



长城汽车
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SUV领导者

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

2014

Interim Report



* For identification purposes only

IMPORTANT NOTICE

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

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

- IV. Wei Jian Jun, person-in-charge of the Company, Li Feng Zhen, person-in-charge of the accounting affairs and Ji Wen Jun, person-in-charge of the accounting department (head of the accounting department), declare that they warrant the truthfulness, accuracy and completeness of the financial report in this interim report.**
- V. Forward-looking statements such as plans for the future described in this report do not constitute an actual commitment of the Company to investors. Investors should be aware of the relevant risks.**
- VI. Was there any non-operational appropriation of the Company's funds by its controlling shareholders and related parties?**

No

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

No

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Section 1 Definitions

I. DEFINITIONS

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

Definitions

"A Shares"	domestic share(s) with a nominal value of RMB1.00 each in the share capital of the Company which are listed on the Shanghai Stock Exchange and traded in Renminbi (Stock Code: 601633);
"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);
"Company Law"	Company Law of the PRC;
"CSRC"	China Securities Regulatory Commission;
"Competing Business"	a business that is identical with or similar to the principal business and other businesses of Great Wall Motor Company Limited;
"Group"	Great Wall Motor Company Limited and its subsidiaries;
"H Shares"	the overseas-listed foreign share(s) with a nominal value of RMB1.00 each in the share capital of the Company which are listed on the Main Board of the Hong Kong Stock Exchange and traded in Hong Kong dollars (Stock Code: 2333);
"H Shareholder(s)"	holders of H Share(s);
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"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;
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules;
"MOF"	Ministry of Finance of the PRC
"PRC"	the People's Republic of China;
"Reporting Period"	six months ended 30 June 2014;
"Securities Laws"	securities laws of the PRC;
"SFC"	The Securities and Futures Commission in Hong Kong;
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended from time to time; and
"Shanghai Stock Exchange"	Shanghai Stock Exchange in the PRC.

Section 2 Corporate Profile

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	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	Suite 2703, 27th Floor, 100QRC, 100 Queen's Road Central, Hong Kong

IV. INFORMATION DISCLOSURE AND PLACE OF DOCUMENT INSPECTION

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

Section 2 Corporate Profile

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	2,009,243,000 A Shares (Total shares: 3,042,423,000 shares, H Shares: 1,033,180,000 shares)	100
H Shares	Hong Kong Stock Exchange	15 December 2003	1,033,180,000 H Shares (Total shares: 3,042,423,000 shares, A Shares: 2,009,243,000 shares)	500

VI. CHANGES IN REGISTRATION DETAILS OF THE COMPANY DURING THE REPORTING PERIOD

There was no change in registration details of the Company during the Reporting Period.

VII. OTHER RELEVANT INFORMATION

Accounting firm appointed by the Company	Deloitte Touche Tohmatsu Certified Public Accountants LLP (auditor of the Company)
Business address of the accounting firm appointed by the Company	30/F, 222 Yan An Road East, Shanghai
Legal Adviser to the Company (As to Hong Kong law)	Joseph P.C. Lee & Associates in association with Cadwalader, Wickersham & Taft LLP
Legal Adviser to the Company (As to PRC law)	Zhong Lun Law Firm
H Share Registrar and Transfer Office in Hong Kong	Computershare Hong Kong Investor Services Limited Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
Investor and Media Relations Consultant (H Shares)	CorporateLink Limited 18/F, Shun Ho Tower, Nos 24-30 Ice House Street, Central, Hong Kong
Principal Bankers	Agricultural Bank of China, Baoding Xinbei sub-branch Bank of China, Baoding Yuhua sub-branch The Industrial and Commercial Bank of China, Baoding Yonghua Road sub-branch China Construction Bank, Baoding Yudong office
Authorised Representatives	Ms. Wang Feng Ying Mr. Xu Hui
Financial Year-end Date	31 December
Executive Directors	Mr. Wei Jian Jun (<i>Chairman</i>) Mr. Liu Ping Fu Ms. Wang Feng Ying Mr. Hu Ke Gang Ms. Yang Zhi Juan
Non-Executive Directors	Mr. He Ping Mr. Niu Jun
Independent Non-Executive Directors	Ms. Wei Lin (resigned on 9 May 2014) Mr. He Bao Yin (resigned on 9 May 2014) Mr. Li Ke Qiang (resigned on 9 May 2014) Mr. Wong Chi Hung, Stanley Mr. Lu Chuang (appointed on 9 May 2014) Mr. Liang Shang Shang (appointed on 9 May 2014) Mr. Ma Li Hui (appointed on 9 May 2014)

Section 2 Corporate Profile

Supervisor

Mr. Zhu En Ze

Independent Supervisors

Ms. Yuan Hong Li (resigned on 9 May 2014)
Ms. Zong Yi Xiang (appointed on 9 May 2014)
Ms. Luo Jin Li

Audit Committee

Ms. Wei Lin (resigned on 9 May 2014)
Mr. He Bao Yin (resigned on 9 May 2014)
Mr. Li Ke Qiang (resigned on 9 May 2014)
Mr. Wong Chi Hung, Stanley
Mr. He Ping (appointed on 9 May 2014)
Mr. Lu Chuang (appointed on 9 May 2014)
Mr. Liang Shang Shang (appointed on 9 May 2014)
Mr. Ma Li Hui (appointed on 9 May 2014)

Remuneration Committee

Ms. Wei Lin (resigned on 9 May 2014)
Mr. He Bao Yin (resigned on 9 May 2014)
Mr. Wei Jian Jun
Mr. Lu Chuang (appointed on 9 May 2014)
Mr. Liang Shang Shang (appointed on 9 May 2014)

Nomination Committee

Mr. Li Ke Qiang (resigned on 9 May 2014)
Mr. He Bao Yin (resigned on 9 May 2014)
Mr. Wei Jian Jun
Mr. Liang Shang Shang (appointed on 9 May 2014)
Mr. Ma Li Hui (appointed on 9 May 2014)

Strategy Committee

Mr. Wei Jian Jun
Ms. Wang Feng Ying
Mr. He Ping
Mr. He Bao Yin (resigned on 9 May 2014)
Mr. Li Ke Qiang (resigned on 9 May 2014)
Mr. Lu Chuang (appointed on 9 May 2014)
Mr. Ma Li Hui (appointed on 9 May 2014)

Section 3 Highlights of Accounting Data and Financial Indicators

I. KEY ACCOUNTING DATA AND FINANCIAL INDICATORS OF THE COMPANY

(I) Key accounting data

		Unit: RMB	Currency: RMB
			Increase/ decrease for the Reporting Period over the corresponding period last year (%)
Key accounting data	Reporting Period (January–June)	Corresponding period last year	
Operating revenue	28,527,373,341.19	26,416,838,569.72	7.99
Net profit attributable to shareholders of the Company	3,954,313,743.49	4,087,332,094.33	-3.25
Net profit attributable to shareholders of the Company after extraordinary gains/losses	3,901,586,405.42	4,013,749,048.72	-2.79
Net cash flow from operating activities	5,162,772,458.71	4,953,260,185.00	4.23

			Increase/ decrease for the Reporting Period over the end of last year (%)
Key accounting data	As at the end of the Reporting Period	As at the end of last year	
Net assets attributable to shareholders of the Company	29,458,481,358.52	27,995,898,018.73	5.22
Total assets	50,928,589,236.71	52,604,808,931.29	-3.19

Section 3 Highlights of Accounting Data and Financial Indicators

(II) Key financial indicators

Key financial indicators	Reporting Period (January–June)	Corresponding period last year	Increase/decrease for the Reporting Period over the corresponding period last year (%)
Basic earnings per share (RMB/share)	1.30	1.34	-3.25
Diluted earnings per share (RMB/share)	N/A	N/A	N/A
Basic earnings per share after extraordinary gains/losses (RMB/share)	1.28	1.32	-2.79
Weighted average return on net assets (%)	13.38	17.57	Decreased by 4.19 percentage points
Weighted average return on net assets after extraordinary gains/losses (%)	13.21	17.25	Decreased by 4.04 percentage points

During the Reporting Period, the Group optimised its product mix, focused on SUVs, manufactured high price-performance products, committed to augment after-sales service and strengthened the brand effect of all series of its products in the market. As a result, the sales of SUV models increased and the sales profit of the Group remained stable. However, as the Group was undergoing strategic transformation, it launched relatively few new models of sedans. The decrease in production and sales volume of sedans resulted in a slight decrease in all financial indicators for the Reporting Period as compared with the corresponding period of last year.

II. ITEMS AND AMOUNT OF EXTRAORDINARY GAINS/LOSSES

Unit: RMB Currency: RMB

Item of extraordinary gains/losses	Amount
Profit or loss from disposal of non-current assets	-6,068,369.76
Government grants accounted for in profit and loss account of the current period except for government grants closely related to the corporate business and in compliance with the State policies that were given at a fixed standard amount or quantity as stipulated by the State	45,937,058.34
Non-operating gains and losses other than the above items	27,875,918.24
Investment gains from the disposal of long-term equity investments and investment gains from the disposal of held-for-trading financial assets and available-for-sale financial assets	2,981,265.75
Gains (losses) from changes in fair value	-5,395,518.86
Effect of minority interests	13,914.01
Effect of income tax	-12,616,929.65
Total	52,727,338.07

Section 4 Management Discussion and Analysis

OPERATING ENVIRONMENT

Although the global economy showed signs of stabilizing in the first half of 2014, the PRC experienced a slowdown in its economic growth due to tightened policy, weak export demand and the downturn of the property market, which increased the downward pressure on the domestic automobile industry.

With the PRC government facing growing pressure on energy, transport and air quality, car purchase restrictions were imposed in more cities. Some market analysis reports showed that the domestic automobile industry entered a slow growth period, and growth in domestic automobile production and sales volume slowed down in the first half of 2014.

According to the statistics from China Association of Automobile Manufacturers, the production and sales volume of automobiles in the PRC in the first half of 2014 grew by 9.60% and 8.36% respectively to approximately 11,783,300 units and 11,683,500 units respectively. The aforementioned data indicated a steady growth in sales volume of and demand for automobiles. However, the growth had slowed down year on year, as the comparative figure of the corresponding period of 2013 was relatively large.

Further marketization in the automobile industry, enhancement of production capacity of domestic car enterprises and more diversification in product lines have intensified competition in the automobile market. The Group continued to launch high price-performance products through optimising product mix, and improving the quality and production efficiency of its automotive products. The Group also strove to enhance the quality of its after-sales services, so as to strengthen the brand effect of all the product lines of the Group.

Decline in export market demand and promulgation of trade regulations of some export markets had posed a greater challenge for automobile exports, leading to a decrease in automobile exports in the first half of 2014. According to the information on automobile manufacturing enterprises' exports from China Association of Automobile Manufacturers, the automobile export volume decreased by 8.8% year-on-year to approximately 444,900 units in the first half of 2014. With exports showing a downward trend, domestic automobile enterprises need to keep strengthening their international market development and competitiveness, in order to boost export sales volume.

FINANCIAL REVIEW

Operating revenue

During the Reporting Period, the operating revenue of the Group amounted to RMB28,527,373,341.19, representing a 7.99% increase from the corresponding period in 2013 (corresponding period of 2013: RMB26,416,838,569.72). The increase in revenue was mainly due to an increase in SUV sales volume as a result of the Group's optimisation of product mix, focus on SUVs, manufacture of high price-performance products, and commitment to augment after-sales service.

Sale of automobiles

During the Reporting Period, the Group sold a total of 346,310 units of automobiles, representing a 6.48% decrease from the corresponding period in 2013 (corresponding period of 2013: 370,301 units). The Group's revenue from sale of automobiles amounted to RMB27,057,974,773.45, representing a 8.15% increase from the corresponding period in 2013 (corresponding period of 2013: RMB25,019,954,911.74). The increase in the above revenue was mainly due to an increase in the sales proportion of the Group's SUVs.

Section 4 Management Discussion and Analysis

Automotive parts and components and others

In addition to the production of automobiles, the Group also engaged in the sale of major automotive parts and components used in the production of pick-up trucks, SUVs, and sedans. These include self-manufactured engines, transmissions, front and rear axles, air-conditioning equipment, drag ball pins, lever assembly and other parts and components for the production of automobiles. Sale of automotive parts and components not only contributes to the Group's revenue but also ensures the availability of parts and components for after-sales services. During the Reporting Period, the revenue generated from the sale of automotive parts and components and others was RMB1,469,398,567.74, representing a 5.19% increase from the corresponding period of 2013 (corresponding period of 2013: RMB1,396,883,657.98). The increase was mainly attributable to an increase in the revenue generated from sales of automotive parts and components for after-sales services, as a result of an increase in the number of people owning automobiles.

Gross profit and gross profit margin

During the Reporting Period, the Group's gross profit amounted to RMB8,147,418,289.81, representing a 6.48% increase from the corresponding period of 2013 (corresponding period of 2013: RMB7,651,298,457.50). The increase in the Group's gross profit was mainly due to an increase in the sales proportion of the Group's SUVs which have a higher gross profit margin. The Group's gross profit margin decreased from 28.96% in the first half of 2013 to 28.56% in the first half of 2014, which was mainly due to an increase in fixed costs per unit of sedans, as a result of a decrease in production and sales volume of sedans.

Net profit attributable to shareholders of the Company and earnings per share

During the Reporting Period, the Group's net profit attributable to shareholders of the Company decreased by 3.25% to RMB3,954,313,743.49 when compared with that of the corresponding period of 2013 (corresponding period of 2013: RMB4,087,332,094.33). The decrease was mainly due to a decline in profit as a result of an increase in technology development fees, such that the growth rate of expenses for the period was higher than that of revenue.

Basic earnings per share of the Group for the Reporting Period were RMB1.30 (corresponding period of 2013: RMB1.34). During the Reporting Period, the Group did not present any diluted earnings per share as there was no ordinary share which may cause any dilution effect.

Selling and administrative expenses

During the Reporting Period, the selling expenses of the Group amounted to RMB906,062,687.84, representing a 5.93% increase from the corresponding period of 2013 (corresponding period of 2013: 855,302,745.69). The increase in selling expenses was mainly due to increases in the transportation fees and after-sales service fees. The percentage of selling expenses to operating revenue decreased from 3.24% in the first half of 2013 to 3.18% in the first half of 2014. During the Reporting Period, the administrative expenses of the Group amounted to RMB1,604,705,114.81, representing a 55.19% increase from the corresponding period of 2013 (corresponding period of 2013: RMB1,033,999,951.06). The increase in administrative expenses was mainly due to an increase in technology development expenses. The percentage of administrative expenses to operating revenue increased from 3.91% in the first half of 2013 to 5.63% in the first half of 2014.

Finance costs

During the Reporting Period, the Group's finance costs were RMB46,118,743.89, as compared to RMB30,447,573.94 for the corresponding period of 2013. The decrease in financial expenses was mainly due to an increase in exchange rate gain during the Reporting Period.

Section 4 Management Discussion and Analysis

Current assets and current liabilities

As at 30 June 2014, the Group's current assets were RMB28,078,270,355.66 (31 December 2013: RMB31,026,191,451.06), mainly included cash and bank balances of RMB7,291,696,533.16, bills receivable of RMB13,362,959,647.97, accounts receivable of RMB835,708,517.01, inventories of RMB2,493,204,585.16, prepayments of RMB582,891,728.08 and other receivables of RMB3,124,953,442.37. As at 30 June 2014, the Group's current liabilities were RMB19,681,744,962.04 (31 December 2013: RMB22,839,474,722.18), mainly included advances from customers of RMB1,527,598,240.78, salaries payable of RMB458,943,785.10, other payables of RMB1,456,261,819.67, taxes payable of RMB539,179,955.90, bills payable of RMB4,984,134,183.07, accounts payable of RMB9,001,630,174.24, and other current liabilities of RMB577,517,273.19.

Gearing Ratio

Gearing ratio refers to the proportion of total liabilities to the total equity in the consolidated balance sheet. As at 30 June 2014, the Group's total liabilities amounted to RMB21,403,296,914.24 (31 December 2013: RMB24,596,812,087.89) and the Group's total equity was RMB29,525,292,322.47 (31 December 2013: RMB28,007,996,843.40). As at 30 June 2014, the gearing ratio of the Group was 0.72 (31 December 2013: 0.88).

Acquisition and disposal of assets

On 18 March 2014, the Company entered into an equity transfer agreement with a wholly-owned subsidiary, Baoding Nuobo Rubber Production Co., Ltd (保定市諾博橡膠製品有限公司), pursuant to which Baoding Nuobo Rubber Production Co., Ltd (保定市諾博橡膠製品有限公司) agreed to transfer 100% equity interest in Nuobo Rubber Production Co., Ltd (諾博橡膠製品有限公司) to the Company for a consideration of RMB165,000,000. Following the completion of the change in business licence on 19 March 2014, Nuobo Rubber Production Co., Ltd (諾博橡膠製品有限公司) became a wholly-owned subsidiary directly held by the Company.

On 24 April 2014, the Company entered into an equity transfer agreement with Billion Sunny Development Limited (億新發展有限公司), pursuant to which Billion Sunny Development Limited (億新發展有限公司) agreed to transfer 25% equity interest in Great Wall Baoding Vehicle Axles Company Limited (保定長城汽車橋業有限公司) to the Company at an appraisal value of RMB137,709,100. The consideration for the equity transfer was determined according to the assets appraisal report "Hengyu Assets Appraisal Document No. [2014-4A029]" (恒裕評報字[2014-4A029]號) issued by Hebei Hengyu Assets Appraisal Co., Ltd. (河北恒裕資產評估事務所有限公司). Following the completion of the change in business licence on 14 May 2014, Great Wall Baoding Vehicle Axles Company Limited (保定長城汽車橋業有限公司) became a wholly-owned subsidiary directly held by the Company.

As the aforementioned acquisitions were neither connected transactions nor notifiable transactions as defined under the Hong Kong Listing Rules, it is therefore not required to publish any announcements under Chapters 14 and 14A of the Hong Kong Listing Rules.

Save as the aforementioned acquisitions, the Company, its subsidiaries and associates did not have other material acquisitions or disposals of assets during the Reporting Period.

Capital structure

The Group generally finances its operations with its internal cash flows. As at 30 June 2014, the Group took out a borrowing of HK\$962,853,079.33 (equivalent to RMB764,264,631.72) for the payment of dividends to H shareholders of the Company.

Section 4 Management Discussion and Analysis

Exposure to foreign exchange risk

All the Group's domestic sales were settled in RMB, while sales to overseas customers were settled in US dollars or Euros. Taking into account the market expectation on the exchange rates, the Group had used forfaiting, spot or forward foreign exchange contracts to offset the impact of exchange rate fluctuations. As such, during the Reporting Period, the Group did not experience any material difficulties in or encounter any events which have material impacts on its operations or liquidity as a result of the fluctuations in currency exchange rates.

Employment, training and development

As at 30 June 2014, the Group employed a total of 68,509 employees (30 June 2013: 58,207 employees). Employees were remunerated by the Group based on their performance, experience and prevailing industry practices. The Group's remuneration policies and packages were reviewed on a regular basis. As an incentive for employees, bonuses and cash awards may also be given to employees based on individual performance evaluation. Total staff cost accounted for 7.79% of the Group's operating revenue as at 30 June 2014 (30 June 2013: 6.78%).

Taxation

During the Reporting Period, income tax of the Group was RMB812,314,970.04 (corresponding period of 2013: RMB839,694,409.12).

Segment information

For operational management purposes, the Group is organised as a single business unit focusing on the manufacture and sale of automobiles and automotive parts and components, and therefore, has no separable operating segment.

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

	For the six months ended 30 June	
	2014 RMB (Unaudited)	2013 RMB (Unaudited)
China	26,651,167,906.85	23,708,486,663.55
Russia	642,610,344.22	895,510,075.46
Chile	226,251,926.46	249,900,651.35
Iran	159,873,591.34	78,967,497.84
Iraq	135,666,556.85	174,056,268.48
Australia	132,637,350.62	311,586,360.75
Other countries	579,165,664.85	998,331,052.29
Total	28,527,373,341.19	26,416,838,569.72

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

The Group has not placed reliance on any single external customer which accounts for 10% or more of the Group's operating revenue.

Section 4 Management Discussion and Analysis

BUSINESS REVIEW

Products

The Group's principal products are pick-up trucks, SUVs and sedans. The Group also engages in the production and sale of major automotive parts and components used in the production of pick-up trucks, SUVs and sedans.

During the Reporting Period, the Group's total sales volume of automobiles was 346,310 units, representing a 6.48% decrease from the corresponding period of 2013 (corresponding period of 2013: 370,301 units). The decrease in the Group's sales volume of automobiles was mainly due to a decrease in the sales volume of sedans caused by fierce competition in the sedan market and a relatively few number of sedan models. During the Reporting Period, the sales volume of SUVs maintained a steady growth.

(1) *Pick-up truck*

According to the statistics of the China Association of Automobile Manufacturers, Great Wall Motor's pick-up trucks continued to rank first in the PRC market in terms of sales volume of pick-up trucks for 16 consecutive years, thereby consolidating the Company's leading market position in this respect. During the Reporting Period, the sales volume of pick-up trucks was 67,068 units, representing a 7.14% decrease from the corresponding period of 2013 (corresponding period of 2013: 72,226 units).

(2) *SUV*

During the Reporting Period, the Group achieved outstanding performance in the domestic SUV market, with steady growth in sales volume. Due to strong demand, the sales volume of the Group's flagship product "Haval H6" maintained a notable growth momentum, with a 62.59% increase in sales volume when compared to that of the same period in 2013, thereby facilitating the Group's SUVs to maintain a leading position in the domestic SUV market. During the Reporting Period, the sales volume of SUVs amounted to 225,621 units, representing a 21.23% increase from the corresponding period of 2013 (corresponding period of 2013: 186,113 units).

(3) *Sedan*

During the Reporting Period, the sales volume of the Group's sedans reached 53,053 units, representing a decrease of 50.68% from the corresponding period of 2013 (corresponding period of 2013: 107,561 units). The Group will continue to launch facelift models of sedans to increase the sales volume of sedans.

(4) *Other vehicles*

During the Reporting Period, the Group sold a total of 568 units of other vehicles (including MPVs and special vehicles), representing a 87.09% decrease from the corresponding period of 2013 (corresponding period of 2013: 4,401 units).

(5) *Automotive parts and components and others*

During the Reporting Period, the revenue generated from the sale of automotive parts and components and others amounted to RMB1,469,398,567.74, representing a 5.19% increase from the corresponding period of 2013 (corresponding period of 2013: RMB1,396,883,657.98) and accounting for 5.15% of the Group's total operating revenue.

Section 4 Management Discussion and Analysis

DOMESTIC MARKET

The “new type of urbanization” that the central government has been pushing forward had unleashed the purchasing power in domestic rural areas, thereby driving economic development and demand in the PRC. There were signs of gradual increase in consumers’ purchasing power for automobiles. During the Reporting Period, the Group continued to improve the quality and price-performance of its products and intensify market development, so as to improve the Group’s overall competitiveness and satisfy consumer demand.

During the Reporting Period, the Group’s domestic sales volume and revenue generated from the sale of automobiles amounted to 317,462 units and RMB25,264,431,369.77 respectively, representing decreases of 3.33% and increases of 12.65% respectively from those of the corresponding period of 2013 (corresponding period of 2013: 328,387 units and RMB22,427,227,262.09 respectively). During the Reporting Period, 56,870 units, 212,147 units and 47,877 units of pick-up trucks, SUVs and sedans were sold domestically respectively.

In the first half of 2014, the growth of SUVs’ sales volume far exceeded that of the automobile industry as a whole. SUV was regarded as a model that has the most potential for growth in the PRC automobile market. Despite the constant launch of new SUV models by other manufacturers, the Group’s SUV products, with their high price-performance and brands’ competitive edge, continued to maintain rapid growth and ranked first in the PRC’s SUV market in terms of sales volume. “Haval H6” remained as the best-selling SUV during the Reporting Period.

OVERSEAS MARKETS

During the Reporting Period, export of automobiles from the PRC was under pressure amid severe competition in overseas markets. During the Reporting Period, the Group accelerated product technology innovation, and continued to develop new products while improving product quality to help drive overseas sales.

During the Reporting Period, the Group’s export sales volume of automobiles was 28,848 units, representing a 31.17% decrease from the corresponding period of 2013 (corresponding period of 2013: 41,914 units). Of the total export volume, 10,198 units, 13,474 units and 5,176 units of pick-up trucks, SUVs and sedans were sold respectively. The total export value of automobiles amounted to RMB1,793,543,403.68, representing a 30.82% decrease from the corresponding period of 2013 (corresponding period of 2013: RMB2,592,727,649.65) and accounting for 6.29% of the Group’s operating revenue.

The Group’s export markets were located mainly in South America, Europe, Africa, Asia Pacific and Middle East, forming a solid international sales network. Russia, Chile, and South Africa had already become Great Wall Motor’s major export countries.

LAUNCH OF NEW PRODUCTS

During the Reporting Period, the Group launched “Wingle 6”, a brand new pick-up truck model with excellent performance, thereby strengthening the Group’s leading position in pick-up truck market.

The Group published announcements regarding the deferral of the launch and delivery of Haval H8 on 13 January 2014 and 8 May 2014 respectively. The Group keeps rectifying Haval H8, being its first model that targets the high-end market, and will not launch this model unless it is of premium standard. In order to launch Haval H8 as soon as possible, the Group has stepped up its efforts in addressing the problem of “knocking noises” in the transmission system when running at high speed.

In addition, with the theme of “Focus, Dedication, Specialization”, in April 2014, the Group showed up in the “2014 Beijing International Automobile Exhibition” with several SUV models under its brand, including Haval H6 (sporty version), Haval H6 (upgraded version), Haval H2, Haval H8, Haval H9, COUPE C, Haval COUPE and Dakar Rally Racecar. In order to showcase its research and development strength, the Group also put on display four core engines: GW6K30G powertrain, GW4C20A powertrain, GW4T15 diesel engine and GW4D20T diesel engine.

Section 4 Management Discussion and Analysis

OUTLOOK

In view of the slowdown in the PRC's economic growth and severe competition in the automobile market, the Group will maintain a sound financial position, adopt prudent development strategies, and continue to implement lean management. In addition, the Group will remain focused on enhancement in product quality and technology, and further develop key overseas markets.

Amid intensified competition in the automobile industry, prices of joint-venture brands continued to fall and reached the range of those of self-owned brands. As such, self-owned brand enterprises must strive for enhancement in order to further expand their business. The Group will move towards developing high-end products, in order to constantly increase its competitive edge and satisfy consumer demand.

The Group will firmly adhere to its high-end strategy and continue to invest more in the research and development of high-end products. With regard to management, the Group aims to achieve world-class production and management through its professional management team and talented workforce. The Group will further strengthen its pre-sales service, service during sales process and after-sales service, as well as optimise its research and development system, with an aim to lift the Group's overall competitiveness.

New Products

The Group will continue to reinforce its competitive edge in brand and technology through strengthening independent innovation. In addition to increasing investment in research and development, as well as improving brand value, the Group will also continue to expand its presence in the automobile market, step up efforts in research and development and technology management of high-end products, and develop automobile products that meet different consumer demands.

As for SUVs, the Group will constantly strengthen its research and development capabilities in SUVs. It is expected that in the second half of 2014, the Group will launch a number of brand new SUV models including stylish freestyle SUV Haval H2, compact SUV Haval H1, high-end off-road SUV Haval H9 etc. so as to enrich the SUV product line, which will make Haval become a new source of sales growth, thereby helping the Group to maintain its number one position in sales in the SUV market segment. The Company will make timely announcement after determining the launch date of Haval H8.

With respect to sedans, the Group will enhance the products' market competitiveness through the upgrade and replacement of existing products and the application of energy-saving and environmental-friendly technology under the guidance of the PRC's policy to promote energy-saving products. In respect of car model development, the Group will upgrade two existing products, Great Wall C30 and Great Wall C50. In July 2014, the new generation of best-valued "T" family sedan Great Wall C50 (upgraded version) was launched. Furthermore, in the second half of 2014, Great Wall C30 with automatic transmission will be launched, which is expected to drive a rebound in the sales volume of sedans.

For pick-up trucks, the Group will maintain its market share through facelift and replacement of products as well as the enhancement of product mix and product performance.

Export Market

The Group has established its business in a certain scale in overseas markets, with its products sold to South America, Europe, Asia Pacific, Middle East and other regions and countries. With improvement of its image and brand reputation in overseas markets, the Group expects that its export volume will rise gradually. The Group is considering developing more overseas markets with potential, and strives to increase the export sales volume.

Section 4 Management Discussion and Analysis

According to the Group's development strategy, construction of overseas plants will become an important means to increase export sales volume. On 19 and 22 May 2014, the Company published an announcement that it will invest RMB3.2 billion in the construction of a new automobile plant in its largest export market, Russia. The Group intends to invest in the establishment of an automobile production base with a total site area of approximately 2.16 million square meters and with a planned annual production capacity of 150,000 units of automobiles in an industrial park in Uzlovaya of Tula Oblast in Russia. According to initial planning, construction is expected to be carried out in two phases. The new plant is expected to lay a solid foundation for the Group's future expansion of its production scale as well as overseas sales. To the best of the knowledge and belief of the directors of the Company, this will not only be the first automobile manufacturing plant of a Chinese automobile enterprise in Russia comprising four major production sections, but also the first overseas automobile manufacturing plant with complete production process invested by the Group. The plant will help the Group build up international competitiveness with sustainable growth.

The Group will continue to step up its efforts to develop the international market. In addition to the continued expansion of the export volume of automobiles, the Group will undertake brand building in overseas markets, and further enhance its brand value and strengthen its position in overseas markets through optimisation of overseas sales network and improvement of after-sales services.

New Facilities

The second phase of the Group's production base for automobiles and automotive parts and components in the Tianjin Economic-Technological Development Area has commenced operation. The new facilities and advanced equipment further increase the Group's production capacity and scale.

Construction of the second production base in the Group's automobile plant in Xushui, Baoding has begun, and is expected to be completed in the second half of 2015. The third production base commenced construction in 2014, and the estimated construction period is two and a half years.

Haval H8, Haval H9, COUPE C, Haval H7 and subsequent products will be produced at the Xushui plant. The Group's future high-end car models will be produced and tested at the intelligent Xushui plant, thereby ensuring the improvement of product quality.

The Group will further implement its operations strategy and work on the Company's development fundamentals. Through enhancing the investment in products' research and development, the Group will constantly optimise its core automotive parts and components, thereby improving the performance of its automobiles in all aspects. The Group is committed to becoming a world-class automobile enterprise.

AUTOMOTIVE FINANCE

During the Reporting Period, the Group's joint venture, Tianjin Great Wall Binyin Automotive Finance Company Ltd (天津長城濱銀汽車金融有限公司), was granted a business licence as approved by Tianjin City Administration for Industry and Commerce in Binhai New Area, and will officially commence operation in the second half of 2014. The establishment of Tianjin Great Wall Binyin Automotive Finance Company Ltd (天津長城濱銀汽車金融有限公司) will further expand the Group's existing automobile business and extend the automobile industry chain, which is expected to create a new source of profit growth for the Group.

Section 4 Management Discussion and Analysis

HAVAL MALL

On 11 July 2014, the Group launched Haval H2 and its e-shopping site — Haval Mall simultaneously. To the best of the knowledge and belief of the directors of the Company, Haval Mall is the first online shopping mall for all-match and customized automobiles in the PRC. Haval Mall is dedicated to providing customers with an exclusive online car purchasing platform under the theme of “Customized, Open, Sharing”. By linking of domestic consumers, Haval Mall will lead the new trend of car purchasing in the PRC and enable consumers to enjoy the unique products of Great Wall Motor at any time.

PREFERENTIAL ENTERPRISE INCOME TAX RATE FOR HIGH-TECH ENTERPRISES

The Company obtained the High-Tech Enterprise Certificate jointly issued by the Hebei Provincial Department of Science and Technology, Department of Finance of Hebei Province, Hebei Provincial Office of the State Administration of Taxation and Hebei Local Taxation Bureau on 10 November 2010. The certificate is valid for three years. Article 28 of “Enterprise Income Tax Law of the PRC” stipulates that “the key high-tech enterprises which receive support from the State shall be entitled to a reduced enterprise income tax rate of 15%”. Accordingly, the Company paid its income tax at the rate of 15% from 2010 to 2012. In accordance with the Administrative Measures for the Accreditation of High-Tech Enterprises (高新技術企業認定管理辦法), enterprises may submit applications for the renewal of their High-Tech Enterprise Certificates within three months before their expiration. An enterprise whose application is approved will be granted with the renewed High-Tech Enterprise Certificate and may enjoy the aforesaid tax concession. The Company’s application for the renewal of its High-Tech Enterprise Certificate has been approved by the Hebei Provincial Department of Science and Technology in 2013, and obtained the High-Tech Enterprise Certificate on 22 July 2013. The certificate is valid for three years. Starting from the year when the approval of the renewal application comes into effect, the Company can apply for the enterprise income tax concession. The Company has applied to the tax authorities for the tax concession and has completed the relevant procedures for tax reduction. Under the conditions of continued compliance with the Enterprise Income Tax Law and its implementation rules, as well as other relevant requirements, the Company is entitled to pay its enterprise income tax at the rate of 15% from 2013 to 2015.

Section 5 Report of the Board

I. DIRECTORS' DISCUSSION AND ANALYSIS OF THE OPERATION OF THE COMPANY DURING THE REPORTING PERIOD

(I) Analysis of principal business

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

Unit: RMB Currency: RMB

Item	For the Reporting Period	For the corresponding period last year	Changes (%)	Reason
Operating revenue	28,527,373,341.19	26,416,838,569.72	7.99	The change in the operating revenue was mainly attributable to an increase in sales of SUVs due to the Group's optimisation of its product mix, focus on SUVs, manufacture of high price-performance products, and commitment to augment after-sales service.
Operating costs	20,379,955,051.38	18,765,540,112.22	8.6	The change in the operating costs was mainly attributable to an increase in the proportion of the sales of SUVs over the total sales of the Group. The increase in revenue gave rise to the increase in costs.
Selling expenses	906,062,687.84	855,302,745.69	5.93	The change in the selling expenses was mainly attributable to increases in transportation costs and after-sales service fees.
Administrative expenses	1,604,705,114.81	1,033,999,951.06	55.19	The change in the administrative expenses was mainly attributable to an increase in the expenses of technology development.
Financial expenses	-46,118,743.89	-30,447,573.94	51.47	The change in the financial expenses was mainly attributable to an increase in foreign exchange gains.
Net cash flows from operating activities	5,162,772,458.71	4,953,260,185.00	4.23	The change in the net cash flows from operating activities was mainly attributable to an increase in cash generated from operation due to an increase in revenue.
Net cash flows from investing activities	-3,306,473,017.86	-2,179,015,190.80	51.74	The change in the net cash flows from investing activities was mainly attributable to an increase in capital investment in land, plants and equipment for the addition and expansion of production lines.
Net cash flows from financing activities	-1,798,288,948.19	-1,680,104,781.73	7.03	The change in the net cash flows from financing activities was mainly attributable to an increase in payment of dividends.
Research and Development expenses	1,156,439,599.05	580,671,564.12	99.16	The change in research and development expenses was mainly attributable to an increase in investment in research and development by the Group.

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2. Others

- (1) Analysis and description of the progress of various types of financing and major asset reorganization of the Company in the previous period

In 2011, the Company issued 304,243,000 RMB-denominated ordinary shares (A Shares) and raised proceeds of approximately RMB3.955 billion in total. Such proceeds were mainly used in seven projects, namely "GW4D20 diesel engine project with annual production of 100,000 sets", "EG engine project with annual production of 300,000 sets", "six-speed manual transmission project with annual production of 200,000 sets", "aluminium alloy casting project with annual production of 400,000 sets", "axles and brakes project with annual production of 400,000 sets", "interior and exterior decoration project with annual production of 400,000 sets" and "automotive lighting project with annual production of 400,000 sets". For details of the progress of the above seven projects, please refer to "Specific Report of the Allocation and Actual Use of Proceeds of Great Wall Motor Company Limited" (Announcement No.: 2014-041) issued by the Company on 22 August 2014.

- (2) Implementation of business plans

During the Reporting Period, the Company has strictly implemented the "12th 5-year strategic plan". Meanwhile, the implementation of the annual business plan formulated by the Company at the beginning of this year is on schedule.

(II) Operation analysis by industries, products and regions

1. Principal business by industries and products

Unit: RMB Currency: RMB

Industry	Principal business by industries			Increase/ decrease in operating revenue year- on-year (%)	Increase/ decrease in operating costs year- on-year (%)	Increase/ decrease in gross profit margin year- on-year (%)
	Operating revenue	Operating costs	Gross profit margin (%)			
Automobile industry	28,418,950,876.49	20,310,342,836.06	28.53	8.36	8.97	Decreased by 0.40 percentage points

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Principal business by products						
Product	Operating revenue	Operating costs	Gross profit margin (%)	Increase/decrease in operating revenue year-on-year (%)	Increase/decrease in operating costs year-on-year (%)	Increase/decrease in gross profit margin year-on-year (%)
Sale of automobiles	27,057,974,773.45	19,254,220,303.22	28.84	8.15	8.79	Decreased by 0.42 percentage points
Sale of automotive parts and components	1,082,054,240.37	818,580,754.30	24.35	20.42	18.19	Increased by 1.43 percentage points
Moulds and others	225,368,159.57	178,088,090.68	20.98	-6.25	-8.1	Increased by 1.58 percentage points
Provision of services	53,553,703.10	59,453,687.86	-11.02	-19.52	8.38	Decreased by 28.58 percentage points

The Company is mainly engaged in 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, services, moulds and others.

2. Principal business by regions

Region	Unit: RMB Currency: RMB	
	Operating revenue	Increase/decrease in operating revenue over last year (%)
Domestic	26,542,844,118.47	12.60
Overseas	1,876,106,758.02	-29.28

The domestic business was mainly located in the mainland China.

(III) Analysis of the core competitiveness

In spite of the fierce market competition, Great Wall Motor maintains its leading position in the market segments where it operates, which is mainly attributable to the following key factors: 1. highly-recognized corporate culture; 2. excellent management and leadership; 3. strengthening corporate culture of producing products of good quality by continuously improving product quality; 4. outstanding production management standards; 5. sound sales and service system; 6. vertical integration of supply chain; 7. good brand image, trustworthy quality and dominant market position. With the strategies of focusing on products and enhancing brand values by leveraging on its quality products, Great Wall Motor has strengthened its leading position in the market segments and established a solid foundation for the overseas expansion of "Chinese Great Wall automobile".

Section 5 Report of the Board

(IV) Analysis of investments

1. Analysis of external equity investments

Unit: RMB10,000

Investment during the Reporting Period	122,147.29
Changes in investment	110,347.29
Investment during the corresponding period last year	11,800.00
Increase/decrease in investment (%)	935.15

Name of investee	Major business	Percentage of shareholding in the investee
Baoding Qingchuang Property Services Company Limited (保定市勤創物業服務有限公司)	Property management services. (Operations that require pre-approvals according to laws and administrative regulations or as prescribed by the State Council can only be conducted after obtaining approvals)	100%
Xushui Clean Heat Supplying Company Limited (徐水縣科林供熱有限公司)	Production and supply of heat, installation of heat supply system, maintenance of facilities (operations which will only be allowed upon obtaining qualification certificates), design of heat supply system and sale of ashes (operations which are subject to special approvals and licences can only be conducted after obtaining relevant licences).	100%
Shanghai Haval Automotive Technology Limited Company (上海哈弗汽車科技有限公司)	Provision of technology development, advisory and services in respect of automobiles, automotive parts and components, advanced automobile technology and mechanical and electrical products. (Operations which are subject to administrative approvals can only be conducted after obtaining relevant licences)	100%
Haval Motor Rus Limited Liability Company (俄羅斯哈弗汽車有限責任公司)	1. Marketing, sale and promotion of automobiles, automotive parts, and components and accessories and any other relevant operating activities, including intermediary trading activities and foreign trading activities; 2. Provision of technical maintenance and repair services for motor vehicles and provision of other types of technical maintenance services for motor vehicles;	100%
Great Wall Motor Company Limited Dingxing Branch (長城汽車股份有限公司定興分公司)	3. Motor vehicles sales financing. Manufacturing, development, design, OEM, sale and after-sales and advisory services of automotive parts and components and accessories; storage service; leasing of self-owned equipment.	100%

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Name of investee	Major business	Percentage of shareholding in the investee
Baoding Zhiteng Automation Technology Company Limited (保定市智騰自動化科技有限公司)	Research and development, design, manufacturing of industrial automation, transmission and controlling systems, integration of industrial robots, instruments and meters; sale, technology transfer and advisory, and after-sales services of automation equipment. (Operations which are subject to approvals can only be conducted after obtaining licences from relevant authorities)	100%
Baoding Haval Auto Sales Company Limited (保定哈弗汽車銷售有限公司)	Wholesale and retail of machinery, hardware and electronic products. (Operations that require pre-approvals according to laws and administrative regulations or as prescribed by the State Council can only be conducted after obtaining approvals)	100%
Nuobo Rubber Production Co., Ltd (諾博橡膠製品有限公司)	Design, develop, manufacture and sale of rubber parts, rubber tubes, boards and belts, automotive parts and components and rubber moulds, and provision of after-sales service; import and export of goods for the company itself or acting as an agent, excluding export of those goods which must be exported by the national bodies in the PRC and import of those goods which must be imported by the companies approved by the PRC government.	100%
Great Wall Baoding Automotive Customer Service Company Limited (保定市長城汽車售後服務有限公司)	Provision of category 2 automobile (small vehicles) maintenance and repair with road transport business licence valid until 22 April 2019 and after-sales services; wholesale and retail of automotive accessories; import and export of automotive accessories, provision of training relating to automobile maintenance and repair technologies and the relevant services, sale of lubricants, car decoration and accessories. (Operations that require pre-approvals according to laws and administrative regulations or as prescribed by the State Council can only be conducted after obtaining approvals)	100%
Great Wall Baoding Vehicle Axles Company Limited (保定長城汽車橋業有限公司)	Technology development, manufacturing and processing of automotive parts and components and accessories; design and manufacturing of automotive moulds and fixtures; sale of products of the Company and provision of after-sales services; leasing of self-owned housing.	100%

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Name of investee	Major business	Percentage of shareholding in the investee
Baoding Mind Auto Component Co., Ltd (保定曼德汽車配件有限公司)	Manufacturing of automotive parts and components, machine processing and rivet processing, sale of the products of the Company and provision of after-sales services; import and export of automotive parts and components and related technologies (excluding the commodities traded and regulated by national bodies of the PRC. For commodities that are subject to quota and licences, applications shall be made in accordance with the relevant regulations of the PRC).	100%
Australia Sinyos Technology And Trade Pty Ltd (澳大利亞森友斯科貿有限公司)	import and export as well as sale and distribution of automobiles, sale of accessories and provision of after-sales services.	100%
Tianjin Great Wall Binyin Automotive Finance Company Ltd (天津長城濱銀汽車金融有限公司)	Accepting time deposits with a term of no less than three months from domestic shareholders; accepting security deposits from automobile dealers for automobile purchasing loans and from lessees for automobile leasing; issuing financial bonds (when approved); engaging in inter-bank lending business; obtaining loans from financial institutions; providing automobile purchasing loans; offering loans to automobile dealers for purchasing automobiles and operating equipment, including loans for construction of exhibition halls, production of automotive parts and components as well as equipment maintenance; engaging in automobile finance leasing business (except leaseback business); engaging in sales or repurchases of automobile loan receivables and automobile finance leasing receivables to or from financial institutions; engaging in sales and disposals of residual value of leased automobiles; engaging in consultation and agency business relating to financing for automobile purchases; engaging in equity investment in financial institutions relating to automobile finance business (when approved); and engaging in other businesses approved by the China Banking Regulatory Commission. (Businesses that require pre-approvals according to laws and regulations can only be conducted after obtaining approvals from the relevant authorities)	90%

Section 5 Report of the Board

(1) Equity interests in financial enterprise(s)

Currency: RMB

Name of the investee(s)	Initial investment (RMB)	Percentage of shareholding as at the beginning of the period (%)	Percentage of shareholding as at the end of the period (%)	Carrying amount as at the end of the period (RMB)	Profit or loss during the reporting period (RMB)	Changes in the shareholder's equity during the reporting period (RMB)	Accounting item	Source of shares
Tianjin Great Wall Binyin Automotive Finance Company Ltd (天津長城濱銀汽車金融有限公司)	495,000,000.00	—	90	495,000,000.00	-414,016.37	-414,016.37	Long-term equity investments	Investment
Total	495,000,000.00	/	/	495,000,000.00	-414,016.37	-414,016.37	/	/

The Company holds 90% of equity interests in Tianjin Great Wall Binyin Automotive Finance Company Ltd (天津長城濱銀汽車金融有限公司).

2. Entrusted wealth management and derivatives investments of non-financial companies

(1) Entrusted wealth management

There were no entrusted wealth management of the Company during the Reporting Period.

(2) Entrusted loans

There were no entrusted loans of the Company during the Reporting Period.

3. Use of proceeds

(1) Overall use of proceeds

Unit: RMB Currency: RMB

Year	Method	Total proceeds	Amount used in the Reporting Period	Accumulated amount of proceeds used	Total amount of the remaining proceeds	Use and application of the remaining proceeds
2011	Initial offering	3,955,159,000.00	73,793,724.57	3,746,488,897.09	196,502,350.69	To be used in the investment projects designated to be funded by proceeds
Total	/	3,955,159,000.00	73,793,724.57	3,746,488,897.09	196,502,350.69	/

As at 30 June 2014, the total amount of proceeds used was RMB3,746,488,897.09, including RMB73,793,724.57 used in the Reporting Period.

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(2) Use of proceeds for capital commitment

Unit: RMB Currency: RMB

Capital commitment project	Are there any Changes?	Proposed amount of investment from proceeds	Amount of proceeds invested in the Reporting Period	Accumulated amount of proceeds invested	Is the project on schedule?	Progress of the project	Estimated revenue	Revenue generated	Explanation for project behind		
									Has revenue reached estimated level?	and revenue below estimated level	Reasons and procedures for changes in the use of proceeds
GW4D20 diesel engine project with annual production of 100,000 sets	No	411,900,000.00	—	411,900,000.00	Yes	100%	—	50,179,173.02	—	—	—
EG engine project with annual production of 300,000 sets	No	568,000,000.00	16,776,325.83	526,640,702.35	Yes	93%	—	143,661,210.62	—	—	—
Six-speed manual transmission project with annual production of 200,000 sets	No	503,393,100.00	18,304,629.33	464,979,854.61	Yes	92%	—	46,117,069.83	—	—	—
Aluminium alloy casting project with annual production of 400,000 sets	No	344,299,600.00	5,738,275.00	300,239,555.95	Yes	87%	—	41,408,041.82	—	—	—
Axles and brakes project with annual production of 400,000 sets	No	571,657,000.00	5,705,368.10	571,657,000.00	Yes	100%	—	55,224,514.30	—	—	—
Interior and exterior decoration project with annual production of 400,000 sets	No	580,771,300.00	15,141,594.73	577,019,489.29	Yes	99%	—	116,960,960.67	—	—	—
Automotive lighting project with annual production of 400,000 sets	No	185,843,000.00	12,127,531.58	165,544,025.90	Yes	89%	—	25,257,785.52	—	—	—
Surplus proceeds from the A share offering to supplement the current capital	No	728,508,268.99	—	728,508,268.99	Yes	100%	—	—	—	—	—
Total	/	3,894,372,268.99	73,793,724.57	3,746,488,897.09	/	/	—	/	/	/	/

Section 5 Report of the Board

4. Major subsidiaries and investees

Unit: RMB Currency: RMB

Full name of subsidiaries	Business nature	Registered capital	Proportion of shareholding (%)	Proportion of voting rights (%)	Total assets as at the end of the Reporting Period	Total net assets as at the end of the Reporting Period	Net profit for the Reporting Period
Tianjin Boxin Automotive Parts Company Limited (天津博信汽車零部件有限公司)	Manufacturing of automotive parts and components	1,890,000,000.00	100	100	4,584,812,169.36	2,390,818,776.37	381,377,633.39
Baoding Great Wall Huabei Automotive Company Limited (保定長城華北汽車有限責任公司)	Manufacturing of automotive parts and components	177,550,000.00	100	100	2,322,310,325.66	445,604,198.48	179,226,609.14
Great Wall Baoding Internal Combustion Engine Manufacturing Company Limited (保定長城內燃機製造有限公司)	Manufacturing of automotive parts and components	452,716,300.00	100	100	1,373,353,122.96	625,917,882.48	90,579,587.48
Baoding Great Wall Auto Sales Company Limited (保定長城汽車銷售有限公司)	Marketing and sale of automobiles	8,000,000.00	100	100	4,129,155,488.16	132,944,570.57	76,320,119.09
Great Wall Baoding Vehicle Axles Company Limited (保定長城汽車橋業有限公司)	Manufacturing of automotive parts and components	282,720,000.00	100	100	1,090,797,052.50	430,986,744.95	32,252,929.75
Baoding Great Wall Ants Logistics Co., Ltd (保定市長城螞蟻物流有限公司)	Logistics and ordinary goods transportation services	86,000,000.00	100	100	318,142,520.09	127,801,242.48	30,680,126.42
Baoding Nuobo Rubber Production Co., Ltd. (保定市諾博橡膠製品有限公司)	Design and development of rubber parts and components	72,240,000.00	100	100	360,523,862.23	287,030,701.07	30,650,510.81
Tianjin Great Wall Lean Automotive Parts Company Limited (天津長城精益汽車零部件有限公司)	Manufacturing of automotive parts and components	140,000,000.00	100	100	585,839,149.43	256,221,098.07	30,522,448.97
Baoding Great Wall Exquisite Foundry Company Limited (保定長城精工鑄造有限公司)	Manufacture of steel castings and provision of after-sales services	85,000,000.00	100	100	230,684,999.77	113,909,778.27	21,040,026.25
Baoding Great Machinery Company Limited (保定市格瑞機械有限公司)	Manufacturing of automotive parts and components	23,000,000.00	100	100	186,926,861.58	101,202,763.05	19,543,960.87

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5. Non-fund raising projects

Unit: 0'000 Currency: RMB

Project	Total amount of investments	Progress	Amount invested during the Reporting Period	Accumulated amount invested	Revenue
Phase II of Construction Project of Tianjin Production Base for Great Wall Motor Passenger Vehicles	238,941.97	77.70%	14,006.42	185,647.81	RMB43,149,100 in the Reporting Period
Construction Project of Great Wall Motor Technology Centre	206,335.57	50.09%	57,203.98	105,047.65	No revenue has been generated as the project is under construction
Construction Project of Xushui Production Base for Great Wall Motor Passenger Vehicles	408,880.00	74.45%	71,765.70	304,423.50	No revenue has been generated as the project is under construction
Total	854,157.54	/	142,976.10	595,118.96	

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

(I) Implementation or adjustment of profit distribution proposal during the Reporting Period

At the 2013 annual general meeting held on 9 May 2014, the Profit Distribution Proposal for the Year 2013 was considered and approved, pursuant to which the Company would pay cash dividend of RMB2,494,786,860.00 or RMB0.82 per share (tax inclusive) to the shareholders for the year of 2013. As of the date of this report, the cash dividend for the year of 2013 has been paid to all the shareholders of the Company.

III. OTHER DISCLOSURE

(I) Explanation of the Board and the Supervisory Committee for the non-standard auditor's report from the accounting firm

√ Not applicable

Section 5 Report of the Board

(II) Other Disclosure

Interim Dividend

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: Nil).

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

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

Corporate Governance

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

Audit Committee

The Company has set up the Audit Committee for the purposes of reviewing and supervising over financial reporting process and internal controls of the Group. The Audit Committee comprises four independent non-executive directors and one non-executive director of the Company. At the meeting held on 21 August 2014, the Audit Committee reviewed the 2014 interim results announcement, interim report and interim financial statements of the Group and gave their opinions and recommendations to the Board. The Audit Committee is of the opinion that the 2014 interim results announcement, interim report and interim financial statements of the Company comply with the applicable accounting standards and the Company has made appropriate disclosure thereof.

Remuneration Committee

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

Nomination Committee

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

Strategy Committee

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

Section 5 Report of the Board

Compliance with the Model Code

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

Section 6 Significant Events

I. MATERIAL LITIGATION, ARBITRATION AND MATTERS QUESTIONED BY THE MEDIA

During the Reporting Period, the Company had no material litigation, arbitration or matters questioned by the media.

II. BANKRUPTCY AND RESTRUCTURING

During the Reporting Period, there were no events relating to bankruptcy or restructuring of the Company.

III. ASSET TRANSACTIONS AND MERGERS

(I) Transactions not required for disclosure by preliminary announcements or their subsequent development

1. Asset acquisitions

Unit: RMB Currency: RMB

Counterparty or ultimate controller	Assets acquired	Date of acquisition	Acquisition price	Net profit contributed to the Company by the assets from the beginning of this year to the end of the Reporting Period (applicable to business combination of enterprises under common control)	Is it a related party transaction? (If yes, state the basis of pricing)	Basis of pricing for the asset acquisition	Has the ownership of the assets been fully transferred?	Have the obligations and liabilities been fully transferred?	Percentage of net profit contributed to the Company by the assets over the total profit of the Company (%)	Relationship
Baoding Nuobo Rubber Production Co., Ltd (保定市諾博橡膠製品 有限公司)	Nuobo Rubber Production Co., Ltd (諾博橡膠製品有限公司)	19 March 2014	165,000,000	0.00	0.00	NO Capital Contribution	Yes	Yes	0.00	wholly-owned subsidiary
Billion Sunny Development Limited (億新發展有限公司)	Great Wall Baoding Vehicle Axles Company Limited (保定長城汽車橋業 有限公司)	14 May 2014	137,709,100	0.00	0.00	NO Asset valuation	Yes	Yes	0.00	wholly-owned subsidiary

- As at the date of this interim report, the Company completed the acquisition of the entire equity interest in Nuobo Rubber Production Co., Ltd (諾博橡膠製品有限公司) held by Baoding Nuobo Rubber Production Co., Ltd (保定市諾博橡膠製品有限公司), a wholly-owned subsidiary of the Company.

Section 6 – Significant Events

- As at the date of this interim report, the Company completed the acquisition of 25% equity interest in Great Wall Baoding Vehicle Axles Company Limited (保定長城汽車橋業有限公司) held by Billion Sunny Development Limited (億新發展有限公司), a wholly-owned subsidiary of the Company.

The above asset acquisitions do not fall into the scope for which disclosure by announcement is required under the Hong Kong Listing Rules.

IV. SHARE INCENTIVE SCHEME OF THE COMPANY AND ITS IMPLICATIONS

√ N/A

V. MATERIAL RELATED PARTY TRANSACTIONS

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

- Related party transactions disclosed in preliminary announcements with subsequent development or changes

Unit: RMB Currency: RMB

Related parties	Relationship	Type of related party transaction	Description of the related party transaction	Basis of pricing for the related party transaction	Amount of related party transaction	Percentage of total amount of similar transactions (%)
Baoding Yanfeng Johnson Controls Automobile Seating Co., Ltd. (保定延鋒江森汽車座椅有限公司)	Jointly controlled entity	Purchase of goods	Purchase of automotive parts and components including automobile seating	mutually agreed price	197,449,629.68	0.94

Except for the related party transaction entered into between the Group and Baoding Yanfeng Johnson Controls Automobile Seating Co., Ltd. (保定延鋒江森汽車座椅有限公司), the material related party transactions set out above and in Note (VII) to the financial statements also constitute connected transactions and continuing connected transactions under the Hong Kong Listing Rules. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Hong Kong Listing Rules or is exempt from the compliance with the disclosure requirements under Chapter 14A of the Hong Kong Listing Rules.

VI. MATERIAL CONTRACTS AND PERFORMANCE THEREOF

(I) Trust, contracting and leasing

√ N/A

(II) Guarantee

√ N/A

(III) Other material contracts or transactions

During the Reporting Period, the Company had no other material contracts or transactions.

Section 6 Significant Events

VII. PERFORMANCE OF UNDERTAKINGS

(I) Undertakings of the Company, its shareholders holding 5% or more of shares, controlling shareholders and de facto controller during the Reporting Period or subsisting to the Reporting Period

Background of undertakings	Type of undertakings	Undertaking party	Description of undertakings	Time and duration of undertakings	Any time frame for performance (yes/no)	Strict and timely performance (yes/no)	Reasons for failure of performance (if undertakings cannot be performed timely)	Next step (if undertakings cannot be performed timely)
Undertakings relating to the initial public offering of the shares of the Company	Restriction on trading of shares	Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司)	For a period of 36 months from the date of listing, Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司) would not transfer or entrust others to manage any of the shares issued before the initial public offering of shares by the issuer, which is directly or indirectly held by it, nor allow such shares to be repurchased by the issuer.	36 months from the date of listing	Yes	Yes	—	—

Section 6 – Significant Events

Background of undertakings	Type of undertakings	Undertaking party	Description of undertakings	Time and duration of undertakings	Any time frame for performance (yes/no)	Strict and timely performance (yes/no)	Reasons for failure of performance (if undertakings cannot be performed timely)	Next step (if undertakings cannot be performed timely)
Undertakings relating to the initial public offering of the shares of the Company	Restriction on trading of shares	Wei Jian Jun	For a period of 36 months from the date of listing, Mr. Wei Jian Jun would not transfer or entrust others to manage any of the shares issued before the initial public offering of shares by the issuer, which is directly or indirectly held by him, nor allow such shares to be repurchased by the issuer.	36 months from the date of listing	Yes	Yes	—	—
Undertakings relating to the initial public offering of the shares of the Company	Termination of related party transaction	Great Wall Motor Company Limited	From 1 January 2012, Great Wall Motor Company Limited (長城汽車股份有限公司) would not enter into any transactions relating to automotive parts and components with Hebei Baoding Tai Hang Group Company Limited (河北保定太行集團有限責任公司) and Baoding Tai Hang Pump Manufacturing Company Limited (保定市太行製泵有限公司).	From 1 January 2012	No	Yes	—	—

Section 6 Significant Events

Background of undertakings	Type of undertakings	Undertaking party	Description of undertakings	Time and duration of undertakings	Any time frame for performance (yes/no)	Strict and timely performance (yes/no)	Reasons for failure of performance (if undertakings cannot be performed timely)	Next step (if undertakings cannot be performed timely)
Undertakings relating to the initial public offering of the shares of the Company	Resolving business competition	Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司)	1. Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司) is not directly or indirectly engaged in any Competing Business. 2. As long as Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司) remains as a related party that has control over Great Wall Motor Company Limited (長城汽車股份有限公司), its directly- or indirectly-controlled subsidiaries would not in any way, directly or indirectly, engage in any existing or potential Competing Business. 3. Subject to the same conditions, Great Wall Motor Company Limited (長城汽車股份有限公司) shall have the right of first refusal over the investment or other business opportunities relating to Competing Businesses that Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司) will pursue or may get in the future.	From 10 December 2010	No	Yes	—	—

Section 6 – Significant Events

Background of undertakings	Type of undertakings	Undertaking party	Description of undertakings	Time and duration of undertakings	Any time frame for performance (yes/no)	Strict and timely performance (yes/no)	Reasons for failure of performance (if undertakings cannot be performed timely)	Next step (if undertakings cannot be performed timely)
Undertakings relating to the initial public offering of the shares of the Company	Resolving business competition	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. 2. As long as Mr. Wei Jian Jun remains as a related party who has control over Great Wall Motor Company Limited (長城汽車股份有限公司), the subsidiaries directly or indirectly controlled by him would not in any way, directly or indirectly, engage in any existing or potential Competing Business. 3. Subject to the same conditions, Great Wall Motor Company Limited (長城汽車股份有限公司) shall have the right of first refusal over the investment or other business opportunities relating to the Competing Businesses that the subsidiaries directly- or indirectly- controlled by Mr. Wei Jian Jun will pursue or may get in the future.	From 10 December 2010	No	Yes	—	—

VIII. APPOINTMENT OR DISMISSAL OF ACCOUNTING FIRM

Change of accounting firm: No

Current appointment

Name of local accounting firm	Deloitte Touche Tohmatsu Certified Public Accountants LLP (auditor of the Company)
Remuneration for local accounting firm	RMB176,000
Audit years of local accounting firm	4.5 years

Section 6 Significant Events

IX. PUNISHMENT AND CORRECTION OF THE COMPANY AND ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, SHAREHOLDERS HOLDING 5% OR MORE OF SHARES, DE FACTO CONTROLLER AND ACQUIRING PARTIES

During the Reporting Period, the Company and its directors, supervisors, senior management, shareholders holding 5% or more of shares and de facto controller were not subject to administrative punishment and reprimand by the CSRC and the SFC or public censure by the Shanghai Stock Exchange and the Hong Kong Stock Exchange.

X. CORPORATE GOVERNANCE

During the Reporting Period, the Company was in strict compliance with the Company Law, Securities Law and regulations of the CSRC, and had in place a sound corporate governance structure. The operations, management and internal control system of the Company were further improved. Disclosure was made timely and fully. The Company also continued to take various effective measures to further strengthen its work on investor relations.

During the Reporting Period, the Company held one general meeting, four Board meetings and three Supervisory Committee meetings. The convening, holding and voting procedures of the meetings were in strict compliance with the Articles, the Rules of Procedures of General Meetings, the Rules of Procedures of Board Meetings, the Rules of Procedures of Supervisory Committee Meetings of the Company and the relevant laws, rules and regulations. Interested directors strictly followed the rules and abstained from voting with respect to related party transactions.

During the Reporting Period, the controlling shareholders and de facto controller of the Company were in strict compliance with the Company Law and the Articles in exercising their rights and performing their obligations. In respect of business, staff, assets, organization and finance of the Company, the Company was totally independent from the controlling shareholders and the de facto controller, and had completely independent business and autonomy in its operations.

The corporate governance of the Company meets the requirements of the Standards on Corporate Governance of Listed Companies and other regulatory documents issued by the CSRC.

XI. OTHER SIGNIFICANT EVENTS

(I) Explanation of the Board on the reasons and effects of changes in accounting policies, estimates or audit methods

1. *Reasons For changes in accounting policies*

The Group has adopted the Accounting Standards for Business Enterprises and its guidelines, interpretations and other relevant regulations promulgated by MOF (collectively “ASBE”) for the preparation of the financial statements of the Group. In the preparation of financial statements for 2013, the Group has early adopted ASBE No. 9 — Employee Benefits (revised), ASBE No. 30 — Presentation of Financial Statements (revised), ASBE No. 33 — Consolidated Financial Statements (revised), ASBE No. 39 — Fair Value Measurement and ASBE No. 40 — Joint Venture Arrangements issued by the MOF in January and February 2014.

In March 2014, the MOF issued ASBE No. 2 — Long-term Equity Investments (revised), which came into effect on 1 July 2014 for all enterprises adopting ASBE, and overseas listed enterprises are encouraged to early adopt the standard. The Company, as an A-share and H-share listed company, has early adopted the aforesaid ASBE in the preparation of interim report for 2014.

Section 6 – Significant Events

2 Effects of Changes in accounting policies on the Group

The Group has early adopted ASBE No. 2 — Long-term Equity Investments (revised) in the preparation of financial statements for the first half year of 2014. The revised standard only applies to equity investments of investors with control over or significant influence on investees and equity investments in joint ventures, while for other equity investments, ASBE No. 22 — Financial Instruments: Recognition and Measurement shall apply.

Accordingly, long-term equity investments which were previously accounted as long-term equity investments, have no control or joint control over or significant influence on investees and without quotation in an active market and the fair value of which cannot be measured reliably, shall be accounted as available-for-sale financial assets.

The aforesaid changes in accounting policies have no impacts on the net assets as at the end of all the previous periods. However, they have impacts on items of balance sheet, which are adjusted retrospectively as follows:

RMB

Adjustment	Affected items of balance sheet	Amount	
		30 June 2014 (unaudited)	31 December 2013 (audited)
Equity investment in China Automobile Development United Investment Co., Ltd. (中發聯投資有限公司) and 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) will be reclassified as "available-for-sale financial assets" retrospectively.	Available-for-sale financial assets	7,200,000.00	7,200,000.00
	Long-term equity investments	(7,200,000.00)	(7,200,000.00)

Section 7 Changes in Equity and Shareholders

I. CHANGES IN SHARE CAPITAL

(I) Table of changes in equity

1. Table of changes in equity

		Before		Changes (+,-)					After	
		Number of shares	Percentage (%)	New issue	Bonus shares	Shares transfer from reserve	Others	Subtotal	Number of shares	Percentage (%)
Unit: share										
I.	Shares with selling restrictions	1,705,000,000 (A Shares)	56.04	—	—	—	—	—	1,705,000,000 (A Shares)	56.04
1.	State-owned shares	—	—	—	—	—	—	—	—	—
2.	State-owned legal person shares	—	—	—	—	—	—	—	—	—
3.	Other domestic shares	1,705,000,000 (A Shares)	56.04	—	—	—	—	—	1,705,000,000 (A Shares)	56.04
Including:	Domestic non-state-owned legal person shares	1,705,000,000 (A Shares)	56.04	—	—	—	—	—	1,705,000,000 (A Shares)	56.04
	Domestic natural person shares	—	—	—	—	—	—	—	—	—
4.	Foreign shares	—	—	—	—	—	—	—	—	—
Including:	Overseas legal person shares	—	—	—	—	—	—	—	—	—
	Overseas natural person shares	—	—	—	—	—	—	—	—	—
II.	Tradable shares without selling restrictions	1,337,423,000	43.96	—	—	—	—	—	1,337,423,000	43.96
1.	Ordinary shares denominated in RMB	304,243,000 (A Shares)	10.00	—	—	—	—	—	304,243,000 (A Shares)	10.00
2.	Domestic listed foreign shares	—	—	—	—	—	—	—	—	—
3.	Overseas listed foreign shares	1,033,180,000 (H Shares)	33.96	—	—	—	—	—	1,033,180,000 (H Shares)	33.96
4.	Others	—	—	—	—	—	—	—	—	—
III.	Total number of shares	3,042,423,000	100.00	—	—	—	—	—	3,042,423,000	100.00

2. Explanation for changes in equity

During the Reporting Period, there was no change in the equity of the Company.

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

As the Company is a company with its both A Shares and H Shares listed, the “overseas listed foreign shares” stated in the table of changes in equity refer to H Shares listed on the Hong Kong Stock Exchange.

Section 7 Changes in Equity and Shareholders

(II) Changes in shares with selling restrictions

Unit: share

Name of the shareholder	Number of shares with selling restrictions at the beginning of the Reporting Period	Number of shares with selling restrictions removed in the Reporting Period	Increase in the number of shares with selling restrictions in the Reporting Period	Number of shares with selling restrictions at the end of the Reporting Period	Reason for the selling restriction	Date of removal of the selling restriction
Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司)	1,705,000,000 (A Shares)	0	0	1,705,000,000 (A Shares)	Lock-up commitment of the promoters for the initial public offering of A shares of the Company	28 September 2014
Total	1,705,000,000 (A Shares)	0	0	1,705,000,000 (A Shares)	/	/

Section 7 Changes in Equity and Shareholders

II. SHAREHOLDERS

(1) Total number of shareholders as at the end of the Reporting Period and the top 10 shareholders holding 5% or more of shares

Unit: shares

Total number of shareholders as at the end of Reporting Period

38,133

Shareholding of the top 10 shareholders

Name of shareholder	Type of shareholder	Percentage of shareholding (%)	Total number of shares held	Increase/decrease during the Reporting Period	Number of shares with selling restrictions held	Number of shares pledged or frozen
Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司)	Domestic non-state-owned legal person	56.04	1,705,000,000 (A Shares)	0	1,705,000,000 (A Shares)	Nil
HKSCC NOMINEES LIMITED	Overseas legal person	33.14	1,008,156,484 (H Shares)	-1,156,250 (H Shares)	—	Unknown
Bank of China — Jiashi Stable Open Stock Investment Fund	Others	0.63	19,308,334 (A Shares)	348,903 (A Shares)	—	Unknown
WU FEE PHILIP	Overseas natural person	0.59	18,055,000 (H Shares)	500,000 (H Shares)	—	Unknown
China Construction Bank — Bosera Theme Industry Stock Securities Investment Fund	Others	0.46	14,035,069 (A Shares)	10,720,042 (A Shares)	—	Unknown
National Social Security Fund 103 Package	Others	0.41	12,494,816 (A Shares)	9,039,891 (A Shares)	—	Unknown
Bosera Value Growth Securities Investment Fund	Others	0.30	9,177,479 (A Shares)	9,177,479 (A Shares)	—	Unknown
Bank of Communications — Huaxia BlueChip Core Mixed Securities Investment Fund (LOF)	Others	0.26	7,839,107 (A Shares)	3,047,307 (A Shares)	—	Unknown
CITIC Securities (Zhejiang) Co., Ltd. — Customer Credit Transaction Backed Securities Account	Others	0.20	6,001,898 (A Shares)	5,670,119 (A Shares)	—	Unknown
Bank of Communications — Bosera Emerging Growth Stock Securities Investment Fund	Others	0.16	4,945,140 (A Shares)	603,180 (A Shares)	—	Unknown

Section 7 Changes in Equity and Shareholders

Shareholding of the top 10 shareholders holding shares without selling restrictions

Name of shareholder	Number of shares without selling restrictions held	Class and number of shares
HKSCC NOMINEES LIMITED	1,008,156,484 (H Shares)	Overseas listed foreign shares
Bank of China — Jiashi Stable Open Stock Investment Fund	19,308,334 (A Shares)	RMB-denominated ordinary shares
WU FEE PHILIP	18,055,000 (H Shares)	Overseas listed foreign shares
China Construction Bank — Bosera Theme Industry Stock Securities Investment Fund	14,035,069 (A Shares)	RMB-denominated ordinary shares
National Social Security Fund 103 Package	12,494,816 (A Shares)	RMB-denominated ordinary shares
Bosera Value Growth Securities Investment Fund	9,177,479 (A Shares)	RMB-denominated ordinary shares
Bank of Communications — Huaxia BlueChip Core Mixed Securities Investment Fund (LOF)	7,839,107 (A Shares)	RMB-denominated ordinary shares
CITIC Securities (Zhejiang) Co., Ltd. — Customer Credit Transaction Backed Securities Account	6,001,898 (A Shares)	RMB-denominated ordinary shares
Bank of Communications — Bosera Emerging Growth Stock Securities Investment Fund	4,945,140 (A Shares)	RMB-denominated ordinary shares
The Industrial and Commercial Bank of China — Penghua Quality Governance Stock Securities Investment Fund (LOF)	4,699,864 (A Shares)	RMB-denominated ordinary shares
Description of the related party relationship or acting in concert relationship among the above shareholders	There is no related party relationship between Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司), the controlling shareholder of the Company, and the other shareholders. In addition, the Company is not aware of any related party relationship among the other shareholders mentioned above.	

Section 7 Changes in Equity and Shareholders

Shareholding of the top ten shareholders holding shares with selling restrictions and the selling restrictions

Unit: shares

No.	Name of shareholder holding shares with selling restrictions	Number of shares with selling restrictions	Trading and listing of shares with selling restrictions		Selling restrictions
			Date on which trading is permitted	Increase in the number of tradable shares	
1	Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司)	1,705,000,000 (A Shares)	28 September 2014	1,705,000,000 (A Shares)	The shareholder who was the promoter undertook not to sell its shares within 36 months after the listing of A Shares

Shares Held by Substantial Shareholders (SFO Requirements)

As at 30 June 2014, 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)	1,705,000,000(L) (A Shares)	84.86	—	56.04
Baoding Wangsheng Investment Company Limited (保定市旺盛投資有限公司) (Note 2)	1,705,000,000(L) (A Shares)	84.86	—	56.04
JPMorgan Chase & Co.	144,519,405(L) (H Shares)	—	13.98(L)	4.75
	5,072,610(S) (H Shares)	—	0.49(S)	0.17
	66,994,465(P) (H Shares)	—	6.48(P)	2.20
BlackRock, Inc.	84,012,488(L) (H Shares)	—	8.13(L)	2.76
	886,500(S) (H Shares)	—	0.09(S)	0.03
Han Xue Juan (Note 3)	1,705,000,000(L) (A Shares)	84.86	—	56.04
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) (Note 4)	1,705,000,000(L) (A Shares)	84.86	—	56.04

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

(S) denotes a short position in shares of the Company

(P) denotes shares available for lending

Section 7 Changes in Equity and Shareholders

Notes:

- (1) Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司) (formerly known as Baoding Woerte Management Consultant Company Limited (保定市沃爾特管理諮詢有限公司)) was established on 1 December 2005. Its place of incorporation is Baoding, Hebei Province, the PRC and its registered address is 1588 Chang Cheng South Road, Baoding. Its business scope covers investments in manufacturing, real estate and horticulture industries, as well as corporate planning and management consultancies (operations that require pre-approvals according to laws and administrative regulations or as prescribed by the State Council can only be conducted after obtaining approvals). As at 30 June 2014, 61.365%, 1.599%, 0.016% and 37.020% of the equity interest in Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司) were held by Baoding Wangsheng Investment Company Limited (保定市旺盛投資有限公司), Mr. Wei Jian Jun, Ms. Han Xue Juan and Management Centre of Collective Assets of Nandayuan Town, Nanshi District, Baoding (保定市南市區南大園鄉集體資產經管中心) respectively. Further, 99% and 1% of the equity interest in Baoding Wangsheng Investment Company Limited (保定市旺盛投資有限公司) were held by Mr. Wei Jian Jun and Ms. Han Xue Juan respectively. Therefore, Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司) is a company controlled by Baoding Wangsheng Investment Company Limited (保定市旺盛投資有限公司) which is in turn controlled by Mr. Wei Jian Jun and Mr. Wei Jian Jun is deemed to be interested in all the shares of the Company held by Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司) pursuant to the SFO.
- (2) As at 30 June 2014, Baoding Wangsheng Investment Company Limited (保定市旺盛投資有限公司) held 61.365% interest in Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司) and is deemed to be interested in all the shares of the Company held by Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司) for the purposes of the SFO.
- (3) As at 30 June 2014, Ms. Han Xue Juan held 0.016% 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% interest in Baoding Wangsheng Investment Company Limited (保定市旺盛投資有限公司), and is the spouse of Mr. Wei Jian Jun. Ms. Han Xue Juan is deemed to be interested in all the shares of the Company in which Mr. Wei Jian Jun is interested for the purposes of the SFO.
- (4) As at 30 June 2014, Management Centre of Collective Assets of Nandayuan Town, Nanshi District, Baoding (保定市南市區南大園鄉集體資產經管中心) held 37.02% interest in Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司) and is deemed to be interested in all the shares of the Company held by Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司) for the purposes of the SFO.

Save as disclosed above, as at 30 June 2014, so far as the directors, supervisors or chief executives of the Company are aware, no other person (excluding the directors, supervisors and chief executives of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

Directors' and Supervisors' Interests in Securities

As at 30 June 2014, 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 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

Section 7 Changes in Equity and Shareholders

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	No. 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	1,705,000,000(L) (A Shares)	84.86	—	56.04
Total		1,705,000,000(L) (A Shares)	84.86	—	56.04

Notes:

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

Interests in Controlled Companies

As at 30 June 2014, Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司) was controlled by Baoding Wangsheng Investment Company Limited (保定市旺盛投資有限公司) which was in turn controlled by Mr. Wei Jian Jun. Accordingly, pursuant to the SFO, Mr. Wei Jian Jun is deemed to be interested in the 1,705,000,000 A Shares held by Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司).

Save as disclosed above, so far as the directors of the Company are aware, as at 30 June 2014, none of the directors, supervisors or chief executives of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register required to be kept as referred to in Section 352 of the SFO or were otherwise required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code. For this purpose, the relevant provisions of the SFO shall be construed as if they were applicable to the supervisors.

III. CHANGE IN CONTROLLING SHAREHOLDERS OR DE FACTO CONTROLLER

During the Reporting Period, there was no change in controlling shareholders or de facto controller of the Company.

Section 8 Preference Shares

The Company had no preference shares during the Reporting Period.

Section 9 Directors, Supervisors and Senior Management

I. CHANGES IN SHAREHOLDINGS

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

During the Reporting Period, there was no change in the shareholding of the directors, supervisors and senior management of the Company.

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

Name	Position	Change	Reason for change
Wei Jian Jun	Executive Director and Chairman	Elected	Re-appointed for new board session
Liu Ping Fu	Executive Director and Vice Chairman	Elected	Re-appointed for new board session
Wang Feng Ying	Executive Director and General Manager	Elected	Re-appointed for new board session
Hu Ke Gang	Executive Director and Deputy General Manager	Elected	Re-appointed for new board session
Yang Zhi Juan	Executive Director	Elected	Re-appointed for new board session
He Ping	Non-Executive Director	Elected	Re-appointed for new board session
Niu Jun	Non-Executive Director	Elected	Re-appointed for new board session
Wei Lin	Independent Non-executive Director	Retired	Term expired without being re-appointed
He Bao Yin	Independent Non-executive Director	Retired	Term expired without being re-appointed
Li Ke Qiang	Independent Non-executive Director	Retired	Term expired without being re-appointed
Wong Chi Hung, Stanley	Independent Non-executive Director	Elected	Re-appointed for new board session
Lu Chuang	Independent Non-executive Director	Elected	Appointed for new board session
Liang Shang Shang	Independent Non-executive Director	Elected	Appointed for new board session
Ma Li Hui	Independent Non-executive Director	Elected	Appointed for new board session
Zhu En Ze	Employee Representative Supervisor	Elected	Re-appointed for new board session
Luo Jin Li	Independent Supervisor	Elected	Re-appointed for new board session
Yuan Hong Li	Independent Supervisor	Retired	Term expired without being re-appointed
Zong Yi Xiang	Independent Supervisor	Elected	Appointed for new board session

Section 9 Directors, Supervisors and Senior Management

Name	Position	Change	Reason for change
Hu Shu Jie	Deputy General Manager	Appointed	Re-appointed for new term
Huang Yong	Deputy General Manager	Appointed	Re-appointed for new term
Zhang Xin	Deputy General Manager	Appointed	Re-appointed for new term
Zheng Chun Lai	Deputy General Manager	Appointed	Re-appointed for new term
Hao Jian Jun	Deputy General Manager	Appointed	Re-appointed for new term
Dong Ming	Deputy General Manager	Appointed	Re-appointed for new term
Zhao Guo Qing	Deputy General Manager	Appointed	Re-appointed for new term
Li Yan Qing	Deputy General Manager	Appointed	Re-appointed for new term
Zhang Wen Hui	Deputy General Manager	Appointed	Re-appointed for new term
Li Feng Zhen	Deputy General Manager and Chief Financial Controller	Appointed	Re-appointed for new term
Xu Hui	Secretary to the Board	Appointed	Re-appointed for new term
Xing Wen Lin	Deputy General Manager	Left	Term expired without being re-appointed
Chai Wan Bao	Deputy General Manager	Left	Term expired without being re-appointed

Section 10 Financial Report (Unaudited)

Review Report

Deloitte.
德勤

De Shi Bao (Yue) Zi (14) No. R0026

TO THE SHAREHOLDERS OF GREAT WALL MOTOR COMPANY LIMITED:

We have reviewed the accompanying financial statements of Great Wall Motor Company Limited ("Great Wall Motor Company"), which comprise the company's and consolidated balance sheets as at 30 June 2014, and the company's and consolidated income statements, the company's and consolidated statements of changes in shareholders' equity and the company's and consolidated cash flow statements for the six months then ended, and the notes to the financial statements. The directors are responsible for the preparation and presentation of these interim consolidated financial statements. Our responsibility is to issue a review report on these interim consolidated financial statements based on our review.

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

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements of the Company do not present fairly, in all material aspects, the Company's and consolidated financial position as of 30 June 2014, and the Company's and consolidated results of operations and cash flows for the six months then ended, in accordance with Accounting Standards for Business Enterprises.

Deloitte Touche Tohmatsu CPA LLP.
Shanghai China

Chinese Certified Public Accountants

Xu Zhao Hui
Zhang Yi Qiang
22 August 2014

Consolidated Balance Sheet

At 30 June 2014

Item	Note	2014.6.30 (unaudited)	RMB 2013.12.31 (audited) (restated)
Current Assets:			
Cash and bank balances	(VI)1	7,291,696,533.16	6,990,516,902.03
Held-for-trading financial assets	(VI)19	—	4,270,117.86
Bills receivable	(VI)2	13,362,959,647.97	17,548,258,868.49
Accounts receivable	(VI)3	835,708,517.01	656,312,754.79
Prepayments	(VI)4	582,891,728.08	446,068,066.03
Dividends receivable		9,000,000.00	9,000,000.00
Other receivables	(VI)5	3,124,953,442.37	2,559,193,416.74
Inventories	(VI)6	2,493,204,585.16	2,763,890,772.66
Other current assets	(VI)7	377,855,901.91	48,680,552.46
Total Current Assets		28,078,270,355.66	31,026,191,451.06
Non-current Assets:			
Available-for-sale financial assets	(VI)8	7,200,000.00	7,200,000.00
Long-term equity investments	(VI)9/(VI)10	49,695,979.31	45,983,437.72
Investment properties	(VI)11	6,009,058.19	6,090,029.75
Fixed assets	(VI)12	15,090,326,171.86	14,656,928,574.88
Construction in progress	(VI)13	4,812,708,325.43	3,989,228,085.58
Intangible assets	(VI)14	2,482,406,078.27	2,442,835,520.11
Goodwill	(VI)15	2,163,713.00	2,163,713.00
Long-term prepaid expenses		38,025,712.53	27,678,336.76
Deferred tax assets	(VI)16	361,783,842.46	400,509,782.43
Total Non-current Assets		22,850,318,881.05	21,578,617,480.23
TOTAL ASSETS		50,928,589,236.71	52,604,808,931.29

Consolidated Balance Sheet

At 30 June 2014

Item	Note	RMB	
		2014.6.30 (unaudited)	2013.12.31 (audited)
Current Liabilities:			
Short-term borrowings	(VI)18	764,264,631.72	182,198,866.04
Held-for-trading financial liabilities	(VI)19	1,125,401.00	—
Bills payable	(VI)20	4,984,134,183.07	4,539,529,276.71
Accounts payable	(VI)21	9,001,630,174.24	10,712,169,742.15
Advances from customers	(VI)22	1,527,598,240.78	2,808,752,768.45
Salaries payable	(VI)23	458,943,785.10	1,096,561,764.67
Taxes payable	(VI)24	539,179,955.90	527,274,939.62
Dividends payable	(VI)25	298,256,709.77	—
Other payables	(VI)26	1,456,261,819.67	2,270,050,353.66
Non-current liabilities due within one year	(VI)27	72,832,787.60	69,258,714.61
Other current liabilities	(VI)28	577,517,273.19	633,678,296.27
Total Current Liabilities		19,681,744,962.04	22,839,474,722.18
Non-current Liabilities:			
Other non-current liabilities	(VI)29	1,721,551,952.20	1,757,337,365.71
Total Non-current Liabilities		1,721,551,952.20	1,757,337,365.71
TOTAL LIABILITIES		21,403,296,914.24	24,596,812,087.89
SHAREHOLDERS' EQUITY:			
Share capital	(VI)30	3,042,423,000.00	3,042,423,000.00
Capital reserve	(VI)31	4,453,872,204.02	4,453,872,204.02
Surplus reserve	(VI)32	2,281,860,702.64	2,281,860,702.64
Undistributed profits	(VI)33	19,684,075,386.88	18,224,548,503.39
Foreign currency translation differences		(3,749,935.02)	(6,806,391.32)
Total Equity Attributable to Shareholders of the Company		29,458,481,358.52	27,995,898,018.73
Minority interests		66,810,963.95	12,098,824.67
TOTAL SHAREHOLDERS' EQUITY		29,525,292,322.47	28,007,996,843.40
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		50,928,589,236.71	52,604,808,931.29

The notes form an integral part of the financial statements.

The financial statements as set out from pages 49 to 191 have been signed by:

Wei Jianjun
Legal Representative

Wang Fengying
General Manager

Li Fengzhen
Chief Financial Officer

Ji Wenjun
Head of the Finance Section

Balance Sheet of the Company

At 30 June 2014

Item	Note	2014.6.30 (unaudited)	RMB 2013.12.31 (audited) (restated)
Current Assets:			
Cash and bank balances	(X)1	4,306,057,392.92	4,425,463,785.80
Held-for-trading financial assets		—	4,270,117.86
Bills receivable	(X)2	9,806,612,115.38	14,337,820,267.66
Accounts receivable	(X)3	3,174,510,204.33	1,210,243,691.10
Prepayments		470,516,702.86	355,414,183.55
Dividends receivable		1,111,305,147.86	222,493,374.21
Other receivables	(X)4	3,154,052,266.49	2,586,105,480.32
Inventories	(X)5	1,629,230,342.11	1,488,948,848.57
Other current assets		355,276,046.74	30,563,909.75
Total Current Assets		24,007,560,218.69	24,661,323,658.82
Non-current Assets:			
Available-for-sale financial assets		7,200,000.00	7,200,000.00
Long-term equity investments	(X)6	4,926,896,415.96	3,782,303,102.60
Investment properties		6,009,058.19	6,090,029.75
Fixed assets	(X)7	12,629,204,744.10	12,157,005,529.91
Construction in progress	(X)8	4,248,485,390.81	3,467,386,262.53
Intangible assets	(X)9	2,174,217,660.70	2,131,246,706.84
Long-term prepaid expenses		31,872,076.31	22,921,879.05
Deferred tax assets		133,595,507.62	137,218,267.16
Other Non-current assets		—	504,500,000.00
Total Non-current Assets		24,157,480,853.69	22,215,871,777.84
TOTAL ASSETS		48,165,041,072.38	46,877,195,436.66

Balance Sheet of the Company

At 30 June 2014

Item	Note	RMB	
		2014.6.30 (unaudited)	2013.12.31 (audited)
Current Liabilities:			
Short-term borrowings	(X)10	764,264,631.72	182,198,866.04
Held-for-trading financial liabilities		1,125,401.00	—
Bills payable	(X)11	2,889,592,640.94	2,572,362,386.32
Accounts payable	(X)12	9,461,249,640.07	11,264,678,930.50
Advances from customers	(X)13	3,467,432,817.00	2,577,913,596.80
Salaries payable		266,433,900.36	726,834,849.74
Taxes payable		402,869,849.03	331,007,738.77
Other payables		916,786,672.31	1,754,578,867.16
Dividend payable		298,100,000.00	—
Non-current liabilities due within one year	(X)14	52,987,428.42	50,774,818.07
Other current liabilities		214,827,506.88	253,441,728.22
Total Current Liabilities		18,735,670,487.73	19,713,791,781.62
Non-current Liabilities:			
Other non-current liabilities	(X)14	1,439,068,593.54	1,463,426,668.29
Total Non-current Liabilities		1,439,068,593.54	1,463,426,668.29
TOTAL LIABILITIES		20,174,739,081.27	21,177,218,449.91
SHAREHOLDERS' EQUITY:			
Share capital		3,042,423,000.00	3,042,423,000.00
Capital reserve	(X)15	4,506,077,023.11	4,506,077,023.11
Surplus reserve		1,521,231,233.17	1,521,231,233.17
Undistributed profits	(X)16	18,920,570,734.83	16,630,245,730.47
TOTAL SHAREHOLDERS' EQUITY		27,990,301,991.11	25,699,976,986.75
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		48,165,041,072.38	46,877,195,436.66

Consolidated Income Statement

For the six months ended 30 June 2014

Item	Note	RMB	
		Six months ended 2014.6.30 (unaudited)	Six months ended 2013.6.30 (unaudited)
I. Total operating revenue	(VI)34	28,527,373,341.19	26,416,838,569.72
Less: Total operating costs		23,829,901,261.71	21,579,156,474.77
Including: Operating costs	(VI)34	20,379,955,051.38	18,765,540,112.22
Business tax and surcharges	(VI)35	985,051,931.91	955,299,210.84
Selling expenses	(VI)36	906,062,687.84	855,302,745.69
Administrative expenses	(VI)37	1,604,705,114.81	1,033,999,951.06
Financial expenses	(IX)1	(46,118,743.89)	(30,447,573.94)
Impairment loss on assets	(VI)38	245,219.66	(537,971.10)
Add: Gains or losses from changes in fair values	(VI)39	(5,395,518.86)	4,619,575.59
Investment income	(VI)40	6,693,807.34	30,278,889.54
Including: share of profit of associates and jointly controlled entities		3,712,541.59	3,739,314.17
II. Operating profit		4,698,770,367.96	4,872,580,560.08
Add: Non-operating income	(VI)41	85,737,294.96	70,415,952.21
Less: Non-operating expenses	(VI)42	17,992,688.14	11,624,508.29
Including: Losses from disposal of non-current assets		6,933,480.39	5,304,039.67
III. Total profit		4,766,514,974.78	4,931,372,004.00
Less: Income tax expenses	(VI)43	812,314,970.04	839,694,409.12
IV. Net profit	(VI)44	3,954,200,004.74	4,091,677,594.88
Net profit attributable to shareholders of the Company		3,954,313,743.49	4,087,332,094.33
Profit or loss attributable to minority interests		(113,738.75)	4,345,500.55
V. Other comprehensive income		3,056,456.30	(30,867.66)
Items that may be reclassified subsequently to profit or loss satisfying prescribed conditions			
Foreign currency translation differences	(VI)45	3,056,456.30	(30,867.66)
VI. Total comprehensive income:		3,957,256,461.04	4,091,646,727.22
Total comprehensive income attributable to shareholders of the Company		3,957,370,199.79	4,087,301,226.67
Total comprehensive income attributable to minority interests		(113,738.75)	4,345,500.55
VII. Earnings per share:			
(I) Basic earnings per share	(VI)46	1.30	1.34
(II) Diluted earnings per share	(VI)46	N/A	N/A

Income Statement of the Company

For the six months ended 30 June 2014

Item	Note	RMB	
		Six months ended 2014.6.30 (unaudited)	Six months ended 2013.6.30 (unaudited)
I. Total operating revenue	(X)17	27,038,765,505.76	25,094,319,631.56
Less: Operating costs	(X)17	20,959,910,303.46	19,483,594,029.33
Business tax and surcharges	(X)18	946,151,951.99	907,716,792.12
Selling expenses		304,449,789.08	191,014,898.19
Administrative expenses	(X)19	1,398,005,544.46	825,461,147.38
Financial expenses		(35,648,697.91)	(15,906,897.98)
Impairment loss on assets		6,958,041.62	3,005,634.84
Add: Gains or losses from changes in fair values		(5,395,518.86)	4,619,575.59
Investment income	(X)20	1,767,978,838.90	1,296,698,388.92
Including: share of profit of associates and jointly controlled entities		1,884,213.36	1,898,188.47
II. Operating profit		5,221,521,893.10	5,000,751,992.19
Add: Non-operating income		64,610,589.63	37,296,059.66
Less: Non-operating expenses		14,672,370.82	8,392,278.24
Including: Losses from disposal of non-current assets		5,482,633.17	4,357,313.76
III. Total profit		5,271,460,111.91	5,029,655,773.61
Less: Income tax expenses	(X)21	486,348,247.55	538,046,174.81
IV. Net profit		4,785,111,864.36	4,491,609,598.80
V. Other comprehensive income		—	—
VI. Total comprehensive income:		4,785,111,864.36	4,491,609,598.80
VII. Earnings per share:			
(I) Basic earnings per share		1.57	1.48
(II) Diluted earnings per share		N/A	N/A

Consolidated Cash Flow Statement

For the six months ended 30 June 2014

Item	Note	RMB	
		Six months ended 2014.6.30 (unaudited)	Six months ended 2013.6.30 (unaudited)
I. Cash Flows from Operating Activities:			
Cash received from selling goods and rendering services		34,625,251,583.18	29,001,855,731.76
Tax rebate received		12,942,552.43	33,594,037.96
Other cash received relating to operating activities	(VI)47(1)	89,960,177.04	66,510,440.66
Sub-total of cash inflow from operating activities		34,728,154,312.65	29,101,960,210.38
Cash paid for purchasing goods and receiving services		22,279,330,235.60	18,071,685,200.52
Cash payments to and on behalf of employees		2,860,127,167.10	2,143,681,856.19
Taxes and surcharges paid		3,072,513,696.05	2,813,261,110.92
Other cash paid relating to operating activities	(VI)47(2)	1,353,410,755.19	1,120,071,857.75
Sub-total of cash outflow from operating activities		29,565,381,853.94	24,148,700,025.38
Net cash flows from operating activities	(VI)48(1)	5,162,772,458.71	4,953,260,185.00
II. Cash Flows from Investing Activities:			
Cash received from disposal of investments		1,057,000,000.00	7,127,000,000.00
Cash received from return on investments		2,981,265.75	15,566,964.49
Net cash received from disposal of subsidiaries and other business entities	(VI)48(2)	—	95,223,076.17
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		6,118,996.99	8,618,022.89
Other cash received relating to investing activities	(VI)47(3)	—	154,528,000.00
Sub-total of cash inflow from investing activities		1,066,100,262.74	7,400,936,063.55
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		3,315,573,280.60	2,452,951,254.35
Investment in available for sale financial assets		1,057,000,000.00	7,127,000,000.00
Sub-total of cash outflow from investing activities		4,372,573,280.60	9,579,951,254.35
Net Cash Flow from Investing Activities		(3,306,473,017.86)	(2,179,015,190.80)
III. Cash Flows from Financing Activities:			
Cash received from investors		55,000,000.00	—
Cash received from borrowings		764,370,545.56	—
Other cash received from financing activities	(VI)47(4)	—	58,300,627.70
Sub-total of cash inflow from financing activities		819,370,545.56	58,300,627.70
Cash repayments of borrowings		182,198,866.04	—
Cash paid for dividends, profits distribution or interest repayment		2,196,621,608.21	1,738,405,409.43
Including: Dividend and profit paid by subsidiaries to minority shareholders		17,412.20	9,751,952.65
Other cash paid relating to financing activities	(VI)47(5)	238,839,019.50	—
Sub-total of cash outflow from financing activities		2,617,659,493.75	1,738,405,409.43
Net Cash Flow from Financing Activities		(1,798,288,948.19)	(1,680,104,781.73)

Consolidated Cash Flow Statement

For the six months ended 30 June 2014

Item	Note	RMB	
		Six months ended 2014.6.30 (unaudited)	Six months ended 2013.6.30 (unaudited)
IV. Effect on cash and cash equivalents due to change in foreign currency exchange rate		4,330,118.97	(8,675,259.09)
V. Net Increase in Cash and Cash Equivalents		62,340,611.63	1,085,464,953.38
Add: Balance of cash and cash equivalents at the beginning of the period		5,522,642,764.49	5,595,535,544.33
VI. Balance of cash and cash equivalents at the end of the period	(VI)48(3)	5,584,983,376.12	6,681,000,497.71

Cash Flow Statement of the Company

For the six months ended 30 June 2014

ITEM	Notes	RMB	
		Six months ended 2014.6.30 (unaudited)	Six months ended 2013.6.30 (unaudited)
I. Cash Flows from Operating Activities:			
Cash received from selling goods and rendering services		33,007,984,290.99	28,332,880,509.79
Tax rebate received		3,774,615.46	25,216,750.46
Other cash received relating to operating activities		69,300,692.71	30,825,681.99
Sub-total of cash inflow from operating activities		33,081,059,599.16	28,388,922,942.24
Cash paid for purchasing goods and receiving services		23,588,559,089.24	20,531,630,784.28
Cash paid to and on behalf of employees		2,031,035,282.76	1,369,484,209.81
Taxes and surcharges paid		2,327,575,250.33	2,108,564,657.65
Other cash paid relating to operating activities		857,312,171.96	347,119,243.73
Sub-total of cash outflow from operating activities		28,804,481,794.29	24,356,798,895.47
Net cash flows from operating activities	(X)22(1)	4,276,577,804.87	4,032,124,046.77
II. Cash Flows from Investing Activities:			
Cash received from disposal of investments		400,000,000.00	5,460,000,000.00
Cash received from return on investments		877,282,851.89	812,566,510.61
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		4,610,638.68	7,281,799.04
Net cash received from disposal of subsidiaries and other business entities		—	98,450,000.00
Other cash receipts relating to investing activities		—	154,528,000.00
Sub-total of cash inflow from investing activities		1,281,893,490.57	6,532,826,309.65
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		3,028,180,129.86	2,034,578,677.16
Net cash paid for acquisition of subsidiaries and other business entities		165,000,000.00	—
Cash paid for investment in available for sale financial assets		400,000,000.00	5,460,000,000.00
Cash paid for equity investment		473,209,100.00	123,394,600.00
Sub-total of cash outflow from investing activities		4,066,389,229.86	7,617,973,277.16
Net Cash Flow from Investing Activities		(2,784,495,739.29)	(1,085,146,967.51)
III. Cash Flows from Financing Activities:			
Cash received from borrowings		764,370,545.56	—
Sub-total of cash inflow from financing activities		764,370,545.56	—
Cash repayments of borrowings		182,198,866.04	—
Cash paid for dividends, profits distribution or interest repayment		2,196,604,196.01	1,728,653,456.78
Other cash payments relating to financing activities		903,997,839.06	46,435,455.35
Sub-total of cash outflow from financing activities		3,282,800,901.11	1,775,088,912.13
Net Cash Flow from Financing Activities		(2,518,430,355.55)	(1,775,088,912.13)

Cash Flow Statement of the Company

For the six months ended 30 June 2014

ITEM	Notes	RMB	
		Six months ended 2014.6.30 (unaudited)	Six months ended 2013.6.30 (unaudited)
IV. Effect on cash and cash equivalents due to change in foreign currency exchange rate		2,944,058.03	(7,369,471.82)
V. Net Increase in Cash and Cash Equivalents		(1,023,404,231.94)	1,164,518,695.31
Add: Balance of cash and cash equivalents at the beginning of the period		4,074,446,337.47	3,601,505,562.66
VI. Balance of cash and cash equivalents at the end of the period	(X)22(2)	3,051,042,105.53	4,766,024,257.97

Consolidated Statement of Changes in Shareholders' Equity

For the six months ended 30 June 2014

RMB

Item	Six months ended 30 June 2014 (unaudited)						
	Attributable to shareholders of the parent Company						Total equity
	Share capital	Capital reserve	Surplus reserve	Undistributed profits	Translation reserve	Minority interests	
I. Balance at the beginning of the period	3,042,423,000.00	4,453,872,204.02	2,281,860,702.64	18,224,548,503.39	(6,806,391.32)	12,098,824.67	28,007,996,843.40
II. Changes in the six months	—	—	—	1,459,526,883.49	3,056,456.30	54,712,139.28	1,517,295,479.07
(I) Net profit	—	—	—	3,954,313,743.49	—	(113,738.75)	3,954,200,004.74
(II) Other comprehensive income	—	—	—	—	3,056,456.30	—	3,056,456.30
Subtotal of (I) and (II)	—	—	—	3,954,313,743.49	3,056,456.30	(113,738.75)	3,957,256,461.04
(III) Shareholders' capital injection and capital reduction	—	—	—	—	—	55,000,000.00	55,000,000.00
1. Capital injection from shareholders	—	—	—	—	—	55,000,000.00	55,000,000.00
2. Acquisition of subsidiaries	—	—	—	—	—	—	—
3. Acquisition of minority interests of subsidiaries	—	—	—	—	—	—	—
(IV) Profit distribution	—	—	—	(2,494,786,860.00)	—	(174,121.97)	(2,494,960,981.97)
1. Transfer to statutory reserve	—	—	—	—	—	—	—
2. Transfer to discretionary reserve	—	—	—	—	—	—	—
3. Transfer to venture expansion fund	—	—	—	—	—	—	—
4. Transfer to reserve fund	—	—	—	—	—	—	—
5. Distributions to shareholders	—	—	—	(2,494,786,860.00)	—	(174,121.97)	(2,494,960,981.97)
6. Transfer to employee bonus and welfare fund	—	—	—	—	—	—	—
7. Tax refund for welfare enterprises	—	—	—	—	—	—	—
(V) Transfer of shareholders' equity	—	—	—	—	—	—	—
1. Transfer of capital reserve to share capital	—	—	—	—	—	—	—
2. Transfer of surplus reserves to share capital	—	—	—	—	—	—	—
3. Surplus reserves making up of losses	—	—	—	—	—	—	—
4. Others	—	—	—	—	—	—	—
III. Balance at the end of the current period	3,042,423,000.00	4,453,872,204.02	2,281,860,702.64	19,684,075,386.88	(3,749,935.02)	66,810,963.95	29,525,292,322.47

Consolidated Statement of Changes in Shareholders' Equity

For the six months ended 30 June 2013

RMB

Item	Six months ended 30 June 2013 (unaudited)						
	Attributable to shareholders of the parent Company						Total equity
	Share capital	Capital reserve	Surplus reserve	Share capital	Capital reserve	Minority interests	
I. Balance at the beginning of the period	3,042,423,000.00	4,461,109,309.25	2,217,932,376.40	11,799,009,548.92	(6,230,241.74)	129,125,415.53	21,643,369,408.36
II. Changes in the six months	—	—	—	2,353,150,984.33	(30,867.66)	(97,583,526.43)	2,255,536,590.24
(I) Net profit	—	—	—	4,087,332,094.33	—	4,345,500.55	4,091,677,594.88
(II) Other comprehensive income	—	—	—	—	(30,867.66)	—	(30,867.66)
Subtotal of (I) and (II)	—	—	—	4,087,332,094.33	(30,867.66)	4,345,500.55	4,091,646,727.22
(III) Shareholders' capital injection and capital reduction	—	—	—	—	—	—	—
1. Capital injection from shareholders	—	—	—	—	—	—	—
2. Acquisition of subsidiaries	—	—	—	—	—	—	—
3. Acquisition of minority interests of subsidiaries	—	—	—	—	—	—	—
(IV) Profit distribution	—	—	—	(1,734,181,110.00)	—	(101,929,026.98)	(1,836,110,136.98)
1. Transfer to statutory reserve	—	—	—	—	—	—	—
2. Transfer to discretionary reserve	—	—	—	—	—	—	—
3. Transfer to venture expansion fund	—	—	—	—	—	—	—
4. Transfer to reserve fund	—	—	—	—	—	—	—
5. Distributions to shareholders	—	—	—	(1,734,181,110.00)	—	(101,929,026.98)	(1,836,110,136.98)
6. Transfer to employee bonus and welfare fund	—	—	—	—	—	—	—
7. Tax refund for welfare enterprises	—	—	—	—	—	—	—
(V) Transfer of shareholders' equity	—	—	—	—	—	—	—
1. Transfer of capital reserve to share capital	—	—	—	—	—	—	—
2. Transfer of surplus reserves to share capital	—	—	—	—	—	—	—
3. Surplus reserves making up of losses	—	—	—	—	—	—	—
4. Others	—	—	—	—	—	—	—
III. Balance at the end of the current period	3,042,423,000.00	4,461,109,309.25	2,217,932,376.40	14,152,160,533.25	(6,261,109.40)	31,541,889.10	23,898,905,998.60

Statement of Changes in Shareholders' Equity of the Company

For the six months ended 30 June 2014

RMB

Item	For the six months ended 30 June 2014 (unaudited)				
	Share capital	Capital reserve	Surplus reserve	Undistributed profits	Total equity
I. Balance at the beginning of the year	3,042,423,000.00	4,506,077,023.11	1,521,231,233.17	16,630,245,730.47	25,699,976,986.75
II. Changes in the six months	—	—	—	2,290,325,004.36	2,290,325,004.36
(I) Net profit	—	—	—	4,785,111,864.36	4,785,111,864.36
(II) Other comprehensive income	—	—	—	—	—
Subtotal of (I) and (II)	—	—	—	4,785,111,864.36	4,785,111,864.36
(III) Shareholders' capital injection and capital reduction	—	—	—	—	—
1. Capital injection from shareholders	—	—	—	—	—
2. Equity settled share expenses charged to equity	—	—	—	—	—
3. Others	—	—	—	—	—
(IV) Profit distribution	—	—	—	(2,494,786,860.00)	(2,494,786,860.00)
1. Transfer to surplus	—	—	—	—	—
2. Transfer to general provision	—	—	—	—	—
3. Distribution to shareholders	—	—	—	(2,494,786,860.00)	(2,494,786,860.00)
4. Others	—	—	—	—	—
(V) Transfer of shareholders' equity	—	—	—	—	—
1. Transfer of capital surplus to share capital	—	—	—	—	—
2. Transfer of surplus reserve to share capital	—	—	—	—	—
3. Surplus reserves making up of losses	—	—	—	—	—
4. Others	—	—	—	—	—
(VI) Special reserve	—	—	—	—	—
1. Extraction in the period	—	—	—	—	—
2. Use in the period	—	—	—	—	—
III. Balance at the end of the period	3,042,423,000.00	4,506,077,023.11	1,521,231,233.17	18,920,570,734.83	27,990,301,991.11

Statement of Changes in Shareholders' Equity of the Company

For the six months ended 30 June 2013

RMB

Item	For the six months ended 30 June 2013 (unaudited)				
	Share capital	Capital reserve	Surplus reserve	Undistributed profits	Total equity
I. Balance at the beginning of the year	3,042,423,000.00	4,506,077,023.11	1,480,888,012.24	10,561,619,917.42	19,591,007,952.77
II. Changes in the six months	—	—	—	2,757,428,488.80	2,757,428,488.80
(I) Net profit	—	—	—	4,491,609,598.80	4,491,609,598.80
(II) Other comprehensive income	—	—	—	—	—
Subtotal of (I) and (II)	—	—	—	4,491,609,598.80	4,491,609,598.80
(III) Shareholders' capital injection and capital reduction	—	—	—	—	—
1. Capital injection from shareholders	—	—	—	—	—
2. Equity settled share expenses charged to equity	—	—	—	—	—
3. Others	—	—	—	—	—
(IV) Profit distribution	—	—	—	(1,734,181,110.00)	(1,734,181,110.00)
1. Transfer to surplus	—	—	—	—	—
2. Transfer to general provision	—	—	—	—	—
3. Distribution to shareholders	—	—	—	(1,734,181,110.00)	(1,734,181,110.00)
4. Others	—	—	—	—	—
(V) Transfer of shareholders' equity	—	—	—	—	—
1. Transfer of capital surplus to share capital	—	—	—	—	—
2. Transfer of surplus reserve to share capital	—	—	—	—	—
3. Surplus reserves making up of losses	—	—	—	—	—
4. Others	—	—	—	—	—
(VI) Special reserve	—	—	—	—	—
1. Extraction in the period	—	—	—	—	—
2. Use in the period	—	—	—	—	—
III. Balance at the end of the period	3,042,423,000.00	4,506,077,023.11	1,480,888,012.24	13,319,048,406.22	22,348,436,441.57

Notes to the Financial Statements

For the six months ended 30 June 2014

I. BASIC CORPORATE INFORMATION

Great Wall Motor Company Limited (hereunder “the Company”) is registered in Baoding, Hebei Province. The controlling shareholder is Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司) and the ultimate controlling shareholder is Wei Jian Jun.

The Company was originally named as Baoding Great Wall Motor Group Company Limited (保定長城汽車集團有限公司). On 5 June 2001, upon the approval by Office of the Stock Reform Leading Panel of the People’s Government of Hebei Province (河北省人民政府股份制領導小組辦公室) with Ji Gu Ban [2001] No. 62 (冀股辦[2001]62號文), Baoding Great Wall Motor Group Company Limited was reorganized to Baoding Great Wall Motor Company Limited (保定長城汽車股份有限公司) by its five shareholders, namely the 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), Wei Jian Jun, Wei De Yi, Chen Yu Zhi and Han Xue Juan acting as promoters. As at 31 March 2001, as audited by ShineWing Certified Public Accountants, net assets of Baoding Great Wall Motor Group Company Limited amounted to RMB170,500,000.00 which was divided into 170,500,000 shares of the share capital of the Company (RMB1 per share) based on a proportion of 1:1 according to the promoters’ agreement.

On 28 May 2003, upon the approval by Hebei Administration for Industry and Commerce (河北省工商行政管理局), Baoding Great Wall Motor Company Limited was renamed Great Wall Motor Company Limited.

On 21 July 2003, a resolution on the distribution of bonus shares and cash bonus was reviewed and passed at the second extraordinary general meeting of the Company in 2003, pursuant to which, the Company distributed 10 bonus shares and cash bonus of RMB2.5 (tax included) for every 10 shares to all shareholders based on the total share capital of 170,500,000 shares on 31 December 2002. The payout of cash bonus amounted to RMB42,625,000.00 and the bonus shares amounted to RMB170,500,000.00 under such distribution. Upon the completion of change in business registration on 3 September 2003, the registered capital of the Company was RMB341,000,000.00.

Upon the approval by China Securities Regulatory Commission with Zheng Jian Guo He Zi [2003] No. 42 (證監國合字[2003]42號文) on 19 November 2003, the Company issued 131,100,000 H shares with a par value of RMB1 each, including 114,000,000 new shares proposed to be issued and 17,100,000 new over-allotted shares, in December 2003. The additional share capital after this issuance was RMB131,100,000.00.

Upon the approval by the Ministry of Commerce of the PRC with Shang Zi Pi [2004] No. 987 (商資批[2004]987號文), the Company converted into a foreign invested (or Hong Kong invested) joint stock limited company (Shang Wai Zi Zi Shen Zi [2004] No. 0179) (商外資資審字[2004]0179號) in July 2004.

Upon the approval by the Ministry of Commerce of the PRC with Shang Zi Pi [2005] No. 56 (商資批[2005]56號文), the Company transferred capital surplus in capital reserves of RMB472,100,000.00 into share capital on 24 January 2005 and allotted shares to registered shareholders on the basis of the proportion of their respective shareholdings.

Upon the approval by China Securities Regulatory Commission with Zheng Jian Guo He Zi [2007] No. 16 (證監國合字[2007]16號文), the Company issued 151,072,000 additional shares of overseas listed foreign invested ordinary shares at an issue price of HKD10.65 per share under a public offering in May 2007. Upon the completion of such issuance, the share capital of the Company changed to RMB1,095,272,000.00 with a par value of RMB1.00 each.

Upon the approval by Hebei Provincial Department of Commerce with Ji Shang Wai Zi Zi [2011] No. 19 (冀商外資字[2011]19號文), the Company transferred capital surplus in capital reserves of RMB1,642,908,000.00 into share capital on 26 February 2011 and allotted shares to registered shareholders on the basis of the proportion of their respective shareholdings.

Notes to the Financial Statements

For the six months ended 30 June 2014

I. BASIC CORPORATE INFORMATION (continued)

Upon the approval by China Securities Regulatory Commission with Zheng Jian Xu Ke [2011] No. 1370 (證監許可[2011]1370號文), the Company offered 304,243,000 RMB ordinary shares (A Shares) at an offering price of RMB13.00 per share on 28 September 2011. Upon the completion of such issuance, the share capital of the Company increased to RMB3,042,423,000 shares.

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.

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

1. Basis of preparation

The Company has applied "Accounting Standards for Business Enterprises ("ASBE")" and guidelines, interpretations and other related provisions promulgated by the Ministry of Finance ("MoF") for the preparation of the financial statements of the Company. 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 amended in 2010, the Companies Ordinance of Hong Kong and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Basic of preparation and principle of measurement

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

2. Statement of compliance

The financial statements have been prepared in compliance with the ASBE to truly and completely reflect the consolidated financial position of the Company as at 30 June 2014 and its consolidated operating results and consolidated cash flows for the six months then ended.

3. Financial year

The financial year of the Group is from 1 January to 31 December of each calendar year.

4. Reporting currency

Renminbi is the currency of the primary economic environment where the Company and domestic subsidiaries operate, and the Company's and domestic subsidiaries' reporting currencies are both Renminbi. The reporting currency of the overseas subsidiaries of the Company is selected based on the primary economic environment where they operate. The financial statements of the Group have been prepared in Renminbi.

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

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

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

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

5.1 Business combinations involving enterprises under common control

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

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

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

5.2 Business combinations not involving enterprises under common control and goodwill

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

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

Notes to the Financial Statements

For the six months ended 30 June 2014

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

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

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

- (1) In the separate financial report, the initial investment cost shall be the aggregate of the carrying amount of the equity investment held in the acquiree prior to the acquisition date and the cost of additional investment on the acquisition date. If there is other comprehensive income from the equity interest in the acquiree prior to the acquisition date, the comprehensive income shall be stated as investment income for the current period along with other comprehensive income upon the disposal of such investment.
- (2) In the consolidated financial report, the equity interest held in the acquiree before the acquisition date shall be revalued at fair value of the equity interest on the acquisition date. The difference between the carrying amount and the fair value shall be recognized as investment income of current period. If there is other comprehensive income from the equity interest held in the acquiree prior to the acquisition date, the comprehensive income shall be stated as the current investment income incurred on the acquisition date.

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

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 period.

Goodwill arising from business combination is presented in the combined financial statements separately, and measured at the amount of cost less accumulated impairment provision. 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, the carrying value of goodwill is allocated to the relevant asset group since the acquisition date. If the carrying value of goodwill is unable to be allocated to asset group, the carrying value of goodwill will be allocated to asset portfolio. 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.

Notes to the Financial Statements

For the six months ended 30 June 2014

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

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

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

The recoverable amount of an asset is the higher of its fair value less costs of disposal and the present value of the future cash flows expected to be derived from the asset. Costs of disposal are expenses attributable to disposal of the asset, including legal fee, relevant tax and surcharges, transportation fee and direct expenses incurred to prepare the asset for its intended sale. The present value of the future cash flows expected to be derived from the asset over the course of continued use and final disposal is determined as the amount discounted using an appropriately selected discount rate.

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

6. Basis for preparation of consolidated financial statements

The scope of consolidated financial statements is determined on the basis of control. Control is achieved when the Company 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.

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

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

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

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

For the transaction of acquiring minority interests of its subsidiaries or disposing part of its subsidiaries' equity without losing control, 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.

Notes to the Financial Statements

For the six months ended 30 June 2014

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

7. Joint arrangements

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

8. Cash and cash equivalents

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

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

9.1 Transactions denominated in foreign currencies

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

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

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

9.2 Translation of financial statements denominated in foreign currency

The financial statements denominated in foreign currency of a foreign operation are translated to RMB in compliance with the following requirement: assets and liabilities on the balance sheet are translated at the spot exchange rate prevailing at the balance sheet date; all equity items except for undistributed profits 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; the undistributed profits brought forward are reported at the prior year's closing balance; the undistributed profits at the end of the period are calculated, based on the translated amounts of profit appropriation items; and all exchange differences of assets, liabilities and shareholders' equity resulting from the translation are recognized separately as "translation reserve" in the shareholders' equity on the balance sheet.

II. 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)

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

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 shall be presented separately as "Effect of changes in exchange rates on cash and cash equivalents" in the cash flow statement.

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

10. Financial instruments

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

10.1 Method of determination of the fair value of financial assets and financial liabilities

The fair value refers to the amount, at which both willing parties to a fair transaction who are familiar with the condition exchange their assets or clear off their debts under fair conditions. Financial instruments exist in an active market. While financial instruments do not exist in an active market, the fair value is determined using valuation techniques.

10.2 Effective interest method

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

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

Notes to the Financial Statements

For the six months ended 30 June 2014

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

10. Financial instruments (continued)

10.3 Classification, recognition and measurement of the financial assets

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

10.3.1 Loans and accounts receivable

Loans and accounts receivable are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Financial assets, including entrusted loans, bills receivable, accounts receivable and other receivables, are classified as loans and accounts receivable by the Group.

Trust loans and accounts receivable adopt the actual interest rate method to carry out the ongoing measure based on amortized costs. On de-recognition, profit or loss arising from impairment or amortization is carried at profit or loss for the current period.

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

They include financial assets held for trading and financial assets designated as at fair value through profit or loss for the current period. Financial assets carried at FVTPL for the current period for the Company are financial assets held for trading.

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

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

10.3.3 Available-for-sale financial assets

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

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

10. Financial instruments (continued)

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

10.3.3 Available-for-sale financial assets (continued)

Available-for-sale financial assets are measured on an on-going basis at fair value. Gain or loss on available-for-sale financial assets, except for impairment losses and exchange differences on monetary financial assets and amortized cost carried at profit or loss for the current period, shall be recognized as other comprehensive income and included in capital reserves. The financial assets shall be carried at profit or loss for the current period until they are derecognized.

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

10.4 Impairment of financial assets

In addition to financial assets at FVTPL for the current period, the Group reviews the book value of other financial assets at each balance sheet date and provide for impairment where there is objective evidence that financial assets are impaired.

Objective evidence of impairment on financial asset includes those observable matters listed as follows:

- (1) issuers or debtors encounter severe financial difficulties;
- (2) debtors violate terms of contract, such as breach of covenants or delay during settlement of interests or principal;
- (3) the Group gives way to debtors under financial difficulty based on economic or legal reasons;
- (4) debtors may go into liquidation or conduct other financial reorganization;
- (5) any reduction in cash flow of certain assets among a group of financial assets cannot be identified, while it is discovered that the estimated future cash flow of the financial assets has been reduced and can be measured since initial recognition after an overall evaluation based on disclosed information, including that:
 - the repayment capability of the debtor of the group of financial assets gradually deteriorates;
 - economic difficulties of the country or region where the debtor is staying appear a situation where this group of financial assets cannot be paid;
- (6) significant adverse changes in the technological, market, economic or legal environment in which the issuer operates, indicating that the cost of the investment in the equity instrument may not be recovered by the investor.
- (7) other objective evidence showing signs of impairment on financial assets.

Notes to the Financial Statements

For the six months ended 30 June 2014

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

10. Financial instruments (continued)

10.4 Impairment of financial assets (continued)

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

10.4.1 Impairment of loans and accounts receivable

The financial assets measured at amortized cost, when impaired, the carrying amount of financial assets measured at amortized cost is subsequently reduced to the present value discounted from its projected future cash flow (without future credit losses that have not occurred included) at its original effective interest. The reduced amount is recognized as impairment loss and recorded as profit or loss for the year. Upon recognition of the impairment loss from financial assets, if there is objective evidence showing recovery in value of the amount of such financial assets so impaired and which is related to any event occurring after such recognition, the impairment loss originally recognized shall be reversed to the extent that the carrying value of the financial assets upon reversal will not exceed the amortized cost as at the reversal date assuming there is no provision for impairment.

10.4.2 Impairment of financial assets measured at cost

For those equity instrument investments where there is no quoted price in active markets and the fair value of such instrument cannot be measured reliably, when impaired, the carrying amount is reduced to the present value of future discounted cash flow using the market return rate of similar financial assets, the reduced amount is recognized as impairment loss, accounted in current profit or loss. The impairment loss of such financial assets, once recognized cannot be reversed.

10.5 The basis of the recognition and measurement of transfer of financial asset

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

Where the entire transfer of financial assets meets conditions applicable to de-recognition, the difference between the following amounts is recognized in profit or loss for the current period: the carrying amount of the financial asset being transferred and the sum of the consideration received from the transfer and any accumulated gain or loss that had been recognized in equity.

Notes to the Financial Statements

For the six months ended 30 June 2014

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

10. Financial instruments (continued)

10.6 Classification and measurement of financial liabilities

The Group recognizes financial liabilities or equity instruments according to the substance of contracts and the definition of financial liabilities and equity instruments.

At initial recognition, financial liabilities are classified either as "financial liabilities at FVTPL" or "other financial liabilities". Financial liabilities of the Company are other financial liabilities. For other financial liabilities, related transaction costs are included in their initial recognition amounts.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Gains or losses arising from de-recognition or amortization is recognized in profit or loss for the current period.

10.7 De-recognition of financial liabilities

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

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

10.8 Derivative Instruments

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

10.9 Equity instruments

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

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

Notes to the Financial Statements

For the six months ended 30 June 2014

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

11. Receivables

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

Recognition criteria of receivables that are individually significant	The Group recognized accounts receivable of over RMB3 million and other receivables of over RMB1 million are recognized as individually significant. Receivables due from related parties are recognized as individually significant.
Provision method for bad debts of receivables that are individually significant	The Group conducts impairment test for receivables that are individually significant, and tests financial assets without separate impairment, including conducting impairment test on financial assets group with similar credit risk characteristics. For receivables with impairment loss recognized in a single item test, they cease to be included in the group of receivables with similar risk characteristics for impairment test.

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

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

Aging analysis method

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

12. Inventory

12.1 Classification of inventories

Inventories of the Group mainly include raw materials, products, finished products and low-value consumables. Inventories are initially measured at cost. Cost of inventories includes purchasing cost, processing cost and other expenses that help deliver the inventories to the current location and situation.

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

12. Inventory (continued)

12.2 Method for calculating value of inventories delivered

When inventories are delivered, weighed average method is adopted to determine the actual cost of inventories delivered.

12.3 Recognition of net realizable value of inventory and provision for inventory impairment

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

For inventories with tremendous number and relatively low unit price, inventory impairment loss is provided according to the type of inventory. For items of inventories relating to a product line that are produced and marketed in the same geographical area with 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 of inventories is determined on an aggregate basis. For other inventories, inventory impairment provision is provided at the difference of cost of a single item of inventory exceeding its net realizable value.

After making the provision for inventory impairment, in the event that the factors causing inventory impairment no longer exists, and the net realizable value of an inventory is higher than its book-value, the original provision for inventory impairment shall be transferred back and incorporated into the profit or loss for the current period.

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

12.4 Inventory taking system

The inventory taking system shall be on a perpetual basis.

12.5 Amortization of low-value consumable 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 consumables and other turnover materials.

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

Notes to the Financial Statements

For the six months ended 30 June 2014

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

13. Long-term equity investments

13.1 Determination of initial investment cost

For a long-term equity investment acquired through a business combination involving enterprises under common control, the initial investment cost of the long-term equity investment shall be the absorbing party's share of the carrying amount of the owner's equity of the party being absorbed at the date of combination. 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. The long-term equity investment acquired through means other than a business combination shall be initially measured at its cost.

13.2 Method for subsequent measurement and profit or loss recognition

For long-term equity investments to associate and jointly controlled entities, they are computed by adopting equity method.

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

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

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

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

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

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

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

13. Long-term equity investments (continued)

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

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

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

13.2.3 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. On disposal of long-term equity investments under equity method, the same basis will be applied when dispose relevant assets and liabilities within investee, the accounting treatment shall be carried out with appropriate proportion for the part which were originally accounted in other comprehensive income.

13.3 Recognition of having joint control or significant influence over the investee

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

The Group assesses at each balance sheet date whether there is any indication that any long-term equity investments may be impaired. If there is any evidence indicating that an asset may be impaired, recoverable amount shall be estimated for the individual asset. 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 period.

An impairment loss recognized on long-term equity investments shall not be reversed in a subsequent period.

Notes to the Financial Statements

For the six months ended 30 June 2014

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

14. Investment property

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

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

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

The Group assesses at each balance sheet date whether there is any indication that any investment properties may be impaired. If there is any evidence indicating that an asset may be impaired, recoverable amount shall be estimated for 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. 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 period.

An impairment loss recognized on investment property shall not be reversed in a subsequent period.

An impairment loss recognized on investment properties shall not be reversed in a subsequent accounting period. Upon the conversion of a self-owned property to an investment property (or vice versa), the property shall be stated at the carrying amount prior to the conversion.

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

15. Fixed assets

15.1 Conditions for recognition of fixed assets

Fixed assets are tangible assets that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and have a useful life of more than one accounting year. Fixed assets are only recognized when its related economic benefits are likely to flow to the Group and its 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 capitalised to fixed assets cost and the carrying amount of replacement will be derecognized. Other subsequent expenses other than the above are charged to profit or loss for the current period when incurred.

Notes to the Financial Statements

For the six months ended 30 June 2014

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

15. Fixed assets (continued)

15.2 Method for depreciation of different fixed assets

Depreciation is provided over their estimated useful lives from the month after they have reached the working condition for their intended use using the straight-line method. The useful life, estimated residual value and annual depreciation rate of each category of fixed assets are as follows:

Category	Depreciable life (year)	Estimated residual value (%)	Annual depreciation rate (%)
Buildings and structures	8–40	5	2.38–11.88
Machinery and equipment	10	5	9.50
Vehicles	4–10	5	9.50–23.75
Electronic equipment and other	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 were already of the stage and in the condition expected at the end of its useful life.

15.3 Impairment testing methods and provision for impairment methods on fixed assets

The Group assesses at each balance sheet date whether there is any indication that any fixed assets may be impaired. If there is any evidence indicating that an asset may be impaired, recoverable amount shall be estimated for 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. 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 period.

An impairment loss recognized on the assets mentioned above shall not be reversed in a subsequent period.

15.4 Explanation on other matters

The Group reviews the useful life and estimated net residual value of a fixed asset and the depreciation method applied at least at each financial year-end. A change in the useful life or estimated net residual value of a fixed asset or the depreciation method used shall be accounted for as a change in accounting estimate.

When a fixed asset is sold, transferred, retired or damaged, the Group shall recognize the amount of any proceeds on disposal of the asset net of the carrying amount and related taxes in profit or loss for the current period.

Notes to the Financial Statements

For the six months ended 30 June 2014

II. 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 period. A construction in progress is transferred to fixed assets when it has reached the working condition for its intended use.

The Group assesses at each balance sheet date whether there is any indication that any construction in progress may be impaired. If there is any evidence indicating that an asset may be impaired, recoverable amount shall be estimated for 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. 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 period.

An impairment loss recognized on the assets mentioned above shall not be reversed in a subsequent period.

17. Borrowing costs

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

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

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

Notes to the Financial Statements

For the six months ended 30 June 2014

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

18. Intangible assets

18.1 Intangible assets

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

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

Land use 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 an intangible asset and fixed asset. For buildings and structures purchased, the purchase consideration shall be allocated among the 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 useful life and annual amortization rate of each category of intangible assets are as follows:

Category	Depreciable life (year)	Annual depreciation rate (%)
Land use right	50	2.00
Software and others	2–10	10.00–50.00

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

18.2 Research and development expenditure

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

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

Notes to the Financial Statements

For the six months ended 30 June 2014

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

18. Intangible assets (continued)

18.2 Research and development expenditure (continued)

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

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

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

18.3 Intangible assets impairment test method and their impairment provision

The Group assesses at each balance sheet date whether there is any indication that any intangible assets with a finite useful life may be impaired. If there is any evidence indicating that an asset may be impaired, recoverable amount shall be estimated for the individual asset. 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. 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 period.

An impairment loss recognized on the assets mentioned above shall not be reversed in a subsequent period.

19. Long-term deferred expenses

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

Notes to the Financial Statements

For the six months ended 30 June 2014

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

20. Contingent liabilities

When related obligations of contingencies are: (1) the obligations currently assumed by the Group; (2) such obligation is likely to result in outflow of economic benefits; (3) and the amount of such obligations can be reliably measured, contingent liabilities will be recognized.

As at the balance sheet date, after considering factors such as the risks related to contingencies, uncertainties and time value of currency, contingent liabilities are measured at the best estimate on the expenses necessary for the performance of the related existing obligations.

If all or part of the cost necessary for the contingent liabilities is expected to be settled by third party, the amount of settlement, when it is basically certain to be received, is recognized as an asset separately, and the settlement amount recognized shall not be more than the carrying amount of contingent liabilities.

21. Revenue

21.1 Revenue from sales of goods

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

21.2 Revenue from provision of services

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

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

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

21.3 Interest income

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

Notes to the Financial Statements

For the six months ended 30 June 2014

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

22. Government grants

Government grants are transfer of monetary assets and non-monetary assets from the government to the Group at no consideration, excluding investments by the government as shareholder. Government grants are recognised when prescribed conditions are satisfied and they will be received without uncertainties.

If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of a non-monetary asset, it is measured at fair value. If the fair value cannot be reliably determined, it is measured at a nominal amount. A government grant measured at a nominal amount is recognized immediately in profit or loss for the current period. Government grants are classified as government grants related to an asset and government grants related to income according to the related documents from the government.

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

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

23. Income tax

23.1 Current income tax

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

23.2 Deferred income tax assets and deferred tax liabilities

Temporary differences arising from the difference between the carrying amount of an asset or liability and its tax base, and the difference between the tax base and the carrying amount of those items that are not recognized as assets or liabilities but have a tax base that can be determined according to tax laws, shall be recognized as deferred income tax assets and deferred tax liabilities using the balance sheet liability method.

All temporary differences are generally recognized for relevant deferred income tax. However, for deductible temporary difference, the Group recognizes relevant deferred income tax assets to the extent of income tax payable available for deducting deductible temporary difference. In addition, for those related to the initial recognition of goodwill and does not belong to business combination, and neither affect the accounting profit nor the temporary difference related to the initial recognition of assets or liabilities incurred in transaction of income tax payable (or deductible loss), related deferred income tax assets or liabilities will not be recognized.

The Company recognizes a deferred income tax asset for the carry forward of deductible losses and tax credits to subsequent periods, 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.

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

23. Income tax (continued)

23.2 Deferred income tax assets and deferred tax liabilities (continued)

The Group recognizes deferred tax liabilities arising from the temporary difference on tax payable related to investment in subsidiaries and joint ventures, unless the Group could control the timing of write back of the temporary difference, and such temporary difference is unlikely to be written back in foreseeable future. For the deductible temporary difference related to investment in subsidiaries and joint ventures, the Group will only recognize deferred income tax assets when temporary difference is likely to be written back in the foreseeable future and income tax payable could be utilized to deduct the deductible temporary difference.

At the balance sheet date, deferred income tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the six months when the asset is realized or the liability is settled, according to the requirements of tax laws.

At the balance sheet date, the Company shall review the carrying amount of a deferred income tax asset. If it is probable that sufficient taxable profits will not be available in future periods to allow the benefit of the deferred income tax asset to be utilized, the carrying amount of the deferred income tax asset shall be reduced. Any such reduction in amount shall be reversed when it becomes probable that sufficient taxable profits will be available.

23.3 Income Tax Expenses

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

Current income tax and deferred income tax derived from transactions and matters of shareholder's equity or directly recognized into other comprehensive income are included in shareholder's equity or other comprehensive income, and deferred income tax arising from business combination should adjust the carrying amount of goodwill, other types of current income tax and deferred income tax are included into profit or loss for the period.

23.4 Offsetting of Income Tax

After granted the legal rights of net settlement and with the intention to use net settlement or obtain assets, repay debt, the Group, at the same time, records the net amount after offsetting its current income tax assets and current income tax liabilities.

The Group was granted the legal rights of net settlement of current income tax assets and current income tax liabilities. Deferred income tax assets and deferred tax liabilities are related to income tax to be paid by the same entity liable to pay tax to the same tax collection and management authority or related to different entities liable to pay tax, but the relevant entity liable to pay tax is intended to apply net settlement of current income tax assets and liabilities or, to obtain assets, repay debt at the same time whenever every deferred income tax assets and liabilities with importance would be reversed in the future, the Group records the net amount after offsetting its current income tax assets and current income tax liabilities.

Notes to the Financial Statements

For the six months ended 30 June 2014

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

24. Operating lease

24.1 Operating lease business with the Group recorded as lessee

Lease payment for operating lease is recognized as related asset cost or profits and losses for the current period using the straight-line method over the lease term. The initial direct cost is directly accounted in profit or loss for the current period. Contingent rent is recognized as profit or loss for the current period upon occurrence.

24.2 Operating lease business with the Group recorded as lessor

Rental income of operating lease is recognized in profit or loss for the current period using the straight-line method over the lease term. The initial direct cost where the amount is larger is capitalized when incurred, and accounted for as profit or loss for the current period on the same basis as recognition of rental income over the entire lease period. The initial direct cost where the amount is smaller is accounted for as profit or loss for the current period when incurred. Contingent rental is accounted for as profit or loss for the six months in which it is incurred.

25. Employee Benefits

In the accounting period in which an employee has rendered services, the Group shall recognize the employee benefits payable as a liability.

The Group participates in social security systems operated by the government as required. Payments of social security contributions for employees, such as premiums or contributions on pensions, medical insurance, payments of housing funds and other social welfare contributions shall be included in the cost of related assets or profit or loss for the six months in which they are incurred.

26. Related Party

Where one party has control, joint control, or major impact on the other party, or where the two parties or more are or will be under control of the same party, the two parties shall constitute related parties.

27. Main change of accounting policies

In the financial statements of 2013, the Company has early adopted ASBE 9 Employee Benefits (revised), ASBE 30 Financial Statements Presentation (revised), ASBE 33 Consolidated Financial Statements (revised), ASBE 39 Fair value Measurement and ASBE 40 Joint Arrangements issued by MoF in January and February 2014.

In the financial statements during current period, the Company has early adopted ASBE 2 Long-term Equity Investment (revised) issued by MoF in March 2014.

According to ASBE 2 Long-term Equity Investment (revised) in relation to the change of the scope of accounts, the Company classified equity investments amounted to RMB7,200,000.00 as of 30 June 2014 (RMB7,200,000.00 as of 31 December 2013) where there is no control, joint control and significant influence to investee, and there is no quoted price in active market and the fair value of such investment cannot be reliably measured as available-for-sale financial assets and adjusted comparative figures for last year.

Notes to the Financial Statements

For the six months ended 30 June 2014

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

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

Critical assumptions and uncertainties in the application of accounting estimates

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

Provision for bad debt

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

Provision for inventory impairment

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

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.

Impairments of fixed assets and construction in progress

Impairments of fixed assets and projects under construction are stated at the lower of book value and recoverable amount. 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. When discounting future cash flow into current value, the pre-tax discount rate will be adopted to reflect the time value of currency in the current market and the specific risks related to the relevant asset. If the result of new estimation differs from that of the current estimation, such difference will influence the fixed assets and the carrying amount of the projects under construction during the adjusting period.

Notes to the Financial Statements

For the six months ended 30 June 2014

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

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

Recognition of deferred tax assets

As at 30 June 2014, the Company recognized deferred tax assets at RMB361,783,842.46 (as at 31 December 2013: RMB400,509,782.43) 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 six months 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 six months in which they are incurred.

Fees for after-sale services

Generally, the Group provides one, two or more free maintenance services to its domestic customers and provides a warranty period to their domestic customers for a certain period since the date of purchase, during which period free repairs and maintenance services are provided. The Group makes provisions for after-sale services annually according to the sales volumes of vehicles and history of repairs and maintenances. As at 30 June 2014, provisions for after-sale services amounted to RMB456,802,236.04 (as at 31 December 2013: RMB496,688,994.94). If the actual fees for after-sale services are more or less than the estimates, profits and losses of the six months will be affected.

Income taxes

Subsidiaries of the Group are subject to income taxes according to different tax rates of different regions in the PRC. As certain tax affairs are pending the confirmation of relevant tax authorities, the Group shall make reliable estimates and judgements for the expected tax adjustments and amounts resulting from such affairs based on the current tax laws and relevant policies. Subsequently, if differences exist between the initial estimates of such affairs and the actual amount of tax payable due to certain objective reasons, such difference will affect the taxes for the current period and tax payables of the Group.

IV. TAXATION

1. Major tax types and tax rates

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

Note 1: Saved from the tax incentives set out in Note (IV) 2, the applicable tax rates of the relevant companies of the Group in 2013 and for the six months ended 30 June 2014 are listed on the above table.

IV. TAXATION (continued)

2. Tax incentives and approvals

2.1 Income tax incentives

2.1.1 Income tax incentive policy for recruitment of disabled

Pursuant to the Circular on Granting Tax Credit and Exemption relating to Enterprise Income Tax on the Recruitment of Disabled (關於安置殘疾人員就業有關企業所得稅優惠政策問題的通知) (Caishui [2009] No. 70) (the "Circular") issued by the Ministry of Finance and the State Administration of Taxation, Baoding Nuobo Rubber Production Company Limited (保定市諾博橡膠製品有限公司), Baoding Great Machinery Company Limited (保定市格瑞機械有限公司), Baoding Yixin Automotive Parts Company Limited (保定億新汽車配件有限公司) and Baoding Great Wall Internal Combustion Engine Manufacturing Company Limited (保定長城內燃機製造有限公司) all of which are subsidiaries of the Company, satisfied all conditions as prescribed in the Circular for deduction of 100% of the wages paid to disabled staff from taxable income when determining income tax and passed the examination of relevant authorities, and they were entitled to deduct 100% of the actual wages paid to disabled staff from the taxable income when determining enterprise income taxes.

2.1.2 Income tax exemption for new and high-tech enterprise

According to the New and High-Tech Enterprise Certificate jointly issued by the Hebei Provincial Department of Science and Technology, Department of Finance of Hebei Province, Hebei Provincial Office of the State Administration of Taxation and Hebei Local Taxation Bureau on 22 July 2013, the Company was recognised as a new and high-technology enterprise in 2013 with a term of three years, and the applicable tax rate of the Company from 2013 to 2015 was 15%.

2.2 Value-added Tax incentives

According to the requirements under the Notice Regarding Taxation Concessionary Policies on Fostering Employment of Disabled People" ([2007]92號文《關於促進殘疾人就業稅收優惠政策的通知》) ("Cai Shui [2007] No. 92) issued by the Ministry of Finance and State Administration of Taxation, Baoding Great Machinery Company Limited (保定市格瑞機械有限公司) which is a subsidiary of the Company, was entitled to immediate refund of value-added tax based on the number of disabled staff employed upon approval by competent authorities as its respective monthly average proportion of disabled staff to the total headcount was higher than 25% (including 25%), the respective number of disabled staff is more than 10 (including 10), and 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. The maximum refund of value added tax for each disabled staff employed was no more than RMB35,000 per person each year.

Notes to the Financial Statements

For the six months ended 30 June 2014

V. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2014, the subsidiaries of the Company did not have any debentures in issue.

1. Subsidiaries

(1) Subsidiaries established by investment

Full name of subsidiaries	Type of subsidiaries	Main operating place and place of registration	Business nature	Registered capital	Scope of business	Actual capital	Other balance	Proportion of shareholdings (%)	Proportion of voting rights (%)	Whether consolidated	Minority interests	RMB
						contribution 31/12/2014	items which contribute net investment in subsidiaries					Amount in minority interests used to write down the losses of minority interests
Great Wall Baoding Huabei Automobile Company Limited (保定長城華北汽車有限公司) ("Great Wall Huabei")	LLC	Gaobeidian	Manufacture of automotive parts and components	RMB177,550,000.00	Principally engages in assembling and manufacture of car bodies, automotive parts and components (of Great Wall); sales and maintenance, commissioned processing and sale of purchased parts; storage service; leasing of the housing and equipment.	268,092,310.00	—	100.00	100.00	Yes	—	—
Great Wall Baoding Internal Combustion Engine Manufacturing Company Limited (保定長城內燃機製造有限公司) ("Great Wall Internal Combustion Engine")	LLC	Dingxing, Baoding	Manufacture of automotive parts and components	RMB452,716,300.00	Manufacture and sale of internal combustion engines and relevant parts and components; leasing of the housing; storage service(except hazardous chemicals); Engine related technology development, technical guidance and other technical services; export of its products and technologies as well as import of auxiliary materials, machinery and equipment, parts and components and relevant technologies required, except goods and technologies which should be operated by companies appointed by the PRC government and restricted for import and export.	583,255,808.00	—	100.00	100.00	Yes	—	—
Baoding Great Machinery Company Limited (保定市格瑞機械有限公司) ("Baoding Great")	LLC	Baoding	Manufacture of automotive parts and components	RMB23,000,000.00	Technological development, manufacture and after-sales service of automotive parts and components, machinery products and construction machineries; leasing and storage services of its properties (except flammable, explosive and hazardous chemicals); engaging in self-operated and commissioned import and export business for various goods, other than the exports jointly operated by the PRC government and the imports operated by companies approved by the PRC government.	23,000,000.00	—	100.00	100.00	Yes	—	—
Great Wall Baoding Vehicle Axles Industries Company Limited (保定長城汽車軸業有限公司) ("Great Wall Axles Industries")	Sino-foreign joint venture	Baoding	Manufacture of automotive parts and components	RMB282,720,000.00	Manufacture and processing of automotive parts and components and technological development; design and manufacturing of automotive mild and fixture; sales of the company's products and after-sales service; leasing of the housing.	319,171,814.49	—	100.00	100.00	Yes	—	—

Notes to the Financial Statements

For the six months ended 30 June 2014

V. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS (continued)

1. Subsidiaries (continued)

(1) Subsidiaries established by investment (continued)

Full name of subsidiaries	Type of subsidiaries	Main operating place and place of registration	Business nature	Registered capital	Scope of business	Actual capital contribution	Other balance items which contribute net investment in subsidiaries	Proportion of shareholdings	Proportion of voting rights	Whether consolidated	Minority interests	RMB Amount in minority interests used to write down the losses of minority interests
						31/12/2014		(%)	(%)			
Baoding Nuobo Rubber Production Co., Ltd. (保定市諾博橡膠製品有限公司) ("Baoding Nuobo")	LLC	Baoding	Design and manufacture of rubber parts and components	RMB72,240,000.00	Manufacture of rubber parts and components and technological development; design and manufacturing of automobile mild and fixture; sales of the company's products and after-sales service; engaging in self-operated and commissioned import and export business for various goods, other than the exports jointly operated by the PRC government and the imports operated by companies approved by the PRC government.	72,240,000.00	—	100.00	100.00	Yes	—	—
Beijing Great Automotive Components Company Limited (北京格瑞特汽車零部件有限公司) ("Beijing Great")	Sino-foreign joint venture	Beijing	Manufacture of automotive parts and components	RMB1,000,000.00	Production of automotive electrical appliances, parts and components; sale of its products.	750,000.00	—	75.00	75.00	Yes	11,856,965.77	—
Great Wall Baoding Automobile After-sales Services Company Limited (保定市長城汽車售後服務有限公司) ("Great Wall After-sales")	LLC	Baoding	Provision of after-sales service	RMB35,000,000.00	Auto repair and after-sales service of second tier automotive; wholesale and retail of automobile parts; import and export business of automotive parts, training of automotive maintenance and other related service; sales of automotive lubricants, clothing, and decoration of automobiles.	34,850,000.00	—	100.00	100.00	Yes	—	—
Baoding Great Wall Auto Sales Company Limited (保定長城汽車銷售有限公司) ("Great Wall Sales")	LLC	Baoding	Marketing and sale of automobiles	RMB8,000,000.00	Wholesale and retail of automobiles, automotive parts, machinery equipment, hardware and electronic products; commissioned sale of second-hand automobiles; automobile leasing; agency services for licence application and transfer; engaging in self-operated and commissioned import and export business for various goods, other than the exports jointly operated by the PRC government and the imports operated by companies approved by the PRC government.	8,000,000.00	—	100.00	100.00	Yes	—	—
Macs (Baoding) Auto A/C System Co., Ltd. (麥克斯(保定)汽車空調系統有限公司)("Macs")/註2	Sino-foreign joint venture	Baoding	Manufacture of automotive parts and components	RMB20,339,000.00	Production of automobile air-conditioning systems as well as automotive parts and components; mould processing and manufacturing; sale of the Group's products and provision of after-sales service, storage service(except hazardous chemicals) and technical service; import and export of goods and technologies.	40,279,590.00	—	100.00	100.00	Yes	—	—

Notes to the Financial Statements

For the six months ended 30 June 2014

V. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS (continued)

1. Subsidiaries (continued)

(1) Subsidiaries established by investment (continued)

Full name of subsidiaries	Type of subsidiaries	Main operating place and place of registration	Business nature	Registered capital	Scope of business	Actual capital	Other balance	Proportion of shareholdings (%)	Proportion of voting rights (%)	Whether consolidated	Minority interests	RMB
						contribution 31/12/2014	items which contribute net investment in subsidiaries					Amount in minority interests used to write down the losses of minority interests
Tide Technology and Trade Company Limited (泰德科貿有限公司) ("Tide Technology and Trade") (Note 2)	Overseas company	Hong Kong	Provision of advisory services relating to automobile technology and trading activities	USD24,500,000.00	International trading, equity investment and financing service.	USD24,500,000.00	—	100.00	100.00	Yes	—	—
Russia Great Wall Closed Joint-Stock Company Limited (俄羅斯長城股份有限公司) ("Russia Great Wall")	Overseas company	Russia	Export and import of automobiles and related spare parts and provision of after-sales services	USD50,000.00	Import and export business of automobiles, automotive parts and components and related spare parts, after-sales service and international trade.	USD50,000.00	—	100.00	100.00	Yes	—	—
Baoding Mind Auto Component Company Limited (保定曼德汽車配件有限公司) ("Mind Component")	Sino-foreign joint venture	Baoding	Manufacture of automotive parts and components	RMB95,000,000.00	Manufacture of automotive parts and components; machine processing and rivet processing; sale of the Group's products and provision of after-sales service.	96,875,800.00	—	100.00	100.00	Yes	—	—
Tianjin Great Wall Lean Automotive Parts Company Limited (天津長城精益汽車零部件有限公司) ("Tianjin Lean")	Sino-foreign joint venture	Tianjin Development Zone	Manufacture of automotive parts and components	RMB140,000,000.00	Development, design and manufacture of automotive parts and components, automotive moulds, automotive gears, electronic and mechanical equipment; sale of the Group's products and related after-sale service.	140,002,494.00	—	100.00	100.00	Yes	—	—
Baoding Exquisite Foundry Company Limited (保定長城精工鑄造有限公司) ("Exquisite Foundry")	LLC	Shunping, Baoding	Manufacture of steel casting and provision of after-sales service	RMB85,000,000.00	Licensed business items: manufacture of steel casting (except products forbids and restricts by the PRC government). General business items: steel casting design and casting; sale of its products and after-sales service for the Group's products; engaging in self-operated and commissioned import business for various goods, other than items that require reviews by laws and the State Department.	85,000,000.00	—	100.00	100.00	Yes	—	—
Baoding Great Wall Ants Logistics Company Limited (保定市長城螞蟥物流有限公司) ("Great Wall Ants")	LLC	Baoding	Logistics and ordinary goods transportation	RMB86,000,000.00	General cargo transportation and logistics.	86,000,000.00	—	100.00	100.00	Yes	—	—
Baoding Lean Automotive Occupational Training School (保定市精益汽車職業培訓學校) ("Lean School")	Private non-enterprise unit	Baoding	Occupational training	RMB100,000.00	Occupational training: automobile manufacturing, NC control processing, NC control programming, auxiliary parts design and fitter.	100,000.00	—	100.00	100.00	Yes	—	—

Notes to the Financial Statements

For the six months ended 30 June 2014

V. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS (continued)

1. Subsidiaries (continued)

(1) Subsidiaries established by investment (continued)

Full name of subsidiaries	Type of subsidiaries	Main operating place and place of registration	Business nature	Registered capital	Scope of business	Actual capital contribution	Other balance items which contribute net investment in subsidiaries	Proportion of shareholdings (%)	Proportion of voting rights (%)	Whether consolidated	Minority interests	RMB Amount in minority interests used to write down the losses of minority interests
						31/12/2014						
Tianjin Boxin Automobile Parts Co., Ltd. ("Tianjin Boxin") (天津博信汽車零件有限公司)	LLC	Tianjin	Manufacture of automotive parts and components	RMB1,890,000,000.00	Sale of automotive parts and components and related after-sales service, research and development, design, production of automotive parts and components, engaging in self-operated and commissioned import and export business for various goods and technology.	1,891,553,510.28	—	100.00	100.00	Yes	—	—
Ningxia Great Wall Automobile Leasing Company Limited (寧夏長城汽車租賃有限公司) ("Ningxia Leasing")	LLC	Yinchuan Economic and Technological Development Zone	Logistics and daily cargo transport service	RMB20,000,000.00	Leasing of automobile, storage and loading and unloading.	20,000,000.00	—	100.00	100.00	Yes	—	—
Baoding Great Wall Resource Recycling Co., Ltd. (保定長城再生資源利用有限公司) ("Great Wall Resource Recycling")	LLC	Qingyuan, Baoding	Processing, recycling and sale of waste and used material	RMB50,000,000.00	Processing, recycling and sale of waste and used metals, plastic waste, used paper and other waste and used materials; import and export of goods.	50,000,000.00	—	100.00	100.00	Yes	—	—
Baoding Exquisite Automotive Mould Technology Co., Ltd. (保定市精工汽車模具技術有限公司) ("Exquisite Mould")	LLC	Baoding	Research and development and manufacture of auto moulds	RMB5,000,000.00	Research and development (not manufacture) and design of auto moulds; technologies transfer, advisory, training and promotion in respect of auto moulds; sales and after-sales service of auto moulds.	5,000,000.00	—	100.00	100.00	Yes	—	—
Nuobo Rubber Production Co., Ltd. (諾博橡膠製品有限公司) ("Xushui Nuobo")	LLC	Xushui, Baoding	Design and development and manufacture of rubber products	RMB255,000,000.00	Design, development, sale and after-sales service of rubber products and rubber parts and components for automobiles; engaging in self-operated and commissioned import and export business for various goods, other than the exports jointly operated by the PRC government and the imports operated by companies approved by the PRC government.	255,000,000.00	—	100.00	100.00	Yes	—	—
Baoding Great Wall Automobile Component Sales Co., Ltd. (保定長城汽車配件銷售有限公司) ("Xushui Component")	LLC	Xushui, Baoding	Sale of automotive parts and components and lubricants	RMB7,000,000.00	Sale of automotive parts and components and lubricants.	7,000,000.00	—	100.00	100.00	Yes	—	—
Beijing Great Wall Dongsheng Business consulting Co., Ltd. (北京長城東晟商務諮詢有限公司) ("Great Wall Dongsheng")	LLC	Beijing	Business information consultation	RMB2,000,000.00	Marketing strategy advisory, market strategic analysis and other social economic advisory service.	2,000,000.00	—	100.00	100.00	Yes	—	—

Notes to the Financial Statements

For the six months ended 30 June 2014

V. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS (continued)

1. Subsidiaries (continued)

(1) Subsidiaries established by investment (continued)

Full name of subsidiaries	Type of subsidiaries	Main operating place and place of registration	Business nature	Registered capital	Scope of business	Actual capital contribution	Other balance items which contribute net investment in subsidiaries	Proportion of shareholdings (%)	Proportion of voting rights (%)	Whether consolidated	Minority interests	RMB Amount in minority interests used to write down the losses of minority interests
						31/12/2014						
Xushui Clean Heat Supplying Co., Ltd. (徐水縣科林供熱有限公司) ("Kelín Heating")	LLC	Xushui, Baoding	Heat production and supply	RMB175,000,000.00	Heat production, supply, thermal power engineering construction, maintenance facilities, heating design, ash sales.	175,000,000.00	—	100.00	100.00	Yes	—	—
Baoding Great Wall Automotive Rental Co., Ltd. (保定市長城汽車出租有限公司) ("Automotive Rental")	LLC	Baoding	Auto Rental	RMB20,000,000.00	Passenger transport of leasehold motorcar (restricted operation areas within Baoding according to the geographic division by Hebei government letter[1998] No.97, auto rental, second hand vehicle sales.	20,000,000.00	—	100.00	100.00	Yes	—	—
Baoding Qinchuang Property Services Co., Ltd. (保定市勤創物業服務有限公司) ("Qinchuang Property")(Note I)	LLC	Baoding	Property Management	RMB8,000,000.00	Property management service.	8,000,000.00	—	100.00	100.00	Yes	—	—
Shanghai Haval Automotive Technology Limited Company (上海哈弗汽車科技有限公司) ("Shanghai Haval")	LLC	Shanghai	Technology Development	RMB1,500,000.00	Technology development, consulting and service for automobiles, automotive parts, automotive high-tech and mechatronics products.	1,500,000.00	—	100.00	100.00	Yes	—	—
Haval Motors Australia Pty Ltd. (哈弗汽車澳大利亞有限公司) ("Haval Australia")	Oversea Company	Australia	Sale of automobiles	AUD4,000,000.00	Import and export business of automobiles, sales and distribution of automobile, automotive parts and components and related spare parts and after-sales service.	USD3,800,000.00	—	100.00	100.00	Yes	—	—
Russia Haval Automotive Company Limited (俄羅斯哈弗汽車有限公司) ("Russia Haval")	Oversea Company	Russia	Sale of automobiles	RUB213,000,000.00	1. Automobiles, sales and distribution of automotive, automotive parts and components and related spare parts and other operating activities include trade agency activities and overseas trade activities. 2. Technical maintenance and repair of automotive transportation provide technical maintenance to other type of automotive transportation. 3. Engage in financial intermediary activities while sale automotive transportation.	USD6,500,000.00	—	100.00	100.00	Yes	—	—
Baoding Haval Auto Sales Company Limited (保定哈弗汽車銷售有限公司) ("Haval Auto Sales")	LLC	Xushui Baoding	Sale of automobiles	RMB5,000,000.00	Wholesale of mechanical equipment, hardware products and electronic products.	5,000,000.00	—	100.00	100.00	Yes	—	—

Notes to the Financial Statements

For the six months ended 30 June 2014

V. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS (continued)

1. Subsidiaries (continued)

(1) Subsidiaries established by investment (continued)

Full name of subsidiaries	Type of subsidiaries	Main operating place and place of registration	Business nature	Registered capital	Scope of business	Actual capital contribution	Other balance items which contribute net investment in subsidiaries	Proportion of shareholdings (%)	Proportion of voting rights (%)	Whether consolidated	Minority interests	RMB Amount in minority interests used to write down the losses of minority interests
						31/12/2014						
Baoding Zhiteng Automation Technology Company Limited (保定市智騰自動化科技有限公司) ("Zhiteng Automation")	LLC	Baoding	Technology Development	RMB100,000,000.00	Industrial automation, transmission and control equipment, industrial robot integration, development, design and manufacturing of instrumentation systems, sales of automation equipment, technology transfer, technical advisory and after-sales service.	100,000,000.00	—	100.00	100.00	Yes	—	—
Tianjin Great Wall Binyin Automotive Finance Company Ltd (天津長城濱銀汽車金融有限公司) ("Automotive Finance")	LLC	Tianjin	Automotive Finance	RMB550,000,000.00	Accept at least three-month term deposit from domestic shareholders; Accept mortgage deposit when auto dealers purchasing automobiles and automobiles rental deposit from renter; By authorization, issue financial bond; Inter-industry borrowing; Issue loans to financial institutions; Provide mortgage for automobile; Provide mortgage to auto dealers when purchasing automobiles and operating equipment, include mortgage for construction of exhibition hall, mortgage for parts and components and mortgage for maintenance equipment; Provide automotive finance lease(except lease after sales); Sale or buy-back receivables of automotive mortgage and automotive finance lease to financial institutions; Conduct sales and dispose of residual value of rental autos; Conduce relevant consulting and agency business of financing activities of purchasing automobiles; By authorization, conduct equity investments with relevant financial institutions whom conduct automotive financing business; Other business activities authorized by the China Banking Regulatory Commission.	495,000,000.00	—	90.00	90.00	Yes	55,000,000.00	—
Australia Sinys Technology and Trade Pty Ltd (澳大利亞森友斯利貿易有限公司) ("Sinys Technology and Trade")	Oversea Company	Australia	Sale of automobiles	AUD100.00	Import and export business of automobiles, sales and distribution of automotive, automotive parts and components and related spare parts and after-sales service.	—	—	—	—	—	—	—

Notes to the Financial Statements

For the six months ended 30 June 2014

V. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS (continued)

1. Subsidiaries (continued)

(1) Subsidiaries established by investment (continued)

Note 1. Qinchuang Property is a wholly owned subsidiary which has been established in Baoding by the Company in January 2014, with a registered capital of RMB8 million.

Note 2. Shanghai Haval is a wholly owned subsidiary which has been established in Shanghai by the Company in January 2014, with a registered capital of RMB1.5 million.

Note 3. Haval Australia is a wholly owned subsidiary which has been established in Australia by the Company in November 2013 and capital injection in January 2014, with a registered capital of AUD4 million.

Note 4. Russia Haval is a wholly owned subsidiary which has been established in Russia by the Company in February 2014, with a registered capital of RUD213 million.

Note 5. Haval Auto Sale is a wholly owned subsidiary which has been established in Baoding by the Company in March 2014, with a registered capital of RMB5 million.

Note 6. Zhiteng Automation is a wholly owned subsidiary which has been established in Baoding by the Company in March 2014, with a registered capital of RMB100 million.

Note 7. Automotive Finance is a subsidiary which has been established in Tianjin by the Company in May 2014, with a registered capital of RMB550 million and shareholding ratio of 90%.

Note 8. Sinyos Technology and Trade is a wholly owned subsidiary which has been established in Australia by the Company in May 2014, with a registered capital of AUD100.

Notes to the Financial Statements

For the six months ended 30 June 2014

V. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS (continued)

1. Subsidiaries (continued)

(2) Subsidiaries acquired through business combination of enterprises not under common control

												RMB
												Amount in minority interests used to write down the losses of minority interests
Full name of subsidiaries	Type of subsidiaries	Place of registration	Business nature	Registered capita	Scope of business	Actual capital contribution 30/6/2014	Other balance items which contribute net investment in subsidiaries	Proportion of shareholdings (%)	Proportion of voting rights (%)	Whether consolidated	Minority interests	
Billion Sunny Development Limited (億新發展有限公司) ("Billion Sunny Development") (Note1)	Overseas company	Hong Kong	Investment holding	USD24,000,013.00	Investment holding	USD24,205,000.00	—	100.00	100.00	Yes	—	—
Baoding Great Wall Boxiang Automotive Parts Manufacturing Company Limited (保定長城博翔汽車零部件製造有限公司) ("Great Wall Boxiang")	LLC	Baoding	Design, production and sale of automotive parts and components	RMB39,500,000.00	Design, production and sale of automotive parts and components	39,116,124.26	—	100.00	100.00	Yes	—	—
Baoding Xinyuan Automobile Inner Decoration Company Limited (保定信遠汽車內飾件有限公司) ("Baoding Xinyuan") (Note3)	LLC	Baoding	Design, production and sale of automotive parts and components	RMB36,227,000.00	Design, production and sale of automotive parts and components	64,271,420.36	—	100.00	100.00	Yes	—	—

(3) Subsidiaries acquired through business combination of enterprises under common control

												RMB
												Amount in minority interests used to write down the losses of minority interests
						Actual capital contribution 30/6/2014	Other balance items which contribute net investment in subsidiaries	Proportion of shareholdings (%)	Proportion of voting rights (%)	Whether consolidated	Minority interests	
Full name of subsidiaries	Type of subsidiaries	Place of registration	Business nature	Registered capita	Scope of business							
Tianjin Great Wall Wantong Automotive Parts Company Limited (天津長城萬通汽車零部件有限公司) ("Tianjin Wantong")	Sino-foreign joint venture	Tianjin Development Zone	Manufacture of automotive parts and components	RMB10,000,000.00	Development, design, production and manufacture of stamping parts for automobile bodies and automotive parts and components; sale of products of the Group and provision of relevant after-sales services	10,000,300.43	—	100.00	100.00	Yes	—	—
Baoding Yixin Automotive Parts Company Limited (保定億新汽車配件有限公司) ("Baoding Yixin")	Sino-foreign joint venture	Baoding	Manufacture of automotive parts and components	RMB13,000,000.00	Production and processing of automotive parts and components; production of moulds; leasing of its remaining equipment; sale of products of the Group and provision of relevant after-sales services	13,000,000.00	—	100.00	100.00	Yes	—	—

Notes to the Financial Statements

For the six months ended 30 June 2014

V. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. Statements on the changes after business combination

Name	2014.6.30	Remarks
Qinchuang Property	Consolidated into the Group	Established in January 2014
Shanghai Haval	Consolidated into the Group	Established in January 2014
Haval Auto Sales	Consolidated into the Group	Established in March 2014
Zhiteng Automation	Consolidated into the Group	Established in March 2014
Automotive Finance	Consolidated into the Group	Established in May 2014
Haval Australia	Consolidated into the Group	Established in November 2013, Capital injection in January 2014
Russia Haval	Consolidated into the Group	Established in February 2014
Sinyos Technology and Trade	Consolidated into the Group	Established in May 2014

3. Entities consolidated into the Group during the six months and entities separated from the Group during the six months

(1) Entities consolidated into the Group during the six months

Name	Net assets as of 2014.6.30 (unaudited)	Net profit from 2014.1.1 to 2014.6.30 (unaudited)
Qinchuang Property	8,000,000.00	—
Shanghai Haval	(148,561.50)	(1,648,561.50)
Haval Auto Sales	4,973,339.81	(26,660.19)
Zhiteng Automation	98,892,518.38	(1,107,481.62)
Automotive Finance	549,539,981.81	(460,018.19)
Haval Australia	23,473,006.30	(1,540,116.47)
Russia Haval	36,765,456.07	(3,804,467.07)
Sinyos Technology and Trade	—	—

4. Translation of foreign currency of major items in the financial statements of overseas operating entities

All assets and liabilities items of Russia Great Wall, Billion Sunny Development, Tide Technology, Haval Australia, Russia Haval and Australia Sinyos which are overseas controlling subsidiaries of the Company, are translated at the spot exchange rate prevailing at the balance sheet date. Except for "Undistributed profits", all equity items are translated at the spot exchange rates of the dates on which such items incurred. The spot exchange rates of RMB against foreign currencies prevailing at the balance sheet date were as follows:

Companies' name	Currency	2014.6.30	2013.12.31
Russia Great Wall	Rouble	0.1838	0.1852
Billion Sunny Development	HK Dollar	0.7938	0.7862
Tide Technology	US Dollar	6.1528	6.0969
Haval Australia	AU Dollar	5.8064	5.4301
Russia Haval	Rouble	0.1838	0.1852
Sinyos Technology and Trade	AU Dollar	5.8064	5.4301

Notes to the Financial Statements

For the six months ended 30 June 2014

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and bank balances

Item	2014.6.30 (unaudited)		RMB
	Foreign currency	Exchange rate	RMB
Cash:			
RMB			1,301,415.51
USD	60,438.14	6.1528	371,863.79
HKD	17,223.40	0.7938	13,671.07
EUR	12,264.66	8.3946	102,956.91
JPY	942,858.01	0.0608	57,339.91
KRW	7,116.54	0.0061	43.66
GBP	16,506.27	10.4978	173,279.52
RUB	3,541.51	0.1838	650.93
THB	130.03	0.1915	24.90
AUD	10,009.06	5.8064	58,116.61
SGD	310.00	4.9744	1,542.06
Bank deposits:			
RMB			5,200,777,486.22
USD	45,460,568.90	6.1528	279,709,788.34
HKD	6.17	0.7938	4.90
EUR	6,200,502.95	8.3946	52,050,742.07
JPY	5,979.94	0.0608	363.67
RUB	148,759,554.95	0.1838	27,342,006.20
GBP	0.38	10.4978	3.99
AUD	3,964,948.31	5.8064	23,022,075.86
Other cash and bank balances:			
RMB			1,673,666,920.71
USD	1,224,735.63	6.1528	7,535,553.38
EUR	3,038,939.67	8.3946	25,510,682.95
Total			7,291,696,533.16

As at 30 June 2014, the Group had restricted cash and bank balances of RMB1,706,713,157.04, in which guarantee on bank acceptance notes amounted to RMB849,707,425.66, guarantee on letter of credit amounted to RMB78,565,731.38, the pledged time deposit certificate amounted to RMB775,000,000.00, and other bank guarantee deposit amounted to RMB3,440,000.00.

Among the cash and bank balances of the Group as at 30 June 2013, overseas bank deposits amounted to RMB298,597,145.79.

Notes to the Financial Statements

For the six months ended 30 June 2014

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1. Cash and bank balances (continued)

			RMB
	2013.12.31 (audited)		
Item	Foreign currency	Exchange rate	RMB
Cash:			
RMB			1,195,745.91
USD	12,614.63	6.0969	76,910.14
HKD	18,224.09	0.7862	14,327.78
EUR	12,373.44	8.4189	104,170.75
JPY	114,843.43	0.0578	6,637.95
KRW	7,159.65	0.0057	40.81
GBP	16,286.27	10.0556	163,768.22
RUB	3,542.49	0.1852	656.07
THB	134.23	0.1849	24.82
AUD	894.06	5.4301	4,854.84
SGD	315.17	4.7845	1,507.93
Bank deposits:			
RMB			5,369,576,334.49
USD	24,435,059.07	6.0969	148,978,111.65
HKD	6.17	0.7862	4.85
EUR	291,254.84	8.4189	2,452,045.37
RUB	365,128.35	0.1852	67,621.77
AUD	0.21	5.4301	1.14
Other cash and bank balances:			
RMB			1,398,456,529.54
USD	1,470,492.05	6.0969	8,965,442.98
HKD	73,009,612.50	0.7862	57,400,157.35
EUR	362,518.58	8.4189	3,052,007.67
Total			6,990,516,902.03

As at 31 December 2013, the Group had restricted cash and bank balances of RMB1,467,874,137.54, in which guarantee on bank acceptance bills amounted to RMB848,721,030.94, guarantee on letter of credit amounted to RMB111,413,106.60, deposit in capital-checking accounts for setting up subsidiaries amounted to RMB504,500,000.00 and other guarantees amounted to RMB3,240,000.00.

Among the cash and bank balances of the Group as at 31 December 2013, no cash was held overseas and overseas bank deposits amounted to RMB119,614,768.63.

Notes to the Financial Statements

For the six months ended 30 June 2014

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. Bills receivable

(1) Classification of bills receivable:

Category	RMB	
	2014.6.30 (unaudited)	2013.12.31 (audited)
Bank acceptance bills	13,362,959,647.97	17,548,258,868.49
Total	13,362,959,647.97	17,548,258,868.49

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

Category	RMB	
	2014.6.30 (unaudited)	2013.12.31 (audited)
Bank acceptance bills	4,031,586,410.14	4,241,268,867.12
Total	4,031,586,410.14	4,241,268,867.12

Note: The Group pledged bills receivable for the issuance of bills payable.

As at 30 June 2014, five pledged bills receivable with largest amounts were as follows:

	RMB		
Issuing unit	Date of issue	Due date	Amount
Customer 1	11 April 2014	11 October 2014	10,000,000.00
Customer 2	10 February 2014	10 August 2014	7,440,000.00
Customer 3	20 March 2014	20 September 2014	7,100,000.00
Customer 4	03 June 2014	03 December 2014	7,000,000.00
Customer 5	19 June 2014	19 December 2014	7,000,000.00
Total			38,540,000.00

As at 31 December 2013, five pledged bills receivable with largest amounts were as follows:

Issuing unit	Date of issue	Due date	<i>RMB</i> Amount
Customer 1	2 December 2013	2 June 2014	10,000,000.00
Customer 2	15 November 2013	15 May 2014	10,000,000.00
Customer 3	15 November 2013	15 May 2014	10,000,000.00
Customer 4	1 November 2013	1 May 2014	10,000,000.00
Customer 5	10 July 2013	10 January 2014	8,000,000.00
Total			48,000,000.00

Notes to the Financial Statements

For the six months ended 30 June 2014

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. Bills receivable (continued)

(3) As at 30 June 2014, bills endorsed by the Group to other parties but undue were as follows:

Category	RMB	
	2014.6.30 (unaudited)	2013.12.31 (audited)
Bank acceptance bills	10,353,261,803.29	9,349,329,601.75
Total	10,353,261,803.29	9,349,329,601.75

As above, those bills which were endorsed but yet undue have been terminated. As at 30 June 2014, five bills receivable endorsed to other parties but undue with largest amounts were as follows:

Issuing unit	RMB		
	Date of issue	Due date	Amount
Customer 1	17 January 2014	17 July 2014	10,000,000.00
Customer 2	06 June 2014	06 December 2014	10,000,000.00
Customer 3	06 January 2014	06 July 2014	10,000,000.00
Customer 4	07 January 2014	07 July 2014	10,000,000.00
Customer 5	24 January 2014	24 July 2014	10,000,000.00
Total			50,000,000.00

As at 31 December 2013, five bills receivable endorsed to other parties but undue with largest amounts were as follows:

Issuing unit	RMB		
	Date of issue	Due date	Amount
Customer 1	5 November 2013	2 February 2014	15,000,000.00
Customer 2	23 July 2013	23 January 2014	10,000,000.00
Customer 3	22 August 2013	22 February 2014	10,000,000.00
Customer 4	22 October 2013	22 April 2014	10,000,000.00
Customer 5	27 November 2013	27 May 2014	10,000,000.00
Total			55,000,000.00

(4) At the end of the year, there was no bills receivable due to shareholders holding 5% or more voting shares of the Company.

Notes to the Financial Statements

For the six months ended 30 June 2014

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. Accounts receivable

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

RMB

Category	30/06/2014 (unaudited)				31/12/2013 (audited)			
	Carrying amount Amount	Ratio (%)	Provision for bad debts Amount	Ratio (%)	Carrying amount Amount	Ratio (%)	Provision for bad debts Amount	Ratio (%)
Individually significant and subject to separate provision	756,404,070.38	90.01	—	—	582,523,983.81	87.92	(231,915.55)	0.04
Subject to provision by groups								
Accounts receivable of small amounts with high risks based on the characteristics of credit risk as a group	4,298,373.47	0.51	(3,898,661.02)	90.70	6,880,333.34	1.04	(3,898,661.02)	56.66
Other insignificant accounts receivable	79,615,441.68	9.48	(710,707.50)	0.89	73,159,367.62	11.04	(2,120,353.41)	2.90
Subtotal	83,913,815.15	9.99	(4,609,368.52)	5.49	80,039,700.96	12.08	(6,019,014.43)	7.52
Accounts receivable which are individually insignificant but subject to separate provision	—	—	—	—	—	—	—	—
Total	840,317,885.53	100.00	(4,609,368.52)		662,563,684.77	100.00	(6,250,929.98)	

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

RMB

Aging	30/06/2014 (unaudited)				31/12/2013 (audited)			
	Amount	Ratio (%)	Provision for bad debts	Book value	Amount	Ratio (%)	Provision for bad debts	Book value
Within 1 year	836,019,512.06	99.49	(710,707.50)	835,308,804.56	647,223,351.43	97.69	(2,352,268.96)	644,871,082.47
1 to 2 years	4,046,773.47	0.48	(3,898,661.02)	148,112.45	12,950,702.32	1.95	(1,740,630.00)	11,210,072.32
2 to 3 years	251,600.00	0.03	—	251,600.00	2,389,631.02	0.36	(2,158,031.02)	231,600.00
Total	840,317,885.53	100.00	(4,609,368.52)	835,708,517.01	662,563,684.77	100.00	(6,250,929.98)	656,312,754.79

(3) There was no accounts receivable which are individually insignificant but subject to separate provision as at the end of the six months.

(4) Account receivables is agreed by the contract or agreement, the credit period is from 3 to 6 months, when not agreed, and not recovered within 90 days, it is regarded as beyond the credit period.

Notes to the Financial Statements

For the six months ended 30 June 2014

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. Accounts receivable (continued)

(5) During the reporting period, provision in full or of a large amount for bad debt made in previous periods but written back or reversed in full or in a large proportion during the current year were as follows:

RMB				
Accounts receivable	Reason for write-back or recovery	Basis for determination of original provision for bad debts	Accumulated provision for bad debts before write-back or recovery	Amount written-back or recovered
Xiamen Golden Dragon Bus Co., Ltd. (廈門金龍旅行車有限公司)	The management of the Group exerted efforts on collecting accounts receivable in cash	Past due	(2,166,422.43)	2,166,422.43
Faw Tooling Die Manufacturing Co., Ltd. (一汽模具製造有限公司)	The management of the Group exerted efforts on collecting accounts receivable in cash	Past due	(397,492.10)	397,492.10
Guangzhou Yifeng Mould Manufacturing Co., Ltd. (廣州屹豐模具製造有限公司)	The management of the Group exerted efforts on collecting accounts receivable in cash	Past due	(347,157.13)	347,157.13
Anhui Jianghuai Asset Bodywork Equipment Co., Ltd. (安徽江淮福臻車體裝備有限公司)	The management of the Group exerted efforts on collecting accounts receivable in cash	Past due	(330,249.00)	330,249.00
Yesun (Shanghai) Mould Co., Ltd. (億森(上海)模具有限公司)	The management of the Group exerted efforts on collecting accounts receivable in cash	Past due	(211,429.10)	211,429.10
Total			(3,452,749.76)	3,452,749.76

(6) Accounts receivable actually written off during the reporting period

RMB				
Name of unit	Nature of accounts receivable	Amounts written off	Reason for write-off	Whether arising from related party transaction
Shanghai Boye Machinery Co., Ltd. (上海聖德曼鑄造有限公司)	Mould payment	40,000.00	Unrecoverable	No
Total		40,000.00		

(7) At the end of the reporting period, there was no accounts receivable due to shareholders holding 5% or more voting shares of the Company.

Notes to the Financial Statements

For the six months ended 30 June 2014

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. Accounts receivable (continued)

(8) Five units with largest amounts of accounts receivable

Name of unit	Relationship with the Group	2014.6.30 (unaudited)	Aging	RMB Percentage of total accounts receivable (%)
Customer 1	Non-related party	265,070,438.13	Within six months	31.54
Customer 2	Non-related party	127,698,350.74	Within six months	15.20
Customer 3	Non-related party	98,947,726.92	Within six months	11.78
Customer 4	Non-related party	35,484,386.62	Within six months	4.22
Customer 5	Non-related party	34,323,868.32	Within six months	4.08
Total		561,524,770.73		66.82

(9) Accounts receivable denominated in foreign currencies and RMB equivalent during the reporting period were as follows:

Currency	Original currency	Exchange Rate	RMB equivalent
USD	84,403,266.68	6.1528	519,316,419.24
EUR	1,544,823.53	8.3946	12,968,175.61
Total			532,284,594.85

(10) During the end of the reporting period, there were no overdue but not impaired receivables.

4. Prepayment

(1) Prepayment by aging

Aging	2014.6.30 (unaudited)		2013.12.31 (audited)	
	Amount	Ratio (%)	Amount	Ratio (%)
Within 1 year	522,345,576.11	89.61	441,046,172.53	98.88
1 to 2 years	60,199,295.72	10.33	5,012,474.75	1.12
2 to 3 years	346,856.25	0.06	4,418.75	—
Over 3 years	—	—	5,000.00	—
Total	582,891,728.08	100.00	446,068,066.03	100.00

Notes to the Financial Statements

For the six months ended 30 June 2014

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. Prepayment (continued)

(1) Prepayment by aging (continued)

Description of aging of prepayment:

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

(2) Five units with largest amounts of prepayment

RMB

Name of unit	Relationship with the Group	2014.6.30 (unaudited)	Aging	Reason for unsettled
Supplier 1	Non-related party	99,603,675.26	Within 6 months	Prepayment for steel plates
Supplier 2	Non-related party	57,043,282.05	Within 6 months	Prepayment for tax on equipment
Supplier 3	Non-related party	29,573,722.35	Within 6 months	Prepayment for steel plates
Supplier 4	Non-related party	27,961,601.93	Within 6 months	Prepayment for electricity bill
Supplier 5	Non-related party	10,066,717.56	Within 6 months	Prepayment for tax
Total		224,248,999.15		

(3) At the end of the reporting period, there were no prepayments due to shareholders holding 5% or more voting shares of the Company.

(4) Description of prepayment:

Prepayments were disclosed by category of customers as follows:

The Group recognizes prepayment of over RMB3 million and prepayment from related parties as single item with significant prepayment.

RMB

Category	2014.6.30 (unaudited)	2013.12.31 (audited)
Individually significant payments	338,300,281.84	344,091,527.62
Prepayments of small amounts with high risks based on the characteristics of credit risk as a group	58,715,802.73	1,125,439.50
Other insignificant prepayment	185,875,643.51	100,851,098.91
Total	582,891,728.08	446,068,066.03

Notes to the Financial Statements

For the six months ended 30 June 2014

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. Other receivables

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

RMB

Category	2014.6.30 (unaudited)				2013.12.31 (audited)			
	Book value Amount	Ratio (%)	Provision for bad debts Amount	Ratio (%)	Book value Amount	Ratio (%)	Provision for bad debts Amount	Ratio (%)
Individually significant and subject to separate provision	3,087,686,203.17	98.80	—	—	2,529,246,159.58	98.82	—	—
Subject to provision by groups								
Accounts receivable of small amounts with high risks based on the characteristics of credit risk as a group	3,358,783.22	0.11	(88,867.45)	2.65	2,527,446.15	0.10	(128,287.45)	5.08
Other insignificant Other receivables	34,023,849.43	1.09	(26,526.00)	0.08	27,548,098.46	1.08	—	—
Subtotal	37,382,632.65	1.20	(115,393.45)	0.31	30,075,544.61	1.18	(128,287.45)	0.43
Other receivables which are individually insignificant but subject to separate provision	—	—	—	—	—	—	—	—
Total	3,125,068,835.82	100.00	(115,393.45)		2,559,321,704.19	100.00	(128,287.45)	

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

RMB

Aging	2014.6.30 (unaudited)				2013.12.31 (audited)			
	Amount	Ratio (%)	Provision for bad debts	Book Value	Amount	Ratio (%)	Provision for bad debts	Book Value
Within 1 year	2,954,295,558.64	94.53	(26,526.00)	2,954,269,032.64	2,480,433,405.55	96.92	(43,867.45)	2,480,389,538.10
1 to 2 years	166,755,533.33	5.34	—	166,755,533.33	76,531,043.48	2.99	—	76,531,043.48
2 to 3 years	3,169,400.00	0.10	—	3,169,400.00	1,884,599.24	0.07	—	1,884,599.24
Over 3 years	848,343.85	0.03	(88,867.45)	759,476.40	472,655.92	0.02	(84,420.00)	388,235.92
Total	3,125,068,835.82	100.00	(115,393.45)	3,124,953,442.37	2,559,321,704.19	100.00	(128,287.45)	2,559,193,416.74

(3) During the reporting period, there was no provision in full or of a large amount for bad debt made in previous periods but written back or reversed in full or in a large proportion during the current period.

(4) There was no other receivable actually written off during the reporting period.

(5) At the end of the reporting period, there were no other receivables due to shareholders holding 5% or more voting shares of the Company.

Notes to the Financial Statements

For the six months ended 30 June 2014

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. Other receivables (continued)

(6) Five units with the largest amounts of other receivables

					RMB Percentage of the total other receivables (%)
Name of unit	Relationship with the Group	Amount	Nature	Aging	
Unit 1	No-related party	2,505,216,527.00	Performance Bond	Within two years	80.17
Unit 2	No-related party	160,000,000.00	Advance for land expropriation for the government	Within six months	5.12
Unit 3	No-related party	149,153,000.00	Energy-saving subsidies	Within three years	4.77
Unit 4	No-related party	57,580,417.26	Customs deposit	Within one year	1.84
Unit 5	No-related party	42,436,143.36	Import equipment deposit	Within six months	1.36
Total		2,914,386,087.62			93.26

(7) At the end of reporting period, there were no other receivables which are not overdue but not impaired.

6. Inventory

(1) Inventory categories

Item	2014.6.30 (unaudited) RMB		
	Book balance	Provision for obsolete stocks	Book value
Raw materials	693,634,512.59	(4,089,001.05)	689,545,511.54
Work in progress	440,091,214.61	—	440,091,214.61
Finished goods	1,305,064,584.26	(1,884,235.58)	1,303,180,348.68
Low-valued consumables	59,961,525.47	(45,237.55)	59,916,287.92
Outsourced processing materials	471,222.41	—	471,222.41
Total	2,499,223,059.34	(6,018,474.18)	2,493,204,585.16

Item	2013.12.31 (audited) RMB		
	Book balance	Provision for obsolete stocks	Book value
Raw materials	596,646,832.18	(4,303,642.21)	592,343,189.97
Work in progress	470,475,745.90	—	470,475,745.90
Finished goods	1,652,657,256.36	(2,049,060.69)	1,650,608,195.67
Low-valued consumables	48,968,000.79	(142,768.42)	48,825,232.37
Outsourced processing materials	1,638,408.75	—	1,638,408.75
Total	2,770,386,243.98	(6,495,471.32)	2,763,890,772.66

Notes to the Financial Statements

For the six months ended 30 June 2014

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. Inventory (continued)

(2) Provision for obsolete stocks

Inventory categories	2014.1.1 (audited)	Provision for the six months	Decrease for the six months		RMB
			Reversals	Write-offs	2014.6.30 (unaudited)
Raw materials	4,303,642.21	155,945.56	(217,390.04)	(153,196.68)	4,089,001.05
Finished goods	2,049,060.69	1,884,235.58	—	(2,049,060.69)	1,884,235.58
Low-valued consumables	142,768.42	—	(2,535.98)	(94,994.89)	45,237.55
Total	6,495,471.32	2,040,181.14	(219,926.02)	(2,297,252.26)	6,018,474.18

(3) Analysis of provision for obsolete stocks Item Basis of provision for obsolete

Item	Basis of provision for obsolete stocks	Reason for reversal or write-off of provision for obsolete stocks during the six months	Percentage of the reversal to the closing balance of such inventory during the six months (%)
Raw materials	Note 1	Note 2	0.03
Finished goods	Note 1	Note 2	—
Low-valued consumables	—	Note 2	—

Descriptions of inventories:

Note 1: As the estimated net realizable value of some whole vehicle products for the reporting period was lower than the inventory cost as at the end of period, provision for obsolete stocks had been made for raw materials and finished goods.

Note 2: As the estimated net realizable value of some whole vehicle products and materials for the reporting period was higher than the inventory cost as at the end of the period, the provision for obsolete stocks for the previous year was reversed. In addition, as the inventories for which impairment provision for inventory was made in the previous year had been sold during this period, the provision for obsolete stocks had been written off.

Notes to the Financial Statements

For the six months ended 30 June 2014

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

7. Other current assets

	2014.6.30 (unaudited)	RMB 2013.12.31 (audited)
Paint for vehicles	4,072,606.24	4,003,843.00
Taxes to be credited	355,478,995.66	13,874,652.27
Mould (Note 1)	10,958,233.08	11,975,329.52
Others	7,346,066.93	18,826,727.67
Total	377,855,901.91	48,680,552.46

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

8. Available-for-sale financial assets

Project	2014.6.30 (unaudited)	RMB 2013.12.31 (audited) (restated)
Equity instrument held for sale (Note1)	7,200,000.00	7,200,000.00
Total	7,200,000.00	7,200,000.00

Note 1: The Group's equity investment to China Automobile Development United Investment Co. Ltd. and China Automobile (Beijing) Automobile Lightweight Technology Research Institute Company Limited with a balance of RMB4.2 million and RMB3 million respectively at the end of current period, since both companies' shares have not been trade in the market, the fair value of such investments cannot be measured reliably, thus the cost method has applied. The Group has no intention to dispose such financial assets.

Notes to the Financial Statements

For the six months ended 30 June 2014

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

9. Long-term equity investment

(1) The breakdown of long-term equity investment was as follows:

RMB

Name of investee	Accounting method	Initial investment cost	2014.01.01 (audited) (restated)	Movements	2014.6.30 (unaudited)	Percentage of shareholding in the investee (%)	Percentage of voting right in the investee (%)	Reason for difference between percentages of shares held and voting rights	Impairment provision	Provision of impairment for the six months	Cash bonuses for the six months
Investment in joint ventures											
Baoding Jiehua Automobile Components and Accessories Company Limited (保定杰華汽車零部件有限公司)	Equity method	15,654,000.00	17,022,230.04	55,885.13	17,078,115.17	50.00	50.00	—	—	—	—
Baoding Yanfeng Johnson Controls Automobile Seating Co., Ltd (保定延鋒江森汽車座椅有限公司)	Equity method	12,213,100.00	28,961,207.68	3,656,656.46	32,617,864.14	50.00	50.00	—	—	—	—
Subtotal		27,867,100.00	45,983,437.72	3,712,541.59	49,695,979.31			—	—	—	—
Total		27,867,100.00	45,983,437.72	3,712,541.59	49,695,979.31					—	—

All of the above investees are non-listed companies.

(2) There is no restriction on the ability of the investee in which the long-term equity investment held by the Group to transfer capital to the Group.

10. Investment in joint ventures and associates

RMB

Name of investee	Type of enterprise	Place of registration	Legal representative	Nature of business	Registered capital	Percentage of Shareholding in the investee held by the Company (%)	Percentage of voting right in the investee held by the Company (%)	Total assets as at the end of the six months	Total liabilities as at the end of the six months	Total net assets as at the end of the six months	Total operating revenue for the six months	Net profit for the six months
Baoding Jiehua Automobile Components and Accessories Company Limited (保定杰華汽車零部件有限公司)	Company with limited liabilities	Baoding	Zhang Xin	Production of automobile components etc.	31.308 million	50.00	50.00	34,827,578.37	671,347.76	34,156,230.61	945,000.00	111,770.25
Baoding Yanfeng Johnson Controls Automobile Seating Co., Ltd (保定延鋒江森汽車座椅有限公司)	Company with limited liabilities	Baoding	Zhang Zhi Hao	Design, development, manufacturing and sales of automobile seating assembly and components and provision of after-sales services for the products	18.16 million	50.00	50.00	332,561,229.89	268,161,676.11	64,399,553.78	270,657,210.35	6,645,353.76

Notes to the Financial Statements

For the six months ended 30 June 2014

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

11. Investment properties

				RMB
Item	2014.01.01 (audited)	Additions for the six months	Deductions for the six months	2014.6.30 (unaudited)
I. Total original book value:	6,553,769.66	—	—	6,553,769.66
Of which: Buildings and structures	6,553,769.66	—	—	6,553,769.66
Land use rights	—	—	—	—
II. Total accumulated depreciation and accumulated amortization:	(463,739.91)	(80,971.56)	—	(544,711.47)
Of which: Buildings and structures	(463,739.91)	(80,971.56)	—	(544,711.47)
Land use rights	—	—	—	—
III. Total net book value of investment properties	6,090,029.75	(80,971.56)	—	6,009,058.19
Of which: Buildings and structures	6,090,029.75	(80,971.56)	—	6,009,058.19
Land use rights	—	—	—	—
IV. Total accumulated impairment provision of investment properties	—	—	—	—
Of which: Buildings and structures	—	—	—	—
Land use rights	—	—	—	—
V. Total carrying amount of investment properties	6,090,029.75	(80,971.56)	—	6,009,058.19
Of which: Buildings and structures	6,090,029.75	(80,971.56)	—	6,009,058.19
Land use rights		—	—	—

Note 1. The above investment properties were accounted by cost.

Note 2. Accumulated amortization and depreciation for the year increased by RMB80,971.56 due to provision.

Notes to the Financial Statements

For the six months ended 30 June 2014

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. Fixed assets

Fixed assets

				RMB
Item	2014.01.01 (audited)	Additions for the six months	Deductions for the six months	2014.6.30 (unaudited)
1. Total original book value:	18,908,245,713.98	1,163,999,897.28	(25,647,700.39)	20,046,597,910.87
Of which: Buildings and structures	7,291,080,870.31	560,224,023.58	(1,281,571.99)	7,850,023,321.90
Machinery and equipment	9,367,414,471.03	328,115,202.34	(8,754,036.00)	9,686,775,637.37
Motor vehicles	186,347,068.62	20,251,092.37	(5,807,658.44)	200,790,502.55
Other equipment	2,063,403,304.02	255,409,578.99	(9,804,433.96)	2,309,008,449.05
2. Total accumulated depreciation:	4,186,263,800.60	720,927,584.41	(15,228,608.62)	4,891,962,776.39
Of which: Buildings and structures	614,997,931.55	122,504,417.35	(205,770.27)	737,296,578.63
Machinery and equipment	2,459,835,841.24	439,795,599.70	(4,767,087.18)	2,894,864,353.76
Motor vehicles	95,811,505.74	12,489,660.86	(4,424,997.09)	103,876,169.51
Other equipment	1,015,618,522.07	146,137,906.50	(5,830,754.08)	1,155,925,674.49
3. Total net book value of fixed assets	14,721,981,913.38	443,072,312.87	(10,419,091.77)	15,154,635,134.48
Of which: Buildings and structures	6,676,082,938.76	437,719,606.23	(1,075,801.72)	7,112,726,743.27
Machinery and equipment	6,907,578,629.79	(111,680,397.36)	(3,986,948.82)	6,791,911,283.61
Motor vehicles	90,535,562.88	7,761,431.51	(1,382,661.35)	96,914,333.04
Other equipment	1,047,784,781.95	109,271,672.49	(3,973,679.88)	1,153,082,774.56
4. Total impairment provision	65,053,338.50	—	(744,375.88)	64,308,962.62
Of which: Buildings and structures	—	—	—	—
Machinery and equipment	36,073,238.64	—	(114,635.61)	35,958,603.03
Motor vehicles	—	—	—	—
Other equipment	28,980,099.86	—	(629,740.27)	28,350,359.59
V. Total net carrying amount of fixed assets	14,656,928,574.88	443,072,312.87	(9,674,715.89)	15,090,326,171.86
Of which: Buildings and structures	6,676,082,938.76	437,719,606.23	(1,075,801.72)	7,112,726,743.27
Machinery and equipment	6,871,505,391.15	(111,680,397.36)	(3,872,313.21)	6,755,952,680.58
Motor vehicles	90,535,562.88	7,761,431.51	(1,382,661.35)	96,914,333.04
Other equipment	1,018,804,682.09	109,271,672.49	(3,343,939.61)	1,124,732,414.97

During the six months, the original book value of fixed assets increased by RMB164,831,572.11, RMB995,454,522.39, and RMB3,713,802.78 due to additions, transfer from construction in progress and transfer from self-produced moulds, respectively.

During the six months, the original book value of fixed assets decreased by RMB22,030,532.01 and RMB3,617,168.38 decreased due to disposals and transfer into construction in progress, respectively.

During the six months, the accumulated depreciation increased by RMB720,927,584.41 due to provisions.

During the six months, the accumulated depreciation decreased by RMB14,735,178.91 due to disposals and RMB493,429.71 decreased due to transfer into construction in progress, respectively.

During the six months, the impairment provision increased by RMB744,375.88, due to disposals.

As at 30 June 2014, among the fixed assets, the net book value of properties without title certificates amounted to RMB3,736,901,402.59, and the application of relevant title certificates is in progress.

Notes to the Financial Statements

For the six months ended 30 June 2014

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. Fixed assets (continued)

Item	2013.1.1 (audited)	Additions for the period	Deductions for the period	RMB 2013.6.30 (unaudited)
1. Total original book value:	12,223,390,781.26	1,970,161,632.56	(44,347,099.87)	14,149,205,313.95
Of which: Buildings and structures	4,121,718,229.25	1,003,364,393.29	(1,418,804.39)	5,123,663,818.15
Machinery and equipment	6,343,478,320.96	849,276,105.15	(29,540,942.55)	7,163,213,483.56
Motor vehicles	180,606,382.28	8,749,907.81	(4,440,202.15)	184,916,087.94
Other equipment	1,577,587,848.77	108,771,226.31	(8,947,150.78)	1,677,411,924.30
2. Total accumulated depreciation:	3,145,588,954.61	506,349,118.74	(16,183,454.27)	3,635,754,619.08
Of which: Buildings and structures	445,762,910.57	73,646,423.94	(134,717.99)	519,274,616.52
Machinery and equipment	1,846,083,903.91	299,604,773.85	(8,764,277.58)	2,136,924,400.18
Motor vehicles	77,784,757.44	12,068,013.66	(1,239,173.15)	88,613,597.95
Other equipment	775,957,382.69	121,029,907.29	(6,045,285.55)	890,942,004.43
3. Total net book value of fixed assets	9,077,801,826.65	1,463,812,513.82	(28,163,645.60)	10,513,450,694.87
Of which: Buildings and structures	3,675,955,318.68	929,717,969.35	(1,284,086.40)	4,604,389,201.63
Machinery and equipment	4,497,394,417.05	549,671,331.30	(20,776,664.97)	5,026,289,083.38
Motor vehicles	102,821,624.84	(3,318,105.85)	(3,201,029.00)	96,302,489.99
Other equipment	801,630,466.08	(12,258,680.98)	(2,901,865.23)	786,469,919.87
4. Total impairment provision	58,682,007.45	160,518.38	(754,670.12)	58,087,855.71
Of which: Buildings and structures	—	—	—	—
Machinery and equipment	33,014,024.79	124,131.47	(684,329.64)	32,453,826.62
Motor vehicles	—	—	—	—
Other equipment	25,667,982.66	36,386.91	(70,340.48)	25,634,029.09
V. Total net carrying amount of fixed assets	9,019,119,819.20	1,463,651,995.44	(27,408,975.48)	10,455,362,839.16
Of which: Buildings and structures	3,675,955,318.68	929,717,969.35	(1,284,086.40)	4,604,389,201.63
Machinery and equipment	4,464,380,392.26	549,547,199.83	(20,092,335.33)	4,993,835,256.76
Motor vehicles	102,821,624.84	(3,318,105.85)	(3,201,029.00)	96,302,489.99
Other equipment	775,962,483.42	(12,295,067.89)	(2,831,524.75)	760,835,890.78

During the six months, the original book value of fixed assets increased by RMB102,238,482.48, RMB1,866,506,397.94, and RMB1,416,752.14 due to additions, transfer from construction in progress and transfer from self-produced moulds, respectively.

During the six months, the original book value of fixed assets decreased by RMB18,482,435.65 due to disposals, with RMB21,033,007.44 and RMB4,831,656.78 decreased due to disposal of subsidiaries and transfer into construction in progress, respectively.

During the six months, the accumulated depreciation increased by RMB506,349,118.74 due to provisions.

During the six months, the accumulated depreciation decreased by RMB12,591,885.23 due to disposals, with RMB3,093,631.33 and RMB497,937.71 decreased due to disposal of subsidiaries and transfer into construction in progress, respectively.

During the six months, the impairment provision increased by RMB160,518.38, due to provisions, and decreased by RMB754,670.12 due to write-off.

Notes to the Financial Statements

For the six months ended 30 June 2014

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

13. Construction in progress

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

Project	2014.6.30 (unaudited)			2013.12.31 (audited)		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Annual production of 100,000 sets of diesel engines of model number GW4D20	512,820.51	—	512,820.51	838,347.95	—	838,347.95
Annual production of 400,000 sets of axles and brakes	164,776,700.88	—	164,776,700.88	128,290,267.75	—	128,290,267.75
Annual production of 400,000 sets of interior and exterior decorations	32,839,290.08	—	32,839,290.08	38,965,459.97	—	38,965,459.97
Annual production of 300,000 sets of EG engines	88,714,893.95	—	88,714,893.95	70,091,130.40	—	70,091,130.40
Annual production of 200,000 sets of six-speed manual transmissions	34,920,184.94	—	34,920,184.94	40,622,856.60	—	40,622,856.60
Annual production of 400,000 sets of aluminium alloy casting	14,268,828.44	—	14,268,828.44	24,013,243.89	—	24,013,243.89
Annual production of 400,000 sets of automotive lightings	1,851,361.24	—	1,851,361.24	27,641,592.86	—	27,641,592.86
Tianjin Automobile project phase	448,263,104.12	—	448,263,104.12	502,978,177.05	—	502,978,177.05
Tianjin branch's parts and components project	526,090,332.50	—	526,090,332.50	323,237,594.26	(82,564.10)	323,155,030.16
Tianjin branch's residential area supporting project	15,103,615.04	—	15,103,615.04	16,780,791.26	—	16,780,791.26
Industrial park phase I II III Reconstruction and expansion	260,288,819.23	(851,065.00)	259,437,754.23	252,152,970.60	(851,065.00)	251,301,905.60
Steam project	5,034,815.00	—	5,034,815.00	3,570,000.00	—	3,570,000.00
Xindatong Reconstruction	689,844.01	—	689,844.01	32,584,178.01	—	32,584,178.01
Jiaozhuang infrastructure	202,448.53	—	202,448.53	7,588,391.57	—	7,588,391.57
Jiaozhuang equipment	232,225,274.19	—	232,225,274.19	123,920,244.87	—	123,920,244.87
New technology centre	869,204,005.56	—	869,204,005.56	842,546,398.45	—	842,546,398.45
Xushui Automobile Project	1,516,543,423.64	—	1,516,543,423.64	1,050,010,890.20	—	1,050,010,890.20
Xushui parts and components project	448,783,308.04	—	448,783,308.04	384,028,907.77	—	384,028,907.77
Xushui supporting infrastructure project	5,700,416.11	—	5,700,416.11	2,997,549.98	—	2,997,549.98
Part and Components Department Reconstruction project	147,690,524.42	(144,620.00)	147,545,904.42	117,470,368.17	(167,646.93)	117,302,721.24
Total	4,813,704,010.43	(995,685.00)	4,812,708,325.43	3,990,329,361.61	(1,101,276.03)	3,989,228,085.58

Notes to the Financial Statements

For the six months ended 30 June 2014

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

13. Construction in progress (continued)

(2) Changes in major construction in progress

											RMB
Project	Budget amount	2014.01.01 (audited)	Additions for the six months	Transfer to fixed assets	Other deductions	Investment to budget (%)	Accumulated capitalized interest amount	Of which: capitalized interest amount for the six months	Ratio of capitalized interest amount for the six months (%)	Sources of fund	2014.6.30 (unaudited)
Annual production of 100,000 sets of diesel engines of model number GW4D20	320,735,700.00	838,347.95	1,244,767.95	(1,570,295.39)	—	99.98	—	—	—	Fund raised and Internal resources	512,820.51
Annual production of 400,000 sets of axles and brakes	588,593,900.00	128,290,267.75	57,219,849.56	(20,733,416.43)	—	74.40	—	—	—	Fund raised and Internal resources	164,776,700.88
Annual production of 400,000 sets of interior and exterior decorations	575,893,500.00	38,965,459.97	818,882.05	(2,360,256.40)	(4,584,795.54)	100.00	—	—	—	Fund raised and Internal resources	32,839,290.08
Annual production of 300,000 sets of EG engines	547,163,800.00	70,091,130.40	19,848,211.13	(1,224,447.58)	—	84.01	—	—	—	Fund raised and Internal resources	88,714,893.95
Annual production of 200,000 sets of six-speed manual transmissions	432,561,100.00	40,622,856.60	14,753,035.91	(19,718,776.17)	(736,931.40)	100.00	—	—	—	Fund raised	34,920,184.94
Annual production of 400,000 sets of aluminium alloy casting	303,376,600.00	24,013,243.89	690,920.30	(7,723,916.16)	(2,711,419.59)	96.36	—	—	—	Fund raised	14,268,828.44
Annual production of 400,000 sets of automotive lightings	180,677,200.00	27,641,592.86	—	(25,790,231.62)	—	100.00	—	—	—	Fund raised and Internal resources	1,851,361.24
Tianjin Automobile project phase	4,451,639,200.00	502,978,177.05	46,369,286.18	(95,205,891.02)	(5,878,468.09)	98.13	—	—	—	Internal resources	448,263,104.12
Tianjin branch's parts and components project	1,667,783,798.86	323,237,594.26	254,379,107.41	(51,082,394.73)	(443,974.44)	50.96	—	—	—	Internal resources	526,090,332.50
Tianjin branch's residential area supporting project	493,019,700.00	16,780,791.26	12,093,309.87	(13,770,486.09)	—	88.37	—	—	—	Internal resources	15,103,615.04
Industrial park phase I II III Reconstruction and expansion	625,616,530.00	252,152,970.60	103,857,080.47	(93,894,319.02)	(1,826,912.82)	97.67	—	—	—	Internal resources	260,288,819.23
Steam project	68,735,000.00	3,570,000.00	1,464,815.00	—	—	90.65	—	—	—	Internal resources	5,034,815.00
Xindatong Reconstruction	59,364,816.00	32,584,178.01	708,314.41	(32,601,639.29)	(1,009.12)	99.99	—	—	—	Internal resources	689,844.01
Jiaozhuang infrastructure	253,863,000.00	7,588,391.57	986,900.13	(8,372,843.17)	—	79.40	—	—	—	Internal resources	202,448.53
Jiaozhuang equipment	1,286,135,976.00	123,920,244.87	162,018,593.14	(52,433,563.00)	(1,280,000.82)	99.76	—	—	—	Internal resources	232,225,274.19
New technology center	1,893,518,600.00	842,546,398.45	26,657,607.11	—	—	45.90	—	—	—	Internal resources	869,204,005.56
Xushui Automobile Project	9,030,318,242.00	1,050,010,890.20	879,336,762.10	(404,345,818.22)	(8,458,410.44)	42.46	—	—	—	Internal resources	1,516,543,423.64
Xushui parts and components project	5,747,502,945.00	384,028,907.77	185,045,390.34	(120,279,554.20)	(11,435.87)	43.89	—	—	—	Internal resources	448,783,308.04
Xushui supporting infrastructure project	429,646,441.93	2,997,549.98	5,248,445.52	(2,545,579.39)	—	86.51	—	—	—	Internal resources	5,700,416.11
Part and Components Department Reconstruction project	425,570,477.71	117,470,368.17	75,127,121.97	(41,801,094.51)	(3,105,871.21)	95.10	—	—	—	Internal resources	147,690,524.42
Total	29,381,716,527.50	3,990,329,361.61	1,847,868,400.55	(995,454,522.39)	(29,039,229.34)						4,813,704,010.43

Notes to the Financial Statements

For the six months ended 30 June 2014

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

13. Construction in progress (continued)

(3) Impairment of construction in progress

					RMB
Item	2014.01.01 (audited)	Additions for the year	Deductions for the year	2014.6.30 (unaudited)	The reason of provision
Industrial park phase I II III Reconstruction and expansion	851,065.00	—	—	851,065.00	
Tianjin parts and components project	82,564.10	—	(82,564.10)	—	Disposal
Part and Components Department Reconstruction project	167,646.93	—	(23,026.93)	144,620.00	Disposal
Total	1,101,276.03	—	(105,591.03)	995,685.00	

14. Intangible Assets

(1) Intangible assets

				RMB
Item	2014.01.01 (audited)	Additions for the six months	Deductions for the six months	2014.6.30 (unaudited)
1. Total original book value	2,666,346,897.44	70,747,814.89	(3,400,463.70)	2,733,694,248.63
Land use rights	2,572,626,655.07	55,064,979.30	(2,656,780.18)	2,625,034,854.19
Others	93,720,242.37	15,682,835.59	(743,683.52)	108,659,394.44
2. Total accumulated amortization	223,511,377.33	31,177,256.73	(3,400,463.70)	251,288,170.36
Land use rights	181,586,803.88	25,886,916.19	(2,656,780.18)	204,816,939.89
Others	41,924,573.45	5,290,340.54	(743,683.52)	46,471,230.47
3. Total net book value of intangible assets	2,442,835,520.11	39,570,558.16	—	2,482,406,078.27
Land use rights	2,391,039,851.19	29,178,063.11	—	2,420,217,914.30
Others	51,795,668.92	10,392,495.05	—	62,188,163.97

During the six months, the original book value increased by RMB70,747,814.89 due to additions.

During the six months, the original book value increased by RMB3,400,463.70 due to disposals.

During the six months, the accumulated amortization increased by RMB31,177,256.72 due to provisions.

Notes to the Financial Statements

For the six months ended 30 June 2014

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

14. Intangible Assets (continued)

(1) Intangible assets (continued)

During the six months, the accumulated amortization decreased by RMB3,400,463.70 due to disposals.

As at 30 June 2014, among the intangible assets, the net book value of land use rights without land use right certificates amounted to RMB89,349,662.14, and the application of relevant land use right certificates is in progress.

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

Item	RMB	
	2014.6.30 (unaudited)	2013.12.31 (audited)
Located in mainland China — 10 to 50 years	2,420,217,914.30	2,391,039,851.19

15. Goodwill

Name of investee or matters generating goodwill	2014.01.01 (audited)	Additions for the six months	Deductions for the six months	RMB	
				2014.6.30 (unaudited)	Impairment provision as at the end of the six months
Baoding Changfu Pressings Co., Ltd. (保定長福衝壓件有限公司)	2,163,713.00	—	—	2,163,713.00	—

The above goodwill arose from the acquisition of additional 26% equity interests in Baoding Changfu Pressings Co., Ltd. (保定長福衝壓件有限公司) on 16 January 2003. The goodwill arising from business combination has been allocated to assets used for manufacturing and sales of pick-up trucks, sport utility vehicle (SUV) and cross-border vehicles in purpose of impairment testing. The management of the Group expected that no impairment provision will be required for goodwill during the reporting period.

Notes to the Financial Statements

For the six months ended 30 June 2014

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

16. Deferred tax assets and deferred tax liabilities

(1) Recognized deferred tax assets and deferred tax liabilities

Item	RMB	
	2014.6.30 (unaudited)	2013.12.31 (audited)
Deferred tax assets:		
Provision for bad debts	1,176,690.49	1,586,261.69
Impairment provision for inventory	812,713.72	1,418,961.76
Impairment provision for fixed asset	10,204,284.22	10,323,924.41
Impairment of construction in progress	163,814.75	190,212.51
Accrued expenses which are deductible upon payment	86,901,027.53	90,728,437.56
Advances which are taxable upon receipt	16,217,001.73	30,128,122.27
Deductible losses	5,981,568.56	5,025,791.59
Deferred income	178,012,102.73	181,838,111.81
Unrealized profit arising from the consolidation of financial statements	53,108,143.64	69,210,699.54
Financial liabilities held for trading	168,810.15	—
Others	12,676,073.66	10,699,776.97
Subtotal	365,422,231.18	401,150,300.11
Deferred tax liabilities:		
Accumulated depreciation of fixed assets	(3,638,388.72)	—
Financial assets held for trading	—	(640,517.68)
Subtotal	(3,638,388.72)	(640,517.68)
Deferred tax liabilities after offsetting as at the end of the reporting period	361,783,842.46	400,509,782.43

Notes to the Financial Statements

For the six months ended 30 June 2014

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

(2) Temporary difference of deferred tax assets

Item	Temporary difference	
	2014.6.30 (unaudited)	2013.12.31 (audited)
Deductible temporary difference:		
Provision for bad debts	4,724,761.97	6,379,217.43
Impairment provision for inventory	6,018,474.18	6,495,471.32
Impairment of fixed assets	64,308,962.62	65,053,338.50
Impairment of construction in progress	995,685.00	1,101,276.03
Accrued expenses which are deductible upon payment	394,763,499.33	416,988,167.13
Advances which are taxable upon receipt	65,180,485.61	121,381,548.96
Deductible losses	24,882,051.21	20,103,166.36
Deferred income	990,064,611.14	1,009,075,914.11
Unrealized profit arising from the consolidation of financial statements	246,139,376.02	307,609,294.19
Financial liabilities held for trading	1,125,401.00	—
Others	56,980,235.59	41,720,309.46
Subtotal	1,855,183,543.67	1,995,907,703.49
Deferred tax liabilities:		
Accumulated depreciation of fixed assets	(24,094,225.64)	—
Financial assets held for trading	—	(4,270,117.86)
Subtotal	(24,094,225.64)	(4,270,117.86)
Deferred tax liabilities after offsetting as at the end of the reporting period	1,831,089,318.03	1,991,637,585.63

RMB

Notes to the Financial Statements

For the six months ended 30 June 2014

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

17. Impairment provision for assets

					RMB
Item	2014.01.01 (audited)	Additions for the six months	Deductions for the six months Reversals	Write-offs	2014.6.30 (audited)
1. Provision for bad debts	6,379,217.43	2,776,370.84	(4,351,406.30)	(79,420.00)	4,724,761.97
Of which:					
Provision for bad debts of accounts receivable	6,250,929.98	2,749,844.84	(4,351,406.30)	(40,000.00)	4,609,368.52
Provision for bad debts of other receivables	128,287.45	26,526.00	—	(39,420.00)	115,393.45
2. Impairment provision for inventory	6,495,471.32	2,040,181.14	(219,926.02)	(2,297,252.26)	6,018,474.18
3. Impairment provision for fixed assets	65,053,338.50	—	—	(744,375.88)	64,308,962.62
4. Impairment provision for construction work in process	1,101,276.03	—	—	(105,591.03)	995,685.00
Total	79,029,303.28	4,816,551.98	(4,571,332.32)	(3,226,639.17)	76,047,883.77

18. Short term borrowing

Project	RMB	
	2014.6.30 (unaudited)	2013.12.31 (audited)
Pledge loans (Note 1)	764,264,631.72	182,198,866.04
Total	764,264,631.72	182,198,866.04

Note 1: At the end the reporting period, the balance of pledge bank loans were amounts due to the Company has pledged time deposit amounts to RMB775,000,000.00 from Industrial Bank Baoding Branch for a short term loan of HKD962,853,079.33.

Notes to the Financial Statements

For the six months ended 30 June 2014

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

19. Financial assets (liabilities) held for trading

Item	2014.6.30 (unaudited)	RMB 2013.12.31 (audited)
Financial assets held for trading — forward exchange contracts	(1,125,401.00)	4,270,117.86
Total	(1,125,401.00)	4,270,117.86

20. Bills payable

Category	2014.6.30 (unaudited)	RMB 2013.12.31 (audited)
Bank acceptance notes	4,984,134,183.07	4,539,529,276.71
Total	4,984,134,183.07	4,539,529,276.71

21. Accounts payable

Item	2014.6.30 (unaudited)	RMB 2013.12.31 (audited)
Within 1 year	8,958,250,182.21	10,679,098,194.42
1 to 2 years	28,447,707.43	23,611,323.23
2 to 3 years	11,985,854.24	6,599,429.45
Over 3 years	2,946,430.36	2,860,795.05
Total	9,001,630,174.24	10,712,169,742.15

Note 1: Accounts payable aged over one year were primarily the remaining balances for raw materials due to suppliers.

Note 2: At the end of the reporting period, there was no accounts payable due to shareholders holding 5% or more voting shares of the Company.

Notes to the Financial Statements

For the six months ended 30 June 2014

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

22. Advance from customers

Item	RMB	
	2014.6.30 (unaudited)	2013.12.31 (audited)
Within 1 year	1,489,385,401.26	2,796,143,327.00
1 to 2 years	28,544,821.48	8,261,935.97
2 to 3 years	6,676,757.03	1,971,864.66
Over 3 years	2,991,261.01	2,375,640.82
Total	1,527,598,240.78	2,808,752,768.45

Note 1: Advance receipts aged over one year were primarily the outstanding payment due from customers in previous years.

Note 2: At the end of the reporting period, there were no advances from customers due to shareholders holding 5% or more voting shares of the Company.

23. Salaries payable

Item	RMB			
	2014.01.01 (audited)	Additions for the six months	Deductions for the six months	2014.6.30 (unaudited)
1. Salaries, bonuses, allowances and subsidies	895,219,117.66	1,763,560,737.15	(2,305,748,513.10)	353,031,341.71
2. Staff welfare	90,418,262.29	137,777,626.04	(226,343,193.79)	1,852,694.54
3. Staff bonuses and welfare fund	69,592,379.84	—	—	69,592,379.84
4. Social insurance premiums				
Of which: Medical insurance	(7,573.03)	59,915,262.56	(59,717,318.79)	190,370.74
Basic retirement insurance	1,382,759.60	138,689,176.58	(139,571,186.07)	500,750.11
Unemployment insurance	678.48	13,868,161.22	(13,821,058.94)	47,780.76
Work-related injury insurance	825,943.80	7,549,815.97	(8,332,641.71)	43,118.06
Maternity insurance	(668.81)	4,835,453.53	(4,823,070.11)	11,714.61
5. Housing provident funds	5,251.00	37,784,676.71	(37,415,504.71)	374,423.00
6. Labour union expenditures	30,748,645.96	23,025,779.29	(27,459,188.80)	26,315,236.45
7. Employees' education expenses	3,525,997.94	1,551,509.45	(1,848,875.99)	3,228,631.40
8. Service charge	4,850,969.94	33,950,989.03	(35,046,615.09)	3,755,343.88
Total	1,096,561,764.67	2,222,509,187.53	(2,860,127,167.10)	458,943,785.10

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

Notes to the Financial Statements

For the six months ended 30 June 2014

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

24. Taxes payable

Item	RMB	
	2014.6.30 (unaudited)	2013.12.31 (audited)
Value added tax	127,015,736.66	16,355,614.36
Consumption tax	106,629,004.80	144,218,254.05
Business tax	253,097.52	212,693.43
Enterprise income tax	255,816,255.35	293,297,642.08
Individual income tax	6,827,739.09	4,552,277.32
Urban maintenance and construction tax	20,259,711.23	33,195,254.36
Education surcharges	14,378,694.59	23,697,750.82
Duty stamp	6,480,794.33	8,523,859.12
Real estate tax	578,801.88	507,722.56
Others	940,120.45	2,713,871.52
Total	539,179,955.90	527,274,939.62

25. Dividends payable

Company Name	RMB	
	2014.6.30 (unaudited)	2013.12.31 (audited)
Baoding Innovation Greatwall Asset Management Company Limited (保定創新長城資產管理有限公司)	298,100,000.00	—
Dragonet International Company Limited (驕龍國際有限公司)	156,709.77	—
Total	298,256,709.77	—

Notes to the Financial Statements

For the six months ended 30 June 2014

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

26. Other payables

(1) The breakdown of other payables was as follows:

Item	RMB	
	2014.6.30 (unaudited)	2013.12.31 (audited)
Within 1 year	1,182,483,990.11	1,772,740,945.94
1 to 2 years	187,690,499.44	428,435,056.24
2 to 3 years	40,324,462.01	29,437,315.60
Over 3 years	45,762,868.11	39,437,035.88
Total	1,456,261,819.67	2,270,050,353.66

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

Other payables aged over one year are mainly:

Tripartite deposits: The Group charges the distributors such other payables according to tripartite agreements entered into with distributors and the bank when the agreements are signed. The deposits will be refunded when the cooperation with the distributors terminate.

Performance bonds and security deposits: The Group charges such other payables according to agreements entered into with contractors of construction projects. It was agreed that such bonds and deposits will be refunded if no safety incident was involved within a specific period after the completion of relevant projects.

(3) Descriptions of other significant payable

Other significant payable are mainly credit deposits paid by distributors and service credit deposits. Such deposits will be refunded in each year and the Group will charges such deposits when cooperate with distributors in next year.

(4) At the end of the reporting period, there were no other payables due to shareholders holding 5% or more voting shares in the Company.

27. Non-current liabilities due within one year

Item	RMB	
	2014.6.30 (unaudited)	2013.12.31 (audited)
Non-current liabilities due within one year	72,832,787.60	69,258,714.61

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

Notes to the Financial Statements

For the six months ended 30 June 2014

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

28. Other current liabilities

Item	RMB	
	2014.6.30 (unaudited)	2013.12.31 (audited)
Accrued after-sale service expenses	456,802,236.04	496,688,994.94
Accrued advertising and media service expenses	354,483.45	6,300,184.03
Accrued transportation costs	19,231,287.33	10,034,796.87
Accrued technology development expenditure	23,722,537.78	24,062,506.83
Accrued utilities fees	16,417,011.23	18,571,976.44
Accrued port charges	7,534,132.00	3,865,575.90
Others	53,455,585.36	74,154,261.26
Total	577,517,273.19	633,678,296.27

29. Other non-current liabilities

All the other non-current liabilities are government grants.

Type	RMB					related to an asset/ related to income
	2014.01.01 (audited)	Additions for the year	Credited to Non-operating income for the year	Other movements	2014.06.30 (unaudited)	
Urban construction fund (Note 1)	57,782,878.63	—	(1,159,914.17)	—	56,622,964.46	related to an asset
Tax refund for purchasing domestic manufactured equipment (Note 2)	64,186,635.47	—	(7,889,227.10)	—	56,297,408.37	related to an asset
Government industrial policy supporting fund (Note 3)	390,033,925.66	—	(10,522,515.34)	—	379,511,410.32	related to an asset
Soft soil foundation subsidy (Note 4)	281,475,466.18	—	(3,057,486.98)	—	278,417,979.20	related to an asset
Infrastructure supporting fund (Note 5)	805,780,866.25	—	(12,571,275.86)	—	793,209,590.39	related to an asset
Subsidies for material technological innovation projects (Note 6)	7,666,666.53	—	(575,000.02)	—	7,091,666.51	related to an asset
Development fund for SMEs (Note 7)	5,294,014.00	—	(147,739.92)	—	5,146,274.08	related to an asset
Capital for new technical centre infrastructure construction (Note 8)	11,156,427.60	—	(118,685.40)	—	11,037,742.20	related to an asset
Diesel engine development project fund (Note 9)	800,000.00	—	(50,000.00)	—	750,000.00	related to an asset
863 plan (power) (Note 10)	—	2,872,800.00	(2,872,800.00)	—	—	related to income
863 plan (pure electronic motor) (Note 11)	1,119,200.00	2,630,000.00	(108,010.69)	—	3,641,189.31	related to income
New technical centre infrastructure construction project (Note 12)	91,300,000.00	—	—	—	91,300,000.00	related to an asset
Hybrid power SUV development project (Note 13)	98,000,000.00	—	—	—	98,000,000.00	related to an asset
Connected car project (Note 14)	12,000,000.00	—	(141,485.04)	—	11,858,514.96	related to an asset
New plug-in SUV project (Note 15)	—	1,500,000.00	—	—	1,500,000.00	related to income
Total	1,826,596,080.32	7,002,800.00	(39,214,140.52)	—	1,794,384,739.80	
Less: Non-current liabilities due within one year	(69,258,714.61)	—	—	—	(72,832,787.60)	
Other non-current liabilities	1,757,337,365.71	7,002,800.00	(39,214,140.52)	—	1,721,551,952.20	

Notes to the Financial Statements

For the six months ended 30 June 2014

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

29. Other non-current liabilities (continued)

- Note 1:* According to “Minutes of the Meeting Regarding Coordination of the Relevant Issues of New Factory Construction of Baoding Great Wall Motor Company Limited” (Baoding Zheng [2002] No.170) (保定政[2002]170號) issued by the office of Baoding government, Baoding Municipal Bureau of Finance allocated urban construction fund to the Group for land and related infrastructure construction exclusively.
- Note 2:* This refers to value-added tax refunded to the Company and Great Wall Axles, a subsidiary of the Company, for the purchase of domestic manufactured equipment by foreign-invested enterprises.
- Note 3:* According to the “Provisional Regulations on the Development of Advanced Manufacturing Industry in Tianjin Economic — Technological Development Area” and the cooperation agreement entered into between Tianjin Economic — Technological Development Area and the Company, the Company and Tianjin Wantong and Tianjin Lean, subsidiaries of the Company, received industrial policy supporting fund from Tianjin Economic — Technological Development Area in 2009.
- Note 4:* According to the “Provisional Regulations on the Development of Advanced Manufacturing Industry in Tianjin Economic-Technological Development Area”, the cooperation agreement entered into between Tianjin Economic — Technological Development Area and the Company, and “Payment agreement of soft soil foundation treatment subsidy” of Tianjin Economic and Technological Development Zone Development Bureau, the Company and two subsidiaries of the company, Tianjin Wantong and Tianjin Lean, received soft soil foundation subsidiary from Tianjin Economic-Technological Development Area.
- Note 5:* According to the “Circular Regarding the Allocation of Infrastructure Construction Fund to Great Wall Motor Company Limited” issued by Baoding Xushui government, Xushui government allocated some supporting fund for the infrastructure construction of 500,000-automobile and components and parts production base project in new Great Wall industrial area in Baoding.
- Note 6:* According to “Notice regarding improving the ability of independent innovation and high-tech industry development projects in 2010 the first batch of the central budget for investment projects” issued by Hebei Development and Reform Commission and forwarded by Baoding Development and Reform Commission, Baoding Development and Reform Commission allocated money to the company for innovation project of Automobile safety and environmental protection. Baoding Finance Bureau allocated money to Great Wall Internal Combustion Engine, a subsidiary of the company for diesel engine technology reconstruction project. Moreover, according to the “Notice Regarding the Central Infrastructure Expenditure Budget (Fund Allocated) for Independent Innovation and Advanced Technology Industrialization in 2011 by Bureau of Finance in Baoding”, the Bureau of Finance in Southern Baoding allocated the Central Infrastructure Expenditure Budget (Allocated Fund) as Central Infrastructure expenditure budget (appropriation) quota for the innovation project of the technology centre of the Company exclusively.
- Note 7:* According to “Circular regarding the Granting of the Development Fund for SMEs to Baoding Great Wall Resource Recycling Co., Ltd., the Bureau of Finance in Qingyuan granted a fund to Great Wall Resource Recycling, a subsidiary of the Company. The fund was used for the construction of infrastructure of a scrap steel project with annual capacity of 80,000 tons.
- Note 8:* According to the “Notice regarding the allocation of infrastructure construction fund to the new technology centre of Great Wall Motor Company Limited by the Bureau of Finance in Baoding”, the Bureau of Finance in Southern Baoding allocated money for the infrastructure construction of the new technology centre of the Company exclusively.
- Note 9:* According to “Notice regarding the projects and funding of Hebei Province Scientific and technological research and development program (the first batch)”, the company's GW4D20 diesel product development project was granted funding directly from the Bureau of Finance in Hebei Province.
- Note 10:* According to “Mission statement of National High Technology Research and Development Program (Program 863) (Project No. 2012AA111704)”, in critical automotive powertrain technology projects of modern transport technology areas, the company's development on diesel for high pressure beard common rail car was granted project research funding amounted to RMB2.87 million during the reporting period.
- Note 11:* According to “Mission statement of National High Technology Research and Development Program (Program 863)”, the company's research on project of “Research and development of A0 small city pure electric car” was granted project funding amounted to RMB2.63 million during the reporting period.
- Note 12:* According to the “Notice regarding the Central Infrastructure Investment Expenditure Budget (Allocated Fund) for Revitalization of Industry and Technological Transformation in 2012(Central evaluated second patch) by the Bureau of Finance in Baoding”, the Bureau of Finance in Southern Baoding allocated the Central Infrastructure Expenditure Budget (Allocated Fund) as Central Infrastructure expenditure budget (appropriation) quota for the construction project of the new technology centre of the Company exclusively.
- Note 13:* According to the “Notice regarding reward fund appropriations in advance of new energy automobile industry technological innovation project by the Bureau of Finance in Baoding”, “New Plug-in Hybrid Power SUV Development Project” developed by the Company is shortlisted for the new energy vehicles industry technological innovation project.
- Note 14:* According to “Notice regarding supplemental fund for satellite and appliance industry development in 2013 by the Finance Department and Development and Reform Commission of Hebei Province”, the Bureau of Finance and Development and Reform in Baoding allocated money for the development of front installed telematics services platform and terminals based on the BeiDou Navigation Satellite System of the Company exclusively.
- Note 15:* According to “Mission statement of special project on major technology achievement in Hebei Province”, the Hebei Province Department of Science and Technology issued budget index for initiate fund of New Plug-in Hybrid Power SUV Development and Industrialisation, specialise in research activities during the transformation of New Plug-in Hybrid Power SUV achievement of the Company, which was granted project funding of RMB1.5 million during the reporting period.

Notes to the Financial Statements

For the six months ended 30 June 2014

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

30. Share capital

As at 30 June 2014, the registered capital of the Company amounted to RMB3,042,423,000.00 and the paid up share capital amounted to RMB3,042,423,000.00. The par value of the each share was RMB1.00. The type of shares and the capital structure were as follows:

Item	RMB						Closing balance
	Opening balance	New issue	Changes for the six months			Subtotal	
			Bonus shares	Shares transfer from reserve	Others		
For the six months ended 30 June 2014 (unaudited):							
Promoters' shares	1,705,000,000.00	—	—	—	—	—	1,705,000,000.00
Outstanding overseas listed foreign shares	1,033,180,000.00	—	—	—	—	—	1,033,180,000.00
Outstanding domestic listed RMB ordinary shares	304,243,000.00	—	—	—	—	—	304,243,000.00
Total number of shares	3,042,423,000.00	—	—	—	—	—	3,042,423,000.00
For the six months ended 30 June 2013 (unaudited):							
Promoters' shares	1,705,000,000.00	—	—	—	—	—	1,705,000,000.00
Outstanding overseas listed foreign shares	1,033,180,000.00	—	—	—	—	—	1,033,180,000.00
Outstanding domestic listed RMB ordinary shares	304,243,000.00	—	—	—	—	—	304,243,000.00
Total number of shares	3,042,423,000.00	—	—	—	—	—	3,042,423,000.00

Notes to the Financial Statements

For the six months ended 30 June 2014

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

31. Capital reserves

Item	RMB			
	Opening balance	Additions for the six months	Deductions for the six months	Closing balance
For the six months ended 30 June 2014 (unaudited):				
Capital premiums	4,509,010,149.89	—	—	4,509,010,149.89
Other capital reserves	(55,137,945.87)	—	—	(55,137,945.87)
Of which: 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 decreased amount on minority interest	(37,562,103.69)	—	—	(37,562,103.69)
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	4,453,872,204.02	—	—	4,453,872,204.02
For the six months ended 30 June 2013 (unaudited):				
Capital premiums	4,509,010,149.89	—	—	4,509,010,149.89
Other capital reserves	(47,900,840.64)	—	—	(47,900,840.64)
Of which: Transfer from capital reserves under the previous standards	14,823,095.08	—	—	14,823,095.08
Difference between the consideration of acquiring minority interest in subsidiary and the decreased amount on minority interest	(31,236,284.46)	—	—	(31,236,284.46)
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	4,461,109,309.25	—	—	4,461,109,309.25

Notes to the Financial Statements

For the six months ended 30 June 2014

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

32. Surplus reserves

Item	RMB			
	Opening balance	Additions for the six months	Deductions for the six months	Closing balance
For the six months ended 30 June 2014 (unaudited):				
Statutory surplus reserves	1,827,713,243.05	—	—	1,827,713,243.05
Discretionary surplus reserves	2,855,650.48	—	—	2,855,650.48
Enterprise expansion fund	53,119,475.87	—	—	53,119,475.87
Reserve fund	146,334,308.49	—	—	146,334,308.49
Tax credit for social welfare enterprises	251,838,024.75	—	—	251,838,024.75
Total	2,281,860,702.64	—	—	2,281,860,702.64
For the six months ended 30 June 2013 (unaudited):				
Statutory surplus reserves	1,780,400,059.35	—	—	1,780,400,059.35
Discretionary surplus reserves	2,855,650.48	—	—	2,855,650.48
Enterprise expansion fund	53,119,475.87	—	—	53,119,475.87
Reserve fund	129,719,165.95	—	—	129,719,165.95
Tax credit for social welfare enterprises	251,838,024.75	—	—	251,838,024.75
Total	2,217,932,376.40	—	—	2,217,932,376.40

Notes to the Financial Statements

For the six months ended 30 June 2014

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

33. Undistributed profits

Item	RMB	
	Amount	Proportion of appropriation or allocation
For the six months ended 30 June 2014 (Unaudited):		
Undistributed profits at the beginning of the six months	18,224,548,503.39	
Add: Net profits attributable to the shareholders of parent company of the six months	3,954,313,743.49	
Less: Appropriation of statutory surplus reserves	—	(1)
Appropriation of discretionary surplus reserves	—	
Appropriation of enterprise expansion fund	—	(2)
Appropriation of reserve fund	—	(2)
Distribution of cash dividends	(2,494,786,860.00)	(3)
Appropriation of staff incentive bonus and welfare fund	—	(2)
Undistributed profits at the end of the six months	19,684,075,386.88	
For the six months ended 30 June 2013 (Unaudited):		
Undistributed profits at the beginning of the six months	11,799,009,548.92	
Add: Net profits attributable to the shareholders of parent company of the six months	4,087,332,094.33	
Less: Appropriation of statutory surplus reserves	—	(1)
Appropriation of discretionary surplus reserves	—	
Appropriation of enterprise expansion fund	—	(2)
Appropriation of reserve fund	—	(2)
Distribution of cash dividends	(1,734,181,110.00)	(3)
Appropriation of staff incentive bonus and welfare fund	—	(2)
Undistributed profits at the end of the six months	14,152,160,533.25	

(1) Appropriation of statutory surplus reserves

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

(2) Appropriation of enterprise expansion fund, reserve fund and staff bonus 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.

Notes to the Financial Statements

For the six months ended 30 June 2014

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

33. Undistributed profits (continued)

(3) Cash dividend as approved at the shareholders' meeting for the year

The 2013 Annual General Meeting of the Company held on 9 May 2014 considered and approved the resolution regarding the profit distribution proposal for the year 2013. The Company declared the 2013 annual cash dividend of RMB0.82 per share (tax inclusive) to all shareholders, aggregating to RMB2,494,786,860.00 based on the total of 3,042,423,000 shares with a par value of RMB1 each.

34. Operating revenue and operating costs

(1) Operating revenue

Item	Six months ended 30 June 2014 (unaudited)	RMB Six months ended 30 June 2013 (unaudited)
Revenue from principal businesses	28,418,950,876.49	26,225,491,736.72
Of which: Revenue from the sale of automobiles	27,057,974,773.45	25,019,954,911.74
Revenue from the sale of automotive parts and components	1,082,054,240.37	898,589,027.30
Revenue from the sale of moulds and others	225,368,159.57	240,404,101.52
Revenue from providing services	53,553,703.10	66,543,696.16
Revenue from other businesses	108,422,464.70	191,346,833.00
Total	28,527,373,341.19	26,416,838,569.72

(2) Operating costs

Item	Six months ended 30 June 2014 (unaudited)	RMB Six months ended 30 June 2013 (unaudited)
Costs from principal businesses	20,310,342,836.06	18,639,282,037.40
Of which: Expenses from the sales of automobiles	19,254,220,303.22	17,698,062,841.17
Expenses from the sales of automotive parts and components	818,580,754.30	692,588,267.38
Expenses from the sales of moulds and others	178,088,090.68	193,774,612.70
Expenses from providing services	59,453,687.86	54,856,316.15
Expenses from other businesses	69,612,215.32	126,258,074.82
Total	20,379,955,051.38	18,765,540,112.22

Notes to the Financial Statements

For the six months ended 30 June 2014

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

34. Operating revenue and operating costs (continued)

(3) Operating revenue from top five customers of the Company

Name of customer	Six months ended 30 June 2014 (unaudited)	RMB Percentage of the total operating revenue of the Company (%)
Customer 1	667,582,781.02	2.34
Customer 2	659,083,104.43	2.31
Customer 3	588,352,329.24	2.06
Customer 4	521,689,830.17	1.83
Customer 5	509,236,507.70	1.79
Total	2,945,944,552.56	10.33

35. Business tax and surcharges

Item	Six months ended 30 June 2014 (unaudited)	RMB Six months ended 30 June 2013 (unaudited)
Business tax	1,104,773.41	8,208,625.55
Consumption tax	725,206,985.55	700,911,436.93
Urban maintenances and construction tax	142,629,034.76	138,495,954.60
Educational surcharges	102,833,827.58	99,604,863.24
Others	13,277,310.61	8,078,330.52
Total	985,051,931.91	955,299,210.84

Notes to the Financial Statements

For the six months ended 30 June 2014

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

36. Selling expenses

Item	Six months ended	RMB
	30 June 2014 (unaudited)	Six months ended 30 June 2013 (unaudited)
Transportation expenses	433,699,604.51	391,809,997.82
After-sale services expenses	238,189,270.77	218,916,337.37
Wages and salaries	72,629,817.04	67,115,789.53
Taxes	15,483,725.39	16,155,177.51
Advertising and media services fees	87,446,499.59	99,305,349.94
Port charges	23,654,604.09	28,562,440.67
Travelling expenses	6,479,651.09	6,663,000.98
Others	28,479,515.36	26,774,651.87
Total	906,062,687.84	855,302,745.69

37. Administrative expenses

		RMB
	Six months ended 30 June 2014 (unaudited)	Six months ended 30 June 2013 (unaudited)
Item		
Technology development expenditures	1,156,439,599.05	580,671,564.12
Wages and salaries	211,065,632.32	269,891,505.16
Taxes	57,160,061.54	42,794,208.67
Depreciation and amortization	50,588,813.68	41,082,540.61
Business reception fees	4,214,368.29	4,865,276.46
Office expenses	25,972,627.62	21,061,812.35
Repair and maintenance fees	59,277,947.43	28,371,313.26
Auditors' remuneration (Note 1)	913,163.53	818,874.68
Service charges	12,872,132.02	12,628,166.14
Others	26,200,769.33	31,814,689.61
Total	1,604,705,114.81	1,033,999,951.06

Note 1: Among them, the Company paid RMB680,000.00 for interim review to Deloitte Touche Tomatsu CPA LLP this period.

Notes to the Financial Statements

For the six months ended 30 June 2014

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

38. Impairment loss on assets

Item	RMB	
	Six months ended 30 June 2014 (unaudited)	Six months ended 30 June 2013 (unaudited)
1. Loss on bad debts	(1,575,035.46)	(7,196,890.71)
2. Loss on impairment of inventory	1,820,255.12	6,498,401.23
3. Loss on impairment of fixed assets	—	160,518.38
Total	245,219.66	(537,971.10)

39. Profit or loss from changes in fair value

Item	RMB	
	Six months ended 30 June 2014 (unaudited)	Six months ended 30 June 2013 (unaudited)
Derivative financial instruments measured at fair value	(5,395,518.86)	4,619,575.59
Total	(5,395,518.86)	4,619,575.59

40. Investment income

(1) Breakdown of investment income

Item	RMB	
	Six months ended 30 June 2014 (unaudited)	Six months ended 30 June 2013 (unaudited)
Income from long-term equity investments under equity method	3,712,541.59	3,739,314.17
Income from available-for-sale financial asset investment	2,981,265.75	15,566,964.49
Income generated from the equity interests in acquirees held prior to the date of acquisition and measured at fair value	—	10,972,610.88
Total	6,693,807.34	30,278,889.54

Notes to the Financial Statements

For the six months ended 30 June 2014

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

40. Investment income (continued)

(2) Income from long-term equity investments under equity method:

Investee	Six months ended 30 June 2014 (unaudited)	RMB Six months ended 30 June 2013 (unaudited)
Baoding Jiehua Automobile Components and Accessories Company Limited (保定杰華汽車零部件有限公司)	55,885.13	57,062.77
Baoding Yanfeng Johnson Controls Automobile Seating Co., Ltd. (保定延鋒江森汽車座椅有限公司)	3,656,656.46	3,682,251.40
Total	3,712,541.59	3,739,314.17

There are no significant restrictions on remittance of investment gains back to the Company.

41. Non-operating income

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

Item	Six months ended 30 June 2014 (unaudited)	Six months ended 30 June 2013 (unaudited)	RMB Amount included in extraordinary gains and losses
Total gains from disposal of non-current assets	865,110.63	950,615.05	865,110.63
Of which: Gains from disposal of fixed assets	865,110.63	950,615.05	865,110.63
Gains from disposal of intangible assets	—	—	—
Government grants	45,937,058.34	45,475,445.04	45,937,058.34
Gains from compensation	19,010,276.32	5,295,760.97	19,010,276.32
Unpayable amount	1,599,249.96	11,181,928.29	1,599,249.96
Others	18,325,599.71	7,512,202.86	18,325,599.71
Total	85,737,294.96	70,415,952.21	85,737,294.96

Notes to the Financial Statements

For the six months ended 30 June 2014

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

41. Non-operating income (continued)

(2) Government grants:

Item	Six months ended 30 June 2014 (unaudited)	Six months ended 30 June 2013 (unaudited)	RMB related to an asset/ related to income
Urban construction fund	1,159,914.17	1,159,914.17	related to an asset
Tax refund for purchasing domestic manufactured equipment	7,889,227.10	9,130,316.05	related to an asset
Government industrial policy supporting fund	10,522,515.34	10,522,515.33	related to an asset
Soft soil foundation subsidy	3,057,486.98	3,057,486.98	related to an asset
Infrastructure supporting fund	12,571,275.86	—	related to an asset
Subsidies for material technological innovation projects	575,000.02	575,000.02	related to an asset
Development fund for SMEs	147,739.92	147,739.92	related to an asset
Capital for new technical centre infrastructure construction	118,685.40	118,685.40	related to an asset
Diesel engine development project fund	50,000.00	50,000.00	related to an asset
863 plan (power)	2,872,800.00	212,400.00	related to income
C20 pure electric car research and development	—	1,500,000.00	related to income
863 plan (pure electronic motor)	108,010.69	591,800.00	related to income
Connected car project	141,485.04	—	related to an asset
Welfare enterprises VAT refund (Note 1)	3,567,083.33	8,382,505.98	related to income
Other government grants			related to income
Includes: Special subsidy for high-level talents	1,911,600.00	—	related to income
Technology development bonus	100,000.00	930,000.00	related to income
Innovation subsidy	50,000.00	9,750.00	related to income
Fiscal subsidy	—	7,150,564.55	related to income
Technical transformation project funds and foreign trade service	—	130,000.00	related to income
Others	1,094,234.49	1,806,766.64	related to income
Total	45,937,058.34	45,475,445.04	

Notes to the Financial Statements

For the six months ended 30 June 2014

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

41. Non-operating income (continued)

(2) Government grants: (continued)

Note 1: During the reporting period, Baoding Great, a subsidiary of the Group, was recognized as social welfare enterprises by Department of Civil Affairs of Hebei Province. Pursuant to "Circular of the Ministry of Finance and the State Administration of Taxation on Issues Concerning the Corporate Income Tax Incentives on Enterprises which Recruit the Disabled (Caishui [2007] No.92)", subject to relevant conditions, the above social welfare enterprises enjoy value added tax refund based on the maximum amount specified by relevant taxation authorities and the number of disabled employees.

42. Non-operating expenses

Item	Six months ended 30 June 2014 (unaudited)	Six months ended 30 June 2013 (unaudited)	RMB Amount included in non-recurring gains and losses in the six months
Total loss on disposal of non-current assets	6,933,480.39	5,304,039.67	6,933,480.39
Of which: Loss on disposal of fixed assets	6,933,480.39	5,304,039.67	6,933,480.39
Loss on disposal of intangible assets	—	—	—
Donations	3,633,481.52	3,988,809.17	3,633,481.52
Expenses for compensations and fines	6,926,528.35	1,771,569.76	6,926,528.35
Others	499,197.88	560,089.69	499,197.88
Total	17,992,688.14	11,624,508.29	17,992,688.14

43. Income tax expenses

Item	Six months ended 30 June 2014 (unaudited)	Six months ended 30 June 2013 (unaudited)	RMB
Current income tax calculated according to tax laws and relevant rules	773,550,727.05	832,213,713.03	
Deferred income tax	38,764,242.99	7,480,696.09	
Total	812,314,970.04	839,694,409.12	

Notes to the Financial Statements

For the six months ended 30 June 2014

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

43. Income tax expenses (continued)

Reconciliation between income tax expenses and accounting profits is as follows:

Item	Six months ended 30 June 2014 (unaudited)	RMB Six months ended 30 June 2013 (unaudited)
Accounting profit/loss	4,766,514,974.78	4,931,372,004.00
Income tax rate	25%	25%
Income tax calculated at tax rate of 25%	1,191,628,743.70	1,232,843,001.00
Tax effect of concessionary rate of some companies	(309,038,694.89)	(352,506,878.34)
Additional tax deduction for research and development expenses	(64,206,517.29)	(46,232,703.49)
Tax effect of non-taxable income	(9,933,317.25)	(934,828.54)
Tax effect of non-deductible expenses	3,864,755.77	6,525,818.49
Total	812,314,970.04	839,694,409.12

44. Net profit

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

		RMB	
		Six months ended	Six months ended
Item	Note	30 June 2014 (unaudited)	30 June 2013 (unaudited)
Depreciation for Fixed Assets	(VI)12	720,927,584.41	506,349,118.74
Depreciation for investment properties	(VI)11	80,971.56	80,971.57
Amortisation of intangible assets	(VI)14	31,177,256.73	27,826,310.36
Total depreciation and amortisation		752,185,812.70	534,256,400.67
(Gain)/loss on disposal of non-current assets	(VI)41,42	6,068,369.76	4,353,424.62
Gross rental income from investment properties		950,000.00	950,000.00
Employee benefits expense	(VI)23	2,222,509,187.53	1,791,083,251.17

Notes to the Financial Statements

For the six months ended 30 June 2014

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

45. Other comprehensive income

Item	Six months ended 30 June 2014 (unaudited)	RMB Six months ended 30 June 2013 (unaudited)
Items will be reclassified in profit or loss when certain criteria have been made in subsequent accounting periods		
Translation difference of financial statements denominated in foreign currency	3,056,456.30	(30,867.66)
Less: Net income from disposal of foreign operations recognized in profit or loss in the current period	—	—
Total	3,056,456.30	(30,867.66)

46. Calculation of basic and diluted earnings per share

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

Item	Six months ended 30 June 2014 (unaudited)	RMB Six months ended 30 June 2013 (unaudited)
Net profit attributable to ordinary shareholders	3,954,313,743.49	4,087,332,094.33
Of which: Net profit attributable to continuing operations	3,954,313,743.49	4,087,332,094.33
Total	3,954,313,743.49	4,087,332,094.33

The denominator used for calculating earnings per share, being the weighted average number of outstanding ordinary shares, is calculated as follows:

Item	Six months ended 30 June 2014 (unaudited)	Six months ended 30 June 2013 (unaudited)
Number of outstanding ordinary shares at the beginning of the six months	3,042,423,000.00	3,042,423,000.00
Add: Weighted number of ordinary shares issued in the six months	—	—
Less: Weighted number of ordinary shares repurchased in the six months	—	—
Weighted number of outstanding ordinary shares at the end of the six months	3,042,423,000.00	3,042,423,000.00

Notes to the Financial Statements

For the six months ended 30 June 2014

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

Item	Six months ended 30 June 2014 (unaudited)	RMB Six months ended 30 June 2013 (unaudited)
Based on the net profit attributable to shareholders of parent company:	3,954,313,743.49	4,087,332,094.33
Basic earnings per share	1.30	1.34
Diluted earnings per share	N/A	N/A
Based on the net profit from continuing operations attributable to shareholders of parent company:	3,954,313,743.49	4,087,332,094.33
Basic earnings per share	1.30	1.34
Diluted earnings per share	N/A	N/A

47. Notes to cash flow statements

(1) Other cash received relating to operating activities

Item	Six months ended 30 June 2014 (unaudited)	RMB Six months ended 30 June 2013 (unaudited)
Interest income	44,525,223.22	45,042,131.64
Government grants	10,158,634.49	10,027,081.19
Reparations (penalty) income	19,010,276.32	—
Others	16,266,043.01	11,441,227.83
Total	89,960,177.04	66,510,440.66

(2) Other cash paid relating to operating activities

Item	Six months ended 30 June 2014 (unaudited)	RMB Six months ended 30 June 2013 (unaudited)
Advertising and media services fee	98,329,298.87	129,603,367.59
Transportation costs and port charges	444,489,162.04	416,516,298.39
Technology development expenditures	406,320,496.90	245,691,946.00
After-sales charges and repairs charges	332,416,878.40	223,772,640.29
Business entertainment expenses and office expenses	35,658,525.06	29,741,728.83
Travelling expenses	6,479,651.09	6,663,000.98
Consultation fees	12,872,132.02	12,628,166.14
Others	16,844,610.81	55,454,709.53
Total	1,353,410,755.19	1,120,071,857.75

Notes to the Financial Statements

For the six months ended 30 June 2014

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

47. Notes to cash flow statements (continued)

(3) Other cash received relating to investing activities

Item	Six months ended 30 June 2014 (unaudited)	RMB Six months ended 30 June 2013 (unaudited)
Government grants	—	154,528,000.00
Total	—	154,528,000.00

(4) Other cash received relating to financing activities

Item	Six months ended 30 June 2014 (unaudited)	RMB Six months ended 30 June 2013 (unaudited)
Decrease in restricted bank deposits	—	58,300,627.70
Total	—	58,300,627.70

(5) Other cash received relating to financing activities

Item	Six months ended 30 June 2014 (unaudited)	RMB Six months ended 30 June 2013 (unaudited)
Increase in restricted bank deposits	238,839,019.50	—
Total	238,839,019.50	—

Notes to the Financial Statements

For the six months ended 30 June 2014

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

48. Supplemental information of cash flow statements

(1) Supplemental information of cash flow statements

Supplemental information	Six months ended 30 June 2014 (unaudited)	RMB Six months ended 30 June 2013 (unaudited)
1. Reconciliation of net profits and cash flow from operating activities:		
Net profits	3,954,200,004.74	4,091,677,594.88
Add: Impairment provisions for assets	245,219.66	(537,971.10)
Depreciation of fixed assets	720,927,584.41	506,349,118.74
Amortization of intangible assets	31,177,256.73	27,826,310.36
Amortization of long-term prepaid expenses	3,630,195.83	3,439,633.64
Depreciation of real estate held for investment	80,971.56	80,971.57
(Gains)/losses from change of fair value	5,395,518.86	(4,619,575.59)
(Gains)/losses on disposal of fixed assets, intangible assets and other long-term assets	6,068,369.76	4,353,424.62
Amortization of deferred gains	(39,214,140.52)	(27,065,857.87)
Financing costs/(gains)	(1,462,240.50)	8,644,391.43
Investment losses/(gains)	(6,693,807.34)	(30,278,889.54)
(Increase)/decrease in deferred tax assets	38,725,939.97	7,480,696.09
(Increase)/decrease in inventories	10,485,268.93	(100,994,477.36)
(Increase)/decrease in operating receivables	3,188,127,277.02	757,791,132.23
Increase/(decrease) in operating payables	(2,748,920,960.40)	(290,886,317.10)
Net cash flows from operating activities	5,162,772,458.71	4,953,260,185.00
2. Net change in cash and cash equivalents:		
Cash balance at the end of the six months	5,584,983,376.12	6,681,000,497.71
Less: Cash balance at the beginning of the six months	5,522,642,764.49	5,595,535,544.33
Add: Cash equivalents balance at the end of the six months	—	—
Less: Cash equivalents balance at the beginning of the six months	—	—
Net increase in cash and cash equivalents	62,340,611.63	1,085,464,953.38

Notes to the Financial Statements

For the six months ended 30 June 2014

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

48. Supplemental information of cash flow statements (continued)

(2) Relative information of the acquisition and disposal of subsidiaries and other business units

Item	Six months ended 30 June 2014 (unaudited)	RMB Six months ended 30 June 2013 (unaudited)
I. Acquisition of subsidiaries and other business units:		
1. Price of acquisition of subsidiaries and other business units	—	—
2. Cash and cash equivalents paid for acquisition of subsidiaries and other business units	—	—
Less: Cash and cash equivalents held by subsidiaries and other business units	—	—
3. Net cash paid(received) for acquisition of subsidiaries and other business units	—	—
4. Net asset of acquired subsidiaries	—	—
Current assets	—	—
Non-current assets	—	—
Current liabilities	—	—
Non-current liabilities	—	—
II. Disposal of subsidiaries and other business units:		
1. Price of disposal of subsidiaries and other business units	—	98,450,000.00
2. Cash and cash equivalents received from acquisition of subsidiaries and other business units	—	98,450,000.00
Less: Net cash paid(received) for disposal of subsidiaries and other business units	—	(3,226,923.83)
3. Net cash received form disposal of subsidiaries and other business units	—	95,223,076.17
4. Net asset of subsidiaries disposed	—	87,477,389.12
Current assets	—	79,012,259.69
Non-current assets	—	21,933,401.74
Current liabilities	—	(13,468,272.31)
Non-current liabilities	—	—

Notes to the Financial Statements

For the six months ended 30 June 2014

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

48. Supplemental information of cash flow statements (continued)

(3) Components of cash and cash equivalents

Item	Six months ended 30 June 2014 (unaudited)	RMB Six months ended 30 June 2013 (unaudited)
I. Cash	5,584,983,376.12	6,681,000,497.71
Of which: Cash in hand	2,080,904.87	2,836,912.30
Bank deposits readily available for payment	5,582,902,471.25	6,678,163,585.41
Other cash and bank balances readily available for payment	—	—
II. Cash and cash equivalent balance as at the end of the six months	5,584,983,376.12	6,681,000,497.71

49. Net current assets

Item	2014.6.30 (Unaudited)	RMB 2013.12.31 (Audited)
Current assets	28,078,270,355.66	31,026,191,451.06
Less: Current liabilities	(19,681,744,962.04)	(22,839,474,722.18)
Net current assets	8,396,525,393.62	8,186,716,728.88

50. Total assets less current assets

Item	2014.6.30 (Unaudited)	RMB 2013.12.31 (Audited)
Total assets	50,928,589,236.71	52,604,808,931.29
Less: Current liabilities	(19,681,744,962.04)	(22,839,474,722.18)
Total assets less current liabilities	31,246,844,274.67	29,765,334,209.11

Notes to the Financial Statements

For the six months ended 30 June 2014

VII. RELATED PARTIES AND TRANSACTIONS

1. Related parties with controlling interests

										RMB
Name of company	Relationship	Form of corporation	Place of registration	Authorized representative	Nature of business	Registered capital	Shareholding of holding company (%)	Shareholding of holding company (%)	Ultimate owner	Company code
Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司)	Controlling shareholder	Incorporation	Baoding	Wei Jian Jun	Business planning and management advisory	390,000,000.00	56.04	56.04	Wei Jian Jun	78258703-6

2. Subsidiaries of the Company

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

3. Joint ventures of the Company

Details of the joint ventures of the Company are set out in Note (VI), 10.

4. Other related parties of the Company

Name of other related parties	Relationship	Company code
Baoding Tai Hang Pump Manufacturing Company Limited (保定市太行製泵有限公司)	Company directly controlled by controlling shareholder	10597749-1
Baoding Bo Chuang Real Estate Development Co., Ltd. (保定市博創房地產開發有限公司)	Company indirectly controlled by Wei Jian Jun	68926059-X
Baoding Great Wall Real Estate Development and Construction Co., Ltd. (保定市長城房地產開發建設集團有限公司)	Company directly controlled by controlling shareholder	70075186-8
Beijing Weide Automobile System Accessories Company Limited (北京威德汽車系統配套有限公司)	Company indirectly controlled by Wei Jian Jun	71774831-5
Hebei Baoding Tai Hang Group Company Limited (河北保定太行集團有限責任公司)	Company directly controlled by related natural person (Wei De Yi)	10596659-X
Baoding Tai Hang Steel Structure Construction Company Limited (保定太行鋼結構工程有限公司)	Company indirectly controlled by controlling shareholder	60117199-9
Beijing Eastern Riwa Technology Company Limited (北京東方日瓦科貿有限公司)	Company directly controlled by Wei Jian Jun	10299371-X
The 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托管中心)	Minority shareholder of the controlling shareholder	72879122-0
Baoding Furui Landscape Co., Ltd (保定市富瑞園林有限公司)	Company directly controlled by controlling shareholder	78407503-4
Baoding Bo Chuang Property Service Co., Ltd. (保定市博創物業服務有限公司)	Company indirectly controlled by Wei Jian Jun	58819449-0
Baoding Rui Cheng Real Estate Development Co., Ltd. (保定瑞城房地產開發有限公司)	Company indirectly controlled by controlling shareholder	06169059-4

Notes to the Financial Statements

For the six months ended 30 June 2014

VII. RELATED PARTIES AND TRANSACTIONS (continued)

5. Related party transactions

(1) Procurement of raw materials and accessories

Related parties	Category of related party transaction	Related party transaction	Pricing and Decision making procedure	RMB	
				Six months ended 30 June 2014 (unaudited) Amount	Percentage of total amount (%)
Hebei Baoding Tai Hang Group Company Limited	Purchase	Purchase of raw materials	Mutually agreed price	9,572.65	—
Baoding Yanfeng Johnson Controls Automobile Seating Co., Ltd	Purchase	Purchase of raw materials	Mutually agreed price	197,449,629.68	0.94

Related parties	Category of related party transaction	Related party transaction	Pricing and Decision making procedure	RMB	
				Six months ended 30 June 2013 (unaudited) Amount	Percentage of total amount (%)
Beijing Weide Automobile System Accessories Company Limited	Purchase	Purchase of raw materials	Mutually agreed price	1,787.80	—
Hebei Baoding Tai Hang Group Company Limited	Purchase	Purchase of raw materials	Mutually agreed price	18,632.48	—
Baoding Yanfeng Johnson Controls Automobile Seating Co., Ltd	Purchase	Purchase of raw materials	Mutually agreed price	210,842,541.42	0.97

(2) Sales of automobiles and automotive parts

Related parties	Category of related party transaction	Related party transaction	Pricing and Decision making procedure	RMB	
				Six months ended 30 June 2014 (unaudited) Amount	Percentage of total amount (%)
Baoding Furui Landscape Co., Ltd	Sale	Automobiles and automotive parts	Mutually agreed price	59,658.12	—
Baoding Yanfeng Johnson Controls Automobile Seating Co., Ltd	Sale	Automobiles and automotive parts	Mutually agreed price	493,291.84	—

Related parties	Category of related party transaction	Related party transaction	Pricing and Decision making procedure	RMB	
				Six months ended 30 June 2013 (unaudited) Amount	Percentage of total amount (%)
Baoding Yanfeng Johnson Controls Automobile Seating Co., Ltd	Sale	Automobiles and automotive parts	Mutually agreed price	6,820.51	—

Notes to the Financial Statements

For the six months ended 30 June 2014

VII. RELATED PARTIES AND TRANSACTIONS (continued)

5. Related party transactions (continued)

(3) Purchase of fixed assets

Related parties	Category of related party transaction	Related party transaction	Pricing and Decision making procedure	RMB	
				Six months ended 30 June 2014 (unaudited) Amount	Percentage of total amount (%)
Baoding Greatwall Real Estate Development and Construction Group Co., Ltd	Purchase of fixed assets	Purchase of fixed assets	Mutually agreed price	64,800.00	—

Related parties	Category of related party transaction	Related party transaction	Pricing and Decision making procedure	RMB	
				Six months ended 30 June 2013 (unaudited) Amount	Percentage of total amount (%)
Baoding Yanfeng Johnson Controls Automobile Seating Co., Ltd	Purchase of fixed assets	Purchase of fixed assets	Mutually agreed price	55,665.31	—

(4) Purchase of services

Related parties	Category of related party transaction	Related party transaction	Pricing and Decision making procedure	RMB	
				Six months ended 30 June 2014 (unaudited) Amount	Percentage of total amount (%)
Baoding Great Wall Real Estate Development and Construction Group Co., Ltd	Purchase of services	Purchase of services	Mutually agreed price	1,075,536.00	0.06
Baoding Bo Chuang Property Service Company Limited	Purchase of services	Purchase of services	Mutually agreed price	8,891.40	—

Related parties	Category of related party transaction	Related party transaction	Pricing and Decision making procedure	RMB	
				Six months ended 30 June 2013 (unaudited) Amount	Percentage of total amount (%)
Hebei Baoding Tai Hang Group Company Limited	Purchase of services	Purchase of services	Mutually agreed price	62,905.98	0.02

Notes to the Financial Statements

For the six months ended 30 June 2014

VII. RELATED PARTIES AND TRANSACTIONS (continued)

5. Related party transactions (continued)

(5) Rendering of services

Related parties	Category of related party transaction	Related party transaction	Pricing and Decision making procedure	RMB	
				Six months ended 30 June 2014 (unaudited) Amount	Percentage of total amount (%)
Baoding Yanfeng Johnson Controls Automobile Seating Co., Ltd	Purchase of services	Purchase of services	Mutually agreed price	981,066.13	1.26

Related parties	Category of related party transaction	Related party transaction	Pricing and Decision making procedure	RMB	
				Six months ended 30 June 2013 (audited) Amount	Percentage of total amount (%)
Baoding Yanfeng Johnson Controls Automobile Seating Co., Ltd	Purchase of services	Purchase of services	Mutually agreed price	1,332,825.81	1.52

(6) Claims and others

Related parties	Category of related party transaction	Related party transaction	Pricing and Decision making procedure	RMB	
				Six months ended 30 June 2014 (unaudited) Amount	Percentage of total amount (%)
Baoding Yanfeng Johnson Controls Automobile Seating Co., Ltd	Claims and others	Claims and others	Mutually agreed price	480,199.73	1.60
Other	Claims and others	Claims and others	Mutually agreed price	173,778.57	0.71

Related parties	Category of related party transaction	Related party transaction	Pricing and Decision making procedure	RMB	
				Six months ended 30 June 2013 (unaudited) Amount	Percentage of total amount (%)
Baoding Bo Chuang Real Estate Development Co., Ltd.	Claims and others	Claims and others	Mutually agreed price	34,831.50	0.04
Baoding Tai Hang Pump Manufacturing Company Limited	Claims and others	Claims and others	Mutually agreed price	21,734.18	0.02
Baoding Yanfeng Johnson Controls Automobile Seating Co., Ltd	Claims and others	Claims and others	Mutually agreed price	32,658.37	0.03

Notes to the Financial Statements

For the six months ended 30 June 2014

VII. RELATED PARTIES AND TRANSACTIONS (continued)

5. Related party transactions (continued)

(7) Emolument of key management

Item	Six months ended 30 June 2014 (unaudited)	RMB'000 Six months ended 30 June 2013 (unaudited)
Emolument of key management	28,582	20,953

Key management are the persons who are authorized and responsible for planning, supervision and control of corporate activities, including directors, general manager, chief accounting officer, deputy general managers, and other administration officers.

Notes to the Financial Statements

For the six months ended 30 June 2014

VII. RELATED PARTIES AND TRANSACTIONS (continued)

6. Amounts due from/due to related parties

Item	Related parties	RMB	
		2014.6.30 (unaudited)	2013.12.31 (audited)
Account receivable	Baoding Rui Cheng Real Estate Development Co., Ltd	5,469.48	—
Sub-total:		5,469.48	—
Other receivable	Baoding Bo Chuang Real Estate Development Co., Ltd	300,000.00	300,000.00
Sub-total:		300,000.00	300,000.00
Accounts payable	Beijing Eastern Riwa Technology Company Limited	741,188.39	741,188.39
Accounts payable	Hebei Baoding Tai Hang Group Company Limited	149,122.65	194,122.65
Accounts payable	Baoding Yanfeng Johnson Controls Automobile Seating Co., Ltd.	100,490,724.92	147,682,861.14
Sub-total:		101,381,035.96	148,618,172.18
Other payables	Baoding Tai Hang Pump Manufacturing Company Limited	8,006.00	—
Other payables	Baoding Tai Hang Steel Structure Construction Company Limited	4,779,511.85	—
Other payables	Hebei Baoding Tai Hang Group Company Limited	7,000.00	—
Sub-total:		4,794,517.85	—
Bills payable	Baoding Yanfeng Johnson Controls Automobile Seating Company Limited	35,892,300.00	—
Sub-total:		35,892,300.00	—
Advances from customers	The Management Centre of Collective Assets of Nandayuan Town, Nanshi District, Baoding	34,000.00	—
Sub-total:		34,000.00	—
Dividend receivable	Baoding Yanfeng Johnson Controls Automobile Seating Co., Ltd	9,000,000.00	9,000,000.00
Sub-total:		9,000,000.00	9,000,000.00
Dividend payable	Baoding Innovation Great Wall Asset Management Company Limited	298,100,000.00	—
Sub-total:		298,100,000.00	—

Notes to the Financial Statements

For the six months ended 30 June 2014

VIII. COMMITMENTS

1. Significant Commitments

(1) Capital commitments

	2014.6.30 (unaudited)	RMB'000 2013.12.31 (audited)
Contracted for but not provided	7,524,082	5,600,401
Authorised by the Board of Directors but not contracted for	7,560,842	7,277,514
Others	—	—
— Capital commitments of joint ventures not included in consolidated financial statements	2,093	858

(2) Operating lease commitments

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

	2014.6.30 (unaudited)	RMB'000 2013.12.31 (audited)
Minimum lease payments under non-cancellable operating leases:		
Within one year from the balance sheet date	12,809	1,908
In the second year from the balance sheet date	5,112	1,120
In the third year from the balance sheet date	2,298	1,120
Subsequent years	6,860	7,424
Total	27,080	11,572

VIII. OTHER SIGNIFICANT ITEMS

1. Financial expenses

Item	Six months ended 30 June 2014 (unaudited)	RMB Six months ended 30 June 2013 (unaudited)
Interest expenses on pledged loans	—	—
Less: interest income	(44,525,223.22)	(45,042,131.64)
Exchange (gain) loss	(6,665,812.80)	7,705,927.33
Interests on discounted bills	1,234,836.08	2,221,235.16
Others	3,837,456.05	4,667,395.21
Total	(46,118,743.89)	(30,447,573.94)

Notes to the Financial Statements

For the six months ended 30 June 2014

IX. OTHER SIGNIFICANT ITEMS (continued)

2. Segment reporting

The Group is mainly engaged in the manufacture and sales of automobiles and automotive parts and components in China, and the majority of its assets are located in China. The Group determined the reporting segments and disclosed the segment information according to No. 3 Interpretation of Accounting Standards for Business Enterprises. 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:

Item	Six months ended 30 June 2014 (unaudited)	RMB Six months ended 30 June 2013 (unaudited)
Revenue from external customers in China	26,651,167,906.85	23,708,486,663.55
Northeast China	2,225,294,666.15	2,191,588,151.53
Northern China	5,102,017,048.44	5,507,124,513.40
Eastern China	6,635,218,319.01	5,821,549,597.97
Central China	5,674,698,420.32	4,299,327,394.29
Northwest China	2,803,098,975.15	2,555,970,342.30
Southwest China	4,210,840,477.78	3,332,926,664.06
Revenue from external customers in other countries	1,876,205,434.34	2,708,351,906.17
Russia	642,610,344.22	895,510,075.46
Chile	226,251,926.46	249,900,651.35
Iran	159,873,591.34	78,967,497.84
Iraq	135,666,556.85	174,056,268.48
Australia	132,637,350.62	311,586,360.75
South Africa	115,541,154.38	122,345,050.21
Bulgaria	83,054,835.85	66,099,863.12
Algeria	68,328,591.09	234,084,249.65
Ecuador	60,229,515.98	59,165,143.18
Peru	31,143,409.30	55,235,145.97
Other overseas countries	220,868,158.25	461,401,600.16
Total	28,527,373,341.19	26,416,838,569.72

Majority of the non-current assets required to be disclosed in the segment report, including fixed assets, real estate held-for-investment, construction in progress and investment in jointly controlled entities were located in China.

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

Notes to the Financial Statements

For the six months ended 30 June 2014

IX. OTHER SIGNIFICANT ITEMS (continued)

3. Financial instruments and risk management

Major financial instruments of the Group include cash and bank balances, derivative financial instruments, receivables, and payables. Detailed descriptions of these financial instruments are set out in Note (VI). The risks associated with these financial instruments and the risk management policies adopted by the Group to mitigate such risks are set out in below. The management of the Group manages and monitors such risk exposures to ensure such risks are limited to a prescribed level.

3.1 Objective and policies of risk management

The objective of the risk management of the Group is to maintain an appropriate balance between risk and return so to minimize the negative effects of risks against the Group's operating results in order to maximize the benefits of shareholders and other stakeholders. 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.

3.1.1 Market risk

3.1.1.1 Foreign exchange risk

Foreign exchange risk represents risks of loss incurred as a result of changes in exchange rates. The purchases and sales of the domestic subsidiaries of the Group are denominated in RMB and other principle operations of the Group are settled in RMB. As at the balance sheet date, except for the balances of assets denominated in USD and EUR and other insignificant amount in HKD as shown in the following table, all assets and liabilities of the Group were denominated in RMB. The impact of the foreign exchange risk arising from the balances of assets and liabilities denominated in such foreign currencies on the operating results of the Group was minimal.

Item	RMB	
	2014.6.30 (unaudited)	2013.12.31 (audited)
Cash and cash equivalents	238,660,283.49	101,673,523.46
Accounts receivable	532,284,594.85	290,700,647.85
Other receivables	1,427,595.80	2,761,271.78
Short-term borrowing	(764,264,631.72)	—
Accounts payable	(7,795,749.63)	(6,166,485.20)
Other payables	(78,520,844.01)	(137,620,540.23)
Total	78,208,751.22	251,348,417.66

The Group closely monitors the changes in foreign exchange rates as to their effects to the Group's exposure to foreign exchange risk.

IX. OTHER SIGNIFICANT ITEMS (continued)

3. Financial instruments and risk management (continued)

3.1 Objective and policies of risk management (continued)

3.1.2 Credit risk

As at 30 June 2014, the biggest credit risk exposure that may cause financial loss of the Group is mainly coming from the other party of the contract could not fulfil their obligations that caused the loss on the Group's financial assets, which include the book value of a confirmed financial asset in the consolidated balance sheet. For those financial instruments that are measured by fair value, the book value reflects its risk exposure, but not its biggest risk exposure, the biggest risk exposure will change as the future fair value changes.

The Group only conducts sales with third-party customers with good credit records. In order to minimize credit risk, the Group has established a team responsible for formulating credit limit, credit approval and implementing other monitoring procedures to ensure necessary follow-up measures are carried out to recover the overdue debts. As such, the risk of bad debts is low.

The Group only accept bank acceptance bills from banks with relatively high level of credit rating; as such the risk of bill receivables is low. The Group only deposit cash and cash equivalents into banks with relatively high level of credit rating; as such the risk of cash and cash equivalents is low.

The Group does not require any collateral from its customers as it only conducts sales with the third-party customers with good credit records. During the reporting period, the Group had a certain level of concentration of credit risk, and the balance of accounts receivable from top five customers of the Group accounted for 66.82% (31 December 2013: 67.44%) of the total accounts receivable. As the Group only granted credit period to certain third parties with good creditability and the closing balance of the Group's accounts receivable represented 2.93% of the Group's revenue in 30 June 2014, the credit risk of the Group is not significant.

Further details regarding the quantified data of the credit risk arising from notes receivable, accounts receivable and other receivables of the Group are disclosed in note (VI)(2), (3) and (5).

Notes to the Financial Statements

For the six months ended 30 June 2014

IX. OTHER SIGNIFICANT ITEMS (continued)

3. Financial instruments and risk management (continued)

3.1 Objective and policies of risk management (continued)

3.1.3 Liquidity risk

In managing liquidity risk, the Group maintains and monitors cash and cash equivalents at a level considered to be sufficient by the management in order to satisfy the operating needs of the Group and lower the effects of fluctuations in cash flows. The management of the Group monitors the utilization of bank borrowings and the compliance of the relevant borrowing agreements.

Analysis of the maturity profile of financial assets and financial liabilities of the Group based on the undiscounted remaining contractual obligations as at the end of each year are set out as follows:

RMB

	2014.6.30			
	Within 6 months	6–12 months	Over one year	Total
Cash and cash equivalents	7,291,696,533.16	—	—	7,291,696,533.16
Bills receivable	13,362,959,647.97	—	—	13,362,959,647.97
Accounts receivable	817,313,637.78	18,394,879.23	—	835,708,517.01
Other receivables	3,083,566,228.18	41,387,214.19	—	3,124,953,442.37
Dividend receivables	9,000,000.00	—	—	9,000,000.00
Trading financial assets	(1,125,401.00)	—	—	(1,125,401.00)
Short-term borrowing	(774,422,982.45)	—	—	(774,422,982.45)
Bills payable	8,988,926,219.46	12,703,954.78	—	9,001,630,174.24
Accounts payable	4,984,134,183.07	—	—	4,984,134,183.07
Other payables	(515,628,873.49)	(940,632,946.18)	—	(1,456,261,819.67)
Dividend payable	(298,256,709.77)	—	—	(298,256,709.77)

RMB

	2013.12.31			
	Within 6 months	6–12 months	Over one year	Total
Cash and cash equivalents	6,990,516,902.03	—	—	6,990,516,902.03
Bills receivable	17,543,958,868.49	4,300,000.00	—	17,548,258,868.49
Accounts receivable	638,121,682.47	18,191,072.32	—	656,312,754.79
Other receivables	2,554,483,683.93	4,709,732.81	—	2,559,193,416.74
Dividend receivable	9,000,000.00	—	—	9,000,000.00
Trading financial assets	4,270,117.86	—	—	4,270,117.86
Short-term borrowing	(182,198,866.04)	—	—	(182,198,866.04)
Bills payable	(4,506,407,706.71)	(33,121,570.00)	—	(4,539,529,276.71)
Accounts payable	(10,659,044,161.90)	(53,125,580.25)	—	(10,712,169,742.15)
Other payables	(951,829,389.33)	(1,318,220,964.33)	—	(2,270,050,353.66)

Notes to the Financial Statements

For the six months ended 30 June 2014

IX. OTHER SIGNIFICANT ITEMS (continued)

3. Financial instruments and risk management (continued)

3.1 Objective and policies of risk management (continued)

3.1.4 Fair value

Fair values of financial assets and financial liabilities are determined as follows:

Fair values of financial assets and financial liabilities (excluding derivative instruments) are determined by using the generally accepted pricing model based on future cash flow discounting method or according to the prevailing observable market transaction prices.

Fair values of derivative instruments are determined based on the publicly quoted price in an active market. If public quotation does not exist, the fair value of derivatives without options is estimated on the basis of appropriate revenue curve using future cash flow discounting method.

For financial reporting purposes, fair value measurements are categorised 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; and

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

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

Financial Assets	Fair Value		Fair Value Level	Valuation Technic and Major inputs
	30 June 2014	31 December 2013		
Forward exchange contracts	Liabilities RMB (1,125,401.00)	Assets RMB4,270,117.86	Level 2	Discounted cash flows. Future cash flows are estimated based on forward exchange rate (from the observable forward exchange rate at the end of reporting period) and the contracted forward exchange rate, the discounted rate used for discounting which reflect the credit risks of the counter party.

In the opinion of the Group's management, the book value of other financial assets and financial liabilities in financial statements are approximate to the fair value of those assets and liabilities.

Notes to the Financial Statements

For the six months ended 30 June 2014

IX. OTHER SIGNIFICANT ITEMS (continued)

3. Financial instruments and risk management (continued)

3.2 Sensitivity analysis

The Group adopts sensitivity analysis techniques to analyze the possible effects of rational and probable changes in risk variables to profit and loss for the current period or to the interests of shareholders. Since risk variables seldom change on a stand-alone basis, while the correlation between variables may have significant influence to the ultimate amount of change effected by the change in a single risk variable, the below analysis is based on the assumption that the changes in each variable occurred separately.

3.2.1 Foreign exchange risk

3.2.1.1 Holding other variables constant, the effects of potential reasonable changes in exchange rates on the profit and loss and equity interests before tax for the year are set out below:

RMB

		Six months ended 30 June 2014 (unaudited)	
Item	Changes in exchange rates	Effects on profits	Effects on shareholders' equity interests
USD	5% strengthening against RMB	29,461,310.98	29,461,310.98
USD	5% weakening against RMB	(29,461,310.98)	(29,461,310.98)
EUR	5% strengthening against RMB	1,824,322.51	1,824,322.51
EUR	5% weakening against RMB	(1,824,322.51)	(1,824,322.51)
HKD	5% strengthening against RMB	(38,212,547.79)	(38,212,547.79)
HKD	5% weakening against RMB	38,212,547.79	38,212,547.79
GBP	5% strengthening against RMB	(92,097.65)	(92,097.65)
GBP	5% weakening against RMB	92,097.65	92,097.65
JPY	5% strengthening against RMB	(66,139.85)	(66,139.85)
JPY	5% weakening against RMB	66,139.85	66,139.85

Notes to the Financial Statements

For the six months ended 30 June 2014

IX. OTHER SIGNIFICANT ITEMS (continued)

3. Financial instruments and risk management (continued)

3.2 Sensitivity analysis (continued)

3.2.1 Foreign exchange risk (continued)

3.2.1.1 Holding other variables constant, the effects of potential reasonable changes in exchange rates on the profit and loss and equity interests before tax for the year are set out below: (continued)

		RMB	
		Six months ended 30 June 2013	
		(unaudited)	
			Effects on
Item	Changes in exchange rates	Effects on profits	shareholders' equity interests
USD	5% strengthening against RMB	27,632,474.85	27,632,474.85
USD	5% weakening against RMB	(27,632,474.85)	(27,632,474.85)
EUR	5% strengthening against RMB	4,363,184.77	4,363,184.77
EUR	5% weakening against RMB	(4,363,184.77)	(4,363,184.77)
HKD	5% strengthening against RMB	(21,157.48)	(21,157.48)
HKD	5% weakening against RMB	21,157.48	21,157.48
GBP	5% strengthening against RMB	(4,398.44)	(4,398.44)
GBP	5% weakening against RMB	4,398.44	4,398.44
JPY	5% strengthening against RMB	(193,164.12)	(193,164.12)
JPY	5% weakening against RMB	193,164.12	193,164.12

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

3.2.2 Sensitivity analysis of interest rate risk

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

3.2.2.2 Based on the above assumption, holding all other variables constant, the effects of possible reasonable changes in interest rates to the profit and loss and interest before tax for the six months are set out below.

Notes to the Financial Statements

For the six months ended 30 June 2014

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

1. Cash and bank balances

RMB

Item	2014.6.30 (unaudited)		
	Foreign currency	Exchange rate	RMB equivalent
Cash:			
RMB			561,229.22
USD	60,438.14	6.1528	371,863.79
HKD	17,223.40	0.7938	13,671.07
EUR	12,264.66	8.3946	102,956.91
JPY	942,858.01	0.0608	57,339.91
KRW	7,116.54	0.0061	43.66
GBP	16,506.27	10.4978	173,279.52
RUB	3,541.51	0.1838	650.93
THB	130.03	0.1915	24.90
AUD	10,009.06	5.8064	58,116.61
SGD	310.00	4.9744	1,542.06
Bank deposits:			
RMB			2,919,428,648.47
USD	12,949,437.10	6.1528	79,675,296.59
EUR	6,027,335.85	8.3946	50,597,073.53
JPY	5,979.94	0.0608	363.67
GBP	0.38	10.4978	3.99
AUD	0.12	5.8064	0.70
Other cash and bank balances:			
RMB			1,248,928,470.02
USD	989,276.00	6.1528	6,086,817.37
Total			4,306,057,392.92

As at 30 June 2014, the Company had restricted cash and bank balances of RMB1,255,015,287.39, in which guarantee on bank acceptance notes amounted to RMB466,643,470.02, guarantee on letter of credit amounted to RMB10,131,817.37, pledged time-deposit amounted to RMB775,000,000.00 and other guarantees amounted to RMB3,240,000.00.

Notes to the Financial Statements

For the six months ended 30 June 2014

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

1. Cash and bank balances (continued)

RMB

Item	31/12/2013 (Audited)		
	Foreign currency	Exchange rate	RMB equivalent
Cash:			
RMB			436,289.36
USD	12,614.63	6.0969	76,910.14
HKD	18,224.09	0.7862	14,327.78
EUR	12,373.44	8.4189	104,170.75
JPY	114,843.43	0.0578	6,637.95
KRW	7,159.65	0.0057	40.81
GBP	16,286.27	10.0556	163,768.22
RUB	3,542.49	0.1852	656.07
THB	134.23	0.1849	24.82
AUD	894.06	5.4301	4,854.84
SGD	315.17	4.7845	1,507.93
Bank deposits:			
RMB			4,049,282,700.80
USD	3,593,508.02	6.0969	21,909,259.05
EUR	290,440.40	8.4189	2,445,188.68
AUD	0.05	5.4301	0.27
Other cash and bank balances:			
RMB			348,883,533.33
USD	350,000.00	6.0969	2,133,915.00
Total			4,425,463,785.80

As at 31 December 2013, the Company had restricted cash and bank balances of RMB351,017,448.33, in which guarantee on bank acceptance bills amounted to RMB342,223,533.33, guarantee on letter of credit amounted to RMB5,553,915.00, and other guarantees amounted to RMB3,240,000.00.

Notes to the Financial Statements

For the six months ended 30 June 2014

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

2. Bills receivable

(1) Classification of bills receivable

Category	2014.06.30 (unaudited)	RMB 2013.12.31 (audited)
Bank acceptance notes	9,806,612,115.38	14,337,820,267.66
Total	9,806,612,115.38	14,337,820,267.66

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

Category	2014.06.30 (unaudited)	RMB 2013.12.31 (audited)
Bank acceptance notes	1,897,945,932.00	2,418,760,000.00
Total	1,897,945,932.00	2,418,760,000.00

Note: The Group pledged the bills receivable for the issuance of bills payable.

As at 30 June 2014, five pledged bills receivable with largest amounts were as follows:

Issuing unit	Date of issue	Due date	RMB Amount
Customer 1	10 February 2014	10 August 2014	7,440,000.00
Customer 2	3 June 2014	3 December 2014	7,000,000.00
Customer 3	7 May 2014	7 November 2014	6,000,000.00
Customer 4	10 February 2014	10 August 2014	5,000,000.00
Customer 5	10 February 2014	10 August 2014	5,000,000.00
Total			30,440,000.00

As at 31 December 2013, five pledged bills receivable with largest amounts were as follows:

Issuing unit	Date of issue	Due date	RMB Amount
Customer 1	1 November 2013	1 May 2014	10,000,000.00
Customer 2	2 December 2013	2 June 2014	7,000,000.00
Customer 3	2 July 2013	2 January 2014	6,000,000.00
Customer 4	30 September 2013	30 March 2014	6,000,000.00
Customer 5	2 September 2013	2 March 2014	6,000,000.00
Total			35,000,000.00

Notes to the Financial Statements

For the six months ended 30 June 2014

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

2. Bills receivable (continued)

(3) *As at the end of the six months, bills endorsed by the Group to other parties but undue were as follows:*

Category	2014.06.30 (unaudited)	RMB 2013.12.31 (audited)
Bank acceptance notes	13,318,756,295.72	16,171,118,500.00
Total	13,318,756,295.72	16,171,118,500.00

As at 30 June 2014, five bills receivable endorsed to other parties but undue with largest amounts were as follows:

Issuing unit	Date of issue	Due date	RMB Amount
Customer 1	17 January 2014	17 July 2014	10,000,000.00
Customer 2	6 June 2014	6 December 2014	10,000,000.00
Customer 3	6 January 2014	6 July 2014	10,000,000.00
Customer 4	7 January 2014	7 July 2014	10,000,000.00
Customer 5	24 January 2014	24 July 2014	10,000,000.00
Total			50,000,000.00

As at 31 December 2013, five bills receivable endorsed to other parties but undue with largest amounts were as follows:

Issuing unit	Date of issue	Due date	RMB Amount
Customer 1	23 July 2013	23 January 2014	10,000,000.00
Customer 2	22 August 2013	22 February 2014	10,000,000.00
Customer 3	22 October 2013	22 April 2014	10,000,000.00
Customer 4	27 November 2013	27 May 2014	10,000,000.00
Customer 5	27 August 2013	27 February 2014	10,000,000.00
Total			50,000,000.00

(4) *At the end of the reporting period, there was no bills receivable due to shareholders holding 5% or more voting shares of the Company.*

Notes to the Financial Statements

For the six months ended 30 June 2014

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

3. Accounts receivable

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

RMB

Item	2014.06.30 (unaudited)				2013.12.31 (audited)			
	Book value Amount	Ratio (%)	Provision for bad debt Amount	Ratio (%)	Book value Amount	Ratio (%)	Provision for bad debt Amount	Ratio (%)
Individually significant and subject to separate provision	3,148,546,093.62	99.18	—	—	1,181,754,647.04	97.65	—	—
Subject to provision by groups								
Accounts receivable of small amounts with high risks based on the characteristics of credit risk as a group	372,602.93	0.01	—	—	231,600.00	0.02	—	—
Other insignificant accounts receivable	25,591,507.78	0.81	—	—	28,258,450.69	2.33	(1,006.63)	—
Subtotal	25,964,110.71	0.82	—	—	28,490,050.69	2.35	(1,006.63)	—
Accounts receivable which are individually insignificant but subject to separate provision	—	—	—	—	—	—	—	—
Total	3,174,510,204.33	100.00	—	—	1,210,244,697.73	100.00	(1,006.63)	—

Descriptions of the categories of accounts receivable:

The Group recognizes accounts receivable of over RMB3 million and accounts receivable from unconsolidated related parties as individually significant.

The Group normally receives payments or bills in advance for the sale of automobiles.

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

RMB

Aging	2014.06.30 (unaudited)				2013.12.31 (audited)			
	Amount	Ratio (%)	Provision for bad debts	Book value	Amount	Ratio (%)	Provision for bad debts	Book value
Within 1 year	3,135,349,376.27	98.77	—	3,135,349,376.27	1,172,330,198.23	96.87	(1,006.63)	1,172,329,191.60
1 to 2 years	38,929,228.06	1.22	—	38,929,228.06	37,682,899.50	3.11	—	37,682,899.50
2 to 3 years	231,600.00	0.01	—	231,600.00	231,600.00	0.02	—	231,600.00
Over 3 years	—	—	—	—	—	—	—	—
Total	3,174,510,204.33	100.00	—	3,174,510,204.33	1,210,244,697.73	100.00	(1,006.63)	1,210,243,691.10

(3) There were no accounts receivable which are individually insignificant but subject to separate provision as at the end of the reporting period.

Notes to the Financial Statements

For the six months ended 30 June 2014

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

3. Accounts receivable (continued)

(4) Accounts receivable actually written off during the reporting period

Name of unit	Nature of accounts receivable	Amounts written off	Reason for write-off	RMB
				Whether arising from related party transaction
Shanghai horngshiue Industrial Co., Ltd (上海聖德曼鑄造有限公司)	Mould payment	40,000.00	Unrecoverable	No
Total		40,000.00		

(5) Five units with largest amounts of accounts receivable

Name of unit	Relationship with the Group	Amount	Aging	RMB
				Percentage of the total accounts receivable (%)
Customer 1	Non-related party	265,070,438.13	Within 6 months	8.35
Customer 2	Non-related party	127,698,350.74	Within 6 months	4.02
Customer 3	Non-related party	98,947,726.92	Within 6 months	3.12
Customer 4	Non-related party	35,484,386.62	Within 6 months	1.12
Customer 5	Non-related party	34,323,868.32	Within 6 months	1.08
Total		561,524,770.73		17.69

(6) At the end of the reporting period, there was no accounts receivable due to shareholders holding 5% or more voting shares of the Company.

(7) Accounts receivable from related parties

Please refer to item 24 of Note (X) for details of balance of accounts receivable from related parties by the Company as at the end of the six months.

Notes to the Financial Statements

For the six months ended 30 June 2014

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

4. Other receivables

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

Item	2014.06.30 (unaudited)				2013.12.31 (audited)			
	Book value Amount	Ratio (%)	Provision for bad debts Amount	Ratio (%)	Book value Amount	Ratio (%)	Provision for bad debts Amount	Ratio (%)
Individually significant and subject to separate provision	3,127,324,053.40	99.15	—	—	2,566,529,778.18	99.24	—	—
Subject to provision by groups								
Other receivables of small amounts with high risks based on the characteristics of credit risk as a group	2,233,465.97	0.07	(45,000.00)	2.01	1,624,750.96	0.06	(84,420.00)	5.20
Other insignificant other receivables	24,539,747.12	0.78	—	—	18,035,371.18	0.70	—	—
Subtotal	26,773,213.09	0.85	(45,000.00)	0.17	19,660,122.14	0.76	(84,420.00)	0.43
Other receivables which are individually insignificant but subject to separate provision	—	—	—	—	—	—	—	—
Total	3,154,097,266.49	100.00	(45,000.00)	—	2,586,189,900.32	100.00	(84,420.00)	—

RMB

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

Aging	2014.06.30 (unaudited)				2013.12.31 (audited)			
	Amount	Ratio (%)	Provision for bad debts	Book value	Amount	Ratio (%)	Provision for bad debts	Book value
Within one year	2,965,428,130.65	94.02	—	2,965,428,130.65	2,490,563,965.74	96.30	—	2,490,563,965.74
One to two years	166,772,467.10	5.29	—	166,772,467.10	95,541,514.58	3.69	—	95,541,514.58
Two to three years	21,851,668.74	0.69	—	21,851,668.74	—	—	—	—
Over three years	45,000.00	—	(45,000.00)	—	84,420.00	0.01	(84,420.00)	—
Total	3,154,097,266.49	100.00	(45,000.00)	3,154,052,266.49	2,586,189,900.32	100.00	(84,420.00)	2,586,105,480.32

RMB

(3) During the reporting period, there was no provision in full or of a large amount for bad debt made in previous periods but written back or reversed in full or in a large proportion during the reporting period.

(4) No other receivables were actually written off during the reporting period.

(5) At the end of the reporting period, there were no other receivables due to shareholders' holding 5% or more voting shares of the Company.

Notes to the Financial Statements

For the six months ended 30 June 2014

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

4. Other receivables (continued)

(6) Five units with the largest amounts of other receivables

					RMB Percentage of the total other receivables (%)
Name of unit	Relationship with the Group	Amount	Nature	Aging	
Unit 1	Non-related party	2,505,216,527.00	Performance bond	Within two years	79.43
Unit 2	Non-related party	160,000,000.00	Advance for land expropriation for the government	Within six months	5.07
Unit 3	Non-related party	149,153,000.00	Energy-saving subsidies	Within three years	4.73
Unit 4	Non-related party	57,580,417.26	Customs deposit	Within one year	1.83
Unit 5	Non-related party	42,436,143.36	Deposit for import equipment	Within six months	1.34
Total		2,914,386,087.62			92.40

(7) Other receivables from related parties

Please refer to item 24 of Note (X) for details of the balance of other receivables from related parties by the Company as at the end of the six months.

5. Inventory

(1) Inventory categories

Item	2014.06.30 (unaudited)		
	Book balance	Provision for obsolete stocks	Book value
Raw materials	455,357,180.01	—	455,357,180.01
Work in progress	397,856,805.48	—	397,856,805.48
Finished goods	742,420,903.10	(6,919,048.25)	735,501,854.85
Low-valued consumables	40,514,501.77	—	40,514,501.77
Total	1,636,149,390.36	(6,919,048.25)	1,629,230,342.11

Item	31/12/2013 (audited)		
	Book balance	Provision for obsolete stocks	Book value
Raw materials	370,767,807.42	—	370,767,807.42
Work in progress	426,077,317.57	—	426,077,317.57
Finished goods	665,391,324.00	(2,049,060.69)	663,342,263.31
Low-valued consumables	28,761,460.27	—	28,761,460.27
Total	1,490,997,909.26	(2,049,060.69)	1,488,948,848.57

Notes to the Financial Statements

For the six months ended 30 June 2014

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

5. Inventory (continued)

(2) Provision for obsolete stocks

Inventory categories	2014.1.1 (audited)	Provision for six months	Decrease for six months		RMB
			Reversals	Write-offs	2014.06.30 (unaudited)
Finished goods	2,049,060.69	6,919,048.25	—	(2,049,060.69)	6,919,048.25
Total	2,049,060.69	6,919,048.25	—	(2,049,060.69)	6,919,048.25

(3) Analysis of provision for obsolete stocks

Item	Basis of provision for obsolete stocks	Reason for reversal or write-off of provision for obsolete stocks during the six months	Percentage of the reversal to the closing balance of such inventory during the six months (%)
Finished goods	Note 1	Note 2	—

Descriptions of inventories:

Note 1: As the estimated net realizable value of whole vehicle products for the reporting period was lower than the inventory cost as at the end of the period, the impairment provision for inventory had been made for finished goods.

Note 2: As the inventories for which impairment provision was made in the previous period had been sold during this period, the impairment provision for inventory had been written off.

Notes to the Financial Statements

For the six months ended 30 June 2014

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

6. Long-term equity investment

(1) The breakdown of long-term equity investments was as follows:

RMB

Name of investee	Accounting method	Initial investment cost	2014.01.01 (audited) (restated)	Movement	2014.06.30 (unaudited)	Percentage of shareholding in the investee (%)	Percentage of voting right in the investee (%)	Impairment provision	Provision of impairment for the six months	Cash bonuses for the six months
Investment in subsidiaries										
Baoding Great Wall Huabei Automotive Company Limited (保定長城華北汽車有限公司)	Cost method	268,092,310.00	268,092,310.00	—	268,092,310.00	100.00	100.00	—	—	221,022,890.05
Baoding Great Wall Internal Combustion Engine Manufacturing Company Limited (保定長城內燃機製造有限公司)	Cost method	583,255,808.00	583,255,808.00	—	583,255,808.00	100.00	100.00	—	—	95,276,453.94
Great Wall Baoding Vehicle Axles Company Limited (保定長城汽車軸業有限公司)	Cost method	347,555,714.49	209,846,614.49	137,709,100.00	347,555,714.49	100.00	100.00	—	—	88,701,644.08
Baoding Nuobo Rubber Production Company Limited (保定市諾博橡膠製品有限公司)	Cost method	72,240,000.00	72,240,000.00	—	72,240,000.00	100.00	100.00	—	—	109,723,580.04
Beijing Great Automotive Components Company Limited (北京格瑞特汽車零部件有限公司)	Cost method	750,000.00	750,000.00	—	750,000.00	75.00	75.00	—	—	522,365.92
Baoding Great Machinery Company Limited (保定市格瑞機械有限公司)	Cost method	23,000,000.00	23,000,000.00	—	23,000,000.00	100.00	100.00	—	—	45,200,632.90
Great Wall Baoding Automotive Customer Service Company Limited (保定市長城汽車售後服務有限公司)	Cost method	34,850,000.00	150,000.00	34,700,000.00	34,850,000.00	100.00	100.00	—	—	11,663,696.12
Macs (Baoding) Auto A/C System Company Limited (Note 1) (麥克斯(保定)汽車空調系統有限公司)	Cost method	25,021,090.00	25,021,090.00	—	25,021,090.00	75.00	100.00	—	—	14,128,220.06
Tide Technology and Trade Company Limited (泰德科貿有限公司)	Cost method	159,353,665.00	159,353,665.00	—	159,353,665.00	100.00	100.00	—	—	—
Russia Great Wall Closed Joint-Stock Company Limited (俄羅斯長城股份有限公司)	Cost method	404,335.00	404,335.00	—	404,335.00	100.00	100.00	—	—	—
Baoding Mind Auto Component Company Limited (Note 1) (保定曼德汽車配件有限公司)	Cost method	71,250,000.00	450,000.00	70,800,000.00	71,250,000.00	75.00	100.00	—	—	69,775,356.52
Baoding Great Wall Exquisite Foundry Company Limited Baoding (保定長城精工鑄造有限公司)	Cost method	85,000,000.00	85,000,000.00	—	85,000,000.00	100.00	100.00	—	—	36,121,398.23
Baoding Yixin Automotive Parts Company Limited (Note 1) (保定億新汽車配件有限公司)	Cost method	9,750,000.00	9,750,000.00	—	9,750,000.00	75.00	100.00	—	—	—
Baoding Great Wall Ants Logistics Company Limited (保定市長城螞蟥物流有限公司)	Cost method	86,000,000.00	86,000,000.00	—	86,000,000.00	100.00	100.00	—	—	31,175,268.34
Baoding Lean Automotive Occupation Training School (保定市精益汽車職業培訓學校)	Cost method	100,000.00	100,000.00	—	100,000.00	100.00	100.00	—	—	—
Tianjin Boxin Automobile Parts Co., Ltd. (天津博信汽車零部件有限公司)	Cost method	1,891,553,510.28	1,891,553,510.28	—	1,891,553,510.28	100.00	100.00	—	—	770,393,689.97
Ningxia Great Wall Automobile Leasing Company Limited (寧夏長城汽車租賃有限公司)	Cost method	20,000,000.00	20,000,000.00	—	20,000,000.00	100.00	100.00	—	—	—
Baoding Great Wall Resource Recycling Co., Ltd. (保定長城再生資源利用有限公司)	Cost method	50,000,000.00	50,000,000.00	—	50,000,000.00	100.00	100.00	—	—	18,596,422.27
Baoding Great Wall Boxiang Automotive Parts Manufacturing Company Limited (保定長城博翔汽車零部件製造有限公司)	Cost method	39,116,124.26	39,116,124.26	—	39,116,124.26	100.00	100.00	—	—	11,908,059.88
Baoding Exquisite Automotive Mould Technology Co., Ltd. (保定市精工汽車模具技術有限公司)	Cost method	5,000,000.00	5,000,000.00	—	5,000,000.00	100.00	100.00	—	—	3,718,036.35

Notes to the Financial Statements

For the six months ended 30 June 2014

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

6. Long-term equity investment (continued)

(1) The breakdown of long-term equity investments was as follows: (continued)

RMB

Name of investee	Accounting method	Initial investment cost	2014.01.01 (audited) (restated)	Movement	2014.06.30 (unaudited)	Percentage of shareholding in the investee (%)	Percentage of voting right in the investee (%)	Impairment provision	Provision of impairment for the six months	Cash bonuses for the six months
Baoding Xinyuan Automobile Inner Decoration Company Limited (Note 1) (保定信遠汽車內飾件有限公司)	Cost method	47,025,720.36	47,025,720.36	—	47,025,720.36	75.00	100.00	—	—	44,718,309.62
Baoding Great Wall Automobile Component Sales Co., Ltd. (保定長城汽車配件銷售有限公司)	Cost method	7,000,000.00	7,000,000.00	—	7,000,000.00	100.00	100.00	—	—	36,922,012.39
Xushui Clean Heat Supplying Company Limited (徐水縣科林供熱有限公司)	Cost method	175,000,000.00	140,000,000.00	35,000,000.00	175,000,000.00	100.00	100.00	—	—	—
Baoding Great Wall Automotive Rental Co., Ltd. (保定市長城汽車出租有限公司)	Cost method	20,000,000.00	20,000,000.00	—	20,000,000.00	100.00	100.00	—	—	—
Baoding Great Wall Auto Sales Company Limited (保定長城汽車銷售有限公司)	Cost method	8,000,000.00	8,000,000.00	—	8,000,000.00	100.00	100.00	—	—	154,514,534.07
Nuobo Rubber Production Co., Ltd. (諾博橡膠製品有限公司)	Cost method	255,000,000.00	—	255,000,000.00	255,000,000.00	100.00	100.00	—	—	—
Baoding Qingchuang Property Services Company Limited (保定市勤創物業服務有限公司)	Cost method	8,000,000.00	—	8,000,000.00	8,000,000.00	100.00	100.00	—	—	—
Shanghai Haval Automotive Technology Limited Company (上海哈爾弗汽車科技有限公司)	Cost method	1,500,000.00	—	1,500,000.00	1,500,000.00	100.00	100.00	—	—	—
Baoding Haval Auto Sales Company Limited (保定哈爾弗汽車銷售有限公司)	Cost method	5,000,000.00	—	5,000,000.00	5,000,000.00	100.00	100.00	—	—	—
Baoding Zhiteng Automation Technology Company Limited (保定市智騰自動化科技有限公司)	Cost method	100,000,000.00	—	100,000,000.00	100,000,000.00	100.00	100.00	—	—	—
Tianjin Great Wall Binyin Automotive Finance Company Limited (天津長城漢銀汽車金融有限公司)	Cost method	495,000,000.00	—	495,000,000.00	495,000,000.00	90.00	90.00	—	—	—
Subtotal		4,893,818,277.39	3,751,109,177.39	1,142,709,100.00	4,893,818,277.39			—	—	1,764,082,570.75
Investment in associates										
Baoding Yanfeng Johnson Controls Automobile Seating Co., Ltd. (保定延鋒江森汽車座椅有限公司)	Equity method	4,540,000.00	14,171,695.17	1,828,328.23	16,000,023.40	25.00	25.00	—	—	—
Subtotal		4,540,000.00	14,171,695.17	1,828,328.23	16,000,023.40			—	—	—
Investment in joint ventures										
Baoding Jiehua Automobile Components and Accessories Company Limited (保定杰華汽車零部件有限公司)	Equity method	15,654,000.00	17,022,230.04	55,885.13	17,078,115.17	50.00	50.00	—	—	—
Subtotal		15,654,000.00	17,022,230.04	55,885.13	17,078,115.17			—	—	—
Total		4,914,012,277.39	3,782,303,102.60	1,144,593,313.36	4,926,896,415.96			—	—	1,764,082,570.75

Note 1: The Company directly holds 75% shares of Macs, Mind auto components, Baoding Yixin and Baoding Xinyuan. Billion Sunny a wholly owned subsidiary of the Company holds the rest 25% shares of above companies respectively, therefore the percentage of voting right of the Company is 100%.

Notes to the Financial Statements

For the six months ended 30 June 2014

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

7. Fixed Assets

Fixed assets

				RMB
Item	2014.01.01 (audited)	Additions for six months	Deductions for six months	2014.06.30 (unaudited)
1. Total original carrying amount:	15,189,046,879.95	1,053,338,264.55	(15,531,030.67)	16,226,854,113.83
Of which: Buildings and structures	6,162,601,011.11	474,649,590.78	(109,164.40)	6,637,141,437.49
Machinery and equipment	7,294,178,248.82	355,515,611.76	(5,738,499.31)	7,643,955,361.27
Motor vehicles	49,417,238.44	6,506,603.25	(1,301,215.08)	54,622,626.61
Other equipment	1,682,850,381.58	216,666,458.76	(8,382,151.88)	1,891,134,688.46
2. Total accumulated depreciation:	2,972,647,247.86	574,113,409.11	(7,840,851.63)	3,538,919,805.34
Of which: Buildings	427,976,765.45	96,330,081.71	(71,810.24)	524,235,036.92
Machinery and equipment	1,713,857,372.27	354,629,184.58	(2,624,076.57)	2,065,862,480.28
Motor vehicles	14,953,183.16	3,056,844.82	(902,389.82)	17,107,638.16
Other equipment	815,859,926.98	120,097,298.00	(4,242,575.00)	931,714,649.98
3. Total net book value of fixed assets	12,216,399,632.09	479,224,855.44	(7,690,179.04)	12,687,934,308.49
Of which: Buildings	5,734,624,245.66	378,319,509.07	(37,354.16)	6,112,906,400.57
Machinery and equipment	5,580,320,876.55	886,427.18	(3,114,422.74)	5,578,092,880.99
Motor vehicles	34,464,055.28	3,449,758.43	(398,825.26)	37,514,988.45
Other equipment	866,990,454.60	96,569,160.76	(4,139,576.88)	959,420,038.48
4. Total impairment provision	59,394,102.18	—	(664,537.79)	58,729,564.39
Of which: Buildings	—	—	—	—
Machinery and equipment	33,847,386.34	—	(46,356.70)	33,801,029.64
Motor vehicles	—	—	—	—
Other equipment	25,546,715.84	—	(618,181.09)	24,928,534.75
5. Total net carrying amount of fixed assets	12,157,005,529.91	479,224,855.44	(7,025,641.25)	12,629,204,744.10
Of which: Buildings	5,734,624,245.66	378,319,509.07	(37,354.16)	6,112,906,400.57
Machinery and equipment	5,546,473,490.21	886,427.18	(3,068,066.04)	5,544,291,851.35
Motor vehicles	34,464,055.28	3,449,758.43	(398,825.26)	37,514,988.45
Other equipment	841,443,738.76	96,569,160.76	(3,521,395.79)	934,491,503.73

During the six months, RMB220,031,286.70, RMB832,014,579.38 and RMB1,292,398.47 due to additions, transfer from construction in progress and transfer from self-produced moulds, respectively.

During the six months, the original value of fixed assets decreased by RMB13,590,859.72 due to disposals, decreased by RMB1,940,170.95 due to transfer to construction.

During the six months, the accumulated depreciation increased by RMB574,113,409.11 due to provisions.

During the six months, the accumulated depreciation decreased by RMB7,554,904.28 due to disposal, decreased by RMB285,947.35 due to transfer to construction.

During the six months, the impairment provision decreased by RMB664,537.79 due to provision.

As at 30, June, 2014, among the fixed assets, the net book value of properties without title certificates amounted to RMB3,217,784,946.80, and the application of relevant title certificates is in progress.

Notes to the Financial Statements

For the six months ended 30 June 2014

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

7. Fixed Assets (continued)

Fixed assets (continued)

				RMB
Item	2013.1.1 (audited)	Additions for the period	Deductions for the period	2013.06.30 (unaudited)
1. Total original carrying amount:	8,852,573,046.11	1,826,172,199.58	(11,637,997.34)	10,667,107,248.35
Of which: Buildings and structures	3,175,058,904.73	964,698,207.98	(1,446,435.53)	4,138,310,677.18
Machinery and equipment	4,447,542,588.31	767,651,063.15	(2,902,355.16)	5,212,291,296.30
Motor vehicles	41,408,027.95	4,944,014.87	(1,477,043.09)	44,874,999.73
Other equipment	1,188,563,525.12	88,878,913.58	(5,812,163.56)	1,271,630,275.14
2. Total accumulated depreciation:	2,110,241,946.78	367,237,068.70	(7,175,680.16)	2,470,303,335.32
Of which: Buildings	283,069,237.07	50,656,950.99	(123,299.89)	333,602,888.17
Machinery and equipment	1,240,647,639.07	193,490,174.87	(1,885,534.71)	1,432,252,279.23
Motor vehicles	9,583,572.63	2,269,935.09	(321,553.99)	11,531,953.73
Other equipment	576,941,498.01	120,820,007.75	(4,845,291.57)	692,916,214.19
3. Total net book value of fixed assets	6,742,331,099.33	1,458,935,130.88	(4,462,317.18)	8,196,803,913.03
Of which: Buildings	2,891,989,667.66	914,041,256.99	(1,323,135.64)	3,804,707,789.01
Machinery and equipment	3,206,894,949.24	574,160,888.28	(1,016,820.45)	3,780,039,017.07
Motor vehicles	31,824,455.32	2,674,079.78	(1,155,489.10)	33,343,046.00
Other equipment	611,622,027.11	(31,941,094.17)	(966,871.99)	578,714,060.95
4. Total impairment provision	44,555,937.63	—	(25,168.33)	44,530,769.30
Of which: Buildings	—	—	—	—
Machinery and equipment	25,684,698.83	—	(21,832.39)	25,662,866.44
Motor vehicles	—	—	—	—
Other equipment	18,871,238.80	—	(3,335.94)	18,867,902.86
5. Total net carrying amount of fixed assets	6,697,775,161.70	1,458,935,130.88	(4,437,148.85)	8,152,273,143.73
Of which: Buildings	2,891,989,667.66	914,041,256.99	(1,323,135.64)	3,804,707,789.01
Machinery and equipment	3,181,210,250.41	574,160,888.28	(994,988.06)	3,754,376,150.63
Motor vehicles	31,824,455.32	2,674,079.78	(1,155,489.10)	33,343,046.00
Other equipment	592,750,788.31	(31,941,094.17)	(963,536.05)	559,846,158.09

During the first half of the six months, RMB39,750,462.29, and RMB1,786,421,737.29 due to additions, transfer from construction in progress and transfer from self-produced moulds, respectively.

During the six months, the original value of fixed assets decreased by RMB9,992,507.71 due to disposals, decreased by RMB1,645,489.63 due to transfer to construction in progress.

During the six months, the accumulated depreciation increased by RMB367,237,068.70 due to provisions.

During the six months, the accumulated depreciation decreased by RMB7,126,318.95 due to disposal, decreased by RMB49,361.21 due to transfer to construction in progress.

During the six months, the impairment provision decreased by RMB25,168.33 due to write-off.

Notes to the Financial Statements

For the six months ended 30 June 2014

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

8. Construction in progress

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

Project	2014.06.30 (unaudited)			2013.12.31 (audited)		
	Book balance	Impairment provision	Net book value	Book balance	Impairment provision	Net book value
Annual production of 300,000 sets of EG engines	88,714,893.95	—	88,714,893.95	70,091,130.40	—	70,091,130.40
Annual production of 200,000 sets of six-speed manual transmissions	34,920,184.94	—	34,920,184.94	40,622,856.60	—	40,622,856.60
Annual production of 400,000 sets of aluminium alloy casting	20,091,147.18	—	20,091,147.18	29,835,562.63	—	29,835,562.63
Annual production of 400,000 sets of automotive lightings	1,851,361.24	—	1,851,361.24	27,641,592.86	—	27,641,592.86
Tianjin automobile project phase	448,263,104.12	—	448,263,104.12	502,978,177.05	—	502,978,177.05
Tianjin parts and components project	307,848,195.69	—	307,848,195.69	168,739,711.49	—	168,739,711.49
Tianjin branch's residential area supporting project	15,103,615.04	—	15,103,615.04	16,780,791.26	—	16,780,791.26
Industrial park phase I. II. III	260,288,819.23	(851,065.00)	259,437,754.23	252,152,970.60	(851,065.00)	251,301,905.60
Steam project	5,034,815.00	—	5,034,815.00	3,570,000.00	—	3,570,000.00
Xindatong Reconstruction	689,844.01	—	689,844.01	32,584,178.01	—	32,584,178.01
Jiaozhuang infrastructure	202,448.53	—	202,448.53	7,588,391.57	—	7,588,391.57
Jiaozhuang equipment	232,225,274.19	—	232,225,274.19	123,920,244.87	—	123,920,244.87
New technology center	869,204,005.56	—	869,204,005.56	842,546,398.45	—	842,546,398.45
Xushui Automobile Project	1,516,582,282.19	—	1,516,582,282.19	1,050,010,890.20	—	1,050,010,890.20
Xushui parts and components project	413,935,757.80	—	413,935,757.80	284,525,052.78	—	284,525,052.78
Xushui supporting infrastructure project	2,512,697.63	—	2,512,697.63	2,512,697.63	—	2,512,697.63
Others	31,868,009.51	—	31,868,009.51	12,136,681.13	—	12,136,681.13
Total	4,249,336,455.81	(851,065.00)	4,248,485,390.81	3,468,237,327.53	(851,065.00)	3,467,386,262.53

RMB

Notes to the Financial Statements

For the six months ended 30 June 2014

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

8. Construction in progress (continued)

(2) Changes of major construction in progress

											RMB
											2014.6.30 (unaudited)
Project	Budget amount	2014.1.1 (audited)	Additions for the six month	Transfer to fixed assets	Other deductions	Investment to budget (%)	Accumulated capitalized interest amount	Of which: capitalized interest amount for the six months	Ratio of capitalized interest amount for the six months (%)	Sources of fund	
Annual production of 300,000 sets of EG engines	547,163,800.00	70,091,130.40	19,848,211.13	(1,224,447.58)	—	84.01	—	—	—	Fund raised and Internal resources	88,714,893.95
Annual production of 200,000 sets of six-speed manual transmissions	432,561,100.00	40,622,856.60	14,753,035.91	(19,718,776.17)	(736,931.40)	100.00	—	—	—	Fund raised	34,920,184.94
Annual production of 400,000 sets of aluminium alloy casting	303,376,600.00	29,835,562.63	690,920.30	(7,723,916.16)	(2,711,419.59)	98.28	—	—	—	Fund raised	20,091,147.18
Annual production of 400,000 sets of automotive lightings	180,677,200.00	27,641,592.86	—	(25,790,231.62)	—	100.00	—	—	—	Fund raised and Internal resources	1,851,361.24
Tianjin automobile project phase	4,451,639,200.00	502,978,177.05	46,665,600.43	(95,205,891.02)	(6,174,782.34)	98.13	—	—	—	Internal resources	448,263,104.12
Tianjin parts and components project	998,463,000.00	168,739,711.49	184,378,913.03	(45,124,460.40)	(145,968.43)	47.43	—	—	—	Internal resources	307,848,195.69
Tianjin branch's residential area supporting project	493,019,700.00	16,780,791.26	12,093,309.87	(13,770,486.09)	—	88.37	—	—	—	Internal resources	15,103,615.04
Industrial park phase I, II, III	625,616,530.00	252,152,970.60	105,296,424.59	(93,894,319.02)	(3,266,256.94)	97.67	—	—	—	Internal resources	260,288,819.23
Steam project	68,735,000.00	3,570,000.00	1,464,815.00	—	—	90.65	—	—	—	Internal resources	5,034,815.00
Xindatong Reconstruction	59,364,816.00	32,584,178.01	708,314.41	(32,601,639.29)	(1,009.12)	99.99	—	—	—	Internal resources	689,844.01
Jiaozhuang infrastructure	253,863,000.00	7,588,391.57	986,900.13	(8,372,843.17)	—	79.40	—	—	—	Internal resources	202,448.53
Jiaozhuang equipment	1,286,135,976.00	123,920,244.87	162,018,593.14	(52,433,563.00)	(1,280,000.82)	99.76	—	—	—	Internal resources	232,225,274.19
New technology center	1,893,518,600.00	842,546,398.45	26,657,607.11	—	—	45.90	—	—	—	Internal resources	869,204,005.56
Xushui Automobile Project	9,030,318,242.00	1,050,010,890.20	879,375,620.65	(404,345,818.22)	(8,458,410.44)	42.46	—	—	—	Internal resources	1,516,582,282.19
Xushui parts and components project	5,747,502,945.00	284,525,052.78	161,023,443.19	(31,376,635.64)	(236,102.53)	27.47	—	—	—	Internal resources	413,935,757.80
Xushui supporting infrastructure project	236,281,021.93	2,512,697.63	307,069.00	(307,069.00)	—	96.07	—	—	—	Internal resources	2,512,697.63
Others	259,577,000.00	12,136,681.13	19,855,811.38	(124,483.00)	—	93.87	—	—	—	Internal resources	31,868,009.51
Total	26,867,813,730.93	3,468,237,327.53	1,636,124,589.27	(832,014,579.38)	(23,010,881.61)	—	—	—	—		4,249,336,455.81

Notes to the Financial Statements

For the six months ended 30 June 2014

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

8. Construction in progress (continued)

(3) Impairment of construction in progress

Item	1/1/2014	Additions for the year	Deductions for the year	RMB	
				30/06/2014	The reason of provision
Industrial park phase I II III Reconstruction and expansion	851,065.00	—	—	851,065.00	
Total	851,065.00	—	—	851,065.00	

9. Intangible assets

Intangible assets

Item	2014.01.01 (audited)	Additions for six months	Deductions for six months	RMB	
				2014.06.30 (unaudited)	
1. Total original book value	2,300,273,652.89	70,293,964.61	(637,103.52)	2,369,930,513.98	
Land use rights	2,219,892,620.68	55,064,979.30	—	2,274,957,599.98	
Others	80,381,032.21	15,228,985.31	(637,103.52)	94,972,914.00	
2. Total accumulated amortization	169,026,946.05	27,323,010.75	(637,103.52)	195,712,853.28	
Land use rights	129,800,681.39	22,640,781.83	—	152,441,463.22	
Others	39,226,264.66	4,682,228.92	(637,103.52)	43,271,390.06	
3. Total net book value of intangible assets	2,131,246,706.84	42,970,953.86	—	2,174,217,660.70	
Land use rights	2,090,091,939.29	32,424,197.47	—	2,122,516,136.76	
Others	41,154,767.55	10,546,756.39	—	51,701,523.94	

During the six months, the original book value increased by RMB70,293,964.61 due to additions.

During the six months, the original book value decreased by RMB637,103.52 due to disposal.

During the six months, the accumulated amortization increased by RMB27,323,010.75.

During the six months, the accumulated amortization decreased by RMB637,103.52 due to provision and disposal respectively.

As at 30 June 2014, among the intangible assets, the net book value of land use rights without land use right certificates amounted to RMB89,349,662.14, and the application of relevant land use right certificates is in progress.

Analysis on the location and aging of prepaid lease payments (land use rights) is as follows:

Item	RMB	
	2014.6.30 (unaudited)	2013.12.31 (audited)
Located in mainland China — 10 to 50 years	2,122,516,136.76	2,090,091,939.29

Notes to the Financial Statements

For the six months ended 30 June 2014

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

10. Short term borrowing

Category	2014.6.30 (unaudited)	RMB 2013.12.31 (audited)
Pledge loans (Note 1)	764,264,631.72	182,198,866.04
Total	764,264,631.72	182,198,866.04

Note 1: At the end the reporting period, the balance of pledge bank loans were amounts due to the Company has pledged time deposit amounts to RMB775,000,000.00 from Industrial Bank Baoding Branch for a short term loan of HKD962,853,079.33.

11. Bills payable

Category	2014.6.30 (unaudited)	RMB 2013.12.31 (audited)
Bank acceptance notes	2,889,592,640.94	2,572,362,386.32
Total	2,889,592,640.94	2,572,362,386.32

12. Accounts payable

Item	2014.6.30 (unaudited)	RMB 2013.12.31 (audited)
Within 1 year	9,422,530,684.68	11,236,019,553.02
1 to 2 years	23,220,015.73	17,773,365.70
2 to 3 years	9,042,657.83	4,155,057.00
Over 3 years	6,456,281.83	6,730,954.78
Total	9,461,249,640.07	11,264,678,930.50

Note 1: Accounts payable aged over one year were primarily the remaining balances for raw materials due to suppliers.

Note 2: At the end of the reporting period, there was no accounts payable due to shareholders holding 5% or more voting shares of the Company.

Notes to the Financial Statements

For the six months ended 30 June 2014

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

13. Advances from customers

		RMB
Item	2014.6.30 (unaudited)	2013.12.31 (audited)
Within 1 year	3,429,593,630.90	2,565,768,901.16
1 to 2 years	28,223,896.47	8,123,941.55
2 to 3 years	6,672,202.01	1,645,113.27
Over 3 years	2,943,087.62	2,375,640.82
Total	3,467,432,817.00	2,577,913,596.80

Note 1: Advances from customers aged over one year were primarily the outstanding payment due from customers in previous years.

Note 2: At the end of the reporting period, there was no advances from customers due to shareholders holding 5% or more voting shares of the Company.

14. Other non-current liabilities

RMB						
Category	1/1/2014 (Audited)	Additions for the year	Credited to Non-operating income for the year	Other movements	30/06/2014 (Unaudited)	related to an asset/related to income
Urban construction fund (Note 1)	57,782,878.63	—	(1,159,914.17)	—	56,622,964.46	related to an asset
Tax refund for purchasing domestic manufactured equipment (Note 2)	62,980,189.21	—	(7,750,365.44)	—	55,229,823.77	related to an asset
Government industrial policy supporting fund (Note 3)	230,893,599.00	—	(2,782,818.76)	—	228,110,780.24	related to an asset
Soft soil foundation subsidy (Note 4)	158,319,679.50	—	(1,694,096.96)	—	156,625,582.54	related to an asset
Infrastructure supporting fund (Note 5)	784,516,179.09	—	(12,070,087.94)	—	772,446,091.15	related to an asset
Subsidies for material technological innovation projects (Note 6)	5,333,333.33	—	(400,000.00)	—	4,933,333.33	related to an asset
Capital for new technical centre infrastructure construction (Note 7)	11,156,427.60	—	(118,685.40)	—	11,037,742.20	related to an asset
Diesel engine development project fund (Note 8)	800,000.00	—	(50,000.00)	—	750,000.00	related to an asset
863 plan (power) (Note 9)	—	2,872,800.00	(2,872,800.00)	—	—	related to income
863 plan (pure electronic motor) (Note 10)	1,119,200.00	2,630,000.00	(108,010.69)	—	3,641,189.31	related to income
New technical centre infrastructure construction project (Note 11)	91,300,000.00	—	—	—	91,300,000.00	related to an asset
Hybrid power SUV development project (Note 12)	98,000,000.00	—	—	—	98,000,000.00	related to an asset
Connected car project (Note 13)	12,000,000.00	—	(141,485.04)	—	11,858,514.96	related to an asset
New plug-in SUV project (Note 14)	—	1,500,000.00	—	—	1,500,000.00	related to income
Total	1,514,201,486.36	7,002,800.00	(29,148,264.40)	—	1,492,056,021.96	
Less: Non-current liabilities due within one year	(50,774,818.07)			—	(52,987,428.42)	
Other non-current liabilities	1,463,426,668.29	7,002,800.00	(29,148,264.40)	—	1,439,068,593.54	

Notes to the Financial Statements

For the six months ended 30 June 2014

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

14. Other non-current liabilities (continued)

Note 1: According to “Minutes of the Meeting Regarding Coordination of the Relevant Issues of New Factory Construction of Baoding Great Wall Motor Company Limited” (Baoding Zheng [2002] No.170) (保定政[2002]170號) issued by the office of Baoding government, Baoding Municipal Bureau of Finance allocated urban construction fund to the Group for land and related infrastructure construction exclusively.

Note 2: This refers to value-added tax refunded to the Company, for the purchase of domestic manufactured equipment by foreign-invested enterprises.

Note 3: According to the “Provisional Regulations on the Development of Advanced Manufacturing Industry in Tianjin Economic-Technological Development Area” and the cooperation agreement entered into between Tianjin Economic-Technological Development Area and the Company, the Company received industrial policy supporting fund from Tianjin Economic-Technological Development Area in 2009.

Note 4: According to the “Provisional Regulations on the Development of Advanced Manufacturing Industry in Tianjin Economic-Technological Development Area”, the cooperation agreement entered into between Tianjin Economic-Technological Development Area and the Company, and “Payment agreement of soft soil foundation treatment subsidy” of Tianjin Economic and Technological Development Zone Development Bureau, the Company received soft soil foundation subsidiary from Tianjin Economic-Technological Development Area.

Note 5: According to the “Circular Regarding the Allocation of Infrastructure Construction Fund to Great Wall Motor Company Limited” issued by Baoding Xushui government, Xushui government allocated money to the Company as the supporting fund for the infrastructure (buildings and ancillary facilities) construction of 500,000-automobile and components and parts production base project in new Great Wall industrial area in Baoding.

Note 6: According to “Notice regarding improving the ability of independent innovation and high-tech industry development projects in 2010 the first batch of the central budget for investment projects” issued by Hebei Development and Reform Commission and forwarded by Baoding Development and Reform Commission, Baoding Development and Reform Commission allocated money to the company for innovation project of Automobile safety and environmental protection. Baoding Finance Bureau allocated money to Great Wall Internal Combustion Engine, a subsidiary of the company for Diesel engine technology reconstruction project. Moreover, according to the “Notice Regarding the Central Infrastructure Expenditure Budget (Fund Allocated) for Independent Innovation and Advanced Technology Industrialization in 2011 by Bureau of Finance in Baoding”, the Bureau of Finance in Southern Baoding allocated the Central Infrastructure Expenditure Budget (Allocated Fund) as Central Infrastructure expenditure budget (appropriation) quota for the innovation project of the technology centre of the Company exclusively.

Note 7: According to the “Notice regarding the allocation of infrastructure construction fund to the new technology centre of Great Wall Motor Company Limited by the Bureau of Finance in Baoding”, the Bureau of Finance in Southern Baoding allocated money for the infrastructure construction of the new technology center of the Company exclusively.

Note 8: According to “Notice regarding the projects and funding of Hebei Province Scientific and technological research and development program (the first batch)”, the company’s GW4D20 Diesel product development project was granted directly from the Bureau of Finance in Hebei Province.

Note 9: According to “Mission statement of National High Technology Research and Development Program (Program 863)”, in critical automotive powertrain technology projects of Modern transport technology areas, the company’s development on diesel for high pressure beard common rail car was granted project research funding amounted to RMB2,873,000.

Note 10: According to “Mission statement of National High Technology Research and Development Program (Program 863)”, in critical automotive powertrain technology projects of Modern transport technology areas, the company’s A0-class small city development of pure electric cars was granted project research funding amounted to RMB2,630,000.

Note 11: According to the “Notice regarding the Central Infrastructure Investment Expenditure Budget (Fund Allocated) for Revitalization of Industry and Technological Transformation in 2012 by Bureau of Finance in Baoding”, the Bureau of Finance in Southern Baoding allocated money for the construction project of the new technology centre of the Company exclusively.

Notes to the Financial Statements

For the six months ended 30 June 2014

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

14. Other non-current liabilities (continued)

Note 12: According to the "Notice regarding allocate incentive fund in advance for the new energy vehicles industry technological innovation project by Bureau of Finance in Baoding", the reward fund is allocated due to "Brand-new Plug-in Hybrid Power SUV Development Project" by the Company, which has met the financial incentive fund criteria for the new energy vehicles industry technological innovation project.

Note 13: According to "Notice regarding supplemental fund for satellite and appliance industry development in 2013 by the Finance Department and Development and Reform Commission of Hebei Province", the Bureau of Finance and Development and Reform in Baoding allocated fund for the development of front installed telematics services platform and terminals based on the Big Dipper satellite system of the Company exclusively.

Note 14: According to "Mission statement of special project on major technology achievement in Hebei Province", the Department of Science and Technology of Hebei Province issued budget index for initiate fund of New Plug-in Hybrid Power SUV Development and Industrialisation, specialise in research activities during the transformation of New Plug-in Hybrid Power SUV achievement of the Company, which was granted project funding of RMB1.5 million during the reporting period.

15. Capital reserve

Item	RMB			
	Opening balance	Additions for the six months	Deductions for the six months	Closing balance
Six months ended 30 June 2014 (unaudited)				
Capital premiums	4,509,010,149.89	—	—	4,509,010,149.89
Other capital reserves	(2,933,126.78)	—	—	(2,933,126.78)
Of which: Transfer from capital reserves under previous standards	(2,933,126.78)	—	—	(2,933,126.78)
Translation differences of foreign capital	—	—	—	—
Reserve for revaluation gain of assets	—	—	—	—
Total	4,506,077,023.11	—	—	4,506,077,023.11
Six months ended 30 June 2013 (unaudited)				
Capital premiums	4,509,010,149.89	—	—	4,509,010,149.89
Other capital reserves	(2,933,126.78)	—	—	(2,933,126.78)
Of which: Transfer from capital reserves under previous standards	(2,933,126.78)	—	—	(2,933,126.78)
Translation differences of foreign capital	—	—	—	—
Reserve for revaluation gain of assets	—	—	—	—
Total	4,506,077,023.11	—	—	4,506,077,023.11

Notes to the Financial Statements

For the six months ended 30 June 2014

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

16. Undistributed profits

Item	RMB	
	Amount	Proportion of appropriation or allocation
Six months ended 30 June 2014 (Unaudited)		
Undistributed profits at the beginning of the six months	16,630,245,730.47	
Add: Net profits attributable to the shareholders of parent company of the six months	4,785,111,864.36	
Less: Appropriation of statutory surplus reserves	—	(1)
Distribution of cash dividends	(2,494,786,860.00)	(2)
Undistributed profits at the end of the six months	18,920,570,734.83	
Six months ended 30 June 2013 (Unaudited)		
Undistributed profits at the beginning of the six months	10,561,619,917.42	
Add: Net profits attributable to the shareholders of parent company of the six months	4,491,609,598.80	
Less: Appropriation of statutory surplus reserves	—	(1)
Distribution of cash dividends	(1,734,181,110.00)	(2)
Undistributed profits at the end of the six months	13,319,048,406.22	

(1) Appropriation of statutory surplus reserves

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

(2) Cash dividend as approved at the shareholders' meeting for the six months

The 2013 Annual General Meeting of the Company held on 9 May 2014 considered and approved the resolution regarding the profit distribution proposal for the year 2013. In 2013, the Company declared a cash dividend of RMB0.82 per share (tax inclusive) to all shareholders, aggregating to RMB2,494,786,860.00 based on the total of 3,042,423,000 shares with a par value of RMB1 each.

Notes to the Financial Statements

For the six months ended 30 June 2014

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

17. Operating revenue and operating costs

(1) Operating revenue

Item	Six months ended 30 June 2014 (unaudited)	RMB Six months ended 30 June 2013 (unaudited)
Revenue from principal businesses	26,827,163,537.89	24,814,895,544.30
Of which: Revenue from the sale of automobiles	26,014,504,542.74	24,036,489,561.32
Revenue from the sale of automotive parts and components	776,570,429.58	732,564,229.31
Revenue from the sale of moulds and others	18,871,402.32	26,853,487.73
Revenue from rendering services	17,217,163.25	18,988,265.94
Revenue from other businesses	211,601,967.87	279,424,087.26
Total	27,038,765,505.76	25,094,319,631.56

(2) Operating costs

Item	Six months ended 30 June 2014 (unaudited)	RMB Six months ended 30 June 2013 (unaudited)
Operating costs from principal businesses	20,783,099,185.41	19,259,905,420.29
Of which: Costs incurred from the sale of automobiles	20,119,047,489.12	18,619,590,071.33
Costs incurred from the sale of automotive parts and components	621,080,638.64	604,771,933.48
Costs incurred from the sale of moulds and others	15,692,123.42	23,522,586.42
Costs incurred from rendering services	27,278,934.23	12,020,829.06
Costs incurred from other businesses	176,811,118.05	223,688,609.04
Total	20,959,910,303.46	19,483,594,029.33

(3) Operating revenue from top five customers of the Company

Name of customer	Operating revenue	RMB
		Percentage of the total operating revenue of the Company (%)
Customer 1	588,352,329.24	2.18
Customer 2	220,708,961.79	0.82
Customer 3	139,680,000.00	0.52
Customer 4	132,637,350.62	0.49
Customer 5	95,474,085.70	0.34
Total	1,176,852,727.35	4.35

Notes to the Financial Statements

For the six months ended 30 June 2014

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

18. Business tax and surcharges

Item	RMB	
	Six months ended 30 June 2014 (unaudited)	Six months ended 30 June 2013 (unaudited)
Business tax	953,951.17	1,073,673.51
Consumption tax	725,206,985.55	700,911,436.93
Urban maintenances and construction tax	121,006,489.68	114,866,458.76
Educational surcharges	86,574,867.41	82,047,465.61
Others	12,409,658.18	8,817,757.31
Total	946,151,951.99	907,716,792.12

19. Administrative expenses

Item	RMB	
	Six months ended 30 June 2014 (unaudited)	Six months ended 30 June 2013 (unaudited)
Technology development expenditures	1,094,557,734.02	520,636,227.70
Wages and salaries	134,660,468.93	188,064,328.42
Taxes	46,065,141.73	32,373,277.00
Depreciation and amortization	38,543,172.34	27,614,445.97
Business reception fees	3,714,522.07	4,044,736.30
Office expenses	11,955,371.36	11,616,893.26
Repair and maintenance fees	39,942,085.13	11,646,879.88
Auditors' remuneration	744,411.32	480,000.00
Service charges	11,275,844.85	12,095,714.27
Others	16,546,792.71	16,888,644.58
Total	1,398,005,544.46	825,461,147.38

Notes to the Financial Statements

For the six months ended 30 June 2014

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

20. Investment income

(1) Breakdown of investment income

		RMB
Item	Six months ended 30 June 2014 (unaudited)	Six months ended 30 June 2013 (unaudited)
Income from long-term equity investments under equity method	1,884,213.36	1,898,188.47
Income from available-for-sale financial asset investment	2,012,054.79	12,102,490.51
Income from the disposal of long-term equity investments	—	3,450,000.00
Income from long-term equity investments under cost method	1,764,082,570.75	1,279,247,709.94
Total	1,767,978,838.90	1,296,698,388.92

(2) Income from long-term equity investments under equity method:

		RMB
Investee	Six months ended 30 June 2014 (unaudited)	Six months ended 30 June 2013 (unaudited)
Baoding Jiehua Automobile Components and Accessories Company Limited	55,885.13	57,062.77
Baoding Yanfeng Johnson Controls Automobile Seating Co., Ltd.	1,828,328.23	1,841,125.70
Total	1,884,213.36	1,898,188.47

There is no significant restriction on remittance of investment income back to the Company.

Notes to the Financial Statements

For the six months ended 30 June 2014

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

21. Income tax expenses

Item	RMB	
	Six months ended 30 June 2014 (unaudited)	Six months ended 30 June 2013 (unaudited)
Current income tax calculated according to tax laws and relevant rules	482,725,488.01	555,176,833.27
Deferred income tax	3,622,759.54	(17,130,658.46)
Total	486,348,247.55	538,046,174.81

Reconciliation between income tax expenses and accounting profits is as follows:

Item	RMB	
	Six months ended 30 June 2014 (unaudited)	Six months ended 30 June 2013 (unaudited)
Accounting profit/loss	5,271,460,111.91	5,029,655,773.61
Income tax rate	25%	25%
Income tax expenses calculated at tax rate of 25%	1,317,865,027.98	1,257,413,943.40
Tax effect of concessionary rate of the Company	(324,770,214.62)	(357,285,522.82)
Additional deduction for research and development costs	(61,233,527.28)	(44,555,396.09)
Tax effect of non-taxable income	(448,040,773.29)	(320,286,474.60)
Tax effect of non-deductible expenses	2,527,734.76	2,759,624.92
Total	486,348,247.55	538,046,174.81

Notes to the Financial Statements

For the six months ended 30 June 2014

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

22. Supplemental information of cash flow statements

(1) Supplemental information of cash flow statements

Supplemental information	RMB	
	Six months ended 30 June 2014 (unaudited)	Six months ended 30 June 2013 (unaudited)
1 Reconciliation of net profits and cash flow from operating activities:		
Net profit	4,785,111,864.36	4,491,609,598.80
Add: Impairment provisions for assets	6,958,041.62	3,005,634.84
Depreciation of fixed assets	574,113,409.11	367,237,068.70
Amortization of intangible assets	27,323,010.75	23,617,349.44
Amortization of long-term prepaid expenses	1,872,072.74	2,045,738.64
Depreciation of real estate held for investment	80,971.56	80,971.57
(Gains)/losses from change of fair value	5,395,518.86	(4,619,575.59)
(Gains)/losses on disposal of fixed assets, intangible assets and other long-term assets, net of gains	5,365,307.06	4,230,090.88
Amortization of deferred gains	(29,148,264.40)	(17,434,980.10)
Financing costs/(gains)	(3,132,635.86)	1,841,818.60
Investment losses/(gains)	(1,767,978,838.90)	(1,296,698,388.92)
(Increase)/decrease in deferred tax assets, net of increase	3,622,759.54	(17,130,658.46)
(Increase)/decrease in inventories, net of increase	(402,703,097.61)	(411,894,046.84)
(Increase)/decrease in operating receivables, net of increase	1,769,845,767.80	683,288,860.83
Increase/(decrease) in operating payables, net of decrease	(700,148,081.76)	202,944,564.38
Net cash flows from operating activities	4,276,577,804.87	4,032,124,046.77
2 Net change in cash and cash equivalents:		
Cash balance at the end of the six months	3,051,042,105.53	4,766,024,257.97
Less: Cash balance at the beginning of the six months	4,074,446,337.47	3,601,505,562.66
Add: Cash equivalents balance at the end of the six months	—	—
Less: Cash equivalents balance at the beginning of the six months	—	—
Net increase in cash and cash equivalents	(1,023,404,231.94)	1,164,518,695.31

Notes to the Financial Statements

For the six months ended 30 June 2014

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

22. Supplemental information of cash flow statements (continued)

(2) Components of cash and cash equivalents

Item	Six months ended 30 June 2014 (unaudited)	RMB Six months ended 30 June 2013 (unaudited)
1. Cash	3,051,042,105.53	4,766,024,257.97
Of which: Cash in hand	1,340,718.58	1,735,522.14
Bank deposits readily available for payment	3,049,701,386.95	4,764,288,735.83
Other cash and bank balances readily available for payment	—	—
2. Cash and cash equivalent balance as at the end of the six months	3,051,042,105.53	4,766,024,257.97

23. Related party transactions

(1) Purchases of raw materials and components

Related party	Category of related party transaction	Related party transaction	Pricing and decision making procedure	RMB	
				Six months ended 30 June 2014 (unaudited)	Percentage of the Company's total purchases of raw materials (%)
				Amount	
Subsidiaries of the Company	Purchase	Purchases of raw materials	Mutually agreed price	6,878,073,551.88	49.27
Jointly controlled entities of the Company	Purchase	Purchases of raw materials	Mutually agreed price	135,895,726.12	0.97

Related party	Category of related party transaction	Related party transaction	Pricing and decision making procedure	RMB	
				Six months ended 30 June 2013 (unaudited)	Percentage of the Company's total purchases of raw materials (%)
				Amount	
Subsidiaries of the Company	Purchase	Purchases of raw materials	Mutually agreed price	6,587,211,069.60	45.18
Jointly controlled entities of the Company	Purchase	Purchases of raw materials	Mutually agreed price	145,759,961.10	1.00

Notes to the Financial Statements

For the six months ended 30 June 2014

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

23. Related party transactions (continued)

(2) Sales of automobiles and components and parts

				RMB	
				Six months ended 30 June 2014 (Unaudited)	Percentage of the Company's total sales of automobiles and components and parts (%)
Related party	Category of related party transaction	Related party transaction	Pricing and decision making procedure	Amount	
Subsidiaries of the Company	Sales	Sales of automobiles or components and parts	Mutually agreed price	24,746,221,800.08	91.82
Jointly controlled entities of the Company	Sales	Sales of automobiles or components and parts	Mutually agreed price	493,291.84	—
Other related parties of the Company	Sales	Sales of automobiles or components and parts	Mutually agreed price	59,658.12	—

				RMB	
				Six months ended 30 June 2013 (Unaudited)	Percentage of the Company's total sales of automobiles and components and parts (%)
Related party	Category of related party transaction	Related party transaction	Pricing and decision making procedure	Amount	
Subsidiaries of the Company	Sales	Sales of automobiles or components and parts	Mutually agreed price	21,941,301,813.55	87.90

(3) Purchases of fixed assets and construction in progress

				RMB	
				Six months ended 30 June 2014 (Unaudited)	Percentage of the Company's purchases of fixed assets and construction in progress (%)
Related party	Category of related party transaction	Related party transaction	Pricing and decision making procedure	Amount	
Subsidiaries of the Company	Purchases of fixed assets and construction in progress	Purchases of fixed assets and construction in progress	Mutually agreed price	142,772,288.03	7.69
Other related parties of the Company	Purchases of fixed assets and construction in progress	Purchases of fixed assets and construction in progress	Mutually agreed price	64,800.00	—

Notes to the Financial Statements

For the six months ended 30 June 2014

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

23. Related party transactions (continued)

(3) Purchases of fixed assets and construction in progress (continued)

Related party	Category of related party transaction	Related party transaction	Pricing and decision making procedure	RMB	
				Six months ended 30 June 2013 (Unaudited)	Percentage of the Company's purchases of fixed assets and construction in progress (%)
				Amount	
Subsidiaries of the Company	Purchases of fixed assets and construction in progress	Purchases of fixed assets and construction in progress	Mutually agreed price	104,096,419.26	4.74
Jointly controlled entities of the Company	Purchases of fixed assets and construction in progress	Purchases of fixed assets and construction in progress	Mutually agreed price	55,665.31	—

(4) Sales of fixed assets

Related party	Category of related party transaction	Related party transaction	Pricing and decision making procedure	RMB	
				Six months ended 30 June 2014 (unaudited)	Percentage of the company's total sales of fixed assets (%)
				Amount	
Subsidiaries of the Company	Sales of fixed assets	Sales of fixed assets	Mutually agreed price	1,533,115.40	2.21

Related party	Category of related party transaction	Related party transaction	Pricing and decision making procedure	RMB	
				Six months ended 30 June 2013 (unaudited)	Percentage of the company's total sales of fixed assets (%)
				Amount	
Subsidiaries of the Company	Sales of fixed assets	Sales of fixed assets	Mutually agreed price	906,100.45	7.79

Notes to the Financial Statements

For the six months ended 30 June 2014

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

23. Related party transactions (continued)

(5) Acceptance of services

Related party	Category of related party transaction	Related party transaction	Pricing and decision making procedure	RMB	
				Six months ended 30 June 2014 (unaudited) Amount	Percentage of the Company's acceptance of services (%)
Subsidiaries of the Company	Acceptance of services	Acceptance of services	Mutually agreed price	177,841,418.03	17.31
Other related parties of the Company	Acceptance of services	Acceptance of services	Mutually agreed price	1,084,427.40	0.11

Related party	Category of related party transaction	Related party transaction	Pricing and decision making procedure	RMB	
				Six months ended 30 June 2013 (unaudited) Amount	Percentage of the Company's acceptance of services (%)
Subsidiaries of the Company	Acceptance of services	Acceptance of services	Mutually agreed price	86,347,484.92	54.68
Other related parties of the Company	Acceptance of services	Acceptance of services	Mutually agreed price	32,991.45	0.02

(6) Rendering of services

Related party	Category of related party transaction	Related party transaction	Pricing and decision making procedure	RMB	
				Six months ended 30 June 2014 (unaudited) Amount	Percentage of the Company's provision of services (%)
Subsidiaries of the Company	Rendering of services	Rendering of services	Mutually agreed price	24,685,407.45	66.32
Jointly controlled entities of the Company	Rendering of services	Rendering of services	Mutually agreed price	970,064.24	2.61

Notes to the Financial Statements

For the six months ended 30 June 2014

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

23. Related party transactions (continued)

(6) Rendering of services (continued)

Related party	Category of related party transaction	Related party transaction	Pricing and decision making procedure	RMB	
				Six months ended 30 June 2013 (unaudited)	Percentage of the Company's provision of services (%)
				Amount	
Subsidiaries of the Company	Rendering of services	Rendering of services	Mutually agreed price	24,378,820.65	52.72
Jointly controlled entities of the Company	Rendering of services	Rendering of services	Mutually agreed price	1,114,174.86	2.41

(7) Claims and others

Related party	Category of related party transaction	Related party transaction	Pricing and decision making procedure	RMB	
				Six months ended 30 June 2014 (unaudited)	Percentage of the Company's total claims and others (%)
				Amount	
Subsidiaries of the Company	Claims and others	Claims and others	Mutually agreed price	2,411,633.10	8.75
Jointly controlled entities of the Company	Claims and others	Claims and others	Mutually agreed price	210,067.33	0.76

Related party	Category of related party transaction	Related party transaction	Pricing and decision making procedure	RMB	
				Six months ended 30 June 2013 (unaudited)	Percentage of the Company's total claims and others (%)
				Amount	
Subsidiaries of the Company	Claims and others	Claims and others	Mutually agreed price	(29,692,726.38)	(50.30)
Jointly controlled entities of the Company	Claims and others	Claims and others	Mutually agreed price	32,658.37	0.06
Other related parties of the Company	Claims and others	Claims and others	Mutually agreed price	45,755.69	0.08

(8) Emolument of key management

Item	RMB'000	
	Six months ended 30 June 2014 (unaudited)	Six months ended 30 June 2013 (unaudited)
Emolument of key management	22,838	16,253

Notes to the Financial Statements

For the six months ended 30 June 2014

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

24. Receivables and payables of related parties

Item	Related party	RMB	
		2014.6.30 (unaudited)	2013.12.31 (unaudited)
Trade receivables	Subsidiaries of the Company	2,512,504,539.59	710,117,958.56
Subtotal:		2,512,504,539.59	710,117,958.56
Other receivables	Subsidiaries of the Company	60,736,031.40	40,395,934.08
Other receivables	Other related parties of the Company	—	300,000.00
Subtotal:		60,736,031.40	40,695,934.08
Prepayment	Subsidiaries of the Company	2,477,360.29	—
Subtotal:		2,477,360.29	—
Bills receivable	Subsidiaries of the Company	4,230,346.07	16,829,500.00
Subtotal:		4,230,346.07	16,829,500.00
Dividends receivable	Subsidiaries of the Company	2,204,610,295.72	213,493,374.21
Dividends receivable	Jointly controlled entities of the Company	9,000,000.00	9,000,000.00
Subtotal:		2,213,610,295.72	222,493,374.21
Trade payables	Subsidiaries of the Company	3,296,966,994.34	3,559,169,418.84
Trade payables	Jointly controlled entities of the Company	65,651,538.78	109,996,849.03
Trade payables	Other related parties of the Company	297,713.80	297,713.80
Subtotal:		3,362,916,246.92	3,669,463,981.67
Other payables	Subsidiaries of the Company	4,562,502.10	6,896,744.84
Other payables	Other related parties of the Company	4,794,517.85	—
Subtotal:		9,357,019.95	6,896,744.84
Advances from customers	Subsidiaries of the Company	3,304,247,682.69	2,418,234,087.84
Advances from customers	Other related parties of the Company	34,000.00	—
Subtotal:		3,304,281,682.69	2,418,234,087.84
Bills payable	Subsidiaries of the Company	95,839,346.08	27,822,573.15
Bills payable	Jointly controlled entities of the Company	1,450,000.00	—
Subtotal:		97,289,346.08	27,822,573.15
Dividend payable	Other related parties of the Company	298,100,000.00	—
Subtotal:		298,100,000.00	—

IX. APPROVAL OF THE FINANCIAL STATEMENTS

The company and consolidated financial statements of the Company had been approved by the Board of Directors of the Company on 22 August 2014.

Supplementary Information

(I) SUPPLEMENTARY INFORMATION

1. Breakdown of extraordinary gains and losses

		RMB
	Six months ended	Six months ended
Item	30 June 2014	30 June 2013
	(Unaudited)	(Unaudited)
Profit or loss from disposal of non-current assets	(6,068,369.76)	(4,353,424.62)
Government grants accounted for in profit and loss account of the current period (except for government grants closely related to the corporate business that were given under at a fixed standard amount or quantity as stipulated by the State)	45,937,058.34	45,475,445.04
Investment losses from the disposal of long-term equity investments and investment gains from the disposal of held-for-trading financial assets and available-for-sale financial assets	2,981,265.75	26,539,575.37
Gains (losses) from changes in fair value	(5,395,518.86)	4,619,575.59
Non-operating gains and losses other than the above items	27,875,918.24	17,669,423.50
Effect of income tax	(12,616,929.65)	(15,987,291.03)
Effect of minority interests (after tax)	13,914.01	(380,258.24)
Total	52,727,338.07	73,583,045.61

The extraordinary gains and losses of the Group was recognized in accordance with the relevant requirements of the "Compilation Rules for Information Disclosures by Companies that Offer Securities to the Public (No. 09) — Initial Public Offering and Listing Documents" and "Explanatory Notice for Information Disclosures by Companies that Offer Securities to the Public (No. 01) — Extraordinary Gains and Losses (2008)".

(I) SUPPLEMENTARY INFORMATION (continued)**2. Return on net assets and earnings per share**

This calculation of return on net assets and earnings per 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.

Six months ended 30 June 2014 (unaudited)	Weighted average return on assets (%)	Earnings per share Basic	Diluted
Net profit attributable to holders of ordinary shares of the Company	13.38	1.30	N/A
Net profit attributable to holders of ordinary shares of the Company, after deducting extraordinary gains and losses	13.21	1.28	N/A
Six months ended 30 June 2013 (unaudited)	Weighted average return on assets (%)	Earnings per share Basic	Diluted
Net profit attributable to holders of ordinary shares of the Company	17.57	1.34	N/A
Net profit attributable to holders of ordinary shares of the Company, after deducting extraordinary gains and losses	17.25	1.32	N/A

Supplementary Information

(I) SUPPLEMENTARY INFORMATION (continued)

3. Irregular movements in major items of the accounting statements of the Group and explanation on their reasons

Items of consolidated balance sheet as at 30 June 2014 with relatively material changes as compared with that as at 31 December 2013 are set ninth below:

		Unit: RMB		
Item		2014.6.30 (unaudited)	2013.12.31 (audited)	Change (%)
Held-for-trading financial assets (liabilities)	(1)	(1,125,401.00)	4,270,117.86	(126)
Prepayments	(2)	582,891,728.08	446,068,066.03	31
Other current assets	(3)	377,855,901.91	48,680,552.46	676
Long-term prepaid expenses	(4)	38,025,712.53	27,678,336.76	37
Short-term borrowing	(5)	764,264,631.72	182,198,866.04	319
Advance from customers	(6)	1,527,598,240.78	2,808,752,768.45	(46)
Salaries payable	(7)	458,943,785.10	1,096,561,764.67	(58)
Other payable	(8)	1,456,261,819.67	2,270,050,353.66	(36)
Minority interests	(9)	66,810,963.95	12,098,824.67	452

- (1) As at 30 June 2014, held-for-trading financial liabilities amounted to RMB1.13 million, and held-for-trading financial assets amounted to RMB4.27 million as at 31 December 2013, the increase was mainly due to the change in the fair value of forward foreign exchange contracts.
- (2) As at 30 June 2014, prepayments amounted to RMB582.89 million, representing an increase of 31% as compared with 31 December 2013. The increase was mainly due to the growth on the level of purchases during current period.
- (3) As at 30 June 2014, other current assets amounted to RMB377.86 million, representing an increase of 676% as compared with 31 December 2013. The increase was due to the increase on taxes to be deducted from Xushui branch during current period.
- (4) As at 30 June 2014, long-term prepaid expenses amounted to RMB38.03 million, representing an increase of 37% as compared with 31 December 2013. The increase was mainly due to the increase on decoration expense and rental on land use right.
- (5) As at 30 June 2014, short-term borrowing amounted to RMB764.27 million, representing an increase of 319% as compared with 31 December 2013. The increase was due to the addition on HKD borrowing for the purpose of dividend payment during current period.
- (6) As at 30 June 2014, advance from customers amounted to RMB1,527.60 million, representing a decrease of 46% as compared with 31 December 2013. The decrease was due to sales having declined during current period.
- (7) As at 30 June 2014, salaries payable amounted to RMB458.94 million, representing a decrease of 58% as compared with 31 December 2013. The decrease was due to payments during current period have been made for provisions on employee bonus payable for the period ended on 31 December 2013.
- (8) As at 30 June 2014, other payable amounted to RMB1,456.26 million, representing a decrease of 36% as compared with 31 December 2013. The decrease was due to payments on construction and equipment during current period.
- (9) As at 30 June 2014, minority interests amounted to RMB66.81 million, representing an increase of 452% as compared with 31 December 2013. The increase was due to the capital injection of the minority interests of the new established subsidiary Auto Finance during the period.

(I) SUPPLEMENTARY INFORMATION (continued)

3. Irregular movements in major items of the accounting statements of the Group and explanation on their reasons (continued)

Items of consolidated income statement for Six months ended 30 June 2014 with relatively material changes as compared with that for Six months ended 30 June 2013 are set forth below:

Unit: RMB

Item		Six months ended 30 June 2014 (Unaudited)	Six months ended 30 June 2013 (Unaudited)	Change (%)
Administrative expenses	(1)	1,604,705,114.81	1,033,999,951.06	55
Financial expenses	(2)	(46,118,743.89)	(30,447,573.94)	51
Impairment loss on assets	(3)	245,219.66	(537,971.10)	(146)
Gains or losses from changes in fair value	(4)	(5,395,518.86)	4,619,575.59	(217)
Investment income	(5)	6,693,807.34	30,278,889.54	(78)
Non-operating expenses	(6)	17,992,688.14	11,624,508.29	55
Gains or losses of minority interests	(7)	(113,738.75)	4,345,500.55	(103)
Other comprehensive income	(8)	3,056,456.30	(30,867.66)	(10002)

- (1) Administrative expenses in Six months ended 30 June 2014 amounted to RMB1,604.71 million, representing an increase of 55% as compared with Six months ended 30 June 2013. The increase was mainly due to the increase of the research and development fee during current period.
- (2) Financial expenses in Six months ended 30 June 2014 amounted to RMB46.12 million, representing a decrease of 51% as compared with Six months ended 30 June 2013. The increase was mainly due to the increase in exchange gains and losses during current period.
- (3) Impairment loss on assets in Six months ended 30 June 2014 amounted to RMB0.25 million, it was 0.54 million in the Six months ended 30 June 2013. The decrease was mainly due to reversal of provision on bad debts during the current period.
- (4) Losses from changes in fair value in Six months ended 30 June 2014 amounted to RMB5.40 million, it was a gain of RMB4.62 million in the Six months ended 30 June 2013. The decrease was mainly due to the change in fair value from transaction of forward foreign exchange contracts.
- (5) Investment income in Six months ended 30 June 2014 amounted to RMB6.69 million, representing a decrease of 78% as compared with Six months ended 30 June 2013. The decrease was mainly due to the decrease of investment income from investment product during current period and the decrease of investment income from the disposal of subsidiaries of the company during last period.
- (6) Non-operating expense in Six months ended 30 June 2014 amounted to RMB17.99 million, representing an increase of 55% as compared with Six months ended 30 June 2013. The increase was mainly due to the increase of moulds indemnity during current period.
- (7) Losses of minority interests in Six months ended 30 June 2014 amounted to RMB0.11million, representing a decrease of 103% as compared with Six months ended 30 June 2013. The increase was mainly due to the acquisition of Macs' minority interests during the second half of 2013 and the result of Macs' operation transferred to the Company during current period.
- (8) Other comprehensive income in Six months ended 30 June 2014 amounted to a loss of RMB3.06 million, it was a gain of 0.03 million with Six months ended 30 June 2013. The decrease was mainly due to the translation difference of financial statements denominated in foreign currency during current period.

The supplemental information provided by the management was endorsed by the following representatives of Great Wall Motor Company Limited on 22 August 2014:

Legal Representative:

General Manager:

Chief Financial Officer:

Head of Financial Department:

22 August 2014

Section 11 Index of Documents Available for Inspection

- I. FINANCIAL STATEMENTS SIGNED AND SEALED BY THE LEGAL REPRESENTATIVE, PERSON-IN-CHARGE OF THE ACCOUNTING AFFAIRS AND PERSON-IN-CHARGE OF THE ACCOUNTING DEPARTMENT.
- II. THE ORIGINAL REVIEW REPORT WITH THE SEAL OF THE ACCOUNTING FIRM AND SIGNATURE AND SEAL OF THE CERTIFIED PUBLIC ACCOUNTANT.

Chairman: Wei Jian Jun
Great Wall Motor Company Limited
22 August 2014



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