Total | | **947,356,531.81** | **(610,908.54)** | **946,745,623.27** | | 656,601,943.20 | (5,605,442.12) | 650,996,501.08 |

The Group determines the expected credit losses for other receivables based on historical experience data and forward-looking information. In 2019 and 2018, the Group's assessment methods and major assumptions have not changed.

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

### 6. Other receivables (continued)

#### *6.3 Other receivables (continued)*

*(4) Credit loss provision*

*RMB*

| Credit loss provision | Phase 1 Future 12-month ECL | Phase 2 Lifetime ECL (not credit-impaired) | Phase 3 Lifetime ECL (credit-impaired) | Total |
|---|---|---|---|---|
| Balance at 1 January 2019 | — | (38,250.00) | (5,567,192.12) | (5,605,442.12) |
| Carrying amount of other receivables at 1 January 2019 | | | | |
| Provision for the year | — | — | (441,070.54) | (441,070.54) |
| Reversal for the year | — | — | — | — |
| Write-off for the year | — | 38,250.00 | 5,397,354.12 | 5,435,604.12 |
| Balance at 31 December 2019 | — | — | **(610,908.54)** | **(610,908.54)** |

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

*RMB*

| Name of entity | Nature | Amount | Aging | Proportion of the amount to the total other receivables (%) | Closing balance of credit loss provision |
|---|---|---|---|---|---|
| Entity 1 | Proceeds from transfer of land | 327,464,796.00 | Within 1 year, 1 to 2 years | 34.57 | — |
| Entity 2 | Taxes refundable | 170,844,589.57 | Within 2 year | 18.03 | — |
| Entity 3 | Current amounts | 160,572,327.04 | Within 1 year | 16.95 | — |
| Entity 4 | Taxes refundable | 49,221,653.85 | Within 2 year | 5.20 | — |
| Entity 5 | Proceeds from transfer of land | 23,615,026.38 | Within 1 year | 2.49 | — |
| Total | | 731,718,392.84 | | 77.24 | |

The Group has no other receivables related to government grant.

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

### 7. Inventories

#### *(1) Inventories by category*

*RMB*

| Item | Carrying amount | 31/12/2019 Provision for decline in value of inventories | Book value |
|---|---|---|---|
| Raw materials | **1,290,302,186.89** | **(59,676,557.70)** | **1,230,625,629.19** |
| Work-in-progress | **857,826,804.91** | **(1,033,121.26)** | **856,793,683.65** |
| Finished goods | **3,959,123,183.64** | **(167,130,666.01)** | **3,791,992,517.63** |
| Low-valued and short-lived consumables | **360,405,525.69** | **(2,623,440.54)** | **357,782,085.15** |
| Total | **6,467,657,701.13** | **(230,463,785.51)** | **6,237,193,915.62** |

*RMB*

| Item | Carrying amount | 31/12/2018 Provision for decline in value of inventories | Book value |
|---|---|---|---|
| Raw materials | 1,468,637,962.51 | (40,869,581.02) | 1,427,768,381.49 |
| Work-in-progress | 978,914,613.66 | (2,829,205.29) | 976,085,408.37 |
| Finished goods | 1,686,834,165.08 | (32,428,175.21) | 1,654,405,989.87 |
| Low-valued and short-lived consumables | 386,851,544.59 | (6,491.40) | 386,845,053.19 |
| Total | 4,521,238,285.84 | (76,133,452.92) | 4,445,104,832.92 |

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

### 7. Inventories (continued)

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

*RMB*

| Inventories by category | 31/12/2018 | Provision for the year | Decrease for the year Reversals | Written-off | 31/12/2019 |
|---|---|---|---|---|---|
| Raw materials | 40,869,581.02 | 62,558,735.23 | (1,757,013.57) | (41,994,744.98) | **59,676,557.70** |
| Work-in- progress | 2,829,205.29 | 1,529,818.37 | (257,725.37) | (3,068,177.03) | **1,033,121.26** |
| Finished goods | 32,428,175.21 | 204,679,302.88 | (851,461.24) | (69,125,350.84) | **167,130,666.01** |
| Low-valued and short lived consumables | 6,491.40 | 5,432,573.76 | (2,815,624.62) | — | **2,623,440.54** |
| Total | 76,133,452.92 | 274,200,430.24 | (5,681,824.80) | (114,188,272.85) | **230,463,785.51** |

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

| Item | Basis of provision for decline in value of inventories | Reasons for reversal or written-off of provision for decline in value of inventories during the year | Percentage of the reversal to the closing balance of the inventory during the year (%) |
|---|---|---|---|
| Raw materials | Note 1 | Note 2 | 0.14 |
| Work-in-progress | Note 1 | Note 2 | 0.03 |
| Finished goods | Note 1 | Note 2 | 0.02 |
| Low-valued and short-lived consumables | Note 1 | Note 2 | 0.78 |

Descriptions of inventories:

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

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

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

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

*RMB*

| Item | *Note* | 31/12/2019 | 31/12/2018 |
|---|---|---|---|
| Loans and advances to customers due within one year | | — | 11,654,152,639.21 |
| Long-term receivables due within one year | *(VI)10* | **807,562,885.35** | 786,495,603.96 |
| Total | | **807,562,885.35** | 12,440,648,243.17 |

### 9. Other current assets

Details of other current assets:

*RMB*

| Item | 31/12/2019 | 31/12/2018 |
|---|---|---|
| Paint for vehicles | **4,079,406.48** | 3,852,766.38 |
| Taxes to be deducted | **1,028,062,190.91** | 627,518,124.32 |
| Mould *(Note 1)* | **139,741,656.05** | 129,553,847.89 |
| Structured deposit | **1,700,000,000.00** | 1,200,000,000.00 |
| Prepaid enterprise income tax | **9,074,895.35** | 68,780,272.09 |
| Deposits in non-bank financial institutions *(Note 2)* | **8,436,276,381.57** | — |
| Others | **26,712,139.90** | 31,681,483.32 |
| Total | **11,343,946,670.26** | 2,061,386,494.00 |

*Note 1:* The estimated useful life is less than one year.

*Note 2:* The deposits in non-bank financial institutions are stored in Tianjin Great Wall Binyin Automotive Finance Co., Ltd. (天津長城濱銀汽車金融有限公司) ("Automotive Finance").

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

### 10. Long-term receivables

#### (1) Long-term receivables

*RMB*

| Item | 31/12/2019 Carrying amount | 31/12/2019 Credit loss provision | 31/12/2019 Book value | 31/12/2018 Carrying amount | 31/12/2018 Credit loss provision | 31/12/2018 Book value | Discount rate range |
|---|---|---|---|---|---|---|---|
| Performance bond | **614,411,518.18** | **—** | **614,411,518.18** | 695,309,958.75 | — | 695,309,958.75 | 4.27% |
| Land advances | **353,642,751.48** | **—** | **353,642,751.48** | — | — | — | 4.00% |
| Finance lease receivables | **1,136,925,302.12** | **(2,379,187.17)** | **1,134,546,114.95** | 237,061,470.60 | — | 237,061,470.60 | 0-18.65% |
| Including: Unearned finance income | **(242,226,062.65)** | **—** | **(242,226,062.65)** | (14,722,306.45) | — | (14,722,306.45) | |
| Less: Long-term receivables due within one year | **807,562,885.35** | **—** | **807,562,885.35** | 786,495,603.96 | — | 786,495,603.96 | |
| Total | **1,297,416,686.43** | **(2,379,187.17)** | **1,295,037,499.26** | 145,875,825.39 | — | 145,875,825.39 | |

#### (2) Credit loss provision

*RMB*

| Category | 31/12/2019 Carrying amount Amount | 31/12/2019 Carrying amount Ratio (%) | 31/12/2019 Credit loss provision Amount | 31/12/2019 Credit loss provision Ratio (%) | 31/12/2019 Book value | 31/12/2018 Carrying amount Amount | 31/12/2018 Carrying amount Ratio (%) | 31/12/2018 Credit loss provision Amount | 31/12/2018 Credit loss provision Ratio (%) | 31/12/2018 Book value |
|---|---|---|---|---|---|---|---|---|---|---|
| Credit loss provision by portfolios | **2,104,979,571.78** | **100.00** | **(2,379,187.17)** | **0.11** | **2,102,600,384.61** | 932,371,429.35 | 100.00 | — | — | 932,371,429.35 |
| Total | **2,104,979,571.78** | **100.00** | **(2,379,187.17)** | | **2,102,600,384.61** | 932,371,429.35 | 100.00 | — | | 932,371,429.35 |

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

### 10. Long-term receivables (continued)

#### (2) *Credit loss provision* (continued)

*Finance lease receivables*

In order to reduce the credit risk of finance lease receivables, the Group uses the credit risk rating system to divide the finance lease receivables into five risk levels: normal, concerned, subordinate, suspicious and loss based on the transaction records and relevant external information available. In 2019 and 2018, the Group's assessment methods and major assumptions have not changed.

*RMB*

| | 2019 | | |
|---|---|---|---|
| **Credit loss provision** | **Lifetime ECL (not credit-impaired)** | **Lifetime ECL (credit-impaired)** | **Total** |
| Balance at 1 January 2019 | — | — | — |
| Provision for the year | **(2,208,776.51)** | **(170,410.66)** | **(2,379,187.17)** |
| Reversal for the year | — | — | — |
| – Transfer to credit impairment occurred | **234,712.08** | **(234,712.08)** | — |
| Balance at 31 December 2019 | **(1,974,064.43)** | **(405,122.74)** | **(2,379,187.17)** |

### 11. Long-term equity investment

The details of long-term equity investment are as follows:

*RMB*

| | | Changes for the year | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Investee** | 31/12/2018 | Increase for the year | Decrease in investment | Investment profit or loss recognized under the equity method | Other comprehensive income adjustment | Other equity changes | Declared cash dividends or profits | Provision for impairment | Others | **31/12/2019** | Closing balance of impairment provision |
| Joint ventures | | | | | | | | | | | |
| Auto finance | — | 2,808,944,417.23 | — | 303,706,938.37 | — | — | — | — | — | **3,112,651,355.60** | — |
| Total | — | 2,808,944,417.23 | — | 303,706,938.37 | — | — | — | — | — | **3,112,651,355.60** | — |

*Note:* The long-term equity investment of Automotive Finance is converted into the investment under equity method in this year. See note (VII) 3 for details.

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

### 12. Investment properties

The investment properties measured at cost:

*RMB*

| Item | Buildings | Land use right | Total |
|---|---|---|---|
| I. Original carrying amount | | | |
| 31 December 2018 | 184,874,396.19 | 17,619,408.20 | 202,493,804.39 |
| Additions for the year | 157,663,395.39 | — | 157,663,395.39 |
| 1. Transfer from construction in progress | 30,951,084.92 | — | 30,951,084.92 |
| 2. Acquisition | 6,165,519.24 | — | 6,165,519.24 |
| 3. Transfer from fixed assets | 120,546,791.23 | — | 120,546,791.23 |
| Decrease for the year | (1,531,319.18) | — | (1,531,319.18) |
| 1. Transfer to fixed assets | (1,209,372.23) | — | (1,209,372.23) |
| 2. Other reductions | (321,946.95) | — | (321,946.95) |
| Foreign currency translation differences | 947,623.71 | — | 947,623.71 |
| 31 December 2019 | **341,954,096.11** | **17,619,408.20** | **359,573,504.31** |
| II. Accumulated amortization and depreciation | | | |
| 31 December 2018 | 16,866,056.39 | 1,909,322.00 | 18,775,378.39 |
| Additions for the year | 18,184,587.85 | 350,869.41 | 18,535,457.26 |
| 1. Provision or amortization | 10,150,610.08 | 350,869.41 | 10,501,479.49 |
| 2. Transfer from fixed assets | 8,033,977.77 | — | 8,033,977.77 |
| Decrease for the year | (20,009.16) | — | (20,009.16) |
| 1. Transfer to fixed assets | (20,009.16) | — | (20,009.16) |
| Foreign currency translation differences | 86,147.61 | — | 86,147.61 |
| 31 December 2019 | **35,116,782.69** | **2,260,191.41** | **37,376,974.10** |
| III. Book value | | | |
| 31 December 2019 | **306,837,313.42** | **15,359,216.79** | **322,196,530.21** |
| 31 December 2018 | 168,008,339.80 | 15,710,086.20 | 183,718,426.00 |

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

### 13. Fixed assets

Information of fixed assets:

*RMB*

| Item | | Buildings | Machinery and equipment | Transportation vehicles | Electronic equipment and others | Total |
|---|---|---|---|---|---|---|
| I. | Original carrying amount | | | | | |
| | 31 December 2018 | 12,999,746,972.72 | 23,242,709,132.52 | 1,109,938,150.97 | 7,605,908,710.56 | 44,958,302,966.77 |
| | Additions for the year | 3,177,645,010.62 | 2,821,366,674.86 | 357,818,141.43 | 848,680,404.32 | 7,205,510,231.23 |
| | 1. Acquisition | 302,395,123.41 | 57,904,859.98 | 184,225,062.45 | 262,162,703.50 | 806,687,749.34 |
| | 2. Transfer from construction in progress | 2,874,040,514.98 | 2,695,033,492.84 | 19,023,554.40 | 540,418,520.95 | 6,128,516,083.17 |
| | 3. Transfer from inventories | — | 68,428,322.04 | 154,569,524.58 | 46,099,179.87 | 269,097,026.49 |
| | 4. Transfer from investment properties | 1,209,372.23 | — | — | — | 1,209,372.23 |
| | Decrease for the year | (214,987,965.73) | (1,350,268,724.75) | (1,127,056,899.95) | (122,224,245.46) | (2,814,537,835.89) |
| | 1. Disposal or retired | (6,904,127.50) | (146,615,759.79) | (17,608,664.60) | (64,489,124.02) | (235,617,675.91) |
| | 2. Decrease for disposal of subsidiaries | — | (7,758.62) | (1,108,787,001.15) | (18,047,829.82) | (1,126,842,589.59) |
| | 3. Decrease for transferring to construction in progress | — | (581,142,506.33) | (355,299.14) | (21,067,225.83) | (602,565,031.30) |
| | 4. Transfer to investment properties | (120,546,791.23) | — | — | — | (120,546,791.23) |
| | 5. Other transfer-out | (87,537,047.00) | (622,502,700.01) | (305,935.06) | (18,620,065.79) | (728,965,747.86) |
| | 31 December 2019 | **15,962,404,017.61** | **24,713,807,082.63** | **340,699,392.45** | **8,332,364,869.42** | **49,349,275,362.11** |
| II. | Accumulated depreciation | | | | | |
| | 31 December 2018 | 2,366,039,800.39 | 8,959,225,419.84 | 249,414,608.32 | 4,137,334,541.41 | 15,712,014,369.96 |
| | Additions for the year | 544,618,893.99 | 2,153,913,287.66 | 70,281,539.53 | 1,133,143,275.54 | 3,901,956,996.72 |
| | 1. Provision for the year | 544,598,884.83 | 2,153,913,287.66 | 70,281,539.53 | 1,133,143,275.54 | 3,901,936,987.56 |
| | 2. Transfer from investment properties | 20,009.16 | — | — | — | 20,009.16 |
| | Decrease for the year | (13,749,665.64) | (316,733,257.04) | (83,454,349.82) | (60,475,949.34) | (474,413,221.84) |
| | 1. Disposal or retired | (5,715,687.87) | (105,591,953.08) | (14,397,799.81) | (38,190,828.35) | (163,896,269.11) |
| | 2. Decrease for disposal of subsidiaries | — | (61.42) | (68,537,243.17) | (8,533,685.00) | (77,070,989.59) |
| | 3. Decrease for transferring to construction in progress | — | (210,345,195.77) | (228,668.53) | (9,445,892.00) | (220,019,756.30) |
| | 4. Transfer to investment properties | (8,033,977.77) | — | — | — | (8,033,977.77) |
| | 5. Other transfer-out | — | (796,046.77) | (290,638.31) | (4,305,543.99) | (5,392,229.07) |
| | 31 December 2019 | **2,896,909,028.74** | **10,796,405,450.46** | **236,241,798.03** | **5,210,001,867.61** | **19,139,558,144.84** |

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

### 13. Fixed assets (continued)

Information of fixed assets: (continued)

*RMB*

| Item | Buildings | Machinery and equipment | Transportation vehicles | Electronic equipment and others | Total |
|---|---|---|---|---|---|
| III. Provision for impairment | | | | | |
| 31 December 2018 | 136,268.33 | 72,427,561.95 | 79,785.75 | 180,091,485.40 | 252,735,101.43 |
| Additions for the year | — | 85,291,891.84 | 262,893.89 | 139,818,898.58 | 225,373,684.31 |
| 1. Provision for the year *(Note)* | — | 85,291,891.84 | 262,893.89 | 139,709,883.46 | 225,264,669.19 |
| 2. Transfer from construction in progress | — | — | — | 109,015.12 | 109,015.12 |
| Decrease for the year | — | (1,482,086.09) | (2,619.37) | (10,216,414.29) | (11,701,119.75) |
| 1. Disposal or retired | — | (1,447,121.87) | (2,619.37) | (4,474,536.93) | (5,924,278.17) |
| 2. Decrease for transferring to construction in progress | — | (34,964.22) | — | (5,741,877.36) | (5,776,841.58) |
| 31 December 2019 | **136,268.33** | **156,237,367.70** | **340,060.27** | **309,693,969.69** | **466,407,665.99** |
| IV. Book value | | | | | |
| 31 December 2019 | **13,065,358,720.54** | **13,761,164,264.47** | **104,117,534.15** | **2,812,669,032.12** | **29,743,309,551.28** |
| 31 December 2018 | 10,633,570,904.00 | 14,211,056,150.73 | 860,443,756.90 | 3,288,482,683.75 | 28,993,553,495.38 |

As at 31 December 2019, among the fixed assets, the net book value of properties without title certificates amounted to RMB516,271,960.52 (As at 31 December 2018: RMB768,356,572.20) and the application of relevant title certificates is in progress.

*Note:* Due to the suspension of production of some models, changes in craftsmanship, damage and aging of equipment, the provision for impairment of fixed assets was RMB225,264,669.19 for the year.

## 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 | 31/12/2019 Carrying amount | 31/12/2019 Impairment provision | 31/12/2019 Net book value | 31/12/2018 Carrying amount | 31/12/2018 Impairment provision | 31/12/2018 Net book value |
|---|---|---|---|---|---|---|
| Parts and Components Department reconstruction project | **1,257,267,559.40** | **(860,242.75)** | **1,256,407,316.65** | 284,256,563.70 | (122,171.38) | 284,134,392.32 |
| Xushui automotive project | **257,781,764.81** | **—** | **257,781,764.81** | 256,405,104.17 | — | 256,405,104.17 |
| Xushui parts and components project | **151,727,477.03** | **(5,033,843.73)** | **146,693,633.30** | 601,630,318.11 | (853,830.79) | 600,776,487.32 |
| Rizhao automotive project | **147,538,508.99** | **—** | **147,538,508.99** | — | — | — |
| Xushui supporting infrastructure project | **136,453,590.40** | **—** | **136,453,590.40** | 136,362,506.19 | — | 136,362,506.19 |
| Russia 80,000 sets of vehicle plant and residential area supporting project | **82,134,271.85** | **—** | **82,134,271.85** | 2,311,183,632.28 | — | 2,311,183,632.28 |
| Industrial Park Phase I, II and III expansion | **59,742,608.73** | **—** | **59,742,608.73** | 144,996,467.12 | — | 144,996,467.12 |
| Other projects in progress | **56,184,819.01** | **—** | **56,184,819.01** | 104,855,891.70 | — | 104,855,891.70 |
| Tianjin automotive project | **44,405,598.96** | **(65,763.73)** | **44,339,835.23** | 33,612,446.02 | (131,527.46) | 33,480,918.56 |
| New technology center | **32,617,824.81** | **—** | **32,617,824.81** | 96,496,659.31 | — | 96,496,659.31 |
| Chongqing Great Wall automotive project | **25,667,346.61** | **—** | **25,667,346.61** | 413,043,373.83 | — | 413,043,373.83 |
| Tianjin parts and components project | **6,599,880.83** | **(4,789,135.16)** | **1,810,745.67** | 28,777,770.87 | (4,909,701.08) | 23,868,069.79 |
| Annual production of 400,000 sets of axles and brakes | **—** | **—** | **—** | 14,240.99 | — | 14,240.99 |
| Total | **2,258,121,251.43** | **(10,748,985.37)** | **2,247,372,266.06** | 4,411,634,974.29 | (6,017,230.71) | 4,405,617,743.58 |

## 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 | 31/12/2018 | Additions for the year | Transferred to fixed assets | Other Deductions *(Note)* | Proportion of investment to budget (%) | Accumulated capitalized interest amount | Including: capitalized interest amount for the year | Ratio of capitalized interest amount for the year (%) | Sources of fund | 31/12/2019 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Parts and Components Department reconstruction project | 8,124,542,843.88 | 284,256,563.70 | 1,732,066,277.62 | (498,744,712.18) | (260,310,569.74) | 51.82 | – | – | – | Internal funds | 1,257,267,559.40 |
| Xushui automotive project | 11,165,920,144.00 | 256,405,104.17 | 134,080,949.04 | (131,771,350.08) | (932,938.32) | 89.54 | – | – | – | Internal funds | 257,781,764.81 |
| Xushui parts and components project | 12,584,305,239.61 | 601,630,318.11 | 174,920,246.92 | (568,829,046.13) | (55,994,041.87) | 79.82 | – | – | – | Internal funds | 151,727,477.03 |
| Rizhao automotive project | 831,203,900.00 | – | 394,307,846.78 | (236,957.43) | (246,532,380.36) | 17.78 | – | – | – | Internal funds | 147,538,508.99 |
| Xushui supporting infrastructure project | 193,250,000.00 | 136,362,506.19 | 91,084.21 | – | – | 70.61 | – | – | – | Internal funds | 136,453,590.40 |
| Russia 80,000 sets of vehicle plant and residential area supporting project | 3,457,127,700.00 | 2,311,183,632.28 | 717,947,750.53 | (2,946,997,110.96) | – | 93.04 | – | – | – | Internal funds | 82,134,271.85 |
| Industrial Park Phase I, II and III expansion | 1,401,179,674.99 | 144,996,467.12 | 223,385,401.72 | (212,862,078.81) | (95,777,181.30) | 89.48 | – | – | – | Internal funds | 59,742,608.73 |
| Other projects in progress | 654,187,746.00 | 104,855,891.70 | 74,472,143.55 | (123,143,216.24) | – | 57.65 | – | – | – | Internal funds | 56,184,819.01 |
| Tianjin automotive project | 5,540,437,791.00 | 33,612,446.02 | 60,215,639.26 | (48,226,087.48) | (1,196,398.84) | 96.71 | – | – | – | Internal funds | 44,405,598.96 |
| New technology center | 1,727,202,349.00 | 96,496,659.31 | 18,967,202.78 | (18,859,188.48) | (63,986,848.80) | 94.96 | – | – | – | Internal funds | 32,617,824.81 |
| Chongqing Great Wall automotive project | 2,033,507,657.00 | 413,043,373.83 | 1,158,258,481.86 | (1,542,399,495.84) | (3,235,013.24) | 82.44 | – | – | – | Internal funds | 25,667,346.61 |
| Tianjin parts and components project | 4,243,385,835.00 | 28,777,770.87 | 26,571,101.96 | (36,446,839.54) | (12,302,152.46) | 92.30 | – | – | – | Internal funds | 6,599,880.83 |
| Annual production of 400,000 sets of axles and brakes | 578,352,366.14 | 14,240.99 | – | – | (14,240.99) | 100.00 | – | – | – | Raised fund and internal funds | – |
| Total | 52,534,603,246.62 | 4,411,634,974.29 | 4,715,284,126.23 | (6,128,516,083.17) | (740,281,765.92) | | | | | | 2,258,121,251.43 |

*Note:* The decrease of RMB534,107,290.50 in construction in progress is transferred into intangible assets, the decrease of RMB30,951,084.92 in construction in progress is transferred into investment property and the decrease of RMB39,373,061.94 in construction in progress is due to the disposal of subsidiaries.

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

### 14. Construction in progress (continued)

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

*RMB*

| Item | Provision for the period | Reason for provision |
|---|---|---|
| Tianjin parts and components project | 4,475,537.46 | Vehicle model discontinued |
| Xushui parts and components project | 4,620,760.12 | Vehicle model discontinued, production process changed |
| Parts and Components Department reconstruction project | 738,071.37 | Vehicle model discontinued |
| Total | 9,834,368.95 | |

### 15. Right-of-use assets

*RMB*

| Item | Land use right | Buildings | Machine equipment | Transportation vehicle | Total |
|---|---|---|---|---|---|
| I. Original carrying amount | | | | | |
| 1 January 2019 | 2,095,864.26 | 49,293,003.09 | 1,110,142.79 | — | 52,499,010.14 |
| Additions for the year | 1,699,768.23 | 63,498,539.39 | 3,188,019.04 | 12,458,667.18 | 80,844,993.84 |
| Deductions for the year | — | (2,844,311.32) | — | — | (2,844,311.32) |
| 31 December 2019 | **3,795,632.49** | **109,947,231.16** | **4,298,161.83** | **12,458,667.18** | **130,499,692.66** |
| II. Accumulated depreciation | | | | | |
| 1 January 2019 | — | — | — | — | — |
| Additions for the year | 1,781,379.34 | 25,991,853.73 | 886,632.17 | 1,734,680.63 | 30,394,545.87 |
| 1.Provision | 1,781,379.34 | 25,991,853.73 | 886,632.17 | 1,734,680.63 | 30,394,545.87 |
| Deductions for the year | — | (316,034.59) | — | — | (316,034.59) |
| 31 December 2019 | **1,781,379.34** | **25,675,819.14** | **886,632.17** | **1,734,680.63** | **30,078,511.28** |
| III. Provision for impairment | | | | | |
| 1 January 2019 | — | — | — | — | — |
| 31 December 2019 | — | — | — | — | — |
| IV. Book value | | | | | |
| 31 December 2019 | **2,014,253.15** | **84,271,412.02** | **3,411,529.66** | **10,723,986.55** | **100,421,181.38** |
| 1 January 2019 | 2,095,864.26 | 49,293,003.09 | 1,110,142.79 | — | 52,499,010.14 |

*Other notes:*

The Group has leased a number of assets, including land use rights, buildings, machinery equipment and transportation vehicles, with a lease period ranging from 2 to 10 years. The short-term lease expenses and lease of low-value asset expenses included in the simplified processing of current profit and loss for the current year are RMB29,112,659.07. The total cash outflow related to leases for the year was RMB49,753,483.97.

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

### 16. Intangible assets

#### *(1) Intangible assets*

*RMB*

| Item | Land use right | Software and others | Non-patent technology | Total |
|---|---|---|---|---|
| I. Original carrying amount | | | | |
| 31 December 2018 | 3,376,462,931.08 | 387,312,552.36 | 322,458,049.80 | 4,086,233,533.24 |
| Additions for the year | 487,294,283.25 | 126,758,922.45 | 1,740,086,885.92 | 2,354,140,091.62 |
| 1. Acquisition | 33,473,663.53 | 46,472,251.67 | — | 79,945,915.20 |
| 2. Internal research and development | — | — | 1,740,086,885.92 | 1,740,086,885.92 |
| 3. Transferred from construction in progress | 453,820,619.72 | 80,286,670.78 | — | 534,107,290.50 |
| Deductions for the year | (370,368,957.37) | (42,835,954.75) | (576,833.96) | (413,781,746.08) |
| 1. Other transfer-out | (278,709,960.07) | — | — | (278,709,960.07) |
| 2. Disposal | (91,658,997.30) | (42,835,954.75) | (576,833.96) | (135,071,786.01) |
| 31 December 2019 | **3,493,388,256.96** | **471,235,520.06** | **2,061,968,101.76** | **6,026,591,878.78** |
| II. Accumulated amortization | | | | |
| 31 December 2018 | 486,486,949.72 | 118,236,752.56 | 90,414,229.35 | 695,137,931.63 |
| Additions for the year | 67,929,477.27 | 31,831,846.50 | 547,017,231.58 | 646,778,555.35 |
| 1. Provision | 67,929,477.27 | 31,831,846.50 | 547,017,231.58 | 646,778,555.35 |
| Deductions for the year | (8,643,913.51) | (16,912,444.98) | (2,975.52) | (25,559,334.01) |
| 1. Disposal | (8,643,913.51) | (16,912,444.98) | (2,975.52) | (25,559,334.01) |
| 31 December 2019 | **545,772,513.48** | **133,156,154.08** | **637,428,485.41** | **1,316,357,152.97** |
| III. Book value | | | | |
| 31 December 2019 | **2,947,615,743.48** | **338,079,365.98** | **1,424,539,616.35** | **4,710,234,725.81** |
| 31 December 2018 | 2,889,975,981.36 | 269,075,799.80 | 232,043,820.45 | 3,391,095,601.61 |

The proportion of intangible assets arising from internal research and development at the end of the year to balance of total intangible assets is 30.24%.

As at 31 December 2019, among the intangible assets, the net book value of land use right without land use right certificates amounted to RMB22,585,680.00 (31 December 2018: RMB23,119,200.00), and the application of relevant land use right certificates is in progress.

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

### 17. Development expenditure

*RMB*

| Item | 31/12/2018 | Increase for the year | Decrease for the year: Recognized as intangible assets | Decrease for the year: Transferred to profit or loss for the year | 31/12/2019 |
|---|---|---|---|---|---|
| Automobile development project | 1,853,380,455.31 | 2,159,832,475.91 | (1,740,086,885.92) | (84,426,281.18) | **2,188,699,764.12** |

### 18. Goodwill

*RMB*

| Name of investee or matters generating goodwill | 31/12/2018 | Additions for the year | Deductions for the year | 31/12/2019 | Closing balance of impairment provision |
|---|---|---|---|---|---|
| Oula Information Service Co., Ltd. (歐拉信息服務有限公司) ("Oula Information") *(Note)* | 4,391,332.13 | — | (4,391,332.13) | — | — |
| Total | 4,391,332.13 | — | (4,391,332.13) | — | — |

*Note:* The goodwill is the reduction when the Group disposed of the 100% equity interest in Oula Information in February 2019.

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

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

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

*RMB*

| Item | 31/12/2019 Deductible temporary differences | 31/12/2019 Deferred tax assets | 31/12/2018 Deductible temporary differences | 31/12/2018 Deferred tax assets |
|---|---|---|---|---|
| Credit loss provision | **394,808,466.82** | **60,193,503.09** | 386,734,185.82 | 58,633,700.04 |
| Impairment provisions for loans | **—** | **—** | 130,964,641.97 | 32,741,160.49 |
| Provision for decline in value of inventories | **229,625,386.26** | **47,767,381.38** | 72,191,301.32 | 11,190,833.36 |
| Impairment of fixed assets | **380,555,491.20** | **57,560,783.19** | 179,697,241.93 | 27,223,925.22 |
| Impairment of construction in progress | **10,748,985.37** | **1,612,347.81** | 6,017,230.71 | 902,584.61 |
| Accrued expenses which are deductible upon payment | **749,711,924.12** | **121,255,250.59** | 299,392,573.36 | 45,157,463.22 |
| Contract liabilities | **2,196,686,451.80** | **329,625,786.70** | 1,919,561,681.98 | 286,772,766.83 |
| Deductible loss | **1,617,283,801.49** | **258,172,605.78** | 1,811,264,731.93 | 448,872,170.86 |
| Deferred income | **1,274,786,160.50** | **206,108,085.77** | 1,545,561,994.47 | 250,839,717.65 |
| Unrealized profit arising from internal transactions | **844,838,805.64** | **170,894,378.41** | 122,603,814.95 | 19,944,085.84 |
| Others | **666,924,208.28** | **103,598,227.93** | 1,130,898,512.73 | 294,248,054.47 |
| Total | **8,365,969,681.48** | **1,356,788,350.65** | 7,604,887,911.17 | 1,476,526,462.59 |

#### *(2) Deferred tax liabilities before offsetting*

*RMB*

| Item | 31/12/2019 Taxable temporary difference | 31/12/2019 Deferred tax liabilities | 31/12/2018 Taxable temporary difference | 31/12/2018 Deferred tax liabilities |
|---|---|---|---|---|
| Difference between the book value of accumulated depreciation and tax base | **(7,655,468,811.40)** | **(1,158,426,944.84)** | (5,340,250,788.89) | (1,044,810,982.21) |
| Unrealized gains on held-for-trading financial assets | **(17,937,453.83)** | **(2,690,618.07)** | — | — |
| Temporary difference of interest receivable | **(3,230,926.09)** | **(807,731.52)** | (32,511,210.94) | (8,127,802.73) |
| Total | **(7,676,637,191.32)** | **(1,161,925,294.43)** | (5,372,761,999.83) | (1,052,938,784.94) |

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

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

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

*RMB*

| Item | 31/12/2019 Offset amount of deferred tax assets and liabilities | 31/12/2019 Deferred tax assets (liabilities) after offsetting | 31/12/2018 Offset amount of deferred tax assets and liabilities | 31/12/2018 Deferred tax assets (liabilities) after offsetting |
|---|---|---|---|---|
| Deferred tax assets | **(672,510,634.46)** | **684,277,716.19** | (799,989,517.87) | 676,536,944.72 |
| Deferred tax liabilities | **672,510,634.46** | **(489,414,659.97)** | 799,989,517.87 | (252,949,267.07) |

#### *(4) Details of unrecognized deferred tax assets*

*RMB*

| Item | 31/12/2019 |
|---|---|
| Deductible losses | **653,590,729.29** |
| Total | **653,590,729.29** |

#### *(5) The above unrecognized deductible losses will expire in 2024 and subsequent years.*

### 20. Short-term borrowings and long-term borrowings

#### *(1) Short-term Borrowings*

*RMB*

| Item | 31/12/2019 | 31/12/2018 |
|---|---|---|
| Pledged loan | — | 2,002,439,020.83 |
| Guaranteed loans *(Note)* | **628,624,044.66** | 573,726,238.81 |
| Credit loans | **551,846,610.84** | 10,223,801,322.36 |
| Total | **1,180,470,655.50** | 12,799,966,582.00 |

*Note:* The guaranteed loans were the loans made by Tide Technology and Trade Company Limited (泰德科貿有限公司) ("Tide Technology and Trade"), a subsidiary of the Company, and guaranteed by the Company.

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

### 20. Short-term borrowings and long-term borrowings (continued)

#### *(2) Long-term Borrowings*

*RMB*

| Item | 31/12/2019 | 31/12/2018 |
|---|---|---|
| Secured loans *(Note 1)* | **1,930,000,000.00** | 510,000,000.00 |
| Guaranteed loans *(Note 2)* | **2,253,013,663.75** | 1,647,805,500.00 |
| Pledged loan *(Note 3)* | **170,479,104.66** | — |
| Less: Long-term loans due within one year | **(3,147,837,114.70)** | — |
| Total | **1,205,655,653.71** | 2,157,805,500.00 |

*Note 1:* Secured loans at the end of the year of RMB1,930,000,000.00 are loans obtained by the Company and the Company's subsidiaries, Jingcheng Engineering Auto Parts and Components (Chongqing) Co., Ltd. (精誠工科汽車零部件(重慶)有限公司) ("Chongqing Jinggong Motor") and Nuobo Auto Parts and Components (Chongqing) Co., Ltd. (諾博汽車零部件(重慶)有限公司) ("Chongqing Nuobo Parts and Components"), with the land use right of the Company as the collateral.

*Note 2:* Guaranteed loans of RMB2,253,013,663.75 (including USD65,029,796.76 and EUR230,228,750.00) is obtained by Billion Sunny Development Limited Company (億新發展有限公司) ("Billion Sunny Development"), a subsidiary of the Company, with the Company as the guarantor and an annual interest rate of 1.00000% to 3.52238%.

*Note 3:* Pledged loans at the end of the year of RMB170,479,104.66 are loans obtained by Tianjin Oula Financial Leasing Co., Ltd. (天津歐拉融資租賃有限公司) ("Tianjin Oula"), the subsidiary of the Company, with the financial lease as the collateral.

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

*RMB*

| Bank loan repayment requirements | 31/12/2019 | 31/12/2018 |
|---|---|---|
| Within 1 year | **3,147,837,114.70** | — |
| 1-2 years | **75,655,653.71** | — |
| 2-5 years | **339,000,000.00** | 2,157,805,500.00 |
| Over 5 years | **791,000,000.00** | — |
| Total | **4,353,492,768.41** | 2,157,805,500.00 |

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

### 21. Notes payable

*RMB*

| Category | 31/12/2019 | 31/12/2018 |
|---|---|---|
| Bank acceptances | **9,891,237,320.25** | 4,048,559,562.79 |
| Commercial acceptances | **129,658,524.27** | 156,673,928.21 |
| Total | **10,020,895,844.52** | 4,205,233,491.00 |

### 22. Accounts payable

***(1) Accounts payable disclosed as follows:***

*RMB*

| Item | 31/12/2019 | 31/12/2018 |
|---|---|---|
| Within 1 year | **25,327,660,278.01** | 25,135,098,287.43 |
| 1-2 years | **84,024,793.79** | 39,865,746.63 |
| 2-3 years | **14,409,946.00** | 11,531,665.20 |
| Over 3 years | **13,441,596.18** | 9,912,050.06 |
| Total | **25,439,536,613.98** | 25,196,407,749.32 |

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

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

*RMB*

| Item | 31/12/2019 | Reason for outstanding or transfer |
|---|---|---|
| Supplier 1 | **13,787,845.34** | Payment terms have not been reached |
| Supplier 2 | **10,870,000.00** | Payment terms have not been reached |
| Supplier 3 | **10,555,173.07** | Payment terms have not been reached |
| Supplier 4 | **7,450,000.00** | Payment terms have not been reached |
| Supplier 5 | **6,098,205.24** | Payment terms have not been reached |
| Total | **48,761,223.65** | |

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

### 23. Contract liabilities

*RMB*

| Item | 31/12/2019 | 31/12/2018 |
|---|---|---|
| Receipts in advance | **4,132,917,857.08** | 2,904,697,498.03 |
| Maintenance service | **426,680,941.15** | 529,206,594.40 |
| Transportation service | **44,233,159.44** | — |
| Total | **4,603,831,957.67** | 3,433,904,092.43 |

*Note:*

Revenue included in the opening book value of contract liabilities recognized in the current year

The opening book value of contract liabilities amounting to RMB3,108,053,413.70 has been recognized as revenue during the year. The closing book value of contract liabilities will be recognized as revenue in 2020.

### 24. Employee benefits payable

#### *(1) Employee benefits payable disclosed as follows:*

*RMB*

| Item | 31/12/2018 | Increase | Decrease | 31/12/2019 |
|---|---|---|---|---|
| 1. Short-term employee benefits | 2,057,118,939.98 | 8,142,823,830.87 | (8,111,164,923.28) | **2,088,777,847.57** |
| 2. Post-employment benefits-defined contribution plan | 3,734,974.67 | 643,543,062.04 | (641,795,903.60) | **5,482,133.11** |
| Total | 2,060,853,914.65 | 8,786,366,892.91 | (8,752,960,826.88) | **2,094,259,980.68** |

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

### 24. Employee benefits payable (continued)

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

*RMB*

| Item | | 31/12/2018 | Increase | Decrease | 31/12/2019 |
|---|---|---|---|---|---|
| I. | Salaries, bonuses, allowances and subsidies | 1,745,899,493.32 | 6,512,127,905.84 | (6,439,359,945.58) | **1,818,667,453.58** |
| II. | Staff welfare | 186,000,890.65 | 550,707,134.49 | (566,807,352.14) | **169,900,673.00** |
| III. | Staff bonuses and welfare fund | 3,225,468.51 | — | (2,944,963.37) | **280,505.14** |
| IV. | Social insurance premiums | 2,337,179.12 | 300,109,274.25 | (299,719,034.02) | **2,727,419.35** |
| | Including: Medical insurance | 2,211,441.95 | 244,000,649.30 | (243,707,903.85) | **2,504,187.40** |
| | Work-related injury insurance | 27,696.26 | 27,684,200.60 | (27,615,168.50) | **96,728.36** |
| | Maternity insurance | 98,040.91 | 28,424,424.35 | (28,395,961.67) | **126,503.59** |
| V. | Housing provident funds | 263,646.23 | 170,598,661.25 | (169,839,260.24) | **1,023,047.24** |
| VI. | Labor union expenditures | 15,054,152.16 | 24,570,237.28 | (26,407,460.62) | **13,216,928.82** |
| VII. | Employees' education expenses | 2,461,707.19 | 7,293,579.18 | (7,254,230.86) | **2,501,055.51** |
| VIII. | Service charge | 101,876,402.80 | 577,417,038.58 | (598,832,676.45) | **80,460,764.93** |
| Total | | 2,057,118,939.98 | 8,142,823,830.87 | (8,111,164,923.28) | **2,088,777,847.57** |

#### *(3) Defined contribution plan*

*RMB*

| Item | 31/12/2018 | Increase | Decrease | 31/12/2019 |
|---|---|---|---|---|
| 1. Basic endowment insurance | 3,697,664.08 | 619,242,116.37 | (617,485,721.39) | **5,454,059.06** |
| 2. Unemployment insurance | 37,310.59 | 24,300,945.67 | (24,310,182.21) | **28,074.05** |
| Total | 3,734,974.67 | 643,543,062.04 | (641,795,903.60) | **5,482,133.11** |

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.

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

### 25. Taxes payable

*RMB*

| Item | 31/12/2019 | 31/12/2018 |
|---|---|---|
| Value added tax | **426,791,998.56** | 1,004,038,110.69 |
| Consumption tax | **760,844,830.17** | 951,420,195.74 |
| Enterprise income tax | **223,531,874.01** | 367,936,587.52 |
| Individual income tax | **18,511,284.50** | 14,820,986.53 |
| City maintenance and construction tax | **30,360,072.15** | 97,177,658.35 |
| Education surcharges | **25,159,688.26** | 89,314,319.54 |
| Stamp duty | **15,924,279.60** | 16,020,582.35 |
| Real estate tax | **2,472,607.39** | 1,490,661.10 |
| Others | **8,387,199.31** | 9,193,481.43 |
| Total | **1,511,983,833.95** | 2,551,412,583.25 |

### 26. Other payables

Other payables disclosed by nature are as follows:

*RMB*

| Item | 31/12/2019 | 31/12/2018 |
|---|---|---|
| Project payment | **263,132,001.36** | 523,665,568.87 |
| Equipment payment | **978,602,233.36** | 885,699,499.89 |
| Deposits | **584,126,870.84** | 660,490,923.27 |
| Others | **655,425,712.15** | 846,841,697.58 |
| Total | **2,481,286,817.71** | 2,916,697,689.61 |

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

### 26. Other payables (continued)

The breakdown of other payables is as follows:

*RMB*

| Item | 31/12/2019 | 31/12/2018 |
|---|---|---|
| Within 1 year | **1,828,968,876.77** | 2,163,870,248.59 |
| 1 to 2 years | **451,783,551.09** | 590,354,014.49 |
| 2 to 3 years | **127,184,690.78** | 86,946,892.10 |
| Over 3 years | **73,349,699.07** | 75,526,534.43 |
| Total | **2,481,286,817.71** | 2,916,697,689.61 |

Descriptions of other significant payables aged over one year:

*RMB*

| Item | 31/12/2019 | Reason for outstanding or transfer |
|---|---|---|
| Entity 1 | **33,853,201.90** | Payment terms have not been reached |
| Entity 2 | **21,512,679.77** | Payment terms have not been reached |
| Entity 3 | **20,519,200.00** | Payment terms have not been reached |
| Entity 4 | **15,079,543.26** | Payment terms have not been reached |
| Entity 5 | **12,382,175.30** | Payment terms have not been reached |
| Total | **103,346,800.23** | |

### 27. Non-current liabilities due within one year

*RMB*

| Item | *Notes* | 31/12/2019 | 31/12/2018 |
|---|---|---|---|
| Long-term loans due within one year | *(VI)20* | **3,147,837,114.70** | — |
| Lease liabilities due within one year | *(VI)29* | **32,158,338.70** | |
| Total | | **3,179,995,453.40** | — |

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

### 28. Other current liabilities

*RMB*

| Items | 31/12/2019 | 31/12/2018 |
|---|---|---|
| Accrued after-sales service expenses | **694,933,978.06** | 395,295,875.68 |
| Accrued advertising and media service expenses | **771,095,010.61** | 513,945,451.31 |
| Accrued transportation costs | **80,839,996.57** | 61,996,290.71 |
| Accrued technology development expenditure | **68,742,434.97** | 28,833,542.03 |
| Accrued utilities fees | **27,497,652.57** | 8,290,938.80 |
| Accrued port charges | **5,152,472.44** | 2,362,779.23 |
| Short-term bonds payable | **2,014,116,666.66** | — |
| Others | **425,161,706.93** | 204,216,291.57 |
| Total | **4,087,539,918.81** | 1,214,941,169.33 |

Changes in short-term bonds payable:

*RMB*

| Title of bonds | Face value | Issue date | Term of bonds | Issue amount | Opening balance | Issued in the current year | Interest accrued at face value | Repaid in the current year | Closing balance |
|---|---|---|---|---|---|---|---|---|---|
| 19 Great Wall Motor SCP001 | 100.00 | 22 April 2019 | 180 days | 1,000,000,000.00 | — | 1,000,000,000.00 | 17,114,754.10 | (1,017,114,754.10) | — |
| 19 Great Wall Motor SCP002 | 100.00 | 8 May 2019 | 180 days | 1,000,000,000.00 | — | 1,000,000,000.00 | 16,967,213.11 | (1,016,967,213.11) | — |
| 19 Great Wall Motor SCP003 | 100.00 | 16 October 2019 | 270 days | 2,000,000,000.00 | — | 2,000,000,000.00 | 14,116,666.66 | — | 2,014,116,666.66 |
| Total | | | | 4,000,000,000.00 | — | 4,000,000,000.00 | 48,198,633.87 | (2,034,081,967.21) | 2,014,116,666.66 |

### 29. Lease liabilities

*RMB*

| Items | 31/12/2019 |
|---|---|
| Lease liabilities | **91,338,555.00** |
| Sub-total | **91,338,555.00** |
| Less: Leased liabilities recognized in non-current liabilities due within one year *(Note VI 27)* | **(32,158,338.70)** |
| Total | **59,180,216.30** |

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

### 30. Deferred income

*RMB*

| Items | 31/12/2018 | Increase | Decrease | 31/12/2019 |
|---|---|---|---|---|
| Government grants | 2,321,651,768.28 | 1,250,562,867.53 | (1,379,250,697.96) | **2,192,963,937.85** |
| Total | 2,321,651,768.28 | 1,250,562,867.53 | (1,379,250,697.96) | **2,192,963,937.85** |

Projects related to government grants:

*RMB*

| Type | 31/12/2018 | Increase in grants for the year | Amount recognized in other income for the year | Other transfer-out | 31/12/2019 | Related to an asset/related to income |
|---|---|---|---|---|---|---|
| Infrastructure supporting fund | 663,815,299.69 | — | (24,140,175.88) | — | **639,675,123.81** | Related to an asset |
| Government industrial policy supporting fund *(Note 1)* | 971,134,731.44 | 869,961,067.53 | (21,347,796.32) | (799,334,052.00) | **1,020,413,950.65** | Related to an asset |
| Soft soil foundation subsidy | 250,900,596.66 | — | (6,018,054.92) | (22,740,547.26) | **222,141,994.48** | Related to an asset |
| New technical center infrastructure construction project | 52,554,670.33 | — | (14,860,177.09) | — | **37,694,493.24** | Related to an asset |
| Tax refund for purchasing domestic manufactured equipment | 2,733,804.72 | — | (2,456,329.99) | — | **277,474.73** | Related to an asset |
| Urban construction fund *(Note 2)* | 51,239,412.79 | 343,500,000.00 | (2,595,592.56) | (245,354,702.72) | **146,789,117.51** | Related to an asset |
| Subsidies for key technological innovation projects | 1,916,666.33 | — | (1,150,000.04) | — | **766,666.29** | Related to an asset |
| Development fund for SMEs | 3,816,614.80 | — | (295,479.84) | — | **3,521,134.96** | Related to an asset |
| Diesel engine development project fund | 300,000.00 | — | (100,000.00) | — | **200,000.00** | Related to an asset |
| Engine construction project | 6,500,000.00 | — | (2,000,000.00) | — | **4,500,000.00** | Related to an asset |
| Development of strategic emerging industry | 1,330,246.94 | — | (333,333.32) | — | **996,913.62** | Related to an asset |
| Innovation platform construction project | 155,555.58 | — | (133,333.32) | — | **22,222.26** | Related to an asset |
| Energy-saving gasoline direct injection engine project | 70,833,333.33 | — | (10,000,000.00) | — | **60,833,333.33** | Related to an asset |
| Jing-Jin-Ji united R&D project of new energy vehicle | 1,256,562.19 | — | (740,645.77) | — | **515,916.42** | Related to an asset |
| 110KV transformer substation project | 26,868,372.92 | — | (1,176,717.12) | — | **25,691,655.80** | Related to an asset |
| Intelligent network-connected automotive system project | 33,875,459.09 | — | (31,583,951.97) | — | **2,291,507.12** | Related to an asset |
| New energy cell R&D project | 10,000,000.00 | — | (10,000,000.00) | — | — | Related to an asset |
| Fuel cell test platform project | 472,222.22 | — | (83,333.32) | — | **388,888.90** | Related to an asset |
| Coal-fired boiler project | 125,064.99 | — | (112,406.42) | — | **12,658.57** | Related to an asset |
| Enterprise settlement award project | 150,000,000.00 | — | (150,000,000.00) | — | — | Related to income |
| Waste concentration and incineration system project | 6,800,000.00 | — | — | (6,800,000.00) | — | Related to an asset |
| Double clutch automatic transmission project | 6,000,000.00 | — | (3,310,000.00) | (2,690,000.00) | — | Related to an asset |
| Technical renovation project of XEV test center | 4,712,500.00 | — | (870,000.00) | — | **3,842,500.00** | Related to an asset |
| Automobile engine complete set of tool project *(Note 3)* | 1,246,436.28 | 7,446,800.00 | (4,450,678.27) | — | **4,242,558.01** | Related to an asset/ related to income |
| Hydrogen energy fuel cell reactor project | 1,000,000.00 | — | — | — | **1,000,000.00** | Related to an asset |
| Special fund for automatic vehicle technology research | 366,445.00 | — | (366,445.00) | — | — | Related to income |
| Industrial technology research institute project | 542,217.43 | — | (224,952.11) | — | **317,265.32** | Related to an asset |

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

### 30. Deferred income (continued)

*RMB*

| Type | 31/12/2018 | Increase in grants for the year | Amount recognized in other income for the year | Other transfer-out | 31/12/2019 | Related to an asset/related to income |
|---|---|---|---|---|---|---|
| Engineering technology research center project | 600,000.00 | – | – | – | 600,000.00 | Related to an asset |
| Baoding hydrogen energy engineering technology project | 400,000.00 | – | (400,000.00) | – | – | Related to an asset |
| Science popularization exhibition hall project | 155,555.55 | – | (66,666.68) | – | 88,888.87 | Related to an asset |
| Intelligent vehicle base project *(Note 4)* | – | 4,200,000.00 | (682,421.47) | – | 3,517,578.53 | Related to an asset |
| New energy automobile digital workshop *(Note 5)* | – | 250,000.00 | (15,639.50) | – | 234,360.50 | Related to an asset |
| Transformation of Oula R1 pure electric automobile technology achievements *(Note 6)* | – | 2,000,000.00 | (1,895,016.52) | – | 104,983.48 | Related to income |
| Special funds for hydrogen fuel cell system electronic and electrical control innovation team *(Note 7)* | – | 450,000.00 | – | – | 450,000.00 | Related to income |
| Research and development of key technologies for pure electric automobile *(Note 8)* | – | 1,000,000.00 | (586,376.55) | – | 413,623.45 | Related to income |
| Research and development and application of new energy-saving and emission reduction engine oil additives *(Note 9)* | – | 90,000.00 | (872.00) | – | 89,128.00 | Related to income |
| Funds for technological transformation of enterprises cultivating single champion in the manufacturing industry *(Note 10)* | – | 1,000,000.00 | (1,000,000.00) | – | – | Related to income |
| Testing for performance of automobile components and parts *(Note 11)* | – | 830,000.00 | – | – | 830,000.00 | Related to income |
| Intelligent manufacturing project *(Note 12)* | – | 4,335,000.00 | – | (4,335,000.00) | – | Related to an asset |
| Calcium titanium solar energy luminescent materials *(Note 13)* | – | 500,000.00 | – | – | 500,000.00 | Related to an asset |
| Renovation and expansion of expert apartment project *(Note 14)* | – | 10,000,000.00 | – | – | 10,000,000.00 | Related to an asset |
| Production project of superchargers and balance shafts *(Note 15)* | – | 5,000,000.00 | – | (5,000,000.00) | – | Related to an asset |
| Total | 2,321,651,768.28 | 1,250,562,867.53 | (292,996,395.98) | (1,086,254,301.98) | 2,192,963,937.85 | |

*Note 1:* According to the *Administrative Measures for Supporting Funds for the Development of Automobile Parts Industry in Yangzhong*, Honeycomb Drive System (Jiangsu) Co., Ltd. (蜂巢傳動系統(江蘇)有限公司) ("Honeycomb Drive"), Jingcheng Gongke Automotive Parts and Components (Yangzhong) Co., Ltd.. (精誠工科汽車零部件(揚中)有限公司) ("Yangzhong Jinggong Automotive"), Honeycomb Intelligent Steering System (Jiangsu) Co., Ltd. (蜂巢智能轉向系統(江蘇)有限公司) ("Honeycomb Intelligent Steering"), Honeycomb Electric Drive System (Jiangsu) Co., Ltd. (蜂巢電驅動系統(江蘇)有限公司) ("Honeycomb Electric Drive") and Honeycomb Power System (Jiangsu) Co., Ltd. (蜂巢動力系統(江蘇)有限公司) ("Honeycomb Power"), subsidiaries of the Company, received the industrial supporting fund of RMB869,961,100 from Yangzhong Municipal Government in 2019.

*Note 2:* According to the *Notice of Financial Bureau of Rizhao Economic and Technological Development Zone on the Issuance of Industrial Development Subsidy Funds*, the Company's subsidiary Rizhao Weiyi Motor Co., Ltd. (日照威奕汽車有限公司) ("Rizhao Weiyi") was allocated by Financial Bureau the fund of RMB343,500,000 exclusively for land and related infrastructure, purchases of equipment, etc. in 2019.

*Note 3:* According to the *Notice regarding the 2018 Project Approval of Major Science and Technology Special Project of "High-grade CNC Machine Tools and Basic Manufacturing Equipment"*, the Company received a special fund of RMB7,446,800 from the Industrial Development Promotion Center of the Industry and Information Technology Department in this year, which was specially used for the application demonstration of complete sets of tools for key parts of automobile engines.

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

### 30. Deferred income (continued)

*Note 4:* According to the *Notice of Baoding Municipal Bureau of Finance regarding Allocating the Second Batch of Special Provincial Funds for the Development of Strategic Emerging Industry in 2018*, the Company has been allocated with special funds of RMB4.2 million from Baoding Xushui District Development and Reformation Commission in 2019, which was specially used for intelligent vehicle base project.

*Note 5:* According to the *Notice of the Ministry of Finance regarding Issuing Local Industrial Transformation and Upgrading Fund Budget in 2018*, the Company received RMB250,000, which is specially used for New Energy Automobile Digital Workshop Project.

*Note 6:* According to the *Publicity Document of Major Special Science and Technology Project in Hebei Province*, the Company received RMB2 million from the Hebei Provincial Department of Science and Technology in 2019, which was specially used for the Oula R1 Pure Electric Automobile Technology Project.

*Note 7:* According to the *Publicity for the Second Batch of Provincial Science and Technology Planned Project in 2019*, the Company received RMB450,000 from the Hebei Provincial Department of Science and Technology in 2019, which was specially used for Hydrogen Fuel Cell System Electronic and Electrical Control Innovation Project.

*Note 8:* According to the *Publicity for the Second Batch of Provincial Science and Technology Planned Project in 2019*, the Company received RMB1 million from the Hebei Provincial Department of Science and Technology in 2019, which was specially used for Research and Development Project of Key Technologies for Pure Electric Automobile.

*Note 9:* According to the signed *Plan Project Assignment of Innovation Capacity Improvement of Hebei Province*, the Company received RMB90,000 from Hebei Provincial Department of Science and Technology in 2019, which will be exclusively used for Beijing-Tianjin-Hebei collaborative innovation and community construction project — research and development and application of new energy-saving and emission reduction engine oil additives.

*Note 10:* According to the *Notice of Baoding Municipal Bureau of Finance regarding 2019 Provincial Special Fund for Industrial Transformation and Upgrading (Technological Transformation) (1st Allocation)*, the Company received the provincial special fund of RMB1,000,000 in 2019, which will be exclusively used for the project of enterprises cultivating single champion in the manufacturing industry.

*Note 11:* According to the *Notice of Baoding Municipal Bureau of Finance regarding 2014 Partial Balance Transfer Payments of Funds*, the Company received RMB830,000 at no consideration from Bureau of Industry and Information Technology of Lianchi District, Baoding in 2019, which will be exclusively used for the project of inspection and testing for performance of automobile components and parts.

*Note 12:* According to the *Notice of 2nd Allocation of Special Fund of Tianjin for Supporting Projects of Intelligent Manufacturing in 2019*, the Company received RMB4,335,000, which is to be exclusively used for the project of intelligent transformation and upgrading.

*Note 13:* According to the *Notice of Organization Department of the Central Hebei Provincial Party Committee, Human Resources and Social Security Department of Hebei Province, Ministry of Finance of Hebei Province, Department of Human Resources and Social Security of Hebei Province on Approving the 9th Batch Candidates for "100 Talents Programme" of Hebei Province and the Task Contract of Project Funding High-level Talents of Hebei Province*, the Company received RMB1,000,000 from Human Resources and Social Security of Hebei Province in 2019, among which RMB500,000 will be used for the project of calcium titanium solar energy luminescent materials.

*Note 14:* According to the *Notice of Hebei Provincial Department of Science and Technology and Ministry of Finance of Hebei Province on Awarding and Supplementing the 1st Batch of Projects for Intensive Construction of Foreign Expert Apartments*, the Company received the award and supplementary fund of RMB10,000,000 in 2019, which will be exclusively used by Great Wall Auto for the project of renovation and expansion of Great Wall Home Expert Apartments.

*Note 15:* According to the *Project Agreement entered into between the People's Government of Dingxing County and the Company*, the Company received RMB5,000,000 from Bureau of Industry and Information Technology of Dingxing County, which will be exclusively used for the production project of superchargers and balance shafts.

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

### 31. Share capital

As at 31 December 2019, the registered capital of the Company amounted to RMB9,127,269,000.00 and the paid up share capital amounted to RMB9,127,269,000.00. The par value of each share is RMB1.00. The shares by type and structure are as follows:

| | | Changes for the year | | | | | |
|---|---|---|---|---|---|---|---|
| Items | Opening balance | New issue | Bonus shares | Shares transfer from reserve | Others | Sub-total | Closing balance |
| **2019:** | | | | | | | |
| 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** |
| **2018:** | | | | | | | |
| 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 |

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

### 32. Capital reserve

*RMB*

| Items | Opening balance | Increase *(Note)* | Decrease *(Note)* | Closing balance |
|---|---|---|---|---|
| **2019:** | | | | |
| Capital premiums | **1,466,587,149.89** | **20,000,000.00** | **(19,979,360.00)** | **1,466,607,789.89** |
| 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** | **20,000,000.00** | **(19,979,360.00)** | **1,411,251,654.42** |
| **2018:** | | | | |
| 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 |

*Note:* It is derived from the Group's business combination involving enterprise under common control of Changyou Haoche (Tianjin) Automobile Import and Export Co., Ltd. ("Changyou Haoche") in the current year. Details are set out in Note VII, 2.

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

### 33. Surplus reserve

*RMB*

| Items | Opening balance | Increase | Decrease *(Note)* | Reclassification | Closing balance |
|---|---|---|---|---|---|
| **2019:** | | | | | |
| Statutory surplus reserve | **5,285,247,377.17** | **240,594,651.26** | **(114,249,477.62)** | — | **5,411,592,550.81** |
| Discretionary surplus reserve | **2,855,650.48** | — | — | — | **2,855,650.48** |
| Enterprise expansion fund | — | — | — | — | — |
| Reserve fund | **89,005,618.14** | **378,667.13** | — | — | **89,384,285.27** |
| Tax credit for social welfare enterprises | **251,838,024.75** | — | — | — | **251,838,024.75** |
| Total | **5,628,946,670.54** | **240,973,318.39** | **(114,249,477.62)** | — | **5,755,670,511.31** |
| **2018:** | | | | | |
| Statutory surplus reserve | 4,697,563,444.94 | 571,015,376.78 | (4,509,435.88) | 21,177,991.33 | 5,285,247,377.17 |
| 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 | — | — | (18,218,968.38) | 89,005,618.14 |
| Tax credit for social welfare enterprises | 251,838,024.75 | — | — | — | 251,838,024.75 |
| Total | 5,062,440,729.64 | 571,015,376.78 | (4,509,435.88) | — | 5,628,946,670.54 |

*Note:* In the current year, the Company deregistered Great Wall Baoding Automotive Customer Service Company Limited ("Baoding Automotive Customer Service") and Haval Logistics Company Limited ("Haval Logistics "), lost control of Automotive Finance, and disposed of Haval Automotive Rental Co., Ltd. ("Haval Rental"), and transferred the surplus reserve of the above subsidiaries accrued in the preceding period to retained earnings, totaling RMB114,249,477.62.

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

### 34. Undistributed profits

*RMB*

| Items | Amount | Proportion of appropriation or allocation |
|---|---|---|
| **2019:** | | |
| Undistributed profits at the beginning of the year | **36,619,705,509.19** | |
| Add: Net profit attributable to the shareholders of the parent company for the year | **4,496,874,893.92** | |
| Transfer from surplus reserve *(Note VI 33)* | **114,249,477.62** | |
| Other transfers-in | **2,944,963.37** | **(4)** |
| Less: Appropriation of statutory surplus reserve | **(240,594,651.26)** | **(1)** |
| Appropriation of discretionary surplus reserve | — | |
| Appropriation of enterprise expansion fund | — | **(2)** |
| Appropriation of reserve fund | **(378,667.13)** | **(2)** |
| Distribution of cash dividends | **(2,646,948,431.43)** | **(3)** |
| Appropriation of staff incentive bonus and welfare fund | — | **(2)** |
| Conversion of ordinary shares' dividends into share capital | — | |
| Undistributed profits at the end of the year | **38,345,853,094.28** | |
| **2018:** | | |
| Undistributed profits at the beginning of the year | 33,530,533,212.33 | |
| Add: Net profit attributable to the shareholders of the parent company | 5,207,313,967.76 | |
| Transfer from surplus reserve | 4,509,435.88 | |
| Other transfers-in | — | |
| Less: Appropriation of statutory surplus reserve | (571,015,376.78) | (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) | |
| Appropriation of staff incentive bonus and welfare fund | — | (2) |
| Conversion of ordinary shares' dividends into share capital | — | |
| Undistributed profits at the end of the year | 36,619,705,509.19 | |

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

### 34. Undistributed profits (continued)

***(1) Appropriation of 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 of enterprise expansion fund, reserve fund and employee incentives and welfare fund***

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

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

On 17 May 2019, the 2018 shareholders' meeting approved Proposal on Profit Distribution of 2018, which allows the Company to distribute cash dividends of RMB0.29(inclusive of tax) per share, amounting to RMB2,646,908,010.00 in total, based on total shares of 9,127,269,000 shares with par value of RMB1 per share.

Pursuant to the resolution of shareholders' meeting of Changyou Haoche on 24 July 2019, the dividends of RMB40,421.43 were distributed to former shareholders prior to the business combination.

***(4)*** Pursuant to the shareholders' decision of Baoding Yixin, a subsidiary of the Company, made on 27 December 2019, the appropriated employee incentives and welfare fund of previous years are transferred to undistributed profits which amounted to RMB2,944,963.37.

***(5) Distribution of profits determined subsequent the balance sheet date***

According to the proposal of the board of directors, the Company intends to pay a cash dividend of RMB2,281,817,250.00 to shareholders in 2019 based on the total shares of 9,127,269,000 (par value of RMB1 per share), that is, RMB0.25 (tax included) of cash dividend per share. The above dividend distribution plan has yet to be approved by the meeting of shareholders.

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

### 35. Operating income and operating costs

#### (1) Operating income and operating costs

*RMB*

| Items | 2019 Income | 2019 Costs | 2018 Income | 2018 Costs |
|---|---|---|---|---|
| Principal operating activities | **93,781,063,199.92** | **78,539,622,949.05** | 96,761,404,723.33 | 80,722,599,578.15 |
| Other operating activities | **1,327,015,439.60** | **1,144,864,346.80** | 1,038,454,481.33 | 758,342,972.46 |
| Total | **95,108,078,639.52** | **79,684,487,295.85** | 97,799,859,204.66 | 81,480,942,550.61 |

#### (2) Revenue arising from contracts

*RMB*

| Categories of contracts | 2019 | 2018 |
|---|---|---|
| Income from the sales of automobiles | **86,251,409,500.45** | 91,597,050,795.51 |
| Income from the sales of automotive parts and components | **4,292,562,401.39** | 3,746,002,331.51 |
| Income from rendering of services | **2,584,885,543.49** | 956,957,535.41 |
| Income from the sales of moulds and others | **652,205,754.59** | 461,394,060.90 |
| Other operating income | **1,327,015,439.60** | 1,038,454,481.33 |
| Total | **95,108,078,639.52** | 97,799,859,204.66 |

#### (3) Description of amortization to remaining performance obligations

At the end of the reporting year, the income corresponding to the performance obligations for which a contract has been signed but has not yet been fulfilled or has not been fulfilled amounted to RMB5,069,598,733.86, most of which is expected to be recognized in 2020.

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

### 36. Interest income

*RMB*

| Items | 2019 | 2018 |
|---|---|---|
| Personal loans and advances | **943,521,863.83** | 1,358,188,060.74 |
| Company loans and advances | **21,142.87** | 2,292.38 |
| Deposits with other banks | **17,040,959.75** | 18,370,774.64 |
| Deposits with the central bank | **3,594,979.49** | 8,191,415.96 |
| Deposits with the financial institutions | **6,530,381.84** | 1,067,787.88 |
| Finance lease receivables | **60,537,689.58** | 2,885,369.52 |
| Total | **1,031,247,017.36** | 1,388,705,701.12 |

### 37. Taxes and levies

*RMB*

| Items | 2019 | 2018 |
|---|---|---|
| Consumption tax | **2,355,165,620.27** | 2,731,204,848.43 |
| City maintenances and construction tax | **297,052,150.90** | 345,761,893.94 |
| Educational surcharges | **246,210,575.25** | 300,301,828.87 |
| Stamp duty | **127,834,410.84** | 109,030,387.62 |
| Land use tax | **55,041,354.18** | 50,047,168.45 |
| Real estate tax | **74,752,089.74** | 69,065,292.00 |
| Water resource tax | **2,166,610.96** | 2,142,747.81 |
| Vehicle and vessel use tax | **462,450.63** | 422,519.43 |
| Others | **9,917,751.19** | 19,403,691.84 |
| Total | **3,168,603,013.96** | 3,627,380,378.39 |

### 38. Selling expenses

*RMB*

| Items | 2019 | 2018 |
|---|---|---|
| Transportation expenses | **275,177,359.61** | 1,471,318,754.19 |
| After-sales service expenses | **863,516,076.99** | 428,240,450.97 |
| Wages and salaries | **291,106,030.83** | 300,059,997.02 |
| Advertising and media services fees | **2,034,222,706.55** | 2,035,389,689.58 |
| Port charges | **39,533,691.53** | 33,368,548.55 |
| Travelling expenses | **39,159,092.28** | 33,101,675.92 |
| Others | **353,954,921.30** | 273,719,484.93 |
| Total | **3,896,669,879.09** | 4,575,198,601.16 |

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

### 39. Administrative expenses

*RMB*

| Items | 2019 | 2018 |
|---|---|---|
| Wages and salaries | **979,320,561.40** | 995,457,334.95 |
| Depreciation and Amortization | **258,492,836.20** | 150,512,095.57 |
| Business reception fees | **15,238,479.20** | 14,207,294.25 |
| Office expenses | **104,890,148.20** | 75,372,782.91 |
| Repair and maintenance fees | **319,411,718.00** | 243,667,208.50 |
| Auditors' remuneration *(Note)* | **3,078,139.64** | 3,117,860.09 |
| Service charges | **118,595,930.55** | 49,899,701.99 |
| Others | **156,425,553.33** | 144,069,422.32 |
| Total | **1,955,453,366.52** | 1,676,303,700.58 |

*Note:* Among them, the interim review and annual audit service fees paid to Deloitte Touche Tohmatsu Certified Public Accountants LLP by the Group this year amounted to RMB2,311,300.

### 40. Financial expenses

*RMB*

| Items | 2019 | 2018 |
|---|---|---|
| Interest expense on borrowings | **173,711,422.47** | 461,638,282.31 |
| Including: Interest expenses on lease liabilities | **5,083,641.02** | |
| Interest income from bank deposits | **(350,419,202.56)** | (132,650,054.43) |
| Interest income from performance bond | **—** | (1,025,378,584.90) |
| Foreign currency translation differences | **(295,717,344.95)** | 139,641,947.30 |
| Long-term receivables discount | **102,255,689.09** | — |
| Others | **19,140,352.26** | 62,873,214.66 |
| Total | **(351,029,083.69)** | (493,875,195.06) |

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

### 41. Other income

Government grants recognized in other income:

*RMB*

| Items | 2019 | 2018 | Related to an asset/related to income |
|---|---|---|---|
| Subsidy for new energy vehicles | **166,452,337.45** | — | Related to income |
| Immediate refund of VAT of welfare enterprises | **46,790,425.69** | 51,514,583.27 | Related to income |
| Subsidy for job stability | **13,198,641.97** | — | Related to income |
| Beidou front mounted vehicle information service platform funds | **12,000,000.00** | — | Related to income |
| Special funds for technological upgrading | **4,000,000.00** | — | Related to income |
| Incentive policies of Michigan state government | **1,677,325.00** | — | Related to income |
| Subsidy income | **1,507,471.80** | — | Related to income |
| VAT reduction and exemption for self-employed ex-soldiers | **1,196,250.00** | — | Related to income |
| Supportive development fund of export credit insurance | **1,076,026.00** | 3,289,100.00 | Related to income |
| Patent award | **999,000.00** | 4,015,520.00 | Related to income |
| Import discount subsidies | **577,700.00** | 851,000.00 | Related to income |
| Special funds for the development of provincial strategic emerging industries in 2018 | — | 8,000,000.00 | Related to income |
| Special bonus for industrial transformation strong basis | — | 1,700,000.00 | Related to income |
| Haval SUV intelligent plant reward | — | 900,000.00 | Related to income |
| Provincial special funds for introduction of talents | — | 500,000.00 | Related to income |
| Others | **225,378.77** | 1,307,573.74 | Related to income |
| Amortization of deferred income | **292,996,395.98** | 103,727,490.88 | |
| Total | **542,696,952.66** | 175,805,267.89 | |

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

### 42. Investment income

Breakdown:

*RMB*

| Items | 2019 | 2018 |
|---|---|---|
| Income from long-term equity investments under equity method | **303,706,938.37** | — |
| Income from wealth management products | **89,573,561.60** | 193,910,894.86 |
| Losses on derecognition of discounted bills | **(198,893,780.02)** | — |
| Net loss on disposal of subsidiaries | **(178,881,651.37)** | 27,522,992.73 |
| Net loss arising from deregistration of subsidiaries | — | (2,163,713.00) |
| Total | **15,505,068.58** | 219,270,174.59 |

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

The Group has no gains on investments from listed companies.

### 43. Losses from changes in fair values

*RMB*

| Source of gains (losses) from changes in fair values | 2019 | 2018 |
|---|---|---|
| Held-for-trading financial assets | | |
| Including: Investments in equity instruments | **(92,289,176.00)** | (149,119,432.00) |
| Wealth management products | **18,606,393.12** | 8,768,131.30 |
| Derivative financial assets | **380,777.69** | — |
| Total | **(73,302,005.19)** | (140,351,300.70) |

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

### 44. Gains (losses) on credit impairment

*RMB*

| Items | 2019 | 2018 |
|---|---|---|
| Accounts receivable | **(11,130,697.95)** | (38,392,850.90) |
| Other receivables | **(441,070.54)** | 11,696.82 |
| Loans and advances to customers | **(35,397,704.52)** | (143,497,933.78) |
| Long-term receivables | **(2,379,187.17)** | — |
| Total | **(49,348,660.18)** | (181,879,087.86) |

### 45. Gains (losses) on impairment of assets

*RMB*

| Items | 2019 | 2018 |
|---|---|---|
| I. Bad debt losses | — | 11,708,065.67 |
| II. Losses on decline in value of inventories | **(268,518,605.44)** | (73,777,972.90) |
| III. Impairment losses of fixed assets | **(225,264,669.19)** | (68,957,409.47) |
| III. Impairment losses of construction in progress | **(9,834,368.95)** | (5,501,873.85) |
| Total | **(503,617,643.58)** | (136,529,190.55) |

### 46. Gains on disposals of assets

*RMB*

| Items | 2019 | 2018 |
|---|---|---|
| Gains on disposals of assets | **43,207,041.88** | 57,976,477.13 |
| Including: Losses on disposals of fixed assets | **(17,411,013.66)** | (49,893,956.35) |
| Losses (gains) on disposals of construction in progress | **(17,885,970.38)** | 4,301,620.60 |
| Gains on disposals of intangible assets | **78,504,025.92** | 103,568,812.88 |

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

### 47. Non-operating income

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

*RMB*

| Items | 2019 | 2018 | Amount included in non-recurring gains and losses for the year |
|---|---|---|---|
| Government grants | **232,943,226.74** | 146,683,083.33 | 232,943,226.74 |
| Gains from compensation | **66,123,698.43** | 50,394,443.70 | 66,123,698.43 |
| Unpayable amounts | **8,976,526.76** | 12,674,704.34 | 8,976,526.76 |
| Others | **34,080,879.78** | 43,127,687.41 | 34,080,879.78 |
| Total | **342,124,331.71** | 252,879,918.78 | 342,124,331.71 |

***(2) Government grants recognized in non-operating income:***

*RMB*

| Items | 2019 | 2018 | Related to an asset/Related to income |
|---|---|---|---|
| Industrial development funds | **177,825,293.63** | 31,053,437.89 | Related to income |
| Financial subsidy funds | **50,480,648.32** | 90,035,087.23 | Related to income |
| Automotive city subsidies | **1,333,000.00** | 1,442,000.00 | Related to income |
| Giant plan bonuses | — | 10,090,647.00 | Related to income |
| Special funds of the Finance Bureau | — | 9,515,968.36 | Related to income |
| National technology innovation demonstration enterprises award bonuses | — | 1,000,000.00 | Related to income |
| Others | **3,304,284.79** | 3,545,942.85 | Related to income |
| Total | **232,943,226.74** | 146,683,083.33 | |

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

### 48. Non-operating expenses

*RMB*

| Items | 2019 | 2018 | Amount included in non-recurring gains and losses for the year |
|---|---|---|---|
| Expenditures for donations | **13,793,861.11** | 830,109.52 | 13,793,861.11 |
| Expenses for compensations and fines | **2,113,068.45** | 1,198,589.09 | 2,113,068.45 |
| Others | **2,504,578.11** | 5,816,553.69 | 2,504,578.11 |
| Total | **18,411,507.67** | 7,845,252.30 | 18,411,507.67 |

### 49. Income tax expenses

*RMB*

| Items | 2019 | 2018 |
|---|---|---|
| Current tax expenses | **704,599,279.88** | 988,122,927.34 |
| Deferred tax expenses | **(134,775,769.09)** | 241,309,951.83 |
| Total | **569,823,510.79** | 1,229,432,879.17 |

Reconciliation of income tax expenses to the accounting profit is as follows:

*RMB*

| Items | 2019 | 2018 |
|---|---|---|
| Total profit | **5,100,556,381.09** | 6,477,072,013.67 |
| Income tax rate | **25%** | 25% |
| Income tax expenses calculated at 25% | **1,275,139,095.27** | 1,619,268,003.42 |
| Changes in opening balances of deferred tax assets/liabilities due to tax rate adjustment | **(68,873,415.24)** | 6,987,751.94 |
| Effects arising from some companies subject to concessionary rates | **(390,906,673.66)** | (382,324,392.05) |
| Additional deduction for research and development costs | **(223,086,338.76)** | (171,829,204.82) |
| Tax effect of non-taxable income | **(100,310,887.62)** | (555,879.68) |
| Additional deduction for the wages of disabled staff | **(10,067,344.14)** | (9,584,135.91) |
| Tax effect of non-deductible expenses | **48,438,436.57** | 30,934,387.97 |
| Effect of deductible loss not recognized for deferred tax assets for the year | **39,490,638.37** | 136,536,348.30 |
| Total | **569,823,510.79** | 1,229,432,879.17 |

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

### 50. Net profit

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

*RMB*

| Items | *Note* | 2019 | 2018 |
|---|---|---|---|
| Depreciation for fixed assets | | **3,899,795,072.89** | 3,618,441,548.07 |
| Depreciation and amortization for investment properties | *(VI) 12* | **10,501,479.49** | 5,729,854.20 |
| Amortization of intangible assets | | **646,310,424.91** | 186,225,624.52 |
| Depreciation for right-of-use assets | *(VI) 15* | **30,394,545.87** | — |
| Total amount of depreciation and amortization | | **4,587,001,523.16** | 3,810,397,026.79 |
| Gains or losses from disposal of non-current assets | *(VI) 46* | **(43,207,041.88)** | (57,976,477.13) |
| Rental income from investment properties | | **(30,451,306.45)** | (22,812,875.91) |
| Employee benefits expense | | **7,155,321,551.29** | 8,736,410,138.37 |

### 51. Calculation of basic and diluted earnings per share

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

*RMB*

| Items | 2019 | 2018 |
|---|---|---|
| Net profit attributable to ordinary shareholders | **4,496,874,893.92** | 5,207,313,967.76 |
| Including: Net profit attributable to continuing operations | **4,496,874,893.92** | 5,207,313,967.76 |
| Total | **4,496,874,893.92** | 5,207,313,967.76 |

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

| Items | 2019 | 2018 |
|---|---|---|
| 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 year | **—** | — |
| Less: Weighted number of ordinary shares repurchased in the year | **—** | — |
| Weighted number of outstanding ordinary shares at the end of the year | **9,127,269,000.00** | 9,127,269,000.00 |

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

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

*RMB*

| Items | 2019 | 2018 |
|---|---|---|
| Based on the net profit attributable to shareholders of the Company: | **4,496,874,893.92** | 5,207,313,967.76 |
| Basic earnings per share | **0.49** | 0.57 |
| Diluted earnings per share | **N/A** | N/A |
| Based on the net profit from continuing operations attributable to shareholders of the Company: | **4,496,874,893.92** | 5,207,313,967.76 |
| Basic earnings per share | **0.49** | 0.57 |
| Diluted earnings per share | **N/A** | N/A |

### 52. Other comprehensive income

*RMB*

| | | Amount recognized in the current year | | | | | |
|---|---|---|---|---|---|---|---|
| Items | 31/12/2018 | Amount incurred for current year before tax | Less: Amount previously included in other comprehensive income and transferred to profit or loss for the year | Less: Income tax expenses | Attributable to owners of the parent company after tax | Attributable to minority interests after tax | 31/12/2019 |
| Other comprehensive income that will be reclassified to profit or loss | | | | | | | |
| Including: Changes in fair value of financial assets classified as at FVTOCI | — | (240,774,477.66) | — | 36,116,171.65 | (204,658,306.01) | — | **(204,658,306.01)** |
| Translation differences of financial statements denominated in foreign currencies | (262,321,113.07) | 226,165,075.97 | — | — | 226,165,075.97 | — | **(36,156,037.10)** |
| Total other comprehensive income | (262,321,113.07) | (14,609,401.69) | — | 36,116,171.65 | 21,506,769.96 | — | **(240,814,343.11)** |

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

### 53. Notes to the items in the cash flow statement

#### *(1) Other cash receipts relating to operating activities*

*RMB*

| Items | 2019 | 2018 |
|---|---|---|
| Interest income from bank deposits | **350,190,453.68** | 132,650,054.43 |
| Interest income from performance bond | **—** | 1,086,901,300.00 |
| Government grants | **1,519,963,887.81** | 1,230,540,499.07 |
| Reparations (penalty) income | **34,719,736.33** | 13,939,761.04 |
| Collection of software license fee | **—** | 10,638,823.00 |
| Others | **16,116,704.98** | 17,538,600.79 |
| Total | **1,920,990,782.80** | 2,492,209,038.33 |

#### *(2) Other cash payments relating to operating activities*

*RMB*

| Items | 2019 | 2018 |
|---|---|---|
| Advertising and media services fee | **1,687,424,310.99** | 1,591,288,374.74 |
| Transportation costs and port charges | **295,093,082.11** | 1,496,878,716.92 |
| Technology development expenditures | **752,367,975.50** | 664,945,716.01 |
| After-sale services expenses and repair costs | **898,386,040.10** | 723,038,171.48 |
| Business reception fees and office expenses | **151,041,899.13** | 123,544,176.15 |
| Travelling expenses | **81,889,118.47** | 33,101,675.92 |
| Consultation fees | **385,180,920.34** | 112,551,073.80 |
| Others | **32,322,416.25** | 191,364,702.42 |
| Total | **4,283,705,762.89** | 4,936,712,607.44 |

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

### 53. Notes to the items in the cash flow statement (continued)

#### *(3) Other cash receipts relating to investing activities*

*RMB*

| Items | 2019 | 2018 |
|---|---|---|
| Collection of current amounts | **640,000,000.00** | — |
| Collection of performance bond | — | 155,030,000.00 |
| Total | **640,000,000.00** | 155,030,000.00 |

#### *(4) Other cash payments relating to investing activities*

*RMB*

| Items | 2019 | 2018 |
|---|---|---|
| Current amounts | **800,000,000.00** | — |
| Advance payments | **375,000,000.00** | — |
| Total | **1,175,000,000.00** | — |

#### *(5) Other cash receipts relating to financing activities*

*RMB*

| Items | 2019 | 2018 |
|---|---|---|
| Decrease in restricted bank deposits | **121,390,982.17** | — |
| Total | **121,390,982.17** | — |

#### *(6) Other cash payments relating to financing activities*

*RMB*

| | 2019 | 2018 |
|---|---|---|
| Decrease in lease liabilities | **33,298,033.27** | — |
| Costs incurred for business combinations involving enterprises under common control | **19,979,360.00** | — |
| Increase in restricted bank deposits | — | 80,212,536.30 |
| Total | **53,277,393.27** | 80,212,536.30 |

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

### 54. Supplementary information to the cash flow statement

#### *(1) Supplementary information to the cash flow statement*

*RMB*

| Supplementary information | 2019 | 2018 |
|---|---|---|
| **1. Reconciliation of net profit to cash flows from operating activities:** | | |
| Net profit | **4,530,732,870.30** | 5,247,639,134.50 |
| Add: Provision for impairment losses of assets | **503,617,643.58** | 136,529,190.55 |
| Credit impairment losses | **49,348,660.18** | 181,879,087.86 |
| Depreciation of fixed assets | **3,899,795,072.89** | 3,618,441,548.07 |
| Depreciation of right-of-use assets | **30,394,545.87** | |
| Amortization of intangible assets | **646,310,424.91** | 186,225,624.52 |
| Amortization of long-term prepaid expenses | **37,292,854.33** | 77,477,707.84 |
| Depreciation and amortization of investment properties | **10,501,479.49** | 5,729,854.20 |
| Losses on changes in fair values | **73,302,005.19** | 140,351,300.70 |
| Gains on disposals of assets | **(43,207,041.88)** | (57,976,477.13) |
| Amortization of deferred income | **(292,996,395.98)** | (93,227,920.25) |
| Financial expense | **335,058,687.08** | 576,976,127.02 |
| Investment losses (Less: gains) | **(214,398,848.60)** | (219,270,174.59) |
| Decrease in deferred tax assets (Less: increase) | **(371,241,161.99)** | 40,022,484.93 |
| Increase in deferred tax liabilities (Less: decrease) | **236,465,392.90** | 232,335,421.42 |
| Decrease in inventories (Less: increase) | **(2,332,770,428.79)** | 396,641,557.47 |
| Decrease in operating receivables (Less: increase) | **(3,537,601,746.27)** | 8,320,219,372.18 |
| Increase in operating payables (Less: decrease) | **10,411,698,421.58** | 907,832,109.11 |
| Net cash flows from operating activities | **13,972,302,434.79** | 19,697,825,948.40 |
| **2. Significant investing and financing activities which do not involve cash receipts and payments:** | | |
| Leased fixed assets recognized as right-of-use assets | **72,544,838.66** | |
| **3. Net changes in cash and cash equivalents:** | | |
| Closing balance of cash and cash equivalents | **8,777,231,585.64** | 6,614,611,437.43 |
| Less: Opening balance of cash and cash equivalents | **6,614,611,437.43** | 3,844,089,729.57 |
| Net increase in cash and cash equivalents | **2,162,620,148.21** | 2,770,521,707.86 |

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

### 54. Supplementary information to the cash flow statement (continued)

#### *(2) Net cash receipt from disposal of subsidiaries for the current year*

*RMB*

| Items | 2019 | 2018 |
|---|---|---|
| Cash or cash equivalents received in current year for disposal of subsidiaries | **471,750,000.00** | 790,000,000.00 |
| Including: Tianjin Great Wall Sharing Car Service Co., Ltd. ("Tianjin Sharing Car") and its subsidiaries | **464,180,000.00** | — |
| Forever Peace | **7,500,000.00** | — |
| Hebei Xiong'an Oula Sharing Technology Co., Ltd. ("Xiong'an Oula") | **70,000.00** | — |
| Honeycomb Energy Technology Co., Ltd | — | 790,000,000.00 |
| Less: Cash and cash equivalents held by subsidiaries at the date of losing control | **296,300,211.49** | 717,603,134.41 |
| Including: Tianjin Sharing Car | **295,656,236.15** | — |
| Forever Peace | **630,670.64** | — |
| Xiong'an Oula | **13,304.70** | — |
| Honeycomb Energy Technology Co., Ltd | — | 717,603,134.41 |
| Net cash receipts from disposal of subsidiaries | **175,449,788.51** | 72,396,865.59 |

#### *(3) Net cash payments for disposal of subsidiaries in the current year*

*RMB*

| Items | 2019 | 2018 |
|---|---|---|
| Cash and cash equivalents received from disposal of subsidiaries in the current year | — | — |
| Less: Cash and cash equivalents held by subsidiaries at the date of losing control | **4,993,792,624.63** | — |
| Including: Automotive Finance | **4,993,792,624.63** | — |
| Net cash payments for disposal of subsidiaries | **4,993,792,624.63** | — |

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

### 54. Supplementary information to the cash flow statement (continued)

#### *(4) Net cash payments for acquisition of subsidiaries in the current year*

*RMB*

| Items | 2019 | 2018 |
|---|---|---|
| Cash or cash equivalents paid for business combination in the current year | — | 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 |

#### *(5) Components of cash and cash equivalents*

*RMB*

| Items | 31/12/2019 | 31/12/2018 |
|---|---|---|
| I. Cash | **8,777,231,585.64** | 6,614,611,437.43 |
| Including: Cash on hand | **245,701.22** | 308,807.23 |
| Bank deposits ready to be withdrawn on demand | **8,776,985,884.42** | 6,612,384,027.32 |
| Other monetary funds ready to be withdrawn on demand | — | 1,918,602.88 |
| II. Closing balance of cash and cash equivalents | **8,777,231,585.64** | 6,614,611,437.43 |

### 55. Assets with limited ownership or use right

*RMB*

| Items | Carrying amount at the end of the year | Reasons for the restrictions |
|---|---|---|
| Cash and bank balances | 946,081,149.41 | Security and margin deposits for bank acceptances, L/C, letter of guarantee deposits and others |
| Notes receivable | 9,287,029,931.21 | Used for issuance of notes payable |
| Intangible assets | 84,854,208.12 | Used for long-term borrowings |
| Long-term receivables | 418,452,646.96 | Used for long-term borrowings |
| Total | 10,736,417,935.70 | |

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

### 56. Monetary items denominated in foreign currencies

#### *(1) Monetary items denominated in foreign currencies*

*RMB*

| Items | Closing balance of foreign currencies | Exchange rate | Closing balance of RMB |
|---|---|---|---|
| **Cash and bank balances** | | | |
| Including: USD | 51,462,163.47 | 6.9762 | 359,010,344.80 |
| RMB | 152,937,158.06 | 1.0000 | 152,937,158.06 |
| EUR | 8,156,744.36 | 7.8155 | 63,749,035.54 |
| JPY | 44,999,743.37 | 0.0641 | 2,884,483.55 |
| GBP | 17,676.14 | 9.1501 | 161,738.44 |
| CHF | 5,027.74 | 7.2028 | 36,213.81 |
| HKD | 8,803.46 | 0.8958 | 7,886.14 |
| SGD | 311.00 | 5.1739 | 1,609.08 |
| AUD | 77.27 | 4.8843 | 377.41 |
| RUB | 572.73 | 0.1126 | 64.49 |
| KRW | 7,109.45 | 0.0060 | 42.87 |
| THB | 129.99 | 0.2328 | 30.26 |
| **Accounts receivable** | | | |
| Including: USD | 67,771,169.45 | 6.9762 | 472,785,232.30 |
| EUR | 6,264,637.93 | 7.8155 | 48,961,277.73 |
| RMB | 1,473,958.86 | 1.0000 | 1,473,958.86 |
| **Accounts payable** | | | |
| Including: EUR | 2,529,983.06 | 7.8155 | 19,773,082.57 |
| USD | 2,672,399.32 | 6.9762 | 18,643,192.13 |
| JPY | 48,485,698.91 | 0.0641 | 3,107,933.30 |
| HKD | 65,307.39 | 0.8958 | 58,502.36 |
| **Other payables** | | | |
| Including: EUR | 3,355,772.41 | 7.8155 | 26,227,039.27 |
| USD | 1,236,595.60 | 6.9762 | 8,626,738.22 |
| JPY | 77,365,754.91 | 0.0641 | 4,959,144.89 |
| RMB | 795,066.10 | 1.0000 | 795,066.10 |
| **Long-term borrowings** | | | |
| Including: EUR | 230,228,750.00 | 7.8155 | 1,799,352,795.61 |
| USD | 65,029,796.76 | 6.9762 | 453,660,868.14 |

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

### 56. Monetary items denominated in foreign currencies (continued)

***(2) Description of major foreign operating entities:***

| Major foreign operating entities | Place of foreign operations | Functional currency |
|---|---|---|
| Haval Motor Rus Limited Liability Company ("Haval Russia") | Russia | RUB |
| Haval Motor Manufacturing Rus Limited Liability Company ("Russia Manufacturing") | Russia | RUB |
| Haval Motors South Africa Proprietary Limited ("Haval South Africa") | South Africa | ZAR |

### 57. Net current assets

*RMB*

| Items | 31/12/2019 | 31/12/2018 |
|---|---|---|
| Current assets | **68,502,163,106.36** | 66,126,293,810.75 |
| Less: Current liabilities | **54,599,801,076.22** | 54,379,417,271.59 |
| Net current assets | **13,902,362,030.14** | 11,746,876,539.16 |

### 58. Total assets less current liabilities

*RMB*

| Items | 31/12/2019 | 31/12/2018 |
|---|---|---|
| Total assets | **113,096,409,468.96** | 111,800,411,297.81 |
| Less: Current liabilities | **54,599,801,076.22** | 54,379,417,271.59 |
| Total assets less current liabilities | **58,496,608,392.74** | 57,420,994,026.22 |

## VII. CHANGES IN CONSOLIDATION SCOPE

### 1. Business combination not involving enterprises under common control

No business combination not involving enterprises under common control has incurred during the current year.

### 2. Business combination involving enterprises under common control

***(1) Business combination involving enterprises under common control during the current year is as follows:***

*RMB*

| Name of acquiree | Proportion of equity acquired in business combination | Basis for forming business combination involving enterprises under common control | Combination date | Determination basis for combination date | Income of acquiree from the beginning of the period up to the business combination date | Net profit of acquiree from the beginning of the period up to the business combination date |
|---|---|---|---|---|---|---|
| Changyou Haoche | 100% | Note 1 | 31 August 2019 | Note 2 | 188,563.09 | 54,486.41 |

*Note 1:* Both the Company and Changyou Haoche are ultimately controlled by the ultimate controlling shareholder before and after the combination and such control is not temporary.

*Note 2:* The acquisition date is the date on which the Company obtains actual control over Changyou Haoche.

Basic information about the acquiree:

Changyou Haoche was registered and established on 19 March 2019 and its business nature is wholesale and retails of automobiles & components and parts, automobile fittings, arts and crafts and general merchandise. In August 2019, the Company acquired 100% equity interest of Changyou Haoche held by Baoding Great Wall Holding Group Co., Ltd. at a consideration of RMB19,979,360.00. Subsequent to the acquisition, the Company directly holds 100% equity of Changyou Haoche.

## VII. CHANGES IN CONSOLIDATION SCOPE (continued)

### 2. Business combination involving enterprises under common control (continued)

#### *(2) Combination cost*

*RMB*

| Combination cost | Changyou Haoche |
|---|---|
| Cash | 19,979,360.00 |

#### *(3) Carrying amounts of assets and liabilities of the acquiree at the combination date*

*RMB*

| Combination date | Changyou Haoche |
|---|---|
| Assets | 20,264,280.56 |
| Liabilities | (250,215.58) |
| Net assets | 20,014,064.98 |
| Less: Minority interests | — |
| Net assets acquired | 20,014,064.98 |

### 3. Disposal of subsidiaries

#### *(1) Single disposal of investments in subsidiaries, i.e. the loss of control*

*RMB*

| Name of subsidiaries | Equity disposal consideration | Equity disposal proportion (%) | Equity disposal approach | Time point of losing control | Determination basis for time point of losing control | Difference amount of disposal consideration and shares of corresponding net assets of the subsidiary at consolidated level |
|---|---|---|---|---|---|---|
| Tianjin Sharing Car | | 100.00 | Sold in cash | February 2019 | Note 1 & Note 2 | |
| Haval Rental | | 100.00 | Sold in cash | February 2019 | Note 1 & Note 2 | |
| Oula Information | 464,180,000.00 | 100.00 | Sold in cash | February 2019 | Note 1 & Note 2 | (179,415,459.94) |
| Time Technology Co., Ltd. ("Time Technology") | | 100.00 | Sold in cash | February 2019 | Note 1 & Note 2 | |
| Forever Peace | 7,500,000.00 | 100.00 | Sold in cash | October 2019 | Note 1 & Note 3 | 475,548.05 |
| Xiong'an Oula | 70,000.00 | 100.00 | Sold in cash | October 2019 | Note 1 & Note 3 | 58,260.52 |

## VII. CHANGES IN CONSOLIDATION SCOPE (continued)

### 3. Disposal of subsidiaries (continued)

#### *(1) Single disposal of investments in subsidiaries, i.e. the loss of control (continued)*

*Note 1:* The point at which the Company loses control is the point at which the Company loses the ability to determine the financial and operational policies of the investee and is no longer able to obtain benefits from its business activities.

*Note 2:* Tianjin Sharing Car was originally a wholly-owned subsidiary of the Company. In February 2019, the Company transferred 100% equity of Tianjin Sharing Car and its wholly-owned subsidiaries to the related party, Baoding Great Wall Holding Group Co., Ltd.

*Note 3:* Forever Peace and Xiong'an Oula were originally wholly-owned subsidiaries of the Company. In October 2019, the Company transferred 100% equity of Forever Peace and Xiong'an Oula to the related party, Tianjin Sharing Car.

#### *(2) Other losses of control*

| Name of subsidiary | Equity disposal consideration | Equity disposal proportion (%) | Equity disposal approach | Time point of losing control | Determination basis for time point of losing control | Difference amount of disposal consideration and shares of corresponding net assets of the subsidiary at consolidated level |
|---|---|---|---|---|---|---|
| Automotive Finance | — | — | — | June 2019 | Note | — |

*Note:* In June 2019, according to the resolution of the 2019 second temporary shareholders' meeting of Automotive Finance, a subsidiary of the Company, the articles of association was revised and the relevant activities must be decided upon unanimous approval by the board of directors. The Company could not implement control over Automotive Finance, therefore, it will no longer be included in the consolidation scope of consolidated financial statements and will be subsequently measured using the equity method.

## VII. CHANGES IN CONSOLIDATION SCOPE (continued)

### 4. Changes in consolidation scope for other reasons

New subsidiaries established in the current year:

| Name | Establishment date |
|---|---|
| Nuochuang Automotive Technology (Shanghai) Co., Ltd. (諾創汽車科技（上海）有限公司) (Nuochuang Technology) | January 2019 |
| Baoding Yijian Start Automobile Sales Service Co., Ltd. (保定一見啟動汽車銷售服務有限公司) (Baoding Yijian Start) | April 2019 |
| Honeycomb Transmission Technology Hebei Co., Ltd. (蜂巢傳動科技河北有限公司) (Honeycomb Transmission Technology) | May 2019 |
| Yijian Start (Chongqing) Automobile Sales Service Co., Ltd. (一見啟動（重慶）汽車銷售服務有限公司) (Chongqing Yijian Start) | May 2019 |
| Yijian Start (Jinan) Automobile Sales Service Co., Ltd. (一見啟動（濟南）汽車銷售服務有限公司) (Jinan Yijian Start) | June 2019 |
| Qingdao Yijian Start Automobile Sales Service Co., Ltd. (青島一見啟動汽車銷售服務有限公司) (Qingdao Yijian Start) | June 2019 |
| Zaoqi (Xi'an) Automobile Sales Service Co., Ltd. (棗啟（西安）汽車銷售服務有限公司) (Zaoqi Xi'an) | June 2019 |
| Yijian Start (Nanjing) Automobile Sales Service Co., Ltd. (一見啟動（南京）汽車銷售服務有限公司) (Nanjing Yijian Start) | June 2019 |
| Yijian Start (Dongguan) Automobile Sales Service Co., Ltd. (一見啟動（東莞）汽車銷售服務有限公司) (Dongguan Yijian Start) | June 2019 |
| Lanzhou Yijian Start Automobile Sales Service Co., Ltd. (蘭州一見啟動汽車銷售服務有限公司) (Lanzhou Yijian Start) | June 2019 |
| Zaoqi (Wenzhou) Automobile Sales Service Co., Ltd. (棗啟（溫州）汽車銷售服務有限公司) (Zaoqi Wenzhou) | June 2019 |
| Yijian Start (Haikou) Automobile Sales Service Co., Ltd. (一見啟動（海口）汽車銷售服務有限公司) (Haikou Yijian Start) | June 2019 |
| Guizhou Yijian Start Automobile Sales Service Co., Ltd. (貴州一見啟動汽車銷售服務有限公司) (Guizhou Yijian Start) | June 2019 |
| Chengdu Zaoqi Automobile Sales Service Co., Ltd. (成都棗啟汽車銷售服務有限公司) (Chengdu Zaoqi) | June 2019 |
| Hefei Yijian Start Automobile Sales Service Co., Ltd. (合肥一見啟動汽車銷售服務有限公司) (Hefei Yijian Start) | June 2019 |
| Kunming Mibang Automobile Sales Service Co., Ltd. (昆明米邦汽車銷售服務有限公司) (Kunming Mibang) | June 2019 |
| Zhengzhou Yijian Start Automobile Sales Service Co., Ltd. (鄭州一見啟動汽車銷售服務有限公司) (Zhengzhou Yijian Start) | June 2019 |
| Taiyuan Yijian Start Automobile Sales Service Co., Ltd. (太原一見啟動汽車銷售服務有限公司) (Taiyuan Yijian Start) | June 2019 |
| Honeycomb Electric Drive Technology Hebei Co., Ltd. (蜂巢電驅動科技河北有限公司) (Honeycomb Electric Drive Technology) | June 2019 |
| Honeycomb Intelligent Steering Technology Hebei Co., Ltd. (蜂巢智能轉向科技河北有限公司) (Honeycomb Intelligent Steering Technology) | June 2019 |

## VII. CHANGES IN CONSOLIDATION SCOPE (continued)

### 4. Changes in consolidation scope for other reasons (continued)

New subsidiaries established in the current year: (continued)

| Name | Establishment date |
|---|---|
| India Haval Automobile Private Co., Ltd. (印度哈弗汽車私人有限公司) (India Haval) | June 2019 |
| Yijian Start (Wuhan) Automobile Sales Service Co., Ltd. (一見啟動(武漢)汽車銷售服務有限公司) (Wuhan Yijian Start) | June 2019 |
| Nanning Yijian Start Automobile Sales Service Co., Ltd. (南寧一見啟動汽車銷售服務有限公司) (Nanning Yijian Start) | July 2019 |
| Yijian Start (Beijing) Automobile Sales Service Co., Ltd. 一見啟動(北京)汽車銷售服務有限公司(Beijing Yijian Start) | July 2019 |
| Nuobo Automotive Parts (Taizhou) Co., Ltd. (諾博汽車零部件(泰州)有限公司) (Taizhou Nuobo Parts) | September 2019 |
| Jingcheng Engineering Automotive Parts (Taizhou) Co., Ltd. (精誠工科汽車零部件(泰州)有限公司) (Taizhou Jinggong Motor) | September 2019 |
| HWA Ding International Limited (華鼎國際有限公司) (HWA Ding International) | November 2019 |
| Nuobo Automotive Parts (Rizhao) Co., Ltd. (諾博汽車零部件(日照)有限公司) (Rizhao Nuobo Parts) | December 2019 |

Subsidiaries deregistered in the current year:

| Name | Deregistration date |
|---|---|
| Great Wall Customer Service | June 2019 |
| Haval Logistics | December 2019 |

## VIII. INTERESTS IN OTHER ENTITIES

### 1. Interests in subsidiaries

#### *(1) Structure of the Group*

Subsidiaries invested by the Group:

| Full name of subsidiaries | Legal form | Place of principal operations | Place of registration | Business nature | Proportion of shareholdings (%) Proportion of voting rights (%) Direct | Indirect |
|---|---|---|---|---|---|---|
| Great Wall Huabei | Limited liability company | Gaobeidian | Gaobeidian | Manufacture of automotive parts and components | 100.00 | — |
| Baoding Great | Limited liability company | Baoding | Baoding | Manufacture of automotive parts and components | 100.00 | — |
| Baoding Nuobo | Limited liability company | Baoding | Baoding | Manufacture of automotive parts and components | 100.00 | — |
| Beijing Great | Limited liability company | Beijing | Beijing | Manufacture of automotive parts and components | 100.00 | — |
| Baoding Great Wall Auto Sales Co., Ltd. (保定長城汽車銷售有限公司) ("Great Wall Sales") | Limited liability company | Baoding | Baoding | Marketing and sale of automobiles | 20.18 | 79.82 |
| Tide Technology and Trade | — | Hong Kong | Hong Kong | Investment and financing services | 100.00 | — |
| Mind electronics | Limited liability company | Baoding | Baoding | Manufacture of automotive parts and components | 100.00 | — |
| Tianjin Lean | Limited liability company | Tianjin Development Zone | Tianjin Development Zone | Manufacture of automotive parts and components | 75.00 | 25.00 |
| Baoding Great Wall Ants Logistics Co., Ltd (保定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 | — |
| 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 | Yinchuan Economic and Technological | 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 | Rizhao | Rizhao | Manufacture of automotive parts and components | 100.00 | — |

## VIII. INTERESTS IN OTHER ENTITIES (continued)

### 1. Interests in subsidiaries (continued)

#### (1) *Structure of the Group (continued)*

Subsidiaries invested by the Group: (continued)

| Full name of subsidiaries | Legal form | Place of principal operations | Place of registration | Business nature | Proportion of shareholdings (%) Proportion of voting rights (%) Direct | Indirect |
|---|---|---|---|---|---|---|
| Great Wall Dongsheng | Limited liability company | Beijing | Beijing | Business information consultation | — | 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 |
| Australia Sinyos Technology And Trade Pty Ltd (澳大利亞森友斯科貿有限公司) ("Sinyos Technology and Trade ") | — | Australia | Australia | Auto selling | — | 100.00 |
| Haval Motor Manufacturing Rus Limited Liability Company (俄羅斯哈弗汽車製造有限責任公司) ("Russia Manufacturing ") | — | Russia | Russia | Auto manufacture | 58.80 | 41.20 |
| Haval Motors South Africa Proprietary Limited (哈弗汽車南非有限公司) ("Haval South Africa") | — | South Africa | South Africa | Auto selling | 100.00 | — |
| 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 | — |

## VIII. INTERESTS IN OTHER ENTITIES (continued)

### 1. Interests in subsidiaries (continued)

#### (1) *Structure of the Group (continued)*

Subsidiaries invested by the Group: (continued)

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

## VIII. INTERESTS IN OTHER ENTITIES (continued)

### 1. Interests in subsidiaries (continued)

#### (1) *Structure of the Group (continued)*

Subsidiaries invested by the Group: (continued)

| Full name of subsidiaries | Legal form | Place of principal operations | Place of registration | Business nature | Proportion of shareholdings (%) / Proportion of voting rights (%) Direct | Indirect |
|---|---|---|---|---|---|---|
| Great Wall Motor Austria Research & Development Co., Ltd. (長城汽車奧地利研發有限公司) ("Austria Research & Development ") | — | Austria | Austria | Research and design of automobile and auto parts | — | 100.00 |
| Baoding Billion Sunny Consulting Service Co., Ltd. (保定億新諮詢服務有限公司) ("Billion Sunny Consulting ") | Limited liability company | Baoding | Baoding | Technology information consultation service, and trade consultation service | — | 100.00 |
| Guangzhou Great Wall Auto Sales Co., Ltd. | Limited liability company | Guangzhou | Guangzhou | Auto selling | 100.00 | — |
| Xiamen Great Wall Auto Sales Co., Ltd. | Limited liability company | Xiamen | Xiamen | Auto selling | 100.00 | — |
| Chongqing Great Wall *(Note 1)* | Limited liability company | Chongqing | Chongqing | Sales of automobile and auto parts | 100.00 | — |
| Chongqing Auto Parts | Limited liability company | Chongqing | Chongqing | Sales of automotive parts | 100.00 | — |
| Chongqing Haval | Limited liability company | Chongqing | Chongqing | Auto selling | 100.00 | — |
| Tianjin Oula | Limited liability company | Tianjin | Tianjin | Finance leasing | 75.00 | 25.00 |
| Honeycomb Yichuang | Limited liability company | Baoding | Baoding | Manufacture of automotive parts and components | 100.00 | — |
| Jinggong Motor | Limited liability company | Baoding | Baoding | Manufacture of automotive parts and components | 100.00 | — |
| Nuobo Automotive | Limited liability company | Baoding | Baoding | Manufacture of automotive parts and components | 100.00 | — |
| Nuobo Auto Parts | Limited liability company | Baoding | Baoding | Manufacture of automotive parts and components | — | 100.00 |
| Nuobo Auto Decorations | Limited liability company | Baoding | Baoding | Manufacture of automotive parts and components | — | 100.00 |
| Jingcheng Engineering Automotive Parts (Chongqing) Co., Ltd. | Limited liability company | Chongqing | Chongqing | Manufacture of automotive parts and components | — | 100.00 |

## VIII. INTERESTS IN OTHER ENTITIES (continued)

### 1. Interests in subsidiaries (continued)

#### (1) *Structure of the Group (continued)*

Subsidiaries invested by the Group: (continued)

| Full name of subsidiaries | Legal form | Place of principal operations | Place of registration | Business nature | Proportion of shareholdings (%) Proportion of voting rights (%) Direct | Indirect |
|---|---|---|---|---|---|---|
| Nuobo Automotive Parts (Chongqing) Co., Ltd. | Limited liability company | Chongqing | Chongqing | Manufacture of automotive parts and components | — | 100.00 |
| Hebei Xiongan Great Wall Motor Technology Co., Ltd. | Limited liability company | Baoding | Baoding | Automobile and R&D of unmanned vehicles | 100.00 | — |
| Honeycomb Power System (Jiangsu) Co., Ltd. | Limited liability company | Zhenjiang | Zhenjiang | R&D of automobile dynamic system | — | 100.00 |
| Honeycomb Transmission System (Jiangsu) Co., Ltd. | Limited liability company | Zhenjiang | Zhenjiang | R&D of new energy vehicle transmission system | — | 100.00 |
| Honeycomb Electric Drive System (Jiangsu) Co., Ltd. | Limited liability company | Zhenjiang | Zhenjiang | R&D of new energy vehicle electric drive system | — | 100.00 |
| Honeycomb Intelligent Steering System (Jiangsu) Co., Ltd. | Limited liability company | Zhenjiang | Zhenjiang | R&D of auto intelligent steering system and its components | — | 100.00 |
| Jingcheng Engineering Automotive Parts (Yangzhong) Co., Ltd. | Limited liability company | Zhenjiang | Zhenjiang | Manufacture of automotive parts | — | 100.00 |
| Mind Automotive Parts (Chongqing) Co., Ltd. | Limited liability company | Chongqing | Chongqing | Manufacture of automotive parts and components | — | 100.00 |
| Chongqing Haval Logistics Company Limited | Limited liability company | Chongqing | Chongqing | Logistics and ordinary goods transportation | — | 100.00 |
| Great Wall Chongqing Automotive Customer Service Company Limited | Limited liability company | Chongqing | Chongqing | Customer Service | 100.00 | — |
| Chongqing Weipai Auto Sales Co., Ltd. | Limited liability company | Chongqing | Chongqing | Sales of automobile and auto parts | 100.00 | — |
| Nuochuang Technology *(Note 2)* | Limited liability company | Shanghai | Shanghai | Development of technologies of automotive parts | — | 100.00 |
| Baoding Yijian Start *(Note 2)* | Limited liability company | Baoding | Baoding | Auto-selling: Wholesale and retail of car accessories | 100.00 | — |
| Honeycomb Transmission Technology *(Note 2)* | Limited liability company | Baoding | Baoding | R&D of new energy vehicle transmission system | — | 100.00 |
| Chongqing Yijian Start *(Note 2)* | Limited liability company | Chongqing | Chongqing | Auto-selling: Wholesale and retail of car accessories | — | 100.00 |
| Jinan Yijian Start *(Note 2)* | Limited liability company | Jinan | Jinan | Auto-selling: Wholesale and retail of car accessories | — | 100.00 |

## VIII. INTERESTS IN OTHER ENTITIES (continued)

### 1. Interests in subsidiaries (continued)

#### (1) *Structure of the Group (continued)*

Subsidiaries invested by the Group: (continued)

| Full name of subsidiaries | Legal form | Place of principal operations | Place of registration | Business nature | Proportion of shareholdings (%) Proportion of voting rights (%) Direct | Indirect |
|---|---|---|---|---|---|---|
| Qingdao Yijian Start *(Note 2)* | Limited liability company | Qingdao | Qingdao | Auto-selling: Wholesale and retail of car accessories | — | 100.00 |
| Zaoqi Xi'an *(Note 2)* | Limited liability company | Xi'an | Xi'an | Auto-selling: Wholesale and retail of car accessories | — | 100.00 |
| Nanjing Yijian Start *(Note 2)* | Limited liability company | Nanjing | Nanjing | Auto-selling: Wholesale and retail of car accessories | — | 100.00 |
| Dongguan Yijian Start *(Note 2)* | Limited liability company | Dongguan | Dongguan | Auto-selling: Wholesale and retail of car accessories | — | 100.00 |
| Lanzhou Yijian Start *(Note 2)* | Limited liability company | Lanzhou | Lanzhou | Auto-selling: Wholesale and retail of car accessories | — | 100.00 |
| Zaoqi Wenzhou *(Note 2)* | Limited liability company | Wenzhou | Wenzhou | Auto-selling: Wholesale and retail of car accessories | — | 100.00 |
| Haikou Yijian Start *(Note 2)* | Limited liability company | Haikou | Haikou | Auto-selling: Wholesale and retail of car accessories | — | 100.00 |
| Guizhou Yijian Start *(Note 2)* | Limited liability company | Guizhou | Guizhou | Auto-selling: Wholesale and retail of car accessories | — | 100.00 |
| Chengdu Zaoqi *(Note 2)* | Limited liability company | Chengdu | Chengdu | Auto-selling: Wholesale and retail of car accessories | — | 100.00 |
| Hefei Yijian Start *(Note 2)* | Limited liability company | Hefei | Hefei | Auto-selling: Wholesale and retail of car accessories | — | 100.00 |
| Kunming Mibang *(Note 2)* | Limited liability company | Kunming | Kunming | Auto-selling: Wholesale and retail of car accessories | — | 100.00 |
| Zhengzhou Yijian Start *(Note 2)* | Limited liability company | Zhengzhou | Zhengzhou | Auto-selling: Wholesale and retail of car accessories | — | 100.00 |
| Taiyuan Yijian Start *(Note 2)* | Limited liability company | Taiyuan | Taiyuan | Auto-selling: Wholesale and retail of car accessories | — | 100.00 |
| Honeycomb Electric Drive Technology *(Note 2)* | Limited liability company | Baoding | Baoding | R&D of new energy vehicle electric drive system | — | 100.00 |
| Honeycomb Intelligent Steering Technology *(Note 2)* | Limited liability company | Baoding | Baoding | R&D of auto intelligent steering system and its components | — | 100.00 |
| Wuhan Yijian Start *(Note 2)* | Limited liability company | Wuhan | Wuhan | Auto-selling: Wholesale and retail of car accessories | — | 100.00 |
| India Haval *(Note 2)* | Limited liability company | India | India | Auto manufacturing and selling | 99.90 | 0.10 |

## VIII. INTERESTS IN OTHER ENTITIES (continued)

### 1. Interests in subsidiaries (continued)

#### (1) *Structure of the Group (continued)*

Subsidiaries invested by the Group: (continued)

| Full name of subsidiaries | Legal form | Place of principal operations | Place of registration | Business nature | Proportion of shareholdings (%) Proportion of voting rights (%) Direct | Indirect |
|---|---|---|---|---|---|---|
| Nanning Yijian Start *(Note 2)* | Limited liability company | Nanning | Nanning | Auto-selling: Wholesale and retail of car accessories | — | 100.00 |
| Beijing Yijian Start *(Note 2)* | Limited liability company | Beijing | Beijing | Auto-selling: Wholesale and retail of car accessories | — | 100.00 |
| Taizhou Nuobo Parts *(Note 2)* | Limited liability company | Taizhou | Taizhou | Manufacture of automotive parts and components | — | 100.00 |
| Taizhou Jinggong Motor *(Note 2)* | Limited liability company | Taizhou | Taizhou | Manufacture of automotive parts and components | — | 100.00 |
| HWA Ding International *(Note 2)* | — | Hong Kong | Hong Kong | International trading & investment and financing | 100.00 | — |
| Rizhao Nuobo Parts *(Note 2)* | Limited liability company | Rizhao | Rizhao | Manufacture of automotive parts and components | — | 100.00 |

*Note 1:* In June 2019, the Company merged the wholly-owned subsidiary, Chongqing Great Wall. As of 31 December 2019, deregistration procedures of the subsidiary are being processed.

*Note 2:* Such companies represent the new subsidiaries established in the current year.

Subsidiary acquired through business combination not under common control:

| Full name of subsidiaries | Legal form | Place of principal operations | Place of registration | Business nature | Proportion of shareholdings (%) Proportion of voting rights (%) Direct | Indirect |
|---|---|---|---|---|---|---|
| Billion Sunny Development | — | Hong Kong | Hong Kong | Investment holding | — | 100.00 |

## 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 | 100.00 | — |
| Changyou Haoche | Limited liability company | Tianjin | Tianjin | Sales of automotive parts and components | 100.00 | — |

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

### 3. Interests in joint ventures or associates

#### (1) *Important joint ventures*

| Full name of joint venture | Place of principal operations | Place of registration | Business nature | Proportion of shareholdings (%) / Proportion of voting rights (%) Direct | Indirect | Accounting procedures for investment in joint associates |
|---|---|---|---|---|---|---|
| Automotive Finance | Tianjin | Tianjin | Automotive Finance | 94.29 | — | Equity Method |

Description on that the shareholding proportion of the joint venture is different from the proportion of voting right:

The Company holds 94.29% of the equity of Auto Finance. According to the Articles of Association, the relevant activities of Auto Finance shall be decided upon unanimous approval by the board of directors. Therefore, the Company implements joint control over Auto Finance.

## VIII. INTERESTS IN OTHER ENTITIES (continued)

### 3. Interests in joint ventures or associates (continued)

#### *(2) Important financial information of significant joint ventures*

*RMB*

| | **Closing balance/ Amount incurred from the date of lost control to the end of the year** |
|---|---|
| Cash and deposits with the central bank | 464,498,432.05 |
| Deposits with other banks | 183,979,599.16 |
| Total assets | 27,289,699,781.51 |
| Total liabilities | 23,961,042,199.49 |
| Minority interests | — |
| Equity attributable to the shareholders of the parent company | 3,328,657,582.02 |
| Share of net assets calculated based on the proportion of ownership interest | 3,138,591,234.09 |
| Adjustments | |
| – Changes in proportion of ownership interest | (12,898,384.32) |
| – Others | (13,041,494.17) |
| Carrying amount of investments in equity of joint ventures. | 3,112,651,355.60 |
| Operating income | 1,134,309,014.21 |
| Income tax expenses | 106,837,922.10 |
| Net profit | 322,098,778.63 |
| Other comprehensive income | — |
| Total comprehensive income | 322,098,778.63 |

## IX. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Major financial instruments of the Group include cash and bank balances, held-trading financial assets, accounts receivable, financing with receivables, other receivables, loans and advances to customers, equity investments, long-term receivables, investments in other equity instruments, borrowings, accounts payable, notes payable, other payables, bonds payable, etc. Detailed descriptions of these financial instruments. 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 Currency risk*

Currency risk is the risk that losses will occur because of changes in foreign exchange rates. The assets and liabilities denominated in foreign currencies which may have impact on the Group's performance as a result of currency risk are as follows:

*RMB*

| Items | 31/12/2019 | 31/12/2018 |
|---|---|---|
| Cash and bank balances | **578,788,984.45** | 170,563,688.64 |
| Held-for-trading financial assets | **76,585,824.00** | 168,875,000.00 |
| Accounts receivable | **523,220,468.89** | 170,480,719.74 |
| Accounts payable | **(41,582,710.36)** | (21,456,110.71) |
| Other payables | **(40,607,988.48)** | (82,683,782.26) |
| Short-term borrowings | **—** | (573,726,238.81) |
| Long-term borrowings | **(2,253,013,663.75)** | (1,647,805,500.00) |

The Group closely monitors the effects of changes in the foreign exchange rates on the Group's currency risk exposures. Except for the above items, currency risk is not involved in the Group's other financial instruments.

## IX. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

### 1. Objective and policies of risk management (continued)

#### *1.1 Market risk (continued)*

*1.1.1 Currency risk (continued)*

Sensitivity analysis on currency risk

Where all other variables are held constant, the effects of potential reasonable changes in other exchange rates on the profit and loss and equity interests before tax for the year are set out below:

*RMB*

| | | 2019 | |
|---|---|---|---|
| **Items** | **Change in exchange rate** | **Effect on profit** | **Effect on shareholders' equity** |
| USD | 5% increase against RMB | **17,543,238.93** | **17,543,238.93** |
| USD | 5% decrease against RMB | **(17,543,238.93)** | **(17,543,238.93)** |
| EUR | 5% increase against RMB | **(86,632,130.21)** | **(86,632,130.21)** |
| EUR | 5% decrease against RMB | **86,632,130.21** | **86,632,130.21** |
| AUD | 5% increase against RMB | **3,829,310.07** | **3,829,310.07** |
| AUD | 5% decrease against RMB | **(3,829,310.07)** | **(3,829,310.07)** |

*Note:* The potential reasonable changes in other exchange rates has limited effect on the profit and loss and equity interests before tax for the year.

## IX. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

### 1. Objective and policies of risk management (continued)

#### *1.1 Market risk (continued)*

##### *1.1.1 Currency risk (continued)*

Sensitivity analysis on currency risk (continued)

*RMB*

| | | 2018 | |
|---|---|---|---|
| **Items** | **Change in exchange rate** | Effect on profit | Effect on shareholders' equity |
| USD | 5% increase against RMB | (2,807,991.48) | (2,807,991.48) |
| USD | 5% decrease against RMB | 2,807,991.48 | 2,807,991.48 |
| EUR | 5% increase against RMB | (96,639,031.92) | (96,639,031.92) |
| EUR | 5% decrease against RMB | 96,639,031.92 | 96,639,031.92 |
| GBP | 5% increase against RMB | 25,607.94 | 25,607.94 |
| GBP | 5% decrease against RMB | (25,607.94) | (25,607.94) |
| JPY | 5% increase against RMB | (454,621.54) | (454,621.54) |
| JPY | 5% decrease against RMB | 454,621.54 | 454,621.54 |
| AUD | 5% increase against RMB | 8,458,251.33 | 8,458,251.33 |
| AUD | 5% decrease against RMB | (8,458,251.33) | (8,458,251.33) |
| CHF | 5% increase against RMB | (17,594.49) | (17,594.49) |
| CHF | 5% decrease against RMB | 17,594.49 | 17,594.49 |

*Note:* The potential reasonable changes in other exchange rates has limited effect on the profit and loss and equity interests before tax for the year.

## IX. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

### 1. Objective and policies of risk management (continued)

#### *1.1 Market risk (continued)*

*1.1.2Interest rate risk*

The Group's cash flow interest rate risk of financial instruments relates primarily to variable-rate bank borrowings (see Note VI 20 for details). It is the Group's policy to keep its borrowings at floating rate of interests and constantly pay close attention to the effect of interest rate changes on the interest rate risk exposed to the Group.

Sensitivity analysis on interest rate risk

Sensitivity analysis on interest rate risk is based on the following assumption: the changes in market interest rate may have impact on the interest or expenses of variable rate financial liabilities.

On the basis of the above assumption, the reasonably possible changes in the foreign exchange rate have limited pre-tax effect on profit or loss for the period and equity.

*RMB*

| | | 2019 | |
|---|---|---|---|
| Items | Interest rate changes | Effect on profit | Effect on shareholders' equity |
| Long-term borrowings | Increase of 100 basis points | (11,255,090.00) | (11,255,090.00) |
| Long-term borrowings | Decrease of 100 basis points | 11,255,090.00 | 11,255,090.00 |
| Short-term borrowings | Increase of 100 basis points | (3,139,290.00) | (3,139,290.00) |
| Short-term borrowings | Decrease of 100 basis points | 3,139,290.00 | 3,139,290.00 |

*1.1.3 Other price risks*

The Group's price risks mainly arise from investments in held-for-trading equity instruments. Therefore, the Group is exposed to the risks of changes in the security prices. The Group closely monitors market changes in order to reduce the price risks of equity security investments.

## IX. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

### 1. Objective and policies of risk management (continued)

#### *1.2 Credit risk*

As at 31 December 2019, 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 amounts of the respective recognized financial assets as stated in the consolidated balance sheets.

The Group only transacts with the third parties having good credit records, and most of the sales transactions are settled by receipts in advance or bank acceptances. 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's cash and bank balances are deposited in banks with high credit ratings and the acceptance bank in which financing with receivables-bank acceptances receivable are deposited with bank of relatively high credit ratings, thus cash and bank balances and financing with receivables have limited credit risk.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

As at 31 December 2019, details of credit risk on the Group's accounts receivable, other receivables and financing receivables and their expected credit losses are set out in Note VI 3, 6, and 10.

## 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.

At the end of each year, the maturity analysis for financial liabilities and lease liabilities held by the Group which is based on undiscounted remaining contractual obligations is as follows:

*RMB*

| | 31/12/2019 | | | |
|---|---|---|---|---|
| | Within 6 months | 6-12 months | Over 1 year | Total |
| Short-term borrowings | (1,142,621,552.09) | (51,147,095.00) | — | (1,193,768,647.09) |
| Notes payable | (9,712,411,540.12) | (308,484,304.40) | — | (10,020,895,844.52) |
| Accounts payable | (21,732,882,313.02) | (3,706,654,300.96) | — | (25,439,536,613.98) |
| Other payables | (1,500,976,448.07) | (980,310,369.64) | — | (2,481,286,817.71) |
| Other current liabilities | — | (2,049,683,333.33) | — | (2,049,683,333.33) |
| Long-term borrowings (due within 1 year inclusive) | (870,505,139.27) | (2,311,449,186.73) | (1,208,390,897.64) | (4,390,345,223.64) |
| Lease liabilities (due within 1 year inclusive) | (23,745,677.57) | (13,486,639.18) | (77,278,232.30) | (114,510,549.05) |

*RMB*

| | 31/12/2018 | | | |
|---|---|---|---|---|
| | Within 6 months | 6-12 months | Over 1 year | Total |
| Short-term borrowings | (4,796,348,167.45) | (8,390,842,111.11) | — | (13,187,190,278.56) |
| Notes payable | (4,205,052,695.63) | (180,795.37) | — | (4,205,233,491.00) |
| Accounts payable | (25,039,445,241.64) | (101,980,530.53) | (54,981,977.15) | (25,196,407,749.32) |
| Other payables | (1,813,565,710.54) | (1,103,131,979.07) | — | (2,916,697,689.61) |
| Long-term borrowings | (11,215,407.03) | (11,215,407.03) | (2,183,570,044.46) | (2,206,000,858.52) |

## X. DISCLOSURE OF FAIR VALUE

### 1. Closing fair value 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 details how the fair values of these financial assets are determined (in particular, the valuation techniques and input value).

*RMB*

| Items | Closing fair value | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| **I. Continuous fair value measurement** | | | | |
| (i) Financial assets at fair value through profit or loss | | | | |
| 1. Held-for-trading financial assets | | | | |
| (1) Investments in equity instrument | — | 4,081,039,347.37 | 205,067,045.75 | 4,286,106,393.12 |
| (2) Investments in equity instruments | 76,585,824.00 | — | — | 76,585,824.00 |
| (3) Derivative financial assets | — | 380,777.69 | — | 380,777.69 |
| (ii) Financial assets at fair value through other comprehensive income | | | | |
| 1. Financing with receivables – notes receivable | — | 31,445,748,809.31 | — | 31,445,748,809.31 |
| (iii) Investments in other equity instruments | — | — | 7,700,000.00 | 7,700,000.00 |
| **Total assets continuously measured at fair value** | 76,585,824.00 | 35,527,168,934.37 | 212,767,045.75 | 35,816,521,804.12 |

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

Items at level 1 of the fair value hierarchy mainly include held-for-trading financial assets, and the market price is determined based on the value of the open market stocks.

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

Items at level 2 of the fair value hierarchy mainly include held-for trading financial assets – wealth management products, forward exchange settlement and sale contracts and financing with receivables – notes receivable. Cash flow discount is adopted for valuation techniques of fair values, and the inputs are contract-linked observable inputs, forward exchange rates, observable interest rate, etc.

## X. DISCLOSURE OF FAIR VALUE (continued)

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

Items at level 3 of the fair value hierarchy mainly include held-for trading financial assets – wealth management products and investments in other equity instruments. Cash flow discount is adopted for valuation techniques of fair values of wealth management products, and the inputs are contract-linked observable inputs, expected return rate agreed in the contract and discount rate which reflects credit risk, etc. Asset-based approach is adopted for valuation techniques of fair value of investments in other equity instruments.

### 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 31 December 2019 approximate their fair values.

## 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 (Baoding Innovation Great Wall Asset Management Company Limited) | Baoding | Investment | 5,000,000,000.00 | 56.04 | 56.04 |

The ultimate controlling shareholder of the Company is Wei Jianjun.

### 2. Subsidiaries of the Company

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

### 3. Joint ventures of the Company

Details of the joint ventures of the Company are set out in Note VIII.

## XI. RELATED PARTIES AND TRANSACTIONS (continued)

### 4. Other related parties of the Company

| Name of other related parties | Relationship between other related parties and the Group |
|---|---|
| Baoding Great Wall Holding Group Co., Ltd. (保定市長城控股集團有限公司) | Company directly controlled by ultimate controlling shareholder |
| Baoding Great Wall Real Estate Development and Construction Group Co., Ltd. (保定市長城房地產開發建設集團有限公司) | Company directly controlled by ultimate controlling shareholder |
| Bochuang Urban Development Company Limited (博創城市建設開發有限公司) | Company indirectly controlled by ultimate controlling shareholder |
| Baoding Bochuang Property Service Co., Ltd. (保定市博創物業服務有限公司) | Company indirectly controlled by ultimate controlling shareholder |
| Baoding Zhong Tie Flower-plant Co., Ltd. (保定中鐵苗木花卉有限公司) | Company indirectly controlled by ultimate controlling shareholder |
| Baoding Clean Heat Supplying Co., Ltd. (保定科林供熱有限公司) | Company indirectly controlled by ultimate controlling shareholder |
| Baoding Tai Hang Pump Manufacturing Company Limited (保定市太行制泵有限公司) | Company indirectly controlled by ultimate controlling shareholder |
| Baoding Furui Landscape Co., Ltd. (保定市富瑞園林有限公司) | Company indirectly controlled by ultimate controlling shareholder |
| Baoding Great Wall Venture and Investment Co., Ltd. (保定市長城創業投資有限公司) | Company indirectly controlled by ultimate controlling shareholder |
| Baoding Bochuang Park Construction and Development Co., Ltd. (保定博創園區建設開發有限公司) | Company indirectly controlled by ultimate controlling shareholder |
| Baoding Bochuang Public Facilities Management Co., Ltd. (保定博創公共設施管理有限公司) | Company indirectly controlled by ultimate controlling shareholder |
| Baoding Wan Wei Municipal Engineering Co., Ltd. (保定市萬維市政工程有限公司) | Company indirectly controlled by ultimate controlling shareholder |
| Baoding Great Wall Kindergarten in Lianchi District (保定市蓮池區長城幼兒園) | Company indirectly controlled by ultimate controlling shareholder |
| Baoding Aihecheng Second Kindergarten in Lianchi District (保定市蓮池區愛和城二園幼兒園有限公司) | Company indirectly controlled by ultimate controlling shareholder |
| Honeycomb Energy Technology Co., Ltd (蜂巢能源科技有限公司) | Company indirectly controlled by ultimate controlling shareholder |
| Tianjin Sharing Car | Company indirectly controlled by ultimate controlling shareholder |
| Haval Rental | Company indirectly controlled by ultimate controlling shareholder |
| Oula Information | Company indirectly controlled by ultimate controlling shareholder |
| Time Technology | Company indirectly controlled by ultimate controlling shareholder |
| Shanghai Fuel Cell Vehicle Power System Co., Ltd (上海燃料電池汽車動力系統有限公司) | Company indirectly controlled by ultimate controlling shareholder |
| Baoding Clean Engineering Testing Co., Ltd. (保定科林工程檢測有限公司) | Company indirectly controlled by ultimate controlling shareholder |
| Baoding Boya Decoration Engineering Co., Ltd. (保定市博雅裝飾工程有限公司) | Company indirectly controlled by ultimate controlling shareholder |
| Baoding Great Wall Industrial Co., Ltd. (保定市長城實業有限公司) | Company indirectly controlled by ultimate controlling shareholder |
| Baoding Tai Hang Steel Structure Construction Company Limited (保定太行鋼結構工程有限公司) | Company indirectly controlled by ultimate controlling shareholder |

## XI. RELATED PARTIES AND TRANSACTIONS (continued)

### 4. Other related parties of the Company (continued)

| Name of other related parties | Relationship between other related parties and the Group |
|---|---|
| Forever Peace | Company indirectly controlled by ultimate controlling shareholder |
| Weishi Energy Technology Co., Ltd (未勢能源科技有限公司). | Company indirectly controlled by ultimate controlling shareholder |
| Wuxi Jingpu Machinery Co., Ltd. (無錫市精普機械有限公司) | Company indirectly controlled by ultimate controlling shareholder |
| Taizhou Lingying Intelligent Technology Co., Ltd. (泰州領英智能科技有限公司) | Company indirectly controlled by ultimate controlling shareholder |
| Baoding Great Wall School in Lianchi District (保定市蓮池區長城學校) | Private non-enterprise units indirectly controlled by ultimate controlling shareholder |
| Hebei Baoding Tai Hang Group Co., Ltd. (河北保定太行集團有限責任公司) | Company directly controlled by related person |
| 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 |
| Xu Hui | Key management personnel |
| Zhao Guoqing | Key management personnel |
| Yu Weina | Key management personnel |
| Han Xuejuan | Immediate relative of ultimate controlling shareholder |
| Wei Zihan | Immediate relative of ultimate controlling shareholder |
| Hebei Olive Real Estate Development Co., Ltd. (河北橄欖房地產開發有限公司) | Company directly controlled by family members closely related with ultimate controlling shareholder |
| Lingtu Auto Co., Ltd. (領途汽車有限公司) | 25% equity held by the Company |
| Automotive Finance | Joint venture of the Company |

## XI. RELATED PARTIES AND TRANSACTIONS (continued)

### 5. Related party transactions

#### (1) *Related party transactions in respect of purchases and sales of goods, receipts and rendering of services*

Purchases of goods/receipts of services:

*RMB*

| Related parties | Related party transaction | 2019 | 2018 |
|---|---|---|---|
| Honeycomb Energy Technology Company Limited | Purchase of raw materials | 833,423,668.57 | 38,326,011.65 |
| Wuxi Jingpu Machinery Co, Ltd. | Purchase of raw materials | 320,783.33 | — |
| Bochuang Urban Development Company Limited | Purchase of raw materials | 8,637.88 | 5,793.11 |
| Haval Rental | Purchase of automobiles | 128,401,201.76 | |
| Baoding Clean Heat Supplying Co., Ltd. | Purchase of steam | 92,431,460.33 | 109,261,026.08 |
| Baoding Zhong Tie Flower-plant Co., Ltd. | Purchase of other materials | — | 3,600.00 |
| Baoding Furui Landscape Co., Ltd. | Purchase of fixed assets | 10,050,779.65 | 2,460,598.82 |
| Baoding Wan Wei Municipal Engineering Co., Ltd. | Purchase of fixed assets | 458,769.00 | — |
| Haval Rental | Purchase of fixed assets | 287,256.64 | |
| Hebei Baoding Tai Hang Group Co., Ltd. | Purchase of fixed assets | — | 1,233,850.00 |
| Baoding Tai Hang Steel Structure Construction Company Limited | Purchase of fixed assets | — | 48,265.95 |
| Baoding Clean Heat Supplying Co., Ltd. | Receipts of services | 12,648,047.76 | 2,077,130.46 |
| Bochuang Urban Development Company Limited | Receipts of services | 7,876,266.16 | — |
| Haval Rental | Receipts of services | 1,869,453.20 | |
| Honeycomb Energy Technology Company Limited | Receipts of services | 646,208.03 | — |
| Baoding Bo Chuang Property Service Co., Ltd. | Receipts of services | 480,770.00 | — |
| Baoding Great Wall Real Estate Development and Construction Group Co., Ltd. | Receipts of services | 406,400.00 | 406,400.00 |
| Baoding Furui Landscape Co., Ltd. | Receipts of services | 355,333.08 | 6,648,698.20 |
| Baoding Bochuang Park Construction and Development Co., Ltd. | Receipts of services | 84,740.07 | — |
| Baoding Great Wall Holding Group Co., Ltd. | Receipts of services | 84,310.20 | — |
| Shanghai Fuel Cell Vehicle Power System Co., Ltd. | Receipts of services | 13,764.34 | — |
| Oula Information | Receipts of services | 8,881.65 | |
| Baoding Clean Engineering Testing Co., Ltd. | Receipts of services | 1,981.13 | — |
| Baoding Bochuang Public Facilities Management Co., Ltd. | Receipts of services | — | 535,793.51 |
| Baoding Great Wall School in Lianchi District | Receipts of services | — | 5,000.00 |
| Shanghai Fuel Cell Vehicle Power System Co., Ltd. | Electricity fee and rental expenses | 908,478.78 | — |
| Haval Rental | Interest expenses on borrowings | 184,992.36 | |
| Baoding Bo Chuang Property Service Co., Ltd. | Property management fee | 55,150.00 | 516,472.00 |
| Baoding Wan Wei Municipal Engineering Co., Ltd. | Expenditure for purchase of office supplies | 2,814.16 | 1,900.00 |
| Tianjin Binhai Rural Commercial Bank Co., Ltd. | Repayment of loan and interest | | 588,076,003.47 |
| Bochuang Urban Development Company Limited | Rental expenses and others | — | 6,026,824.97 |
| Hebei Baoding Tai Hang Group Co., Ltd. | Material fee | — | 800.00 |

## XI. RELATED PARTIES AND TRANSACTIONS (continued)

### 5. Related party transactions (continued)

#### (1) *Related party transactions in respect of purchases and sales of goods, receipts and rendering of services (continued)*

Sales of goods/Rendering of services:

*RMB*

| Related parties | Related party transaction | 2019 | 2018 |
|---|---|---|---|
| Oula Information | Sales of automobiles | 187,145,441.10 | |
| Bochuang Urban Development Company Limited | Sales of automobiles | 80,088.50 | 199,896.55 |
| Baoding Bochuang Park Construction and Development Co., Ltd. | Sales of automobiles | 79,469.03 | — |
| Haval Rental | Sales of automobiles | 50,265.49 | |
| Han Xuejuan | Sales of automobiles | — | 205,025.86 |
| Wei Zihan | Sales of automobiles | — | 205,025.86 |
| Honeycomb Energy Technology Company Limited | Sales of parts and components | 26,868,650.40 | 28,735.19 |
| Lingtu Auto Co., Ltd. | Sales of parts and components | 29,112.00 | — |
| Weishi Energy Technology Co., Ltd. | Sales of parts and components | 2,349.57 | — |
| Bochuang Urban Development Company Limited | Sales of fixed assets | 11,178.20 | 124,137.93 |
| Tianjin Sharing Car | Sales of fixed assets | 4,531.88 | |
| Baoding Clean Heat Supplying Co., Ltd. | Sales of fixed assets | 275.64 | — |
| Honeycomb Energy Technology Company Limited | Sales of fixed assets | (138,143.59) | 47,700,778.57 |
| Zhao Guoqing | Sales of fixed assets | — | 67,586.21 |
| Baoding Furui Landscape Co., Ltd. | Sales of fixed assets | — | 41,777.78 |
| Honeycomb Energy Technology Company Limited | Sales of other goods and materials | 79,208,595.40 | 164,352,930.59 |
| Bochuang Urban Development Company Limited | Sales of other goods and materials | 873,133.49 | — |
| Tianjin Sharing Car | Sales of other goods and materials | 9,911.83 | |
| Hebei Baoding Tai Hang Group Co., Ltd. | Sales of other goods and materials | 6,053.10 | — |
| Automotive Finance | Rendering of services | 27,696,072.93 | |
| Honeycomb Energy Technology Company Limited | Rendering of services | 25,049,593.73 | 2,890,227.38 |
| Weishi Energy Technology Co., Ltd. | Rendering of services | 5,118,604.88 | — |
| Haval Rental | Rendering of services | 1,809,657.67 | |
| Oula Information | Rendering of services | 739,206.98 | |
| Tianjin Sharing Car | Rendering of services | 239,163.05 | |
| Hebei Baocang Expressway Co., Ltd. | Rendering of services | 64,195.68 | 60,130.30 |
| Lingtu Auto Co., Ltd. | Rendering of services | 51,231.85 | 331,133.50 |
| Baoding Bochuang Park Construction and Development Co., Ltd. | Rendering of services | 30,008.28 | 5,765.71 |
| Baoding Clean Heat Supplying Co., Ltd. | Rendering of services | 16,645.85 | 11,613.20 |

## XI. RELATED PARTIES AND TRANSACTIONS (continued)

### 5. Related party transactions (continued)

#### (1) *Related party transactions in respect of purchases and sales of goods, receipts and rendering of services (continued)*

Sales of goods/Rendering of services: (continued)

*RMB*

| Related parties | Related party transaction | 2019 | 2018 |
|---|---|---|---|
| Forever Peace | Rendering of services | 8,490.57 | |
| Hebei Baoding Tai Hang Group Co., Ltd. | Rendering of services | 6,878.30 | 3,333.96 |
| Baoding Clean Engineering Testing Co., Ltd. | Rendering of services | 3,660.38 | 3,844.34 |
| Baoding Great Wall Industrial Co., Ltd. | Rendering of services | 1,698.11 | — |
| Time Technology | Rendering of services | 911.31 | |
| Baoding Great Wall Venture and Investment Co., Ltd. | Rendering of services | 877.36 | 212.26 |
| Baoding Great Wall Kindergarten in Lianchi District | Rendering of services | 424.53 | — |
| Bochuang Urban Development Company Limited | Rendering of services | 275.23 | 11,037.74 |
| Baoding Aihecheng Second Kindergarten in Lianchi District | Rendering of services | 169.81 | — |
| Baoding Great Wall School in Lianchi District | Rendering of services | — | 5,858.49 |
| Baoding Furui Landscape Co., Ltd. | Rendering of services | — | 3,349.34 |
| Baoding Wan Wei Municipal Engineering Co., Ltd. | Rendering of services | — | 2,122.64 |
| Baoding Bo Chuang Property Service Co., Ltd. | Rendering of services | — | 2,037.74 |
| Baoding Boya Decoration Engineering Co., Ltd. | Rendering of services | — | 297.17 |
| Baoding Great Wall Holding Group Co., Ltd. | Rendering of services | — | 254.72 |
| Baoding Innovation Great Wall Asset Management Company Limited | Rendering of services | — | 212.26 |
| Baoding Great Wall Real Estate Development and Construction Group Co., Ltd. | Rendering of services | — | 169.81 |
| Honeycomb Energy Technology Company Limited | Rental income | 10,682,638.20 | — |
| Haval Rental | Rental income | 323,280.96 | |
| Automotive Finance | Rental income | 224,155.58 | |
| Oula Information | Rental income | 123,005.88 | |
| Baoding Great Wall Industrial Co., Ltd. | Rental income | 53,437.76 | — |
| Time Technology | Rental income | 14,251.48 | |
| Baoding Great Wall Venture and Investment Co., Ltd. | Rental income | 10,700.92 | 10,603.64 |
| Baoding Bochuang Park Construction and Development Co., Ltd. | Rental income | 6,411.76 | — |
| Baoding Great Wall Holding Group Co., Ltd. | Rental income | 3,018.21 | — |
| Baoding Clean Heat Supplying Co., Ltd. | Rental income | — | 30,769.24 |
| Xu Hui | Rental income | — | 25,000.00 |
| Zhao Guoqing | Rental income | — | 10,041.83 |
| Yu Weina | Rental income | — | 6,172.75 |
| Automotive Finance | Interest income from deposits | 162,170,250.30 | |
| Baoding Great Wall School in Lianchi District | Heating fee | 1,181,692.29 | 551,813.72 |

## XI. RELATED PARTIES AND TRANSACTIONS (continued)

### 5. Related party transactions (continued)

#### *(2) Remunerations for key management personnel*

*RMB*

| Item | 2019 | 2018 |
|---|---|---|
| Remunerations for key management personnel | **23,256,727.94** | 28,087,988.93 |

Key management personnel are the individuals who are authorized and responsible for planning, supervision and control of corporate activities, including directors, general manager, chief accounting officer, deputy general managers, and other administration officers.

*(a) Remunerations for independent non-executive directors*

Remunerations for independent non-executive directors for the current year:

*RMB'000*

| | 2019 | 2018 |
|---|---|---|
| Ma Lihui | **60** | 60 |
| Li Wanjun | **60** | 60 |
| Wu Zhijie | **136** | 151 |
| Total | **256** | 271 |

The above remunerations for the independent non-executive directors are their remunerations for services as directors of the Company. There is no other remuneration payable to the independent non-executive directors for the current year (2018: nil).

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

*RMB'000*

| 2019 | Emolument | Salaries, bonus, subsidies and welfare in kind | Retirement benefit contributions | Total remunerations |
|---|---|---|---|---|
| Executive directors: | | | | |
| Wei Jianjun | — | **5,716** | **29** | **5,745** |
| Wang Fengying | — | **5,482** | **29** | **5,511** |
| Yang Zhijuan | — | **595** | — | **595** |
| Non-executive directors: | | | | |
| He Ping | **60** | — | — | **60** |
| Supervisors: | | | | |
| Luo Jinli *(Note 1)* | **8** | — | — | **8** |
| Zong Yixiang | **21** | — | — | **21** |
| Chen Biao | — | **584** | **26** | **610** |
| Liu Qian *(Note 2)* | **13** | — | — | **13** |
| Total | **102** | **12,377** | **84** | **12,563** |

## XI. RELATED PARTIES AND TRANSACTIONS (continued)

### 5. Related party transactions (continued)

#### *(2) Remunerations for key management personnel (continued)*

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

*RMB'000*

| 2018 | Emolument | Salaries, bonus, subsidies and welfare in kind | Retirement benefit contributions | Total remunerations |
|---|---|---|---|---|
| Executive directors: | | | | |
| Wei Jianjun | — | 5,607 | 24 | 5,631 |
| Wang Fengying | — | 5,379 | 24 | 5,403 |
| Yang Zhijuan | — | 595 | — | 595 |
| Non-executive directors: | | | | |
| He Ping | 60 | — | — | 60 |
| Supervisors: | | | | |
| Luo Jinli | 21 | — | — | 21 |
| Zong Yixiang | 21 | — | — | 21 |
| Chen Biao | — | 563 | 20 | 583 |
| Total | 102 | 12,144 | 68 | 12,314 |

*Note 1:* Luo Jinli resigned as the Company's supervisor in May 2019.

*Note 2:* Liu Qian was appointed as the Company's supervisor in May 2019.

The above remunerations are the compensation to the executive directors for their services as the Company's management personnel.

During the current year, neither the directors nor the supervisors waive or agree to waive any remuneration. The Group has not paid any remuneration to directors or supervisors as a reward for joining the Group or after joining the Group or as compensation for lost jobs.

## XI. RELATED PARTIES AND TRANSACTIONS (continued)

### 5. Related party transactions (continued)

#### (2) *Remunerations for key management personnel (continued)*

(c) *Top five highest paid employees*

Of the five highest paid employees in the Group, remunerations for two (2018: two) highest paid employees are shown in the above table and remunerations for the other three (2018: three) highest paid employees are analyzed below:

*RMB'000*

| | 2019 | 2018 |
|---|---|---|
| Salaries, bonus, subsidies and welfare in kind | **9,529** | 11,113 |
| Retirement benefit contributions | **88** | 73 |
| Total | **9,617** | 11,186 |

The number of employees whose remunerations are ranged as follows:

| | 2019 | 2018 |
|---|---|---|
| HK$ nil to HK$1,000,000 (equivalent to RMB nil to RMB895,781) | — | — |
| HK$1,000,001 to HK$1,500,000 (equivalent to RMB895,781 to RMB1,343,671) | — | — |
| HK$1,500,001 to HK$2,000,000 (equivalent to RMB1,343,671 to RMB1,791,561) | — | — |
| HK$2,000,001 to HK$2,500,000 (equivalent to RMB1,791,561 to RMB2,239,451) | — | — |
| HK$2,500,001 to HK$3,000,000 (equivalent to RMB2,239,451 to RMB2,687,341) | **1** | — |
| HK$3,000,001 to HK$3,500,000 (equivalent to RMB2,687,341 to RMB3,135,231) | **1** | 1 |
| HK$3,500,001 to HK$4,000,000 (equivalent to RMB3,135,231 to RMB3,583,121) | — | — |
| HK$4,000,001 to HK$4,500,000 (equivalent to RMB3,583,121 to RMB4,031,011) | — | — |
| HK$4,500,001 to HK$5,000,000 (equivalent to RMB4,031,011 to RMB4,478,901) | **1** | 2 |

## XI. RELATED PARTIES AND TRANSACTIONS (continued)

### 5. Related party transactions (continued)

#### *(3) Other related party transactions*

*(a) Equity transactions*

During the current year, the Company has transferred its 100% equity of the Company's subsidiary Tianjin Sharing Car and its wholly-owned subsidiary to the Company's related party Baoding Great Wall Holding Group Co., Ltd. at the cash consideration of RMB464,180,000.00.

During the current year, the Company has transferred its 100% equity of the Company's subsidiaries Xiong'an Oula and Forever Peace to the Company's related party Tianjin Sharing Car at the cash consideration of RMB70,000.00 and RMB7,500,000.00, respectively.

During the current year, the Company has acquired 100% equity of Changyou Haoche from its related party Baoding Great Wall Holding Group Co., Ltd. at the cash consideration of RMB19,979,360.00.

*(b) Deposits with related parties*

Movement in the principal amount of deposits with related parties is as follows:

*RMB*

| Related party | 31/12/2018 | Increase due to changes in the consolidated scope for the current year | Deposits for the current year | 31/12/2019 |
|---|---|---|---|---|
| Automotive Finance | | 7,190,000,000.00 | 1,100,000,000.00 | **8,290,000,000.00** |

*(c) Borrowings from related parties*

*RMB*

| Related party | Borrowing amount | Inception date | Maturity date |
|---|---|---|---|
| Haval Rental | 299,987,600.00 | 2019/12/20 | 2019/12/26 |

## XI. RELATED PARTIES AND TRANSACTIONS (continued)

### 6. Amounts due to/from related parties

*RMB*

| Items | Related parties | 31/12/2019 | 31/12/2018 |
|---|---|---|---|
| Accounts receivable | Honeycomb Energy Technology Company Limited | **52,429,698.59** | 1,815,345.22 |
| Accounts receivable | Weishi Energy Technology Co., Ltd. | **5,243,638.13** | — |
| Accounts receivable | Bochuang Urban Development Company Limited | **309,786.20** | — |
| Accounts receivable | Tianjin Sharing Car | **81,260.52** | — |
| Accounts receivable | Lingtu Auto Co., Ltd. | **10,400.00** | 343,000.00 |
| Accounts receivable | Baoding Bochuang Park Construction and Development Co., Ltd. | **2,620.82** | — |
| Accounts receivable | Baoding Clean Heat Supplying Co., Ltd. | — | 23,794.88 |
| Accounts receivable | Hebei Baocang Expressway Co., Ltd. | — | 9,423.55 |
| Sub-total of accounts receivable: | | **58,077,404.26** | 2,191,563.65 |
| Other receivables | Hebei Olive Real Estate Development Co., Ltd. | **23,615,026.38** | |
| Other receivables | Automotive Finance | **12,112,875.13** | — |
| Other receivables | Bochuang Urban Development Company Limited | **2,075,800.00** | 2,075,800.00 |
| Other receivables | Haval Rental | **38,582.62** | — |
| Other receivables | Shanghai Fuel Cell Vehicle Power System Co., Ltd. | **17,933.00** | — |
| Other receivables | Baoding Clean Heat Supplying Co., Ltd. | **311.47** | — |
| Sub-total of other receivables: | | **37,860,528.60** | 2,075,800.00 |
| Prepayments | Shanghai Fuel Cell Vehicle Power System Co., Ltd. | **134,802.79** | — |
| Prepayments | Oula Information | **76,165.69** | — |
| Prepayments | Tianjin Sharing Car | **28,647.72** | — |
| Prepayments | Haval Rental | **16,843.33** | — |
| Prepayments | Baoding Furui Landscape Co., Ltd. | **10,672.98** | 12,865.00 |
| Prepayments | Bochuang Urban Development Company Limited | **0.57** | — |
| Prepayments | Tianjin Binhai Rural Commercial Bank Co., Ltd. | | 25,003.02 |
| Sub-total of prepayments: | | **267,133.08** | 37,868.02 |

## XI. RELATED PARTIES AND TRANSACTIONS (continued)

### 6. Amounts due to/from related parties (continued)

*RMB*

| Items | Related parties | 31/12/2019 | 31/12/2018 |
|---|---|---|---|
| Financing with receivables | Honeycomb Energy Technology Company Limited | **44,005.18** | — |
| Sub-total of financing with receivables: | | **44,005.18** | — |
| Other current assets | Automotive Finance | **8,436,276,381.57** | — |
| Sub-total of other current assets: | | **8,436,276,381.57** | — |
| Bank deposits | Tianjin Binhai Rural Commercial Bank Co., Ltd. | | 683,926.23 |
| Sub-total of bank deposits: | | — | 683,926.23 |
| Long-term receivables | Hebei Olive Real Estate Development Co., Ltd. | **783,830.80** | |
| Sub-total of long-term receivables: | | **783,830.80** | — |
| Accounts payable | Honeycomb Energy Technology Company Limited | **111,416,295.90** | 42,683,945.31 |
| Accounts payable | Baoding Clean Heat Supplying Co., Ltd. | **4,145,382.66** | 495,075.00 |
| Accounts payable | Wuxi Jingpu Machinery Co, Ltd. | **362,485.18** | — |
| Accounts payable | Hebei Baoding Tai Hang Group Co., Ltd. | **132,007.80** | 132,007.80 |
| Accounts payable | Haval Rental | **79,787.40** | — |
| Accounts payable | Baoding Great Wall Holding Group Co., Ltd. | **77,726.23** | — |
| Accounts payable | Bochuang Urban Development Company Limited | — | 5,793.11 |
| Sub-total of accounts payable: | | **116,213,685.17** | 43,316,821.22 |

## XI. RELATED PARTIES AND TRANSACTIONS (continued)

### 6. Amounts due to/from related parties (continued)

*RMB*

| Items | Related parties | 31/12/2019 | 31/12/2018 |
|---|---|---|---|
| Other payables | Haval Rental | **1,604,507.29** | — |
| Other payables | Bochuang Urban Development Company Limited | **30,000.00** | — |
| Other payables | Tianjin Sharing Car | **28,647.72** | — |
| Other payables | Baoding Wan Wei Municipal Engineering Co., Ltd. | **4,477.74** | — |
| Other payables | Baoding Furui Landscape Co., Ltd. | **4,035.00** | 2,633,731.70 |
| Other payables | Baoding Clean Heat Supplying Co., Ltd. | **3,827.04** | — |
| Other payables | Honeycomb Energy Technology Company Limited | **1,599.11** | — |
| Other payables | Baoding Tai Hang Pump Manufacturing Company Limited | **1,000.00** | 1,000.00 |
| Other payables | Baoding Great Wall Holding Group Co., Ltd. | **720.00** | — |
| Other payables | Yu Weina | **200.00** | — |
| Sub-total of other payables: | | **1,679,013.90** | 2,634,731.70 |
| Contract liabilities | Taizhou Lingying Intelligent Technology Co., Ltd. | **8,325,630.00** | — |
| Contract liabilities | Haval Rental | **179,761.14** | — |
| Contract liabilities | Bochuang Urban Development Company Limited | **39,460.33** | — |
| Contract liabilities | Honeycomb Energy Technology Company Limited | — | 5,880,000.00 |
| Contract liabilities | Yu Weina | — | 5,982.91 |
| Sub-total of Contract liabilities: | | **8,544,851.47** | 5,885,982.91 |

## XII. COMMITMENTS

### 1. Significant commitments

***Capital commitments***

*RMB'000*

| | 31/12/2019 | 31/12/2018 |
|---|---|---|
| Contracted for but not provided | | |
| – Purchase of long-term asset commitment | **3,643,298** | 4,108,444 |
| – Investment commitment | **550,000** | – |
| Total | **4,193,298** | 4,108,444 |

## XIII. EVENTS AFTER THE BALANCE SHEET DATE

### 1. Assessment of impact of the novel coronavirus epidemic

Since the outbreak of the novel coronavirus (the "COVID-19") from January 2020 nationwide, the Group positively responds to and strictly implements the call of the party and the state for dealing with the epidemic. The Group anticipates that the epidemic and prevention and control measures will have a certain temporary impact on the production and operation of the Group. The extent of such impact is dependent upon the progress of epidemic prevention and control, duration and implementation of prevention and control policies in various regions.

The Group will continue to pay close attention to the development of the epidemic, evaluate the related impact on the Company's financial positions and results of operations with active responses. As at the reporting date of the financial statements, no significant adverse impact has been identified.

## XIV. 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.

Revenue from external customers by location of revenue sources:

*RMB*

| **Items** | **2019** | 2018 |
|---|---|---|
| Revenue from external customers in China | **90,688,477,677.13** | 95,915,540,820.51 |
| Revenue from external customers in other countries | **5,522,211,141.67** | 3,314,446,381.69 |
| Total | **96,210,688,818.80** | 99,229,987,202.20 |

The Group's major non-current assets required to be disclosed in the segment reporting including fixed assets, investment properties, etc. are all located in the PRC.

The Group is not dependent upon one or several important customers.

## XV. NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY

### 1. Cash and bank balances

*RMB*

| Items | 31/12/2019 | 31/12/2018 |
|---|---|---|
| **Cash:** | | |
| RMB | **127,940.51** | 213,570.80 |
| GBP | **14,761.12** | 13,996.62 |
| HKD | **7,045.67** | 7,497.99 |
| USD | **3,591.77** | 3,533.59 |
| JPY | **1,935.97** | 1,869.54 |
| SGD | **1,609.08** | 1,556.93 |
| RUB | **64.49** | 56.49 |
| KRW | **42.87** | 43.51 |
| THB | **30.26** | 27.43 |
| **Bank balances:** | | |
| RMB | **4,665,969,398.13** | 11,193,581,348.06 |
| USD | **202,607,108.96** | 34,840,770.91 |
| EUR | **6,418,357.14** | 6,039,765.55 |
| JPY | **1,263,376.15** | 287,655.05 |
| GBP | **146,977.32** | 561,324.89 |
| CHF | **36,213.81** | — |
| HKD | **840.47** | 54,382.97 |
| AUD | — | 286,394.73 |
| **Other cash and bank balances:** | | |
| RMB | **44,262,199.04** | 379,050,715.25 |
| Total | **4,920,861,492.76** | 11,614,944,510.31 |
| Including: overseas cash and bank balances | — | — |

As at 31 December 2019, the Company had restricted cash and bank balances of RMB44,262,199.04, among which security and margin deposits for bank acceptances amounted to RMB31,910,949.04 and security and margin deposits for on letters of credit amounted to RMB12,351,250.00.

As at 31 December 2018, the Company had restricted cash and bank balances of RMB379,050,715.25, among which security and margin deposits for bank acceptances amounted to RMB372,128,503.84 and the other guarantees amounted to RMB6,922,211.41.

## XV. NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (continued)

### 2. Accounts receivable

#### (1) *Disclosed by aging:*

*RMB*

| Aging | 31/12/2019 Amount | 31/12/2019 Credit loss provision | 31/12/2019 Proportion (%) | 31/12/2018 Amount | 31/12/2018 Credit loss provision | 31/12/2018 Proportion (%) |
|---|---|---|---|---|---|---|
| Within 1 year | **7,643,812,566.08** | **(5,559,821.23)** | **0.07** | 9,867,543,648.28 | (40,726,645.21) | 0.41 |
| 1 to 2 years | **1,064,433,524.15** | **(130,000.00)** | **0.01** | 154,937,935.46 | — | — |
| 2 to 3 years | **26,346,453.86** | — | — | 314,940.26 | — | — |
| Over 3 years | **339,668,300.25** | **(339,668,300.25)** | **100.00** | 335,734,907.42 | (334,166,376.86) | 99.53 |
| Total | **9,074,260,844.34** | **(345,358,121.48)** | **3.81** | 10,358,531,431.42 | (374,893,022.07) | 3.62 |

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

#### (2) *Disclosed by classification of credit loss provision method*

*RMB*

| Category | 31/12/2019 Carrying amount Amount | Ratio (%) | Credit loss provision Amount | Ratio (%) | Book value | 31/12/2018 Carrying amount Amount | Ratio (%) | Credit loss provision Amount | Ratio (%) | Book value |
|---|---|---|---|---|---|---|---|---|---|---|
| Credit loss provision assessed by portfolios | **9,074,260,844.34** | **100.00** | **(345,358,121.48)** | **3.81** | **8,728,902,722.86** | 10,358,531,431.42 | 100.00 | (374,893,022.07) | 3.62 | 9,983,638,409.35 |
| Total | **9,074,260,844.34** | **100.00** | **(345,358,121.48)** | | **8,728,902,722.86** | 10,358,531,431.42 | 100.00 | (374,893,022.07) | | 9,983,638,409.35 |

Description of the accounts receivable for which credit loss provision has been assessed by portfolios:

As part of the Company's credit risk management, the Company assesses the expected credit losses for various categories of accounts receivable based on their credit periods and overdue aging.

## XV. NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (continued)

### 2. Accounts receivable (continued)

#### (2) *Disclosed by classification of credit loss provision method (continued)*

Credit risk on the accounts receivable and their expected credit losses are as follows:

*RMB*

| | 31/12/2019 | | | | 31/12/2018 | | | |
|---|---|---|---|---|---|---|---|---|
| Aging | Expected average loss rate | Carrying amount | Credit loss provision | Book value | Expected average loss rate | Carrying amount | Credit loss provision | Book value |
| Within the credit period | — | 8,726,586,246.12 | — | 8,726,586,246.12 | — | 9,880,606,057.20 | — | 9,880,606,057.20 |
| Overdue for 1-180 days | 50.00% | 4,633,153.45 | (2,316,676.71) | 2,316,476.74 | 19.15% | 127,437,184.02 | (24,404,831.87) | 103,032,352.15 |
| Overdue for over 180 days | 100.00% | 343,041,444.77 | (343,041,444.77) | — | 100.00% | 350,488,190.20 | (350,488,190.20) | — |
| Total | | 9,074,260,844.34 | (345,358,121.48) | 8,728,902,722.86 | | 10,358,531,431.42 | (374,893,022.07) | 9,983,638,409.35 |

#### (3) *Provision, recovery or reversal of credit loss provision during the current year:*

*RMB*

| | 2019 | | |
|---|---|---|---|
| Credit loss provision | Lifetime ECL (not credit-impaired) | Lifetime ECL (credit-impaired) | Total |
| Balance at 1 January 2019 | (40,726,645.21) | (334,166,376.86) | (374,893,022.07) |
| –Transfer to credit impairment occurred | 16,321,813.34 | (16,321,813.34) | — |
| Provision | (2,306,676.72) | (7,681,499.40) | (9,988,176.12) |
| Reversals | 24,394,831.88 | 15,128,244.83 | 39,523,076.71 |
| Write-off | — | — | — |
| Balance at 31 December 2019 | (2,316,676.71) | (343,041,444.77) | (345,358,121.48) |

#### (4) *Top five entities with the largest balances of accounts receivable:*

*RMB*

| Name of entity | Closing balance | Proportion of the amount to the total accounts receivable (%) | Closing balance of credit loss provision |
|---|---|---|---|
| Customer 1 | 2,176,962,652.45 | 23.99 | — |
| Customer 2 | 1,389,897,687.23 | 15.32 | — |
| Customer 3 | 1,181,260,229.31 | 13.02 | — |
| Customer 4 | 774,131,706.38 | 8.53 | — |
| Customer 5 | 605,506,315.05 | 6.67 | — |
| Total | 6,127,758,590.42 | 67.53 | — |

## XV. NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (continued)

### 3. Financing with receivables

***Notes receivable***

*(1) Classification of notes receivable:*

*RMB*

| Category | 31/12/2019 | 31/12/2018 |
|---|---|---|
| Bank acceptances | **22,693,259,949.61** | 31,541,372,945.94 |
| Commercial acceptances | **323,617.74** | — |
| Total | **22,693,583,567.35** | 31,541,372,945.94 |

*Note:* The Company classifies notes receivable as financial assets at fair value through other comprehensive income.

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

*RMB*

| Category | 31/12/2019 | 31/12/2018 |
|---|---|---|
| Bank acceptances | **2,866,198,741.85** | 5,659,195,109.85 |
| Total | **2,866,198,741.85** | 5,659,195,109.85 |

*Note*: The Company pledges the notes receivable for the issuance of notes payable at the end of the current year.

*(3) Notes endorsed and discounted by the Company to other parties but yet mature by the end of the year:*

*RMB*

| Category | 31/12/2019 | 31/12/2018 |
|---|---|---|
| Bank acceptances | **28,861,727,872.99** | 17,425,770,974.44 |
| Total | **28,861,727,872.99** | 17,425,770,974.44 |

The above notes endorsed and discounted but yet mature have all been derecognized.

The Company considers that the bank acceptances are deposited in the acceptance banks with high credit ratings and there is no significant credit risk, therefore, loss provision is not made.

## XV. NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (continued)

### 4. Other receivables

#### *4.1 Summary of other receivables*

*RMB*

| Category | 31/12/2019 | 31/12/2018 |
|---|---|---|
| Interest receivable | **133,647.80** | 145,581,547.72 |
| Dividends receivable | **40,909,496.69** | 13,211,499.87 |
| Other receivables | **3,544,541,041.84** | 824,495,828.77 |
| Total | **3,585,584,186.33** | 983,288,876.36 |

#### *4.2 Other receivables*

*(1) Disclosed by aging:*

*RMB*

| Aging | 31/12/2019 Amount | 31/12/2019 Credit loss provision | 31/12/2019 Ratio (%) | 31/12/2018 Amount | 31/12/2018 Credit loss provision | 31/12/2018 Ratio (%) |
|---|---|---|---|---|---|---|
| Within 1 year | **3,422,338,474.65** | **—** | **—** | 525,220,303.10 | (208,088.00) | 0.04 |
| 1 to 2 years | **83,994,921.25** | **(169,838.00)** | **0.20** | 287,089,158.67 | — | — |
| 2 to 3 years | **26,241,981.11** | **—** | **—** | 5,691,473.59 | (5,397,354.12) | 94.83 |
| Over 3 years | **12,135,502.83** | **—** | **—** | 12,100,335.53 | — | — |
| Total | **3,544,710,879.84** | **(169,838.00)** | **—** | 830,101,270.89 | (5,605,442.12) | 0.68 |

*(2) Disclosed by nature are as follows:*

*RMB*

| Nature of other receivables | Carrying amount at 31/12/2019 | Carrying amount at 31/12/2018 |
|---|---|---|
| Proceeds from land transfer | **351,079,822.38** | 206,310,216.00 |
| Current amounts | **160,572,327.04** | — |
| Tax refunds | **22,420,633.40** | — |
| Security and margin deposits | **32,599,173.61** | 33,632,296.98 |
| Deposits | **20,880,187.49** | 16,087,949.04 |
| Others | **2,957,158,735.92** | 574,070,808.87 |
| Total | **3,544,710,879.84** | 830,101,270.89 |

## XV. NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (continued)

### 4. Other receivables (continued)

#### *4.2 Other receivables (continued)*

*(3) Assessment of credit loss provision:*

*RMB*

| | 31/12/2019 | | | | 31/12/2018 | | | |
|---|---|---|---|---|---|---|---|---|
| Aging | Expected average loss rate | Carrying amount | Credit loss provision | Book value | Expected average loss rate | Carrying amount | Credit loss provision | Book value |
| Within the credit period | — | 3,544,541,041.84 | — | 3,544,541,041.84 | 0.02% | 824,665,666.77 | (169,838.00) | 824,495,828.77 |
| Overdue for 1-180 days | — | — | — | — | — | — | — | — |
| Overdue for over 180 days | 100.00% | 169,838.00 | (169,838.00) | — | 100.00% | 5,435,604.12 | (5,435,604.12) | — |
| Total | | 3,544,710,879.84 | (169,838.00) | 3,544,541,041.84 | | 830,101,270.89 | (5,605,442.12) | 824,495,828.77 |

The Company determines the expected credit losses of the other receivables based on the historical experience data and forward-looking information. In 2019 and 2018, the Company's assessment method and significant assumptions have remained unchanged.

*(4) Credit loss provision:*

*RMB*

| Credit loss provision | Phase 1 Future 12-month ECL | Phase 2 Lifetime ECL (not credit-impaired) | Phase 3 Lifetime ECL (credit-impaired) | Total |
|---|---|---|---|---|
| Balance at 1 January 2019 | — | (38,250.00) | (5,567,192.12) | (5,605,442.12) |
| Carrying amounts of other receivables at 1 January 2019 | | | | |
| Provision | — | — | — | — |
| Reversals | — | — | — | — |
| Write-off | — | 38,250.00 | 5,397,354.12 | 5,435,604.12 |
| Balance at 31 December 2019 | — | — | (169,838.00) | (169,838.00) |

## XV. NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (continued)

### 4. Other receivables (continued)

#### *4.2 Other receivables (continued)*

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

*RMB*

| Name of unit | Nature of amounts | Amount | Aging | Proportion of the amount to the total other receivables (%) | Closing balance of credit loss provision |
|---|---|---|---|---|---|
| Entity 1 | Current amounts within the Group | 1,701,282,512.76 | Within 1 year | 47.99 | — |
| Entity 2 | Current amounts within the Group | 485,629,113.55 | Within 1 year | 13.70 | — |
| Entity 3 | Current amounts within the Group | 399,765,150.51 | Within 1 year | 11.28 | — |
| Entity 4 | Proceeds from transfer of land | 327,464,796.00 | Within 1 year, 1 to 2 years | 9.24 | — |
| Entity 5 | Current amounts | 160,572,327.04 | Within 1 year | 4.53 | — |
| Total | | 3,074,713,899.86 | | 86.74 | — |

The Company has no other receivables related to government grants.

## XV. NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (continued)

### 5. Inventories

#### (1) *Categories of inventories*

*RMB*

| Items | 31/12/2019 Carrying amount | Provision for decline in value | Book value |
|---|---|---|---|
| Raw materials | **552,019,989.22** | **(6,077,911.79)** | **545,942,077.43** |
| Work-in-progress | **495,837,371.90** | **(1,033,121.26)** | **494,804,250.64** |
| Finished goods | **2,452,239,371.64** | **(31,951,796.07)** | **2,420,287,575.57** |
| Low-valued and short-lived consumables | **179,938,321.25** | **(2,623,440.54)** | **177,314,880.71** |
| Total | **3,680,035,054.01** | **(41,686,269.66)** | **3,638,348,784.35** |

*RMB*

| Items | Carrying amount | 31/12/2018 Provision for decline in value | Book value |
|---|---|---|---|
| Raw materials | 1,349,149,364.13 | (40,869,581.02) | 1,308,279,783.11 |
| Work-in-progress | 586,065,943.88 | (2,829,205.29) | 583,236,738.59 |
| Finished goods | 1,128,952,245.52 | (24,864,641.96) | 1,104,087,603.56 |
| Low-valued and short-lived consumables | 300,816,246.34 | (6,491.40) | 300,809,754.94 |
| Total | 3,364,983,799.87 | (68,569,919.67) | 3,296,413,880.20 |

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

*RMB*

| Types of inventories | 31/12/2018 | Provision | Decrease for the year Reversals | Write-off | 31/12/2019 |
|---|---|---|---|---|---|
| Raw materials | 40,869,581.02 | 8,975,861.35 | (1,757,013.57) | (42,010,517.01) | **6,077,911.79** |
| Work-in-progress | 2,829,205.29 | 1,529,818.37 | (257,725.37) | (3,068,177.03) | **1,033,121.26** |
| Finished goods | 24,864,641.96 | 100,112,969.98 | (397,462.46) | (92,628,353.41) | **31,951,796.07** |
| Low-valued and short-lived consumables | 6,491.40 | 5,432,573.76 | (2,815,624.62) | — | **2,623,440.54** |
| Total | 68,569,919.67 | 116,051,223.46 | (5,227,826.02) | (137,707,047.45) | **41,686,269.66** |

## XV. NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (continued)

### 5. Inventories (continued)

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

| Items | Basis of provision for decline in value of inventories | Reasons for reversal or written-off of provision for decline in value of inventories during the year | Percentage of the reversal to the closing balance of the inventory during the year (%) |
|---|---|---|---|
| Raw materials | Note 1 | Note 2 | 0.32 |
| Work-in-progress | Note 1 | Note 2 | 0.05 |
| Finished goods | Note 1 | Note 2 | 0.02 |
| Low-valued and short-lived consumables | Note 1 | Note 2 | 1.56 |

Description 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, finished goods and low-valued and short-lived consumables 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.

### 6. Other current assets

Breakdown of other current assets:

*RMB*

| Items | 31/12/2019 | 31/12/2018 |
|---|---|---|
| Paint for vehicles | **4,079,406.48** | 3,852,766.38 |
| Taxes to be deducted | **333,626,230.95** | 36,734,783.29 |
| Mould *(Note 1)* | **35,391,984.65** | 45,747,213.31 |
| Prepayment of enterprise income tax | **576,740.99** | 61,993,649.24 |
| Structured deposits | **1,700,000,000.00** | 1,200,000,000.00 |
| Deposits in non-bank financial institutions *(Note 2)* | **8,436,276,381.57** | — |
| Others | **7,550,973.97** | 10,572,737.43 |
| Total | **10,517,501,718.61** | 1,358,901,149.65 |

*Note 1:* The estimated use term is less than one year.

*Note 2:* The deposits in non-bank financial institutions represent the amounts deposited by the Company in Automotive Finance.

## XV. NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (continued)

### 7. Long-term equity investments

Breakdown of long-term equity investments:

*RMB*

| Items | 31/12/2019 Carrying amount | 31/12/2019 Impairment provision | 31/12/2019 Book value | 31/12/2018 Carrying amount | 31/12/2018 Impairment provision | 31/12/2018 Book value |
|---|---|---|---|---|---|---|
| Investments in subsidiaries | **8,795,126,571.78** | — | **8,795,126,571.78** | 5,828,792,010.05 | — | 5,828,792,010.05 |
| Investments in joint ventures | **3,112,651,355.60** | — | **3,112,651,355.60** | — | — | — |
| Total | **11,907,777,927.38** | — | **11,907,777,927.38** | 5,828,792,010.05 | — | 5,828,792,010.05 |

Breakdown of investments in subsidiaries is as follows:

*RMB*

| Investee | 31/12/2018 | Additions | Reductions | 31/12/2019 | Provision for impairment | Closing balance of impairment provision |
|---|---|---|---|---|---|---|
| Great Wall Huabei | 268,092,310.00 | — | — | **268,092,310.00** | — | — |
| 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 *(Note 1)* | 34,850,000.00 | — | (34,850,000.00) | — | — | — |
| Tide Technology and Trade | 257,353,665.00 | — | — | **257,353,665.00** | — | — |
| Mind electronics *(Note 2)* | 275,317,800.00 | 59,000,000.00 | — | **334,317,800.00** | — | — |
| Baoding Yixin | 28,503,900.00 | — | — | **28,503,900.00** | — | — |
| Great Wall Ants | 86,000,000.00 | — | — | **86,000,000.00** | — | — |
| Ningxia Leasing | 20,000,000.00 | — | — | **20,000,000.00** | — | — |
| Great Wall Resource Recycling | 10,000,000.00 | — | — | **10,000,000.00** | — | — |
| Exquisite Mould | 5,000,000.00 | — | — | **5,000,000.00** | — | — |
| Great Wall Sales | 8,000,000.00 | — | — | **8,000,000.00** | — | — |
| Automotive Finance *(Note 3)* | 1,080,000,000.00 | — | (1,080,000,000.00) | — | — | — |
| Shanghai Haval | 1,500,000.00 | — | — | **1,500,000.00** | — | — |
| Rizhao Weiyi | 255,000,000.00 | — | — | **255,000,000.00** | — | — |
| Haval South Africa | 25,912,080.00 | — | — | **25,912,080.00** | — | — |
| Haval Logistics *(Note 4)* | 50,000,000.00 | — | (50,000,000.00) | — | — | — |
| Russia Manufacturing *(Note 5)* | 598,779,117.10 | 248,460,718.47 | | **847,239,835.57** | — | — |

## XV. NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (continued)

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

Breakdown of investments in subsidiaries is as follows: (continued)

*RMB*

| Investee | 31/12/2018 | Additions | Reductions | 31/12/2019 | Provision for impairment | Closing balance of impairment provision |
|---|---|---|---|---|---|---|
| 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 | 112,500,000.00 | — | — | 112,500,000.00 | — | — |
| Guangzhou Great Wall Sales | 34,500.00 | — | — | 34,500.00 | — | — |
| Tianjin Sharing Car *(Note 6)* | 464,180,000.00 | — | (464,180,000.00) | — | — | — |
| Tianjin Oula *(Note 7)* | 127,500,000.00 | 435,000,000.00 | — | 562,500,000.00 | — | — |
| Xiamen Great Wall Sales | 33,000.00 | — | — | 33,000.00 | — | — |
| Zaoqi Financial Leasing | 127,500,000.00 | — | — | 127,500,000.00 | — | — |
| Jinggong Motor *(Note 8)* | 618,818,602.86 | 381,181,397.14 | — | 1,000,000,000.00 | — | — |
| Nuobo Automotive *(Note 9)* | 908,992,472.39 | 1,283,000,000.00 | — | 2,191,992,472.39 | — | — |
| Honeycomb Yichuang *(Note 10)* | 20,870,000.00 | 1,957,160,000.00 | — | 1,978,030,000.00 | — | — |
| Chongqing Auto Parts | 6,370,000.00 | — | — | 6,370,000.00 | — | — |
| Baoding Yijian Start *(Note 11)* | — | 200,000,000.00 | — | 200,000,000.00 | — | — |
| Chongqing Haval Logistics *(Note 12)* | — | 270,000.00 | (270,000.00) | — | — | — |
| Chongqing Weipai *(Note 12)* | — | 270,000.00 | — | 270,000.00 | — | — |
| Chongqing Great Wall Customer Service *(Note 12)* | — | 270,000.00 | — | 270,000.00 | — | — |
| Changyou Haoche *(Note 13)* | — | 20,014,064.98 | — | 20,014,064.98 | — | — |
| India Haval *(Note 14)* | — | 11,008,381.14 | — | 11,008,381.14 | — | — |
| Xiong'an Oula *(Note 15)* | — | 70,000.00 | (70,000.00) | — | — | — |
| Total | 5,828,792,010.05 | 4,595,704,561.73 | (1,629,370,000.00) | 8,795,126,571.78 | — | — |

Breakdown of investments in joint ventures is as follows:

*RMB*

| Investee | 31/12/2018 | Addition | Reduced investment | Changes for the year: Recognition of investment profit or loss under equity method | Changes for the year: Adjustment in other comprehensive income | Changes for the year: Movement in other equity | Changes for the year: Declaration of cash dividends or profits | Changes for the year: Provision for impairment | Changes for the year: Others | 31/12/2019 | Closing balance of impairment provision |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Automotive Finance *(Note 3)* | — | 1,980,000,000.00 | — | 608,428,725.83 | — | — | — | — | 524,222,629.77 | 3,112,651,355.60 | — |

## XV. NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (continued)

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

*Note 1:* The Company's subsidiary Great Wall Customer Service was deregistered in June 2019.

*Note 2:* The Company contributed additional capital of RMB59,000,000 to Mind Electronics in January 2019.

*Note 3:* Automotive Finance was converted from a subsidiary to a joint venture in June 2019. The Company accounted for its equity investments using the equity method instead of the cost method.

*Note 4:* The Company's subsidiary Haval Logistics was deregistered in December 2019.

*Note 5:* In January and February 2019, the Company contributed additional capital of RMB37,460,000 to Russia Manufacturing in equipment. In October 2019, the Company contributed additional capital of RMB211,000,000 to Russia Manufacturing in cash.

*Note 6:* The Company disposed of its wholly-owned subsidiary Tianjin Sharing Car to Baoding Great Wall Holding Group Co., Ltd. in February 2019.

*Note 7:* The Company contributed additional capital of RMB435,000,000 to Tianjin Oula in October 2019.

*Note 8:* The Company contributed additional capital of RMB381,180,000 to Jinggong Motor in January and December 2019.

*Note 9:* The Company contributed additional capital of RMB1,283,000,000 to Nuobo Automotive in August 2019.

*Note 10:* The Company contributed additional capital totaling RMB1,957,160,000 to Honeycomb Yichuang in February, March, July, August and December 2019.

*Note 11:* The Company injected capital of RMB200,000,000 to Baoding Yijian Start in May and November 2019.

*Note 12:* In June 2019, the Company merged Chongqing Great Wall by absorption. Thus, 100% equity interest previously held by Chongqing Great Wall in Chongqing Haval Logistics, Chongqing Weipai Motor and Chongqing Great Wall Customer Service was transferred to the Company. In November 2019, the Company disposed of its wholly-owned subsidiary Chongqing Haval Logistics to the Company's subsidiary Great Wall Ants.

*Note 13:* The Company acquired 100% equity interest held by the related party Baoding Great Wall Holding Group Co., Ltd. in Changyou Haoche in August 2019.

*Note 14:* The Company injected capital of RMB11,010,000 to India Haval in July and October 2019.

*Note 15:* The Company injected capital of RMB70,000 to Xiong'an Oula in July 2019. The Company disposed of its wholly-owned subsidiary Xiong'an Oula to Tianjin Sharing Car in October 2019.

## XV. NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (continued)

### 8. Investment properties

The investment properties measured under the cost method:

*RMB*

| Items | Buildings | Land use rights | Total |
|---|---|---|---|
| I. Original carrying amount | | | |
| 31 December 2018 | 153,484,696.15 | 17,619,408.20 | 171,104,104.35 |
| Additions for the year | 2,503,126,159.10 | 30,516,560.31 | 2,533,642,719.41 |
| 1. Transfer from construction in progress | 30,951,084.92 | — | 30,951,084.92 |
| 2. Purchases | 6,165,519.24 | — | 6,165,519.24 |
| 3. Transfer from fixed assets | 2,466,009,554.94 | — | 2,466,009,554.94 |
| 4. Transfer from intangible assets | — | 30,516,560.31 | 30,516,560.31 |
| Reductions for the year | (1,531,319.18) | — | (1,531,319.18) |
| 1. Transfer to fixed assets | (1,209,372.23) | — | (1,209,372.23) |
| 2. Other transfers-out | (321,946.95) | — | (321,946.95) |
| 31 December 2019 | **2,655,079,536.07** | **48,135,968.51** | **2,703,215,504.58** |
| II. Accumulated amortization and depreciation | | | |
| 31 December 2018 | 14,067,503.75 | 1,909,322.00 | 15,976,825.75 |
| Additions for the year | 458,724,938.41 | 5,460,411.04 | 464,185,349.45 |
| 1. Provision or amortization | 72,980,912.41 | 835,706.39 | 73,816,618.80 |
| 2. Transfer from fixed assets | 385,744,026.00 | — | 385,744,026.00 |
| 3. Transfer from intangible assets | — | 4,624,704.65 | 4,624,704.65 |
| Reductions for the year | (20,009.16) | — | (20,009.16) |
| 1. Transfer to fixed assets | (20,009.16) | — | (20,009.16) |
| 31 December 2019 | **472,772,433.00** | **7,369,733.04** | **480,142,166.04** |
| III. Net book value | | | |
| 31 December 2019 | **2,182,307,103.07** | **40,766,235.47** | **2,223,073,338.54** |
| 31 December 2018 | 139,417,192.40 | 15,710,086.20 | 155,127,278.60 |

## XV. NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (continued)

### 9. Fixed assets

Description of fixed assets:

*RMB*

| Items | | Buildings | Machinery and equipment | Transportation vehicles | Electronic equipment and others | Total |
|---|---|---|---|---|---|---|
| I. | Original carrying amount | | | | | |
| | 31 December 2018 | 12,488,599,344.67 | 18,471,953,773.08 | 142,847,287.86 | 4,827,916,102.60 | 35,931,316,508.21 |
| | Additions for the year | 1,077,397,296.95 | 1,547,761,494.56 | 10,106,429.60 | 417,221,753.42 | 3,052,486,974.53 |
| | 1. Purchases | 133,851,041.89 | 74,259,764.70 | 7,986,581.88 | 127,972,561.56 | 344,069,950.03 |
| | 2. Transfer from construction in progress | 942,336,882.83 | 1,405,073,407.82 | 1,759,398.17 | 243,009,250.36 | 2,592,178,939.18 |
| | 3. Transfer from inventories | — | 68,428,322.04 | — | 46,099,179.87 | 114,527,501.91 |
| | 4. Transfer from merger by absorbing subsidiaries | — | — | 360,449.55 | 140,761.63 | 501,211.18 |
| | 5. Transfer from investment properties | 1,209,372.23 | — | — | — | 1,209,372.23 |
| | Reductions for the year | (2,560,450,729.44) | (4,655,347,897.34) | (13,208,790.88) | (588,854,628.28) | (7,817,862,045.94) |
| | 1. Disposal and scrap | (6,904,127.50) | (3,752,089,277.80) | (12,853,491.74) | (567,560,185.34) | (4,339,407,082.38) |
| | 2. Decrease in transfer to construction in progress | — | (286,021,878.42) | (355,299.14) | (18,053,537.50) | (304,430,715.06) |
| | 3. Transfer to investment properties | (2,466,009,554.94) | — | — | — | (2,466,009,554.94) |
| | 4. Other transfers-out | (87,537,047.00) | (617,236,741.12) | — | (3,240,905.44) | (708,014,693.56) |
| | 31 December 2019 | **11,005,545,912.18** | **15,364,367,370.30** | **139,744,926.58** | **4,656,283,227.74** | **31,165,941,436.80** |
| II. | Accumulated depreciation | | | | | |
| | 31 December 2018 | 2,220,449,068.40 | 6,745,176,791.66 | 86,544,323.40 | 2,670,649,071.35 | 11,722,819,254.81 |
| | Additions for the year | 393,860,196.10 | 1,559,974,363.61 | 20,127,640.37 | 628,986,109.93 | 2,602,948,310.01 |
| | 1. Provision | 393,840,186.94 | 1,559,974,363.61 | 20,049,167.50 | 628,967,778.16 | 2,602,831,496.21 |
| | 2. Increase in merger by absorbing subsidiaries | — | — | 78,472.87 | 18,331.77 | 96,804.64 |
| | 3. Transfer from investment properties | 20,009.16 | — | — | — | 20,009.16 |
| | Reductions for the year | (391,459,713.87) | (1,108,772,692.99) | (7,191,888.82) | (288,167,655.04) | (1,795,591,950.72) |
| | 1. Disposal and scrap | (5,715,687.87) | (898,012,980.39) | (6,963,220.29) | (277,979,167.70) | (1,188,671,056.25) |
| | 2. Decrease in transfer to construction in progress | — | (210,262,881.04) | (228,668.53) | (9,136,244.05) | (219,627,793.62) |
| | 3. Transfer to investment properties | (385,744,026.00) | — | — | — | (385,744,026.00) |
| | 4. Other transfers-out | — | (496,831.56) | — | (1,052,243.29) | (1,549,074.85) |
| | 31 December 2019 | **2,222,849,550.63** | **7,196,378,462.28** | **99,480,074.95** | **3,011,467,526.24** | **12,530,175,614.10** |
| III. | Impairment provision | | | | | |
| | 31 December 2018 | 136,268.33 | 61,628,392.00 | 37,680.75 | 115,200,881.92 | 177,003,223.00 |
| | Additions for the year | — | 71,279,224.42 | 54,885.21 | 106,349,781.62 | 177,683,891.25 |
| | 1. Provision *(Note)* | — | 71,279,224.42 | 54,885.21 | 106,240,766.50 | 177,574,876.13 |
| | 2. Transfer from construction in progress | — | | | 109,015.12 | 109,015.12 |
| | Reductions for the year | — | (5,016,955.08) | — | (18,945,181.52) | (23,962,136.60) |
| | 1. Disposal and scrap | — | (4,981,990.86) | — | (13,203,304.16) | (18,185,295.02) |
| | 2. Decrease in transfer to construction in progress | — | (34,964.22) | — | (5,741,877.36) | (5,776,841.58) |
| | 31 December 2019 | **136,268.33** | **127,890,661.34** | **92,565.96** | **202,605,482.02** | **330,724,977.65** |
| IV. | Net book value | | | | | |
| | 31 December 2019 | **8,782,560,093.22** | **8,040,098,246.68** | **40,172,285.67** | **1,442,210,219.48** | **18,305,040,845.05** |
| | 31 December 2018 | 10,268,014,007.94 | 11,665,148,589.42 | 56,265,283.71 | 2,042,066,149.33 | 24,031,494,030.40 |

## XV. NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (continued)

### 9. Fixed assets (continued)

As at 31 December 2019, among the fixed assets, the net book value of properties without title certificates amounted to RMB508,145,084.37 (31 December 2018: RMB759,629,271.71).

*Note:* Due to suspended production of some vehicle models, changes in craftsmanship and aging of equipment, impairment losses of assets of RMB177,574,876.13 has been provided for the current year.

### 10. Construction in progress

#### *(1) Breakdown of construction in progress is as follows:*

*RMB*

| Items | 31/12/2019 Carrying amount | 31/12/2019 Impairment provision | 31/12/2019 Net book value | 31/12/2018 Carrying amount | 31/12/2018 Impairment provision | 31/12/2018 Net book value |
|---|---|---|---|---|---|---|
| Xushui Automobile Project | **257,781,764.81** | **—** | **257,781,764.81** | 256,405,104.17 | — | 256,405,104.17 |
| Xushui supporting infrastructure project | **136,453,590.40** | **—** | **136,453,590.40** | 136,362,506.19 | — | 136,362,506.19 |
| Industrial park phase I. II. III | **59,742,608.73** | **—** | **59,742,608.73** | 144,996,467.12 | — | 144,996,467.12 |
| Other projects under construction | **56,184,819.01** | **—** | **56,184,819.01** | 104,855,891.70 | — | 104,855,891.70 |
| Tianjin automobile project | **44,405,598.96** | **(65,763.73)** | **44,339,835.23** | 33,612,446.02 | (131,527.46) | 33,480,918.56 |
| Others | **41,260,494.26** | **(860,242.75)** | **40,400,251.51** | 168,893,387.66 | (122,171.38) | 168,771,216.28 |
| New technology centre | **32,617,824.81** | **—** | **32,617,824.81** | 96,496,659.31 | — | 96,496,659.31 |
| Chongqing Great Wall vehicle project | **25,667,346.61** | **—** | **25,667,346.61** | — | — | — |
| Xushui parts and components project | **17,612,491.80** | **(476,509.82)** | **17,135,981.98** | 480,949,728.16 | (853,830.79) | 480,095,897.37 |
| Tianjin parts and components project | **6,599,880.83** | **(4,789,135.16)** | **1,810,745.67** | 28,777,770.87 | (4,909,701.08) | 23,868,069.79 |
| Project with annual production of 400,000 axles and brakes | **—** | **—** | **—** | 14,240.99 | — | 14,240.99 |
| Total | **678,326,420.22** | **(6,191,651.46)** | **672,134,768.76** | 1,451,364,202.19 | (6,017,230.71) | 1,445,346,971.48 |

## XV. NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (continued)

### 10. Construction in progress (continued)

#### *(2) Movement in construction in progress is as follows:*

*RMB*

| Items | Budgeted amount | 31/12/2018 | Additions | Increase in merger by absorbing subsidiaries | Transfer to fixed assets | Other reductions *(Note)* | Investment to budget (%) | Accumulated capitalized interest amount | Including: capitalized interest amount | Ratio of capitalized interest amount (%) | Sources of fund | 31/12/2019 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Xushui automotive project | 11,165,920,144.00 | 256,405,104.17 | 101,459,564.30 | – | (99,149,965.34) | (932,938.32) | 89.54 | – | – | – | Internal fund | **257,781,764.81** |
| Xushui supporting infrastructure project | 193,250,000.00 | 136,362,506.19 | 91,084.21 | – | – | – | 70.61 | – | – | – | Internal fund | **136,453,590.40** |
| Industrial park phase I, II, III reconstruction and expansion | 1,401,179,674.99 | 144,996,467.12 | 223,385,401.72 | – | (212,862,078.81) | (95,777,181.30) | 89.48 | – | – | – | Internal fund | **59,742,608.73** |
| Other projects under construction | 654,187,746.00 | 104,855,891.70 | 74,472,143.55 | – | (123,143,216.24) | – | 57.65 | – | – | – | Internal fund | **56,184,819.01** |
| Tianjin automotive project | 5,540,437,791.00 | 33,612,446.02 | 60,215,639.26 | – | (48,226,087.48) | (1,196,398.84) | 96.71 | – | – | – | Internal fund | **44,405,598.96** |
| Others | 2,026,294,657.74 | 168,893,387.66 | 331,166,592.85 | – | (201,268,872.82) | (257,530,613.43) | 88.52 | – | – | – | Internal fund | **41,260,494.26** |
| New technology centre | 1,727,202,349.00 | 96,496,659.31 | 18,967,202.78 | – | (18,859,188.48) | (63,986,848.80) | 94.96 | – | – | – | Internal fund | **32,617,824.81** |
| Chongqing Great Wall vehicle project | 2,033,507,657.00 | – | 641,857,368.47 | 929,444,487.22 | (1,542,399,495.84) | (3,235,013.24) | 82.44 | – | – | – | Internal fund | **25,667,346.61** |
| Xushui parts and components project | 5,903,114,629.62 | 480,949,728.16 | 68,432,755.01 | – | (309,823,194.63) | (221,946,796.74) | 88.26 | – | – | – | Internal fund | **17,612,491.80** |
| Tianjin parts and components project | 4,243,385,835.00 | 28,777,770.87 | 33,301,091.37 | – | (36,446,839.54) | (19,032,141.87) | 92.30 | – | – | – | Internal fund | **6,599,880.83** |
| Annual production of 400,000 sets of axles and brakes | 578,352,366.14 | 14,240.99 | – | – | – | (14,240.99) | 100.00 | – | – | – | Raised fund and internal fund | – |
| Total | 35,466,832,850.49 | 1,451,364,202.19 | 1,553,348,843.52 | 929,444,487.22 | (2,592,178,939.18) | (663,652,173.53) | | | | | | **678,326,420.22** |

*Note:* Other reductions mainly represent the decrease of RMB285,230,264.67 due to the transfer from construction in progress to intangible assets and the decrease of RMB30,951,084.92 due to the transfer from construction in progress to investment properties.

## XV. NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (continued)

### 10. Construction in progress (continued)

#### *(3) Provision for impairment of construction in progress*

*RMB*

| Items | Provision | Reason for provision |
|---|---|---|
| Tianjin parts and components project | 4,475,537.46 | Vehicle model discontinued |
| Xushui parts and components project | 63,426.21 | Vehicle model discontinued, and production process changed |
| Others | 738,071.37 | Vehicle model discontinued |
| Total | 5,277,035.04 | |

### 11. Right-of-use assets

*RMB*

| Items | Land use rights | Buildings | Machinery and equipment | Transportation vehicles | Total |
|---|---|---|---|---|---|
| I. Original carrying amount | | | | | |
| 1 January 2019 | 2,095,864.26 | 28,351,566.29 | 1,110,142.79 | — | 31,557,573.34 |
| Additions for the year | 1,601,494.70 | 24,547,058.95 | 1,488,601.70 | 364,542.51 | 28,001,697.86 |
| Reductions for the year | — | — | — | — | — |
| 31 December 2019 | **3,697,358.96** | **52,898,625.24** | **2,598,744.49** | **364,542.51** | **59,559,271.20** |
| II. Accumulated depreciation | | | | | |
| 1 January 2019 | — | — | — | — | — |
| Additions for the year | 1,732,242.58 | 8,349,905.11 | 599,519.18 | 50,823.54 | 10,732,490.41 |
| 1. Provision | 1,732,242.58 | 8,349,905.11 | 599,519.18 | 50,823.54 | 10,732,490.41 |
| Reductions for the year | — | — | — | — | — |
| 31 December 2019 | **1,732,242.58** | **8,349,905.11** | **599,519.18** | **50,823.54** | **10,732,490.41** |
| III. Impairment provision | | | | | |
| 1 January 2019 | — | — | — | — | — |
| 31 December 2019 | — | — | — | — | — |
| IV. Net book value | | | | | |
| 31 December 2019 | **1,965,116.38** | **44,548,720.13** | **1,999,225.31** | **313,718.97** | **48,826,780.79** |
| 1 January 2019 | 2,095,864.26 | 28,351,566.29 | 1,110,142.79 | — | 31,557,573.34 |

## XV. NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (continued)

### 12. Intangible assets

Description of intangible assets:

*RMB*

| Items | Land use rights | Software and others | Non-patent technology | Total |
|---|---|---|---|---|
| I. Original carrying amount | | | | |
| 31 December 2018 | 3,194,933,460.61 | 235,255,359.43 | 277,236,779.76 | 3,707,425,599.80 |
| Additions for the year | 296,429,830.77 | 94,711,045.65 | 1,470,496,233.07 | 1,861,637,109.49 |
| 1. Purchases | 118,406.18 | 17,946,697.98 | — | 18,065,104.16 |
| 2. Internal research and development | — | — | 1,470,496,233.07 | 1,470,496,233.07 |
| 3. Increase in merger by absorbing subsidiaries | 87,845,507.59 | — | — | 87,845,507.59 |
| 4. Transfer from construction in progress | 208,465,917.00 | 76,764,347.67 | — | 285,230,264.67 |
| Reductions for the year | (122,175,557.61) | (27,655,615.80) | (35,709,210.06) | (185,540,383.47) |
| 1. Disposals | (91,658,997.30) | (27,655,615.80) | (35,709,210.06) | (155,023,823.16) |
| 2. Transfer to investment properties | (30,516,560.31) | — | — | (30,516,560.31) |
| 31 December 2019 | **3,369,187,733.77** | **302,310,789.28** | **1,712,023,802.77** | **5,383,522,325.82** |
| II. Accumulated amortization | | | | |
| 31 December 2018 | 451,515,064.67 | 95,684,894.57 | 88,603,175.70 | 635,803,134.94 |
| Additions for the year | 67,238,996.64 | 24,364,746.07 | 511,495,279.35 | 603,099,022.06 |
| 1. Provision | 65,189,269.03 | 24,364,746.07 | 511,495,279.35 | 601,049,294.45 |
| 2. Increase in merger by absorbing subsidiaries | 2,049,727.61 | — | — | 2,049,727.61 |
| Reductions for the year | (13,268,618.16) | (9,869,692.37) | — | (23,138,310.53) |
| 1. Disposals | (8,643,913.51) | (9,869,692.37) | — | (18,513,605.88) |
| 2. Transfer to investment properties | (4,624,704.65) | — | — | (4,624,704.65) |
| 31 December 2019 | **505,485,443.15** | **110,179,948.27** | **600,098,455.05** | **1,215,763,846.47** |
| III. Net book value | | | | |
| 31 December 2019 | **2,863,702,290.62** | **192,130,841.01** | **1,111,925,347.72** | **4,167,758,479.35** |
| 31 December 2018 | 2,743,418,395.94 | 139,570,464.86 | 188,633,604.06 | 3,071,622,464.86 |

The proportion of intangible assets arising from internal research and development at the end of the year to balance of total intangible assets is 26.68%.

### 13. Development expenditure

*RMB*

| Items | 31/12/2018 | Additions | Reductions | | 31/12/2019 |
|---|---|---|---|---|---|
| | | | Recognized as intangible assets | Transfer into profit or loss | |
| Auto development project | 1,625,608,507.97 | 1,660,080,980.61 | (1,470,496,233.07) | (84,200,721.95) | **1,730,992,533.56** |

## XV. NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (continued)

### 14. Short-term borrowings and long-term borrowings

#### *(1) Short-term borrowings*

*RMB*

| Items | 31/12/2019 | 31/12/2018 |
|---|---|---|
| Pledged loans | — | 2,002,439,020.83 |
| Credit loans | **500,564,895.84** | 1,001,329,166.67 |
| Total | **500,564,895.84** | 3,003,768,187.50 |

#### *(2) Long-term borrowings*

*RMB*

| Items | 31/12/2019 | 31/12/2018 |
|---|---|---|
| Secured loan *(Note)* | **1,680,000,000.00** | — |
| Less: Long-term borrowings due within one year | **(550,000,000.00)** | — |
| Total | **1,130,000,000.00** | — |

*Note:* At the end of the year, the secured loan of RMB1,680,000,000.00 was the loan obtained by the Company with the land use right as the collateral.

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

*RMB*

| Bank loan repayment requirements | 31/12/2019 | 31/12/2018 |
|---|---|---|
| Within 1 year | **550,000,000.00** | — |
| 2 to 5 years | **339,000,000.00** | — |
| Over 5 years | **791,000,000.00** | — |
| Total | **1,680,000,000.00** | — |

### 15. Notes payable

*RMB*

| Category | 31/12/2019 | 31/12/2018 |
|---|---|---|
| Bank acceptances | **3,045,768,501.95** | 3,809,557,390.79 |
| Commercial acceptances | **129,658,524.27** | 156,673,928.21 |
| Total | **3,175,427,026.22** | 3,966,231,319.00 |

## XV. NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (continued)

### 16. Accounts payable

***(1) Accounts payable is shown as follows:***

*RMB*

| Items | 31/12/2019 | 31/12/2018 |
|---|---|---|
| Within 1 year | **26,716,587,547.60** | 28,000,400,217.90 |
| 1 to 2 years | **112,303,340.70** | 37,631,077.59 |
| 2 to 3 years | **14,255,571.48** | 10,891,046.20 |
| Over 3 years | **11,722,660.06** | 8,340,552.14 |
| Total | **26,854,869,119.84** | 28,057,262,893.83 |

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

***(2) Accounts payable aged over one year with significant amounts***

*RMB*

| Items | 31/12/2019 | Reason for outstanding or transfer |
|---|---|---|
| Supplier 1 | **47,114,710.80** | Payment terms have not been reached |
| Supplier 2 | **10,870,000.00** | Payment terms have not been reached |
| Supplier 3 | **10,555,173.07** | Payment terms have not been reached |
| Supplier 4 | **7,450,000.00** | Payment terms have not been reached |
| Supplier 5 | **6,098,205.24** | Payment terms have not been reached |
| Total | **82,088,089.11** | |

### 17. Contract liabilities

*RMB*

| Items | 31/12/2019 | 31/12/2018 |
|---|---|---|
| Receipts in advance | **5,774,283,754.34** | 3,572,293,873.68 |
| Maintenance service | **426,680,941.15** | 529,206,594.40 |
| Transportation service | **44,233,159.44** | — |
| Total | **6,245,197,854.93** | 4,101,500,468.08 |

## XV. NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (continued)

### 18. Lease liabilities

*RMB*

| Items | 31/12/2019 |
|---|---|
| Lease liabilities | **44,616,991.98** |
| Sub-total | **44,616,991.98** |
| Less: Lease liabilities recognized in non-current liabilities due within one year | **(8,232,453.24)** |
| Total | **36,384,538.74** |

### 19. Capital reserve

*RMB*

| Items | Opening balance | Additions (Note) | Reductions | Closing balance |
|---|---|---|---|---|
| **2019:** | | | | |
| Capital premiums | **1,462,470,849.89** | **34,704.98** | — | **1,462,505,554.87** |
| Other capital reserve | **(3,717,664.31)** | — | — | **(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 | **(784,537.53)** | — | — | **(784,537.53)** |
| Total | **1,458,753,185.58** | **34,704.98** | — | **1,458,787,890.56** |
| **2018:** | | | | |
| Capital premiums | 1,462,470,849.89 | — | — | 1,462,470,849.89 |
| Other capital reserve | 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 | 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 |

*Note:* It is derived from business combination involving enterprises under common control, with Changyou Haoche acquired by the Company for the current year. Details are set out in Note VII, 2.

## XV. NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (continued)

### 20. Undistributed profits

*RMB*

| Items | Amount | Proportion of appropriation or allocation |
|---|---|---|
| **2019:** | | |
| Undistributed profits at the beginning of the year | **34,792,640,840.00** | |
| Add: Net profit | **1,459,859,457.61** | |
| Others | **524,222,629.77** | **(3)** |
| Less: Appropriation of statutory surplus reserve | **—** | **(1)** |
| Distribution of cash dividends | **(2,646,908,010.00)** | **(2)** |
| Transfer from merger | **(63,878,040.20)** | **(4)** |
| Undistributed profits at the end of the year | **34,065,936,877.18** | |
| **2018:** | | |
| Undistributed profits at the beginning of the year | 31,852,682,607.51 | |
| Add: Net profit | 4,372,641,563.21 | |
| Others | 556,216,555.61 | |
| Less: Appropriation of statutory surplus reserve | (437,264,156.33) | (1) |
| Distribution of cash dividends | (1,551,635,730.00) | |
| Undistributed profits at the end of the year | 34,792,640,840.00 | |

***(1) Appropriation of 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 this year***

On 17 May 2019, the 2018 shareholders' meeting approved Proposal on Profit Distribution of 2018, which allows the Company to distribute cash dividends of RMB0.29 (inclusive of tax) per share, amounting to RMB2,646,908,010.00 in total, based on total shares of 9,127,269,000 shares with par value of RMB1 per share.

## XV. NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (continued)

### 20. Undistributed profits (continued)

***(3)*** In June 2019, the subsidiary of the Company, Automotive Finance, is converted into a joint venture. The undistributed profits at the beginning of the year is increased by the Company with simultaneous increase in long-term equity investments as if adjustments were made by Company using the equity method since such equity investments were obtained.

***(4)*** In June 2019, the Company merged Chongqing Great Wall, a wholly-owned subsidiary of the Company, and transferred its undistributed profits for the year from the incorporation date to the merging date to undistributed profits of the Company.

### 21. Operating income and operating costs

#### *(1) Operating income and operating costs*

*RMB*

| Items | 2019 | | 2018 | |
|---|---|---|---|---|
| | Income | Costs | Income | Costs |
| Principal operating activities | **92,611,457,430.42** | **84,183,139,654.49** | 96,710,028,022.06 | 84,250,262,231.07 |
| Other operating activities | **1,859,389,097.17** | **1,649,723,954.70** | 2,057,567,214.71 | 1,646,594,294.53 |
| Total | **94,470,846,527.59** | **85,832,863,609.19** | 98,767,595,236.77 | 85,896,856,525.60 |

#### *(2) Revenue from contracts*

*RMB*

| Category of contracts | 2019 | 2018 |
|---|---|---|
| Income from the sales of automobiles | **84,762,771,169.45** | 90,497,917,874.23 |
| Income from the sales of automotive | **5,470,393,345.00** | 4,356,150,904.57 |
| Income from the rendering of services | **2,367,938,929.76** | 1,542,516,318.76 |
| Income from the sales of moulds and others | **10,353,986.21** | 313,442,924.50 |
| Other operating income | **1,859,389,097.17** | 2,057,567,214.71 |
| Total | **94,470,846,527.59** | 98,767,595,236.77 |

## XV. NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (continued)

### 22. Taxes and levies

*RMB*

| Items | 2019 | 2018 |
|---|---|---|
| Consumption tax | **2,355,165,620.27** | 2,731,204,848.43 |
| City maintenances and construction tax | **228,424,442.75** | 314,731,702.86 |
| Educational surcharges | **195,443,092.74** | 276,853,607.36 |
| Stamp duty | **69,379,503.90** | 85,039,523.00 |
| Land use tax | **45,987,905.92** | 45,576,123.51 |
| House property tax | **68,486,365.57** | 66,365,439.26 |
| Water resource tax | **1,733,526.16** | 1,898,143.41 |
| Vehicle and vessel use tax | **228,030.30** | 206,577.18 |
| Others | **1,351,043.72** | 12,892,391.57 |
| Total | **2,966,199,531.33** | 3,534,768,356.58 |

### 23. Selling expenses

*RMB*

| Items | 2019 | 2018 |
|---|---|---|
| Transportation expenses | **212,432,293.77** | 1,007,676,617.45 |
| After-sales service expenses | **735,506,949.75** | 363,264,172.07 |
| Wages and salaries | **220,676,128.42** | 249,296,894.80 |
| Advertising and media services fees | **1,311,931,947.78** | 1,637,870,343.69 |
| Port charges | **23,405,301.34** | 26,498,471.71 |
| Travelling expenses | **27,541,770.72** | 28,933,081.23 |
| Others | **224,141,813.90** | 206,024,251.27 |
| Total | **2,755,636,205.68** | 3,519,563,832.22 |

## XV. NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (continued)

### 24. Administrative expenses

*RMB*

| Items | 2019 | 2018 |
|---|---|---|
| Wages and salaries | **650,985,772.49** | 770,602,233.75 |
| Depreciation and amortization | **214,278,040.64** | 133,063,204.82 |
| Business reception fees | **11,778,515.80** | 12,811,747.85 |
| Office expenses | **70,440,165.54** | 53,776,677.84 |
| Repair and maintenance fees | **217,269,112.27** | 203,838,288.69 |
| Auditors' remuneration | **2,760,054.47** | 2,525,523.53 |
| Consulting service fee | **88,428,141.55** | 32,463,514.40 |
| Others | **182,496,467.64** | 130,636,234.17 |
| Total | **1,438,436,270.40** | 1,339,717,425.05 |

### 25. Financial expense

*RMB*

| Items | 2019 | 2018 |
|---|---|---|
| Interest expenses on borrowings | **120,909,583.53** | 454,413,945.57 |
| Including: Interest expenses on leases | **2,590,303.24** | |
| Interest income from bank deposits | **(428,959,731.45)** | (373,783,822.49) |
| Interest income from performance bond | **—** | (1,025,378,584.90) |
| Foreign currency translation differences | **(3,187,064.01)** | (12,878,560.77) |
| Long-term receivables discount | **102,255,689.09** | — |
| Others | **7,756,204.71** | 56,619,102.39 |
| Total | **(201,225,318.13)** | (901,007,920.20) |

## XV. NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (continued)

### 26. Investment income

Breakdown:

*RMB*

| Items | 2019 | 2018 |
|---|---|---|
| Income from long-term equity investments under cost method | **802,243,232.60** | 752,604,307.97 |
| Income from long-term equity investments under equity method | **608,428,725.83** | — |
| Losses on deregistration of discounted bills | **(195,927,852.04)** | — |
| Investment income from wealth management products | **79,435,112.39** | 190,245,405.08 |
| Net gain on deregistration of subsidiaries | **8,829,725.79** | — |
| Investment losses on disposal of long-term equity investments | — | (16,283,174.60) |
| Total | **1,303,008,944.57** | 926,566,538.45 |

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

### 27. Gains (losses) from credit impairment

*RMB*

| Items | 2019 | 2018 |
|---|---|---|
| Accounts receivable | **29,534,900.59** | (37,009,233.78) |
| Other receivables | — | 11,696.82 |
| Total | **29,534,900.59** | (36,997,536.96) |

### 28. Impairment losses of assets

*RMB*

| Items | 2019 | 2018 |
|---|---|---|
| I. Losses from decline in value of inventories | **(110,823,397.44)** | (77,577,685.31) |
| II. Impairment losses of fixed assets | **(177,574,876.13)** | (67,185,954.35) |
| III. Impairment losses of construction in progress | **(5,277,035.04)** | (5,501,873.85) |
| Total | **(293,675,308.61)** | (150,265,513.51) |

## XV. NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (continued)

### 29. Income tax expenses

*RMB*

| Items | 2019 | 2018 |
|---|---|---|
| Current tax expenses | — | 362,573,758.87 |
| Deferred tax expenses | **(108,425,405.90)** | 185,828,211.91 |
| Total | **(108,425,405.90)** | 548,401,970.78 |

Reconciliation of income tax expenses to the accounting profit is as follows:

*RMB*

| Items | 2019 | 2018 |
|---|---|---|
| Total profit | **1,351,434,051.71** | 4,921,043,533.99 |
| Income tax rate | **15%** | 15% |
| Income tax expenses calculated at 15% | **202,715,107.76** | 738,156,530.10 |
| Changes in opening balances of deferred tax assets/ liabilities due to tax rate adjustment | — | 5,565,914.22 |
| Effect of additional deduction for research and development costs | **(115,131,462.15)** | (98,013,126.63) |
| Effect of additional deduction for the wages of disabled staff | **(424,623.07)** | (849,214.86) |
| Tax effect of non-taxable income | **(211,892,956.95)** | (113,224,174.00) |
| Tax effect of non-deductible expenses | **16,308,528.51** | 16,766,041.95 |
| Total | **(108,425,405.90)** | 548,401,970.78 |

## XV. NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (continued)

### 30. Supplementary information to the cash flow statement

#### *(1) Supplementary information to the cash flow statement*

*RMB*

| Supplementary information | 2019 | 2018 |
|---|---|---|
| **1. Reconciliation of net profit to cash flows from operating activities:** | | |
| Net profit | **1,459,859,457.61** | 4,372,641,563.21 |
| Add: Impairment losses of assets | **293,675,308.61** | 150,265,513.51 |
| (Gains) losses from credit impairment | **(29,534,900.59)** | 36,997,536.96 |
| Depreciation of fixed assets | **2,600,689,581.54** | 3,272,749,191.99 |
| Depreciation of right-of-use assets | **10,732,490.41** | |
| Amortization of intangible assets | **601,049,294.45** | 176,368,582.56 |
| Amortization of long-term prepaid expenses | **80,947,956.89** | 21,079,668.37 |
| Depreciation and amortization of investment properties | **73,816,618.80** | 4,938,456.41 |
| Gains on disposals of assets | **(267,159,559.17)** | (68,999,990.61) |
| Amortization of deferred income | **(285,311,489.92)** | (84,628,389.40) |
| Financial expense | **125,146,526.11** | 459,895,258.61 |
| Gains from changes in fair value | **(17,937,453.83)** | (8,768,131.30) |
| Investment income | **(1,498,936,796.61)** | (926,566,538.45) |
| Decrease in deferred tax assets (Less: increase) | **(108,425,405.90)** | 69,598,991.36 |
| Decrease in inventories (Less: increase) | **(570,116,647.38)** | 1,713,467,944.69 |
| Decrease in operating receivables (Less: increase) | **8,867,376,123.25** | 16,925,934,004.13 |
| Increase in operating payables (Less: decrease) | **(174,332,807.89)** | (7,309,204,815.20) |
| Net cash flows from operating activities | **11,161,538,296.38** | 18,805,768,846.84 |
| **2. Significant investing and financing activities which do not involve cash receipts and payments:** | | |
| Right-of-use assets recognized by leased fixed assets | **24,746,428.63** | |
| **3. Net changes in cash and cash equivalents:** | | |
| Closing balance of cash and cash equivalents | **4,876,599,293.72** | 11,235,893,795.06 |
| Less: Opening balance of cash and cash equivalents | **11,235,893,795.06** | 8,621,442,696.58 |
| Net increase in cash and cash equivalents | **(6,359,294,501.34)** | 2,614,451,098.48 |

## XV. NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (continued)

### 30. Supplementary information to the cash flow statement (continued)

#### *(2) Components of cash and cash equivalents*

*RMB*

| Items | 31/12/2019 | 31/12/2018 |
|---|---|---|
| **I. Cash** | **4,876,599,293.72** | 11,235,893,795.06 |
| Including: Cash on hand | **157,021.74** | 242,152.90 |
| Bank deposits ready to be withdrawn on demand | **4,876,442,271.98** | 11,235,651,642.16 |
| **II. Closing balance of cash and cash equivalents** | **4,876,599,293.72** | 11,235,893,795.06 |

### 31. Related party transactions

#### *(1) Related party transactions in respect of purchases and sales of goods, receipts and rendering of services:*

Purchases of goods/receipts of services:

*RMB*

| Related parties | Related party transaction | 2019 | 2018 |
|---|---|---|---|
| Subsidiaries of the Company | Purchase of raw materials | **46,091,470,425.22** | 7,364,004,577.35 |
| Other related parties of the Company | Purchase of raw materials and steam | **910,086,072.61** | 144,957,793.40 |
| Subsidiaries of the Company | Purchase of fixed assets and construction in progress | **338,104,527.23** | 6,706,436.12 |
| Other related parties of the Company | Purchase of fixed assets and construction in progress | **10,796,805.29** | 3,742,714.77 |
| Subsidiaries of the Company | Receipts of services | **652,928,374.78** | 570,056,932.98 |
| Other related parties of the Company | Receipts of services | **22,321,977.21** | 9,664,980.63 |
| Other related parties of the Company | Interest expenses on borrowings | **184,992.36** | — |

## XV. NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (continued)

### 31. Related party transactions (continued)

***(1) Related party transactions in respect of purchases and sales of goods, receipts and rendering of services:*** *(continued)*

Sales of goods/Rendering of services:

*RMB*

| Related parties | Related party transaction | 2019 | 2018 |
|---|---|---|---|
| Subsidiaries of the Company | Sales of automobiles or components and parts | **46,575,317,173.84** | 25,377,383,844.73 |
| Other related parties of the Company | Sales of automobiles | **190,409,141.61** | 614,762.59 |
| Subsidiaries of the Company | Sales of fixed assets and intangible assets | **3,724,566,996.36** | 4,577,549,844.59 |
| Other related parties of the Company | Sales of fixed assets and intangible assets | **(122,157.87)** | 47,866,694.28 |
| Subsidiaries of the Company | Rendering of services | **1,209,353,048.23** | 782,700,191.47 |
| Joint ventures of the Company | Rendering of services | **27,696,072.93** | — |
| Other related parties of the Company | Rendering of services | **5,317,416.96** | 1,352,612.31 |
| Subsidiaries of the Company | Claims income and others | **88,587,396.11** | 16,793,825.29 |
| Other related parties of the Company | Claims income and others | **—** | 158,928,987.35 |
| Joint ventures of the Company | Interest income from deposits | **162,170,250.30** | — |
| Subsidiaries of the Company | Rental income and others | **122,692,742.76** | — |
| Joint ventures of the Company | Rental income | **224,155.58** | — |
| Other related parties of the Company | Rental income and others | **12,963,447.62** | — |

***(2) Guarantee***

| Warrantee | Relationship with the Company | Type of guarantee | Currency | Maximum guaranteed amount | Actual balance of loan borrowed by warrantee |
|---|---|---|---|---|---|
| Tide Technology and Trade | Subsidiaries of the Company | Maximum guarantee | USD | 110,000,000.00 | 90,000,000.00 |
| Billion Sunny Development | Subsidiaries of the Company | Maximum guarantee | USD | 80,000,000.00 | 65,000,000.00 |
| Billion Sunny Development | Subsidiaries of the Company | Maximum guarantee | EUR | 230,000,000.00 | 230,000,000.00 |
| Tianjin Oula | Subsidiaries of the Company | Maximum guarantee | RMB | 1,000,000,000.00 | — |
| Honeycomb Power | Subsidiaries of the Company | Maximum guarantee | RMB | 975,224,000.00 | — |

## XV. NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (continued)

### 31. Related party transactions (continued)

#### *(3) Remunerations for key management personnel*

*RMB*

| Items | 2019 | 2018 |
|---|---|---|
| Remunerations for key management personnel | **20,995,450.74** | 26,512,674.93 |

#### *(4) Other related party transactions*

During the current year, the Company transferred its equity investments to the Company's subsidiary Shenzhen Great Wall Sales at the cash consideration of RMB70,000,000.00.

### 32. Receivables and payables of related parties

*RMB*

| Items | Related parties | 31/12/2019 | 31/12/2018 |
|---|---|---|---|
| Accounts receivable | Subsidiaries of the Company | **6,487,754,425.46** | 8,138,745,460.87 |
| Accounts receivable | Other related parties of the Company | **4,435,579.00** | 346,954.41 |
| Sub-total of accounts receivable: | | **6,492,190,004.46** | 8,139,092,415.28 |
| Other receivables | Subsidiaries of the Company | **2,893,373,708.29** | 512,279,490.64 |
| Other receivables | Joint ventures of the Company | **12,112,875.13** | — |
| Other receivables | Other related parties of the Company | **25,729,720.47** | 2,075,800.00 |
| Sub-total of other receivables: | | **2,931,216,303.89** | 514,355,290.64 |
| Prepayments | Subsidiaries of the Company | **56,075,375.53** | 39,183,434.73 |
| Prepayments | Other related parties of the Company | **94,705.91** | 12,865.00 |
| Sub-total of prepayments: | | **56,170,081.44** | 39,196,299.73 |
| Financing with receivables | Subsidiaries of the Company | **83,916,505.81** | 3,132,703.38 |
| Financing with receivables | Other related parties of the Company | **2,510.86** | — |
| Sub-total of financing with receivables: | | **83,919,016.67** | 3,132,703.38 |
| Dividends receivable | Subsidiaries of the Company | **40,909,496.69** | 13,211,499.87 |
| Sub-total of dividends receivable: | | **40,909,496.69** | 13,211,499.87 |

## XV. NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (continued)

### 32. Receivables and payables of related parties (continued)

*RMB*

| Items | Related parties | 31/12/2019 | 31/12/2018 |
|---|---|---|---|
| Other current assets | Joint ventures of the Company | **8,436,276,381.57** | — |
| Sub-total of other current assets: | | **8,436,276,381.57** | — |
| Accounts payable | Subsidiaries of the Company | **20,370,832,818.65** | 6,518,892,746.51 |
| Accounts payable | Other related parties of the Company | **111,895,309.53** | 42,815,953.11 |
| Sub-total of accounts payable: | | **20,482,728,128.18** | 6,561,708,699.62 |
| Other payables | Subsidiaries of the Company | **192,327,743.73** | 1,732,254,031.34 |
| Other payables | Other related parties of the Company | **1,648,293.90** | 2,634,731.70 |
| Sub-total of other payables: | | **193,976,037.63** | 1,734,888,763.04 |
| Contract liabilities | Subsidiaries of the Company | **3,493,945,441.08** | 1,497,576,537.57 |
| Contract liabilities | Other related parties of the Company | **179,761.14** | — |
| Sub-total of contract liabilities: | | **3,494,125,202.22** | 1,497,576,537.57 |
| Notes payable | Subsidiaries of the Company | **136,172,455.95** | 81,979,408.59 |
| Sub-total of notes payable: | | **136,172,455.95** | 81,979,408.59 |
| Interest receivable | Subsidiaries of the Company | **133,647.80** | 145,581,547.72 |
| Sub-total of interest receivable: | | **133,647.80** | 145,581,547.72 |
| Construction in progress | Subsidiaries of the Company | **28,243,738.64** | 53,085.05 |
| Sub-total of construction in progress: | | **28,243,738.64** | 53,085.05 |
| Bank deposits | Other related parties of the Company | — | 566,162.91 |
| Sub-total of bank deposits: | | — | 566,162.91 |

# Supplementary information

FOR THE YEAR ENDED 31 DECEMBER 2019

## 1. BREAKDOWN OF NON-RECURRING GAINS AND LOSSES

*RMB*

| Items | 2019 | 2018 |
|---|---|---|
| Profit or loss from disposal of non-current assets | **43,207,041.88** | 57,976,477.13 |
| Government grants accounted for profit and loss 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) | **609,187,841.95** | 322,488,351.22 |
| Net profit or loss of subsidiaries from the beginning of the period up to the business combination date recognized as a result of business combination of enterprises under common control | **54,486.41** | – |
| Gains (losses) from the disposal of long-term equity investments and disposal of wealth management products | **(89,308,089.77)** | 219,270,174.59 |
| Losses on changes in fair values | **(73,302,005.19)** | (140,351,300.70) |
| Interest income from performance bond | **–** | 1,025,378,584.90 |
| Non-operating income and expenses except for the above items | **90,769,597.30** | 98,351,583.15 |
| Effect of income tax | **(70,482,054.37)** | (263,854,453.41) |
| Effect of minority interests (net of tax) | **(2,959.70)** | (717,579.32) |
| Total | **510,123,858.51** | 1,318,541,837.56 |

The non-recurring gains and losses of the Group was recognized in accordance with the relevant requirements of the *Explanatory Notice for Information Disclosures by Companies that Offer Securities to the Public (No. 01) – Non-recurring Gains and Losses (2008)*.

## 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.

| **2019** | **Weighted average return on net assets (%)** | **Earnings per share** | |
|---|---|---|---|
| | | **Basic** | **Diluted** |
| Net profit attributable to shareholders of ordinary shares of the Company | **8.45** | **0.49** | **N/A** |
| Net profit attributable to shareholders of ordinary shares of the Company, after deducting non-recurring gains and losses | **7.49** | **0.44** | **N/A** |

| 2018 | Weighted average return on net assets (%) | Earnings per share | |
|---|---|---|---|
| | | Basic | Diluted |
| Net profit attributable to shareholders of ordinary shares of the Company | 10.27 | 0.57 | N/A |
| Net profit attributable to shareholders of ordinary shares of the Company, after deducting non-recurring gains and losses | 7.67 | 0.43 | N/A |

The supplementary information provided by the management of Great Wall Motor Company Limited was endorsed by the followings on 24 April 2020:

Legal Representative: Wei Jian Jun

General Manager: Wang Feng Ying

Chief Financial Officer: Liu Yu Xin

Head of the Finance Section: Lu Cai Juan

24 April 2020

# Section 15 Index of Documents Available for Inspection

| | |
|---|---|
| Index of Documents Available for Inspection | Financial statements signed and sealed by the legal representative, person-in-charge of the accounting affairs and person-in-charge of the accounting department. |
| Index of Documents Available for Inspection | The original auditor's report with the seal of the accounting firm and signatures and seals of the certified public accountants. |

**Chairman: Wei Jian Jun**
**Submission date approved by the Board: 24 April 2020**

**AMENDMENTS**

❑ Applicable √ Not applicable

長城汽車股份有限公司

GREAT WALL MOTOR COMPANY LIMITED*